

THE IMPACT OF DIVIDEND POLICY ON THE MARKET PRICE OF SHARES: EVIDENCE FROM THE SELECTED INDIAN STEEL AND METAL INDUSTRIES

¹Dr.E.GAYATHRI

¹Assistant Professor of Commerce

¹Kongu Arts and Science College (Autonomous), Erode

Abstract—This study examines the impact of dividend policy of share prices within the selected Indian steel and metal industries from 2021-2022 to 2025-2026. The Primary objectives are to analyze the factors influencing dividend policy and to evaluate its effect on market prices using descriptive statistics, ANOVA, Karl Pearson correlation and Multiple Regression. The findings indicate that for steel stocks, absolute dividend values are more significant drivers of market price than the earnings payout ratio, suggesting that different dividend metrics influence market behavior in distinct ways.

Index Terms—Dividend Policy, Market Price, Earnings

I. Introduction

Dividends represent the portion of corporate profits distributed to shareholders as a return of investment. While investors seek to maximize wealth, companies must balance payouts against the need for retained earnings to fund long-term growth. An optimal dividend policy equitably partitions profits to support both internal financing and shareholders' value. This study examines how these dividend decisions impact market prices of shares within the Indian steel and metal industries.

II. REVIEW OF LITERATURE

Azeem akhtar Bhatti (2023) Dividend policy significantly impacts shares prices of 16 Pakistani chemical firms from 2013 to 2022, supporting the theory of dividend relevance. All factors were statistically significant except profit after tax, highlighting the critical role of dividend proxies in financial decision making. Firms should therefore align dividend policies with current market prices to address the priorities of price sensitive investors.

Mahirun (2023) this study analysis of Indonesian LQ45 firms (2012-2021) refers that while return on equity and the dividend payout ratio significantly increase stock prices, the dividend per share does not mediate the link between funding policy and firm value. Debt to assets and trading volume significantly reduce share prices, while factors like price earnings ratio, dividend earnings ratio and return on asset ratio show no statistically significant impact. These results suggest that profitability and leverage are more critical drivers of stock performance than specific valuation multiples in this market.

III. STATEMENT OF PROBLEM

Dividends are just the way a company splits its profits with the shareholders. Investors really look for steady payouts, so they usually go for companies that make money and share it often. It's a balancing act for the company, they need to give enough back to keep investor interested, but also save enough to keep the business growing. This research looks at what actually decides those dividend moves and if they actually change the market price of the shares.

IV. SCOPE OF THE STUDY

This study relates to the factors influencing dividend policy and the impact of dividend policy on the market price of shares of the selected Indian steel and metal industries.

V. OBJECTIVES OF THE STUDY

- To analysis the factors influencing of dividend policy of the selected Indian steel and metal industries
- To examine the impact of dividend policy on the market price of shares among selected firms in the Indian steel and metal industries.

VI. HYPOTHESIS OF THE STUDY

H₀: There is no significant impact of dividend policy on the market price of shares in the selected Indian steel and metal industries.

VII. RESEARCH METHODOLOGY

Research Design

The study follows a quantitative research design focused in analysing the impact of dividend policy on the market price of shares.

Sampling Design

For this study, the sample design involves the selection of five industries from 900 registered steel and metal firms in India, specifically selection based on their dividend policy and market price per share.

Sources of Data

The study is based on secondary data which have been collected from Prowess Corporate Database maintained by the Centre for Monitoring Indian Economy (CMIE), Mumbai. In addition, the annual reports and published financial statements of the selected industries have been used in this study.

Period of the Study

The period of this research for five financial years, started from 2021-2022 to 2025-2026.

Framework of Analysis

□ Financial Tools: Dependent variables are Market Price per Share, Price to Earnings Ratio while

Independent Variables are Dividend per Share, Dividend Payout Ratio and Dividend Yield Ratio.

□ Statistical Tools: Descriptive Statistics, Analysis of Variance, Karl Pearson Correlation and Multiple Regression Analysis.

DATA ANALYSIS AND INTERPRETATION

Table No. 1: Descriptive and ANOVA

Variable	Overall Mean	Avg. CV (%)	F-Statistic	Significance
Dividend Per Share	4.24	34.1%	2.26	Not Significant
Dividend Payout Ratio	24.8%	51.2%	1.84	Not Significant
Dividend Yield Ratio	1.57%	69.4%	1.52	Not Significant
Market Price Per Share	536.4	62.1%	1.95	Not Significant
Price to Earnings Ratio	21.42	82.5%	1.78	Not Significant

The above table no.1 shows that the descriptive statistics and ANOVA of selected dependent and independent variables. It revealed that an average payout ratio of 24.8% and a market price of share 563.4. The ANOVA results are no statistically significant relationship between the variables. It indicates lack of statistical difference between the groups for either variable. These findings suggest consistent performance across all categories for both variables.

Table No. 2 : Karl Pearson Correlation Matrix

Variable	Market Price Per Share	Price to Earnings Ratio
Dividend Per Share	0.10	-0.09
Dividend Payout Ratio	-0.23	0.45
Dividend Yield Ratio	-0.57	-0.34

From the Table No.2 refers that the karl pearson correlation analysis, indicates a strong negative correlation -0.57 between Market Price and Dividend Yield Ratio, reflecting a growth trend where increasing stock prices lead to decrease yield percentages. While the positive correlation 0.10 between Market Price and Dividend per Share suggests that absolute dividend was not the primary key of stock price increases. The moderate positive correlation 0.45 between the Price to Earnings Ratio and Dividend Payout Ratio suggests that higher payout percentages often correspond with maximum valuation multiples, while moderate negative correlation -0.34 between Dividend Yield Ratio and the Price to Earnings Ratio indicates that stocks with higher yields model traded at lower valuation multiples.

**Table No. 3: Multiple Regression Analysis
(Dependent variable: Market Price per Share)**

Variable	Coefficient	Standard Error	t-Statistic	P-Value	Significance
Intercept	672.62	118.43	5,68	0.00001	Significant
Dividend per Share	44.49	20.93	2.13	0.0455	Significant

Dividend Payout Ratio	-2.02	2.39	-0.84	0.4084	Not Significant
Dividend Yield Ratio	-154.34	39.60	-3.90	0.0008	Significant

R-Squared	Observations	Significant
0.46	25	Significant

Above Table no.3 examines that the multiple regression analysis, based on 25 observations, explains 46% of the variance in Market Price ($R^2=0.46$). It reveals that Dividend per Share has strongly significant positive impact, where each unit increase is associated with a 44.49 rise in price. The Dividend Yield Ratio serves as the most statistically significant but shows a strong negative relationship, likely due to stock prices increasing more rapidly than dividend payouts. The Dividend Payout Ratio was not significant, suggesting that dividend amount and yields are more critical drivers of market price than the specific percentage of earnings distributed.

**Table No. 4: Multiple Regression Analysis
(Dependent variable: Price to Earnings Ratio)**

Variable	Coefficient	Standard Error	t-Statistic	P-Value	Significance
Intercept	19.27	5.37	3.59	0.0017	Significant
Dividend per Share	0.15	0.95	0.15	0.8796	Not Significant
Dividend Payout Ratio	0.34	0.11	3.10	0.0054	Significant
Dividend Yield Ratio	-4.36	1.80	-2.43	0.0242	Significant

R-Squared	Observations	Significant
46	25	Significant

The Table no.4 refers that the multiple regression model (dependent variable is Price to Earnings Ratio) indicates that dividend payout ratio statistically significant valuations, whereas the dividend yield ratio has a negative significant. Dividend per share shows no significant influence on price to earnings ratios. The results suggest that valuation multiples for this sample are driven by payout percentages and yields rather than absolute dividend values.

VIII. CONCLUSION

The study shows that market prices are really driven by how money people get from dividends and how that changes over time. Things like the price to earnings ratio are more about what percentage of the money's paid out. The dividend yield ratio is important in both models. It always shows that prices are going up faster than dividends. It is interesting that dividend per share is a way to guess the market price but it does not really affect the price earnings ratio. All of these results together say that for steel stocks the actual amount of money from dividends and how that change is more important than how much of the profit

is paid out. This means that different ways of looking at dividends affect the stock market in ways. The dividend yield ratio and dividend per share are very important component for selected Indian steel and metal industries.

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