SECTION - IV

CONCLUSIONS AND RECOMMENDATIONS
8

CONCLUSIONS, RECOMMENDATIONS & SCOPE FOR FURTHER RESEARCH

“Nobody can go back and start a new beginning, but anyone can start today and make a new ending.”

-Maria Robinson

In a growing Indian economy, intense competition in every field of activity is being witnessed due to liberalization, globalization and privatization together with swift pace made by information technology revolution that has revolutionized the decision process of Indian companies. It is in such a scenario that the role played by financial managers becomes all the more imperative. In order to attain the objective of wealth maximization of the shareholders, they are required to take critical financial decisions and dividend decision being most important of all.

8.1 IMPORTANCE OF THE STUDY AND CONCLUSION

Dividend is considered to be a significant indicator of the firm’s present and future performance and help determine the market price of the stock. Stability in dividend policy is often necessary to eliminate uncertainty.
The preceding chapters have covered the management considerations and factors affecting dividend decision of selected companies in India. The study has covered four industrial sectors viz. Engineering, FMCG, IT and Textile with a total of 31 companies for primary study and 172 companies for secondary study. The study covered a period from 2004 to 2008. The entire study was divided into eight chapters:

1. INTRODUCTION
2. FRAMEWORK OF THE STUDY
3. INDIAN INDUSTRIES UNDER STUDY
4. MANAGEMENT CONSIDERATIONS AND DIVIDEND DECISION OF INDIAN COMPANIES
5. FACTORS AFFECTING DIVIDEND DECISION
6. DIVIDEND MODELS AND THEIR VALIDITY IN INDIAN COMPANIES
7. RELATIONSHIP BETWEEN DIVIDEND AND VALUE OF FIRM
8. CONCLUSIONS, RECOMMENDATIONS AND SCOPE FOR FURTHER RESEARCH

8.2 SUMMARY OF CHAPTERS

This section covers the chapter-wise summary of the study as follows:

8.2.1 INTRODUCTION

The first chapter of the study covered the significance of dividend decision, throwing light on its concept, types and dividend policy. It provided that dividend declaration is
considered as one of the key focus areas and aspect of the firm’s financial policy. Dividend policy adopted by a firm has implication in the practical life for all whether it is manager or the organization’s stakeholders. Dividend refers to distribution of firm’s profits to the shareholders. It may be in various forms viz.: cash dividend, interim dividend, scrip dividend, property dividend, bond dividend, stock dividend etc. A company can follow different types of dividend policies, each having its own pros and cons. However, the dividend policy is guided by the provisions of Companies Act.

8.2.2 FRAMEWORK OF THE STUDY

The second chapter of the study was devoted to the literature review and research methodology.

8.2.2.1 Review of Literature: This chapter covered brief on numerous researches undertaken by various eminent researchers in India as well as in foreign countries in dividend arena. The main conclusions drawn from the review of literature were:

1. Very few studies have been conducted underlying the human aspect of dividend policy, that is, management considerations and perceptions governing the dividend decision. Even within those studies, the focus was only on few of the variables like on profitability and investment, to name a few.
2. Number of factors affecting dividend decision of the companies. But the variations in the variables were found with variations in the scope of the study.

3. Number of studies have not shown consensus with the famous Modigliani and Miller approach. Majority of the studies have reported the existence of relationship between the dividend decision of the company and its value.

4. On the statistical research methodology front, majority of the past researches have used multiple regression technique for analyzing and interpreting the data.

5. With respect to examine the validity of known dividend models, majority of the past researches have examined the same in context of Lintner model of Dividend only.

**8.2.2.2 Research Objectives of the Study:**

The study was carried out keeping in view the following objectives:

1. To identify the major management considerations governing the formulation of dividend policy.

2. To identify the dominant variables affecting dividend policies of selected companies.

3. To examine the validity of known dividend models among the selected companies.

4. To examine the relationship between dividend policy and the value of firm.
5. To make suggestions for formulation of effective dividend policy and further research.

8.2.2.3 Research Hypotheses

The following null hypotheses were framed and tested:

H_{01}: Managements of the companies do not have any definite considerations while framing dividend policy.

H_{02}: Known Dividend Models do not fit into Indian conditions.

H_{03}: There exists no relationship between dividend policy and the value of firm.

8.2.2.4 Research Methodology in Brief

In the present research effort, the empirical research was conducted in two phases—pilot study, followed by the final study. The empirical research was preceded by an exhaustive review of literature. Research effort was confined to cover Management Considerations while framing Dividend Policy. Study has been conducted at the top level to present comprehensive and realistic picture of Dividend Policy with respect to selected companies.

The steps covered in carrying out the study covered:

Research Design

The current research has been undertaken with the twin primary objectives of examining management considerations and factors affecting dividend decision of selected Indian companies. In order to achieve these objectives, three null hypotheses were framed. For
carrying out the research, empirical research design has been employed on a sample size of 172 companies from Engineering, FMCG, Information Technology and Textile sectors. The sample was selected for the study on the basis of following criteria:

a) The company must be listed with Bombay stock exchange.

b) The company must have paid dividend in the years 2004 to 2008.

**Methods of Data Collection**

The study being empirical in nature relied both on primary and secondary data. Primary data was collected from 31 companies through questionnaires. And secondary data has been collected mainly through Prowess Database for 172 companies.

**Research Instrument**

The data required for conducting this study was collected using self administered questionnaires, e-mail and telephone interviews. The Questionnaire was prepared for the top management in order to elicit their opinion on the considerations they have while framing dividend policy. The final questionnaire contained 21 questions in total, of which 14 questions were on Earnings Distribution and Dividend Policy and 7 questions covered the demographic profile of the respondents. The first aspect of the questionnaire covered *basic information* in which 4 questions (Q1 to Q4) were based on the basics of earnings management. It was followed by the management considerations on dividend decision process and factors affecting dividend decision in the second part, consisting of 9 questions (Q5 to Q13). For identifying hidden management considerations on dividend
decision, a list of 14 factors has been considered. This part of the survey instrument intended to measure the influence of various factors on the dividend decision on five-point likert scale which was: 1 = highly influential, 2 = influential, 3 = neutral, 4 = least influential, and 5 = uninfluential. The third part covered the basic attributes of dividend policy (Q14). This part of the survey asked the respondents to indicate their level of agreement or disagreement with each of 28 closed-end statements based on a five-point response scale which was: 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree. The entire set of 28 statements covered dimensions of dividend policy involving investor/shareholder preferences, factors influencing dividend policy formulation, impact of dividend on value, and earnings distribution other than cash dividends. The survey contained a code number to identify the respondents.

**Sampling for Final Study**

Primary Data was collected through multi stage random samplings. In the first stage, stratified sampling has been used for selecting companies. Out of total listed companies, 31 companies responded to the survey. Data was collected during June-July 2009. Secondary data has been collected for 172 companies.

**Selected Variables for the Study**

Perusal of review of literature had identified a set of variables that were considered for selecting the sample variables for the study viz. Current ratio, Net Profit ratio, Net Profit to Net Worth, Return on investment, Expansion ratio, Debt-equity ratio, Change in net worth to change in total assets ratio, Interest to net profit, Dividend per share to face
value, Dividend per share to market value, Dividend per share to Earnings per share, Growth in earnings per share, Growth in working capital, Current ratio, Debt-equity ratio, Solvency ratio, Free cash flow, Cash holdings, Share price behavior, Lagged dividend per share, Lagged profits, Return on capital employed, Return on Net worth, Age of company, Net profit to Net worth ratio, Net profit ratio, Investment opportunity set, Tobin’s Q, Uncertainty in earnings, Market Value to book value and Market value to par value.

**Statistical Techniques Used**

To arrive at pertinent analysis, the collected data was put to plan statistical analysis using SPSS package. For analyzing the primary data, the techniques used were Ranking and Scaling Techniques like Friedman ANOVA, Coefficient of Preference Analysis and one-way ANOVA. And for analyzing secondary data, Factor Analysis and Multiple Linear Regression analysis has been used. After scoring the questionnaire the data was tabulated for each variable being studied separately for each stratum in the selected sample companies.

**8.2.3 INDIAN INDUSTRIES UNDER STUDY**

The Indian industries were studied in chapter 3. The chapter covered a brief introduction to Indian industries viz. Engineering, FMCG, Information Technology and Textile sector. The engineering sector was found to be the largest segment of the overall Indian industrial sector. India has a strong engineering and capital goods base. The important groups within the engineering industry include machinery and instruments, primary and
The FMCG sector has been the cornerstone of the Indian economy. The FMCG sector is characterized by a huge unorganized market. Factors like low entry barriers in terms of low capital investment, fiscal incentives from government, low brand awareness, especially in rural areas led to the mushrooming of the unorganized sector. Over the past decade, information technology industry has become one of the fastest growing industries in India. Strong demand over the past few years has placed India amongst the fastest growing IT markets in the Asia-Pacific region. India has emerged as the fastest growing IT hub in the world. The Indian textile industry is one of the largest and most important sectors in the economy in terms of output, foreign exchange earnings and employment in India.

8.2.4 MANAGEMENT CONSIDERATIONS AND DIVIDEND DECISION OF INDIAN COMPANIES

The results in Chapter 4 yielded that of the respondent companies, majority companies (71%) have earnings management in place. This indicates the conscious engagement of the companies in managing their earnings. Further majority of the respondent companies indicated that they always resort to dividend distribution while managing the earnings. However, once the earnings management policy is framed, majority of the respondent companies (90.3%) indicated that they review and re-examine the earnings management policy every 1-3 years. However, the major role in implementing the earnings management policy is played by MD and CEO of the respondent companies. The respondents (61.3%) further indicated that the dividend decision is only considered as
residual decision policy variable which depend on the surplus available with the company. Further, while framing the dividend policy, the target of the respondent companies is always to have stable dividend policy in place. While deciding on the growth rate in dividends, the respondent companies indicated their preference towards considering the expected growth rate of their company. On the aspect of the company’s actual practice of dividend declaration, stable rate of dividend was considered to be most important factor.

In order to identify the best alternative use of funds kept for dividend declaration, the respondents indicated their preference for investing in future opportunities. Majority of the respondent companies (71%) further agreed that they do consider long-term target payout ratio while framing their dividend policy. Further, they also indicated that the long-term target payout ratio goal is often considered as flexible. However, the determination of long-term payout ratio is carried out by considering the financial needs of the company, both current as well as future.

In order to test the hypothesis that management of the companies does not have set considerations while framing dividend policy, One-way ANOVA has been used. The hypothesis has been tested for management’s general as well as financial considerations on respondent companies’ demographics of age and type of company. Further, the results indicated the rejection of null hypothesis of overall Management’s General Considerations on age basis and Investors’ Preference dimension on age basis. The results led to acceptance of null hypothesis in case of Management’s financial
considerations on age basis and type of company. Thus, it can be concluded that Management’s General Considerations on dividend policy varies with the age of the companies. The results of the test resulted in partial acceptance of null hypothesis. The results concluded that the framing of dividend policy is not based on definite management considerations rather it varies on the basis of the situations.

8.2.5 FACTORS AFFECTING DIVIDEND DECISION

Chapter 5 has examined the factors affecting dividend decision of Indian industries through the use of factor Analysis. The results of the study depicted that the determinants of dividend identified in the theoretical and empirical literature apply equally to Indian industries under study. The study yielded six main factors that influence the dividend decision. The “Profitability” factor is related to the extent of profits that accrue to the industry in order to take a decision on declaration of dividend. Further, it also influences the opportunities for future investments. The “Dividend Rate” factor is related to the dividend declared by the companies. The determinants in this group include the dividend per share, dividend payout, and relationship of dividend with market value and face value of shares. The “Financial Soundness” factor is related with the creditworthiness of the industries which is influenced by solvency position and cash position. “Liquidity” factor is also one of the major factors affecting dividend in terms of free cash holdings and current ratio. An important factor “Share Price Movement” also influences the dividend decision in terms of the relationship of dividend with behavior of the share prices. “Investment Opportunity” factor also has emerged as an important factor presenting the trade-off between the dividend declaration and the future investment opportunities set.
The key implication of these findings is that the Indian industries decision of dividend is influenced by the factors “Profitability”, “Dividend Rate”, “Financial Soundness”, “Liquidity”, “Share Price Movement” and “Investment Opportunity”.

8.2.6 DIVIDEND MODELS AND THEIR VALIDITY IN INDIAN COMPANIES

The applicability and validity of known dividend models have been studied in chapter 6. To test the validity of known dividend models in Indian companies under study, the hypothesis (H02) was tested using Multiple Regression Analysis. The variance inflation factor (VIF) was used to assess multi-collinearity. Threshold values of tolerance above .10 and VIF scores of less than 10 suggest minimal multi-collinearity and stability of the parameter estimates.

Lintner’s Model

In case of Engineering industry, the VIF scores ranged between 1.082 and 1.191. The values of $P_t$ in all the years were significant at 1% in the year 2005 and 2008 and 5% level in the year 2006. In the year 2007, it showed insignificant results and hence, did not offer much variation in the dependent variable. The values of $D_{t-1}$ in all the years were significant at 5% level except in 2007. In case of FMCG industry, the VIF scores ranged between 1.197 and 2.248. The values of $P_t$ in all the years were significant at 10% in the year 2004, 1% level in the year 2006 and 5% in the year 2007. In the year 2008, it showed insignificant results and hence, did not offer much variation in the dependent variable. The values of $D_{t-1}$ in all the years were significant at 1% level. In case of IT industry, the VIF scores ranged between 1.159 and 2.138. The values of $P_t$ in all the
years were significant at 10% in the year 2005 and 1% level in the year 2006, 2007 and 2008. The values of D_{t-1} in all the years were significant at 5% level in the year 2005 and 2006, 10% level in the year 2007 and at 1% in the year 2008. And in case of Textile industry, the VIF scores ranged between 1.236 and 2.090. The values of P_t in all the years were significant at 1% in all the years from 2005 to 2008. The values of D_{t-1} in all the years were also significant at 1% level in all the years under study. The model is significantly applicable in Indian industries.

**Brittain’s Model**

In case of Engineering industry, the VIF scores ranged between 1.082 and 1.191. The values of P_t in all the years were significant at 1% in the year 2005 and 2008 and 5% level in the year 2006. In the year 2007, it showed insignificant results and hence, did not offer much variation in the dependent variable. The values of D_{t-1} in all the years were significant at 5% level except in 2007. In case of FMCG industry, the VIF scores ranged between 1.021 and 1.389. Of the two explanatory variables, lagged dividend emerged as dominant variable. In case of IT industry, the VIF scores ranged between 0.987 and 1.000. The values of D_{t-1} in all the years were significant at 1% level, thus, offering best explanation for dependent variable: dividend per share. However, another explanatory variable C_t (cash flow) failed to offer any significant explanation for the dependent variable. And in case of Textile industry, the VIF scores ranged between 0.956 and 1.000. The values of D_{t-1} in all the years were significant at 1% level, thus, offering best explanation for dependent variable: dividend per share. However, another explanatory variable C_t (cash flow) failed to offer any significant explanation for the
dependent variable. The model failed to offer any significant explanation for dividend models except in Engineering industry.

**Watt’s Model**

In case of Engineering industry, the VIF scores ranged between 0.065 and 0.924. Of the three explanatory variables, earnings per share emerged as dominant variable. In case of FMCG industry, the VIF scores ranged between 0.180 and 0.537. Of the three explanatory variables, lagged dividend emerged as dominant variable. In case of IT industry, the VIF scores ranged between 0.042 and 0.861. Of the three explanatory variables, earnings per share emerged as dominant variable. And in case of Textile industry, the VIF scores ranged between 0.097 and 0.551. The values of $D_{t-1}$, $E_t$ and $E_{t-1}$ in all the years were significant at 1% level, except the latter in the year 2008 where it was insignificant, thus, offering a good explanation for dependent variable: dividend per share. Hence, Watt’s model Hence, Watt’s model fails to offer significant explanation for dividend decision in three Indian industries: Engineering, FMCG and IT and is only partially applicable but offers significant explanation for dividend decision in Indian textile industry.

**Aharony and Swary’s Model**

In case of Engineering industry, the VIF scores ranged between 0.091 and 0.895. Of the three explanatory variables, lagged dividend and earnings per share emerged as dominant variable. In case of FMCG industry, the VIF scores ranged between 0.186 and 0.708. Of the three explanatory variables, lagged dividend and earnings per share emerged as
dominant variable. In case of **IT industry**, the VIF scores ranged between 0.026 and 0.860. Of the three explanatory variables, lagged dividend and earnings per share emerged as dominant variable. And in case of **Textile industry**, the VIF scores ranged between 0.175 and 0.749. Of the three explanatory variables, lagged dividend and earnings per share emerged as dominant variable. Hence, Aharony and Swary’s model failed to offer significant explanation for dividend decision in Indian industry and is only partially applicable.

**Various Models for Grouped Data**

The variance inflation factor (VIF) scores ranged between 0.193 and 0.963 for the year 2005, 0.156 and 0.998 for the year 2006, 0.424 and 0.968 for the year 2007 and 0.621 and 0.998 for the year 2008. The t-values of regression coefficients of two explanatory variables in Lintner’s model, \( P_t \) and \( D_{t-1} \) were significant at 10% and 1% level of significance respectively. However, another well-known model of dividend, Brittain’s model, deemed to be inapplicable in Indian companies as only one explanatory variable \( D_{t-1} \) was significant at 1% level. In case of Watt’s model, it offered only partial explanation for the dividend decision of Indian companies as only two explanatory variables viz. \( D_{t-1} \) and \( E_t \) were significant at 10% and 1% level of significance respectively. The t-value of the third explanatory variable of Watt’s model of dividend, \( E_{t-1} \) showed insignificant results. Similar was the case with Aharony and Swary’s model of dividend as in this case also significant influence was exerted by two explanatory variables \( D_{t-1} \) and \( E_t \) that were significant at 10% and 1% level of significance. The third variable \( P_{t-1} \) showed insignificant results. It can, thus, be concluded that of all the models,
Lintner’s model showed best validity in explaining the dividend decision of Indian companies in terms of dividend per share in the year 2005. The t-values of regression coefficients of two explanatory variables in Lintner’s model, $P_t$ and $D_{t-1}$ were significant at 1% level of significance. Another well-known model of dividend, Brittain’s model, deemed to be inapplicable in Indian companies as only one explanatory variable $D_{t-1}$ was significant at 1% level. In case of Watt’s model, it offered best explanation for the dividend decision of Indian companies as all the three explanatory variables viz. $D_{t-1}$, $E_t$ and $E_{t-1}$ were significant at 1% level of significance respectively. In case of Aharony and Swary’s model of dividend, significant influence was exerted by only one explanatory variable $E_t$ that was significant at 1% level of significance. The other two variables $D_{t-1}$ and $P_{t-1}$ showed insignificant results. Of all the models, Lintner’s model and Watt’s model showed best validity in explaining the dividend decision of Indian companies in terms of dividend per share in the year 2006. Of all the four models, Lintner’s model offer best fit in Indian companies. The t-values of regression coefficients of two explanatory variables in Lintner’s model, $P_t$ and $D_{t-1}$ were significant at 5% and 1% level of significance respectively. However, another well-known model of dividend, Brittain’s model, deemed to be inapplicable in Indian companies as only one explanatory variable $D_{t-1}$ was significant at 1% level. In case of Watt’s model, it offered best explanation for the dividend decision of Indian companies as two explanatory variables viz. $D_{t-1}$ and $E_t$ were significant at 5% and 10% level of significance respectively while in case of third variable $E_{t-1}$, the results were insignificant. Lintner’s model showed best validity in explaining the dividend decision of Indian companies in terms of dividend per share in the year 2007. The t-values of regression coefficients of two explanatory variables in
Lintner’s model, Pt and Dt-1 were significant at 1% level of significance. Another well-known model of dividend, Brittain’s model, deemed to be applicable in Indian companies as the explanatory variables Ct and Dt-1 were significant at 10% and 1% level respectively. In case of Watt’s model, it offered best explanation for the dividend decision of Indian companies as the two explanatory variables viz. Dt-1 and Et were significant at 1% while in case of third variable Et-1, the results were insignificant. In case of Aharony and Swary’s model of dividend, significant influence was exerted by all the three explanatory variables Dt-1, Et that were significant at 1% level of significance and Pt-1 that was significant at 10% level of significance.

It can, thus, be concluded that of all the models, Lintner’s model, Brittain’s model and Aharony and Swary’s showed best validity in explaining the dividend decision of Indian companies in terms of dividend per share in the year 2008.

The analysis brings forth the fact that Lintner’s model of dividend is the best among all the models. The dividend behavior of Indian industries under study has well been explained by Lintner’s model for the study period 2004-08. The other three models, viz. Brittain’s model, Watt’s model and Aharony and Swary’s model did not offer satisfactory explanation of dividend behavior of Indian industries in all the four years under study. It was also revealed that lagged dividend is considered more important and influential for determining the dividend followed by current earnings. Cash flow and share prices have little influence on the dividend decision of the companies.
8.2.7 RELATIONSHIP BETWEEN DIVIDEND AND VALUE OF FIRM

Chapter 7 has examined the relationship between dividend and value of firm using two variables, viz. dividend and value of firm. The two variables, viz. dividend and value of firm have been used. The independent variable Dividend has been represented by dividend pay-out (D/P), DPS to par value (DPS/PV) and DPS to book value (DPS/BV). The dependent variable Value of Firm has been studied through market value to book value (MV/BV) and market value to par value (MV/PV). To test the relationship between dividend and value of firms in Indian industries, the hypothesis (H03) was tested using Multiple Regression Analysis.

Market Value to Book Value as Dependent Variable

In case of Engineering industry, the VIF scores ranged between 1.025 and 9.723. The values of D/P ratio (dividend payout), DPS to PV$_t$ (dividend per share to par value) and DPS to BV$_t$ (dividend per share to book value) in all the 5 years under study were significant at 10% level of significance. In case of FMCG industry, the VIF scores ranged between 1.001 and 1.398. The values of D/P$_t$ were significant at 5% in the years 2004 and 2008 and at 10% level in the years 2005, 2006 and 2007. The values of DPS to PV$_t$ in all the years were significant at 10% level. The values of DPS to BV$_t$ in all the years were significant at 5% level. In case of IT industry, the VIF scores ranged between 1.200 and 2.599. The values of D/P$_t$ were significant at 5% in the years 2005 and 2006 and at 10% level in the years 2004, 2007 and 2008. The values of DPS to PV$_t$ in all the years were significant at 5% level in the years 2005 and 2006 and at 10% level in the years 2004, 2007 and 2008. The values of DPS to BV$_t$ were significant at 10% level in
the years 2005 and 2007 and at 1% level in the years 2004, 2006 and 2008. And in case of Textile industry, the VIF scores ranged between 1.039 and 1.068. The values of D/P$_t$ were significant at 5% in the years 2005 and 2006 and at 10% level in the years 2004, 2007 and 2008. The values of DPS to PV$_t$ were significant at 10% level in the years 2006 and 2007 and were insignificant in all other years. The value of DPS to BV$_t$ was significant at 10% level in the year 2005 and at 5% level in the years 2006 and 2007 and was insignificant in the years 2005 and 2008. It has thus been concluded that in Indian industry, there exists the significant relationship between dividend payout and value of firm in Engineering, FMCG and IT industries and a minimal relationship in Textile industries.

**Market Value to Par Value as Dependent Variable**

In case of Engineering industry, VIF scores ranged between 1.025 and 7.762. The values of D/P$_t$ were significant at 10% in the year 2004 and at 1% level in the years 2007 and in other years, it was found to be insignificant. The values of DPS to PV$_t$ were significant at 1% level in the years 2004, 2007 and 2008 and were insignificant in the other years. The values of DPS to BV$_t$ were significant at 1% level in the year 2004, 2005 and at 5% level in the year 2007 and were insignificant in other years. In case of FMCG industry, the VIF scores ranged between 1.003 and 1.398. The values of D/P$_t$ and DPS to PV$_t$ in all the years were insignificant. The value of DPS to BV$_t$ was significant at 1% level in 2004, 10% level in 2005 and at 5% level in 2008 and was insignificant in other years. In case of IT industry, the VIF scores ranged between 1.200 and 2.599. The value of D/P$_t$ was significant at level in 2005 and at 5% in the years 2006 and was insignificant.
in other years. The values of DPS to PV\textsubscript{t} in all the years were significant at 1\% level. The values of DPS to BV\textsubscript{t} were significant at 5\% level in the years 2007 and 2008 and at were insignificant in all other years. In case of Textile industry, the VIF scores ranged between 1.039 and 1.241. The values of D/P\textsubscript{t} were insignificant in all the years under study except in the year 2006 where it was significant at 10 \% level. The value of DPS to PV\textsubscript{t} was significant at 1\% level in all the years except 2008 where it was significant at 5\% level. The value of DPS to BV\textsubscript{t} was significant at 10\% level in the years 2004, 2005 and 2007 and was insignificant in all other years. It is thus concluded that in Indian industry, there exists the partial relationship between dividend and value of firm.

For Grouped Data

For market value to book value as dependent variable, the VIF scores ranged between 1.005 and 1.663. The values of D/P were significant at 1\% in all the years except 2005 and 2008 where it was significant at 10\% level. The values of DPS to PV\textsubscript{t} were significant at 1\% level in all the years except for 2008 where it was significant at 10\%. The values of DPS to BV\textsubscript{t} were significant at 1\% level in all the years. For market value to par value as dependent variable, the VIF scores ranged between 1.005 and 1.663. The values of D/P were significant at 10\% in all the years except 2007 where it was significant at 1\% level. The values of DPS to PV\textsubscript{t} were significant at 1\% level in all the years. The values of DPS to BV\textsubscript{t} were significant at 10\% level in all the years except in the year 2004 where it was significant at 10\%. It is thus concluded that explanatory variables have significant relationship with the value of the firm in Indian industries.
It has been discovered that there exists significant relationship between dividend and value of firm from year 2004 to 2008 but the degree of relationship varies. In case of relationship of MV/BV and three explanatory variables, the significant relationship existed in Engineering, FMCG and IT industries but in case of Textiles industry, the relationship was found to be significant at minimal level only. In case of relationship of second dependent variable MV/PV with three explanatory variables, a partial relationship has been found in all the years for all the four industries under study. For the grouped data with MV/BV and MV/PV as dependent variables, significant relationship was identified between dividend and value of the firm. Thus, it can be concluded that there exists partial relationship between dividend and value of firm in Indian industries for the time period under study and dividend is a major factor that influences the value of firm.

8.3 RECOMMENDATIONS AND SCOPE FOR FURTHER RESEARCH

Corporate dividend policy is a widely researched area. A good number of researches have been carried out on this topic in Indian as well as abroad yet a research gap exists. However, an attempt was made in the current research to cover this research gap. But the gap has not been covered to the fullest. The constraints like paucity of time and resources experienced for the completion of this study logically necessitate further extension of the study. The results, although strong, are necessarily limited in their generalizability. Thus, on the basis of limitations of this study, future studies could expand the potential generalizability by adopting some or all of the following recommendations for conducting research in the dividend arena in the times to come:
1) The present study has used Multiple Regression analysis in order to identify the factors affecting dividend decision. An attempt, therefore, should be made to use other statistical tools like cluster analysis, discriminant analysis etc. Future research should also use confirmatory factor analysis for scale validation.

2) Some of the determinants like market reaction to dividend announcement have not been studied. Therefore, it would be worthwhile to study the impact of dividend announcements on the share price movements.

3) In the era of globalization, where competition is getting intensified as foreign players are entering the domestic economies, a comparative study of the same can be undertaken.

Nevertheless, it is believed that this study has extended prior research by contributing with some new valuable insights into the dividend arena literature. It has also provided empirical support for some theoretical propositions previously advanced in the literature. It is hoped that the conceptual framework proposed and validated in this research forms the basis for future studies of scholarly nature. The study will suggest ways in which the industry can frame dividend policies, keeping in mind the current trends across the world relating importance and impact of dividends. The beneficiaries of this study will be the policy makers, entrepreneurs and academicians who have an interest in the corporate dividend aspect.