Due to liberalization, globalization, privatization and changing business environment everyday Indian Capital Market has undergone a radical change. So, for a firm to survive in a competitive world they need to use their resources efficiently and should participate as per the requirement of changing business scenario. The development has basically increased the importance of striving towards the basic goal of finance i.e. maximisation of shareholders wealth or in other terms we can say maximise the value of the firm.

For a firm/company any decision that increase the value of firm is considered as good one where as that reduces firm value is considered as bad one. All corporate finance is built on three basic decisions which are Investment, Finance and Dividend. Dividend decision answers the questions of how much earnings should be reinvested and how much should be distributed among shareholders. Dividend decisions are not important only from point of view of the company but also from stakeholders point of view. So, a thorough study showing relationship between dividends and value of firm is beneficial to the company, shareholders, government and economy as a whole since the business is expanding by leaps and bounds.