DIVIDEND POLICY AND ITS IMPACT ON SHAREHOLDERS WEALTH: EVIDENCE FROM CHEMICAL OIL, AND GAS SECTOR COMPANIES LISTED IN PAKISTAN STOCK EXCHANGE (PSX)

Irfan Ullah
Dean of Economic Faculty, Al-taqwa institute of Higher Education Afghanistan
irfanullah6066@gmail.com

Mr. Suliman
MBA Scholar, Department of Management Sciences, IMSciences Peshawar
Salmandir77@gmail.com

Hina Nargas
M.Com, Peshawar University
Hinanargas84@gmail.com

Mr. Sana Ullah
M.phil scholar, Department of Management Sciences Islamia College Peshawar
U_sana20@yahoo.com

ABSTARCT

The purpose of this study is to examine the relationship between shareholders' wealth and dividend policy. A sample of 25 companies from the Pakistan stock exchange was selected which includes companies from the chemical sector, oil, and gas sector. Shareholders' wealth is measured with the market price of shares. Dividend per share, retained earnings per share, lagged price-earnings ratio, and return on equity were used as independent variables. The based multiple regression model shows that there is a strong relationship between shareholders' wealth and dividend policy. The shareholder's wealth is increase by dividend policy in the case of Pakistan.

Keywords: Market price per share, Dividend per Share, return on equity, retained earnings per share, Lagged price-earnings ratio, Pakistan stock exchange.

INTRODUCTION OF THE STUDY:

The word 'dividend' takes up the Latin word 'dividendum' (things to be divided on a slice). Furthermore, the company provides a dividend to its shareholders in the shape of cash. When corporations earn profits, they can either distribute them as a bonus (share) or reinvest as retained earnings. Companies pay dividends quarterly, semiannually, or annually. Normally dividends are paid after the corporate tax has been deducted. Dividend decisions are influenced by the amount of money earned by a company or corporation distributed among their shareholders as compared to reinvest or retained.

On the base policy of dividend, our aim is that the number of earnings which were taken by shareholders, and some of the retained earnings, while her profit of the company is divided into 2 portions, one is in cash form dividend and the second type is on the shape of further investment in developed projects. The policy of dividends is considered a significant source for shareholders to support the financial

status of the company so the company provides dividends on cash form for the purpose to attract the investor. Ansar, Butt & Shah (2015).

LITERATURE REVIEW:

The policy of dividend is a set of directions in which the company can decide to pay out earing to their shareholder. Moreover, dividend policy is divided into four categories one is regular dividend policy in this policy shareholders tries to get income regularly. The second one is a stable dividend policy which focuses on both the company requirement and the expectations of the investors pays almost the same dividend each year. The third one is irregular dividend policy in this sort of policy company does not pay a regular dividend to the shareholder. The last one is the No dividend policy which states that the firm might be followed paying policy currently without dividends that's why negative capital of working position or due to the needs and requirements of growth and expansion of funds.

The current research aims to examine the policy of dividends and their impact on the wealth of shareholders. A sample of firms from KSE (Karachi stock exchange) has taken which content firms from oil & gas and Chemical Sector. As well as the wealth of shareholders is measured with the MPS (market price of shares). DPS, RE, lagged price-earnings ratio & ROE were used as Independent Variables, the research focuses on various Regression Model find out, that there is a sound connection between the wealth of shareholders and the policy of dividend in the case of Pakistan.

There is a huge literature that exists on the policy of dividends and its effect on the wealth of shareholders. Mainly all Pakistani researchers consider profit distribution as the important decision in corporate finance as what managers do when the firms make profits, either to distribute among shareholders or to reinvest. Managers could try to maximize the wealth of Shareholders. Due to Miller and Modigliani's theory that present the company dividend policy will never increase shareholder's wealth. Earning capacity could increase shareholders' wealth, the company tries to give dividends adding risk when the debt moves upward while the profit of Shareholders equalized by the increasing amount of risk.

Some research shows that the shareholder's wealth has a positive effect on dividend payment due to continuous increases. As far as few studies show the relationship between continuous dividend and the initial dividend is negative in this area. Some studies explain the dividend payments increasing the shareholder's wealth.

The current study identified that the firm's value has a sound relation with dividend policy. In the end, investors can gain abnormal returns when announcing dividend and stock dividend both. Based on Cyprus market findings which include the theory of the relevant policy of dividend along with the company value. (Travlos, N & Vafeas 2001). According to the researcher which results show that shareholders can get dividends easily from the Dhaka stock exchange as well, he found a 20% loss in the value of the first month which 30 days before advertise and after thirty days of advertisement. (Uddin .& chowdhury, 2003). The conclusion of the research made constant due to the relevant policy of dividend theory. Some firms are pick up from GSE (Ghana stock exchange) for concern. The finding explains that there is an available policy of dividend impact value of firms. The policy of dividend has a significant impact on Return on equity & increase in sales. An inverse connection present between return on equity (RONE, leverage & policy of dividend. (amidu, 2007). The Sample had been taken of seventy-three companies from, KSA (Nazir, S 2010) struggled to show the firms find out the policy of dividend in Pakistan,

the finding gives direction that dividend announcements and dividend payouts affect market prices of shares. Share prices of the firms are positively affected by dividend policy. This research shows that there is exists a significant connection between and stock price Volatility & Dividend gain and there is an inverse connection between the growth of the companies & Share price volatility.

A. Ajanthan (2013) find out that the current study key objective & the connection of productivity of hotel & payouts of dividend & restaurant firms in CSE (Colombo stock exchange). Policy of dividend concern as a basic element policy of the companies, shareholders' investment & risk could be identified by multiple factors. Vale of the firm and wealth of shareholders affects dividend policy Baker & powell (2001) at the financial nature dividend policy is a sound decision. (Baker & powell 1999). According to Chidinma Dec (2013) spreads 10 cited originations at Nigerian Stock trade (NST). Auxiliary information for 12 years 2000 _2011 has been contemplated. Every profit offer dividend per share (DPS) was taken as a free variable while needy variable was taken as EPS & MPS. The strategy of the slightest square relapse investigation was connected, and discoveries demonstrate the significance of profit arrangement to shareholders riches and further demonstrate the impact of profit approaches on shareholders riches openly organizations of Nigeria. The discovering demonstrates that winning every offer, business sector value every offer both have constrictive outcomes on the abundance of the shareholders of the organizations.

Azhagaiah, R., & Priya, S. (2008). explained to shareholders wealth and dividend policy coordination, as well as used secondary data to know about the effect of the policy of dividend various & step base Regression Model, has used by taking (REPS), return on equity ROE and LMPS as independent variables and dependent variable as MPS, from the Bombay stock exchange chemical industry pickup 26 listed companies. On shareholder's wealth, it has a positive effect by Dividend policy in organic companies but shareholders wealth not impacted by dividend payouts. So, dividend payments impact the shareholders than relation analyze by dividend policy and wealth of shareholders.

Fracassi (2008) investigate that earnings of the firm become raise when an increase comes in dividend apart from this affect positively stock market however agency problem going downward. Due to the Mehr-un-Nisa (2011) when the link of retained earnings and stock price is poor then the stock price is highly impacted by the dividend payment. On behalf of Akbar & Baig,2010 explained that when a dividend is announced on the front of cash or stock ultimately the stock price positively affecting. Nazir, Nawaz, Anwar, & Ahmed, 2010 found that dividend gain and dividend payout positively affect the stock price.

Waithaka, Ngugi, and Kirago (2012) study that Dividend payout has a significant relation with price Earnings ratio earning per share growth and sale growth. However, dividend payout has a negative relation with profitability and debt to equity. Farooq, Saoud, and Agnou (2012) found that it market's adjusted return and dividend payout ratio are positively related in a stable growth period so that stock price volatility and dividend payout ratio.

Campbell and Shiller (1988) explore the full information of dividend payout and dividend policies and suggested making a new theory or make a change to maintain the level of dividend on par with investment decision later the investment spending which explains the better performance in the market and firm, a shareholder can do measure the performance of the firm through dividend payment. Pakistani

individual investor gives both cash and stock dividend.

According to Ouma.O.P. (2012) both firm performance and dividend payout relation have a sound relationship. Lang and Litzenberger (1989) find out that the shareholder value is affected by dividend initiation if dividend policy change can provide information about the firm future earnings. In Malaysia stock market policy of dividend on the volatility share price. The aim pose of that research has to know about the linkage policy of dividend & Share price volatility on Consumer Product companies in the Malaysian stock market. The take-up data of six years from 2005 to 2010 from 84 listed companies. This study explains the variables like dividend gain or payout ratio are the independent variable and the share price volatility is the dependent variable. The aim of the study to analyze the results used different regression models. This study finds out that the share price volatility is negatively affected by dividend yield or dividend payout.

Azhagaiah & Priya (2008) investigated the dividend policy &its effect wealth of shareholders in South India. The secondary material has been collected from the center for monitoring India's Economy. Twenty-two companies pick up from the chemical industry in BSE (Bombay Stock Exchange) and used random Sampling Techniques for the duration of 1997 to 2006. In this research the independent variable is retained REPS (Retained Earnings Per Share), dividend per share, LPER (Lageed Price Earnings Ratio), and LMP (Lagged Market Price), however, the dependent variable is the MPS (Market price per share), furthermore, the research shows that the inorganic Chemical firms' wealth of shareholder not affected by payouts of dividend as compared to organic Chemical firms.

Pani (2008) in the corporate sector of India presented the share price & laws of dividend behavior. the purpose of this research to know about the linkage between the share return security and dividend, the five hundred listed firms used from 1996 to 2006, so the Sample, picks up from 6 multiple parts which are included beverage, Current & food nonmetallic, Mining, Textile, & service Sector. Moreover, the results used a fixed-effect model and pooled OLS model. Here e independent variables are the size of the company, dividend to RER & debit to solvency Ratio while the dependent variable is the market value of the firm. Furthermore, the study elaborates that the companies paying a dividend are beneficial large & the company growth rate doesn't look to the payment of dividend. At mining textile & other services industries, percentage of net income and profit and dividend remain significant.

Salman.M (2013), investigated that 33 listed sugar firms in Pakistan to know about the effect of the policy of dividends on wealthy shareholders. For analysis using descriptive and regression model. While Shareholder's wealth has a positively significant relationship with DPS, EPS, previous MP (Market Price), and PER (Price Earnings Ratio) and Retained earnings.

Johannes and Mvita Mpinda (2013) find out that the dividend payment impacts shareholders' wealth using the vector error correction model. They have taken 46 companies from multiple sectors and find out the positive relation between the dividend gain & MPS (Market Price Per Share) and there is no positive impact on EPS and MPS. Zafar, Arfaq, and Asad (2014) in their finding tested the policy of dividends & its effect on the wealth of shareholders in Pakistan as well as the research base on thirty-five companies. Shareholders wealth through the variable like DPS, Market capitalization firm size and growth affected by dividend payment, at the end they get know about the firm growth and firm size have a positive significant impact on shareholder wealth.

Irtaza Ansar, and Syed Basit Hussain Shah (2015), examine that the effect of shareholders' wealth on 30 companies select from the major sector and that finally determine there is a positive link between DPS & MPS, RE, return on equity & previous year market price. Omoregie & Eromosele (2016), in their research the impact of dividend rule & its shareholder's capital. The researcher pickup 15 banks from Nigeria the study finally investigate the law of dividends was a positive impact on firm value & shareholder wealth.

Baker and Powell (1999) according to the survey which displays that the dividend policy affects shareholder wealth and firm value, due to paying dividend firm retains and reinvests those shareholders will be disadvantage who needs current income. Brigham et al (2004:512). Current and future dividend decisions cannot influence the shareholder wealth, but dependent interlay of the company's resources earning power. Botha (1985:48) when a dividend announcement is made there will be no impact on the shareholder's wealth. Merton Miller & ranco modigliani (1961). Too high, the value of dividend which is paid on cash will lead to a reduction in the worth of a firm, which decreases the shareholder's wealth Litzen & Swamy (1979),

(Akbar & Baig.2010), A stock dividend, Profit not before tax, EPS, ROE has positively related to the share price at the same time percentage of net income has no relationship with the share price. overall all results of this study show that dividends had an important positive impact on the share price. (Khan.Amie.Qayyum.&Nasir, 2011) Dividend yield, EPS, ROE & profit not before tax is significantly related to the stock price .so the result supporting the signaling impact theory that the payment is conveying data about the firm's future earnings.

(Khan, k.2012) money dividend, withholding, and ROE have significance not negative connection through by Stock market price. On the dividend policy relation with shareholders, a lot of studies been conducted in the world and Pakistan but their result is different. Some studies suggest that there is a positive effect of dividend law on shareholder's wealth while some results showed that there is a negative effect of the policy of dividends on the wealth of shareholders & others results that do not impact the policy of dividend on the wealth of shareholders.

Gul and Sajid, 2012 selected 75 companies listed on KSE to find out the influence of the rule of dividend on shareholders' wealth for the duration of six years from 2005 to 2010. they found the various in average market value relative to book value of equity is important between dividend-paying firms and not-dividend paying firms. Their research also revealed that the dividend law is a positive influence on the shareholder's capital of those firms that paying a dividend. (Saxena,1999) studied determines of dividend policy of the firms that affect the dividend policy. They found that there is a not positive connection as well as insider ownership & policy of dividend. Their findings suggest that inter ownership is one of the most important determinate. (Chen & Dhiensiri, 2009) research the elements that impact the dividend rules of the companies. Their result showed that insider ownership has a negative relationship with dividend policy. Their result strongly supporting agency cost theory.

A study by Chidinma Dec (2013) spreads 10 cited organizations at the Nigerian stock trade. Auxiliary information for 12 years (2000 -2010) has been contemplated. Profit every offer DPS has taken as a free variable, so EPS & MPS was taken as needy variables. The strategy of slightest relapse investigation. Azhagaiah and Sbari (2008) also find out the association of

dividend rules shareholder assets by using the available data to identify the effect on dividend laws vary by systematic regression model has been utilized through getting RE, LPER being not dependent variables & MPS being based variable. They have taken twenty-eight firms out of one hundred twenty-eight from the chemical industry in BSE. the dividend policy had important shareholders' capital in carbon-based firms but the owner's capital was not inclined through share charges. The association of dividend rules also the worth of stockholders as well to examine either the dividend payments affect the stockholders. The basic purpose of the carbon-based also nor carbon-based is to examine the variations of shareholders' assets through giving and not paying firms as well find out the effect of RE through past and current enactment of dividend overheads. They reached on conclusion dividend expenditures increase the worth of the stockholder assets, those have paid individual, retired, someone had a low source of earning. the share could be an increase in return, stock of wealth, enhance trade capacity, etc. Naveed et al. collect the data from yearly reports. Market per share (MPS) and earning per share are huge effects by DPS, model utilized for ten firms for 2001 t 2011.it has revealed a significant effect by dividend laws, it analyses also repeated by the bird as well hand theory.it denoted that the companies of Nigerian to keep a part of remunerations to again invested goals. so applying the present results to get an enhancement of company based through the ranged of dividend laws. Further, the company's worth is no dependent on it is policy of dividend due to Modigliani and Miller (1961), that's why it was found out by choosing peak investments. So, a company policy of dividends not affects the investor wealth. Presented the theory of bird in hand by Gordon and Walter (1963), regarding that if there is a lower risk the investor will usually prefer to dividends on cash form rather than

growth projects. In the past literature has been finding out that however payments of dividends positively affect firms' share price in the future. Few kinds of research explain that the company value is not affected by the up or down in dividend payouts, while some research shows that the payouts of dividends affect company value. A great survey was done by parley, Baker, and Edelman (1985) whereas examining the concept and view of managers in which exists a high-level payout of dividend, also, the company is affected by payouts of dividend. The exact conclusion has taken by Baker & Powell (1999) in a survey that company value and investor wealth are impacted by the policy of dividend. The upcoming benefits of companies are supported by the information concerned with the cash announcements divide. Dividend policy is mostly a two-piked strategy that is distributed to the shareholder; another is kept by the company for the aim of investing in projects that can add value to the firm (Chehene & Mensah, 2015). On the spot, the rule of dividend is a merely essential pillar of a company's fiscal management by its wealth arrangement & commercial authority. The rule of dividend is very important that's why it shows the most important & dangerous investors of a company that is its investors. (Chehene & Mensah, 2015). Therefore the business is mostly in quest high policy of dividend to in touch with all stakeholders connected and keen in a company's sustainable objective (azhagaiah & Priya, 2008).so far, recognition of splendid or a worldwide policy of dividend still an unknown, that's why of varies shareholder's an expectation of investment's, dynamics of market & unique business's (Balagobei & selvaratnam, 2015). These changes at the policy of dividend in all worldwide attributed to the various shareholders gave more priority to, tax laws, rules, regulations, government Policies, Institutional & Capital markets. Gul et al. (2012),

reveal that the research association of policy of dividend & wealth of shareholder's" studied the impact of dividend policy on shareholder's wealth of 75 scheduled companies in PSX. The research gets distinguish normal market worth of ownership had huge importance to dividend giving to company and dividend not giving to companies. The trailed market worth of ownership has a huge effect on MPS or RE has no effect on MPS so far as the dividend-paying firms are related & there had an essential effect policy of dividend on a wealth of shareholders. Salman.M (2013), try to find out the influence of the policy of dividends & its influence on the wealth of shareholders on the 33 listed sugar firms in Pakistan. The used for the analysis of descriptive and regression models. The recommended that the variable DPS, EPS, PMP, PER & RE price-earnings ratio (PER) and retained earnings (RE) has a positive significant relationship between shareholders' wealth.

Zafar, Arfaq, and Asad (2014), in their study, find that the effect on divided with laws of shareholder wealth in Pakistan. 35 firms were selected for their study. The shareholder's wealth affects Dividend payment through the variable like DPS, Market capitalization firm size and growth. They find finally the organization; size & firm developed that they have a major positive effect on shareholder wealth.

Sarwar and Naseem (2014) examine that the policy of dividend & it influence the wealth of shareholders with wider aspect. It is more challenging for firms to do rivalry in the exquisite nature of the market.so every organization's board of directors wishes that increase worth of shareholders. With the again investment of general stock also increases EPS .so far, Miller & Modigliani (1961) find out that the decision of dividend laws revealed irrelevancy theory of dividend which indicate it cannot affect the current prices. moreover, the researchers proposed the theory of dividend. They talked about dividend rules affect the market price of stakeholders, Gordon (1963.Mohammad.Salman, et al (2008) find out the association of policy of dividend & shareholder in the sugar industry of Pakistan. Their research 34 firms listed of sugar have taken out as 35 at PSX, Multiple regression model used, the dependent variable is selecting as MPS & selected independent variable is DPS, ROE, PER, which shows that the wealth of shareholders I did not influence by retained earnings ratio &price earnings ratio

RESEARCH METHODOLOGY:

The research is to find out the association between *DP* (Dividend Policy) & *SW* (Shareholder Wealth). The research uses chemical oil, and gas sector companies listed in the Pakistan stock exchange (PSX) for the period of 2011 to 2015.

Moreover, in this research dependent variable is MPS (Market price per share), and independent variables include DPS (Dividend per Share), ROE (Return on equity), REPS (Retained earnings per share), and LPER (Lagged price-earnings ratio).
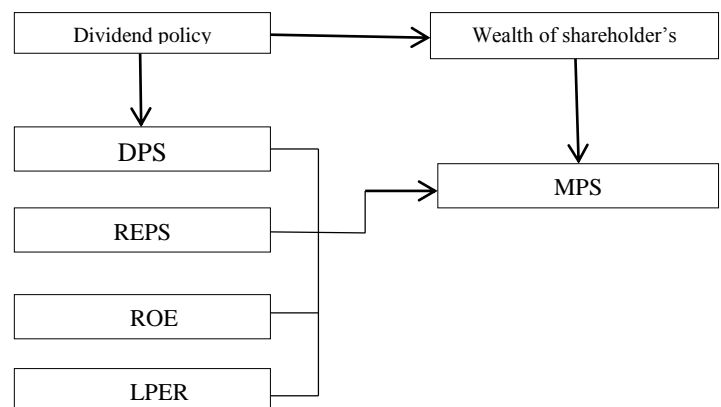

Figure 1: Theoretical Framework
Independent variables   dependent variable

The above diagram state the analysis of a study which includes all five variables for instance dependent variable: market price per share and the rest of the other are considered independent variables such as DPS, ROE, REPS,

& LPER. If we look here to the dividend policy which has a direct connection with shareholders' wealth, while when changes take place in dividend policy like whether a firm decides to provide a dividend to their investors or further invest in beneficial projects ultimately shareholder wealth affected by dividend policy. Moreover, increase or decrease take place at shareholder wealth at the end the effect reveals on the market price per share in the shape of upward and downward MPS. Generally, we can modify other independent variables too. Like DPS, REPS, ROE, & LPER which have a positive relationship whit market price per share, because these variables have a significant effect on the dependent variables, like when some percent change takes place in one variable automatically that percent change happens on another variable too. For more details explained in the analysis.

Asquith & Mullins (1983) investigate to elevate the dividend; dividend commencing has a positive effect through shareholder wealth mostly studies have concentrated to indulge better stock market response. And explaining the dividend increase. The previous research revelation that indicating assumption important influence on their wealth.

Relevance with Shareholder's Wealth:

According to the different researchers which find out the positive relation between dividend policy with shareholder wealth, (Azhgaiah &Sabar 2008, (Afzal and Mirza 2010), their studies revealed that that dividend policy had a significant effect on the share price. They are denoted by the different t variables just like DPS, also RE being not dependents variables & MPS being the dependent variable. past from that shareholder wealth is not significant association among the two variables, because of few researchers Irrelevance with Shareholder's wealth that determined not positive associations regarding their consensus that

dividend policy had not positive association with shareholders wealth.

Salman (2013) Descriptive statistics and regression analysis were applied for analysis considering dividend per share (DPS), earnings per share (EPS), lagged market price per share (MPS), price-earnings ratio (PER), and retained earnings (RE) as predictor variables and market price per share (MPS) as the response variable. The study showed that DPS, EPS, Lagged MPS, and Lagged PER had significant positive co-efficient on the shareholder's wealth.

Dewet and Mpinda (2013) studied the impact of dividend payments on shareholders' wealth with a sample of 46 firms listed on the Johannesburg securities exchange (JSE) for the period from 1995 to 2010. The Johansen Granger causality test and co-integration and was used to describe long-run and the short-run dynamics of the variables viz., dividend per share (DPS), retained earnings per share, and market price per share (MPS. The results indicate that earnings per share do not have a significant impact on the market price per share (MPS), while in the long run, dividend per share (DPS) was positively related to the market price per share (MPS).

3.1 Variables:

In this research, there is 1 dependent variable & 4 independent variables are used. Like returned on equity (ROE), retained earnings per share (REPS), LPER (Lagged Price Earnings Ratio) & DPS (Dividend per Share) are the independent variables, and the dependent variable will be the MPS (Market per share).

3.2 Dependent Variable:

The wealth of shareholders is considered by the dependent variable MPS (Market Price per Share) in this study is used as the dependent variable.

3.3 Independent variable:

The policy of dividend is selected as an independent variable which is measured with the help of four ratios like ROE, DPS, lagged earning per ratio (LPER) & retained earnings per share (REPS).

The equation for the study

$$MPS = a + b\,DPS_{it} + c\,REPS_{it} + d\,ROE_{it} + LPER_{it} + e_{it}$$

MPS= Market price per share

ROE=return on equity

REPS= (Retained earnings per share)

DPS= (Dividend per share)

LPER= (Lagged Price earnings ratio)

MPS has been used as an alternative for the shareholder's wealth. Return on equity (ROE), retained earnings per share (REPS) & DPS is used to measure the firm policy of dividend.

(a) MPS (market price per share):

This study used a dependent variable as the MPS. MPS is the current value of a stock and is a measure of finance that financiers use to decide whether to purchase a stock or not.

(b) Dividend per Share:

In simple words, dividends are a type of profit distributed to the shareholders. Shareholders receive dividends for each share of stock held. It is also an indicator of the financial profitability of a company. It is announced quarterly, semiannually, and annually depending on the type of companies and their policies. Dividend per share can be calculated:

DPS = Total amount of Dividends / Total No. of Shares

(c) REPS (retained earnings per share:

REPS are a portion of net income a company holds rather than distributed among shareholders.

Retained earnings per share (RESP) can be calculated with the fowling formula:

Retained earnings per share = Retained Earning / No. of Shares

(d) LPER (Lagged Price-earnings ratio):

It is defined as the ratio between companies' present versus share price earning per share versus. The ratio of price to earning helps in computing a company's stock value in the market to be valuable relative to the company's earnings. The lagged price-earnings ratio is one year behind the ratio of the actual year. One year back values were taken to get accurate results. A higher price-to-earnings ratio is better as compared to a lower ratio because higher values suggest that the future of a company is brighter and the growth potential is high.

PER (Price Earnings Ratio) is found using the following method:

Price Earnings Ratio =MPS / EPS

(e) ROE (Return on Equity) Ratio:

The ROE (return on equity ratio) or return on equity is a profitability ratio that measures the ability of a firm to generate profits from its shareholder's investments in the company. In other words, the return on equity ratio shows how much profit each dollar of common stockholders' equity generates.

ROE =net income / shareholder's equity

3.4 Population:

The population of current research is the firms listed at PSX (Pakistan Stock Exchange). Firms are included in different sectors depending on their type of business. The research is on -non-financial companies chemical, oil, and gas sector. Financial companies are excluded because of their different capital structure and different rules and regulations.

3.5 Sample:

Two sectors chemical, oil, and gas were taken for this research. There are 42 companies on the Pakistan stock exchange. Out of 25 companies in the chemical, oil, and gas sector in PSX (Pakistan Stock Exchange). A sample of 12 companies in the chemical sector and 30 firms is taken from the oil & gas sectors. The data has been collected from the Pakistan stock exchange and annual reports of the companies from 2011 to 2015 because of their availability of data.

3.6 Data sources:

The secondary data is used for this research that' data for this research is taken from the Annual report of firms, an online resource, and Pakistan Stock Exchange (PSX) website.

3.7 Objectives:

➢ To, test the connection between the policy of dividend and investor wealth.
➢ To, examine the impact of RE on shareholder wealth.
➢ To, investigate the effect of DPS on MPS.
➢ The purpose is to know about the RE or increased shareholders' wealth by dividend.
➢ To find out the effect of the ROE on the wealth of investors.

3.8 Hypotheses:

➢ H0: There is no linkage between the policy of dividend & investor wealth.
➢ H1: There is no linkage between investor wealth and policy of dividend.
➢ H1 (a): There is a sound connection between DPS & MPS.
➢ H1 (b): There is a sound connection between REPS & MPS.
➢ H1 (c): There is a positive linkage between ROE & MPS.
➢ H1 (d): There is a positive linkage between the LPES & MPS.

RESULTS OF ANALYSIS:

Table 01 gives the descriptive statistics of independent variables & dependent variables. The mean value of market price per share (MPS) is 175.9177 having maximum and minimum values of 697.1400 and 0.000000, respectively. The median and Standard deviation of the MPS (Market Price Per Share) are 149.2700 and 143.0530 respectively. Column 3rd represents the retained earnings per share (REPS) having a mean value of 9.373693 with maximum and minimum values of 72.30644 and -45.80709 respectively, the standard deviation and median of the retained earnings per share (REPS) are 16.95567 and 5.983918 respectively.

The mean value of dividend per share (DPS) in column 1st is 5.983918 which has a maximum value of 52.50000 and a minimum value of -0.263337 respectively, the dividend per share (DPS) has a standard deviation of 12.47804 and a median of 5.812000 respectively. Return on equity (ROE) in column 2nd shows its mean value of 27.34097 which has a maximum value of 161.9000 and a minimum value of --100.4200 respectively, while the standard deviation and median of legged price-earnings ratio (LPER) are 11.04106 and 7.860462 respectively.

Table 4.1: Descriptive Analysis

	DPS	ROE	REPS	LPER	MPS	LMPS	DPS
Mean	10.05811	27.34097	9.373693	10.33366	175.9177	2.078165	10.05811
Median	5.812000	25.01000	5.983918	7.860462	149.2700	2.173972	5.812000
Maximum	52.50000	161.9000	72.30644	48.59200	697.1400	2.843320	52.50000
Minimum	-0.263337	-100.4200	-45.80709	-25.96590	0.000000	0.000000	-0.263337
Std. Dev.	12.47804	31.31000	16.95567	11.04106	143.0530	0.434198	12.47804
Skewnes	2.088768	0.104656	0.678754	1.067829	1.190895	-1.051323	2.088768
Kurtosis	6.740984	9.497685	6.795988	6.401103	4.005734	5.878435	6.740984
Jarque_Bera	162.4750	218.3625	83.97051	83.33078	34.53620	65.65029	162.4750
Probi.	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	1247.206	3390.280	1162.338	1281.374	21813.79	257.6925	1247.206
Sum sq. dev.	19151.29	120578.9	35361.86	14994.32	2517091.	23.18893	19151.29
Observations	124	124	124	124	124	124	124

Table 02 explains the correlation between the dependent and independent

variables. Column 1st gives the correlation between market price per share (MPS) and its independent variables and also shows the relationship between the independent variable to each other. For example, the correlation between (DPS) and return on equity are 0.280061, the correlation between market price per share (MPS) and dividend per share (DPS) is 0.635951. Similarly, markets per share MPS shows the correlation retained on equity (ROE) and other variables. For example, the correlation between market price per share (MPS) and return on equity (ROE) is 0.067036. Retained earnings per share (REPS) in column 4th present the correlation relationship between market price per share (MPS) and another variable like the correlation between Market price per share (MPS) and retained earnings per share (REPS) is 0.343785. The same is the case in column 5th which indicates the correlation between Lagged price-earnings ratio (LPER) and another variable, for example, the correlation between market price per share (MPS) and legged price-earnings ratio (LPER) is 0.010656.

Table 4.2: Correlation Analysis

Correlation Probability	DPS	ROE	REPS	LPER	MPS	LMPS
DPS	1.000000					
ROE	0.280061	1.000000				
REPS	0.038752	0.392764	1.000000			
LPER	0.635951	0.067036	0.343785	0.010656		
MPS	0.635951	0.067036	0.343785	0.010656	1.000000	
LMPS	0.535410	0.083035	0.329332	-0.003155	0.856548	1.000000

Table 03 gives the results of dependent and independent variables which show coefficient, t-test, and probability. In This table t-test clearly shows greater than 2. (t>2), which means the dependent variable has a significant relation with independent variables. Such as 26.40817 and so on, furthermore prob shows the P-value, which is less than 5. (P < 5) it means they have a positive relation.so, therefore, the dividend policy measures with an independent variable like return on equity, DPS (Dividend Per Share), REPS (Retained Earnings per Share), and LPER (Lagged Price Earnings Ratio) have a positive relation to market per share.

Table 4.3: Cross-section random effects

Variable	Coefficient	std. error	T-Statistic	Probability
C	1.856464	0.070299	26.40817	0.0000
DPS	0.015061	0.005588	2.695052	0.0083
LPER	0.007451	0.002856	2.608960	0.0106
REPS	0.008184	0.002681	3.052932	0.0029
ROE	-0.003053	0.001301	-2.347681	0.0210

Table 4 presents the multiple-liner regression analysis models. R Square (0. 72); a map that the studied Independent Variable (return on equity, DPS (Dividend Per Share), REPS (Retained Earnings per Share) & LPER (Lagged Price Earnings Ratio) explains almost 72 percent dynamics of shareholders' wealth which is significant. Model is a good fit as a P_value of Stat is significant. Moreover, the F – statistic is greater than 4 (F > 4), which means here is F = 8.94 which shows the model is significant. Show the table that, there is a positive connection between MPS (Market Price Per Share) and Dividend per share. There is a positive connection between the MPS (Market Price Per Share) and Independent Variables. So, another hypothesis is accepted.

Table 4.4: Cross Section Fixed Dummy Variables

Cross Section Fixed (Dummy Variables)			
R Squared	0.725054	Mean Dependent Ver.	2.078165
Adjusted R Squared	0.644017	S.D. Dependent Var.	0.434198
S.E. Of Regression	0.259061	Akaike info Criterion	0.337833
Sum Squared Reside	6.375713	Schwarz Criterion	0.997415
Log like LaHood	8.054333	Hanna_ Quinn critter.	0.605771
F-statistic	8.947211	Durbin Watson Stat	1.472006
Prob (F-statistic)	0.000000		

H1 (a): There is a sound association between DPS (Dividend per Share) & MPS (Market Price per Share):

Co. efficient value for DPS (Dividend Per Share) 0.015061 and p-value is 0. 0083.change in DPS 1unit increase MPS by 0.015061 p-value is 0.083 which is lower than 5% 0f significance. so research hypothesis is accepted and it concludes that there is a significant connection between MPS (Market Price Per Share) & DPS (Dividend Per Share)

H1 (b): There is a positive connection between REPS & MPS:

The co-efficient value is of retained earnings per share is 0.008184 and the p-value is 0.0029. a one-unit price change retained earnings per share increase market per share by 0.00818. P-value 0.0029 which is less than a five percent level of significance. The research hypotheses are accepted and here is a positive connection between market per share (MPS) & retained earnings per share.

H1 (c): There is a positive association between ROE & MPS:

Co-efficient value is of ROE is -0.003053 & p-value is 0.0210 if 0ne unit change in return on equity increase market per share -0.003053 and P-value is 0.0210 which is less than five percent level of significance.it confirms that the hypotheses are accepted and its positive connection between ROE & MPS.

H1 (d): Here is the sound association between LEPR, (Lagged Earning Price Ratio) & MPS (Market Price per Share):

Co-efficient value is of legged earning price ratio (LEPR) is 0.007451 and p-value is 0.0106 if 0ne unit change in legged earnings price ratio (LEPR) increase market per share (MPS) 0.007451 and p-value is 0.0106 which is not greater than five present levels of positively.it confirms that the hypothesis is accepted & its significant connection legged earnings price ratio (LEPR) & MPS, (Market Price Per Share).

RESULT AND DISCUSSION:

The current research is on the policy of dividends & its effect on the wealth of shareholders by the various regression models.in these studies, two sectors are including the chemical, oil & gas sector was taken for the analysis. A total number of 25 non-financial companies was selected out of 42 firms because of the availability of data.in order, to find out the dividend policy & affect the wealth of shareholder's.in order to find out the policy of dividend' its influence the wealth of shareholders. In this study, MPS was selected as a dependent variable & independents variable such as DPS, ROE, ERPS, & LPER. For the analysis of data PLS, Correlated Random Effects, Hausman Test used. P-value is 0.0000 which is less than 0.05 and it shows a positive and highly significant relationship. The results showed that there is a positive and also significant association between dividend policy and wealth of shareholders and therefore null hypothesis has rejected due to the above results and the alternative hypothesis was accepted. These results are similar to Azhagaiah (2008) and Akbar (2010) the results show that the impact of shareholder's wealth has a significant relation with dividend policy. The independent variable Return on equity retained earnings per share lagged price-earnings ratio, and dividend per share has a significant relationship with the dependent variable, MPS. While all the hypothesis of H1 is accepted, when shareholder takes dividend based on cash then a positive result will be revealed, that's why a strong financial position attracts the investor affected by dividend. due to the finding of pani (2008) impact on shareholders' wealth positively affected by retained earnings, usually, investors gave more priority to the cash dividend so it

considers as a source of income, as well as some of them consider growth and beneficial projects for themselves. Apart from this Rablle & Hedensted (2008) investigated that return on equity has also a significant effect on shareholder's wealth. Moreover, they explained that the investment of shareholders effectively utilized by management. According to (Asquith & Mullins Jr, 1983) examined, on behalf of empirical evidence find out that shareholder wealth positively impacts by dividend policy. Furthermore, explained the impact of shareholder wealth on the dividend policy chemical sector of Pakistan from 2001 to 2010. while shareholder wealth increase when dividend leads to an increase MPS of the company as well as when decrease happen in dividend ultimately come to a decrease in market price per share at the end shareholders wealth go downward. That's why it suggests to chemical sector Pakistan to increase the dividend led to the increasing market price per share as the result it shall increase the investor wealth, moreover attract the investor to the firm. According to the study which states that the stock price of the firm is positively affected by dividend policy, as well as this research reveals that the dividend-paying company high as compare to non-dividend-paying companies. This finding explained by (Chung et al., 2010; Fracassi,2008; K. I. Khan, 2012; smith jr & Warmer, 1979; Walter, 1963) moreover the study describes when the company performance is better in the market than the stock price of the company increased, generally dividend payment of the firm can measure the performance of the company, despite this, the performance of dividend pay company is better rather than the nonpaying company.

CONCLUSIONS:

The purpose of this study is to investigate the policy of dividends & its effect on the wealth of shareholders. A sample of 25 companies' chemical oils and gas sector from PSX (Pakistan Stock Exchange) from 2011 to 2015 has been found out for research. The finding of the Regression Model suggests that there are significant relationships between dividend policy and wealth of shareholder's, retained earnings per Share (REPS) & ROE, lagged earning per share (LEPS), and dividend per share

Here the dependent variable is used as market price per share and it is well considered a proxy for measuring shareholder wealth. The Independent variable for this research is a return on equity, dividend per share, lagged earning price ratio and retained earnings per share.

Cash dividend yearly of the selected chemical oil and gas companies is used as a proxy for the dividend payout so earning per share is calculated as profit divide by outstanding share. Mainly market price per share increased automatically dividend of the company goes upward however we can say when the company dividend become low the negative effect will come on the market value of the share, dividend plays a key role, on the base of present information it states all about the company performance. Payment of the dividend illustrates the company has a power of earning, shareholder like salary individual, retired pensioners, and others whose income is low give preference to current dividend rather than future income. Here it analysis it explained independent variable such as REPS, ROE, lagged earning price ration, dividend per share, ROE, has a positive effect on the MPS (Market Price Per Share). The finding states that there is a significant policy of dividend &its effect on the wealth of shareholders in the Chemical oil & gas sector of Pakistan from 2011 to 2015.

REFERENCES:

1) Ansar, Butt & Shah (2015)." Impact of Dividend Policy on Shareholder's Wealth". International Review of Management and Business Research, Vol. 4 Issue.1

2) Afzal &Mirza (2010), ownership structure and cash flows, determinants of corporate dividend policy in Pakistan, international business result, vol 3(3) p 210-221

3) According to Chaabouni. (2017) dividends are having a signaling effect as dividend payment gives the information about the company to the market". Journal of Manajemen & Kewirausahaan, 9(1), 1-29.

4) A.Ajanthan (2013). Association between DP & SW international journal of scientific and research publications, ISSN: 2250-3153

5) Azhagaiah, R., & Priya, S. (2008). The Impact of dividend policy on shareholders' wealth. International Research Journal of Finance and Economics, 20, 180-187.

6) (Akbar & Baig,2010). dividend announced on the front of cash or stock ultimately the stock price positively affecting. The Lahore Journal of Economics 15: 1 (Summer 2010): pp. 103-125

7) Amidu, M. (2007). "How Does Dividend Policy effect Performance of the Firm on Ghana Tock

8) Exchange? Investment Management and Financial Innovations, 4 (2), 103-112.

9) Azhagaiah, R., & Priya, S. (2008). The Impact of dividend policy on shareholders' wealth. International Research Journal of Finance and Economics, 20, 180-187.

10) Akbar, M., & Baig, H. H. (2010). "Reaction of Stock Prices to Dividend Announcements and Market Efficiency in Pakistan". The Lahore Journal of Economics, 15 (1), 103-125

11) Asquith, P., & Mullins, D. W. (1983). "The Impact of Initiating Dividend Payments on Shareholders' Wealth". Journal of Business, 1 (46), 77-96.

12) According to Chaabouni. (2017) dividends are having a signaling effect as dividend payment gives the information about the company to the market". Journal of Manajemen & Kewirausahaan, 9(1), 1-29.

13) Baker & Powell (1999). How corporate managing view a policy of dividend? Quarterly European scientific journal volume 9 ISSN: 1857-7881.

14) Campbell, J. Y., & Shiller, R. J. (1988). Cointegration and tests of present value models: National Bureau of Economic Research Cambridge, Mass., USA

15) (Chenchehene & Mensah, 2015). "Shareholder Wealth Effects of Dividend Policy Changes in an Emerging Stock Market: The Case of Cyprus". Multinational Finance Journal 5 (2), 87-112.

16) Dewet, J.H.vH. & Mpinda,(M. 2013). The impact of dividend payments on shareholders' wealth: evidence from the Vector error correction model. International Business & Economics Research Journal, 12(11):1451-1465

17) Farooq, O., Saoud, S., & Agnaou, S. (2012). Dividend policy as a signaling mechanism under different market conditions: Evidence from the Casablanca Stock Exchange. International Research Journal of Finance and Economics, 83, 187-198.

18) Fracassi, C. (2008). Stock Price Sensitivity to dividend changes. Department of Finance-UCLA Anderson School of Management, 1-39.

19) Gorden, M. J. (1963). "Optimal Investment and Financing Policy". The Journal of Finance, 18 (2), 264-272.

20) Gul, et al (2012. "Investigated relationship between dividend policy & shareholder wealth in Pakistan." Journal of Business Research, 7, 61-72.

21) Gul, et al (2012. "Investigated relationship between dividend policy & shareholder

wealth in Pakistan." Journal of Business Research, 7, 61-72.

22) Hashemijoo et al. (2012. "the study of dividend policy on share price volatility in the stock market of Malaysia". Journal of Business Research (6), 116

23) Hashemijoo et al. (2012. "the study of dividend policy on share price volatility in the stock market of Malaysia". Journal of Business Research (6), 116

24) Miller, M. H., & Modigliani, F. (1961). Dividend policy, growth, and the valuation of shares. The Journal of Business, 34(4), 411–433.

25) Miller & Modigliani (1961)." The theory presented by Miller and Modigliani", Journal of Finance and Accounting, 2222-2847

26) Mohammad Salman Sarwar (2013), Effect of dividend policy on shareholder wealth: A study of sugar industry in Pakistan, Global journal of management and business research finance 13(7) (2013), 47-54

27) Nazir,Nawaz, Anwar, W., & Ahmed, (2010). Determinants of stock price volatility in Karachi stock exchange: The mediating role of corporate dividend policy. International Research Journal of Finance and Economics, 55, 100-107.

28) Nazir, S (2010). Determinants of stock price volatility in Karachi stock exchange: The mediating role of corporate dividend policy. International Research Journal of Finance and Economics, 55, 100-107.

29) Ouma, O. P. (2012). The Relationship Between Dividend Payout And Firm Performance: A Study Of Listed Companies in Kenya. European Scientific Journal, 8(9).

30) Pani, U. (2008, August 11). "Dividend Policy and Stock Price Behaviour in Indian Corporate Sector: A panel data approach. Retrieved from Indian Institute of Technology".http://ssrn.com/abstract=1216171

31) Sajid Gul, Muhammad Sajid et al. (2012)). "significant influence of dividend policy on a wealth of shareholders. Journal of Financial Economics (17),

32) Salman, M. (2013). Effect of dividend policy on shareholders' wealth: A study of sugar industry in Pakistan. Global Journal of Management and Business Research Finance, 13(7), 47–54.

33) Sajid Gul, Muhammad Sajid et al. (2012)). "significant influence of dividend policy on a wealth of shareholders. Journal of Financial Economics (17),

34) (Travlos, N & Vafeas 2001). "Dividend policy and shareholder's wealth" Asian economic and financial review. Vol, No.4, p p.276-291.

35) Uddin, & Chowdhury, G. M. (2003). "Effects of Dividend Announcement on Shareholders' Value: Evidence from Ghana Stock Exchange". Journal of Business Research, 7, 61-72.

36) Waithaka, S. M., Ngugi, J. K., & Kirago, P. (2012). Effects of dividend policy on share prices: A case of Companies in Nairobi Securities Exchange. Prime Journal of Business Administration and Management (BAM), 2(8).

37) Zafar, Arfaq, and Asad (2014) Researched dividend policy and corporate profitability. Evidence from companies listed on.