Impact of Dividend Policy on Shareholders Wealth: A Study on Textile Companies Listed in BSE

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ABSTRACT: *This study analyzes the impact of dividend policy on shareholders wealth of twenty five listed textile companies in India during the period of five years from 2013-2014 to 2017-2018. In this study descriptive statistics, correlation analysis and ANOVA is used by taking Dividend Per Share, Retention Ratio and Dividend Payout Ratio as independent variables and Earning Per Share as dependent variable. The study concludes that there is a significant relationship between the dividend policy and shareholders wealth.*
KEY WORD: *Dividend Per Share, Retention Ratio, Dividend Payout Ratio and Earning Per Share.*

I. INTRODUCTION

Dividend decision is a very important financial decision. The main issue involved in dividend decision making is whether the profits should be used by the owners or be retained and reinvested in the business itself. Such decision is somewhat more complex in the case of companies. In the case of a company, the decision regarding utilization of earnings rests with Board of Directors, who recommend a particular dividend rate to the shareholders for their formal approval in the annual general meeting of the company. It is to be remembered that the decision regarding the distribution of earnings to the shareholders is a significant one. The decision may amount to a higher income, lower income or no income at all to the shareholders. Dividend payment may affect the mood, behaviour and responses of prospective investors, stock exchanges, financial institutions, etc.., as well as influencing the mood of present shareholders.

Objectives of the Study
The present study has been designed with the following objectives:
1. To analyze the relationship between dividend per share, retention ratio, dividend payout ratio and earning per share of Textile companies in India.
2. To examine the impact of dividend variables on shareholders wealth of Textile companies in India.

Hypothesis of the Study
The study has been taken for the period from 2013-2014 to 2017-2018 with the following hypothesis.
H1: There is a positive relationship between dividend per share and earning per share of the sampled companies in textile industry.
H2: There is a positive relationship between retention ratio and earning per share of the sampled companies in textile industry.
H3: There is a positive relationship between dividend payout ratio and earning per share of the sampled companies in textile industry.

II. REVIEW OF LITERATURE

Nabil Ansari , Khadija Farrukh, Sadia Irshad, Maria Shams (2017) their study on " Impact of Dividend Policy on Shareholders Wealth and Firm Performance in Pakistan. The objective of this research paper is to examine the impact of divided policy on shareholders wealth and firm performance in Pakistan. Variables used in this research are dividend policy, shareholders wealth and firm performance. A sample of 51 firms listed in Pakistan Stock Exchange has been selected by including the firms which have been paying dividends for 2006 to 2015 consecutively. This research applied multiple regression using E views. From the regression result it is found out that dividend policy has positively significant impact on shareholders wealth and firm performance.

Anifat Oladipupo (2017) his study on " The Impact of Dividend Policy on Shareholders Wealth in Nigeria . The purpose of the study is to analyze the various concepts and construct that relates to dividend policy

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and shareholders wealth. The study used secondary data which which be collected from firms listed on the Nigeria Stock Exchange. Period of the study was five years, covering the period 2011 to 2015.Regression analysis used to analyze and establish the relationship between dividend payout and firm performance .Dividend policy does does not affect the firms value in Nigeria.

Jalloh Mamoud Abdul (2017) conducted the study on "Impact of Dividend Policy on Shareholders Wealth: A Study of the Agriculture Industry in Nigeria" This study investigates whether dividends affect the agricultural firms shareholders wealth in Nigeria. It uses the Ex-Post Facto research design to collect data and the results of a Multiple Regression of ordinary least square show that a unit change in earnings per share, dividend per share, dividend payout and price earning leads to positive increase in market price per share.

Muhammad Shabeer Khan, Said Shah, Syeda Urooj Baber (2018) studied "Impact of Dividend Policy on Shareholders Wealth: An Empirical Analysis of Listed Insurance Companies in Pakistan". This study aims to investigate the impact of dividend policy on shareholders wealth using secondary data of seventeen listed insurance companies in Pakistan employing non-probability convenience sampling for 2012-2015. Shareholders wealth is used as dependent variable measured by EPS whereas dividend policy as independent variable measured by 3 ratios namely dividend share, retention ratio and dividend payout ratio. Analysis techniques include descriptive statistics, regression analysis and correlation analysis. The results show that all the independent variables impact on dependent variable positively with dividend per share and retention ratio significant at 5 percent.

Anas Khan, Nasir Zamir Quresh (2018) study on "Does Dividend Policy affect Shareholders Wealth" The research examines the impact of dividend policy on shareholders wealth in Indian Automobile Industry. Tata Motors and Force Motors are the companies that are selected by the researchers. The period of the study is seven years from 2011 to 2017. Data was collected from various published annual reports and financial statements of selected companies. The results highlighted that there is a significant impact of dividend policy on shareholders wealth in Tata motors but insignificant impact of Dividend policy on shareholders wealth in force motors.

III. RESEARCH METHODOLOGY

1. Data Source
The study used secondary data which are collected from the PROWESS database(CMIE).

2. Target Population
The target population of research is 25 textile companies listed on Bombay Stock Exchange for the period from 2013-2014 to 2017-2018.

3. Sampling Procedure and Techniques
Descriptive statistics, Correlation analysis and ANOVA were used to analyse the impact of dividend policy on shareholders wealth.

IV. RESULTS AND DISCUSSION

Table : 1 Descriptive Statistics

	EPS	DPS	RR	DPR
Mean	5.4126	2.1378	0.5222	0.6009
Median	1.66	0.10	0.12	1.32
Maximum	15.36	5.22	0.32	3.12
Minimum	1.10	0.15	0.11	0.10
Standard Deviation	4.12430	1.71231	0.18121	0.71211

Table 1 shows the result of descriptive statistic in which the values of Earning Per Share have 1.10 of Minimum, 1.66 of Median and 15.36 of Maximum with 5.4126 Mean and 4.12430 of Standard Deviation.

Table : 2 Correlation Analysis

	EPS	DPS	RR	DPR
EPS Pearson Correlation	1	0.876	0.712	0.673
Sig.(2 tailed)		0.000	0.732	0.613
N	25	25	25	25

Table 2 exhibits the correlation result. The relationship between Earning Per Share on Dividend Per Share, Retention Ratio and Dividend Payout Ratio is significant level at 5% which shows that positive relationship between the variables. Hence hypothesis is accepted.

Table : 3 ANOVA

R Squared	Adjusted R Squared	F Statistic	Prob (F Statistic)
0.31267	0.231276	31.51679	0

Table 3 indicates the R squared 0.31267, adjusted R squared 0.231276, f statistic 31.51679 shows that there is a positive relationship between variables.

V. CONCLUSION

From the analysis it is clear that the independent variable like Dividend Per Share, Retention Ratio and Dividend Payout Ratio have significant impact on Earning Per Share at 5 percent.The result shows that there is a positive relationship between Dividend policy and Shareholders wealth of listed textile companies in India during the period from 2013-2014 to 2017-2018.

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