



INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

CONTENTS

Sr. No.	Title & Name of the Author (s)	Page No.
1.	PERFORMANCE AND ALTERNATIVE OF EXPORT DEVELOPMENT STRATEGIES FOR INDONESIAN NATURAL RUBBER <i>MUHAMMAD YUSUF</i>	6
2.	INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) AND SMES IN NIGERIA: PERCEPTIONS OF ACADEMIC <i>OJEKA, STEPHEN A. & DR. O. MUKORO DICKSON</i>	13
3.	THE IMPACT OF RESEARCH ON ACCOUNTING PROFESSION <i>DR. MUKORO DICK OLUKU</i>	20
4.	EMOTIONAL INTELLIGENCE - A STUDY WITH SPECIAL REFERENCE TO THE EMPLOYEES OF SALALAH COLLEGE OF TECHNOLOGY <i>DR.M.KRISHNA MURTHY & S. VARALAKSHMI</i>	27
5.	ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - A FOCUS ON NIGERIA <i>IYOHA, F.O & FABOYEDE, S.O.</i>	35
6.	ROLE OF DEMOGRAPHICS IN ORGANISATIONAL ROLE STRESS <i>NIDHI TURAN & PROF. SULTAN SINGH</i>	41
7.	ANALYSIS OF FDI INFLOWS IN INDIA <i>MRS. JAYASHREE PATIL-DAKE</i>	46
8.	THE RELATIONSHIP BETWEEN EFFECTIVE LEADERSHIP AND EMPLOYEE PERFORMANCE <i>A. SENTHAMIL RAJA & DR. P. PALANICHAMY</i>	51
9.	A FUZZY BASED SERVPERF MODEL TO ASCERTAIN RESTAURANT SERVICE <i>S. RITA, RITESH CHAUHAN & B. SAROJINI</i>	60
10.	A COGNIZANCE TO INFORMATION SECURITY <i>SHAILESH MAHESHWARI</i>	68
11.	AN APPRAISAL OF MODELING DIMENSIONS FOR PERFORMANCE APPRAISAL OF GLOBAL MUTUAL FUNDS <i>G. V. SATYA SEKHAR</i>	71
12.	EMPIRICAL RELATIONSHIP BETWEEN SELF AWARENESS AND SERVANT LEADERSHIP <i>VIVEKANANDA SURI & DR. V. M. PRASAD</i>	81
13.	PERFORMANCE OF NEW GENERATION BANKS IN INDIA: A COMPARATIVE STUDY <i>DILIP KUMAR JHA & DR.DURGA SANKAR SARANGI</i>	85
14.	ROLE OF MICROFINANCE IN UPLIFTING WOMEN STATUS <i>DR. SHABANA, MRS. MANMINDER KAUR & DR. R. K. MAHESHWARI</i>	90
15.	FIVE ESSENTIAL INGREDIENTS FOR SERVICE EXCELLENCE: A LESSON TO LEARN TO INDIAN ORGANISATIONS <i>SUMIT AGARWAL & PALLAVI BHARDWAJ</i>	94
16.	FOREIGN DIRECT INVESTMENT IN INDIA: CHALLENGES AND OPPORTUNITIES IN MULTI-BRAND RETAIL SECTOR <i>DR. SAMEENA KHAN & FAYAZ AHAMED</i>	97
17.	IMPACT OF ADVERTISING ON CHILDREN WITH SPECIAL REFERENCE TO EATING HABITS <i>PROF. PADMPRIYA ANAND IRABATTI</i>	103
18.	THE IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS' WEALTH (A STUDY WITH REFERENCE TO FERRO ALLOY AND ALLOY STEEL INDUSTRY IN INDIA) <i>S. ARAVANAN & MANEESH. MANNARAKKAL</i>	110
19.	DETERMINANTS OF CORPORATE PROFITABILITY OF LISTED COMPANIES IN INDIA <i>SHAJI. K.P & DR. P. PALANICHAMY</i>	118
20	CUSTOMER PERCEPTION ON ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS - AN EMPIRICAL STUDY <i>S. KAVITHA & DR. A. LAKSHMI</i>	122
	REQUEST FOR FEEDBACK	135

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**THE IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS' WEALTH
(A STUDY WITH REFERENCE TO FERRO ALLOY AND ALLOY STEEL INDUSTRY IN INDIA)**

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ABSTRACT

The aim of this paper is to analyze the impact of dividend policy on shareholders wealth in Ferro Alloy and Alloy steel companies in India. To measure the impact of dividend policy on shareholders wealth multiple regression and step wise regression models are used by taking DPS (Dividend per share) RE (Retained earnings per share) PE_{t-1} (Lagged price earning ratio) and MPS_{t-1} (Lagged market value per share) as independent variables and MPS (Market value per share) as dependent variable. To decide the proportion of explained variation in the dependent variable, the coefficient of determination (Adjusted R^2) has been tested with the help of F values. The analysis is based on a sample of 18 steel companies listed on the Bombay Stock Exchange over a period of 10 years from 1999 to 2008. The dividend policy can be constructed as distribution (timing and pattern) of dividend payment. The empirical results of the study show that there is a significant impact of dividend policy on shareholders wealth in Alloy steel companies, while the shareholders wealth is not influenced by dividend pay out to the extent that Ferro Alloy steel companies in India are concerned.

KEYTERMS

Dividend paying companies, Dividend non paying companies, Dividend per share, Retained earnings per share, Lagged price earning ratio, Lagged market value per share, Market value per share.

INTRODUCTION

Dividend policy refers to the policy chalked out by companies regarding the amount it would pay to their shareholders as dividend.¹ The main objective of any dividend policy should be to divide the net earnings in an optimum manner so as to pay dividends and retained earnings for reinvestment with the objective of maximizing the wealth of shareholders.² Dividend policy can provide shareholders an insight on management view on earning trends and current share price, as well as its stance on financial slack. This information is important in valuing the company and assessing the management.³ Dividend may also provide a vehicle for communicating management superior information concerning their interpretation of the firm's recent performance and their assessment of future performance.⁴ Dividend policy is important to shareholders because it can affect share price and shareholder's wealth⁵. A cash dividend entitles the shareholders to a certain sum of money and is the ordinary way in which he reaps from time to time the fruits of his investment. It divides among the shareholders the accumulated earnings of the corporation⁶. Companies make a proper balance between dividend payment and retained earnings. When the firm increases retained portion of the net earnings, shareholders current income in the form of dividend decreases. On the other hand, when dividends are increased share holders current income will increase and this influences the market value of share. Generally the payment of dividends may significantly influence the market price of share. The higher dividend may increase the value of a share and low dividend may reduce the market value of share.⁷

DIVIDEND FROM THE TAX PERSPECTIVE OF THE SHAREHOLDERS

The shareholder's wealth is reflected by the combination of the share price and dividend payment. The payment of dividend can improve corporate governance by offering investors clear signal about a company's future financial health and by imposing discipline on corporate manger. Dividends have their advantages and disadvantages from the perspective of the firm's management and its share holders. From the tax perspective of the shareholders, rising share price implies higher capital gain tax while dividend increase means higher dividend tax. Some shareholders prefer capital gain tax because they have to be paid only when the share are sold. Because shareholders can control when they will sell, they can potentially defer capital gains taxes for many years. Some shareholders favor dividends, even though they lack the advantages associated with deferral, preferring the flexibility that come with cash dividend payment. This liquidity allows investors to more easily manage their financial affairs redirecting funds behind that they offer important means to judge the firm financial health and future prospects⁸. The present work is an attempt to study the impact of dividend policy on shareholders' wealth of selected Ferro Alloy and Alloy steel companies in India.

STATEMENT OF THE PROBLEM

In India a few studies have analyzed the relationship between the share holders wealth and dividend payment. Net earnings are divided in to two parts- retained earnings and dividends. The retained earnings of the business may be reinvested and treated as long term funds. The dividend should be distributed to the shareholders in order to maximize their wealth as they have invested their money in the expectation of being made better of financially. Therefore the present study mainly analyzes how far the level of dividend affects the shareholders wealth particularly in Ferro Alloy and Alloy Steel companies in India.

OBJECTIVES OF THE STUDY

To study the relationship between dividend payout and shareholder wealth.

To analyze whether increase in dividend leads to increase in shareholders wealth.

To analyze the impact of variation in dividend policy on shareholders wealth of dividend paying and nonpaying companies Ferro Alloy and Alloy Steel companies in India.

To analyze the impact of retained earnings and past performance in the presence of dividend policy on shareholders wealth of Ferro Alloy and Alloy Steel companies in India.

HYPOTHESES

H₀¹ There is no significant difference in average market value relative to book value of equity between dividend payers and non payers of Ferro Alloy steel companies in India.

H₀² There is no significant difference in average market value relative to book value of equity between dividend payers and non payers of Alloy steel companies in India.

H₀³ There is no significant difference in average market value relative to book value of equity between dividend payers and non payers of Ferro Alloy and Alloy steel companies in India.

H₀⁴ There is no significant impact of dividend policy on shareholder's wealth in Ferro Alloy Steel Companies in India.

H₀⁵ There is no significant impact of dividend policy on shareholder's wealth in Alloy Steel Companies in India.

H₀⁶ There is no significant impact of dividend policy on shareholder's wealth in Ferro Alloy and Alloy steel Companies in India.

METHODOLOGY

The study uses only secondary data which are collected from CMIE (Center for Monitoring Indian Economy) Prowess package. Analytical method is used for interpreting the date. The data collected from this source have been used and compiled with due care as per requirement of the study.

PERIOD OF THE STUDY

The data used for the analysis are relating to the selected Ferro Alloy and Alloy steel companies for the period of ten years ranging from 1999 to 2008.

SAMPLING DESIGN

Originally the sample for this study has been chosen from the list of companies listed in BSE. The sample of 18 companies in Ferro Alloy and Alloy steel industry has been chosen from 141 listed Ferro Alloy and Alloy steel companies in BSE (Bombay Stock Exchange). The sample unit of 10 from Ferro Alloy Steel industry and 8 from Alloy

Steel industry, ie, 18 companies have been chosen by convenient sampling technique. The sample units have been chosen for the study based on the availability of required financial data like, Current share price, Dividend per share, Retained earnings, Lagged market price and Lagged price earning ratio for a period of 10 years from 1999 to 2008. These data were available for the above period only in the case of 18 companies. Hence the study has to be done on 18 companies only.

TOOLS USED FOR ANALYSIS OF DATA

The equation and variables used for the study are given below;

$$MPS_{it} = a + b \text{DPS}_{it} + c \text{RE}_{it} + e_{it} \dots\dots\dots (1)$$

$$MPS_{it} = a + b \text{DPS}_{it} + c \text{RE}_{it} + (\text{PE})_{t-1} + e_{it} \dots\dots\dots (2)$$

$$MPS_{it} = a + b \text{DPS}_{it} + c \text{RE}_{it} + (\text{MPS})_{it} + e_{it} \dots\dots\dots (3)$$

Where,

MPS_{it} = Market price per share.

DPS_{it} = Dividend per share.

RE_{it} = Retained earning per share.

PE_{t-1} = Lagged price earning ratio.

MPS_{it-1} = Lagged market price (MV_{t-1})

The subscript 'i' denotes the ith company in a sample of n companies selected from a particular industry, and all variables are measured in the tth time period. Market price per share is the closing price for the year.

To analyze data, the statistical tools used are; Mean, Standard deviation, multiple regression technique and step wise regression method to ascertain best fitted model for predicting the dividend policy. The significance of various explanatory variables have been tested by computing t values. To determine the proportion of explained variation in the dependent variables, the coefficients of determination (R²) have been worked out. The significance of R² has also been tested with the help of F- values.

LIMITATIONS OF THE STUDY

Due to shortage of time and resources, the study is limited to Ten years data from (1999-2008). Therefore a, detailed trend covering a lengthy period has not been considered.

The study is based on secondary data collected from CMIE Prowess package. Therefore, the quality of the study depends purely upon the accuracy, reliability and quality of secondary data.

The study is limited to 18 companies of Ferro Alloy and Alloy steel industry only listed in BSE. Therefore it is not possible to reach a meaningful conclusion from the present study relating to dividend trends in the entire steel industry.

Thus while using the findings of the study one should be careful and use the same judiciously, by taking the various limitations in to consideration.

ANALYSIS AND INTERPRETATION

COMPARISON OF SHAREHOLDER'S VALUE BETWEEN DIVIDEND PAYERS AND NON PAYERS AMONG SELECTED STEEL COMPANIES

Before going through an in-depth evaluation of the relationship between dividend policy and the wealth of shareholder in the selected Ferro Alloy and Alloy steel companies in India, it has been tried to compare investor's average wealth (mean value of market value to book value) between dividend paying and dividend non paying steel companies under the above mentioned categories.

The comparison of the mean value of market value to book value of all selected companies together, pooling them from both the segments, Ferro Alloy and Alloy Steel, under dividend paying and nonpaying category is also carried out. The significance of the mean difference between dividend payer and non dividend payer is examined with the help of 't' test. The results of the analysis are shown in table .1, 2, and 3.

TABLE 1: YEAR WISE COMPARISON OF MARKET VALUE TO BOOK VALUE OF EQUITY BETWEEN DIVIDEND PAYING AND NON DIVIDEND PAYING SELECTED FERRO ALLOY STEEL COMPANIES IN INDIA

Year	Dividend Payers		Dividend Non Payers		t-values	LS
	Mean	SD	Mean	SD		
1999	0.39	0.32	0.77	0.57	-1.29	ns
2000	0.28	0.26	0.44	0.37	-0.78	ns
2001	0.18	0.17	0.36	0.38	-.97	ns
2002	0.33	0.29	0.74	0.75	-1.13	ns
2003	1.29	1.08	1.65	2.12	-0.34	ns
2004	1.57	1.18	1.52	1.04	0.065	ns
2005	1.38	0.72	2.33	1.41	-1.13	ns
2006	1.35	0.72	2.73	2.39	-1.24	ns
2007	2.54	0.77	4.86	1.26	-3.51	s
2008	0.59	0.16	0.83	0.31	-1.54	ns
All Years	0.99	0.76	1.62	1.38	-1.28	ns

SD - Standard Deviation; ns – Not significant; Significant at 1% level < 0.01 and Significant at 5% < 0.05

Table 1 indicates that the average market value relative to book value of equity of the dividend paying companies is less than the average market value relative to book value of equity of non-dividend paying companies for all the years except that of in 2004. The mean value of dividend paying companies is 1.57 and the dividend non paying company is 1.52 in that year. The overall mean value, for the study period, of the dividend paying Ferro Alloy steel companies is less than one (0.99) and that of the non paying companies is greater than one (1.62). Now to examine whether there is any significant difference in the mean values of market value to book value of the selected Ferro Alloy companies, t statistic and p values are considered. A glance at t values reveals that there is no significant difference in the mean values of market value to book value between both dividend paying and non dividend paying companies, except for the year 2007. Also the differences in the mean values of the annual averages in the period of study are also found insignificant between both dividend paying and non dividend paying categories.

Ho: There is no significant difference in average market value relative to book value of equity between dividend paying and non dividend paying Ferro Alloy steel companies.

Since the calculated t values are less than the table value, (ie table value at five percent 1.96), for all the years, except 2007, the null hypothesis is accepted.

TABLE 2: YEAR WISE COMPARISON OF MARKET VALUE TO BOOK VALUE OF EQUITY BETWEEN DIVIDEND PAYING AND NON DIVIDEND PAYING SELECTED ALLOY STEEL COMPANIES IN INDIA

Year	Dividend Payers		Dividend Non Payers		t-values	LS
	Mean	SD	Mean	SD		
1999	0.69	1.25	0.53	0.39	0.21	ns
2000	0.44	0.70	0.27	0.16	0.38	ns
2001	0.49	0.71	0.16	0.11	0.77	ns
2002	0.70	1.19	0.41	0.25	0.39	ns
2003	1.61	2.97	1.49	1.40	0.061	ns
2004	1.68	2.79	1.86	1.97	-0.096	ns
2005	2.06	2.90	1.90	1.79	0.083	ns
2006	2.33	2.27	1.57	0.79	0.549	ns
2007	3.04	2.49	1.84	0.96	0.77	ns
2008	1.64	2.21	0.52	0.1	0.85	ns
All Years	1.55	0.88	1.05	0.73	1.38	ns

SD - Standard Deviation; ns – Not significant; Significant at 1% level < 0.01 and Significant at 5% < 0.05

Table 2 indicates that the average market value relative to book value of equity of the dividend paying companies is greater than the average market value relative to book value of equity of non-dividend paying companies for all the years except 2004. The overall mean value, for the study period, of the dividend paying Alloy steel companies is 1.55 and that of the non paying companies is 1.05. Now to examine whether there is any significant difference in the mean values of market value to book value of the selected Alloy companies, t statistic and p values are considered. A glance at t values reveals that there is no significant difference in the mean values of market value to book value between both dividend paying and non dividend paying companies. Also the differences in the mean values of the annual averages in the period of study are also found insignificant between both dividend paying and non dividend paying categories.

Ho: There is no significant difference in average market value relative to book value of equity between dividend paying and non dividend paying Alloy steel companies.

Since the calculated t values are less than the table value, (i.e. table value at five percent 1.96), for all the years, the null hypothesis is accepted.

TABLE 3: YEAR WISE COMPARISON OF MARKET VALUE TO BOOK VALUE OF EQUITY BETWEEN DIVIDEND PAYING AND NON PAYING SELECTED FERRO ALLOY AND ALLOY STEEL COMPANIES IN INDIA

Year	Dividend Payers		Dividend Non Payers		t-values	LS
	Mean	SD	Mean	SD		
1999	0.54	0.87	0.68	0.50	-0.403	ns
2000	0.36	0.51	0.37	0.30	-0.093	ns
2001	0.34	0.51	0.29	0.31	0.234	ns
2002	0.51	0.84	0.61	0.61	-0.287	ns
2003	1.44	2.11	1.59	1.77	-0.156	ns
2004	1.62	2.02	1.65	1.33	-0.29	ns
2005	1.72	2.02	2.17	1.45	-0.525	ns
2006	1.84	1.67	2.3	1.95	-0.533	ns
2007	2.79	1.76	3.73	1.90	-1.09	ns
2008	1.11	1.58	.71	0.29	0.711	ns
All Years	1.23	0.80	1.41	1.09	-0.428	ns

SD - Standard Deviation; ns – Not significant; Significant at 1% level < 0.01 and Significant at 5% < 0.05

An examination of the results of year wise comparison of market value of equity to book value between dividend paying and non dividend paying steel companies in India, which are depicted in table 3 shows that the mean market value of equity relative to book value of dividend paying steel companies is less than that of the non dividend paying steel companies for all the years except those in the years 2001 and 2008. But the testing of the mean difference using t test revealed that the difference between mean value of the market value to book value of dividend paying and non dividend paying companies is insignificant.

Ho: There is no significant difference in average market value relative to book value of equity between dividend paying and non dividend paying Ferro Alloy and Alloy steel companies.

The calculated t values are less than the table value, (i.e. table value at five percent 1.96), for all the years. Therefore, the null hypothesis is accepted that there is no significant difference in average market value relative to book value of equity between dividend paying and non paying Ferro Alloy and Alloy steel companies in India.

RELATIONSHIP BETWEEN DIVIDEND POLICY AND SHARE HOLDERS' WEALTH

DIVIDEND PAYING FERRO ALLOY STEEL COMPANIES

In this section the impact of initiating dividend payments by the Ferro alloy steel companies on their shareholders wealth has been analyzed using multiple regression analysis. Market value is considered as dependent variable and retained earnings, lagged price earning, lagged market value in addition to dividend per share are taken as explanatory variables. The result of regression analysis in this regarded is presented in tables from 4 to 6.

TABLE 4: RESULT OF REGRESSION SHOWING THE IMPACT OF DIVIDEND POLICY ON MARKET VALUE OF EQUITY OF ALL DIVIDEND PAYING SELECTED FERRO ALLOY STEEL COMPANIES IN INDIA
Dependent Variable: Market price per share (MV)

Independent variables	Model 1	Model 2	Model 3	Model 4
Intercept-(β) T value	57.729** (2.181)	62.688*** (2.739)	70.693*** (2.729)	70.316** (2.566)
Dividend per share(DPS)-(β) T value	170.652*** (4.625)	69.178* (1.725)	65.935 (1.516)	63.24 (1.414)
Retained Earnings (RE)-(β) T value		0.120*** (4.165)	0.120*** (3.925)	0.119*** (3.041)
Lagged price earning ratio(PE t-1)-(β) T value			-0.357 (-0.329)	
lagged market value of share(MVt-1)- (β) T value				0.007* (0.038)
R2	0.308	0.495	0.485	0.483
Adjusted r2	0.294	0.473	0.447	0.445
F value	21.39***	23.01***	12.85***	12.78***
Degree of freedom	1,48	2,47	3,41	3,41

Figures in parentheses show t – values

*** Significant at 1 % level, ** Significant at 5% level, * Significant at 10% level

The table 4 shows the regression result for all selected steel companies under Ferro Alloy Steel category with regard to impact of initiating dividend payment on share holders' wealth. Four different specification of models are examined here; all the four models are significant at 1 percent level (F=21.39, P is < 0.01 for model one, F= 23.01, P is <0.01 for model two, F = 12.85, P is < 0.01 and model four F= 12.78, P is <0.01). Among the four models, F value for model 2 is very high. Furthermore regression result shows that the co- efficient of dividend per share (DPS) of model one is highly significant at 1 percent level (β =170.6, t = 4.685, P is < 0.01) and the model two is significant at 10 percent level (β = 69.178, t = 1.725, p is < 0.10), while in all other models they are insignificant. On the other hand, co-efficient of retained earning (RE) in all models are highly significant at 1 percent level (β = 0.12, t = 4.165, P <0.01 in model 2, β = 0.12, t = 3.925 P is < 0.01 in model 3 and model 4 β = 0.119, t = 3.041, P is < 0.01). Also from the examination of adjusted R² values, it is clear that the explanatory variables in model 2 explain 47.3 percent of the variance in market value, whereas explanatory variable in model 1, 3 and 4 explain 29.4 percent, 44.7 percent and 44.5 percent respectively of the variance in the depended variable. Hence model 2 is the best fit model, as it gives highly significant F values and highest adjusted R². Interestingly though the co-efficient of dividend per share in model 1 is statically significant, its significant has declined considerably when retained earning (RE) is also included in the model along with this. And in the model where DPS, RE, and PE_{t-1} are considered as regressor, it is found that both DPS and PE_{t-1} as insignificant. In the model two the retained earnings is significant at one percent level of significance and the dividend per share is significant at ten percent level of significance. The significant intercepts in all four models indicate that there are some factors inherent in market value dominated over dividend policy from the analysis of Ferro Alloy steel companies under steel sector. Retained earning is found that to influence market value over other variable considered.

H₀ There is no significant impact of dividend policy on shareholder's wealth in Ferro Alloy Steel Companies in India. Therefore, in harmony with the previous analysis on Ferro Alloy, the regression result also support accepting the null hypothesis that there is no significant impact of dividend policy on shareholder wealth and rejected alternative hypothesis. Hence, the study reveals that dividend policy announcement makes no significant impact on share holder's wealth.

DIVIDEND PAYING ALLOY STEEL COMPANIES

In this section of this chapter, the impact of dividend policy on the share holders' wealth is examined on the data collected from the Alloy Steel companies. The impact of dividend policy has been elicited using multiple regression analysis. The dividend per share (DPS) has been used as proxy for measuring the dividend policy of the companies and market value (MV) of equity of the companies under study is considered as proxy for measuring the share holders' wealth and used a dependent variable. Apart from dividend per share (DPS), retained earnings(RE) lagged price earning ratio(PE t-1) and lagged market value of equity (MVT-1) are also used as explanatory variables in order to know the whether the dividend policy in Alloy steel companies are dominated by these factors in influencing the making of share holders wealth. These results of the analysis with relevant interpretation are followed here under

TABLE 5: RESULT OF REGRESSION SHOWING THE IMPACT OF DIVIDEND POLICY ON MARKET VALUE OF EQUITY OF ALL DIVIDEND PAYING SELECTED ALLOY STEEL COMPANIES IN INDIA

Dependent Variable: Market Price of Share (MV)

Independent variables	Model 1	Model 2	Model 3	Model 4
Intercept-(β) T- value	-34.56 (-1.492)	-8.958 (-.431)	-7.561 (-.320)	-4.281 (-.304)
Dividend per share (DPS)-(β) T- value	293.327*** (12.996)	302.568*** (15.522)	302.317*** (14.119)	117.662*** (4.749)
Retained Earnings (RE)-(β) T- value		-2.821*** (-4.261)	-2.834*** (-3.978)	-1.141** (-2.45)
Lagged price earning ratio(PE t-1)-(β) T- value			.056 (.128)	
Lagged market value of share(MVt-1)-(β) T value				.704*** (8.667)
R2	.779	.840	.838	.943
Adjusted r2	.774	.834	.826	.939
F value	168.91***	123.71***	70.57***	224.86***
Degree of freedom	1,48	2,47	3,41	3,41

Figures in parentheses show t- values**** Significant at 1 % level, ** Significant at 5% level,* Significant at 10% level.

An investigation of the impact of initiating dividend payment on share holder’s wealth by the regression analysis on the data drawn from the selected steel companies under Alloy category reveals the following result. As in the case of steel companies under Ferro Alloy category for different regression models were framed for the analysis taking market value as dependent variable and dividend per share (DPS), retained earnings (RE), lagged price earning ratio (PEt-1) and lagged market value (MVT-1) of shares are as in dependent variable. The result showed highly significant F values at 1 percent level of significance indicating the goodness of fit of the models (F =168.91, P is < 0.01 for model 1 and F = 123.71, P is < 0.01, F = 70.568, P is < 0.01 and F = 224.9, P is < 0.01 respectively).Among the four models the 4th model with explanatory variable dividend per share and lagged market value of share has positive significance and the retained earning has negative significance and the highest F value and adjusted R². Furthermore, the models shows co-efficient of dividend per share (DPS) significant at 1 percent level in all the model (β = 293.33, t = 12.99, P is< 0.01 in model 1and β = 302.568, t = 15.52, P is< 0.01, β =302.32, t = 14.12, P is < 0.01 and β = 117.7, t = 4.75, P is < 0.01 are respectively in model 2, 3 and 4 and the lagged market value (MVT-1) of share is significant at one percent level of significance (β =.704,t = 8.667,Pis < 0.01).

Also from the perusal of adjusted R² values, it is clear that the explanatory variables in model 4 explain 93.9 percent of the variance in the market value. Whereas explanatory variables in model 1, 2 and 3 explain 77.4 percent, 83.4 percent and 82.6 percent respectively of the variance in dependent variable. It is concluded that the initiation of dividend payout by Alloy steel companies under the steel sector has significant impact on its shareholder wealth and also market has significantly reacted dividend payout and lagged market value. Retained earning is found to have significant negative impact over market value.

H0 There is no significant impact of dividend policy on shareholder’s wealth in Alloy Steel Companies in India.

H1 There is a significant impact of dividend policy on shareholder’s wealth in Alloy Steel Companies in India.

Therefore the regression result substantiates the acceptance of alternative hypothesis; stated as that there is significant impact of dividend policy announcement on shareholders wealth.

DIVIDEND PAYING FERRO ALLOY AND ALLOY STEEL COMPANIES

In respect of all dividend paying companies, examination of the regression result portrayed in table 6 reveals that initiation of dividend payout by these companies has significant effect on their shareholders wealth. In depth the examination of the results shows that all the models possess at 1 percent level of significant F values.

TABLE 6: RESULTS OF REGRESSION SHOWING THE IMPACT OF DIVIDEND POLICY ON MARKET VALUE OF EQUITY OF SELECTED FERRO ALLOY AND ALLOY STEEL COMPANIES IN INDIA

Dependent Variable: market Price of Share (MV)

Independent variables	1	2	3	4
Intercept-(β) t -value	6.922 (0.383)	5.090 (0.284)	7.266 (0.359)	5.947 (0.358)
Dividend per share (DPS)-(β) t- value	251.22*** (12.297)	239.558*** (11.299)	238.949*** (10.322)	111.762*** (4.114)

Retained Earnings (RE)-(β) t- value		0.047* (1.809)	0.047* (0.095)	0.001 (0.024)
Lagged price earning ratio(PE t-1)-(β) t- value			-0.038 (-0.076)	
Lagged market value of share(MVt-1)-(β) t-value				0.600*** (6.450)
R2	0.607	0.620	0.610	0.737
Adjusted r2	0.603	0.612	0.597	0.728
F value	151.21***	78.99***	44.89***	80.48***
Degree of freedom	1,98	2,97	3,86	3,86

Figures in parentheses show t – values

*** Significant at 1% level, ** Significant at 5% level, * Significant at 1 % level

The table 5.6.3 presented the regression result of dividend paying both the selected Ferro Alloy and Alloy steel companies under the steel industry, has the co-efficient of dividend per share (DPS) in all models are highly significant at 1 percent level. It is $\beta = 251.22$, $t = 12.30$, $P < 0.01$ in model one and $\beta = 239.56$, $t = 11.29$, $P < 0.01$, $\beta = 238.95$, $t = 10.32$, $P < 0.01$ and $\beta = 111.77$, $t = 4.11$, $P < 0.01$ respectively in models 2, 3 and 4. Further the co-efficient of retained earning (RE) in model 2 and 3 are significant, while the lagged market value (MVT-1) is significant in model 4. From among the four models, the fourth model shows high Adjusted R² value (0.728) and significant F value (80.48). Interestingly the co-efficient of dividend per share (DPS) in model four, though statistically significant, has declined considerably in the presence of highly significant co-efficient of lagged market value (MVT-1). And the intercept also takes insignificant co-efficient. It is concluded that the initiation of dividend payout by both Ferro Alloy and Alloy steel companies' has significant impact on its shareholders wealth and also market has significant relation with dividend policy and past performance. Therefore the null hypothesis (There is no significant impact of dividend policy on share holders' wealth in Ferro Alloy and Alloy Steel Companies) is rejected in this analysis.

MAJOR FINDINGS OF THE STUDY

The market value has been below the book value of shares in the case of dividend paying companies and market value relative to book value is found to be lower than that of the dividend non paying companies under Ferro alloy steel during the study period.

The pooled year comparative average market value to book value of dividend paying and non paying alloy steel companies is non significant , therefore, there is no difference between market value to book value of alloy steel companies.

As a whole, the share holders' wealth of dividend paying steel companies (Ferro alloy and Alloy steel) has decreased significantly when compared to that of the dividend non paying counterparts, which further add no difference between average market value to book value of steel companies.

Dividend policy alone does not have any significant impact on share holders' wealth in case of Ferro alloy steel companies.

Dividend policy of selected companies under alloy steel industry has significant positive impact on share holders' wealth during the study period.

The wealth of the share holders of selected companies under Ferro alloy and Alloy steel industry is related to the dividend policy of such companies.

CONCLUSION

Generally higher dividend increases the market value of the share and vice versa. Share holders preferred current dividends to future income so, dividend is considered as an important factor which determines the shareholders' wealth. This is normally true in case of limited income investors. Dividend has information content and the payment of dividend indicates that the company has a good earning capacity.

The wealth of shareholders is generally prejudiced by the different variable such as growth in sales, improvement of profit margin, capital investment decision, capital structure decision, and cost of capital (Dividend on equity) and interest on debt .etc. This study mainly focused on dividend payment performance of (Ferro alloy and Alloy) steel industry and whether it has any impact of shareholders' wealth.

As far as the Ferro Alloy steel companies share holders wealth is not influenced by the dividend payout. Whereas, with the alloy steel companies are concerned, there is a significant effect of dividend policy on shareholders wealth.

On the whole (Ferro alloy and Alloy steel companies) the result of the analysis tells that initiation of dividend payout by companies has significant impact on their shareholders' wealth.

SUGGESTIONS

Based on the findings of the study the following suggestions are put forth:

Retained earnings act as an important factor in determining the share holders' wealth in Ferro alloy steel company. The increase in retained earnings lead to increase in net worth (Book value of equity) of the share holders, and there would be large volume of shareholders inflow for which they would be prepared to repurchase the shares by paying premium, the companies should concentrate more on that aspect.

The payment of dividend has significant effect on shareholders wealth in alloy steel companies. If these companies are paying the dividend regularly with periodic enhancement, the shareholders wealth would be higher. Hence the alloy steel companies should have policy of paying the dividend rather than retention.

The regression results substantiate that the market value of all the Ferro Alloy and Alloy Steel companies on the whole under study have an impact over shareholders wealth creation.

SCOPE FOR FUTURE STUDY

The present study has examined the effect of dividend policy on shareholders' wealth in Ferro alloy and Alloy steel company in India. The analysis has produced

Some meaningful inferences and results and one possibility for future research is to extend the investigation to other sector and among the cross section.

It may be interesting to conduct a similar study in order to determine whether importance of retained earnings on share holders' wealth has increased over a period of time.

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