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AN ANALYSIS ON DIVIDEND POLICY OF SAKTHI FINANCE LIMITED WITH SPECIAL REFERENCE TO COIMBATORE REGION

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ABSTRACT

The dividend policy remains a controversial issue. Framing a sound dividend policy is a challenging task for a finance manager. In India, few studies have analyzed the relationship between the firm's value and dividend payment. Net earnings (Firm's Profits) are divided into two parts – retained earnings and dividends. The retained earnings of the business may be reinvested and treated as retained earning which is a source of long-term funds. On the other hand, the dividend should be distributed to the shareholders in order to maximize their wealth as they have invested their money in the expectation of being made better off financially. Though it is difficult to reconcile the conflict interest of different types of shareholders, a company should adopt a dividend policy after taking into consideration the interest of various groups of shareholders.

Keywords: Dividend Policy, Market Value, Shareholders wealth, Sakthi Finance Limited.

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INTRODUCTION

"The term dividend refers to that part of profits of a company which is distributed by the company among its shareholders". A dividend is a distribution of a portion of a company's earnings (profit), decided by the board of directors, to a class of its shareholders. In other words a share of the after-tax profit of a company, distributed to its shareholders according to the number and class of shares held by them. It is the reward of the shareholders for investments made by them in the shares of the company. The investors are interested in earning the maximum return on their investments and to maximize their wealth. A company, on the other hand, needs to provide funds to finance its long-term growth. The amount and timing of the dividend is decided by the board of directors, who also determine whether it is paid out of current earnings or the past earnings kept as reserve. Holders of preferred stock receive dividend at a fixed rate and are paid first. While, the ordinary shares holders are entitled to receive any amount of dividend, based on the level of profit earned the company.

FORMS OF DIVIDEND

1. Cash dividend: Payment of dividend in cash results in outflow of funds and reduced the company's net worth, though the shareholders get an opportunity to invest the cash in any manner they desire.

2. Scrip or Bond dividend: When a company does not have sufficient funds to pay dividend in cash, it may issue notes or bonds for amount due to the shareholders.

3. Property dividend: Property dividends are paid in the form of some assets other than cash.

4. Stock dividend: Stock dividend means the issue of bonus shares to the existing shareholders. If a company does not have liquid resources, it is better to declare stock dividend.

5. Interim dividends are dividend payments made before a company's Annual General Meeting (AGM) and final financial statements. This declared dividend usually accompanies the company's interim financial statements.

6. Other dividends can be used in structured finance. Financial assets with a known market wealth can be distributed as dividends; warrants are sometimes distributed in this way. For large companies with subsidiaries, dividends can take the form of shares in a subsidiary company. A common technique for "spinning off" a company from its parent is to distribute shares in the new company to the old company's shareholders. The new shares can then be traded independently.

DIVIDEND POLICY

"Dividend policy means the practice that management follows in making dividend payout decisions, or in other words, the size and pattern of cash distributions over the time to shareholders."

The Dividend Policy is a financial decision that refers to the proportion of the firm's earnings to be paid out to the shareholders. Here, a firm decides on the portion of revenue that is to be distributed to the shareholders as dividends or to be ploughed back into the firm.

STATEMENT OF THE PROBLEM

The dividend policy remains a controversial issue. Framing a sound dividend policy is a challenging task for a finance manager. In India, few studies have analyzed the relationship between the firm's value and dividend payment. Net earnings (Firm's Profits) are divided into two parts - retained earnings and dividends. The retained earnings of the business may be reinvested and treated as retained earning which is a source of long-term funds. On the other hand, the dividend should be distributed to the shareholders in order to maximize their wealth as they have invested their money in the expectation of being made better off financially. Though it is difficult to reconcile the conflict interest of different types of shareholders, a company should adopt a dividend policy after taking into consideration the interest of various groups of shareholders. Sakthi Finance Limited follows a stable dividend policy from 2010- 11 onwards and as per norms, it issues Re.1 as dividend per share. As the market value of stock shows an increased trend, the equity shareholders demand an increase in Dividend Price Share. Hence, in order to test the fluctuation in the market value with a stable dividend policy the need for the study arises.

OBJECTIVESOF THE STUDY

1. To assess the Dividend Policy of Sakthi Finance Limited (SFL) using selected indicators.
2. To compute the Market Value Added (MVA) and the fluctuations in Market value.
3. To examine the effect of Dividend Policy on the Shareholders' wealth.
4. To examine the effect of Dividend Policy on Market Value of the company.

METHODOLOGY OF THE STUDY:

The Present Study is descriptive research study. The study has used only secondary data which are collected from Sakthi Finance Limited (SFL) such as Annual Reports, various financial websites, other published materials like in-house magazines. The data collected from these sources have been compiled and used with due care as per the requirements of the study.

TOOLS AND TECHNIQUES USED FOR ANALYSIS:

Financial Tools

1. Dividend Policy indicators.
2. Market Value Added (MVA).
3. Market Value.

Statistical Tools

1. Correlation analysis.
2. Regression analysis.

PERIOD OF THE STUDY

The study covers the period of six financial years starting from 2010-11 to 2015-16.

LIMITATIONS OF THE STUDY

1. Only one company i.e., Sakthi Finance Limited (SFL) is considered for the study and hence the results cannot be generalized for similar companies.
2. The Shareholders' wealth is measured using various factors such as EVA, EBIT, MVA, TSR, AR, but only one indicatorMVA is considered by the researcher.

Review of Literature

Mokaya, Nyangara and James (2013)[16] explained how dividend policy effect market share price in banking industry of Kenya. This study covered the sample of 100 respondents represented a population of 47000 general public shareholders questioners were used to collect the data. Market share value is the dependent variable and dividend policy is the independent variable. Descriptive and inferential statistics were used to determine and explain variable's relationships. The study concluded that National Bank of Kenya had a dividend policy and this dividend policy is the major factor driving NBK share value. It has been seen that an increase in dividend payout may result an increase in share price.

Kumaresan (2014)[17]**,** in a study titled "Impact of dividend policy on shareholders' wealth: A study of listed firms in hotels and travels sector of Sri Lanka" focused on top ten firms under hotel and travel sectors in Sri Lanka during the period from 2008 to 2012. Shareholders' wealth (EPS) was considered as response variable while predictor variables were: return on equity (ROE), dividend payout ratio (DPR), dividend per share (DPS) and retention ratio (RR). The study used correlation and regression to analyse the data and found that there was a positive relationship between return on equity (ROE), dividend per share (DPS) and dividend payout ratio (DPO) and shareholders' wealth (SW) of the selected firms under hotel and travel sectors in Sri Lanka; and there was a negative relationship between retention ratio and SW.

Analysis and Interpretation of the Study

Earnings per Share of Sakthi Finance Limited

Earnings per share (EPS) are the portion of a company's profit allocated to each outstanding share of a common stock. Earnings per share serve as an indicator of a company's profitability of the company. The track record of EPS for several years reflects the growth rate of the company and potential investors look forward to invest in the company. Table 1 shows the SFL's EPS price for the past years.

Table 1

Earnings per Share of Sakthi Finance Limited

Year	Earnings Available to Equity Share Holders (Rs. in Lakhs)	No. of. Equity Shares Issued (In Lakhs)	Earnings Per Share (In Rs.)
2010-11	793.59	301	2.64
2011-12	1161.33	500	2.32
2012-13	1289.52	500	2.58
2013-14	1298.73	500	2.60
2014-15	1463.73	500	2.93
2015-16	1126.99	500	2.25

Source: Computed Data from various Annual General Meeting Reports of SFL.

From the above table it is sorted out that the higher EPSRs. 2.93 in 2014-15 indicate the higher earnings. A consistent improvement in the EPS year after year from 2011-12 to 2014-15 is the indication of continuous improvement in the earning power of the company. The EPS issued in 2015-16 is all time low of Rs. 2.25 during the study period; it may be due to the lower earnings during the year.

Dividend Payout Ratio (DPR)

Dividend payout ratio is reciprocal of retention ratio (or plowback period) which measures the percentage of earnings a company reinvests in projects to generate future growth. Table 2 shows the percentages of DRP paid to the common shareholders by the company SFL.

Table 2

Dividend Payout Ratio of Sakthi Finance Limited

Year	Dividend Per Share (In Rs.)	Earnings Per Share (In Rs.)	Dividend Payout Ratio (In%)
2010-11	1	2.64	37.88
2011-12	1	2.32	43.10

2012-13	1	2.58	38.76
2013-14	1	2.60	38.46
2014-15	1	2.93	34.13
2015-16	1	2.25	44.44

Source: Computed Data from various Annual General Meeting Reports of SFL.

It is clear from the table that a low dividend payout ratio of 34.13 per cent in 2014-15 shows that the company is keeping a large portion of its earnings as retention for growth in future and a high payout ratio of 44.44 per cent in 2015-16 indicates that company is paying a large portion of its earnings as dividend to its common shareholders. SFL‘s DPR is less than 100 per cent means that the company's dividend payments are not exceeding its net income.

Return on Equity (ROE)

Return on Equity (ROE) is the amount of net income returned as a percentage of shareholders equity. A company with high return on equity is more successful to generate cash internally. Table 3 explains the return percentage of earning to common shareholders.

Table 3

Return on Equity of Sakthi Finance Limited

Year	**Net Profit (PAT) (Rs. in Lakhs)**	**Shareholders' equity (Rs. in Lakhs)**	**Return on Equity (In %)**
2010-11	793.59	3010.70	26.36
2011-12	1161.70	5000.00	23.23
2012-13	1399.85	5000.00	27.99
2013-14	1415.73	5000.00	28.31
2014-15	1584.64	5000.00	31.69
2015-16	1252.57	5000.00	25.05

Source: Computed Data from various Annual General Meeting Reports of SFL.

It is understand from the table that the higher ratio to the equity shareholders is 31.69 per cent in 2014-15, indicates that the capital invested by the SFL is efficiently more. In 2011-12, the ROE ratio is low 23.23 per cent which indicates that the fund of the investors is not effectively employed in the investing activities. Investors will always look for companies with high and growing returns on equity. Thus, the return to equity shareholders is fluctuating with medium risk that yields medium return.

Earning Retention Ratio (ERR)

The retention ratio is the proportion of earnings kept back in the business as retained earnings. The retention ratio refers to the percentage of net income that is retained to grow the business, rather than being paid out as dividends. Higher the ERR shows increasing in re-investment and low ERR shows decrease in its rate of re-investment. On a per-share basis, the retention ratio of SFL is expressed in the Table 4.

Table 4

Earning Retention Ratio of Sakthi Finance Limited

Year	Dividend Per Share (In Rs.)	Earnings Per Share (In Rs.)	Earning Retention Ratio (In %)
2010-11	1	2.64	62.12
2011-12	1	2.32	56.89
2012-13	1	2.58	61.24
2013-14	1	2.60	61.54
2014-15	1	2.93	65.87
2015-16	1	2.25	55.56

Source: Computed Data from various Annual General Meeting Reports of SFL.

It is clear from the table that the ERR trend explains the dynamic changes during the study period. ERR is repugnant to DPR. Retention ratio increases with increasing EPS in 2014-15 as 65 per cent and decreases in 2015-16 as 55.56 per cent. This explains that the company has no stable growth rate and reinvesting in its operations is falling.

Dividend Cover Ratio (DCR)

The dividend cover ratio measures the number of times that a company could pay dividends to its shareholders. The concept is used by investors to estimate the risk of not receiving dividends. Table 5 shows the company's DCR over the past years.

Table 5

Dividend Cover Ratio of Sakthi Finance Limited

Year	**Profit After Tax (PAT) (Rs.in Lakhs)**	**Dividend Paid on Irredeemable Preference Shares (Rs.in Lakhs)**	**Dividend Paid to Ordinary Shareholders (Rs.in Lakhs)**	**Dividend Cover Ratio (In Times)**
2010-11	793.59	0	301.07	2.64
2011-12	1161.70	0.19	500.00	2.32
2012-13	1399.85	94.93	500.00	2.60
2013-14	1415.73	100.00	500.00	2.63
2014-15	1584.64	100.76	500.00	2.96
2015-16	1252.57	104.34	500.00	2.29

Source: Computed Data from various Annual General Meeting Reports of SFL.

It is explained that the DCR is the highest 2.96 times in 2014-15;this may suggest that the company is retaining a higher portion of its earnings to meet its financing requirements which may result in higher dividend payouts in the future. And lower dividend cover is 2.29 times in 2015-16 may be appropriately depending on the level of stability in earnings of the SFL. Dividend cover consistently below 1.5 may suggest that the company might not be able to maintain the present level of dividends in case of adverse variation in profit in the future. In such case, SFL's DCR progress is good as the ratio is above 2 times.

Dividend Yield Ratio (DYR)

The dividend yield ratio shows the amount of dividends that a company pays to its investors in comparison to the market price of its stock. Thus, the dividend yield ratio is the return on investment to an investor. Table 6 shows the DYR of SFL.

Table 6

Dividend Yield Ratio of Sakthi Finance Limited

Year	**Annual Dividend Per Share (In Rs.)**	**Market Price of Stock (In Rs.)**	**Dividend Yield Ratio (In %)**
2010-11	1	12.16	8.22
2011-12	1	10.62	9.42
2012-13	1	11.71	8.53
2013-14	1	10.89	9.18
2014-15	1	16.48	6.07
2015-16	1	20.12	4.97

Source: Computed Data from various Annual General Meeting Reports of SFL.

It is stated from the table that SFL has a high dividend yield of 9.42 per cent in 2011-12 reveals that it pays its investors a large dividend compared to the fair market value of the stock of Rs.10.62. This means the investors are getting highly compensated for their investments compared with lower dividend yielding stocks. A lower dividend yield is recorded in 2015-16 4.97 per cent with highest market value of Rs .20.12. As it is mentioned above, SFL issues stable dividend, even a small dividend might produce a high dividend yield ratio.

Return On Capital Employed (ROCE)

The Return on Capital Employed measures the proportion of adjusted earnings to the amount of capital and debt required for a business to function. ROCE is a long-term profitability ratio because it shows how effectively assets are performing while taking into consideration long-term financing. Table 7 depicts the ROCE of SFL for the consecutive years.

Table 7

Return on Capital Employed of Sakthi Finance Limited

Year	**Earnings Before Interest and Taxes**	**Total Assets (Rs. in Lakhs)**	**Current Liabilities (Rs. in Lakhs)**	**Return On Capital Employed**

	(Rs. in Lakhs)			**(In %)**
2010-11	1093.20	68063.16	51516.53	6.61
2011-12	1717.05	76794.80	59205.32	9.76
2012-13	2133.04	83671.87	64207.61	10.96
2013-14	2278.66	90216.59	58619.26	7.21
2014-15	2128.96	116262.97	67446.56	4.36
2015-16	2039.93	108002.99	47575.87	3.38

Source: Computed Data from various Annual General Meeting Reports of SFL.

This table shows that the higher return on capital employed of 10.96 per cent is attained by SFL in 2012-13 and lower of 3.38 per cent in 2015-16. This shows how efficiently SFL uses its capital employed as well as its long-term financing strategies.

Price Earnings Ratio (P/E)

The price earnings ratio can be derived as either the current market price per share, divided by earnings per share, or as the total current company market capitalization, divided by net after-tax earnings. The results of either calculation are the same. Table 8 explains the earning cost of SFL in depth.

Table 8

Price Earnings Ratio of Sakthi Finance Limited

Year	**Current Market Price Per Share (In Rs.)**	**Earnings Per Share (In Rs.)**	**Price Earnings Ratio (In Rs.)**
2010-11	12.16	2.64	4.61
2011-12	10.62	2.32	4.58
2012-13	11.71	2.58	4.54
2013-14	10.89	2.60	4.19
2014-15	16.48	2.93	5.62
2015-16	20.12	2.25	8.94

Source: Computed Data from various Annual General Meeting Reports of SFL.

From this table it is clear that, SFL has attained high P/E ratio of 8.94 per cent in 2015-16. As earnings per share begin to rise, so does their market value per share. A company with a high P/E ratio usually indicates positive future performance and investors are willing to pay more for this company's shares. A lower ratio of 4.19 per cent in 2013-14 on the other hand, is usually an indication of poor current and future performance. This could prove to be a poor investment. In general a higher ratio means that investors anticipate higher performance and growth in the future. It also means that SFL has a good PE ratio as it shows an upward trend from 2014-15.

Net Worth Ratio (NWR)

The net worth ratio states the return that shareholders could receive on their investment in a company, if all of the profit earned were to be passed through directly to them. Thus, the ratio is developed from the perspective of the shareholder, not the company, and is used to analyze investor returns. Table 9 shows the net worth of SFL.

Table 9

Net Worth Ratio of Sakthi Finance Limited

Year	Net After-Tax Profits (Rs. in Lakhs)	Shareholder Capital (Rs. in Lakhs)	Retained Earnings (Rs. in Lakhs)	Net Worth Ratio (In %)
2010-11	793.59	3010.70	5344.75	9.49
2011-12	1161.70	5000.00	5864.44	10.69
2012-13	1399.85	5000.00	6327.59	12.36
2013-14	1415.73	5000.00	6739.52	12.06
2014-15	1584.64	5000.00	7552.08	12.62
2015-16	1252.57	5000.00	7022.18	10.42

Source: Computed Data from various Annual General Meeting Reports of SFL.

An excessively high net worth ratio of 12.62 per cent in 2014-15 may indicate that a SFL is funding its operations with a disproportionate amount of debt and trade payables because of increase in retention ratio and net profit and the lower net worth ratio of 10.42 per cent in 2015-16. This shows a fall in the trend line of net worth ratio indicating fall in the utilization of the shareholder's investment means the fall in shareholders' wealth.

MEASURES OF SHAREHOLDERS' WEALTH

Maximizing shareholder wealth is the main goal of all corporations. Shareholder wealth is the value enjoyed by a shareholder by possessing shares of a company. It is the wealth delivered by the company to the shareholder. Increasing the shareholder's wealth is of prime importance for the management of a company. So the management must have the interests of shareholders in mind while making decisions. The higher the shareholder's wealth, the better it is for the company and management. For this, management must exercise efficient decision making so as to earn/increase profits, thereby increasing shareholder wealth.

MARKET VALUE ADDED (MVA)

Market Value Added (MVA) is a calculation that shows the difference between the market value of a company and the capital contributed by investors, both bondholders and shareholders. Market value added represents the wealth generated by a company for its shareholders since inception. Companies that are able to sustain or increase MVA over time typically attract more investment, which continues to enhance MVA. Sakthi Finance Limited's MVA performances focused on equity shareholders over the past six consecutive years are depicted in Table 10

Table 10

Market Value Added of Sakthi Finance Limited

Year	Closing Price of BSE (In Rs.)	Market Capitalization (Rs. in Lakhs)	Net Worth (Rs. in Lakhs)	Market Value Added (Rs. in Lakhs)
2010-11	12.16	3661	8355.45	-4694.45
2011-12	10.62	5310	10864.44	-5554.44

2012-13	11.72	5860	11327.52	-5467.52
2013-14	10.89	5445	11739.52	-6294.52
2014-15	16.48	8240	12552.08	-4312.08
2015-16	20.12	10060	12022.18	-1962.18

Source: From various AGM reports of SFL and BSE website.

MVA is used to measure the company's performance in the direction of maximizing shareholder's value. MVA reveals owners how capable the management is. If MVA is positive, the management is able to create new value for owners. Conversely, if MVA is negative, the value of capital invested is reducing and the management has not been performing well. From the above result it is clear that the company does not create any wealth for the equity shareholders. Nonetheless, negative MVA is 1962.18 greater in 2015-16 and lesser -5554.44 in 2011-12. This may be due to the shareholders' pattern formed by the company. Reframing the pattern may create a positive MVA.

MARKET VALUE

Market value is also commonly used to refer to the market capitalization of a publicly-traded company, and is obtained by multiplying the number of its outstanding shares by the current share price. Market value is a concept distinct from market price, which is "the price at which one can transact", while market value is "the true underlying value" according to theoretical standards. Table 11 explains the changes in market value of SFL.

Table 11

Market Value of Sakthi Finance Limited

Year	Current Share Price (In Rs.)	No .of Shares Outstanding (In Lakhs)	Market Value (Rs. in Lakhs)
2010-11	12.16	301.06	3661
2011-12	10.62	500	5310
2012-13	11.72	500	5860
2013-14	10.90	500	5450
2014-15	16.48	500	8240
2015-16	20.12	500	10060

Source: Computed Data from various Annual General Meeting Reports of SFL and BSE website.

From the above Table 11 it is clear that the increase in current price will increase the value of the shares of the company even with the constant outstanding shares every year. The lowest value is Rs. 3661 recorded in 2011-11 and highest value is Rs.10060 in 2015-16. This analysis shows the growing trend in SFL's market price. This is the positive indicator for the investors in the market environment as there is a slight fluctuations and it provides the opportunity for the investor to invest in SFL.

CORRELATION ANALYSIS

Table 12 shows the correlation of dividend policy on shareholders' wealth (MVA) and Market value.

Table 12

PEARSON CORRELATION ON DIVIDEND POLICY, SHAREHOLDERS' WEALTH AND MARKET VALUE

	EPS	DPR	ROE	ERR	DCR	DYR	ROCE	PE	NWR	MVA	MV
EPS	1	-.879*	.750	.879*	1.000**	.295	.122	-.590	.351	-.488	-.421
DPR	-	1	-.897*	-1.000**	-.879*	-.041	.121	.456	-.531	.357	.198
ROE	-	-	1	.897*	.750	-.221	-.306	-.147	.702	-.106	.209
ERR	-	-	-	1	.879*	.041	-.121	-.456	.531	-.357	-.198
DCR	-	-	-	-	1	.295	.122	-.590	.351	-.488	-.421
DYR	-	-	-	-	-	1	.903*	-.891*	.103	**-.921****	**-.850***
ROCE	-	-	-	-	-	-	1	-686	.086	-.740	-.701
PE	-	-	-	-	-	-	-	1	-.284	**.978****	**.856***

NWR	-	-	-	-	-	-	-	-	1	-.387	.234
MVA	-	-	-	-	-	-	-	-	-	1	.775
MV	-	-	-	-	-	-	-	-	-	-	1

Source: Computed data

*. Correlation is significant at the 0.05 level

**. Correlation is significant at the 0.01 level

The above table depicts the correlation matrix, which explains the relationship between the dividend policy and shareholders' wealth (MVA), Market Value. The correlation co-efficient ranged from 0.041 to 0.978. The independent variable, Dividend Yield Ratio has a high significant negative correlation of -.921 and -.850 with the dependent variable Market Value Added and Market value respectively. whereas, the independent variable Price Earnings ratio has a high significant positive of .978 and .856 correlation with the dependent variable Market Value Added and Market value respectively.

REGRESSIONANALYSIS ON DIVIDEND POLICY AND SHAREHOLDERS' WEALTH

To measure the impact of dividend policy on shareholders' wealth of Sakthi finance limited Market Value Added (MVA) is taken as dependent variable and dividend indicators as independent variable.

Table 13

REGRESSIONANALYSIS ON DIVIDEND POLICY AND SHAREHOLDERS' WEALTH

Independent variable	Co-efficient	t-value	p-value
Constant	532.444	-17.871	0.00
EPS	.136	1.070	.363
DPR	-.112	-.945	.415
ROE	.039	.327	.765
ERR	.112	.945	.415
DCR	.136	1.070	.363
DYR	-.240	-1.059	.367

ROCE	-.130	-.881	.443
NWR	-.119	-1.124	.343
PE	90.431	9.369	**.001***
R square	.956		
Adjusted R square	.946		
F-value	87.785		
P-value	**.001***		

Source: Computed Data

Note: *Significant at the 0.05 level.
Dependent variable: Market Value Added.

The result indicates that the co-efficient of determination (R^2) is 0.956 and adjusted R^2 is 0.946 indicating that 94 per cent of the independent variables explain the variations in dependent variable. The F-value of 87.785; P- value < 0.05 (i.e.) **.001**indicates that the model is fit indicates that the regression model is good to fit. Hence, it is concluded that there is an impact of dividend policy indicator Price Earnings ratio on the shareholders' wealth of the concern.

Table 14

REGRESSION ANALYSIS ON DIVIDEND POLICY AND MARKET VALUE

Independent variable	**Co-efficient**	**t-value**	**p-value**
Constant	1737.152	-5.857	.010
EPS	-.018	-.147	.897
DPR	.024	.199	.860
ROE	-.014	-.106	.926
ERR	-.024	-.199	.860
DCR	-.018	-.147	.897

DYR	-.048	-.211	.852
ROCE	-.110	-.992	.426
PE	340.717	3.313	.001*
NWR	129.731	6.284	.008
R square	.981		
Adjusted R square	.969		
F-value	78.050		
P-value	.001*		

Source: Computed Data

Note: *Significant at the 0.05 level.

Dependent variable: Market Value.

To measure the impact of dividend policy on shareholders' wealth of Sakthi finance limited Market Value (MV) is taken as dependent variable and dividend indicators as independent variable. The result indicates that the co-efficient of determination (R^2) is 0.981 and adjusted R^2 is 0.969 indicating that 94 per cent of the independent variables explain the variations in dependent variable. The F-value of 78.050; P- value < 0.05 (i.e.) **.001**indicates that the model is fit indicates that the regression model is good to fit. Hence, it is concluded that there is an impact of dividend policy indicator Price Earnings ratio and Net worth ratio on the market value of the concern.

Findings of the Study

The following findings have been derived from the analysis:

✓ The company had more profits to distribute to its shareholders in 2014-15 this indicates the higher earnings of Rs.2.93. There is consistent improvement in the EPS year after year from 2011-12 to 2014-15. The EPS issued in 2015-16 is all time low of Rs.2.25 during the total study period. Hence, higher the earnings (profits) available, higher the EPS and lower the profit available will reduce the EPS.

✓ A low dividend payout ratio of 34.13 per cent in 2014-15 means the company is keeping a large portion of its earnings as retention for growth in future and a high payout ratio of 44.44 per cent in 2015-16 means the company is paying a large portion of its earnings as dividend to its common shareholders.

✓ Although stable dividend policy has so many advantages it has few drawbacks. One such is the constant dividend per share of Re.1 is been distributed over years by the concern.

✓ The return on equity is the indicator of profitability; it mainly relies on the net profit of the company. The higher ratio of 31.69 per cent to the equity shareholders in 2014-15, indicates that the capital invested by the SFL is efficiently more. The ROE ratio is low of 23.23 per cent in 2011-12 indicates that the fund of the investors is not effectively employed in the investing activities.

✓ In SFL, the ERR trend explains the dynamic changes during the study period. Retention ratio increases to 65 per cent with increasing EPS in 2014-15 and decreases to 55.55 per cent in 2015-16.

✓ In 2012-13 the Dividend cover ratio has 2.96 times higher value, this may suggest that the company is retaining a higher portion of its earnings to meet its future financing requirements. And lower dividend cover ratio is 2.29 times in 2015-16 this may be appropriately depending on the level of stability in earnings of the SFL.

✓ Dividend yield is to compute the cash flow that the investors are getting out from their investment in stocks. SFL has a high dividend yield ratio of 9.42 per cent in 2011-12. This means the investors are getting highly compensated for their investments compared with lower dividend yielding stocks. A lower dividend yieldis 4.97 per cent recorded in 2015-16.

✓ The return on capital employed ratio shows how much profit each employed capital generates. The higher is 10.96 per cent attained by SFL in 2012-13 and lowers is 3.38 per cent in 2015-16.This shows how efficiently SFL uses its capital employed as well as its long-term financing strategies.

- ✓ The price earnings ratio indicates the expected price of a share based on its earnings. SFL has attained high P/E ratio is 8.94 per cent in 2015-16. As earnings per share begin to rise, so does their market value per share. A low P/E ratio is 4.19 per cent in 2013-14; it is usually an indication of poor current and future performance.SFL has a good P/E ratio as it shows an upward trend from 2014-15.

- ✓ The high net worth ratio is 12.62 per cent in 2014-15 may indicate that a SFL is funding its operations with a disproportionate amount of debt and trade payables because of increase in retention ratio and net profit and low net worth ratio is 10.42 per cent in 2015-16. As a fall in the trend line of net worth ratio indicates fall in the utilizations of the shareholder's investment.

- ✓ Market Value Added (MVA) used to measure the company's performance in maximizing the shareholders' wealth. In SFL the higher negative MVA is Rs.-1963.18 in 2015-16 and lesser negative MVA is Rs.-5554.44 in 2011-12. This reveals that the company has not created any positive wealth for the equity shareholders. It may be due to the shareholders' pattern of the concern.

- ✓ The increase in current price will increase the value of the shares of the company even with the constant outstanding shares every year. The lowest value is Rs.3661 lakhs in 2011-11 and highest value is Rs.10060 lakhs in 2015-16.

- ✓ Using the correlation model explains the relationship between the dividend policy and MVA, MV. The correlation co-efficient ranged from 0.041 to 0.978. The independent variable has a high significant negative correlation of -.921 and -.850 with the dependent variable respectively. Whereas, the independent variable has a high significant positive of .978 and .856 correlation with the dependent variable respectively.

- ✓ Using regression analysis to measure the impact between dividend policy and MVA indicates that the co-efficient of determination (R^2) is 0.956 and adjusted R^2 is 0.946 indicating that 94 per cent of the independent variables explain the variations in dependent variable. The F-value of 87.785; P- value < 0.05 (i.e.) **.001**indicates that the model is fit indicates that the regression model is good to fit.

✓ Using regression analysis to measure the impact between dividend policy and MV indicates that the co-efficient of determination (R^2) is 0.981 and adjusted R^2 is 0.969 indicating that 94 per cent of the independent variables explain the variations in dependent variable. The F-value of 78.050; P- value < 0.05 (i.e.) **.001**indicates that the model is fit indicates that the regression model is good to fit. Hence, it is concluded that there is an impact of dividend policy indicators Price Earnings ratio and Net worth ratio on the Market Value of the concern.

✓ The overall operation of the company is decreased during the study period 2015-16.

✓ Most of the shareholders believes that dividend is a safer than retained earnings since they consider dividend as a safer income of source.

SUGGESTIONS OF THE STUDY

The following suggestions are offered based on the findings of the study:

✓ Every year the declaration of dividend is necessary. The shareholders are the owners of the concern and the risk is directly associated with the ownership. As, shareholders bear the risk, a fair return is expected in the form of dividend. Hence the company may think of changing its dividend policy from stable dividend to flexible dividend for the better investment options and goodwill of the company.

✓ The value of the firm can be maximized if the shareholder's wealth is maximized. Increase in market capitalization and positive increase in market value added may create wealth to the shareholders in future. And this would increase the value of the concern.

✓ Market value and earnings per share can attract more investors into the company. Earnings per share may be increased by reframing the ownership pattern and providing more profit to the shareholders.

✓ Earning Retention is repugnant to Dividend Payout. Increase in Dividend Payout ratio and decrease in Earnings Retention ratio of SFL show that the company fails to re-invest the funds into the business for future expansion. Retained earnings can be utilized in effective operations to generate high profit and this may be used to replace the external sources of funds. This will increase the net worth and maximize the net profit.

Conclusion

The main purpose of the study is to shed some light on the dividend policy with shareholders' wealth and market value of the shares with the associated indicators. Generally, higher dividend increases the market value of the share and vice versa. A Dividend Policy favouring greater payout will add more value to the firm, but in case of SFL it is clear from the analysis that the market value increases where the dividend per share remains constant. The results of correlation shows that a variable Price Earning Ratio has a significant positive relationship with shareholders' wealth and market value whereas dividend yield ratio has an insignificant negative relationship respectively. Hence, this result supports "The Theory of Irrelevance" as expressed by Modigliani and Miller (1961).

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