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## Factors Influence of Dividend Policy on Stock Price in Indian Market

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#### Abstract

One of the most disputed subjects in the field of business finance is the relationship between dividend policy and market price of share. There is good volume of literature for and against this issue. An increase in dividend payment is seen as a positive indicator whereas a decrease in dividend payment as a negative indicator on the future earnings prospects of the company, thus leading to an increase or decrease in share prices of the firm (Vijayakumar, 2010; Sattar et al., 2017). The present study has been undertaken to evaluate the effect of dividend policy on market prices of shares of Nifty 50 companies listed on the National Stock Exchange (NSE) for 2022–2023. The data have been analyzed by employing multiple panel data regression models namely pooled regression, fixed effect model and random effect model. The Hausman test has been used to suggest the most appropriate regression model. The result of the Hausman test indicates that random effect model is more relevant in describing the relationship among the given variables. The results of the random effect regression model support the relevant approaches of dividend policy. Thus, we conclude that there is significant effect of dividend policy on the stock price of firms.

#### I. INTRODUCTION

Dividend policy is one of the most widely researched topics in the field of corporate finance. But the question of whether dividend policy affects stock prices still remains debatable among managers, policymakers and researchers. Every firm operating in a given industry follows some dividend model or dividend policy and it is considered as an indicator of the financial performance of the firm. An increase in dividend payment is seen as a positive indicator whereas a decrease in dividend payment as a negative indicator on the future earnings prospects of the company, thus leading to an increase or decrease in share prices of the firm (Vijavakumar, 2010; Sattar et al., 2017). By paying dividends, the company also has to pay a dividend distribution tax. Thus, it increases the company's cost and therefore reduces the available funds for future investments. Dividend policy is important for investors, managers, lenders and other stakeholders. It is important for investors because investors consider dividends not only as the source of income but also a way to assess the firms from the investment point of view. It is the way of assessing whether the company can generate cash or not. By having information on dividend yield (DY) and dividend payout ratio (DPO), an investor may perform a better and more accurate analysis of the firm's financial performance. Payout ratio (POR) has a strong effect on the company's future earnings growth also (Al-Twaijry, 2007). Since POR and DY are among the key factors that an investor would consider during an investment decision, dividend policy may have an influence on share price volatility. In preliminary corporate finance, dividend policy was just concerned with selecting between payments of earnings to shareholders as cash dividends or retaining the profit in firms. It determines the incidence of dividend payments and the amount of dividends. However, in today's corporate finance, dividend policy addresses more issues such as how firms can attract investors in different tax brackets, how firms can increase their market value and so on. The following section on the theoretical framework provides insight into some popular dividend theories and models.

#### **Theoretical Framework**

Though there are several theories on dividend policy such as the Modigliani and Miller (MM) theory, Walters's model and Gordon's model of dividend policy for the purpose of this study, Gordon's dividend model has been adopted. This is premised on the uniqueness of its share price valuation method which is based on future streams of dividends. Miller and Modigliani (1961) proposed the dividend irrelevance hypothesis that provides the concept of dividends in a comprehensive manner. According to them, the dividend policy of a firm is irrelevant since it does not have any effect on the price of shares of a firm, that is, it does not affect the shareholders' wealth. They expressed that the value of the firm is determined by the earning power of the firms' assets or its investment policy and not dividend decisions by splitting the earnings of retentions and dividends. They argued that it is information effect, clientele effect or signaling effect by which dividend payments affect the value of the firm. Bhattacharya (1979), Miller and Rock (1985)and Williams (1988) tell us that a rising dividend conveys good news. The conclusion derived by MM is logically consistent and intuitively appealing. But the underlying assumptions of the MM hypothesis such as perfect capital markets, no taxes, investment policy and no risks are found to be unrealistic and impractical in the real world. For instance, under perfect market assumption, there are no transactions and flotation cost. This implies that internal and external financing are equivalent. So, whether the firm retains earnings or issues new shares, the wealth of shareholders would remain the same. However, in practice, it is the flotation or transaction cost that makes internal financing cheaper than external financing. Similarly, opposite to the assumption of the MM hypothesis, taxes exist in practice. In most of the countries, capital gain is taxed at a lower rate as compared to dividends. In such a tax scenario, investors in high tax brackets should prefer lowpayout shares while those in the low tax bracket should prefer high-payout shares. India is an exception where dividends are not taxed but capital gains are. Thus, this study does not empirically test the MM hypothesis. Another aspect of dividend payment was highlighted by Jensen and Meckling (1976). He relates dividend payment with agency costs and problems. They argue that firms pay out dividends in order to reduce agency costs. A firm with free cash flows prefers to distribute dividends to its shareholders so as to reduce the possibility of these funds being wasted on unprofitable projects (Jensen, 1986). Thus, this approach emphasises on the important role of dividend policy to resolve agency problems and enhance shareholder value. The Walter (1963) model suggests that dividend policy and investment policy of a firm cannot be isolated; rather, they are interlinked. As such, the choice of the former affects the value of a firm. His proposition clearly states the relationship between the firms' (a) internal rate of return (i.e., r) and (b) its cost of capital or the required rate of return (i.e., k). In other words, an optimum dividend policy will have to be determined by the relationship between r and k. In short, a firm should retain its earnings if the return on investment exceeds the cost of capital and in the opposite case, it should distribute its earnings to the shareholders.

Gordon's (1963) theory on dividend policy is one of the theories which believe in the 'relevance of dividends' concept. Gordon supports Kirshman's 'bird-in-thehand' argument that states the myopic vision of investors. In other words, the current dividends are important in determining the value of the firm. Gordon's model is one of the most popular mathematical models used to calculate the market value of the company using its dividend policy. Though this theory has been duly criticized on the strength of the stated assumptions, it has been found to be the most reliable model for the valuation of the market value of a company. Therefore, the study intends to investigate the impact of dividend policy on the market performance of the share price at the National Stock Exchange (NSE). It is, therefore, on this premise that this study examines the effect of earnings per share (EPS), DY, dividend per share (DPS), return on equity (ROE), profits after tax (PAT) and retention ratio (RR) in determining the market price of shares (MPSs).

#### **Review of Literature**

There has been an extensive debate on dividend policy and its effects on the value of a firm. Since the middle of the last century, many studies have been conducted to examine the impact of dividend policy on the market price of stocks. Some researchers have argued that regular payment of dividends to investors significantly increases the market value of shares (Gordon, 1963). On the other hand, while some others have debated on the irrelevance of dividends (Miller & Scholes, 1978), others have opined that payment of dividends leads to the reduction in shareholders' wealth. A brief review of literature is presented in Table 1.

Year	Author	Objectives	Data and Research	Findings
			Methodology	_
1999	Tsoukalas and Sil	To investigate the	Hypothesis testing,	The D/P ratio
		predictivepower of	Granger causality tests	Granger causes
		variables such as DYs,	and co-integration	stock returns. It
		dividend growth rate, etc.	results	implies predictability
		using the 'information		which is only
		hypothesis' of dividends.		inconsistent with the
				simplest modelof
				market efficiency.
2007	Al-Twaijry	To identify variables that	Hypothesis testing	The current
		has an impact on dividend		dividends are
		policy and POR in an		affected by their pasts
		emerging market.		and their future
				performance. PORs
				do not have a strong
				effect on the
				company's future
				earnings growth but
				havesome significant
				negative correlation
				with the company's
				leverage.
2010	Vijayakumar	To examine the extent to	Correlation analysis,	The selected
		which some indicators of	factoranalysis and	variables have a
		the financial performance	multiple linear	positive relationship
		influence the stock price.	regressions	with the market price
				and DPS and the $\ensuremath{\text{P/E}}$
				ratio have a negative
				impact on he market
				price of its equity
				shares.
2010	Ali and	To examine the impact of	Hypothesis testing and	Stock price does not
	Chowdhury	dividend announcements	eventstudy approach	vary on the
		onthe stock price.		announcement of
				dividends.
2011	Hussainey,	To analyses the relation	Multiple regression	DY and stock price
	Mgbame, and	between dividend policy		changes are positively
	Chijoke-Mgbame	andshare price changes in		related while the
		the UK stock market.		dividend POR and
				stockprice changes
				are negatively related.

2011	Hussainey et. al	To examine the relationshipbetween dividend policy andthe volatility of stock price.	Multiple regression analysis	There is a significant negative relationship between the POR of a firm and the volatility of its stock price and a negative relationship between DY and the volatility of stock price. Also,
2012			D	it is the firm's growth rate, debt level, size and earnings that explain stock price changes.
2012	Zakaria, Muhammad, and Zulkifli	To examine the impact of the dividend policy as well asDPR of the share price.	Descriptive statistics andleast square regression method	The model is able to explain only 43.43% of the variation in the share price wherein DY, investment growth and earnings volatility insignificantly influence the changes in the company's share price.
2013	Abor and Fiador	To examine the impact of corporate governance on the firm's dividend payout policy.	Panel regression model	They suggest that corporate governance structures lead to high-dividend payout in the countries under study. However, in Nigeria, there is high-earnings retention orlow- dividend payment.
 2014	Mehta, Jain, and Yadav	To examine how the market reacts to the stock dividend announcements.	Return analysis timeline forevent study, liquidity and risk analysis timeline	The announcement of stock dividends lessens the viability of returns. This facilitates price stability in the stock market.

2014	Masum	To empirically estimate	Panel data methodology	There is a significant
		excess stock market		negative relation
		returnsfor all the 30 banks		between DY and
		listed inDhaka Stock		stock price. ROE
		Exchange.		and EPShave
				positive effects on
				the stock price and
				PAT has a significant
				negative effect on the
				stock market prices
				of select banks.

#### **Research Methodology**

In this section, we discuss the data, the variables and the research tools and techniques applied in this study.

#### Data and Variables

The purpose of this research is to contribute towards a very important aspect of corporate financial management known as dividend policy with reference to the Indian stock market. In this study the emphasis is on analysing the relationship between dividend policy and MPSs of Nifty 50 companies listed on the NSE for 2008–2017 (excluding five companies, namely, Hindustan Unilever Limited, HCL, Ambuja Cement, Titan and Grasim). The selection of the data period and sample size (the number of selected companies) are subject to the availability of required data. The data have been taken from the ACE equity database.

The impact of dividend policy on the company's share price is analyzed by panel data methodology.

In panel data regression, MPS is taken as the dependent variable while DY, RR, EPS, DPS, ROE and PAT are taken as independent variables.

**MPS** = market price per share which represents the end-of-the-year price for each of the companies for the sample period.

DY = dividend yield that is viewed as the rate earned on an investment. It is calculated by dividing DPS by the MPS.

DY=Dividend Price Share/ Price Per Share

 $\mathbf{RR}$  = the retention ratio calculated by dividing the total retained earnings by the total earnings at the end of the financial year. Alternately, it can be expressed as:  $\mathbf{EPS}$  = earnings per share which is calculated by dividing total earnings by the total number of outstanding shares of a firm's stock at the end of the financial year.

PS=Dividends/ Number of Shares

**DPS** = dividend per share which is the sum of declared dividends issued by a company for every equity share outstanding. DPS=Dividends/ Number of Shares

**ROE** = return on equity is calculated as:

ROE=Earnings Available to Equity Shareholders/Net Worth

**PAT** = profit after tax is the net amount earned by a business after all taxation-related expenses have been deducted.

PAT = Operating Income \* (1 - tax rate)

#### **Techniques Used for Analysis**

Here we have applied tests such as descriptive statistics, correlation, unit root tests and panel regression analyses on given variables to analyse the effect of dividend policy on the MPS.

#### Descriptive Statistics and Test for Normality

Descriptive statistics give mean, median, mode, standard deviation, variance, kurtosis and skewness of the variables. In this skewness and kurtosis should be equal to zero for normal distribution. Further, we use the Jarque–Bera test of normality based on ordinary least square (OLS) residuals. The null hypothesis of this test is that residuals are normally distributed.

#### **Correlation Analysis**

Correlation means the relationship between two variables. The correlation shows two things; first it shows the direction between two variables and second it shows the strength of associations between two variables.

#### Unit Root Test

It is important to study the unit root properties of the spot and future series before employing regression. To run the regression, the variables must be made stationary in case they are non-stationary. This study uses Levin, Lin, and Chu (LLC); the Breitung *t*-stat; Im, Pesaran, and Shin (IPS); augmented Dickey–Fuller (ADF) and Fisher chi-square tests to analyse the unit root properties of the given variables. The null hypothesis of this test is that the variables are non-stationary. If the variables are stationary on the first difference, then, they are said be integrated variables of first order, that is, Equation (1). In case of conflict among the results of these tests, we infer on the basis of majority.

### Regression Analysis: Pooled Ordinary Least Square, Fixed and Random Effect

It is a statistical technique used to determine the strength of the relationship between the dependent variable (MPS) and independent variables (DY, RR, EPS, ROE and DPS) of Nifty 50 as shown in the following equations.

1. MPS=f(DY,RR,EPSDPS,ROE,PAT) ------(1)

The model is further expressed as

2. MPSit= $\alpha$ i+ $\beta$ 1DYit+ $\beta$ 2RRit+ $\beta$ 3EPSit+ $\beta$ 4DPSit+ $\beta$ 5ROEit+ $\beta$ 6PATit+ $\in$ t------(2)

where  $\alpha_i$  (*i* = 1, ..., 45) is the unknown intercept for every company, *t* represents the year analysed,  $\beta$ s are the coefficients for every independent variable and  $\epsilon_{it}$  is the error term. The null hypothesis for this test is that DY has no impact on MPS, that is,  $\beta_1 = 0$ . Similarly, a set of hypotheses can be stated for other independent variables. Several methods are used to test the static models-pooled OLS, fixed effects (FEs) and random effects (REs). The pooled OLS method is a form of mathematical regression analysis that finds the line of best fit for a dataset, providing a visual demonstration of the relationship between data points. Fixed effect models explore the relationships between independent variables and explained variables in separate entities, assuming that companies have their own characteristics that influence the relationships between variables. Here, the intercept is assumed to vary across cross-sections but has a fixed value for a crosssection (which does not change with time). Random effect models imply a random variation across companies, uncorrelated with explanatory variables. Here, the intercept is assumed to be random. The Hausman test will reveal the better model from the latter two and therefore it is used for the appropriate selection of panel regression. The null hypothesis states that the RE model is appropriate while the alternate hypothesis states that the FE model is more appropriate.

#### **Empirical Findings**

#### Descriptive Statistics and Jarque Bera

The results of descriptive statistics for variables are shown in <u>Table 2</u>. The distributions are non-normal as the values of skewness and kurtosis are non-zero. The given variables are positively skewed. Also, all the variables are leptokurtic in nature. From <u>Table 2</u>, we can see that the probability values for the JB test are zero. Hence, the null hypothesis for residual normality is rejected, implying that the variables are not normally distributed.

#### **Correlation Analysis**

The correlations between the select variables are presented in <u>Table 3</u>. The correlation results indicate that DY and PAT are negatively correlated with MPS, while other variables such as EPS, DPS, ROE and RR are positively correlated with MPS. We can observe from the results that ROE is positively correlated with all other variables except RR, which is found to be negatively correlated. Also, EPS shows a high positive correlation while DPS shows a moderate positive correlation with MPS. DPS is highly positively correlated with EPS and RR is negatively correlated with EPS. DY and ROE are positively correlated with DPS.

#### Unit Root Test

It is necessary that all the given variables are stationary before running regression analysis. To test it analytically, we employ LLC; Breitung *t*-stat; IPS W-stat; ADF; and Fisher chi-square tests. It is evident from <u>Table 4</u> that the null hypothesis of unit root (non-stationarity) is rejected in case of most of these tests at the 5 per cent level of significance. However, there are conflicts among the results of different tests. So, we infer on the basis of majority of results. Thus, we infer that all the given series, namely DY, MPS, EPS, DPS, RR, ROE and PAT, are stationary at the 5 per cent level of significance.

#### **Regression Analysis**

Table 5 presents the main results of the different models of panel data regression analysis, that is, pooled OLS (POLS), FE and RE models. As POLS is not considered to be a reliable method, we run FE and RE regressions too. Across all three models, regression results show that EPS has a positive impact on MPS, while DY, ROE and PAT have a negative impact on MPS at the 5 per cent or maximum 10 per cent levels of significance. Hausman test indicates that RE is more relevant in describing the relationship among the given variables as the null hypothesis is not rejected. Thus we follow the results of the RE model only and discuss in detail. The random model is able to explain 64.85 per cent of the total variation in MPS. Also, *F*-statistics and Wald-test  $\chi^2$  statistics are also found to be significant. Thus, overall, the model is a good fit. It is evident from the results (Table 5) that EPS has a significant positive impact on MPS at the 5 per cent level of significance. The results are similar to the results reported by Pushpa and Sumangala (2012) and Adesina et al. (2017).

From RE regression model analysis, we conclude that EPS has a positive impact on MPS; DPS and RR have no effects on MPS while DY, ROE and PAT have a negative effect on MPS. Thus, we infer that shareholders don't look at the absolute amount of dividend paid per share but the DY that the stock yields. That is, dividend payment results in an increase in the market price of the stock, thus resulting in a lower DY. In a nutshell, we conclude that the dividend distribution affects MPSs and hence the dividend policy has an impact on stock price. The results are similar to the findings by Baskin (1989), Benaruzi (1997), and Chen et al. (2009) and Khan et al. (2011), while in contrast to the findings of Ali and Chowdhury (2010). The results of this study support dividend relevance theories and models like those by Gordon and Walter. The results of this study are useful and important for investors, managers, lenders and other stakeholders. It is important for investors because they consider dividends not the only source of income but also a way to assess firms from the investment point of view. The results are imperative for the management to formulate the dividend policy in such a way as to maximise shareholders' wealth. The future study can focus on a larger group of companies or it can be industry specific.

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#### **Research Gap**

There has been a lot of foreign study on equities valuation, particularly using US data. The specific impact of each explanatory variable on equity market value, however, has not been examined. Dividends per share, which are utilized to explain stock valuation, are the explanatory variable. As a result, the researcher has attempted to explore the fifty nifty firms and to investigate how they affect the risk and valuation of the Indian equities markets.

#### **Objective of the Study**

 To provide light on the typical practices used by fund managers when it comes to the use of accounting data to forecast market value.
 DPS and its impact on stock market value.

#### Scope of the Study

The study is to evaluate the application of the variables to the valuation of stock markets using market value. There aren't many models in existence that deal with values. To contrast the relative advantages of two different shares, valuation models offer a basis. The analysis is limited to accounting related variables and market value is defined by basic elements.

#### Operational Definition of the Concepts Equity Valuation

The price represents the value that the investor must give up in order to purchase the security of his choosing, is determined by valuation. In addition, a security's price reflects the potential that these assets have in the markets where they are traded. It is the process of giving a particular share a monetary value. All shares would be given an accurate value under the ideal share valuation method.

#### **Dividend Per Share**

Dividends are given to shareholders as compensation for their investment and assumption of risk in the business. They are calculated as a percentage of net income after taxes.

#### Methodology

An analytical inquiry makes up the first half of the research, while a cause and effect study makes up the second. We begin by using dividends per share as the independent variable.

#### Methods of Data Collection

The study shows the primary and secondary sources are used to get the data for this investigation. 50 respondents were given a standardized questionnaire to complete in order to gather primary data. They work as fund managers, investment consultants, and stock brokers for various firms.

#### Sampling

The researcher has gathered two different sorts of samples for the study in order to gather the necessary data. The top 50 businesses in the 2015 Business Today survey ranking of businesses by market value are chosen for the research. Almost all of the study's industries are represented in this selection of the top 50 corporations.

Year	Average	Median	Std deviation	Correlation Coefficient
2011-12	4.67	2.63	7.53	0.68
2012-13	4.59	3.05	5.63	0.61
2013-14	7.37	3.25	17.57	0.53
2014-15	7.45	2.50	17.98	0.50
2015-16	10.78	3.27	27.84	0.55

Table - 1\_Mean, Standard Deviation and Correlation coefficient

Source: Calculation

Information on the stock makes the course of the study arithmetic mean, median, and standard deviations of the five years under consideration are provided in Table 1. Between 2011–12 and 2012–13, the mean and median market value decreased by 4.67 and 4.59 and 2.63 and 3.05, respectively. It started to increase in the years 2013–2014 and continued through 2014–2015 with median values of 3.25, 2.50, and 3.27 with a range of 7.37, 7.45, and 10.78. The aforementioned table also provides information on the market valuations of stock for the sample firms during the course of the five years under consideration. The Table the values for the correlation coefficient are 0.68 and 0.61. Even if the values are falling in the following years, a positive association is still evident, and this pattern is maintained.

Year	Intercept	t – values	Remarks
2011-12	122.69	2.29	Significant
2012-13	138.32	1.79	Not Significant
2013-14	232.25	4.99	Significant
2014-15	320.28	4.71	Significant
2015-16	423.08	5.28	Significant

Table - 2 Intercept values of Dividend per Share variable and Market Value

Source: Calculation

Note: The Inferential analysis is carried at a significance level of 5%.

If the dependent variable's effect is ignored, the intercept values in Table 2 above are significant for all the years from 2011–12 to 2015–16. This suggests that the Market Value of Indian Equity Markets and the Dividend per Share variable have a linear connection. The 't' values also show a substantial association between the Dividend per Share variable and the Market Value of Indian Equity Markets.

Year	Regression Coefficient	Standard Errors	t – values	P - value	Remarks
2011-12	39.45	6.06	6.50	0.02	Significant
2012-13	56.50	10.67	5.29	0.07	Significant
2013-14	10.62	2.46	4.31	8.22	Significant
2014-15	13.99	3.52	3.97	2.14	Significant
2015-16	12.29	2.70	4.54	3.07	Significant

#### Table - 3

Analysis of Regression Coefficient between Dividend per Share variable and Market Value

Source: Calculation

This table reveals that the accounting variable Dividend per Share has a slope value of 39.45 for the year 2011–12, representing from 2011–12 to 2015–16. This rate of change is raised to 56.50 in 2012–2013, representing an increase of Re–1. Explanatory factors that demonstrate the rate of change in the explained variable are reduced to 10.62, 13.99, and 12.29 for increases by Re - 1 in the next years. The Se value illustrates the range of estimations. The values have had a negligible association over the years. As can be seen, the following table contains information on the P values. The hypothesis is accepted since the aforementioned study reveals a strong association in the Indian context.

Year	<b>R</b> <sup>2</sup>
2011-12	46.00%
2012-13	36.00%
2013-14	27.00%
2014-15	24.00%
2015-16	30.00%

Table - 4<u>Analysis of R<sup>2</sup> values of the Regression</u>

Source: Calculation

The aforementioned table displays the R2 Regression Coefficient values for the chosen sample firms from 2011–12 to 2015–16. Regressions are not noteworthy because the R2 varies from mathematical mean.

Year	DF of Regression	DF of Residual	F-Value	Remarks
2011-12	1	48	42.28	Not Significant
2012-13	1	48	28.02	Not Significant
2013-14	1	48	18.60	Not Significant
2014-15	1	48	15.77	Not Significant
2015-16	1	48	20.62	Not Significant

Table - 5 F values of Dividend per Share Variable and Market Value

Source: Calculation

Table 5 displays 48 degrees of freedom for residuals and 1 degrees of freedom for regressions for each year between 2011–12 and 2015–16. It is clear from the above table's F values that there is no meaningful association between dividend per share and market value for Indian equity markets in any of the years from 2011–12 to 2015–16 at the 5% level. The theory is disproved.

#### **Respondent's Profile**

Equity markets always feature a wide range of players who impact the market's performance. They are asked to describe the sort of entrepreneurial strategy they have used in order to determine the investment activities. Table 6 below summarizes and presents the same information and includes a quick commentary.

Sl. No	Nature of Ownership	Respondent	%
1	Sole Proprietorship	23	46%
2	Partnership	04	08%
3	Private limited	21	42%
4	Public limited	01	02%
5	Others please specify	01	02%

Table - 6 Nature of Ownership of Respondent Organization Groups

Source: Field Survey

The market is still dominated by either sole proprietors or a small number of private limited companies. Whereas within the response group, 46% of the respondents were discovered to be operating as traders. Private and public limited companies continue to participate in the market at a very low level because of its extraordinary volatility and distinctive nature. As can be seen from the table above the customers are making the rules which restrict their performance. One of the new services offered in order to support and facilitate their investment activities, reveals a small number of market participants who trade directly through online trading terminals. Investors in this market frequently have a big impact on identifying the market's true potential.

Sl. No	Nature of Ownership	Respondent	%	
1	Stock Broking	44	50%	
2	Investment Advisor	33	38%	
3	Fund Management	06	7%	
4	Others Please Specify	05	6%	
5	Stock Broking	44	50%	

Table - 7 Nature of the Activities

The performance of various investment activities affects the markets. The viability of various investment options often depends on various investment gurus and specialists. Within the whole sample of respondents, it was discovered that (50%) of the respondents were engaged in the advisory activities. The 7 percent of respondents were found to be engaging in fund management. Only 6% of the total respondents were found to be engaged in other forms of investing, such as the marketing of mutual funds and the provision of training facilities to those who showed an interest.

Sl. No	Source of Information	Respondent	%
1	Own Research	45	35%
2	Publicly Available Information	33	25%
3	Privately Available Research Information Provided	28	20%
	by Market Research Agencies		
4	Information furnished by issuing organization	22	17%
5	Others please specify	04	3%

Table - 8 Source of Information fund managers

Source: Field Survey

When making market investments on behalf of their clients in accordance with their predetermined goals, fund managers use a variety of information sources as a benchmark Maximum number of fund managers (35%) in the responder group perform their own study to get various forms of information about the various investment options accessible in the market. (25%) of the respondents who are financial advisers utilize publicly available information in making various investment decisions.

Sl. No	<b>Investment Securities</b>	Respondent	%
1	Equity or Common Stock	51	21%
2	Preference	15	6%
3	Debt/Bonds	24	10%
4	Government Securities	17	7%
5	Insurance	17	7%
6	Mutual funds	21	9%
7	Futures & Options	27	11%
8	Currencies	21	9%
9	Hybrid Investments	12	5%
10	Global Securities	10	4%
11	Bank Deposits	17	7%
12	Others, Please Specify	08	3%
	Total	240	100%

 Table - 9 Types of Investment Securities Fund Managers

In order to find the ideal investment opportunity that maximizes return and minimizes risk, equity markets always have a wide range of performance. The majority of the respondents (21%) from various option while only (11%) of respondents who manage funds chose futures and options as their preferred investment option for making stock decisions. All the respondents are interested to deposit in the commodities to increase market profit, with hybrid investments accounting for 5% of respondents, global securities for 4% of respondents, and other carry for 3% of respondents.

Sl. No	Investment Securities	Respondent	%
1	Risk Appetite of the Investor	43	15%
2	Economy Related Factors	37	13%
3	Industry Related Factors	36	12%
4	Company Related Factors	38	13%
5	Nature of the Investment Portfolio preferred	34	12%
6	Maturity Period	27	09%
7	Current Market Performance	37	13%
8	Future expectations regarding the value of the stock	38	13%
9	Others Please Specify	04	01%
10	Total	294	100%

Table - 10 Factors considered for suggesting an Investment Portfolio

Source: Field Survey

When asked to evaluate considerations for making investment decisions the fund managers are asked to reply to a question about the portfolio construction. It has been noted that among the respondents, 15% of fund managers believe that the investors' risk appetite is the most crucial consideration when making investing decisions. Investment advisers from the responder group (13%) take into account market performance, company-related factors, economic factors, and expectations for the future value of stocks. When asked to react to the question of what criteria they take into account when making investment advisors take these factors into account when deciding on an investment strategy based on the potential goals of their client base.

DPS				
Class Interval	Respondents	%age		
1-1.9	0	0%		
2-2.9	1	2%		
3-3.9	12	24%		
4-4.9	35	70%		
5-6.9	2	4%		
Total	50	100%		

Table - 11 Dividends per Share (DPS) as an Accounting Variable for Valuation

Source: Field Survey

Dividends are given to shareholders as compensation for their investment and assumption of risk in the business. They are calculated as a percentage of net income after taxes.

#### Findings of the Survey

It offers an understanding of the current practices for valuing equity and calculating risk in order to analyze the information and data needed by various investment advisors and fund managers to make investment decisions based on company financial statements and build effective portfolios. The current survey emphasizes the significance of numerous accounting variables and their influence on stock brokers' and fund managers' diverse investing decisions.

#### **Inferential Statistics**

Using simple regression analysis the following conclusions are made. They are; the values are demonstrated for five years. R2 are substantial. R2 = 32.60% is what the arithmetic mean is. In other words, BV accounts for 32.60% of the variance in equity markets. Values for the regression coefficient of beta (slope), which ranges in value from 10.62 to 56.50, are significant at 5%. The Standard Error (Se) for the projected 't' value spans from 3.97 to 6.50, and it varies from 2.46 to 10.67. "P" values are 5%, or less than 0.05, significant. "T" values exhibit significance at 5%, or greater than 2.50. "F" values are 5%, or less than 0.05, significant.

#### **II. CONCLUSION**

The conclusions on linear relationship regression are drawn from the current study. The results provide evidence for the significance of each unique independent variable, such as dividend per share, utilized to select the optimum portfolio for equity valuation.

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