THE IMPACT OF DIVIDEND PAYOUT RATIO ON SHAREHOLDER'S WEALTH; EVIDENCE FROM THE TEXTILE SECTOR OF PAKISTAN

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ABSTRACT: *The purpose of the present study is aimed to investigate empirically the relationship between dividend policy and shareholders' wealth of textile companies listed in the nonfinancial sector of KSE Pakistan. We chose a sample of nine textile firms listed on KSE Pakistan. The sample of those companies only, they have a minimum paid four years dividend during the studied period. In this study, we analyzed eight years of dividends from 2008 to 2014. We used four variables HPY, DPR, PER and BV/MV ratio, shareholder's wealth (measured by HPY) was used as dependent variable whiles DPR, PER and BV/MV of equity ratio were used as independent variables. On panel data Ordinary least square regression model has been applied to get variables estimation and to provide the result about the relationship of dividend payout ratio and wealth of shareholders. We also applied a test of multi colinearity, test for significance and Durbin Watson test has been applied. Based on historical data the result of this study indicates that BV/MV of equity ratio revealing a negative but significant relationship with HPY while Price Earnings ratio and Dividend Payout ratio showing a positive but insignificant relationship with HPY. This result indicates the arguments against the irrelevance theory of dividends. This study also reveals that in the case of Pakistani textile companies dividends can increase the shareholder's wealth.*

Keywords: Holding period, P/E ratio, DP ratio, Durbin Watson, Book-to-Market ratio.

1. INTRODUCTION

Dividend policy has been an issue of Importance in financial journalism since joint-stock companies came into existence. Divided policy is one of most important decisions of financial management, in which management can get decision about their income than how much they can reinvest in their business for a profitable investment project for growth of their business and how much they can distribute in the shareholders of the corporation as dividend for the growth of the firm's value. Kent [1, 2], argued that dividend policy is one of those decisions by which the value of firms and shareholders increased. He argued that "it is a policy used by the firm's to decide as to how much cash it should reinvest in its business through expansion or share repurchases and how much to pay out to its shareholder in dividend". Dividend policy is one of the main decisions of finance managers due to it is relevant and can help to improve the value of the firm as well as to maximize shareholder's wealth [1, 3]. At the end of the period when earning (profit) came to the company than two ways are present to the company to use that profit. The first way is to retain their earnings to expand their business by investing their earnings in a profitable investment opportunity or to develop something internally in their business. The second way of using their profit is to distribute them among shareholders of the company according to their part of the investment (shares) in business. For shareholders one of the major components of stock, the return is dividend payment [51]. The company can distribute these earnings as can pay a dividend (cash or stock) or they can buy back shares [4]. The dividend payment is brought out in two ways one is cash dividend while the second is a stock dividend. The companies usually paid their dividend from current earnings and also sometimes paid from the firm's general reserves and normally they paid that dividend in form of cash which is called cash dividend [52]. Most of the investors prefer cash dividend, the dividend which is paid in the form of cash. As came in studies that dividend is not always paid in cash, the companies also paid some time stock dividends which is the same as stock splits because in it also the shares number increasing while the assets of the company have no impact, remain the same [53]. Here dividend policy connotes to the payout policy, which shows the percentage portion of profits paid to shareholders in form of a dividend, in which management follows the ways of choosing the pattern of cash division to the owners of the shares sooner or later [5]. In making such a decision the management's main objective is maximizing the wealth of shareholders, which in turn reflects to maximize the firm's value. This objective can be achieved when the owners of the shares can take a reasonable return on their investment. In many researched studies and books the researchers and authors have a different viewpoint about dividend policy, in the organization, the finance manager makes many financial decisions to achieve the firm's goals and objectives and the dividend is one of those decisions [6]. Arnold [7] further argued about the dividend policy that it is an action to maximize the wealth of shareholders by increasing their purchasing power so wealth is being maximized by dividend and by that means the shareholder satisfies their purchasing and consumption pattern. While Peter [54], argued that there is no importance of dividend because it has no impact on shareholder's wealth or if they have it would be very limited if a firm doesn't pay a dividend for the long period. Focusing on our topic impact of dividend payout policy on shareholder's wealth is still in doubt and unresolved in finance literature. The arguments of Al Malkawi, *et al*., [8] about dividends that it is not only the means of earnings for stockholders, also point out the firm's performance. Dividend policy has been set aside as the top ten confusable issues in finance [9]. Here are the most important questions to be answered that "how much cash firm gives to their shareholders?" Can an organization make the pattern of payment to owners by dividend or by shares repurchasing? Dividend policy types are residual and managed, in residual dividend policy the firms the amounts of cash as a dividend which remain after meeting its investment needs. Companies used this method for keeping their debt/equity ratio balanced before making any decision of dividend distribution. While if the managers believe that dividends have a positive influence on share price valuation, the managers using managed dividend policy which leads to maximizing the wealth of shareholders. So the investors mostly give preferences to those companies which are steadily paying a dividend to their investors. For many decades researchers have been trying to conduct studies on dividend payout policies and their influences; we can summarize those research efforts from [10]. Three decades ago, Fisher Black studied the dividend and gave their arguments as "*The harder we look at the dividend picture, the more it seems like puzzles, which don't fit together*" [10]. So we think it would be better and interesting to examine the dividend payout ratios because even though large numerous research studies have been conducted but there is still something which is missing in the dividend puzzle. This study is based to examine the relationship between dividend payout and shareholder wealth in the textile industry listed in the non-financial sector of KSE.

The general objective of this study is to find out the impact of dividend payout on shareholder's wealth among listed companies in Pakistan. To examine the relationship between dividend policy and the wealth of shareholders and to measure the impact of dividend payout on the wealth of shareholders in textile firms listed in the capital market of Pakistan (KSE).

This research is hopefully meaningful for academic used and purposes on the relationship between the wealth of shareholders and the dividend of listed companies in the Karachi stock exchange. This study is also helpful for investors to get knowledge about the significance of dividend related decisions of management and what is the impact of those decisions on their wealth. As well as it is also significant for managers to choose how much dividends they have pay to their shareholders to get their trust that's cause the company will be progressive.

Research Question:

The current study focuses on dividend payout policy and the wealth of shareholders. To realize the objective of this study we have the following question.

What relationship exists between the dividend payout ratio and the wealth of shareholders in the listed textile sector of Pakistan?

2. LITERATURE REVIEW

Dividend policy is one of the most important and can be mentioned as an "active" variable of decision and also mostly the management of the firm believes that dividend decision can play a significant role in maximizing shareholder's wealth [11].

Bernartzi, Michealy, and Thaler [12] gave their opinion in favor of signaling theory that if a firm was paying a dividend to their shareholders on regular basis that firm will not facing any decrease in future earnings while a firm doesn't have to achieve a large increase in earnings. Based on the evidence they also revealed that those firms which announced and pay to dividend those firms have almost fewer chances of decrease in their earnings. In the same way, Jensen and Jhonson [50] argued that dividend cuts or increase in dividend are followed by earning increases or decreases and value of the firm are defending on dividend cut marking the end of the firm and initiating dividend increase the firm's value.

Pettit [13] recognized that declaration of increase in dividend cause meaningful increase in prices and announcement of decrease in dividend cause decline in share prices and causes decline in firm's value because the market is most sensitive and reacts due to increases or decreases in the announcement of dividend while in the efficient market all the available information can reflect the current prices of shares.

R. Azhagaiah and Sabari Priya. N.[14] argued that the shareholder's wealth of dividend-paying firms was increased in long run as compared to dividend non-paying firms and the dividend initiation caused a significant positive effect on the wealth of shareholders during the studied period.

Gul, et al., [15] studied influences of dividend policy on a wealth of shareholders and find the difference between average market value (AMV) and a book value of equity (BVE) and the dividend has more significant influences on the shareholder's value. They also revealed that to enhance the value of shareholders the management should give a reasonable return on their investment.

Afzal and Mirza. [16], argued that those companies in which a high amount of shares are in hand of manager and individual there will be the unwillingness of paying a high dividend as compared to those companies where managerial and individual ownership is low. It means that in Pakistan mostly corporate governance still not well develop (weak performance) so in Pakistani firms managers have an opportunity to keep dividends in their hand rather than to payout it to shareholders.

Baua and Kaur [17], revealed the impact of dividend policy on a wealth of shareholders by analyzing the Indian information sector for five years period from 2006 to 2010 by using the method of panel data analysis. They compare dividend-paying and non-paying firms in the IT industry of India by applying regression and Pearson correlation model and exposed that lagged price-earnings ratio and DPS has not too much correlation with each other which means that the price-earnings ratio is not influencing on the dividend. They also described that in these companies there is a significant difference between MV of equity and BV of equity and argued that dividend policy has significant influences on the wealth of shareholders.

Wet and Mipinda [18], examined a detailed study on the impact of dividend payment on a wealth of shareholders in listed firms of Johannesburg security exchange (JSE) for 15 years data (1995-2005). They concluded a positive relationship between MPS and dividend yield whereas the market price per share is not much impacted by per-share earnings.

Naeem and Nasr [19], concluded from their study that in Pakistani firms the dividend-paying pattern is unstable and a downward trend was found in the average dividend payout ratio when compared with the OGDCL sector of KSE, they have increased dividend payout ratio and dividend per share. They also identified about liquidity and profitability of firms, when profitability is high firms more willing to pay high dividends while liquidity was not found significant for the sub-sample of the study.

Yegon, *et al*., [20], examined the econometrics analysis of manufacturing firms in Kenya about the impact of dividend policy on the financial performance of the firm. They exposed that dividend policy has a significant positive relationship with profitability, earnings per share and investment of the firm. They also revealed that if organizations keep stable dividend policy they will attract investors and also investment opportunities which will increase the firm's profitability.

Mehta [21], studied the impact of dividend policy on shareholder's wealth for five years analysis of the overall sector except banks and investment concern firms listed in the Abu Dhabi stock exchange. He exposed from this study that two factors that are mostly considered in dividend policy are the risk and size of the firm. They also revealed that the profitability and size of firms are the most important determinants of dividends and argued that as the size of the firm is greater their dividend payout ratio is also larger.

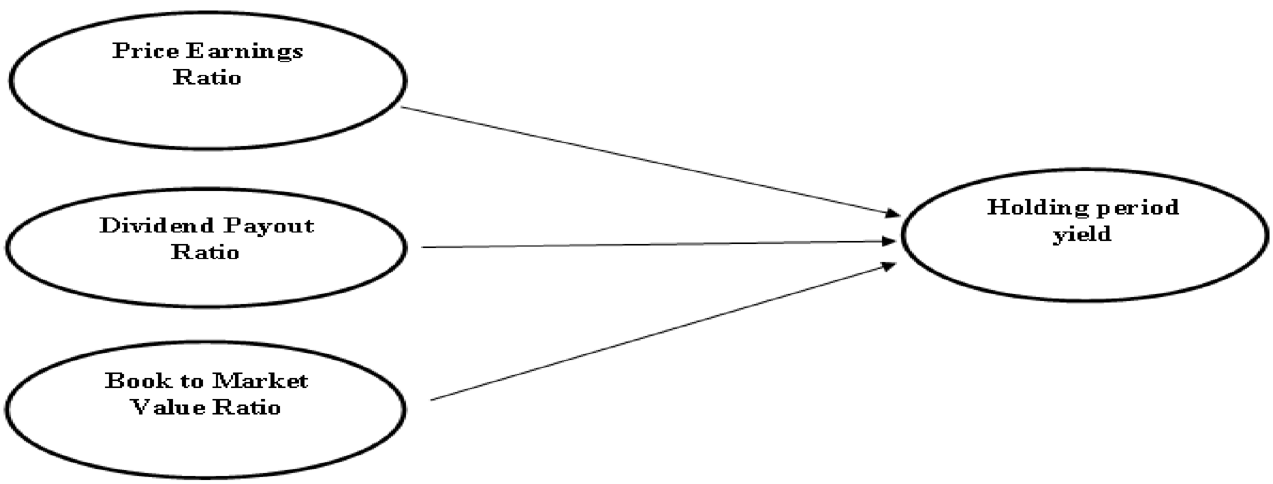
Okoye and Ozamba [22], studied the evidence from public companies in Nigeria about shareholder wealth and dividend policy and argued that DPS has an impact on shareholders' measure. They exposed that MPS and EPS have a significantly positive impact on DPS and also argued that the high pay dividend increase the market value of shares increased by payment of high dividend which caused an increased in the shareholder's values.

Tahir and Raja, [23], concluded that the dividend payout ratio has no significant relationship with holding period yield while the price-earnings ratio was also influenced by dividend and share prices which is not stable in Pakistani capital market that's why it also fluctuate the price-earnings ratio. They also explained the relationship of Book to Market value with holding period yield, the market capitalization of companies increased with time which in turn also increased the book value of equity. They find out the significant relationship of BV/MV ratio withholding period yield of all studied companies. Finally, they argued that an insignificant relationship exists between dividend payout ratio and shareholder wealth.

Alim *et al.*, [24], investigated the evidence from the textile sector of Pakistan about dividend policy and shareholder wealth for ten years period from 2001 to 2010. They used MPS as a proxy variable for shareholder wealth and revealed that the relationship between dividend policy and shareholder wealth is directly proportional to each other. They also argued that all studied variables have a highly significant impact on MPS except DPS and dividend payout ratio. Finally, they concluded that in the textile sector of Pakistan dividend policy has significant influences on shareholder's wealth during the studied period.

Niharika and Sarika [25], examined the growth of joint-stock companies concerning dividend policy. According to them that when in the market fluctuation exist then it creates difficulties for management to forecast their investment, pricing, and returns on shares in a more precise and accurate manner. Finally, they argued that a strong positive correlation is present between dividend yield and share price volatility while negative correlation growth in assets with stock price volatility.

2.1 Theoretical Framework



2.2 Hypothesis

H_1: There is a significant relationship between **P/E ratio** and **HPY** in the textile companies of Pakistan.

H_2: There is a significant relationship between **DPO ratio** and **HPY** in the textile companies of Pakistan.

H_3: There is a significant relationship between **BV/MV ratio** and **HPY** in the textile companies of Pakistan.

3. METHODOLOGY

3.1 Population:

The textile industry of Pakistan is the Population of this study

3.2 Sample and sampling techniques:

The textile sector is composed of three segments spinning, weaving and composite. In this study sample size consists of nine textile companies from these segments. A recent seven years of data (2008-2014) have been collected for this study.

We used a convenient sampling technique; in this technique the required data as much easily available we include those companies [42, 23]. Here we select those companies as a sample from the textile sector that must have at least four years of dividend paid during the studied period from 2008 to 2014.

3.3 Data collection and sources:

For this study, the data set of measurement as "secondary data" that is in a numerical form which means the data easily measurable and of the data format for this study is "Rupees in Million" and data sets as “Annually”. The data set is collected by using a various couple of secondary sources in which some are given below.

- Annual report of KSE (www.kse.com.pk)
- Annual reports of respective companies
- Website of Business recorder
- Annual analysis of State bank of Pakistan
- From previous Journals (National &International)

3.4 Econometric model specification

This study follows GRETL (version 1.9.91) econometric software for applying pooled OLS (ordinary least square) on panel data that also followed by others [19, 23, 29-31,36, 37, 38, 39, 40,, 41]. This study takes the conceptual model provided above as a base to specify the following regression equation.

$$HPY= \beta_0 + \beta_1 (P/E\ ratio) + \beta_2 (DPR) + \beta_3 (BV/MV) + e$$

Where

P/E ratio = Price earnings ratio

DPR = Dividend payout ratio

BV/MV= Book to Market value of equity ratio

HPY= Holding Period Yield

e = Error term

4. RESULTS AND DISCUSSIONS

This section contains statistical results and discussion which is obtained from the analysis. Regression test was performed to analyze data by using GRETL (version: 1.9.91) econometric software for applying pooled Ordinary Least Square analysis to get the estimation of the variable and to provide the result about the proposed question and objectives. The analysis and interpretation of this study are discussed below.

4.1 Test for the model of Linear Regression

4.1.1 Test of significance

Table 1.1 Significance test of the model

Model		Sum of squares	DF	Mean square	F(3,52)	P-value	R^2
1	Regression	2.91654	3	0.97218	2.805	0.0487	0.13931
	Residual	18.0197	52	0.346532			
	Total	20.9362	55	0.380658			

Source: the output of GRETL software

Predictors: (Constant), P/E ratio, DP ratio, BV/MV ratio.

Dependent Variable: HPY

The above table 1.1 represents the significance test of the study. To test the significance of the model mostly researchers based the P-value [42, 43]. The P-value shows us the significance level between dependent and independent variables. The relationship is said to be statistically significant when “P-value of the model is less than 0.05”. In this study p-value (0.0487) of the model shows us that significant relationship exists at 5% significance level because the P-value is less than the ‘Rule of thumb’ of 0.05, hence our study revealed that the relationship between dependent variable shareholder wealth (measured by holding period yield) and independent variables (P/E ratio, DP ratio and Book to market value ratio). The coefficient of determination (R^2) value explained that 13.931% variation independent variable (HPY) comes from the changes of these variables (Price-earnings ratio, Dividend payout ratio and BV/MV ratio). It means that the reliability of our model is low because a major portion of variation remains unexplained by the model which is about 86.096%.

4.1.2 Multicollinearity Test

The condition of multicollinearity is forward by Ragnar Frisch (1934) [44], which shows us the existence of a linear relationship between some or in all explanatory variables which is “Perfect” or exact. The measure of multicollinearity can be the Variance Inflation Factor (VIF) or by using Tolerance [45]. Variance Inflation Factor shows us the extent to which variance and covariance increase. Some authors mention the VIF as an indicator of the Multicollinearity problem (Damodar N, Gujarati. 4th Edition page # 351 & 362) [44]. We can see the interpretation as that when the value of two or more highly correlated values becomes greater than 0.09 that will lead us to the problem of multicollinearity sighted in Jingyu li [45]. The rule of thumb for VIF is critical value is equal to 10 [46]. We conclude from table 1.2 given below that the value of VIF of all explanatory variables is less than 10 which means that in our model there is no problem with multicollinearity.

Table 1.2 For the Test of Multicollinearity & Durbin Watson

Variables	Coefficient	P-value	VIF	Durbin Watson
P/E ratio	0.00483399	0.12954	1.376	1.604367
DP ratio	0.00040661	0.8198	1.369	
BV/MV ratio	-1.30894	0.02678**	1.034	

Source: the output of GRETL software

Predictors: (constant), P/E Ratio, DP Ratio, BV/MV Ratio

Dependent variable: HPY

4.1.3 Durbin Watson d Statistic

The famous statistician Durbin and Watson put forward this test, that's why it is known as 'Durbin Watson d statistic test'. This test shows us the independency of residual from the multiple or linear regression model [45]. The rule of thumb for autocorrelation according to Durbin and Watson is that *"if d is found to be 2 in an application, one may assume that there is no first-order autocorrelation, either positive or negative"* (Damodar N. Gujarati 4th edition page # 469). Some authors argued that no autocorrelation exists between variables when the value of d statistics between 1 and 3 [45, 47]. In some studies, the value for autocorrelation was explained as below from a value of 7 [48]. From the above table 1.2 we concluded that in our studied model there is no autocorrelation because the value of Durbin-Watson lies between 1 and 3(result consistent with [45, 47];, while on the other side according to threshold of value of 2 so the value of our model is also less than 2, the result consistent with Yegon [49].

4.2 Regression Analysis result (OLS analysis)

Table 1.3 POOLED OLS ANALYSIS RESULT				
Total observation: 56			*Include two cross-sectional unit*	
Responsive Variable: Holding Period Yield			*Time series length= 28*	
Regression Coefficient and Level of Significance				
Explanatory variables	Coefficient	t- value	Std. Error	p-value
Intercept	0.0492241	0.4805	0.102445	0.6329
P/E ratio	0.00483399	1.5403	0.0031383	0.12954
DP ratio	0.00040661	0.2290	0.001775	0.8198
BV/MV ratio	-1.30894	-2.279	0.574243	0.02678**
R- squared	0.139306			
Adjusted R- square	0.089651			
S.E. of regression	0.588670			
S.D of dependent var	0.616975			
F (3,52)	2.805456			
P-value (F)	0.048682			
Durbin-Watson	1.604367			

Source: the output of GRETL software

4.2.1 Regression model

Identifying the values above in the model

$HPY= \beta_1 (\text{PE ratio}) + \beta_2 (\text{DP ratio}) + \beta_3 (\text{BV/MV ratio}) + e$

HPY=0.0492241+ 0.00483399 (PE ratio) + 0.00040661(DP ratio) + -1.30894(BV/MV ratio) +e

Table 1.3 shows us the regression result of the price-earnings ratio, dividend payout ratio and book to the market value of equity ratio with a wealth of shareholders. The purpose of this model to check variability explained in the shareholder's wealth by dividend payout ratio. The R-square (coefficient of determination) value in the model is 0.139 which means that the variance in PER, DPR and BV/MV is 13 percent or in simple words, the independent factors have a 13 percent effect on the dependent variable. The F-value of the model is 2.805 which is insignificant because if the F-value of the model is more than 4 than the model is statistically significant so in this case, our model is insignificant. According to the P-value whenever the P-value of the model is less than 0.05 then the overall model will be significant statistically, the P-value of our model is less than 0.05 so our model is significant.

From the above table 1.3, it can reveal that keeping all other variables (P/E ratio, DP ratio, and BV/MV ratio) constant to a value of zero then the value of HPY will be 0.0492241. The coefficient value of price-earnings ratio 0.00483399 this value means that if one unit change occurs in price-earnings ratio than it will lead us that the HPY will be changed by 0.00483399 units when the all other variables remain constant to zero and the change will in a positive direction because the sign of the coefficient is positive. The *t*-value (which can be computed as" the estimated value of coefficient divided by the value of standard error") of the price-earnings ratio is 1.540 and the 'rule of thumb' for *t*-value is less than 2 than it is insignificant. The P-value of the price-earnings ratio is 0.1295 which is greater than 0.05 means that the price-earnings ratio has a positive but insignificant effect on HPY.

The coefficient value of DPR is 0.000406607, this value means that if one unit change occurs in DPR than the value of HPY will be changed by 0.000406607 units when all other variables remain constant to zero and the change will be in a positive direction because the sign of the coefficient is positive. The *t*-value of DPR is 0.2290 this value is less than 2 so it is insignificant. The p-value of DPR is 0.8198 which is greater than 0.05 so DPR has a positive but insignificant effect on HPY.

The coefficient value of BV/MV of equity ratio is -1.30894, this value means that if one unit change occur in BV/MV of equity ratio than it will lead us the impact of -1.30894 times changes come in HPY when all the remaining variables held constant to zero and the changes will be in negative direction because the sign of coefficient is negative. The P-value of BV/MV of equity ratio is 0.0268 which is less than 0.05 it means that BV/MV of equity ratio has a negative and significant effect on HPY.

5. DISCUSSION

The main concern of this study was to find out the relationship between price-earnings ratio, dividend payout ratio, BV/MV of equity ratio and holding period yield within the textile industry of Pakistan and their impact on the wealth of shareholders. The above result based on historical data and obtained from the statistical analysis. These results dispute our hypothesis because the reason behind it is the economy of Pakistan, which is continuously under the influences of government policies. However, most of the textile companies pay a regular dividend but in the stock market of Pakistan due to uncertainty the Holding period return was not effective because changes occur continuously in share prices which cause fluctuation in a dividend payment pattern which caused variation in a dividend payout ratio so Dividend payout ratio shows insignificant relationship withholding period yield. Also with the variation in share prices and dividend the price-earnings ratio also fluctuated so the relationship of price-earnings ratio withholding period yield showed insignificant so the first and second null hypothesizes contradict because of the price-earnings and Dividend payout ratio show positive and insignificant relationship with Holding period yield. Investors are investing on regular basis, whenever the market has low uncertainty and their capitalization also increased because with the passage of time their book value will also go to increase so the BV/MV of equity ratio have significant relation withholding period yield but in Pakistan the market have mostly uncertainty due to which most of the companies remain unchanged their capitalization and their book value. In the textile companies of Pakistan, BV/MV of equity ratio showed a negative but significant relationship withholding period yield.

6. CONCLUSION

This study was conducted on the impact of dividend payout ratio on the wealth of shareholders in the textile industry of Pakistan. The textile sector listed at Karachi Stock Exchange was the population of this study which includes spinning, weaving and composite segment. Due to time constraint, it was difficult to cover the overall sector that's why we used as a sample only those companies which paid a minimum four years dividend during the studied period. The time horizon for this study was seven years from 2008 to 2014 to find out which explanatory variable determines the firm's dividend payout policy. We used a convenience sampling technique and after the collection of data, we applied the Pooled OLS model on panel data different results have been found. Two of the explanatory variables price-earnings ratio and dividend payout ratio showed statistically insignificant but positive relation withholding period yield while Book-to-Market value of equity showed statistically significant but negative relation withholding period yield which indicates that relation of this variable is relevant toward firm's dividend payout and these entire selected variables actually determine the KSE listed textile firms' dividends payout policy in Pakistan. Based on *t*-value estimations all variables showed insignificant relation withholding period yield. In this study, the result showed us that dividend payout and price-earnings ratio had insignificant, but positive relationships exist with a wealth of shareholders while the book-to-market value of equity ratio showed a negative but significant relationship with a wealth of shareholders. From the entire study, we concluded that in Pakistan the stock market is facing a large number of problems and difficult situations due to the external and internal environment of the country, that's why the stock markets are not stable. It was influenced by many government activities, law and order situations, War against terrorism and political instability of the country. Due to all these factors which have great impacts on Holding period yield in textile companies of Pakistan because most of the investors feeling uncertainty to invest in Pakistani Capital Market particularly foreign investors. Due to this uncertainty in the stock, the value of market capitalization didn't remain stable, which in turn creates difficulties for companies to make the same increase in their book value or in capitalization. The market instability creates such effect in holding period yield which in turn comes from systematic risk and most of the investors are risk-averse so for such kind of risk they are not compensated. Finally, our result also indicates that in Pakistan stock market is influenced by many outside (external) factors which in turn also affect the wealth of shareholders.

6.1 Limitation of the study

- The findings of this study are only limited to the studied period from 2008 to 2014, so due to the passage of time, it can be prejudice.
- As this study is only based on textile companies listed in KSE, so the results are not conclusive but can be used as indicative.
- In this study, we used a very short sample size from the overall textile industry of Pakistan.
- This study only focused on those companies which have been paid a minimum of four years dividend in the entire studied period.
- Only one sector (Textile sector) was targeted in this study.
- Short period
- Only the users of three explanatory variables.

6.2 Recommendations

- A further research study can be conducted by extending the period of the study as we used eight years period which can be increased from twelve years to fifteen years.
- It can be also extended for the overall non-financial sector of KSE by using the same used variables.
- This study can be also extended to other companies that are listed on LSE and ISE of Pakistan.
- This study can be also extended on the base of theoretical evidence.
- In the future, the researchers can also conduct a study with the same variables by increasing the sample size of the study only.
- It can be also used for further research for comparative analysis of different sectors listed in KSE.

- In this study, we used only three independent variables. It can be extended to increase the number of variables to obtain a more reliable and valid result
- This study can be also extended by applying different methods of analysis to verify the relationship between dividend policy and the wealth of shareholders.

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