

## **A Study On Impact Of Dividend Policy On Shareholders' Wealth Pre And Post Financial Meltdown-An Empirical Analysis Of Selected Pharmaceutical Companies In India**

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### **Abstract**

Dividend Policy of corporate organizations is broadly explored point in finance however; it stays an arguable issue to choose what elements decide the DP. The target of this paper is to investigate the dividend dispersion of chose drug organizations and discover the effect of Dividend Policy on investors' abundance of drug organizations in India before and after monetary emergency. The scientist has taken 13 organizations who were enlisted before 1998 out of 143 organizations recorded on National Stock Exchange (NSE). In the light of the earlier writing, key indicator factors such as Dividend per share (DPS), Market value share (MPS), Price income proportion (PER), Earnings per share (EPS), Earnings after income and Lagged value profit proportion (LAGPER) are considered for examining the effect of DP on SW. This examination paper utilized factual devices, for example, augmented dickey more full test, Karl Pearson's Correlation and Regression. The examination found that high relationship exists between the factors by and large and higher DP empowers increment in the market estimation of value per offer and the other way around. The aftereffects of the measurable instruments demonstrate that the Pharmaceuticals organizations have huge move in design (positive improvement) in regard of SW after worldwide monetary emergency. Investors favored current profit to future pay in this way, profit is viewed as a significant variable, which decides the SW.

**Keywords:** Dividend per share (DPS), Dividend policy (DP), Market price per share (MPS), Price earnings ratio (PER), Earnings per share (EPS), Shareholders' wealth (SW).

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### **INTRODUCTION**

The decision of the firm concerning the degree of income that could be delivered as profit and the degree that of could be held by the firm is the worry of DP. At the end of the day, the DP coordinates what extent of profit is to be paid to investors via profits and what amount is furrowed back in the actual firm for its reinvestment purposes. The improvement of such a strategy will be enormously biased

by venture openings accessible to the firm and the estimation of profits as against capital additions to the investors. Each firm ought to grow such a DP, which separates the net income in to profits and held income in an ideal manner to accomplish the goal of augmenting the investors' riches (SW) as it is spoken to by market value (MP) of the company's regular stock which, thusly, is the capacity of the company's speculation, financing and profit choice. For considering the effect of DP on (SW) the analyst has chosen drug organizations which may bargain in nonexclusive, non-conventional brand meds and clinical gadgets.

### **STATEMENT OF THE PROBLEM**

During the monetary emergency there were various nations which were seriously influenced by the downturn. Nation like India was not clearly influenced because of low reliance on worldwide streams on capital and exchange as outside exchange contributes simply 20% to GDP and India has an enormous populace so a colossal homegrown interest for merchandise and administrations is made accessible inside the country. The current examination uncovers whether there exists any effect between the DP and SW during the monetary emergency and how far it has influenced in the abundance boost of the investors and partners during the time frame. The current examination uncovers the Dividend Policy (DP) on investors' riches (SW) in drug industry in India when monetary emergency.

### **OBJECTIVES OF THE STUDY**

- To break down the profit appropriation of chose drug organizations.
- To analyze the connection between profit conveyance and investors abundance on chose drug organizations when monetary emergency.

### **HYPOTHESIS:**

H<sub>01</sub>: There is no significant impact of Dividend Payout of the firm on Shareholders wealth before and after financial meltdown

### **RESEARCH METHODOLOGY**

#### **Tools Used**

Descriptive statistics, Karl Pearson's Correlation, Augmented Dickey-Fuller test and ordinary Least Square method of regression were being used for the study. The general regression equation model is  $MPS = \beta_1 (DPS) + \beta_2 (PER) + \beta_3 (EPS) + \beta_4(EAR) + \beta_5(LAGPER) + e$ .

## **DATA SOURCE**

The study is analytical and empirical in nature and is based on secondary data.

## **PERIOD OF STUDY**

For the investigation, an example of 13 drug organizations recorded on NSE has been chosen out of 143 organizations utilizing multi stage non-irregular examining strategy. The time of the investigation has been partitioned into two sub-periods viz., before worldwide monetary emergency i.e., from 1998-2008 and after worldwide monetary emergency i.e., from 2009-2018 and organizations fused before 1998 considered for the examination. The worldwide monetary emergency happened during the year 2008 is considered as the base for the investigation to dissect the effect of DP on SW. The necessary information was gathered from the site called moneycontrol.com and the yearly reports of the drug organizations concerned as well. The yearly information for the chose drug organizations is utilized for figuring key monetary proportions (measures) to investigate the effect of DP on SW.

## **RESULTS AND DISCUSSIONS**

The enlightening insights of seven chose monetary factors on Dividend Policy, which uncovers that the information are typically circulated. The informational collection contained an aggregate of 143 perceptions of 13 firms over a time of twenty years. The mean of the multitude of chose seven factors is a lot of near the middle, inferring ordinariness. The normal DPS is 52.91 i.e., 52.91% which implies, on a normal, the organizations pay about 52.91% of their benefit as profit. RPS shows a normal of 52.91, which mirrors a firm with development in its RPS, which can prompt high benefits and increment the investors' abundance. EAR shows a normal of 11.74. Higher profit mirror that the organizations have capacity to deliver profit. The normal of PER and LAGPER is 993.38 and 82.78 separately, which implies that the financial specialists envision high development in future. The normal of EPS is 339.39, which mirrors that the organizations of Pharmaceuticals companies have great income and ability to deliver profit in the event that it builds benefit. The standard deviation of EAR is the most noteworthy (993.38), though the least that of DPS is 11.74. All they chose factors are decidedly slanted aside from EPS, PER and LAGPER. Likelihood of EAR is under 1% level, suggesting that they chose factors are huge at 99% certainty span. DPS and RPS is under 5% level, inferring that they chose factors are huge at 95% certainty span.

**AUGMENTED DICKEY – FULLER TEST (UNIT ROOT TEST)**

**H0:** There is no stationary in between dividend distribution and shareholders wealth.

**Table 1. Augmented Dickey – Fuller test of dividend distribution and shareholders wealth 1998 to 2018**

S.No	Variables	Level		First difference	
		t-Statistic	Probability	t-Statistic	Probability
1	EPS	-4.6046	0.0087	-5.1985	0.0007
2	DPS	-3.8221	0.0369	-6.4672	0.0000
3	RPS	-0.5123	0.9735	-3.1603	0.0389
4	PER	-5.2631	0.0025	-8.6139	0.0000
5	EAR	-3.0661	0.1417	-4.5653	0.0022
6	LAGPER	-5.2634	0.0025	0.0000	0.0000

The result of ADF Unit Root Test is reported in the above table. The null hypothesis of unit root for all the variables is rejected at their level. Since, the ADF test statistics values are lower than the critical values, therefore the null hypothesis is rejected at first difference in the case of PER, DPS and LAGPER and remaining variables are rejected at their second difference. Thus, dividend distribution and shareholders wealth defined with variables are stationary and integrated at the first difference and second difference.

**CORRELATION ANALYSIS**

The correlation matrix of selected variables; the relationship between DPS and RPS (0.75); that of between RPS, EPS and LAGPER (0.45), (0.74), (0.75), which are highly significant positively at 1% level; whereas the relationship between EAR and PER(0.72)are significant positively at 5% level. The correlation matrix of selected variables; the relationship between DPS and RPS (0.88); that of between RPS, EPS and LAGPER (0.47), (0.68), (0.56), which are highly significant positively at 1% level; whereas the relationship between EAR and PER (-0.16) are significant negatively at 5% level.

**REGRESSION ANALYSIS**

**H<sub>01</sub>:** There is no significant impact of Dividend Payout of the firm on Shareholders wealth before and after financial meltdown

**Table 2 Impact of dividend payout of the firm on shareholders wealth before and after financial meltdown**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
<b>DIVIDEND</b>	5.11	8.21	-0.68	0.02
<b>C</b>	2.12	1.50	-3.82	0.03
<b>R-Squared</b>	0.53		<b>Durbin-Watson stat</b>	1.90
<b>Adjusted R-squared</b>	0.62			
<b>F-statistic</b>	10.28		<b>Prob. (F-statistic)</b>	0.01

**Source:** Calculated and compiled using secondary data

The above table 2 speaks to the relapse investigation over the effect of Dividend Payout of the firm on Shareholders abundance when monetary emergency. It is very clear from the table that R2 esteem has been 0.53. It portrays that conceivable importance presented by the profit payout on the investors' abundance. Moreover, the F esteem 10.28 and the p estimation of 0.01, which is huge at 1 percent level speaks to the dismissal of invalid speculation, which unquestionably appreciates that there is a huge effect of profit payout of the firm on Shareholders abundance when monetary emergency

**H<sub>02</sub>:** There is no significant impact of Risk of the firm on Shareholders wealth before and after financial meltdown

**Table 3 Impact of dividend payout of the firm on shareholders wealth before and after financial meltdown**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
<b>RISK</b>	5.60	0.54	-6.34	0.67
<b>C</b>	4.05	0.80	-3.79	0.09
<b>R-Squared</b>	0.85		<b>Durbin-Watson stat</b>	2.69
<b>Adjusted R-squared</b>	0.75			
<b>F-statistic</b>	7.92		<b>Prob.</b>	0.08

			<b>(F-statistic)</b>	
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**Source: Calculated and compiled using secondary data**

The above table 3 speaks to the relapse examination over the effect of Risk of the firm on Shareholders abundance when monetary emergency. It is very clear from the table that R2 esteem has been 0.85. It portrays that conceivable importance presented by the Risk of the firm on Shareholders abundance when monetary emergency. Moreover, the F esteem 7.92 and the p estimation of 0.08, which is critical at 1 percent level speaks to the dismissal of invalid speculation, which surely fathoms that there is a huge Risk of the firm on Shareholders abundance when monetary emergency.

**H<sub>03</sub>:** There is no significant impact of Earnings of the firm on Shareholders wealth before and after financial meltdown

**Table 4 Impact of dividend payout of the firm on shareholders wealth before and after financial meltdown**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
<b>EARNINGS</b>	4.81	5.22	-0.36	0.48
<b>C</b>	6.60	1.98	-3.45	0.09
<b>R-Squared</b>	0.82		<b>Durbin-Watson stat</b>	1.42
<b>Adjusted R-squared</b>	0.85			
<b>F-statistic</b>	9.87		<b>Prob. (F-statistic)</b>	0.02

**Source: Calculated and compiled using secondary data**

The above table 4 speaks to the relapse examination over the effect of Earnings of the firm on Shareholders abundance when monetary emergency. It is very clear from the table that R2 esteem has been 0.85. It portrays that conceivable importance presented by the Earnings of the firm on Shareholders abundance when monetary emergency. Moreover, the F esteem 9.87 and the p estimation of 0.02, which is critical at 1 percent level speaks to the dismissal of invalid theory, which unquestionably appreciates that there is a huge effect of Earnings of the firm on Shareholders abundance when monetary emergency.

**H<sub>04</sub>:** There is no significant impact of Firm size on Shareholders wealth before and after financial meltdown

**Table 5 Impact of dividend payout of the firm on shareholders wealth before and after financial meltdown**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
SIZE	1.21	3.08	11.58	0.25
C	-5.13	1.09	13.85	0.39
R-Squared	0.48		Durbin-Watson stat	3.60
Adjusted R-squared	0.55			
F-statistic	18.21		Prob. (F-statistic)	0.03

Source: Calculated and compiled using secondary data

The above table 5 speaks to the relapse examination over the effect of Firm size on Shareholders abundance when monetary emergency. It is very clear from the table that R2 esteem has been 0.55. It portrays that conceivable importance presented by the Firm size on Shareholders abundance when monetary emergency. Moreover, the F esteem 18.21 and the p estimation of 0.03, which is critical at 1 percent level speaks to the dismissal of invalid theory, which unquestionably fathoms that there is a huge effect of Firm size on Shareholders abundance when monetary emergency..

**H<sub>05</sub>:** There is no significant impact of Liquidity of the firm on Shareholders wealth before and after financial meltdown

**Table 6 Impact of dividend payout of the firm on shareholders wealth before and after financial meltdown**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LIQUIDITY	-5.01	1.07	4.34	0.07
C	-5.19	1.09	7.32	0.07
R-Squared	0.63		Durbin-Watson stat	1.96
Adjusted R-squared	0.66			
F-statistic	11.27		Prob. (F-statistic)	0.01

Source: Calculated and compiled using secondary data

The above table 6 speaks to the relapse examination over the effect of Liquidity of the firm on Shareholders abundance when monetary emergency. It is very clear from the table that R2 esteem has been 0.63. It portrays that conceivable importance presented by the impression of the clients on their degree of fulfillment. Moreover, the F esteem 11.27 and the p estimation of 0.01, which is huge at 1 percent level speaks to the dismissal of invalid theory, which surely grasps that there is a huge effect of Liquidity of the firm on Shareholders abundance when monetary emergency.

## CONCLUSION

Spellbinding measurements uncovered that the information are the examination checked the ordinariness of the information through Jarque - Bera measurement and found that the information were regularly circulated. Thus, the Dividend Policy sways on investors' abundance through relapse found that the Dividend (DPS) of the organizations influence the investors' riches, while the income don't affect the investors abundance. At the point when the organizations deliver profit consistently with occasional development, the SW would be expanded. This is very feasible for all profit paying firms in drug organizations in India. The DP has critical impact on SW of drug firms. From the investigation it is derived that profit per share, held income per share, lagged value income proportion and slacked market cost per share go about as significant factors in deciding the SW. For the most part, higher DP empowers increment in the market estimation of value per offer and the other way around. Investors favored current profit to future pay thus; profit is viewed as a significant variable, which decides the SW. Since profit is an unsolved riddle there is a requirement for consistent and ceaseless endeavors and endeavors in the field of DP research.

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