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Dividend Dynamics and Shareholders' Wealth: An Empirical Investigation based on NSE100 companies

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Abstract

This paper provides a comprehensive analysis of the relationship between dividend policy and shareholders' wealth and the impact of dividend policy on shareholders' wealth. Dividend policy, a critical aspect of corporate finance, plays a pivotal role in shaping the financial landscape of a firm. Though thousands of researches in developed and developing nations have been done in this area still there is puzzle whether paying dividends influences shareholders' wealth in a significant manner or not. The research attempts to shed light on the dynamics of the relationship between shareholders' wealth and dividend policy in the Indian context. The data for the study is gathered from the PROWESS IQ Database of CMIE consisting of 60 non-financial listed firms in NSE100 for 7 years i.e. 2017-2023. Correlation analysis is done to identify the relationship among DPS, DY, RPS, and EPS showing significant positive association among them. Using panel data and applying fixed effect model, the analysis shows there is significant positive impact of DPS & RPS on EPS.

Keywords: Dividend, shareholders' value, shareholders' wealth, retained earnings, dividend yield, earning per share

1. Introduction

The relationship between a company's dividend policy and shareholder wealth has long been a focal point of academic research and a subject of keen interest for investors, financial analysts, and corporate decision-makers. In corporate finance, the topic of dividend policy continues to be one of the most contentious. Financial economists have been modeling and analysing company dividend policies for more than 50 years but no consensus has been drawn regarding its impact. Dividends, as a means of distributing profits to shareholders, play a pivotal role in shaping the financial landscape of a company and influencing the investment decisions of its stakeholders. This research paper aims to explore the intricate dynamics between dividend policies and the creation of shareholder wealth, unraveling the multifaceted factors that contribute to this relationship.

Dividend policy, a strategic decision made by corporate boards, involves determining the portion of profits to be distributed to shareholders in the form of dividends versus retained earnings for reinvestment in the business. This decision is not merely a financial transaction; it reflects a company's stance on capital allocation, risk management, and its commitment to delivering value to shareholders. The significance of this policy lies in its potential impact on shareholder wealth, which encompasses the total returns realized by investors through a combination of capital gains and dividend income. Dividend payout policy of every company is a very key issue to deal with because it affects every stakeholder of the company (Chenchehene and Mensah, 2015) ^[1].

In contrast, the total value and returns that investors obtain from their investment in a company's shares are represented by shareholder wealth. Shareholder's wealth is the present value of the expected future returns to the owners of the firm (Alajekwu *et al.* 2020) ^[10]. The relationship between dividend policy and shareholder wealth is intricate and depends on a wide range of variables, including the company's financial standing, development prospects, investor preferences, and market views. The market price of a company's common stock is a measure of its shareholders' wealth (Sasu *et al.* 2015) ^[3].

To analyze the impact of dividend policy on shareholders' wealth, 60 non-financial listed firms from NSE100 are selected and data for the period of 7 years spanning 2017-2023 is gathered from the PROWESS Database of CIME and respective financial statements of the companies. Panel Regression Technique is employed in the study. At first pool ability test is done to identify whether data is poolable or not, after that using Hausman Test we found

Fixed effect model is appropriate. This statistical technique allows us to examine the relationship among dividend per share, dividend yield, retained earnings per share, and

various other factors that may influence shareholders' wealth.

2. Review of Literature

S. No.	Author, Place and Year	Sample and Period of Study	Objectives	Methodology	Findings
1	Chenchehene and Mensah, UK (2015) ^[11]	Data is collected for the period of 6 years from 2004-2008. 25 firms from the retail industry is considered for the study	To find out the effect of dividend policy on shareholders wealth in UK	The study employed panel data and regression estimate has been generated using fixed effect model.	The result shows that firm size, dividend payout have not much significant impact on shareholders wealth whereas earnings, profitability, share price, leverage and lagged dividend payout shows positive significant impact. Overall study concluded that dividend policy positively effect shareholders wealth.
2	Alim <i>et al.</i> , Pakistan (2014) ^[12]	A sample of fifty textile listed companies was selected from the Karachi Stock Exchange, and data covering the ten-year period from 2001 to 2010 was gathered in order to conduct the analysis.	To analyze the relationship and impact between dividend policy and shareholder wealth	Multiple Linear Regression model were used to analyze the data. Market price of share is used as proxy for shareholder wealth.	The analysis shows that dividend policy has significant positive impact on shareholder wealth meaning that as dividend increases the wealth of shareholder also increases.
3	Sasu <i>et al.</i> , Ghana (2017) ^[13]	The data for the period of 5 years i.e. from 2009 to 2014 is collected from the companies listed in Ghana Stock Exchange.	To examine the effect of dividend policy on shareholder value by analysing the determinants of dividend among the listed firms in Ghana	Pooled OLS Panel Regression is used for the analysis of data	The statistical significance of ROE, business age, tax, asset tangibility, GDP growth rate, and interest rate in explaining dividend policy is established. It was also recommended that dividend policy decisions be made using dividend yield. The study also demonstrates that dividend policy is closely tied to shareholder value and that the company pays a lower dividend when corporation taxes, GDP growth, age, and asset tangibility increase.
4	Sunmola and Emmanuel, (2016) ^[4]	Data is collected from 13 firms relating to Oil and Banking sectors listed in Nigerian Stock Exchange for the period of 5 years i.e. from 2008-2012.	To investigate how shareholder value is affected by dividend pay out, dividend per share, and earning per share.	Panel data and OLS method of estimation is used for the analysis of the study.	The study found a significant positive relationship between dividend policy and market price per share.
5	Farrukh <i>et al.</i> , Pakistan (2017) ^[15]	51 listed companies is chosen from Pakistan Stock Exchange for the period of 10 years ranging from 2006-2015.	The aim of this study is to determine how dividend policy affect the wealth of shareholders.	Redundant Fixed Effect and Breusch Pagan Test have been applied on panel data for the purpose of analysis. For measuring dividend policy, dividend per share and dividend yield are used. Whereas for measuring shareholder wealth earning per share and share price are used.	The study shows that there is positive significant impact of dividend policy on shareholder wealth.
6	Gamage and Peries, Australia (2020) ^[16]	13 companies accompanying to retail sector of Australia listed in ASX is considered. The data for the period of 5 years, spanning from 2012-2017 is collected for the analysis.	To examine the impact of dividend policy on shareholder wealth	Multiple Linear Regression is used for analysis of data. Dividend payout ratio is used as proxy of dividend policy and market value of share is used as proxy of shareholder wealth.	The study shows positive significant impact of dividend policy on shareholder wealth with R square of 0.345 meaning that 34.5% of variation in shareholder wealth is caused by dividend policy.
7	Balagobei, Sri Lanka (2015) ^[17]	The data is collected from the 12 listed companies in Colombo Stock Exchange belonging to manufacturing sector for the period of 5 years from 2008-2012.	To investigate the impact of dividend policy on shareholder wealth and to identify the relationship between dividend policy and shareholder wealth.	Correlation analysis is used to identify the relationship between dividend policy and shareholder wealth whereas regression analysis is used to assess the impact of dividend policy on shareholder wealth.	Correlation analysis shows that there is significant positive relation between dividend policy and shareholder wealth. Further the regression result shows 49.4% variability in shareholder wealth explained by dividend policy.
8	Ansar <i>et al.</i> , Karachi (2015) ^[18]	30 textile and cement industry companies that are listed in the Karachi Stock Exchange are selected. . Data for the period of 5 years is collected for analysis.	To investigate the impact of dividend policy on shareholders wealth.	Multiple linear regression is used for the analysis of data. For measuring shareholder wealth, market price of share is used and for measuring dividend policy, dividend per share & retained earnings is used.	Market price per share, which is used as a stand-in for measuring shareholder value, has a positive association with dividend share per share, retained earnings per share, lagged price, and return on equity. The regression model explains 55.11% of variability in shareholders wealth caused by dividend policy
9	Raza <i>et al.</i> (2018) ^[19]	-	To understand the nature and dimensions of dividend policy.	Conceptual paper based on review of literature	The study shows that there are three school of thoughts regarding dividend policy. First school of thought states

					that increase in dividend payout will increase market value of share. Second thought states that increase in dividend payout decreases market value of share. Third school of thought states that there is no relation between dividend payout and market value of share.
10	Alajekwu <i>et al.</i> , Nigeria (2020) ^[10]	The data is collected from 19 financial firm and 41 non-financial firm for the period of 11 years spanning 2006-2016.	To investigate the effect of dividend policy on shareholders wealth among financial and non-financial firms.	Panel data was used for analysis. Study employed Poolability test to ascertain whether data was poolable or not. Later on Hausman Test confirms fixed effect method.	The results demonstrated that the dividend policy and associated control variables explained 70% and 67% of the variation in the wealth of Nigerian investors in the financial services and non-financial services subsectors, respectively.
11	Azhagaiah and Gejalakshmi, India (2015) ^[11]	Multistage random sampling is used to select 13 FMCG firms listed on NSE for the period of 10 years spanning 2004-2014.	To analyze the relationship between dividend policy and shareholder wealth.	Augmented Dickey Fuller Test, White - Heteroskedasticity Test, Auto correlation, Breuch-Godfrey Serial correlation LM test, and ARCH-LM test Johansen Co-integration test and Granger causality test	The study shows that earning per share, dividend per share and retained earning per share are determining dividend policy and shareholder wealth. Further it was concluded that higher dividend payout increases shareholder wealth.
12	Ahmed, Bangladesh (2000) ^[12]	Data collected from 9 major industries for the period of 8 years i.e. 1988-1995	To determine the importance of dividend and retained earnings in stock price determination.	Pooled data is used and is analysed using Generalised Least Square technique for attaining efficient coefficient.	It is concluded that both retained earnings and dividend significantly affect share prices but dividend demonstrate superiority over retained earnings. Meaning that dividend signify strong effect in explaining share prices in comparison to retained earnings
13	Hunjra, Karachi (2014) ^[13]	Data of 63 listed companies at Karachi stock exchange for the period of 6 years from 2006-2011 is used for analysis.	To find out the effect of dividend yield, dividend payout ratio, return on equity, earning per share, profit after tax on stock prices.	Panel data is analysed using Ordinary least square regression model. Dividend yield and dividend payout is used as proxy to measure dividend policy.	The result shows that dividend yield and dividend payout both have significant impact on stock prices. Dividend yield is negatively related to stock prices whereas dividend payout is positively related. EPS and Net profit after tax shows significant impact on stock prices. Further there is positive insignificant impact of ROE on stock prices.
14	Wet, Johannesburg (2013) ^[14]	The sample consist of 46 companies listed in Johannesburg securities exchange for the period of 15 years from 1995-2010	To analyze the impact of dividend payments on shareholders wealth considering short and long run effect.	Panel data approach is used and data were analysed using fixed effect model.	Dividend yield is positively related to market price per share in the long run. Dividend payments have a significant positive effect on the market price per share. A one percent increase in dividend per share contributes a 3.76% increase in market price per share.
15	Azhagaiah and Priya, India (2008) ^[15]	Multistage random sampling is used to select 28 companies from the list of 114 listed companies in BSE for the period of 10 years i.e. 1997-2006.	To study the association between dividend payout and shareholder wealth and also to measure the impact of variation in dividend policy on shareholder wealth	Multiple regression method and step wise regression is used for analysis of data	The main findings are the significant influence of various factors on shareholders' wealth, the positive impact of dividend policy on wealth creation in dividend paying chemical companies, and the differential impact of dividend policy on shareholders' wealth in organic and inorganic chemical companies.

3. Objectives

1. To identify the relationship among dividend policy (DPS, DY) and retained earnings per share (RPS) on shareholders' wealth of Indian Non-financial firms.
2. To analyse the impact of dividend policy (DPS, DY) and retained earnings per share on shareholders' wealth of Indian Non-financial firms.

4. Hypotheses for the study

- H1- There exists a significant relationship between dividend per share and shareholders' wealth.
- H2- There exists a significant relationship between dividend yield and shareholders' wealth.
- H3- There exists a significant relationship between retained earnings per share and shareholders' wealth.
- H4- There is a significant impact of dividend per share on shareholders' wealth.
- H5- There is a significant impact of dividend yield on shareholders' wealth.

H6- There is a significant impact of retained earnings per share on shareholders' wealth.

5. Data and Methodology

5.1 Data

Our study is centered around India's non-financial sector. The companies in the sample were listed on the NSE100 as of 31st March 2023. As Nifty 100 consists of the top 100 companies based on market capitalization, it makes 100 companies the sample for the above study. Of these 100 companies, all 32 financial and government companies were excluded as separate laws and regulations governing them. Furthermore, 8 more companies were dropped from the sample because they had not yet paid any dividends. Thus, the final sample for the above study consists of 60 companies.

Data for the analysis in this study was based on secondary data. The PROWESS database of the CMIE (Centre for Monitoring Indian Economy) and the annual reports of the

companies for the seven years i.e. 2017–2023 were used for the collection of the required data. The study has considered the financial period ending on March 31st for reporting the variable.

5.2 Variables

5.2.1 Dependent Variable

Earnings per share (EPS): The amount of a company's earnings that is allotted to each share of common stock after taxes and preferred stock distributions are known as earnings per share (Rashidul Islam *et al.*, 2014). Earnings per share is regarded as the most generally used metric to measure a company's profitability. It is an indicator of the company's dividend payment capacity. The higher the profitability, the more will be dividend payment (Azhagaiah and Gejalakshmi, 2015) ^[11]. It is calculated simply by dividing Net income by the Number of equity shares.

5.2.2 Explanatory Variables

As maximization of shareholder's wealth is the prime objective of a finance manager, it becomes important to understand how much amount company is distributing as dividend payment and how much it retained for future investment opportunities. Thus, 2 proxies Dividend per share (DPS), and Dividend Yield (DY), as well as Retained Earnings Per Share (RPS) are used to measure the dividend policy of a company.

- **Dividend Per Share (DPS):** The total amount of a company's declared dividends for each outstanding common share is known as dividend per share. It is calculated as follows: dividing the total dividends paid by the total number of shares outstanding. It indicates how well earnings can cover the dividend payment (Azhagaiah and Gejalakshmi, 2015) ^[11].
- **Dividend Yield (DY):** Dividend Yield measures how much dividends are distributed to shareholders to the share's market value. A company that has a high dividend yield distributes an adequate amount of its earnings to shareholders as dividends. It is generally expressed in percentages and calculated as follows: dividend per share divided by market price. (Alajekwu *et al.*, 2020) ^[10].
- **Retained Earnings per share (RPS):** Retained Earnings

Per Share is the amount of net income that the business keeps for itself instead of paying dividends to its shareholders. A company that sees growth in its retained earnings might use those extra funds to grow its operations, which could result in large profits and increase the company's valuation (Azhagaiah and Gejalakshmi, 2015) ^[11]. It is calculated as follows: Retained Earnings divided by the number of equity shares outstanding.

5.2.3 Control Variables

This study also accounts for several additional variables that earlier research has shown to be important predictors of shareholders' wealth. We used 4 control variables in this study. These are the Firm's size, Growth Opportunities, firm's leverage, and return on assets.

- **Firm's Size (SIZE):** The size of the company may be a sign that it is growing, which will encourage good market reaction. A company's size increases with its overall assets and sales. It is measured by taking a natural log of total assets (Alajekwu *et al.*, 2020, Ataüinal, 2016) ^[10, 18].
- **Growth Opportunities (GR):** Growing firms could potentially yield higher profits for their owners. Thus, we expect a positive impact of growth opportunities on shareholders' wealth. It is measured by the market value of equity divided by the book value of equity (Ataüinal *et al.*, 2016) ^[18].
- **Leverage (NLEV):** Financial Leverage quantifies the amount of debt incurred in the day-to-day operations of the company. A company may be highly leveraged (high debt to equity) or low leveraged (low debt to equity). It can be calculated as total debt divided by total assets (Tak, Alina, 2016, Alajekwu *et al.*, 2020) ^[19, 10].
- **Return on Assets (ROA):** A profitable firm will undoubtedly draw in investors, which will increase demand for its shares and drive up the price of the stock. We use Return on Assets as a proxy of profitability for measuring shareholders' wealth. It is measured as Profit before depreciation, interest, and tax divided by total assets (Chenchehene and Mensah, 2015, Veronica, 2022) ^[1, 16].

Table 1: Key variables and its measurement

Sl. No.	Construct	Acronym	Definition/Measurement
1	Earnings Per Share	EPS	Net Income/No. of Equity Shares
2	Dividend Per Share	DPS	Total Dividend Paid/ Total No. of Share Outstanding
3	Dividend Yield	DY	Dividend Per Share/ Market Price Per Share
4	Retained Earnings Per Share	RPS	Retained Earnings/No. Of Equity Shares Outstanding
5	Leverage	NLEV	Total Debt/Total Assets
6	Growth Opportunities	GR	Market value of Equity / Book value of Equity
7	Firm's Size	SIZE	Natural log of Total Assets
8	Return on Assets	ROA	Profit before Depreciation, Interest and Tax/Total Assets

5.3 Methodology

The impact of dividend policy on shareholders' wealth has been examined using panel data regression because the study's data structure is longitudinal in nature. Panel data are observations made across multiple time periods on the same cross-sectional or individual units. The collected data consists of the same firm (company) surveyed for a period of 7 years i.e. 2017-2023. Thus, the Panel data methodology is apt and suggestive. This methodology includes Pooled

Ordinary Least Square (Pooled OLS), Fixed Effects Model (FEM), and Random Effects Model (REM). We can use Pooled OLS when there are no individual or time effects in the model or there is no distinction among different firms (companies). But whenever we assume that firms (companies) have some special characteristics of their own over a period of time, we are talking about Fixed Effects Model (FEM) or Random Effects Model (REM) (Alajekwu *et al.*, 2020) ^[10]. If we assume that both time and firm-

specific effects exist in the model and data is drawn from a much larger population, we can use the Random Effect Model (REM) but our sample consists of only 60 companies drawn from NSE 100 companies. Later on, we checked individual effects and time effects in the regression equation and found only significant individual effects, which guided us to go for The Fixed Model. We have applied the Hausman Test, and Breusch and Pagan Lagrangian multiplier test for random effects. We applied Breusch and Pagan Lagrangian multiplier test for random effects to decide between pooled OLS and the Random Effects Model which shows we cannot use Pooled OLS. In the end, Hausman Test confirms that the Fixed Effects Model (FEM) is appropriate. Thus, we applied the Fixed Effect Model using Stata15.

The model below has been utilized to help us comprehend how the dividend policy affects the wealth of shareholders.

$$EPS_{it} = \delta_0 + \delta_1 DPS_{it} + \delta_2 DY_{it} + \delta_3 RPS_{it} + \sum_{j=4}^n \delta_{\delta_j} (CV)_{it} + u_{it}$$

Where,

EPS = Earnings per share

DPS = Dividend Per Share

RPS = Retained Earnings Per Share

CV includes all control variables such as firm's Size (SIZE),

Table 2: Summary Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max	Variance	Skewness	Kurtosis
EPS	420	65.88381	113.9421	-160.25	753.4	12982.8	3.415208	16.80362
DPS	420	26.75812	50.48295	0	480	2548.528	4.513943	30.66049
DY	420	1.292178	3.401863	0	42.39766	11.57267	8.709486	95.10796
RPS	420	283.4163	516.1573	-276.16	3429.267	266418.4	3.827303	19.16166
LNSIZE	420	9.98783	1.252551	7.056175	13.7868	1.568884	0.298318	2.96645
GR	420	9.905719	31.32103	-12.94	598.34	981.0072	16.06817	298.5437
NLEV	420	0.34545	0.19882	0.018748	1.203101	0.039529	1.023555	4.25712
ROA	420	17.08702	11.43249	-8.60954	52.78107	130.7019	0.861824	3.428909

5.3.2 Correlation Analysis

Table 3 represents the correlation matrix among dependent, independent, and control variables. There is a highly significant positive correlation between dividends per share (DPS), Retained earnings per share (RPS), and Earnings per share (EPS), as indicated by the correlation coefficient value of 0.589*** and 0.785 significant at 1% respectively. The correlation coefficient value between dividend yield and earnings per share is 0.099** significant at 5%, representing a significant positive relationship exists between dividend

Growth opportunities (GR), Leverage (NLEV), and Return on Assets (ROA) subscript t means time period and i means firm.

Additionally, correlation analysis was also employed to evaluate the strength of the relationship between the variables.

5.3.1 Summary Statistics

The summary statistics for every variable taken into account in this study are shown in Table 2. The average Earnings Per share (EPS) is 65.88 with a maximum of 753.4 and a minimum of -160.25. The average Dividend Per Share (DPS) is 26.76 with a maximum of 480 and a minimum of 0 which means the company was not paying any dividends. The average Dividend Yield (DY) is around 1.29 with a maximum of 42.40 and a minimum of 0 as the company didn't pay any dividends. The average Retained Earnings per Share (RPS) is 283.416 with a maximum of 3429.27 and a minimum of -276.16. The average size measure of companies is 9.98. The average Growth opportunities (GR) for companies is 9.91 with a maximum of 598.34 and a minimum of -12.94. The average financial leverage of companies is 0.35 with a maximum of 1.2 and a minimum of 0.02. The average return on assets among companies is around 17.09 with a maximum of 52.78 and a minimum of 0.02.

yield and earnings per share. Therefore, our H1, H2, and H3 are accepted showing there exists a significant positive relationship exists DPS, DY, and EPS. Among control variables, the highest correlation value is 0.225 between the Dividend Yield (DY) and the firm's Size (SIZE) and the lowest correlation value is -0.379 between the return on Assets (ROA) and the firm's Size (SIZE). Each explanatory and control variable has a weak association with the others, as the correlation matrix demonstrates. Multicollinearity in regression models is therefore not a problem.

Table 3: Correlation Matrix

	EPS	DPS	DY	RPS	LNSIZE	GR	NLEV	ROA
EPS	1							
DPS	0.5899***	1						
DY	0.0996**	0.1512***	1					
RPS	0.7859***	0.5112***	-0.0087	1				
LNSIZE	-0.0523	-0.1001**	0.2255***	-0.0224	1			
GR	-0.0453	0.1271***	-0.045	-0.0765	-0.1284***	1		
NLEV	-0.0456	0.0683	-0.0037	-0.1106***	-0.106**	0.2464***	1	
ROA	0.2586***	0.3648***	0.086*	0.0513	-0.3796***	0.1169***	0.0299	1

***, **, *Denotes significant at 1%, 5%, and 10% respectively.

6. Results and Discussion

The impact of dividend policy on shareholders' wealth is investigated using the Fixed effect model presented in Table

4. As per the Hausman test, the Fixed Effects Model is the appropriate model. The reason for the term "fixed effects" is that, while the intercept may differ between firms, each company's intercept may remain constant throughout time

i.e. time-invariant (Gujarati, 2014) [21]. Then, we proceeded to check for heteroskedasticity using the Modified Wald test for groupwise heteroskedasticity in the fixed effect regression model and found a highly significant value {chi2 (60) = 1.6e+06}, thereby rejecting the null hypothesis of homoscedasticity. Thus, we estimated our regression results using Robust Standard Errors. In the model, Dividend per share (DPS), Dividend Yield (DY), and Retained earnings per share (RPS) are regressed as independent variables along with 4 control variables namely Growth opportunities (GR), firm's size (SIZE), Financial Leverage (NLEV) and Return on Assets (ROA).

The results show that there is a highly positive significant relationship between dividend per share (DPS) and retained earnings per share (RPS) with shareholders' wealth (EPS). This suggests that increasing the dividend per share will increase shareholders' wealth because the companies that pay out large dividends to their shareholders are generally thought to perform well since it informs investors about the company's good reputation and enables them to raise capital through the issuance of additional shares. Companies may generate more revenue as a result. Thus, increasing the wealth of the shareholders (EPS). Since retained earnings (RPS) strengthen the company's financial position on paper, it increases the company's capacity to withstand unforeseen

losses and draw in new investments. Consequently, drawing in more investors and boosting the wealth of shareholders (EPS). The results are also supported by Balagobei, 2015, Azhagaiah, and Gejalakshmi, 2015 [7, 11]. Dividend Yield shows a positive but insignificant impact on Shareholders' wealth (EPS). The results are supported by Alajekwu, 2020 [10]. So, our H4, and H6 are accepted. In the case of control variables, Growth opportunities (GR) show a significant negative relationship with shareholders' wealth (EPS) and ROA shows a highly positive relationship with EPS. Thereby, confirming higher the profit earned, the higher be shareholders' wealth. The firm's size (SIZE) shows insignificant positive relations with EPS while financial leverage (NLEV) shows a negative insignificant relationship with shareholders' wealth (EPS). The f statistics indicate whether the dependent variable is jointly influenced by all of the independent variables included in the model (Widati and Gunawan, 2021) [20]. The f statistics show a value of 36.7 with a p-value of 0.0000. So, we can say that all independent variables i.e. DPS, EPS, and RPS simultaneously or jointly influence the shareholders' wealth (EPS). The value of the adjusted R-square is 0.517 which means the proposed model is able to explain a 51.7% variation in Shareholders' wealth (EPS) due to dividend policy and retained earnings of the firm.

Table 4: Estimated Results

	Coefficient	Std. error	t-ratio	p-value	
const	-298.913	147.382	-2.028	0.0471	**
DPS	0.118346	0.0393128	3.01	0.0038	***
DY	1.55059	1.00308	1.546	0.1275	
RPS	0.163421	0.0420248	3.889	0.0003	***
LNSIZE	25.1488	16.0208	1.57	0.1218	
GR	-0.0934163	0.0367696	-2.541	0.0137	**
NLEV	-54.4641	44.5037	-1.224	0.2259	
ROA	4.79121	1.14863	4.171	0.0001	***

* $p < 0.10$ ** $p < 0.05$ *** $p < 0.01$

Number of Observations = 420

Breusch and Pagan Lagrangian multiplier test for random effects = 143.05***

Hausman test = 26.84***

R-squared = 0.52505466

Adjusted R-squared = 0.5169852

F (7, 59) = 36.7; P-value (F) = 0.000

Durbin-Watson = 1.561151

Modified Wald test for groupwise heteroskedasticity= 1.6e+06***

Wooldridge test for autocorrelation in panel data

F (1, 59) = 0.0000 Prob > F = 0.9899

7. Conclusion

The goal of this study is to determine how dividend policy and shareholder wealth are related, as well as to look at how dividend policy affects shareholder wealth. By taking 60 non-financial firms (Companies) from NSE100 for the period of 7 years i.e. 2017-2023, we concluded that dividends per share and retained earnings play a significant role in determining shareholders' wealth using correlation analysis. A company paying regular dividends means they have good earnings capacity and may give a positive signal to the market, hence it increases/decreases shareholders' wealth. From the above discussions, we found a significant positive relationship between DPS and EPS and RPS and EPS but yielded an insignificant positive relationship with dividend yield (DY) and shareholders' wealth (EPS). In this competitive era, companies should adopt an efficient, steady, and stable dividend policy by management to

maximize shareholders' wealth as the study strongly supported the signalling hypothesis. The study advises managers to pursue growth or prudent investment activities that will improve income returns to shareholders, including capital gains and dividend payments.

8. Limitations and Scope for Future Research

Secondary data served as the study's foundation. As a result, the study's quality is dependent on the secondary data sources' dependability, accuracy, and quality. The study covers a 7-year time frame with the short panel, in the future research can be conducted with large panel data as well. We can include more proxy variables of dividend policy and shareholder's wealth like dividend payout ratio, market price per share, etc. to provide a broader view of the impact of dividend policy on shareholders' wealth.

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