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**Impact Pakistan Stock Market Reactions to Covid-19: Moderating Effect of Government Intervention****Arfa Hussain<sup>1</sup>**<sup>1</sup>MS Scholar, Bahria Business School, Bahria University Islamabad, PakistanEmail: [hussainarfa89@gmail.com](mailto:hussainarfa89@gmail.com)**Muhammad Umer Malik<sup>2</sup>**<sup>2</sup>MS Scholar, Bahria Business School, Bahria University Islamabad, PakistanEmail: [umer.malik81@hotmail.com](mailto:umer.malik81@hotmail.com)

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**Abstract**

*Covid-19, also known as coronavirus, is extremely contagious, and it spreads quickly. The Pakistani government has taken the necessary precautions to prevent the spread of COVID-19. This research investigates the moderating effect of government interventions on the association between stock returns and increasing confirmed cases. The Black Swan theory can be linked to this study. To investigate the effect of government intervention during the Covid-19 time on the Pakistan stock market, this study has employed a multivariate time-series analysis. The sample consists of 433 daily observations collected in Pakistan from 10th March 2020 to 13th December 2021. The exchange rate was taken as a control variable for this research. The findings have shown that government social distancing policies have a negative impact, whereas government containment, health response, and income assistance programs are likely to contribute to a positive market reaction by increasing investor confidence and lowering the disease's negative economic impacts. Regression analysis shows that the SI has a negative relationship with stock return and containment and mitigation and economic support health index has positive relationship with stock return, but they have no effect on movement of return as they are insignificant. However, the results imply that COVID-19 confirmed cases and the exchange rate have a significant negative impact on the movement of the stock return. The findings have important policy implications because they show that government intervention policies have significant economic effects.*

**Keywords:** Covid-19, stock returns, stringency index, containment health index, economic support

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**1. Introduction**

The study investigates the effect of dividend plan on corporate performance. It likewise looks at stock returns, volatility, and various other relevant factors to assess exactly how the returns plan affects shareholder riches. By examining the web link between dividend policy as well as these essential variables, this research aims to provide valuable insights into the economic decision-making procedure of PSX-listed enterprises. A quantitative technique was employed in the study, as well as secondary data including financial statements, annual reports, and stock market data. A representative sample of PSX-listed corporations from diverse industries and market capitalizations was chosen. To evaluate the data and draw conclusions that were pertinent, regression analysis and statistical tests were used. The study's results study added to existing body of knowledge on dividend policy and how it affects shareholder wealth and business success, particularly in Pakistan. The insights will assist business executives, investors, and politicians in making educated decisions on dividend payouts, capital allocation, and shareholder value maximization. This is a key topic for businesses because it has a direct impact on both corporate success and shareholder wealth. A suitable dividend policy must be established in order to strike a balance between rewarding shareholders and retaining income for future growth

opportunities. This research thesis investigates how dividend policies impact business performance and shareholder wealth, with a focus on PSX-listed businesses. The policy of company explains how much of its earnings should be given out as dividends rather than reinvested. Different firms adopt various dividend policies based on their unique characteristics, industry dynamics, and financial goals. Some firms prioritize regular dividend payments to attract income-seeking investors, while others may opt for reinvesting earnings to fund expansion and capital expenditures. George Muriithi Githinji conducted research in 2015 According to the study, there is a link between shareholder value and profitability. The current study, the most important influencing elements on shareholder value were determined to be profitability and dividend payment ratio. A small positive link exists between dividend policy and growth rate. Furthermore, the study found no link between business performance and employee satisfaction. In their study, Husam-Aldin Nizar Al- Malkawi identified elements that influence corporate dividend decisions (Al-Malkawi, 2008). The firm's financial burden has no bearing on the dividend decision, although it does have an impact. Because the financial leverage is considerable, the dividend amount should be reduced. Dividend payments are anticipated to decrease as a result, which shows that mature enterprises have changed their investment strategy to invest in new opportunities or have gone from a lower to a higher growth stage. Cash flow is another important aspect to consider when deciding whether or not to pay a dividend. There is a considerable association between returns per share and return on equity as well as possessions, according to R. Pavithira (Pavithira, 2015). Ultimately, the researchers uncovered that reward policies might be utilized to reduce supply price volatility. By raising returns yield, the company may have the ability to minimize the volatility of its stock price. The evaluation additionally discovered that the reward policy had no impact on the company's worth. According to figures published by Ebire and S.S. Mukhtar (Ebire et al., 2018), the performance of Nigerian listed oil and gas enterprises is unrelated to dividend policy.

The Pakistan Stock Exchange (PSX) has been an important platform for both domestic and international investors, providing opportunities for wealth creation through stock ownership. Understanding relationship between dividend policy, firm performance, and stockholder wealth in Pakistan is therefore critical. Financial performance can be viewed from a variety of indicators can be used to assess a company's success. Managers can approach the outcomes of their plans and objectives in economic terms by evaluating a company's financial performance. Managers oversee maximizing shareholder capital by making the greatest investment decisions on behalf of the company. The company should make enough money, and management should carefully consider how much to reinvest and how much to pay out in dividends. The financial health of a corporation is a source of concern for many stakeholders. The financial performance of a firm reveals how successfully it generates money and manages its assets, commitments, and stakeholders' commercial interests. Net earnings should also be used to assess financial success. It is divided into two parts: retained profits and dividends. The impact of dividend distribution and firm financial success on future returns has been extensively studied. A company's financial performance is assessed by contrasting its existing outputs or results with its future outputs, aims, and objectives. One of the company's most crucial financial initiatives is its dividend program. Most stakeholders carefully examine the company's performance and policies before making a choice. How much money goes to investors versus how much goes to the company's growth and development is governed by dividend policy. If the dividend payment is increased, the firm's retained earnings will be lowered. The firm's image, reputation, and financial performance are all dependent on retained earnings. Dividend payments demonstrate to shareholders that the company is financially stable and liquid. Positive + cash flow implies good financial performance, whereas negative cash flow indicates poor financial performance. The balance sheet's strength can also be utilized to evaluate it. This is the asset-to-liability ratio of a company at any given point in time.

Pakistani businesses are perplexed, terrified, perplexed, and concerned. To compete, businesses must increase their value. Important business and budgetary decisions must be made by executives to optimize stockholder wealth and company value. As a result, profit becomes extremely important. Profits can either be retained by the company for future expansion or distributed to shareholders in one

of two ways. Dividend policies must be developed by corporations to determine how dividends are paid. Several researchers have looked into dividend policy. The subject of what factors determine a company's dividend policy, on the other hand, remains unsolved. A company's dividend policy is important since it demonstrates stability and gives information about the company's prospects (Black, 1976).

## **1.2 Problem Statement**

The issue of whether dividend policy has an impact on shareholder wealth has yet to be resolved. Its consequences range greatly between countries; as a result, scholars have a lot of opportunities to research this topic in various countries. Literature is offered in a wide range of industries, and scholars have usually disregarded developing countries like Pakistan. It is essential to look at how dividend policy affects shareholder wealth and company performance since potential investors value both shareholder wealth and business success. The challenge with this study is the dearth of empirical data in Pakistan. It is difficult to comprehend how decisions about dividend policy affect important financial metrics like profitability, liquidity, and market value ratios since there is no study on the link between dividend policy and business performance in Pakistan. Additionally, the Pakistani financial market has not yet examined how dividend policies affect stockholders' wealth, including stock returns, volatility, and other pertinent measures. As a result, the information needed for this study is difficult to come by. In general, the primary purpose of an investment is to provide a profit to the investor. As a result, every company should strive to boost shareholder wealth while also enhancing financial performance. The problem is compounded by the fact that the PSX plays a significant role as a platform for wealth creation through stock ownership. However, without a thorough understanding of the impact of dividend policy on firm performance and stockholders' wealth, investors and corporate managers lack crucial information to make informed decisions regarding dividend distributions, capital allocation, and maximizing shareholder value. Furthermore, the existing literature primarily focuses on the dividend policies of firms in developed economies, neglecting the specific dynamics and challenges faced by listed firms on the PSX. This neglect further highlights the urgency to address the problem and conduct empirical research to bridge the gap in knowledge regarding dividend policy and its implications within the Pakistani context. As a result, there is a pressing need to investigate the influence of dividend policy on company performance and shareholder wealth among PSX-listed companies. By performing rigorous empirical analysis and assessing the link between dividend policy and important financial indicators, this research aims to fill a vacuum in the literature and provide crucial insights for stakeholders in the Pakistani financial system. The study's findings will help company executives, investors, and legislators make educated decisions, ultimately contributing to the creation of effective dividend policies that improve firm performance and maximise stockholder wealth on the PSX. Because of this, the study's significant goal is to tighten this void by offering reliable information from Pakistan's several economic sectors. The research study's function was to check out the impact of dividend policy on the monetary end results of ventures provided on the Pakistan Stock Market (PSX). From 2010 with 2020, this research study will check out how returns policy influences the monetary performance of all openly provided firms.

## **1.3 Research Objectives**

- i. To find a relationship between dividend policy and stockholder's net worth (wealth)
- ii. To discover dividend policy association with Earning per share (stockholder's net worth)
- iii. To realize the relation of dividend policy with return on equity (profitability).

## **1.4 Research Questions**

- i. Does the dividend policy have a significant association with share market price (stockholder's wealth)?
- ii. Does the dividend policy have a significant association with Earning per share (stockholder's wealth)?
- iii. Does the dividend policy have a significant association with Return on Equity (profitability)

## 1.5 Significance of the Study

**Investors:** The connection between returns policy and business success could offer beneficial information to capitalists. By exploring the returns policy on supply returns, returns return, and reward stability, financiers might make informed investment choices. This data allows users to assess the risk and return characteristics of various stocks, optimize portfolio allocation, and align their investment strategy with their financial goals. **Companies:** The dividend policies of companies have a significant impact on their financial success and overall worth. Companies may make strategic dividend distribution decisions by researching how dividend policy affects profitability, stock price volatility, and company value. This entails striking a balance between reinvesting income and distributing dividends to shareholders, with the goal of attracting and retaining investors, signaling financial stability, and improving the company's market image. **Stockholders:** Because they own the company, investors directly impact dividend policy. Understanding the potential benefits and dangers connected with their investments can help investors. This can be done by looking at the effect of dividend policy on shareholder wealth. Stockholders can examine the income generating potential and long-term value appreciation of their assets by examining dividend payout ratios, dividend growth rates, and dividend stability. **Management and Regulatory Authorities:** It assists management in aligning the company's dividend policy with its strategic goals, managing investor expectations, and optimising financial resource allocation. Regulatory bodies have an important role in establishing dividend policy and guaranteeing fair and transparent capital market practises. Regulatory authorities can design suitable rules and laws to improve investor protection, market stability, and general economic growth by examining the influence of dividend policy. **Economic and Social Implications:** The study of dividend policy and its impact extends beyond individual investors and companies. It can have broader economic and social implications. For example, dividend payments can contribute to wealth distribution, financial inclusion, and socioeconomic development. Understanding the implications of dividend policy on various stakeholders, including as employees, suppliers, and creditors, can give insights into the economy's and society's overall influence. By examining the specific context of listed firms on the Pakistan Stock Exchange, this study can provide valuable evidence and insights that are relevant to the local market. The findings can inform investment strategies, financial decision-making, and regulatory frameworks, thereby benefiting investors, companies, different stakeholders, management, and regulatory authorities in Pakistan's capital market.

## 2. Literature Review

### 2.1 Firm performance and Dividend Policy

The financial success of a corporation is of great importance to many stakeholders. A corporation's financial performance reveals how successfully it produces money and manages its assets, financial interests, and commitments to its stakeholders. Retained earnings can be reinvested and used to provide long-term funding for the firm. Dividends are paid to stockholders to improve the value of their investment, as they put money into the firm in the hope of receiving dividend. A dividend policy is a corporate structure through which earnings are distributed to shareholders. Dividend policies are classified into three sorts. They are stable, dependable, and long-term dividend plans. Dividends are, even though not all companies are required to pay them. Many firms saw dividend policies as a crucial component of their overall strategy. Dividend size, timing, and other factors affecting dividend distribution should have been established by company management. Shareholders must rely on share price as the principal source of profit if dividends are not paid. As a result, while making an investment decision, issue to consider. In 2015, George Muriithi Githinji investigated According to the study, Profitability and dividend payout ratio were found as the most important influencing factors on shareholder value in this study. A small positive link exists between dividend policy and growth rate. Furthermore, the study found no link between business performance and employee satisfaction. In their study, Husam-Aldin Nizar Al-Malkawi identified elements that influence corporate dividend decisions (Al-Malkawi, 2008). The firm's financial burden has no bearing on the dividend decision, although it does have an impact. Because the financial leverage is considerable, the dividend amount should be

reduced. (M. Baker & Wurgler, 2004) proposed a Catering theory in which executives are expected to motivate stockholders based on their demands and specifications by compensating normal dividends on invested capital when the investor prioritizes paying clients and not compensating when the investor prioritizes non-paying clients. Dividend policy is a hot topic in the financial world, and it remains a crucial driver in both established and emerging countries (H. Ahmed & Javid, 2008). As a result, while different scholars have sought to address the topic of dividend policy drivers, relevant areas of interest to examine a company's dividend policy remain lacking (Black, 1976). Dividend payments are anticipated to decrease as a result, which shows that mature enterprises have changed their investment strategy to invest in new opportunities or have gone from a lower to a higher growth stage. Cash flow is another important aspect to consider when deciding whether or not to pay a dividend. Finally, the researchers found that dividend policies may be applied to lessen the volatility of stock prices. The firm might lower the volatility of its stock price by raising dividend yield. The performance of Nigerian listed oil and gas businesses is unrelated to dividend policy, according to the statistics presented by Ebire and S.S. Mukhtar (Ebire et al., 2018). Business financial performance has piqued scholars' interest, as dividend decisions have a direct influence on shareholder wealth and the overall financial health of organisations. On various areas of corporate financial performance, providing insight on the intricacies and ramifications of this connection. To begin, various research have looked into on business profitability. According to Baker et al. (1985) and Rozeff (1982), organisations with a greater dividend payout ratio have worse profitability since earnings are distributed to shareholders. Research, such as that of Michaely et al. (1994) and Lang et al. (2003), suggests that enterprises with a steady and consistent dividend policy might communicate financial strength, attracting investors and favourably increasing profitability. Additionally, the literature highlights by Fama and French (2001) and Gordon (1963) argue that dividends are a crucial factor affecting firm value, as investors perceive dividend payments as a tangible signal of future cash flows and profitability. Firms with a history of consistent and increasing dividends are often valued higher by investors, leading to enhanced financial performance. Furthermore, scholars have investigated. DeAngelo et al. (2006), companies that pay regular dividends have reduced stock price volatility and greater risk-adjusted returns, demonstrating a favourable association between dividend policy and stock market performance. Dividend-paying companies frequently attract income-seeking investors who value the consistency and predictability of cash flows. Furthermore, the literature examines by Miller and Modigliani (1961) and Baker and Wurgler (2004) The study is related to the financing decisions of firms and their capital structure. Firms with higher dividend payouts may rely less on external financing, leading to lower financial leverage and improved financial stability. Firm financial performance is an important topic of study for scholars, investors, and managers since it represents a company's capacity to create profits, maximize shareholder value, and maintain long-term growth. Since dividend policies directly affect both business success and shareholder wealth, they are a crucial component of a company's financial strategy. On the other hand, Michaely et al. (1994) and Lang et al. (2003) asserted that businesses with a consistent dividend policy can convey their financial strength and draw investors, ultimately impacting profitability. Influence on Firm Value: Dividends are regarded as an essential component influencing business value since they offer investors with real signals about a company's future cash flows and profitability. According to signaling theory, dividend payments carry positive information, resulting in enhanced business value. This view is supported by studies by Fama and French (2001) and Gordon (1963), which show a positive association between dividend policy and business value. Investors frequently place a greater value on companies that have a history of steady and growing dividends. According to research by DeAngelo et al. (2006) as well as Grullon et al. (2005), companies that pay regular returns have minimized stock price volatility as well as better risk-adjusted returns. This information suggests a web link in between reward plan as well as stock exchange success. Returns payments provide capitalists a sense of security and regularity, which brings about positive supply returns. Dividend policy influences a business's economic structure, specifically its funding framework as well as funding decisions. According to Miller as well as Modigliani's (1961) dividend irrelevance theory, returns policy has no result on a firm's worth. However, research by Baker and Wurgler (2004) as well as Myers (1984) shows that returns plan can impact a company's funding

choices as well as resource's structure. Greater dividend circulations might create firms to count less on outside funding, resulting in lower financial take advantage of as well as boosted economic security.

## **2.2 Review of Empirical Evidence**

When a business produces money, it has two choices. Profits can be dispersed as dividends to investors or kept in the company as shareholders equity. In 2015, Profitability and dividend payout ratio were found as the most important influencing factors on shareholder value in this study. A small positive link exists between dividend policy and growth rate. Furthermore, the study found no link between business performance and employee satisfaction. In their study, Husam-Aldin Nizar Al- Malkawi identified elements that influence corporate dividend decisions (Al-Malkawi, 2008). The firm's financial burden has no bearing on the dividend decision, although it does have an impact. Because the financial leverage is considerable, the dividend amount should be reduced. Dividend payments are anticipated to decrease as a result, which shows that mature enterprises have changed their investment strategy to invest in new opportunities or have gone from a lower to a higher growth stage. Cash flow is another important aspect to consider when deciding whether to pay a dividend. Finally, the researchers found that dividend policies may be applied to lessen the volatility of stock prices. The firm might lower the volatility of its stock price by raising dividend yield. M. Baker & Wurgler (2004) proposed a Catering theory in which executives are expected to motivate stockholders based on their demands and specifications by compensating normal dividends on invested capital when the investor prioritizes paying clients and not compensating when the investor prioritizes non- paying clients. Dividend policy is a hot topic in the financial world, and it remains a crucial driver in both established and emerging countries (H. Ahmed & Javid, 2008). As a result, while different scholars have sought to address the topic of dividend policy drivers, relevant areas of interest to examine a company's dividend policy remain lacking (Black, 1976). Profitability and dividend payout ratio were found as the most important influencing factors on shareholder value in this study. A small positive link exists between dividend policy and growth rate. Furthermore, the study found no link between business performance and employee satisfaction. Gordon and Lintner's hypothesis is supported by the findings (Lintner, 1956b). The link between a company's dividend payout and its market price was verified. This backs up the theory of the bird in the hand (Gordon & Linter, 1963). According to the conclusions of the study, dividend payment and dividend payment timing are key indicators of financial performance of companies listed on DPR. According to Adnan Ali, Dr. Farzand Ali Jan, and Meryam Atta, returns policy has a major impact on service economic success (Ali et al., 2015). In both high and low financial obligation problems, the roi (ROI) has actually been utilized to analyze the impact of reward plan on business success. A firm's size and also development have basically little bearing on its performance. According to the research's searchings for, companies that pay monthly dividends have less cash readily available to spend in unfavorable NPV, and therefore their economic performance enhances. Bein. A. Murad concluded that return on equity (ROE) has a significant influence on dividend policy, but it isn't as crucial when debt and size are taken into account (Idewele & Murad, 2019).

In their study, Husam-Aldin Nizar Al-Malkawi identified elements that influence corporate dividend decisions (Al-Malkawi, 2008). The firm's financial burden has no bearing on the dividend decision, although it does have an impact. Because the financial leverage is considerable, the dividend amount should be reduced. Reward repayments are anticipated to reduce because of this, which reveals that fully grown enterprises have altered their investment approach to purchase brand-new possibilities or have gone from a lower to a higher growth phase. Capital is one more important facet to consider when determining whether to pay a reward. According to R. Pavithira, there is a considerable relationship in between reward per share and return on equity as well as possessions (Paviththira, 2015). Lastly, the researchers discovered that dividend plans may be applied to minimize the volatility of supply prices. The firm might decrease the volatility of its supply cost by raising dividend yield. The research study additionally located that the returns plan of a firm had no impact on its worth. The efficiency of Nigerian listed oil and also gas organizations is unassociated to reward policy, according the data presented by Ebire as well as S.S. Mukhtar (Ebire et al., 2018).

Chelimo Confidence (2018), That is, the liquidity of a company is governed by its economic as well as financial investment choices. It establishes the price of development in addition to the financing device. Researchers likewise uncovered that a business's cash flow is most likely to pay out money dividends, resulting in better financial success. Finally, the researcher has actually wrapped up that introducing a reward program might enhance the company's liquidity. Raised capital increases a company's capacity to pay dividends, and raised liquidity brings about improved monetary performance. Dividend distribution produces cash flow for shareholders, but it also has the potential to deplete huge investment resources, according to (Anike, 2017). Furthermore, the researcher highlighted how dividend policy changes effect a company's market value in the actual world. The amount of a company's dividend payout may impact its stock price, and capital gains are sometimes more appealing to investors than dividend income. When a company's stock price declines, raising financing from outside sources becomes more difficult. Furthermore, the research demonstrated that the residual dividend policy influenced manufacturing business performance. Dividend yield is another metric that shows a somewhat negative relationship with a company's financial success. This suggests that the dividend yield of Nairobi-listed industrial firms has had minimal impact on their financial success. In addition, there is a slight inverse relationship between dividend distribution and financial performance. The impact of dividend policy on corporate value was researched by Prof. Ozuomba Chidinma Nwamaka and Ezeabasili (Nwamaka, 2017). A written dividend policy, according to their findings, ensures future dividend payments. They also recommend that all companies use the same dividend policy for determining company value. Dividend announcements were determined to be the most reliable indicator of a company's performance. Furthermore, dividend policies are closely linked to the valuation of a company. Akhter Jahan and Kamran Khan investigated the dividend distribution and financial performance of energy companies listed on Bangladesh's Chittagong stock exchange (Jahan, 2019). According to the study's findings, asset and dividend distribution have a negative relationship with financial success. In addition, there was a link between corporate financial performance and leverage. This demonstrates how the organization's financial success affects dividend policy. As a consequence, the study reveals that the dividend payout ratio has a detrimental influence on the organization's financial success. Furthermore, the study discovered that dividend policies in affluent countries (such as Finland) had a stronger impact on firm success than policies in developing countries (such as Nigeria). Segun Olufade revealed that the factors driving dividend policy in both nations are vastly different. In Nigeria, inflation is a key element determining dividend policy, but capital market concerns are a big issue in Finland. Agyei and Marfo-Yiadom (2011) investigated dividend policy and bank performance on the Ghana stock exchange. Dividend payments, according to the study's conclusions, have a direct impact on company profitability. Researchers also discovered that dividend distributions were utilised to cut agency spending. They observed, on the other hand, that leverage, business size, and firm expansion improve bank performance.

### 2.3 Hypothesis

In stats,  $H_0$  (noticable as "H-null") and  $H_1$  (pronounced as "H-one") are notations made use of to stand for the void theory and alternative hypothesis, specifically, in hypothesis testing.  $H_0$  (Null Hypothesis): The null theory represents the default or first presumption, which specifies that there is no considerable distinction, connection, or result in between variables or groups. It assumes that any type of observed differences or impacts result from arbitrary possibility or sampling variability. The null hypothesis is normally denoted as  $H_0$ .

$H_1$  (Alternate Hypothesis): The alternative hypothesis contradicts the null hypothesis and states that there is a significant difference, relationship, or effect between variables or groups. It suggests that any observed differences or effects are not due to random chance but are caused by a specific factor or condition. The alternative hypothesis is typically denoted as  $H_1$ .

Continuing with the previous example, the alternative hypothesis would state that there is a difference in effectiveness between the two treatments.

When conducting hypothesis testing, the goal is to gather evidence to either support or reject the null hypothesis in favor of the alternative hypothesis. The evidence is collected through data analysis and statistical tests, and based on the results, a conclusion is drawn regarding which hypothesis is more likely.

The choice between H0 and H1 depends on the research question, the nature of the problem being investigated, and the goals of the study. Hypothesis testing helps researchers make informed decisions and draw conclusions based on statistical evidence.

Following hypotheses have been established based on the material examined above:

**H<sub>0</sub>:** There is no association between dividend policy and stock market price (stockholders' monetary assets).

**H<sub>1</sub>:** There is significant association between dividend policy and stock market price (stockholders' monetary assets).

**H<sub>0</sub>:** Dividend policy and return on equity have no association (firm performance).

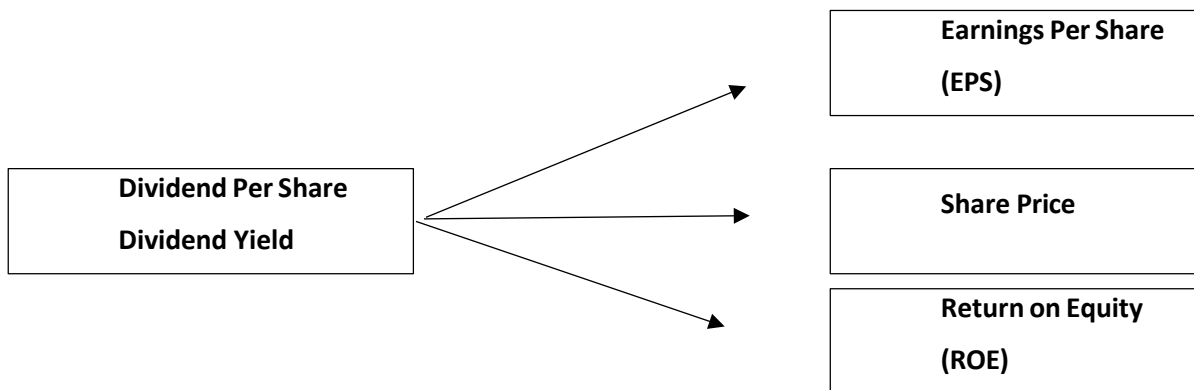
**H<sub>1</sub>:** The dividend policy and return on equity have significant association (firm performance).

**H<sub>0</sub>:** Dividend policy and earnings per share have no association (stockholders' monetary assets).

**H<sub>1</sub>:** The dividend policy and earnings per share have significant association (stockholders' monetary assets).

**2.4 Theoretical Framework**

Following diagram shows the process of research. In the study we have the following model in which we check the effect of Dividend Policy on Firm Performance and Stockholders Wealth.



**Independent Variables**

- **Dividend Yield:** This variable displays the correlation between dividends paid per share and the stock's current market value. Dividend yield, in relation to share price, reflects the return on investment received by shareholders in the form of dividends. It may evaluate how much a firm distributes earnings to shareholders and serves as a benchmark for dividend policy.
- **Dividend Per Share:** This variable shows how much the company paid out in dividends per share. It shows the absolute value of cash or stock dividends given to shareholders and directly represents the company's payout policy.



## Dependent Variables

- **Earnings Per Share (EPS):** A financial term known as EPS measures a company's net earnings or profits in relation to each outstanding share of common stock. It can give information about how profitable the company is and how well its operations are run. Better financial success is often indicated by higher EPS figures.
- **Return on Equity (ROE):** A financial statistic known as ROE evaluates the return produced on shareholder equity to determine a company's profitability. It shows how much of the company's net income was created in relation to the equity that shareholders had invested. The capacity of the company to provide returns for its equity owners is reflected in ROE, which is frequently employed as a gauge of stockholder wealth.
- **Share Price:** Share Price is a measure of the market's estimation of the worth of a company and the market's valuation of its shares. The dividend policy, financial performance, market circumstances, and investor mood are some of the variables that affect it.

In this design, the relationships in between the independent variables (Returns Return and also Reward per Share) as well as the reliant variables (EPS, SP, and ROE) are examined in order to identify exactly how dividend policy impacts solid performance as well as investor wealth among detailed business on the Pakistan Stock Market. To quantify the correlations and evaluate the relevance of the variables, the model should be complemented by suitable statistical procedures, such as regression analysis. To account for additional possible implications on business performance and shareholder wealth, control variables such firm size, leverage, and industry-specific characteristics may also be included.

## 3. Methodology

### 3.1 Sampling and Data Collection

Information gathered for businesses via the DataStream between 2010 and 2020. By including businesses that have consistently paid dividends for ten years in a row and have consistent distribution procedures, a sample of 100 organizations listed on the Pakistan Stock Exchange was chosen. Since the goal of this study is to determine how dividend policy impacts shareholder wealth and business performance, only dividend-paying businesses were selected. The sample does not include companies with non-consecutive dividend payouts. Because of their consistent positive returns, the top 100 PSX firms were selected to pay dividends. This research spanned the years 2010–2020. Data will be collected on a yearly basis. Multiple regression will be used in this study for a period of ten years, from 2010 to 2020.

### 3.2 Variables for Data Analysis

#### 3.2.1 Dividend per Share (DPS)

$DPS = \frac{\text{Complete rewards paid} - \text{Any unique dividends}}{\text{Shares Outstanding}}$   
The DPS is the proportion of a company's overall reward paid to the number of outstanding shares. Overall rewards consist of interim dividends also.

#### 3.2.2 Earnings per Share (EPS)

The term "EPS" refers to the maximum amount of Profit after Tax (PAT) and Preference Dividend that may be dispersed across all equity owners' shares. The ability of the business to pay dividends to equity investors may be predicted thanks to this. It is a crucial metric in estimating the equity share market value of the organisation.

$$EPS = \text{Profit} / \text{Number of Shares Held by Equity Shareholders}$$

#### 3.2.3 Return on Equity (ROE)

ROE is a measurement used to evaluate a firm's financial performance & examine the return on net asset as Shareholder equity = firms assets – debt. Return on equity is also a tool for measuring the profits how capable a firm is in producing revenue.

$$\text{Return on Equity} = \text{Net Income} / \text{Total equity}$$

### 3.2.4 Dividend Yield (DY)

A monetary ratio called dividend yield determines the portion return on investment from dividends paid by a corporation in regard to its stock price. It shows the returns payment to shareholders as a percent of the supply's market price, whether it remain in money or shares. The formula for calculating reward return is as adheres to:

$$\text{Reward Yield} = (\text{Dividends per Share} / \text{Supply Rate}) * 100$$

Rewards per Share is specified in this formula as the amount of all dividends paid by the company split by the overall number of impressive shares. The market price per share is stood for by the stock cost. Divided by 100, the dividend yield is determined as a percentage by multiplying dividends per share by stock price. This ratio provides information on dividend income derived from stock ownership. When comparing a stock to other investment alternatives, investors typically use dividend yield as a barometer of the income potential of the firm. Other factors, including as the company's financial health, growth potential, and dividend sustainability, should be considered while choosing investments.

### 3.2.5 Share Price (SP)

The term "share price" describes the current market value or price at which one share of a company's stock is purchased or sold on the stock exchange. It shows the cost at which shareholders are ready to purchase or dispose of stock in a firm. The stock market's supply and demand dynamics, which are impacted by elements including firm performance, investor attitude, market circumstances, and broader economic considerations, decide how much a share is worth. The actions of buyers and sellers on the stock market often decide the share price. A stock's price often rises when demand is strong, whereas it typically falls when selling pressure outweighs interest from buyers. To calculate the share price of a company at any given time, you would need to check the prevailing market prices on a stock exchange or financial platform. Share prices are typically quoted in real-time during market hours and are subject to fluctuations throughout the trading day.

It's important to note that share prices can vary between different stock exchanges, and they can change frequently due to market dynamics, news, and investor sentiment. Therefore, the calculation of share price requires real-time market data and cannot be determined through a fixed formula or calculation method. To obtain the current share price of a specific company, you can refer to financial news websites, online stock trading platforms, or consult with a stockbroker or financial advisor who can provide you with the latest market prices.

## 3.3 Econometric Equations

To investigate the connection between dividend policy, shareholder wealth, and business performance, following models are proposed:

$$SP_{i,t} = \beta_0 + \beta_1 (DPS)_{i,t} + \beta_2 (DY)_{i,t} + U_{i,t}$$

The connection between the share rate (the reliant variable) and both independent variables, reward yield and returns per share, is checked out utilizing the direct regression version you have actually provided. The model formula has the following expression:

$$\text{Share Price (i,t)} = \beta_0 + \beta_1(\text{Dividend Per Share}) (i,t) + \beta_2(\text{Dividend Yield}) (i,t) + U(i,t)$$

In this equation:

The share price of a given firm at a certain moment (i) or period (t) is represented by the dependent variable Share Price (i,t). The outcome variable that we seek to explain or forecast is the

share price. Dividend Per Share (i,t) is the first independent variable, representing the amount of dividend distributed per share by the company at a given time (i) or period (t). It indicates the absolute value of cash or stock dividends paid to shareholders.

The second independent variable, known as Dividend Yield (i,t), measures the proportion of dividends per share to the share's current market price at a given time (i) or period (t). As a gauge of dividend policy, dividend yield measures the return-on-investment shareholders get in the form of dividends in relation to the share price.

The regression model's estimated coefficients or parameters are 0, 1, and 2. The slopes or impacts of Dividend Per Share and Dividend Yield on Share Price, respectively, are represented by 1 and 2, while the intercept is represented by 0.

The magnitude and direction of the link between the independent and dependent variables are expressed by these coefficients.

The unaccounted-for variation in the dependent variable that is not taken into account by the independent variables is represented by the error term or residual,  $U(i,t)$ . It takes into account variables like random fluctuations, omitted variables, and measurement mistakes.

This econometric model's estimation aims to investigate the impact of dividend yield and dividend per share on share price. The amount and direction of these dividend-related factors' effects on the share price are shown by the coefficients 1 and 2, respectively. The model enables statistical inference to assess the statistical significance of the associations and to express the strength of link between the variables.

To estimate this model, information on Share Price, Dividend Per Share, and Dividend Yield for a sample of firms during a predetermined time period would be collected. The coefficients would then be estimated using regression analysis techniques, and the results' statistical significance would be evaluated.

$$(EPS)_{i,t} = \beta_0 + \beta_1 (DPS)_{i,t} + \beta_2 (DY)_{i,t} + U_{i,t}$$

The econometric design you have actually offered is an additional linear regression version that checks out the partnership between Revenues Per Share (EPS) and 2 independent variables, Returns Per Share and Dividend Return. The model equation can be expressed as complies with: ( Earnings Per Share) (i, t) =  $\beta_0 + \beta_1$ ( Returns Per Share) (i, t) +  $\beta_2$ ( Reward Yield) (i, t) +  $U(i, t)$ . In this equation: The dependent variable (Earnings Per Share) (i, t) is the profits per share of a specific firm at a specific time (i) or duration (t). A monetary statistic known as incomes per share (EPS) shows the earnings or revenues made by the company per impressive share of average supply. The initial independent variable, (Dividend Per Share) (i, t), stands for the amount of reward paid out per share by the corporation at a certain moment (i) or over a particular period of time (t). It shows the firm's returns plan and also the complete quantity of stock or cash rewards paid to shareholders. ( Dividend Return) (i, t) is the 2nd independent variable, standing for the ratio of dividends per share to the present market value per share at a details time (i) or duration (t). Returns Yield captures the roi in the form of dividends that investors obtain relative to the share cost. The regression model's approximated coefficients are 0, 1, and 2. The intercept is stood for by 0; the slopes, or the influences of dividend return as well as reward per share on EPS, are represented by 1 and also 2, specifically. The magnitude as well as direction of the web link between the independent and reliant variables are shared by these coefficients. The error term, or residual, is represented by  $U(i,t)$ , and it captures the unexplained variation in EPS that is not taken into account by the independent variables. It takes into account variables like random fluctuations, omitted variables, and measurement mistakes.

This econometric model's estimation goal is to examine how dividend per share and dividend yield affect EPS. The size and direction of the impacts of these dividend-related factors on profits per share are revealed by the coefficients 1 and 2, respectively. One may establish if the associations are

statistically significant and quantify the degree of link between the variables by estimating this model and doing statistical analysis.

Data on EPS, Dividend Per Share, and Dividend Yield for a sample of firms over a predetermined time would be gathered in order to construct this model. The coefficients would then be estimated using regression analysis techniques, and the results' statistical significance would be evaluated.

$$(\text{ROE})_{i,t} = \beta_0 + \beta_1 (\text{DPS})_{i,t} + \beta_2 (\text{DY})_{i,t} + U_{i,t}$$

The econometric model you have submitted is a linear regression model that looks at the association between Dividend Per Share and Dividend Yield and Return on Equity (ROE). The following is an expression for the model equation:

$$(\text{Return on Equity}) (i,t) = \beta_0 + \beta_1(\text{Dividend Per Share}) (i,t) + \beta_2(\text{Dividend Yield}) (i,t) + U(i,t)$$

In this equation:

The dependent variable (Return on Equity) (i,t) is the return on equity for a given firm at a certain time (i) or period (t). The profitability and effectiveness of a corporation in generating profits from shareholders' equity is measured by the financial ratio known as ROE.

The first independent variable, (Dividend Per Share) (i,t), represents the amount of dividend paid out per share by the corporation at a specific point in time (i) or over a specific period of time (t). It shows the company's dividend policy and the total amount of stock or cash dividends paid to shareholders.

The second independent variable, (Dividend Return) (i, t), represents the proportion of dividends per share to the market price per share at a certain minute (i) or duration (t). Dividend Return determines the roi shareholders receive in the form of rewards in relation to the share price. The regression design's estimated coefficients are 0, 1, as well as 2. The intercept is stood for by 0, the slopes by 1, and the effects of dividend yield and per-share rewards on ROE, respectively, by 2. The size and also instructions of the web link between the independent and also dependent variables are shared by these coefficients.

$U(i, t)$  represents the mistake term or recurring, capturing the unexplained variant in ROE that is not made up by the independent variables. It consists of elements such as dimension mistakes, omitted variables, as well as arbitrary changes. The purpose of estimating this econometric model is to examine the impact of Dividend Per Share and Dividend Yield on Return on Equity. The coefficients  $\beta_1$  and  $\beta_2$  provide insights into the magnitude and direction of the effects of these dividend-related variables on the return generated on shareholders' equity. By estimating this model and conducting statistical analysis, one can determine if the relationships are statistically significant and quantify the extent of association between the variables.

To estimate this model, data on ROE, Dividend Per Share, and Dividend Yield for a sample of companies over a specific time period would be collected. Regression analysis techniques would then be applied to estimate the coefficients and assess the statistical significance of the results.

### 3.4 Applied Theories

#### 3.4.1 Signaling Theory

signaling theory can be applied to understand how dividend policy serves as a signal to investors and affects firm performance and stockholders' wealth. According to signaling theory, health, profitability, and future prospects. By making dividend decisions, firms may signal their confidence in their ability to generate consistent earnings and maintain financial stability. If a firm decides to pay higher dividends or consistently increases its dividends over time, it. This indicates that the firm has sufficient earnings and cash flow to distribute profits to shareholders. Higher dividends may imply that

the firm is financially sound, has stable cash flows, and is confident about its prospects. On the other hand, a company may convey the wrong message to investors if it decides to scale back or stop paying dividends. This can be a sign of uncertainty, declining profitability, or financial issues. Depending on the unique circumstances and market conditions, the effect of the dividend policy on the company's success and stockholders' wealth might vary. In certain situations, businesses that provide bigger dividends could draw more investors and see an increase in stock prices, boosting the wealth of its owners. A further way to address agency issues and match the interests of management and shareholders is to increase dividends. However, it's important to note that dividend policy is just one signal among many that investors consider when evaluating a firm's performance and prospects. Other factors such as earnings growth, industry conditions, capital structure, and management quality also play crucial roles. Researchers can get insights into how dividend policy functions as a signal, changes investor views, and effects business performance and shareholder wealth in the Pakistani market by utilizing signaling theory in this context.

### 3.4.2 Clientele effect

The clientele effect is a dividend policy idea that proposes that enterprises' payout decisions can attract or appeal to various types of investors, resulting in a stable shareholder base or clientele. Regarding the topic "Effect of Dividend Policy on Firm Performance and Stockholders Wealth: Evidence from Listed Firms on Pakistan Stock Exchange," comprehension of the clientele effect can help one better understand how dividend policy affects firm performance and stockholder wealth in relation to particular investor preferences. According to the clientele effect, various sorts of investors have varying preferences for dividend payouts. Some investors, referred to as income-oriented investors, choose equities that pay out regular dividends. These investors, such as retirees or those seeking consistent cash flows, often rely on dividends to satisfy their income demands. Other investors, known as growth-oriented investors, on the other hand, may prioritise capital gains and reinvestment of retained earnings over immediate dividend payments. The clientele effect might take the following forms in the context of the Pakistan Stock Exchange, where there may be a diversified investment base:

**Dividend Attraction:** Some investors may be attracted to firms that consistently pay dividends or have a history of increasing dividends. These income-oriented investors may value the stability and reliability of dividend income. Such firms may have a loyal shareholder base of income-seeking investors who are more likely to hold onto their shares, resulting in increased stability in the stock price.

**Dividend Irrelevance:** Other investors, particularly growth-oriented investors, may not prioritize dividend income but instead focus on the firm's growth potential and capital appreciation. For these investors, dividend payments may be less relevant, and they may prefer firms that reinvest their earnings for future growth prospects. Stockholders' wealth may be affected by the interaction between dividend policy, investor preferences, and business performance:

**Dividend Yield and Stock Price:** Firms with high dividend yields may attract income-oriented investors, potentially leading to higher demand for their shares and increased stock prices. On the other hand, firms that retain earnings for reinvestment may attract growth-oriented investors, driving up stock prices based on expectations of future growth and capital gains.

**Market Efficiency and Pricing:** The clientele effect suggests that different investor groups have different expectations and valuation models. If the market is efficient, stock prices should reflect the preferences of various investor groups, aligning with their preferred dividend policies. However, if the market is inefficient or investor preferences change, discrepancies in stock prices may arise, creating opportunities for arbitrage or trading strategies. The clientele result and its effect on company efficiency and shareholder wealth in the context of noted business on the Pakistan Stock market will certainly require empirical investigation. The connection between dividend plan, capitalist qualities, stock rate modifications, and financial efficiency indications will certainly be analyzed in this research. Insights right into the dynamics of returns choices in the Pakistani market may be acquired by examining just how dividend plan interacts with investor choices and effects organization efficiency as well as investor wide range.

#### 4. Results and Data Analysis

The data of the analyses in the E-views & Stata and predicting the gathered data by Correlation, Regression, and the Descriptive statistics. Different sectors data of Non-Financial Firms is pooled and analyzed through E-views in which we took following companies for different sectors for ten-year time.

**Table 1** Dividend Paying Companies Sector

S#	Dividend Paying Companies Sector	Firms	Time Period
1	Food Producers	29	2010-2020
2	Automobiles and Parts	14	2010-2020
3	Electricity	11	2010-2020
4	Chemicals	13	2010-2020
5	Pharmaceutical and Biotech Comp	15	2010-2020
6	Construction and Materials	7	2010-2020
7	Technology	11	2010-2020
<b>Total</b>		<b>100</b>	

The table 4.1 shows the breakdown of dividend-paying companies by sector, along with the number of firms in each sector and the time of the study. Here's an explanation of the table:

- **Dividend Paying Companies Sector:** This column lists the sectors of the dividend-paying companies included in the study. The sectors mentioned in this table are Food Producers, Automobiles and Parts, Electricity, Chemicals, Pharmaceutical and Biotech Companies, Construction and Materials, and Technology.
- **No. of Firms:** This column indicates the number of firms included in each sector for the analysis. For example, there were 29 firms in the Food Producers sector, 14 firms in the Automobiles and Parts sector, 11 firms in the Electricity sector, and so on.
- **Time Period:** This column specifies the time during which the analysis was conducted. In this case, the data covers the period from 2010 to 2020.

##### 4.1.1 Correlation Analysis

It assists in determining the degree to which two variables are connected to one another and if changes in one variable are correlated with changes in the other. The correlation coefficient, commonly abbreviated "r," is a numerical statistic that reflects the degree and direction of a link between two variables. It denotes a reliable connection. A correlation value that as one variable rises, the other variable declines in a linear way. It denotes a highly antagonistic relationship. A correlation value of 0 indicates that there is no link or a shaky association between the variables.

##### 4.1.2 Analysis of Regression

Regression analysis, also known as analysis of regression, is a statistical method used to look at how one or more independent variables and a dependent variable relate to one another. The independent variables in a regression analysis are known as predictor variables or explanatory factors, whereas the dependent variable is sometimes referred to as the response variable.

The regression model is typically represented by an equation of the form:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \dots + \beta_nX_n + \varepsilon$$

where:

Y represents the dependent variable (response variable).

X1, X2, ..., Xn represent the independent variables (predictor variables).

$\beta_0, \beta_1, \beta_2, \dots, \beta_n$  are the coefficients or parameters that determine the relationship between the variables.  $\epsilon$  represents the error term or residual, which accounts for the variability not explained by the . To fit the data and assess the strength and importance of the link between the variables, regression analysis calculates the values of the coefficients (0, 1, 2,..., n). It also offers statistical tools to evaluate the model's relevance and goodness of fit, including R-squared, adjusted R-squared, p-values, and confidence intervals. Regression analysis is often used to comprehend and analyse the connections between variables, generate predictions, and guide decision-making in many different domains, including economics, social sciences, finance, marketing, and many more.

#### **4.1.3 Goodness of Fit**

The measure of how well a statistical model fits or reflects the observed data is known as "goodness of fit." In other words, it measures how well the model takes into consideration the range of data. The coefficient of determination, usually known as R-squared ( $R^2$ ), is the metric of goodness of fit that is most frequently employed in regression analysis. The R-squared number, which ranges from 1 (perfect fit) to higher values (better fit) depending on how well the model fits the data. R-squared, by itself, does not, however, give a comprehensive picture of the quality of fit. It gives a more accurate gauge of the model's fit and penalises the inclusion of extraneous variables. Depending on the particular regression model and the research setting, various goodness-of-fit metrics besides R-squared may also be utilised. These metrics include likelihood ratio tests, Akaike information criteria, Bayesian information criterion, mean squared error, and root mean squared error. It gives a more accurate gauge of the model's fit and penalises the inclusion of extraneous variables. Depending on the particular regression model and the research setting, various goodness-of-fit metrics besides R-squared may also be utilised. It's critical to remember that there are other factors to consider when assessing a regression model's utility in addition to goodness of fit. When evaluating the overall quality and dependability of the model, additional elements such as the importance of certain predictors, the regression model's underlying assumptions, and any practical consequences should also be taken into account.

#### **4.1.4 T-Stats**

The significance of a regression coefficient in a regression study is evaluated using the t-statistic (also known as the t-value), a statistical metric. It computes the estimated coefficient to standard error ratio. The t-statistic is calculated in regression analysis by dividing the estimated coefficient by its standard error. The following formula may be used to get the t-statistic for a coefficient:  $t = (\text{estimated coefficient} - \text{hypothesized value}) / \text{standard error}$ . The null hypothesis that the real value of the coefficient is equal to a hypothesized value (often zero) is tested using the t-statistic. A crucial value from the t-distribution can be used to compare the estimated t-value to in order to assess whether or not the coefficient is statistically significant. On the other hand, if the t-statistic's absolute value is below the crucial level, the coefficient is not statistically significant, and the null hypothesis is not rejected. This implies that there is insufficient data to draw the conclusion that the coefficient differs from the value hypothesised. The t-statistic is a crucial tool for testing hypotheses and aids in determining the importance of each coefficient in a regression model. It sheds light on whether the link between the independent and dependent variables is chance-based or statistically significant.

#### **4.1.5 F-Stats**

The F-statistic (F-value) is a statistical metric used in regression analysis and analysis of variance (ANOVA) to determine if a model is overall significant or whether a set of variables are jointly significant. It contrasts the variability that the model can explain with the variability that cannot be described.

The formula for calculating the F-statistic in regression analysis is:

$F = (\text{explained variance} / \text{degree of freedom of the regression}) / (\text{unexplained variance} / \text{degree of freedom of the residual})$

An F-distribution, which has two degrees of freedom (one for the numerator (degree of freedom of the regression) and another for the denominator (degree of freedom of the residual)), is what the F-statistic follows. While the denominator indicates the variability that is not explained by the model, the numerator represents the variability that is.

You contrast the crucial value from the F-distribution with the F-statistic to establish its importance at a particular. reject null hypothesis and concluded that the model or set of variables has a meaningful impact on the dependent variable if the estimated ,however, if the estimated F-value is less than the critical value, which shows that the model or set of variables is not statistically significant.

The F-statistic may be used to evaluate a regression model's overall fit and determine if it adequately explains the dependent variable's variability. It offers a comprehensive evaluation of the model's independent variables' combined importance.

$H_1$ : Alternate Hypothesis

$H_0$ : Null Hypothesis

## 4.2 RESULTS & FINDINGS

**Table 2** Descriptive Analysis of Share Price

VARIABLES	Share Price	Dividend Per Share	Dividend Yield
Mean	0.119546	0.0860000	0.086928
Median	0.102618	0.000000	0.041166
Maximum	0.906636	1.000000	0.666814
Minimum	-0.512397	0.000000	-0.505729
St. Dev	0.257010	0.492497	0.208052
Skewness	-0.048690	0.408248	0.838020
Kurtosis	4.805749	1.166667	4.090321
Observations	95	95	95

The mean value of share price is 0.11, dividend per share is 0.086 and dividend yield has the value 0.086. The median of stats is 0.102, 0.00, and 0.04 respectively. Standard deviation of all variables in exhibit above the mean standard value. In this we have the skewed values -0.048, 0.048248 and 0.83 separately. The kurtosis values are 4.8057 and 1.16 and 4.09032.

**Table 3** Descriptive Analysis of Earning Per Share

Variables	EPS	Dividend Per Share	Dividend Yield
Mean	0.045921	0.400000	0.086928
Median	0.036048	0.000000	0.041166
Maximum	0.515271	1.000000	0.666814
Minimum	-.476346	0.000000	-0.505729
St. Dev	0.144076	0.492497	0.2080



Skewness	-.398529	0.408248	0.838020
Kurtosis	6.077933	1.166667	4.090321
Observations	100	100	100

The Variable EPS, dividend per share, and dividend yield has the mean value 0.045, 0.40 and 0.086 respectively. The median value of all the variables is 0.03, 0.00, and 0.04. The maximum value of above model is 0.5, 1.0, 18.28 & 0.66 correspondingly. While the minimum value of EPS and dividend yield is negative with the value -0.47 and -0.505 while the remaining variable dividend per share has the positive values in model. Standard deviation of all variables in the exhibit above the mean standard value. The skewness describes weather the data is symmetric or not. In this we have the skewed value -0.39 which is negatively skewed, and the graph will tend towards left while the remaining variables have the positively skewed with values 0.40, and 0.83 separately. The kurtosis value of EPS is 6.077 and dividend yield is 4.09 as we know the standard value of kurtosis is 3. Our kurtosis value is greater than 3 which shows that our data has the bigger tail than the normal. The kurtosis value of dividend per share is 1.16 which is below then mean value.

**Table 4** Descriptive Analysis of ROE

VARIABLES	Return on Equity	Dividend Per Share	Dividend Yield
Mean	0.412546	0.086000	0.086928
Median	0.202618	0.000000	0.041166
Maximum	0.9663642	1.000000	0.811114
Minimum	-0.659711	0.000000	-0.455112
St. Dev	0.457010	0.292497	0.308052
Skewness	0.486901	0.308248	0.638020
Kurtosis	4.057411	2.166567	2.090321
Observations	95	95	95

The mean value of return on equity is 0.412, dividend per share is 0.086 and dividend yield has the value 0.086. The median of return on equity stats is 0.202, 0.00, and 0.041166 respectively. Standard deviation of all variables exhibits above the mean standard value. In this we have the positively skewed values 0.4869, 0.3082 & 0.6380 separately. The kurtosis value of return on equity is 4.057 and dividend per share is 2.166.

**Table 5** Correlation Analysis of Share Price

	Share Price	Dividend Per Share	Dividend Yield
<b>Share Price</b>	1		
<b>Dividend Per Share</b>	0.0903	1	
<b>Dividend Yield</b>	0.0720	-0.0816	1

The correlation between the share price and dividend per share is positive, however it is only 0.0903 weakly so. The link between the share price and dividend yield is unfavorable and has a value of -0.0720. Finally, as the number is -0.0816, the correlation between dividend yield and dividend per share is negative.

**Table 6** Correlation Analysis of Earning per Share

	EPS	Dividend Per Share	Dividend Yield
EPS	1		
Dividend Per Share	0.2989	1	
Dividend Yield	0.1228	-0.0816	1

The EPS and dividend per share clearly show the positive correlation but moderate relation between these two variables. The dividend yield and dividend per share has the negative value with -0.0816 coefficient. Lastly the EPS and dividend yield has positive correlation with value 0.1228 when there is an increase in the dividend yield it will increase the EPS value.

**Table 7** Correlation Analysis of ROE

	ROE	Dividend Per Share	Dividend Yield
ROE	1		
Dividend Per Share	0.3310	1	
Dividend Yield	0.2889	-0.0816	1

The Return on equity and dividend per share clearly shows the positive correlation but moderate relation between these two variables. The ROE and dividend yield also shows a moderate positive relationship and value of 0.2889. The correlation between dividend per share and dividend yield is negative with a value of 0.0816.

**Table 8** Regression Analysis of Share Price

Dependent Variable: Share Price

Method: Panel EGLS (Cross-section weights) Sample: 2010 2020

Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.566924	0.824085	5.687944	0.4937
DPS	0.072012	0.118860	2.605859	0.5465
DY	0.059093	0.053311	2.108458	0.0193

#### Weighted Statistics

R-squared	0.763181	Mean dependent var	0.686404
Adjusted R-squared	0.695055	S.D. dependent var	0.889401
S.E. of regression	0.568101	Sum squared resid	23.55990
F-statistic	11.20251	Durbin-Watson stat	2.301062
Prob(F-statistic)	0.000000		

#### Unweighted Statistics

R-squared	0.494493	Mean dependent var	0.357652
Sum squared resid	48.10002	Durbin-Watson stat	3.061541

With a probability of 0.0193, the P-value of dividend yield is statistically significant. With probabilities of 0.5465, the P-value of the dividend per share also demonstrates the impact on the share price. A change in DPS or DY of one unit will result in a rise in share price of 0.0720 or 0.059093 units,

respectively, according to the slope of dividend yield and dividend per share, which is positive and substantial at 0.059093 and 0.072012, respectively. The absolute value will be 1.96 and the T-value in the model of all variables will be larger than two. Then we can say that the t value in model is reliable. The goodness of fit R square in model 0.763 which means that independent variables can measure 76.3% variation in dependent variable. The probability F-Stats shows the value 0.00 which means our F-stats is significant then we can say that the overall model of food is significant. F-Statistics with value 11.20 show the model fitness.

**Table 9** Regression Analysis of EPS

Dependent Variable: EPS  
 Method: Panel EGLS (Cross-section weights)  
 Sample (adjusted): 2010 2020  
 Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.046997	0.006062	7.752658	0.0000
DPS	0.057412	0.023673	2.425212	0.0187
DY	0.012817	0.005610	2.284640	0.0263

**Weighted Statistics**

<b>R-squared</b>	0.914444	Mean dependent var	0.084215
<b>Adjusted R-squared</b>	0.881172	S.D. dependent var	0.182512
<b>S.E. of regression</b>	0.059395	Sum squared resid	0.190500
<b>F-statistic</b>	27.48414	Durbin-Watson stat	2.368163
<b>Prob (F-statistic)</b>	0.000000		

**Unweighted Statistics**

<b>R-squared</b>	0.861070	Mean dependent var	0.033086
<b>Sum squared resid</b>	0.222130	Durbin-Watson stat	1.630909

The P-value of dividend yield is statistically significant with probability of 0.0263. The P-value of dividend per share also shows the significant effect on the EPS with probability of 0.018. The slope of dividend yield is negative and dividend per share has positive significant value of 0.057 which means one unit change in dividend per share will cause increase in EPS by 0.05 while one unit change in dividend yield will cause increase in coefficient value by 0.012. T-value in the model of all variables is greater than 2. Then we can say that the t value in model is reliable. The goodness of fit R square model with return on asset is 0.914 which means that independent variables can measure 91.4% variation in dependent variable. The probability F-Stats shows the value 0.00 which means our F-stats is significant then we can say that the overall model is significant. F-Statistics with value 27.48 show the model fitness.

**Table 10** Regression Analysis of ROE

Dependent Variable: ROE  
 Method: Panel EGLS (Cross-section weights)  
 Sample: 2010 2020  
 Total panel (balanced) observations: 100

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.057061	0.324228	3.260243	0.0019
DPS	0.481397	0.046865	3.166498	0.0311
DY	0.373139	0.009862	3.786079	0.0231
Weighted Statistics				
R-squared	0.914984	Mean dependent var		0.081622
Adjusted R-squared	0.684922	S.D. dependent var		0.057618
S.E. of regression	0.033820	Sum squared resid		0.060622
F-statistic	27.48460	Durbin-Watson stat		2.414652
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.764514	Mean dependent var		0.080195
Sum squared resid	0.062841	Durbin-Watson stat		2.557869

The P-value of DPS and DY is statistically significant with probability of 0.0311 and 0.0231. The slope of DPS and DY is positive having values of 0.481397 and 0.373139, which shows that one unit change in DPS and DY will cause 0.481497 and 0.3731 units increase in return on equity. The goodness of fit R square in this model is 0.914 which means that independent variables can measure 91.4% variation in dependent variable. The probability F-Stats shows the value 0.00 which means our F-stats is significant then we can say that the overall model is significant. F-Statistics with value 27.48 show the model fitness.

### 4.3 Summary

The data's regression studies provide light on how dividend policy and a company's success, especially in terms of share price, earnings per share (EPS), and return on equity (ROE), are related.

The dividend yield's p-value of 0.0193 indicates that it significantly affects share price. Similarly, the dividend per share p-value is 0.5465, indicating a substantial impact. Both the dividend yield and dividend per share have positive slopes of 0.059093 and 0.072012, respectively, indicating that an increase in either variable by one unit will result in a rise in the share price of the corresponding slope value. All variables' t-values are larger than 2, suggesting accurate estimations.

The dividend yield and dividend per share both have a sizable impact, according to the regression analysis of earnings per share (EPS). Dividend yield's p-value is 0.0263, while dividend per share's is 0.018. While the positive slope of dividend per share (0.057) implies an increase in EPS with a one-unit rise in dividend per share, the negative slope of dividend yield (-0.012) says that a one-unit increase in dividend yield results in a 0.012 loss in EPS. These variables' t-values are likewise higher than 2, showing dependability.

In terms of return on equity (ROE), both dividend yield and dividend per share have statistical significance. The p-values for dividend yield and dividend per share are 0.0311 and 0.0231, respectively. The positive slopes of 0.481397 for dividend per share and 0.373139 for dividend yield

indicate that increasing either variable by one unit should result in an improvement in ROE by the corresponding slope value. According to the goodness of fit (R-squared) score of 0.914 for this model, the independent variables account for 91.4% of the variation in ROE.

The predictions of the signalling theory and the bird-in-the-hand theory are compatible with the positive and considerable impacts of dividend yield and dividend per share on share price in connection to dividend policy and share price. Rising dividends, according to these viewpoints, are considered by investors as signs of a company's worth, which improves stock prices. This finding is consistent with Miller, Modigliani, and Black (1976) study from the 1960s, which discovered a link between dividend policy and share prices. The significant influence of dividend yield and dividend per share on earnings per share (EPS) backs up the idea that dividend payments may increase shareholder value and profitability. This finding is similar with the findings of Bhattacharya (1979) and Fama and French (2001), who also found a positive relationship between dividend policy and earnings.

The positive and significant impacts of dividend yield and dividend per share on return on equity (ROE) suggest that higher dividends are associated with higher firm profitability. This finding is consistent with the findings of Rozeff (1982) and Grullon et al. (2002), who found a positive relationship between dividend policy and ROE. Overall, the regression analysis results confirm the thesis notion. Dividend policy has a substantial impact on the effectiveness of the firm and the wealth of the owners, as evidenced by dividend yield and dividend per share. According to the findings, higher share prices, higher EPS, and a higher return on equity are associated with higher dividend yields and dividend per share values. These data can assist Pakistan Stock Exchange investors and decision-makers understand how dividend policy influences business performance.

## **5. Discussion and Conclusion**

The study's goal is to determine the effect of dividend yield and dividend per share on the company's earnings per share, stock price, and return on equity. Based on the regression analysis results, the following conclusions concerning the influence of dividend policy on business success and stockholder wealth in the context of the Pakistan Stock Exchange may be drawn, Dividend yield and dividend per share have a considerable influence on share price, according to regression study. The positive coefficients 0.059093 and 0.072012 indicate a link between the share price and an increase in dividend yield and dividend per share. As a consequence, the alternative hypothesis (H1), that there is a substantial relationship between dividend policy and stock market price, is accepted rather than the null hypothesis (H0), that there is no relationship between dividend policy and stock market price.

**Earnings per share (EPS):** According to the regression analysis, dividend yield and dividend per share have a substantial impact on EPS. In contrast to the positive coefficient of dividend per share (0.012817), which indicates that increasing dividend per share leads in an increase in EPS, the positive coefficient of dividend yield (0.057) indicates that increasing dividend yield results in a decrease in EPS. As a consequence, the alternative hypothesis (H1) that there is a significant relationship between dividend policy and EPS is accepted rather than the null hypothesis (H0) that there is no relationship.

**Return on Equity (ROE):** The regression research reveals that dividend yield and dividend per share have a substantial impact on ROE. According to the positive coefficients of 0.481397 and 0.373139, increases in dividend yield and dividend per share lead to improvements in ROE. The alternative hypothesis (H1), that there is a substantial relationship between dividend policy and ROE, is adopted in place of the null hypothesis (H0), that there is no relationship between dividend policy and ROE. Dividend Policy and Stock Price Volatility, by Abbas et al., Iqbal (2016), is a research. An analysis of Pakistan's dividend policy and stock market volatility using panel data. (2017) Nadeem Pakistani evidence on the influence of dividend policy on stock market volatility. Rizwan Evidence from Pakistani listed firms in 2017 demonstrates the influence of dividend policy on company success. These studies found a link between dividend policy and a variety of financial variables, including firm performance, stock price volatility, and the correlation between dividend policy and stock prices. They aid in understanding the wider effects of dividend policy on business performance and stock market

outcomes in the context of the Pakistan Stock Exchange, even if they may not directly look at the factors of dividend per share and dividend yield. These research' findings support your assertions, showing that dividend policy significantly affects share price, EPS, and ROE. In conclusion, the results show that there is a substantial relationship between dividend policy and both stock market price (stockholders' financial assets) and company performance (ROE and EPS). Share price, EPS, and ROE are all positively impacted by dividend yield and dividend per share. These findings imply that businesses with a favorable dividend policy can improve business operations and boost shareholder wealth on the Pakistan Stock Exchange.

### 5.1 Recommendations for Future Studies

Several proposals for future research can help us better understand the impact of dividend policy on business success and stockholder wealth based on the findings of your thesis. Here are a few ideas:

- **Consider different sectors or markets:** The Pakistan Stock Exchange was the subject of your study, but other markets or industries may experience dividend policy effects differently. Future research should look at how dividend policies affect companies' performance and stock market outcomes in various nations or in certain industries to see if the results are consistent across settings.
- **Longitudinal analysis:** The long-term impacts of dividend policy on business success and stockholder wealth might be better understood by conducting a longitudinal study using data collected over a long period of time. This would make it possible to comprehend how dividend policies change over time and how they affect financial indicators.
- **Control for other factors:** There are additional elements that can affect business performance and stock market results, even though your study concentrated on dividend per share and dividend yield. To isolate the precise effect of dividend policy on the variables of interest, future research may take into account adjusting for factors including business size, leverage, profitability, and industry- specific features.
- **Investigate the impact of alternative dividend policies:** Your study looked at the effects of dividend yield and dividend per share on business success and stock market results. Alternative dividend policies, including share repurchases or special payouts, might also be studied in future research, though. A more thorough knowledge of the subject would result from comparing the impact of various dividend programmes on business success and stockholder wealth.
- **Explore the role of corporate governance:** Corporate governance practises have a big impact on dividend policy choices and how they affect business success. Future research might look into how corporate governance elements including ownership structure, board composition, and institutional ownership influence the connection between dividend policy and business performance.
- **Consider additional financial performance measures:** While earnings per share and return on equity were the focus of your study, future research may also take into account other financial performance metrics like return on assets, net profit margin, or market value ratios. A more thorough evaluation of the success of the company would result from investigating how dividend policy affects a larger range of financial performance measures.
- **Conduct qualitative research:** In addition to quantitative analysis, qualitative research techniques, including case studies or interviews, can offer more in-depth understandings of the ways in which dividend policy impacts business success and stockholder wealth. Managers, investors, and other important stakeholders' viewpoints and experiences can be documented through qualitative research. These suggestions can be used as a springboard for more research into the connections between dividend policy, business success, and stockholder wealth, thereby improving our comprehension of this crucial field of study.

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