ECONOMIC AND BUSINESS ADMINISTRATION FACULTY VILNIUS UNIVERSITY

MASTERS IN BANKING AND FINANCE

MARIA TARIQ KHAN

MASTER THESIS

DIVIDENDŲ POLITIKOS POVEIKIS BIRŽINIŲ BENDROVIŲ GRĄŽAI LIETUVOS VERTYBINIŲ POPIERIŲ BIRŽOJE	THE EFFECT OF DIVIDEND POLICY ON RETURN ON SHARES, LISTED COMPANIES ON LITHUANIA STOCK EXCHANGE

Master's degree student______________________

(Signature)

Supervisor___________________

(Signature)

Supervisor **Algimantas Laurinavicius**

Date: 2023-01-11

Ref. No.

Vilnius, 2022

Acknowledgement

Foremost, I would like to express my sincere gratitude to my supervisor Professor **Algimantas Laurinavicius** for the continuous support of my master's study and research, for his patience, motivation, enthusiasm, and immense knowledge. His dedication and keen interest above all his overwhelming attitude to help his students had been solely and mainly responsible for completing my work. His guidance helped me in all the time of research and writing of this thesis. I could not have imagined having a better advisor and mentor for my master's degree. I am also extremely thankful to all the authors of the references in my thesis

It is my privilege to thank my husband **Mr. Zeeshan Mirza**, for his constant encouragement throughout my research period.

Finally, I am thankful to my family whose prayers played an important role in the completion of this research. Without their support it would have been impossible for me to write this thesis report.

Maria Tariq Khan

Table of Contents

LIST OF TABLES

LIST OF FIGURES

1. INTRODUCTION

It is said by (Black, 1976) “The harder we look at dividend the more it seems like a puzzle with pieces that just don’t fit together.” There are following questions raised for this puzzle. Why do firms distribute dividends? Why do investors give intention to payments of dividends? May be the answers to these questions are understandable. May be dividends show the returns to the investors whose money at the risk in the firms. May be firms distribute dividends to existing shareholders and give confidence to other investors to purchase new shares of common stock at higher prices. May be investors take dividends in consideration because they considered that they received their return in the form of dividends on their investments. In other condition investors have opportunity to trade or sell their shares in future at higher prices. Or maybe the answers to these questions are not cleared.

Sometimes firms do not distribute the dividends, because firms have desire to transfer the message that it has more investment opportunities for future growth. So, the share value will be increased as compared to distributing shares. If value of share increases in this way, then the shareholders perhaps take double advantage. So, there will be capital appreciation and shareholders will enjoy the tax rate benefit on capital appreciation. So, it is among top ten problems in finance literature which has conflicting problems. The survival of a state in the worldwide economic map is reliant on the financial strength of the state. Financial strength of a nation based upon the structure and conditions of its financial sector. Policy of dividend is a key research topic in the literature of finance, still there is no acceptable detail or explanation for it, so it is known as “dividend puzzle” so this policy has paying attention towards researchers and still maintains its important place in the literature of finance as it is not explained satisfactorily by the researcher that why firms disburse a considerable scrap of their income as dividends or why investors give more attention to dividends.

Even though evidence is increasing in support of the concept that decisions of dividends are key financial decisions of firms. When a firm earns proceeds from operations, administration can perform two functions. Firstly, these profits are retained by firms and can reinvest these profits in new projects and expecting further profits for the purpose of stock appreciation. Secondly, the parts of these profits may be distributed among shareholders as dividend. Executives can also decide to repurchase several of its own shares which will also be for the sake of interest of shareholders. So, dividend Policy defined as

“Dividends are allocation of a firm’s profits which is disburse to its shareholders, the amount of dividend is based upon the shares on own return on investment is dividend for shareholders. It may be in the form of cash dividend; in which cash is paid to shareholders or it may be in the form of stock dividend, in which stock issued to shareholders (Zameer, Rasool, Iqbal, & Arshad, 2013).” By maintenance of current dividend disbursements to shareholders, managers of growing firms are hopeful that dividend payments will be improved in the future, to balance the hold of recent income and financing for recent investment projects. As the nature of dividend is controversial it referred as “dividend puzzle” consequences many conflicting theories, hypotheses, and explanations.

1.1. Dividend and Return on Shares

Price of stock is also affected by the pattern of dividend. Manager’s objective is to maximize shareholder’s wealth or company value. Manager’s success is observed through the share price of firms. When dividend payments increase the price of share also increases so consistent and higher dividend disbursement policy is adopted. 9 The key objective of a manager is to maximize the company’s value or shareholder’s wealth, and the share price show that how a management is successful in getting these objectives; the price of shares will be larger by paying higher dividend. Consistent and higher dividend disbursement generate the demand of company shares, consequences share price is increasing (Glen, Karmokolias, Miller, Shah, & Mundial, 1995; Nishat & Saghir, 1991; Pettit,1972; Watts, 1973). So, to maintain this achievement companies usually are reluctant to cut or reduce the dividend payments (Saxena, 1999; Woolridge & Ghosh, 1985)

1.2. Problem Statement

The consumer services sector is very important field for the development of any country especially in Lithuania. In the past there is lot of work has been done to explain the dividend policy which manipulates the decision of financing and non-financing sectors in other countries including Lithuania. Many sectors are taken into account with this regard to know the impact of dividend policy in any organization. These determinants may include the size, profitability, firm growth, assets, age, liquidity, leverage, last year dividend, debt tax shields, cash flows and earning volatility etc. however, a little work is done in non-financial sector for explanation of dividend policy, particularly for consumer services sector of Lithuania. It is essential still for consumer services sector mainly in Lithuania, to plan the most favorable dividend policy which can assist in meeting the destroying challenges by increasing their activities in the market. As a result, the main reason and the problem of the study is to cover the gap among the factors which have net worthy impact of dividend policy on return on shares of listed companies (consumer services) in Lithuania stock exchange for the time period of 2017 to 2022.

1.3. Research Questions

The main function of this study is to respond these main questions;

- What major factors determine the financing structure of consumer services companies in Lithuania?
- Is there any significant relationship between dependent variable return on shares which is measured by current year dividend and independent variables such as Leverage, profit after tax, return on Equity and Earning per share?
- Can any dividend policy theory be applicable to this research?

1.4.Objectives of the study

This study is mainly designed to obtain the following objectives.

- To determine the factors that can affect the decisions regarding dividend policy of listed companies on Lithuania Stock Exchange
- To examine the relationship between dependent variable i-e return on shares and independent variable, dividend payout ratio, firm size, profitability, growth and leverage.
- To observe the predicted relationship between dependent and independent variables.
- To conclude that either the factors in this study have first order importance or not

1.5. Contribution and significance of study

The study will contribute to research and business communities by expanding the knowledge of dividend policy and return on shares. Up to my knowledge, currently there is a lack of research in Lithuania on this topic. Dividend policy plays a significant role in companies' growth and decline. It will help managers to make decisions that they have to pay dividend or not. It will also help investors to find out what is more favorable for them whether capital gains or dividend payments. This study will open new avenues for research in this field of Finance. Findings of the current study are helpful for higher learning institutes, investors, stakeholders and policy makers.

1.6. Scope of the Study

There are several studies which can be taken into consideration to find these determinants, especially in financial sector. But amongst all, the current study is aimed to focus on five determinant including perceptions regarding usefulness of reports presented by the companies' manager's responsibilities and duties.

2. LITERATURE REVIEW

2.1.Theoretical Framework

A research model is used to enlighten the entire structure of study. It is a common statement of specific event. It interprets the link between variables of research. Each study depends upon several variables while these are required to recognize the entire setting of the study. A variable is observed complement of a construct or concept. Explanatory variables are controlled by the researcher while dependent variables are deliberate by the researcher and the dependent variables are affected by explanatory variables. Dependent variable is the key variable of the study of research. Further the researcher studies the extent of change in dependent variable by altering independent variables. The correlation and regression analysis will be run in this study. This theoretical framework is supporting to the signaling Theory. It was suggested that managers can employ dividend disbursements to express information about the future earnings of firm to investors. Increase in dividend payment is considered as a positive signal turning over positive information about the firm future earnings outlook which consequences increase in share price. Turn down in dividend payments is considered as negative signal assigning negative information about firm’s future earnings viewpoint (Ouma, 2012). It also supported Agency Cost theory. Gaver and Gaver (1993) studied that a firm with large size has surplus cash flow and has overinvestment problems and NPV of projects becomes negative due to overinvestment. By paying surplus cash flows as dividend to shareholders can be reduce the problem of overinvestment. So, in this way agency cost between managers and shareholders can be reduced. So, current study supporting dividend relevance Theory, i.e., investors prefer to those firms which paid dividend. So, last year dividend is also important determinant of dividend policy.

2.2.History of dividend

Dividends were starting from East India Company. Why are payments of dividends so significant? And even better, when did they convert into so important? The answer was found in1602. When invented the first stock of world, from the East India Company. The company was established by sea merchants who have geographic monopoly by the Netherland government for Asia trading. This company was different in its characteristics of Joint Stock Company. The risk of company is reduced by the company’s investors and owners as it reduced the single failure by the generation of profits from combined venture. The main question was how the profits of company divided that it would be richest or long-life company for many years that no other companies could compete with it. The novelty was to distribute the profits among all stakeholders. These distributions called as dividends. The major task of management is to less the risk of owners and investors. With the cyclic reception of dividend distributions, investors were satisfied to permit the firm to keep on operating. When the corporation starts too flourished, and its dividends increased, yet it became more attractive to investors, who offer the price of the stock of company, reveal its achievement in generating those valuable dividends. Thus, it becomes successful company (Ironman, 2008)

2.3.Importance of dividend

Payments of dividends depend upon number of determinants. Consistence performance and industrial growth are very important factors. Performance is the annual income and yield of dividends. The management team and CEO abilities are very 5 important for the company to move in right direction, while all factors like firm size, profitability, liquidity, tangibility, market to book value, leverage, cash flows, last year dividend all plays important role in dividend payments. Cash dividends are most significance for the investors who made their investment for income purpose. BOD announces dividend payments. When dividend payments are declared by BOD, then liability is creating in the book of companies. When dividend payments are declared, its approval is done by BOD and payment date is also recorded. The actual significance of dividends for investors to lays their ability to reinvest them, generally without cost, in the stock or mutual fund. Drips basically mean Dividend Reinvestment Programs. These programs are frequently the slightest expensive means of purchasing a stock; they are occasionally free of cost. Presently, there are more than 600 firms that offer a program that allows individual investors to utilize their dividends to purchase stock on a returning basis. Most of the programs are simple and easy to apply.

2.4.Types of dividends

There are following types of dividends

- Cash dividend
- Stock dividend
- Scrip dividend
- Property dividend

- Liquidating dividend

2.4.1. Cash dividend

The cash dividend is general form of the dividend used. On the date of declaration, certain amount is declared in cash to the shareholders by BOD. The date, at which dividends are allocated to the shareholders, known as date of record. Certain amount of dividend in the cash form is given to the investors by BOD. Dividend payments are given on the date of payment.

2.4.2. Stock dividend

Stock dividends are issued to the common shareholders by the company in the form of common stock. If the firm gives less than 25 percent of the whole number of earlier outstanding shares, it will be considered as a stock dividend. If the deal is for a larger percentage of the earlier exceptional (outstanding) shares, in that case it will be considered as a stock split.

2.4.3. Scrip dividend

A firm may perhaps not have enough funds to give dividends soon, so it issues dividend in the form of scrip dividend, which is basically promissory note (which may or may not comprise interest) which is used to disburse shareholders later. Note payable is created by issuing this dividend.

2.4.4. Property dividend

Non-monetary dividend issued paid to investors by the company is known as property dividend. It is recorded as assets market value. As the market value is expected to change fairly from the assets book value, the firm will record the difference as loss or gain. This rule of accounting can guide a business to intentionally give property dividends in order to change their taxable or reported income

2.4.5. Liquidating dividend

If the BOD desires to give the capital initially contributed by shareholders as a dividend, it is known as liquidating dividend, and it could be a predecessor to closing the business. The transaction for liquidating dividend is alike to the cash dividend, but that the finances are measured as the additional paid-in capital account.

2.5.Dividend Models

There are following Types of dividend models.

- Fixed or constant policy model
- Progressive policy model
- Residual dividend model
- Zero dividend policy

There are different models of dividend policy. First one is fixed or constant policy model. In this model firm distribute constant amount as dividend from the profit after tax. So, firm follow a constant dividend policy. Second is Progressive policy model, in which number of dividends increased gradually because of inflation. It will be in terms of money. Third is Residual Dividend Model in which dividend is paid after the investment in new projects. The preference of this policy is too positive NPV of investing project and only paid dividend if there will be surplus of funds. There are other firms which are not agreeing to pay dividends to their shareholders. This policy is known as Zero dividend 6 policy. This is particularly common in newly formed firms that need capital to carry out its new projects. So, all profits retained by the firms for the expansion of business (NYOR & Adekunle, 2013). This is the reasons of firm not to pay dividend. Dividend payments determine the firm's value. Therefore, in a proficient capital market, dissimilarity in the dividend payments is commonly followed by changes in the share price. Dividend is a useful tool for shareholders to control the manager's action. When managers fulfilled the complete duties with the help of money formed by operation, then they can use the leftover for their own purposes. So, dividend policy work in the interest of shareholders (Jose & Stevens, 2001).

2.6.Theories of Dividend

There are theories of dividend that have been presented by many researchers' (Pandey, 2003). These theories present two views.

- Dividend irrelevance theories
- Dividend relevance theories

2.7. DIH Dividend Irrelevance Hypothesis

MM theory explained by (Stulz, 2000) and it was suggested that a perfect capital market like transaction cost, agency cost, taxes, and asymmetric information, the policy of dividends is irrelevant to the market value of firm. So, finance managers don’t firm value by changing dividend policy. They revealed value of firm is improved by investing in useful assets and is not affected by dividend payments. This theory suggested, policy of dividend is irrelevant, and investors don’t have priority between capital gains and dividends. Numerous researchers opposed this theory by explaining that it doesn’t happen as there is no perfect (Dhanani, 2005)

2.7.1. Bird in Hand Theory (High dividend increased stock value)

It is an older concept regarding policy of dividend. According to it firm’s stock value increased when it pays dividend to shareholders. Due to uncertainty of capital gains and imperfect market, investors prefer to the current income i.e., Dividends “bird in hand” instead of capital gains “two in bush”. So, dividend payments increased value of firm as it reduces future uncertainty. Cost of capital also reduced by paying higher dividends (AlMalkawi, Rafferty, & Pillai, 2010). Bird in hand theory depicts that there is a relationship between dividend disbursement and value of firm. It explains capital gains are riskier than dividend payments. So, investors desire present dividends rather than future gains (Amidu, 2007). So, firm maximize their dividend disbursements to maximize their firm values. (Gordon, 1962) proposed “Bird in Hand” theory and state that investors favor higher dividend payments. They favor present dividend payments rather than unexpected capital gain that are questionable for further investments. This theory is also supported by (Gordon, 1959, 1962; Lintner, 1962; Walter, 1963)

2.7.2. Signaling Theory (The information Content of Dividends)

Signaling theory presents asymmetric information between managers and insiders, and outsiders, like banks and shareholders. Signaling theory recommends that policy of dividend can be used a tool to provide information to the investors relating to firm future. Cash dividend communicates important information to shareholders about management decisions of firms regarding future profitability, so asymmetry information reduced. So, investors use this information to determine share price of firm. Under this framework dividend policy is relevant to firm’s market value (Al-Kuwari, 2009). Signaling hypothesis suggested that investors can conclude more about the future earnings of firm that is result of signals transmit through dividend stability and change. But firstly, managers have secret information about the firm and have their own benefits to communicate information to marketplace. Secondly signals pass correct information i.e. a firm with poor earnings cannot raise dividend payments and cannot transmit bogus information to the market. If this information will be correct then market rely on dividend information (Koch & Shenoy, 1999). Sometimes there is clash between bondholders and shareholders. Shareholders are thought the agents of bondholders. In such situations higher dividend paid to shareholders are considered as utilization of bondholder's funds. As liability of shareholders is limited and they can reach the cash flow of company before bondholders. As a result, bond holders pressurize management to cut the payments of dividends to safe their claims. While shareholders prefer to higher payment of dividends (Ang, 1987).

2.7.3. Agency Cost Theory and Free Cash Flow Theory

Agency theory shows that dividend policy is explained by agency cost. Managers not constantly approve the dividend policy that maximizes shareholder's wealth however select policies that maximize their personal benefits. Generating dividend payments to shareholders reduces cash flows that accessible to the managers will sure that managers try to maximize shareholder's wealth rather than to use cash flows for their personal benefits (DeAngelo, DeAngelo, & Stulz, 2006). One study conducted for agency cost and signaling. Many researchers concluded that dividends used for the purpose of signal 36 outside firm for its growth and stability. Agency cost also reduced because of firm existence in the market due to dividend and thus monitoring cost of managers reduced (Collins, Saxena, & Wansley, 1996). The Agency theory was given by (Jensen & Meckling, 1976) which was depended on differences between managers and shareholders. The theory also presented an investigation concerning the collision of agency conflict between managers and shareholders; the outcome of theory was that dividend policy should influence by the proportion of equity restricted by insider ownership. After this period there were more research conducted in these years and still more work is carried out. The summarized conclusion of these experimental studies and theories are firm's dividend payout is directly linked with the firm's market value. The market value of the firm increases with high dividend payouts and decreases with low dividend payouts, or it does not have any impact. It was suggested by (Stephen, 1977) that management has better information regarding opportunities of investments rather than outsider investors. Outside investors have asymmetric information about firm's projects and values. So, outsiders consider this asymmetry information as signal of the firm regarding firm performance. If management takes decision to take more debt than outsiders will take it as good signal due to availability of free cash flows in future. On the other hand, if management decided to finance it by equity funds than it will transmit unfavorable signal outside the firm and invites other investors to bear losses. In this view higher leverage transmit favorable signals. Jensen (1986) found that cash flows were very helpful for dividend payments to shareholders and for pay debt. To pay cash dividends to shareholders is major issue as dividend reduced manager's control so it is helpful to reduced agency cost. He explained that companies with surplus cash flows give more rights to managers for using cash in such a way that they can get more benefits as compared to shareholders. He stated that managers have more benefits to increase the size of firm so their compensation will increase. 37 Gaver and Gaver (1993) studied that a firm with large size has surplus cash flow and has overinvestment problems and NPV of projects becomes negative due to overinvestment. By paying surplus cash flows as dividend to shareholders can be reduce the problem of overinvestment. So, in this way agency cost between managers and shareholders can be reduced.

2.7.4. Transaction cost Hypothesis

Transaction costs are the basis of pecking order theory. Dividend payments also affect the different clienteles regarding their portfolio investments, which ensure transaction costs. There are two types of investors groups. First are small investors like small income holders' retirees etc., prefer stable and high dividend payments due to their needs and so there will be transaction cost associated with selling their stock. While second relate to prosperous investors who prefer low dividend payments to avoid transaction costs which linked to reinvesting of dividend profits because they don't depend upon dividend payments. So, in both kind of groups transaction cost associated (Al-Malkawi et al., 2010).

2.7.NASDAQ Vilnius Stock Exchange

Nasdaq Vilnius stock exchange founded in 1993, operating in Vilnius Lithuania. It is owned and controlled by Nasdaq Nordic. Helsinki stock exchange and Stockholm stock exchange also operated by Nasdaq Nordic. It has a pre-market session from 08:45am to 10:00am, a normal trading session from 10:00am to 04:00pm and post-market session from 04:00pm to 04:30pm. As of June 15, 2018, market capitalization of Vilnius stock exchange equities was 3.9 billion euro and consist of 30 companies. OMX Vilnius (OMXVGI) is a stock market index for the Nasdaq Vilnius Exchange.

Nasdaq Vilnius is the only regulated secondary securities market in Lithuania. It maintains regulated, open and efficient market infrastructure. The exchange provides companies with an efficient channel to raise capital and to facilitate the participation of institutional and private investors in primary offerings and secondary trading. The exchange brings together investors, listed companies seeking access to capital resources and exchange members who mediate securities transactions for investors through a common electronic trading system.

Nasdaq Vilnius uses the INET trading system for trading in equities, NASDAQ's core technology used on all NASDAQ equity markets across the world. For trading and primary auctions in fixed-income securities, Nasdaq Vilnius uses the Gen

ium INET trading system, used also on the Baltic and Nordic exchanges.

Nasdaq Vilnius is licensed and supervised by the Bank of Lithuania.

2.9. Overview of Past research

The volatility of share price is very important factor to discuss in the field of Finance. Many studies have been done to know about the causes or factors that affect the share prices and found different results according to their studies. This study was conducted in Pakistan to see the impact of dividend yield, dividend payout ratio, return on equity, earning per share and profit after tax on share prices of companies listed in Karachi stock exchange Pakistan. Data was collected from 63 non-financial organizations under the period of observation 2006-2011. Ordinary least square regression model had been used for panel data. Results found that dividend yield and dividend payout ratio are very important factors and have significant impact on share prices. Dividend yield was negatively related whereas dividend payout ratio was positively related with stock price and these results are not supported by the dividend irrelevance theory. Other independent variables had significant positive effect on share price which are profit after tax, earning per share and return on equity. (Imran et al., 2014). This means that firm with higher dividend leads to high rate of return.

It was a survey done for the managers of dividend paying firms listed in National Stock Exchange in India to know their opinions about the factors influencing dividend policy, dividend issues, and explanations for paying cash dividends and repurchasing shares and compared the results with firms in Indonesia, Canada and USA. It was the primary data with the sample of 500 listed companies. This study showed that expected future earnings and stability of earnings are the most important factors of dividend. Comparing data with other firms it was revealed that paying cash dividends concern signaling, the firm life cycle and catering.(Baker & Kapoor, 2015)

Dividend policy is an extensively researched topic in the field of finance. The purpose of this study was to examine the impact of dividend policy on stock prices, specifically the study sought develop the relationship between cash dividend and share prices of the listed companies in Nairobi securities exchange. Cash dividend and share prices had been taken as independent variables. Data was collected from 55 listed organizations during the period of 2001 to 2011. STATA analysis were performed and found that there was statistically significant positive relationship between cash dividend and share price. (Tuigong, W. K., Jagongo, A. O., & Ndede, 2016)

Many studies have been done on dividend policy and shareholders wealth, but the results are still unresolved regarding dividend policy ‘s worth. To measure the dividend policy dividend yield and dividend per share. Shareholder’s wealth had been measured by earning per share and share price used as proxy. Results found that there was a positively significant effect on shareholder’s wealth and firm’s performance. (Farrukh et al., 2017)

The main purpose of this research was to determine the effect of regulations, reforms and legal environment on dividend policy in a different institutional setting. Turkish firms were used as a sample size to check the cash dividend behavior, during the period of 2003 to 2012. Changes in dividend payout rules and regulations were imposed by the regulatory board. The same determinants were used as suggested by the **Lintner.** it is found the ownership concentration effects the target payout ratio and proved that the more profitable, mature and larger sized firms can pay more dividend and vice versa. (Al-Najjar & Kilincarslan, 2017)

For this research the small and medium sized firms had taken for observe the dividend payouts during the period of 2010 to 2013. For data analysis multivariate regression techniques were used which included fixed effect, lagged effects. Findings of that research showed the following determinants have significant relationship dividend:

- Board size
- The frequency of board meetings,
- Board gender diversity and
- Audit committee size

Audit committee size and board size have a positive relation with dividend payout, whilst board gender diversity and the frequency of board meeting had significantly negative effect on dividend payout policy. But in comparison results suggested that board independence and CEO role duality do not have any significant role on the level of dividend payout ratio. This was the first research regarding corporate governance and dividend policy which was conducted in UK, s. (Elmagrhi et al., 2017)

The aim of this research to see the conditional and nonlinear relationship between price earning and payout ratios. Previously much research had been proved the positive relationship by using linear regression model but for this study fixed effect model has been used. Study was conducted in the USA over the period of 1998 -2014 indicated, that when the return on equity is greater than the required rate of return then the relationship between price to earnings ratio and dividend can be positive and negative. Due to curvature relationship the corporate managers and shareholders should have more focus on payout ratio and on the companies with low payout ratios. Before this it was the first research that explained the conditional and non- linear relationship between P/E ratio and payout ratio. (Jitmaneeroj, 2017)

The study was conducted in Ghana to see how dividend policy affects shareholders value. Data was collected from the financial listed companies on the Ghana stock exchange during the period of 2009 to 2014. OLS panel regression model was used to analyze the data and the factors which have been studied were, ROE, Firm age, tax, tangibility GDP growth and interest rate to describe the dividend policy. There was a positive relationship between dividend per share and shareholders value, dividend yield had negative relationship, but it was proved that there was very strong and significant relationship between dividend policy and shareholder's value. It had been also proved that managers should enhance or encourage those investments activities which could increase the shareholder's value. (Ofori-Sasu et al., 2017)

The study was conducted in Ghana to see how dividend policy affects shareholders value. Data was collected from the financial listed companies on the Ghana stock exchange during the period of 2009 to 2014. OLS panel regression model was used to analyze the data and the factors which have been studied were, ROE, Firm age, tax, tangibility GDP growth and interest rate to describe the dividend policy. There was a positive relationship between dividend per share and shareholders value, dividend yield had negative relationship, but it was proved that there was very strong and significant relationship between

dividend policy and shareholder’s value. It had been also proved that managers should enhance or encourage those investments activities which could increase the shareholder’s value. (Ofori-Sasu et al., 2017)

First time this study was conducted in NASDAQ OMX to see the impact of dividend announcements on stock prices of companies listed in NASDAQ OMX Baltic markets during 2010 to 2015. Analysis was done by using market model event and calculated AARs based on three methods or assumption investors must buy shares 30 days before dividend announcement and sell them either 1, 3 or 7 days after the dividend announcement. During this study only 40 companies were paid dividend out of 72 and 168 dividend announcements had been analyzed in this research. Results revealed that stock prices did not drop shortly after the dividend announcements. It described the negativity of the NASDAQ OMX Baltic market. (Legenzova et al., 2017)

Despite of many research or theories on dividend decisions the impact of dividend policy on firm’s share price or shareholder’s wealth remained inconclusive. This research was done for the purpose of to develop a relationship between the impacts of dividend policy decisions on firm’s value. Sample data was collected from 30 companies listed on Qatar stock exchange which had been paying dividends for at least for five consecutive years. Data was collected on annual basis during the period of 2013 to 2017. Sample data had 180 number of observations for study and multiple regression analysis was applied using E-views or Minitab for the year 2017. Findings showed that there is a significant relationship between dividend policy, earning per share, return on equity or and share price. (Banerjee, 2018)

In contrast of the Helenurm, this research was conducted to determine the relation between stock price volatility SPV and dividend policy of industrial products companies listed in Malaysia stock exchange. For sample 166 industrial products have been taken during the period of 2003 to 2012by using Baskin, s framework. Organization’s SPV was related to dividend policy and some other factors like earning volatility, firm size, leverage and growth of assets. During crisis period, earning volatility explained SPV of industrial products, whereas dividend payout ratio influenced volatility during pre-and post-crisis sub periods. Results showed that dividend policy is a very strong factor to predict SPV of manufacturing organizations in Malaysia. (Zainudin et al., 2018)

This study has been conducted in Gulf countries to see the impact of dividend announcements. The data included 1092 dividend announcements from 299 listed companies over the period of 2010-2015. This study was supported by signaling hypothesis. Study proved that the Gulf Cooperation Council market was not sufficient because the information leaks before dividend announcements is bad and delay of share price adjustment in good news. The researcher also explained the importance of trading volume reaction in all three announcements clusters like increase, decrease and constant. Trading volume changes due to the preferences of investors. (Felimban et al., 2018)

The study was conducted during the period of 1986-2011, the researchers wanted to identify the fluctuations in tax legislation in Brazil and their effect on corporate dividend policies for preferred and common shares. To confirm the company's dividend payouts, they used panel data Probit and Tobit estimation under different tax schemes. The sample was consisted of 672 companies, 1159 traded stocks and 30134 observations. Found that very significant relation between tax legislation and dividend payments. It is also described that organizations do not follow target payout ratios, but dividends are temperately dependent on past payments. Dividend payout affected by different factors like stock voting rights, dividend deductibility and privatization. We can reduce the agency problems among stockholders affect positively payout ratios by changes in regulations. This is very helpful in economic growth. (Zagonel et al., 2018)

Research was performed to determine the impact of dividend policy on share price. There are many theories to try to evolve this issue because it has been an issue of great concern for the academic society. A broadly accepted approach is the signaling effect theory. The focus of this research was to see the importance of dividend announcement. The study was conducted in Greek stock market and made differentiation with other developing markets. Empirical results supported that there was a positive relationship between good corporate value and dividend announcements and vice versa. (Gkeka et al., 2018)

Based on the review of the research literature (Helenurm, 2019) it is concluded that there was a positive relationship between dividend payments and irregular returns. Results of this research showed that three countries out of other Baltic states have efficient markets compared to others. When they searched out the companies listed in NASDAQ OMX Baltic stock exchange, results showed that with the increase of dividend there was very low or little effect on stock prices whereas, when the dividend payments decrease the stock prices were also decreased. In his research he proved that, with share prices are not too much affected by the increase of dividend.

The study was conducted to examine the factors of dividend policy in emerging and developing market. 191 Sri Lankan firms were uses as a sample and used Binary logistic regression model to analyze the propensity of dividend payments and fixed effect panel regression to determine the factors of dividend payments. For propensity the researcher used earnings, investment opportunities, profitability, free cash flow, corporate governance, state ownership, firm size and industry influence and for dividend payout he took profitability, investment opportunities and dividend premium. There was a link between dividend yield and profitability in one interval and between dividend return and dividend premium in two lags as a short-term relationship and the above-mentioned determinants were the common factors to do this research with supportive dividend theories. It was the first study that determine the factors of propensity to pay dividends and dividend payout along the short-term relationship in single research. (Dewasiri et al., 2019)

The focus of this research to see how financial decisions affected the firm's growth under the conditions of asymmetry information. Data was collected from non-financial organizations listed in S&P 500, during the period of 1989 to 2014. The statistical analysis included linearity, fixed and random effects and normality. Standard and proposed proxies of asymmetry information discussed. It was concluded that there is a variation in the effect of financial variables on growth of the firm due to the fluctuations in the asymmetry specifically regarding investment and financing decisions and proved that asymmetry information played a vital role in the relationship between corporate financial decisions and growth of an organization. (Eldomiaty et al., 2019)

This research was conducted in Romania to examine the impact of different dividend events by analyzing abnormal returns. Data was selected from 45 companies listed on Bucharest stock exchange during the period of 2011-2016. Results found that different dates like dividend declaration, Ex-dividend date and record dates could have very significant impact on stock returns in Romania. It had been observed that every new information related to company's dividend is very important for shareholders. Evidence found that dividend events influence significantly the returns after the event and only for some cases.(YASEEN & Ruxandra, 2019)

this study proved that how different variables effect dividend policy by using comparative method. For this the researcher used the secondary data from Indonesia stock exchange and result showed that high rate of collateralizable assets do not affect the dividend policy, second variable was growth in net asset which was negatively affected of manufacturing companies. Liquidity and leverage also had negative effect on dividend policy whereas profitability had no significant impact. (Wahjudi, 2020)

The research was conducted to check how the quality of intrinsic accruals can make a significant influence on the possibility of future market value for manufacturing companies. Multiple regression method was used to gather all information about research of the manufacturing public companies. It showed dividend policy used to reduce the accruals usage to enhance investor perceptions about the prosperity of the company's future. (Siladjaja & Anwar, 2020)

The research was conducted in China to see the importance of market imperfection and variation in managerial ability on dividend policy in China. To examine the managerial ability, it had to be estimated that how effectively manager uses the firm's resources and their efficiency measured by their working outcomes. This research cleared the one thing that investors and dividend policy makers pay more attention to managerial ability. This variation applied to the emerging market of China. (Sarwar et al., 2020)

The study has been conducted in the Middle East and North Africa region. The main purpose of this research was to examine the factors affecting the dividend policy of listed commercial banks. Panel Tobit and logit regression analysis were used, and data was collected from 117 banks based on 16 years in 11 MENA countries. The main determinants that affect the dividend Policy of MENA market are bank size, profitability, capital adequacy, credit risk and bank age. Yearly analysis showed that during 2008-09 these factors had been negatively related to dividend policy but during 2010-11 had no significant effect due to Arabic spring crisis. Another thing which had been noted in this research growth opportunity is not an important factor to determine the dividend policy of MENA emerging markets. It has been also noted that dividend policy follows directly investment decisions because these both are independent on each other's. The findings supported by dividend theories such as signaling, residual, regulatory pressure, lifecycle and transaction cost. (Budagaga, 2020)

Study explained the impact of dividend policy on share price volatility of commercial banks, listed in Nepal stock exchange. It showed that stock price volatility is very important factor for management and investors. Sample data was collected from 19 commercial banks for covering the time period from 2009 to 2020. Based on the Baskin's model they used 3 multiple panel regression models. To explain the dividend policy, they took three variables dividend per share, dividend payout ratio and dividend yield. Other controlling variables were bank size, asset growth, financial leverage and earning volatility. Findings of this research revealed that dividend yield is very significant factor for share price volatility whereas dividend yield and bank size are inversely related and earning volatility have the positive effect on share price volatility. The study was conducted in a developing country and has original value.

As you all know the dividend announcement is very important factor for the growth and survival of the organization, but it is very challenging task for the company to show it positive signal towards the investors. The main purpose of this research was to review the detailed information about dividend announcements and then to see the impact of dividend announcements on the stock prices of services sector. Data was collected from the companies listed in National India Stock Exchange from the period of 2018 to 2019 with an event window of 31 days. Findings of this research revealed there is very significant relationship between dividend announcements and stock prices during the given period. (Dhume & Makandar, 2021)

Study was performed to determine the relationship between dividend yields and stock returns, it is unresolved issue especially in Korean stock exchange. A firm can maintain its dividend reputation if it pays dividend for 5 to 5 years on regular basis without any decrease in dividends. We found that, those firms pay more dividends are more profitable, larger and reputed firms in the market. This study also proved that relationship between dividend yield and future stock returns depends on an organization's dividend reputation. Organizations with higher yields have higher dividend reputation and vice versa. (Kim, 2021)

The purpose this research was to see the relation between earning management, debt maturity and dividend policy on the future performance of the manufacturing sector, listed in capital market of Indonesian stock exchange during the period of 2014 to 2019. For the 192 observational data multiple regression analysis was used and found that these factors have very important impact on company's future performance, where earning management was negatively related but the debt maturity was positively related to firm's performance. (Sutami & Number, 2021)

Dividend is a part of profit which is distributed among shareholders according to their shared ratio. The purpose of this study to determine the impact of dividend policy on shareholder's wealth in Nigeria. Secondary data was used, collected from Nigeria stock exchange. Ordinary least square regression analysis was used to see the impact of independent variables on dependent variables. We saw that earning per share and dividend per share had positive effect on market price per share and net per share negatively affected. This study explained the 72% by the above given variables but the rest of 28 % was due to other stochastic variables. The study recommended that the dividend distribution of Nigerian companies should be improved for new investors. (Chidinma & Anike, 2021)

The purpose of this research was to examine the impact of dividend policy on profitability of organizations listed in Bombay stock exchange India. Financial markets played a vital and crucial role in the economy to get the exact accounting information of different countries. In this way many researchers can know about the profit distribution to the stockholders and found a significant positive relationship between dividend policy and profitability. (Awarness, 2021)

Dividend policy is very crucial thing not for the organizations but also for shareholders. The study was conducted to see the relationship between growth opportunities and dividend policy. The study found that there is a negative or significant relationship between growth opportunities or dividend policy. (Journal & 2021, 2021)

The study was conducted to examine the impact of dividend policy on the share price of the manufacturing companies listed on Indonesia stock exchange during the period of 2014 to 2018. 36 companies had been taken as a sample size and panel data regression analysis was used that showed dividend yield had negative significant relationship share price.(Usman et al., 2021)

The study was conducted to examine the effect of investments opportunities, profitability, dividend policy and corporate social responsibility on form's value of manufacturing companies listed on Indonesia stock exchange during the period of 2015 to 2019. Sample data was collected from 33 companies from 187 populations with 165 observations of financial statements. Multiple regression test was used to see the relationship between independent and dependent variable. Result showed that profitability, dividend policy and corporate social responsibility have significant relationship with firm's value but investment opportunities have no significant effect on firm's value (Suwasono, 2021).

This research was done to see how dividend policy effects by the crisis due to the COVID-19 in the economy of Indonesia. Data was collected from the corporate listed companies in Indonesia stock exchange during the period of 2014 to 2020 and used static panel data regression for the collection of data. Fixed effect model and first difference-generalized methods of moments were used for panel data. Findings showed that Indonesian corporate firms maintained their stability during pandemic and had higher dividend distribution and maintained their positive signal for new investors. Dividend policy positively affected by profitability and previous year dividends. (Hartono, 2022)

Investment in India stock market is not favorable for an individual investor. This study was conducted to determine that how share price effected by EPS, DPO, PE, ROI and capital employed these factors are very important for financial decision making. In short, this study was done to see the impact of listed organizations on stock price instability by using their financial information. Twelve listed companies have been taken; data was collected for 5 years. The findings revealed that most of the companies had instable stock prices due to EPS but not due to PE ratio. Overall study found that companies provided absolute information which is a positive sign for individual investors. (Hartono, 2022)

This research was conducted to see the impact of dividend policy of food and beverage organizations, listed companies on Indonesia stock exchange. Correlation analysis were made that showed very weak or no relationship between dividend policy and stock price of the companies but stock prices fluctuated due to other factors. (Siagian et al., 2022)

Study was done to determine the impact of earning per share and dividend policy on price to book value and their relationship to the debt-to-equity ratio of the food and Beverages organizations listed in Indonesia stock exchange. Sample data was collected from 12 companies, had sixty observations during the period of 5 years. For analysis linear regression analysis was used and results showed dividend policy had very important and significant effect but earning per share had no significant impact to the price to book value. (Limbong et al., 2022)

The study was conducted to examine the investor's preferences for dividend, especially during the COVID-19 pandemic in the poor economic conditions. It is found that organizations enhance dividends when dividend sentiment is strong. Investors demand high dividend return on high dividend stocks.

The purpose of this research was to check the direct or indirect effect of following variables like board composition, ownership structure, dividend policy, financial performance and stock returns in the manufacturing companies on Indonesia stock exchange during the period of 2015 to 2019. Data was collected from 92 dividend distributing companies. In this research the author used structural equation model with the partial least square software approach. The results showed that board of directors and dividend policy were significantly affected by the ownership structure. It is also proved that dividend policy had very important relationship with financial performance but had no effect on stock returns. (Purbawangsa & Rahyuda, 2022)

Due to COVID-19 the economy of the whole world has been affected badly and being less profitable during this pandemic. The study was conducted to see the difference in share prices and trading volume around the ex-dividend before and during COVID-19 pandemic. This was an event study, used 100 days' period as estimation and 11days has been taken as event period. Share price was determining by abnormal return and trading volume was observed by volume activity. Twenty companies have been taken with high 85 cash dividend. Kolmogorov-Smirnov was used but hypothesis test was also used to paired t-test and Wilcoxon signed-rank test. It was seemed that there was huge and significant difference before and during pandemic and after ex dividend. It was also proved that there was no significant in trading volume before, during and after the ex- dividend date. (Suwendiyanti & Gantino, 2022)

3. METHODOLOGY AND RESEARCH DESIGN

3.1. Overview of the chapter

This chapter will provide the research methodology for this study. This study describes the impact of dividend policy in return on share for consumer services companies listed in Lithuania stock exchange. Which is the biggest effective stock exchange in Baltic states. There are total 11 companies registered with Nasdaq Vilnius stock exchange. This study covers 10 companies because the remaining one company has limited access to its financial data. But the sample of 10 selected companies cover the pioneer and major shareholder's operative in this sector.

The rationale of this study is to identify the effect of dividend policy on return on shares, listed companies on Lithuania stock exchange. This section will describe the methods and procedures used in this study for collection of data and its analysis. The composition of this chapter is based on different components, which include Study Purpose, Research Model, sample set, nature of research, time horizon, population of study, data sources, explanation of dependent and independent variables, data analysis tools, model and hypothesis development.

3.2. Research Approach

Quantitative approach is used in the current study. One of the reasons to prefer quantitative study over qualitative is that, in quantitative study results which researchers generate are more reliable. On the other hand, in descriptive studies quantitative approach is much better. Quantitative research is a method that is impersonally experimental in nature including manipulating variables and controlling phenomena by formulating hypothesis and proving them against the facts and figures.

3.3. Nature of Research

Everything has a purpose for its occurrence or existence. The aim of this study is to observe the impact of dividend policy on return on shares of listed companies in Lithuania stock exchange. The study context may be explanatory, exploratory and descriptive. Exploratory research is one in which researcher explores or discovers something new which has not been clearly defined. Explanatory research is one in which researcher understands the relationship of dependent and independent variables. Descriptive research is one in which researcher explains the distinctiveness of event. This is explanatory and descriptive research study.

3.3. Time Horizon

It plays a significant role for data collection. It determines that whether data is collected for one-time period or for different time periods in the research study. So the collection of data may be (longitudinal) time series or cross-sectional. Time series data is one in which data is collected for different time periods from particular persons. While data is collected from different individual for specified time period is cross sectional data. In this study cross sectional data is used. In this research time horizon is for 5 years.

3.4. The Sample Set

This study is organized to estimate the factors which will cause the changing in the dividend policy and all decisions regarding the listed companies on Lithuania stock exchange, which is dependent upon the accessibility of financial data, and the focus of this study is mainly on the consumer services companies listed on Lithuania stock exchange. Sample is collected with the help of convenient sampling techniques. This is the technique of sampling which helps us to avoid any error of sampling and gives the equal possibility of being selected for every organization and it outcome in the study using this sampling technique and it can be general. Sample of 11 consumer services companies was chosen, named Baltika, Ekspress Grupp, Silvano fashion Group, Tallink Grupp, Tallina Kaubamaja Grupp, Apranga, Novaturus, Nordic Fibre board, Snaige, Utenos, Vilniaus Baldai. Data was collected for 05 years from 2017 to 2022.

3.5. Population of the Study

This study focused on the consumer services companies. In the beginning all the 54 Companies (which are listed on the Nasdaq Vilnius Stock Exchange) (whose published data was available) were selected, then on the basis of data availability 10 Consumer services companies are selected.

3.6. Data Sources

This study which is based on the measurement of dividend policy of consumer services sector of Lithuania and those are taken as sample which are listed on Nasdaq Vilnius stock exchange. Variables used in the study independent variables are return on equity, financial leverage, earning per share and profit after tax. The dependent variable is return on shares (current year dividend). The secondary data of critical and explanatory variables is retrieved mostly from the publications. Additional sources of data include the yearly financial consolidated statements (income statements and balance sheets) of consumer services companies. These sources include the all forms of meaningful financial information of the listed consumer services companies in Lithuania.

3.7. Dependent and Independent Variables

This part of study gives in depth study and information about the independent and dependent variables. Return on shares (current year dividend) as a dependent variable in order to measure the dividend policy of the consumer services companies while independent variables are profit after tax, earning per share, financial leverage return on equity.

3.7.1 Profit after Tax

Profit after tax is that amount which is obtained after deducting the non- operating expenses, other liabilities and taxes. This profit is distributed to its shareholders. It is measured by the following formula. This formula is also used by the (Kim, 2021) in his research.

Earning before tax – tax rate

3.7.2 Earnings per Share

Earnings per share is an important financial measure, which shows the profitability of an organization. It is calculated as a profit of an entity divided by the outstanding number of shares

3.7.3 Financial Leverage

In this study we measure financial leverage based on debt to equity ratio, also followed by some other researchers Lev and Kunitzky (1974), Gaver, and Gaver, (1993), Gul, (1999), Kallapur and Trombley, (1999).

3.7.4 Return on Equity

This is a financial measure that is calculated by dividng net income by shareholders equity.

3.8. Data Analysis Tools

The data set used in this study is panel data and this type of data is based on the observation from a number of consumer services companies in time series. The ‘panel’ word. It can be defined as

“A panel data or longitudinal data set which consists of a time series for each of cross-sectional member in the data set.”

The panel data is used in this research which is balanced powerfully though observation is available for every unit and for each time period. The decision concerning the regression model it will give the best appropriate results either for fixed effects model or for random effects model and it is mostly depending upon the decision making criteria.

In this study, the convenient sampling technique is employed of consumer services companies and their financial data for the period of 2017-2022. Both of these techniques fixed effect and random effect is used. By analyzing the research work done by the different researchers on determinants of dividend policy by previous researchers and theories of dividend following research model is employed.

3.9. Econometric Model

For selected variables following econometric model was used:

$$\mathbf{Div_{it} = \beta_\circ + \beta_1 PAT_{it} + \beta_2 EPS_{it} + \beta_3 F.Lev_{it} + +\beta_4 ROE + \mu_{it}}$$

$\mathrm{Div_{It}}$ = Current year Dividend

$\mathrm{PAT_{T-1}}$ = Profit after tax

EPS = Earnings per share

F. Lev = Financial Leverage

ROE = Return on equity

In the above i and t represent individual and time respectively.

Where.

$B_\circ$ = Intercept

B_1= Slope

M_{It} = Error

3.9. Development of hypotheses

The major purpose of this research is to analyze the relative significance of the factors which can affect the selection of the dividend policy in the consumer services companies of Lithuania. Independent variables include profit after tax and financial leverage. There are following proposed hypothesis.

H1= There is significant positive relationship between Return on shares and profit after tax.

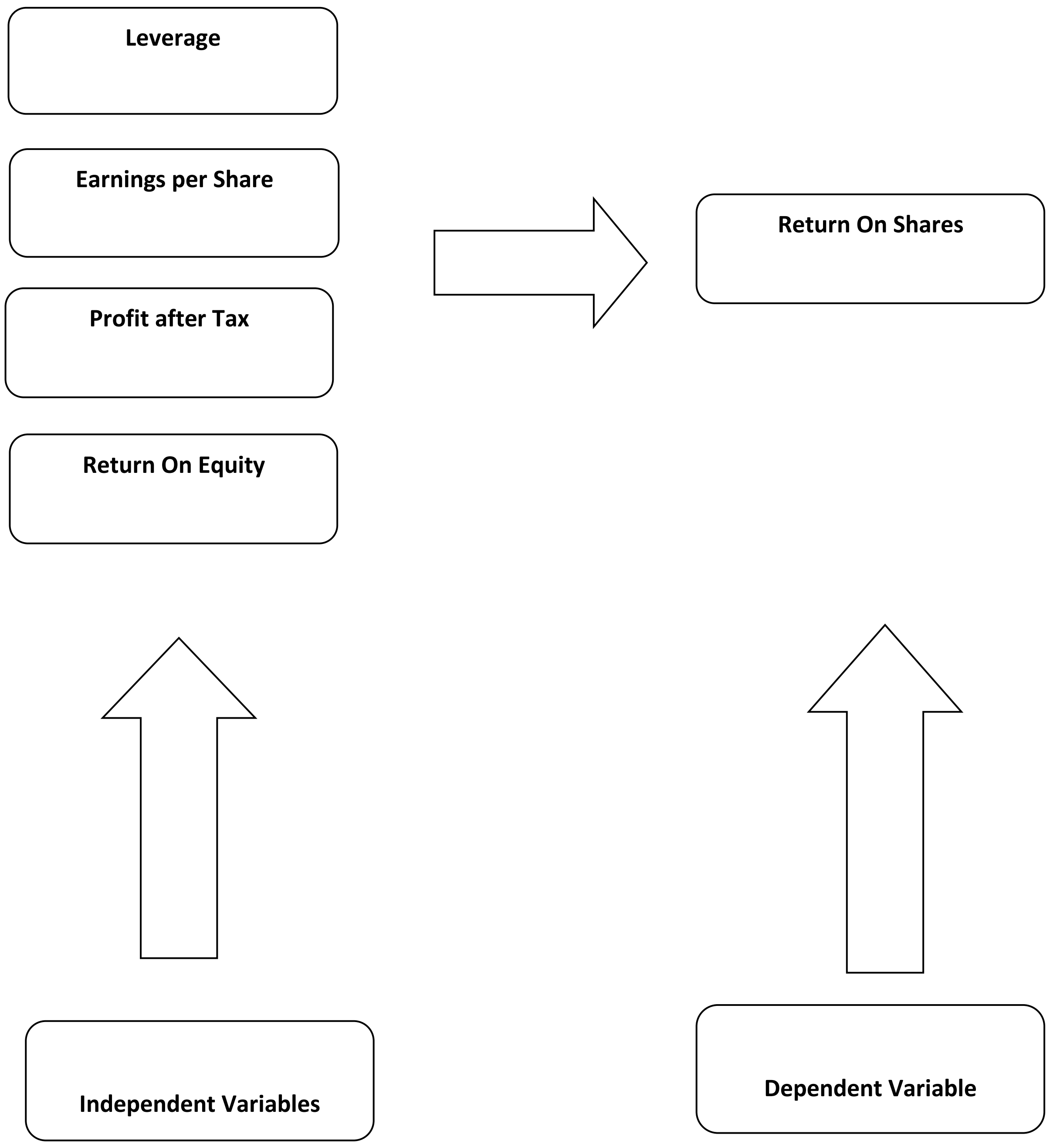
H2= There is significant positive relationship between Return on shares and earning per share.

H3= There is significant positive relationship between Return on shares and financial leverage.

H4= There is significant positive relationship between Return on shares and return on equity.

Theoretical Framework

Figure- 1



4. DATA ANALYSIS AND RESULTS

This chapter numerically explains the impact of dividend policy on returns on shares, consumer services companies listed in NASDAQ Vilnius stock exchange. To analyze the general information about the firms in the consumer sector a descriptive analysis is reported in this chapter. The model of this research is based upon panel data hence to select among simple linear regression or regressions under fixed and random effect the "Housman" test. To analyze the relationship among independent variables and their relationship with dependent variables the correlation analysis has also been described. Correlation analysis described the extent to which variables are linearly related to each other. The statistical (SPSS) software has been used to run the above-mentioned empirical analysis on the data of consumer services. To check the normality of the test One-sample Kolmogorov-Smirnov test is applied.

Table 4.1. Normality test

One-Sample Kolmogorov-Smirnov Test			
			Dividends
N			60
Normal Parametersa,b	Mean		-4.9188
	Std. Deviation		9.24994
Most Extreme Differences	Absolute		0.345
	Positive		0.297
	Negative		-0.345
Test Statistic			0.345
Asymp. Sig. (2-tailed)c			<,001
Monte Carlo Sig. (2-tailed)d	Sig.		0
	99% Confidence Interval	Lower Bound	0
		Upper Bound	0

a) Test distribution is normal.
b) Calculated from data.
c) Lilliefors Significance Correction.
d) Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.

4.1 Normality Test

A normality test has been done to check whether sample data is normally distributed population (with some tolerance). In this study it is clearly shown in the above table that the random variable underlying the data set to be normally distributed. Regression models also assume that the variables follow a normal distribution. In this context, the more the data that follow normal distribution, the more accurate the results (Berenson, Levine & Krehbiel, (2009). The researcher sought to test whether the independent variables and the dependent variable follow a normal distribution by using Shapiro-Wilk test. Shapiro & Wilk (1965) test was originally restricted for sample size of less than 50. Rayston (1992) modified the first version of Shapiro Wilk Test to accommodate any *n* in the range of this test was used to detect departure from normality due to either skewness or kurtosis, or both (Althouse, Ware, & Ferron, 1998)). The test was preferred due to its good power properties (Mendes & Pala, 2003). The value of W lies between zero and one. Small values of W lead to rejection of normality. A value of one indicates normality

4.2 Findings from Descriptive Analysis

Desciptive statistics gives us the precise information about the coefficents that summarize a given data set. It can be a representation of entire population or a sample of population. Descriptive statistics is distributed into measures of central tendency and measures of spread. Measure if central tendency include the mean, median and mode. In this study the mean of of current year dividends is -4.9188 but the value of standard deviation high that is 9.24994 which means there is a big variation in dividends. The variation can also be observed from the least value i.e. 0.00 and -33.44 respectively.

Descriptive analysis on other variables also explain some important general information. Table 4.2.2 shows that mean of PAT 3.4740 and standard deviation is 21.01540. the minimum value is in (-108.32) which also support the trend of low profit earnings in this sector. Financial leverage and earning per share both have positive mean and standard deviation. The relationship between current year dividend and entire explanatory variables are significant at 0.05 and 0.01 level of significance. Current year dividend has positive correlation with financial leverage.

Table 4.2. Descriptive statsitics

	N	Minimum	Maximum	Mean	Std. Deviation
Dividends	60	-33.44	0	-4.9188	9.24994
Profit after tax	60	-108.32	49.72	3.474	21.0154
Earnings per share	60	-0.77	1.29	0.1578	0.40522
F. Leverage	60	1.16	223.81	6.948	28.84849
Return on Equity	60	-361.41	53.45	-8.7097	63.80911
Valid N (list wise)	60				

4.3 Correlation Matrix of Variables

The Pearson correlation measures the strength of linear relationship between two variables. It has a value between -1 to 1. -1 means a total negative linear correlation, 0 means there is no correlation between variables while 1 means there is positive correlation between variables.

The correlation between current year dividend and profit after tax is -0.611 and significance at 0.05 and 0.01 level of significance. While the correlation between current year dividend and earnings per share are -0.38 and significant. The correlation between current dividend and financial leverage is 0.091 at the significant level 0.01 and 0.05. The correlation between current dividend and return on equity i.e., S-0.2 at 0.05 and 0.01 significant levels. There is insignificant relationship between current year dividend and leverage. This accepted the H3 in this research.

Table 4.3. Correlations matrix analysis

		Dividends	Profit after tax	Earnings per share	Financial Leverage	Return on equity
Pearson Correlation	Dividends	1	-0.611	-0.38	0.091	-0.2
	Profit after tax	-0.611	1	0.34	-0.067	0.196
	Earnings per share	-0.38	0.34	1	-0.316	0.48
	Financial Leverage	0.091	-0.067	-0.316	1	-0.465
	Return on equity	-0.2	0.196	0.48	-0.465	1
Sig. (1-tailed)	Dividends	.	<,001	0.001	0.244	0.063
	Profit after tax	0	.	0.004	0.306	0.067
	Earnings per share	0.001	0.004	.	0.007	0
	Financial Leverage	0.244	0.306	0.007	.	0
	Return on equity	0.063	0.067	0	0	.
N	Dividends	60	60	60	60	60
	Profit after tax	60	60	60	60	60
	Earnings per share	60	60	60	60	60
	Financial Leverage	60	60	60	60	60
	Return on equity	60.00	60	60	60	60

4.4 Multicollinearity

Multicollinearity is an effective econometric tool to analyze the relationship among explanatory or independent variables. In other words, multicollinearity measures the extensity of effect related to any variable but forecasted by other variables. The presence of multicollinearity explains that independent variables are highly correlated with each other, which is a stern issue because the effect of every single independent variable on dependent variable cannot be discovered. Hence Variation Inflation Factor, a diagnostic technique for all the independent variables. Silver (1997) explains the standard to understand the results of this diagnostic technique. According to his study an independent variable is considered to be highly correlated of its value of Variance Inflation Factor (VIF) is more than 10.

Probability of collinearity among the variables is one of the significant issue facing the use of multiple regression analysis so that they cannot be fully independent Berenson, Levine & Krehbiel, 2009). Multicollinearity appears when there is a strong correlation between one or more independent variables. Although there is no new information added to the regression model. In addition, the relationship tends to distort the model results because of the difficulty of isolating the impact of relationship between the independent variables. One method that is used to describe the collinearity between independent variables is Variance Inflation Factor (VIF) for each independent variable. VIF can be calculated through the following equation.

$$\mathbf{V = 1/\ 1\text{-}R2}$$

Collinearity test for predictor variables such as Profit after tax (PAT), earning per share (EPS) Financial Leverage and Return on Equity (ROE) was conducted to see the presence of multicollinearity between independent variables with a significant effect on the relationship between the predictor variables and the predicted variables. SPSS program was used to perform this test. In this study VIF is shown in table 4.4, it is clearly shown from the table that there is no MC among independent variables. There is no proof of unacceptable collinearity between explanatory variables that had a significant effect on the relationship of independent variables and the dependent variable at a 95% confidence level.

Table 4.4. Variance Inflation Factor

Variables	**VIF**
Profit after tax (PAT)	1.137
Earnings per share (EPS)	1.44
F. Leverage	1.3
ROE	1.519

4.5 MODEL SUMMARY

R square can be defined as: "The proportion of the total variation or the dispersion within the dependent variable is explained by the variation into the independent variable.

In other words, "The ratio of explained variation in comparison to total variation" The overall R^2 is higher in the model and its value is 40.7% and it is explained by the variation in the explanatory variables and it shows the overall variation in the dependent variable with respect to independent variables.

4.6 ANOVA

A one-way ANOVA is used to determine the statistically significant difference between the means of three or more independent variables. In this study the ANOVA test revealed that there is a statistically significant difference in these two groups (F (4, 55) = [9. 423], p = 0.001

Table 4.6. Results of ANOVA

Model		Sumof Squares	Df	Mean Square	F	Sig.
1	Regression	2,052,745	4	513,186	9,423	<,001b
	Residual	2,995,373	55	54,461		
	Total	5,048,118	59			

a) Dependent variable dividend
b) Predictors: (Constant), Return on equity, Profit after tax, Financial Leverage, Earning per share

4.7 COVARIANCE

Covariance gives positive result if variables are positively related means variables will change in same direction while the results will be negative if variables are negatively related and it shows two variables will vary oppositely. A high covariance depicts strong relationship between variables. Covariance with 0 value indicates two variables don't vary together. In this research the financial leverage has very strong and positive relation with current year dividend.

Table 4.7Covariance

Coefficients model		Unstandardized Coefficients		Standardized Coefficients	t	sig
		B	Std. Error	Beta		
1	(Constant)	-3.367	1.113		-3.025	0.004
	Profit after tax	-0.24	0.049	-0.544	-4.913	<.001
	Earnings per share	-4.468	2.845	-0.196	-1.57	0.122
	Financial Leverage	-0.003	0.038	-0.009	-0.072	0.942
	Return on equity	-0.001	0.019	-0.004	-0.028	0.978

Table 4.8. Coefficient Correlations

Model			Return on equity	Profit after tax	Financial Leverage	Earnings per share
1	Correlations	Return on equity	1	-0.062	0.379	-0.36
		Profit after tax	-0.062	1	-0.066	-0.291
		Financial Leverage	0.379	-0.066	1	0.134
		Earnings per share	-0.36	-0.291	0.134	1
	Covariance's	Return on equity	0	-5.57E-05	0	-0.019
		Profit after tax	-5.57E-05	0.002	0	-0.04
		Financial Leverage	0	0	0.001	0.014
		Earnings per share	-0.019	-0.04	0.014	8.095

Table 4.9 Hypothesis Testing

Hypothesis	**Results**
H3 = Financial leverage has positive significant relationship with current year dividend	Accepted

5. CONCLUSION AND RECOMMENDATIONS

This chapter briefly wraps up the understanding of this research by giving the conclusion. Furthermore, some recommendations for future involvement in this study and its limitations are also described.

5.1 Conclusion

The purpose of this study is to understand the impact of dividend policy on return on shares relating to consumer services sector of Lithuania. For this purpose, return on shares has been taken as dependent variable, furthermore the profit after tax, earning per share, financial leverage and return on equity are considered as independent variables. Return on shares is measured by yearly dividends. Balanced panel data from 2017 to 2021 comprising of five years related to 12 listed firms in NASDAQ Vilnius stock exchange of Lithuania has been considered for this study. After careful consideration of the results of this study, has shown only financial leverage has positive significant relationship with dividends, which means companies with high financial leverage pay more dividends. It is clearly shown in this research that these results are against to the dividend irrelevance theory but support the substitution theory. Out of these three control variables, which are profit after tax, earning per share, financial leverage and return on equity, only financial leverage has highly positive significant relation with dividend it means firm with high financial leverage received high rate of dividend against shares. In Lithuania consumer services companies with higher financial leverage received high return on shares. In other words, dividend policy of consumer sector of Lithuania and return on shares are dependent of each other with respect to financial leverage.

5.2 Limitations of this Study

Although this study is a successful attempt that presents a thorough analysis regarding the impact of dividend policy on return on shares of consumer services companies, listed in Lithuania stock exchange; but still has some limitations.

i. At first this study has considered the sample of those consumer services companies which are listed in Lithuania Stock Exchange. However, other non-listed companies could also be included to further explain this study in a bigger prospective.
ii. Dividend (dependent variable) is another important variable that has been measured by current year dividend. But dividend could also measure in several other ways.

Moreover, other control variables could also be considered such as return on assets, cash flows etc.

5.3 Recommendations

In this study it is examined that, the companies are facing many problems during COVID-19 pandemic. Especially economic position of this country has faced many ups and down. For the growth of consumer services sector, respective authorities should consider the following recommendations.

i. By keeping in view, the findings of this study, stakeholders of Lithuanian consumer services sector must consider those variables which are significantly related to dividend. Profitability, return on assets, cash flows, firm size and growth. According to (Alzomaia & Al- Khadiri, 2013) the decision of dividend policy is very important administrative decisions to allow an organization to accomplish its goals and performance effectively.

ii. During the study of relevant literature on consumer services sector, it has been examined that this sector has deficiency behind in terms of research on the impact of dividend policy on return on shares. Hence the authorities must avail the services of concerned study consultants to conduct some complete studies to fill the break.

iii. These results are applicable only for consumer services companies listed in Nasdaq Vilnius stock exchange however, in future sample size could be increased and also other sectors and other listed companies can be used.

iv. This study includes only four independent variables for analysis. For future direction number of independent variables could be increased so that the results can become more valid and reliable.

v. The time period of the study can be increased as we have used only 5 years’ data. It can be increased from 10 to 15 years for more reliable and valid results.

LIST OF REFERENCES

Al-Najjar, B., & Kilincarslan, E. (2017). Corporate dividend decisions and dividend smoothing: New evidence from an empirical study of Turkish firms. *International Journal of Managerial Finance*, *13*(3), 304–331. https://doi.org/10.1108/IJMF-10-2016-0191

Awarness, S. O. F. (2021). *Sambodhi TO ANALYSE THE RELATION BETWEEN FINANCIAL PERFORMANCE Sambodhi TO ANALYSE THE RELATION BETWEEN FINANCIAL PERFORMANCE AND DIVIDEND POLICY CA Hardik J . Shah*. *June*.

Baker, H. K., & Kapoor, S. (2015). Dividend policy in India: new survey evidence. *Managerial Finance*, *41*(2), 182–204. https://doi.org/10.1108/MF-01-2014-0024

Banerjee, A. (2018). Dividend Policy as a Corporate Communication and its Impact on Firm Value Evidences from listed companies in Qatar Stock Exchange. *Financial Markets, Institutions and Risks*, *2*(4), 29–38. https://doi.org/10.21272/fmir.2(4).29-38.2018

Budagaga, A. R. (2020). Determinants of banks' dividend payment decisions: evidence from MENA countries. *International Journal of Islamic and Middle Eastern Finance and Management*, *13*(5), 847–871. https://doi.org/10.1108/IMEFM-09-2019-0404

Chidinma, V., & Anike, C. A. (2021). *Dividend Policy and Shareholders Wealth in Nigeria*. *9*(1), 81–91.

Dewasiri, N. J., Yatiwelle Koralalage, W. B., Abdul Azeez, A., Jayarathne, P. G. S. A., Kuruppuarachchi, D., & Weerasinghe, V. A. (2019). Determinants of dividend policy: evidence from an emerging and developing market. *Managerial Finance*, *45*(3), 413–429. https://doi.org/10.1108/MF-09-2017-0331

Dhume, P., & Makandar, H. (2021). *A Systematic Review of Dividend Announcement and Its Impact on the Stock Prices : Evidence from Indian Service Providing Companies*.

Eldomiaty, T. I., Andrikopoulos, P., & Bishara, M. K. (2019). Financial decisions and growth of the firm under high and low levels of information asymmetry. In *Research in Finance* (Vol. 35). https://doi.org/10.1108/S0196-382120190000035002

Elmagrhi, M. H., Ntim, C. G., Crossley, R. M., Malagila, J. K., Fosu, S., & Vu, T. V. (2017). Corporate governance and dividend pay-out policy in UK listed SMEs: The effects of corporate board characteristics. *International Journal of Accounting and Information*

Management, *25*(4), 459–483. https://doi.org/10.1108/IJAIM-02-2017-0020

Farrukh, K., Irshad, S., Shams Khakwani, M., Ishaque, S., & Ansari, N. (2017). Impact of dividend policy on shareholders wealth and firm performance in Pakistan. *Cogent Business and Management*, *4*(1). https://doi.org/10.1080/23311975.2017.1408208

Felimban, R., Floros, C., & Nguyen, A. N. (2018). The impact of dividend announcements on share price and trading volume: Empirical evidence from the Gulf Cooperation Council (GCC) countries. *Journal of Economic Studies*, *45*(2), 210–230. https://doi.org/10.1108/JES-03-2017-0069

Gkeka, E., Kosmidis, K., & Simitsis, G. (2018). "The value relevance of dividend announcement: An empirical study of the Greek Stock Market." *International Journal of Business and Economic Sciences Applied Research (IJBESAR)*, *11*(2), 44–50. https://doi.org/10.25103/ijbesar.112.05

Hartono, P. G. (2022). *The Effect of COVID-19 Pandemic on Corporate Dividend Policy in Indonesia : The Static and Dynamic Panel Data Approaches*. *33*.

Helenurm, V. (2019). *Dividend announcement impact on stock prices of NASDAQ omx Baltic listed companies 2004-2019*.

Imran, A., Shahzad, M., Chani, M. I., Hassan, S. ul, & Mustafa, U. (2014). *Impact of Dividend Policy , Earning per Share , Return on Equity , Profit after Tax on Stock Prices PhD Scholar , National College of Business Administration*. *2(3)*(60793), 109–115.

Jitmaneeroj, B. (2017). The impact of dividend policy on price-earnings ratio: The role of conditional and nonlinear relationship. *Review of Accounting and Finance*, *16*(1), 125–140. https://doi.org/10.1108/RAF-06-2015-0092

Journal, M. S.-P. and E., & 2021, U. (2021). The Signficance of Dividend Policy in for growth in an Organisation. *Psychologyandeducation.Net*, *58*(2), 3627–3631. http://www.psychologyandeducation.net/pae/index.php/pae/article/view/2624

Kim, R. (2021). Dividend reputation, dividend yield and stock returns in Korea. *Journal of Derivatives and Quantitative Studies: 선물연구*, *29*(1), 73–99. https://doi.org/10.1108/jdqs-09-2020-0023

Kuswanto, A. (2012). *CBAM-FE Factors that influence on dividend policy*. *1*(1), 23–33.

Legenzova, R., Jurakovaite, O., & Galinskaite, A. (2017). The analysis of dividend announcement impact on stock prices of baltic companies. *Central European Business Review*, *6*(1), 61–75. https://doi.org/10.18267/J.CEBR.173

Limbong, C. H., Rafika, M., Prayoga, Y., Rambe, B. H., Fitria, E., Ekonomi, F., & Labuhanbatu, U. (2022). *Pengaruh kebijakan dividen dan Earning Per Share (EPS) terhadap Price to Book Value pada perusahaan makanan dan minuman yang terdaftar di Bursa Efek Indonesia*. *4*(2015), 282–288. https://doi.org/10.20885/ncaf.vol4.art35

Ofori-Sasu, D., Abor, J. Y., & Osei, A. K. (2017). Dividend Policy and Shareholders' Value: Evidence from Listed Companies in Ghana. *African Development Review*, *29*(2), 293–304. https://doi.org/10.1111/1467-8268.12257

Purbawangsa, I. B. A., & Rahyuda, H. (2022). The effect of ownership structure, dividend policy, composition of the board of directors on financial performance and share return. *Accounting*, *8*(1), 1–8. https://doi.org/10.5267/j.ac.2021.6.012

Sarwar, B., Kutan, A., Ming, X., & Husnain, M. (2020). How do talented managers view dividend policy? Further evidence from Chinese equity market. *International Journal of Emerging Markets*, *15*(3), 559–586. https://doi.org/10.1108/IJOEM-03-2019-0179

Siagian, A. O., Riesmiyantiningtias, N., & Amalia, R. (2022). *Impact of Dividend Policy Analysis on Fluctuations in Stock Price of Food and Beverage Companies*. *1*(1), 1–12. https://doi.org/10.52362/ijiems.v1i1.667

Siladjaja, M., & Anwar, Y. (2020). The impact of innate accruals quality on the future market value moderated by dividend policy. *Asian Journal of Accounting Research*, *5*(2), 269–283. https://doi.org/10.1108/AJAR-04-2020-0026

Sutami, I., & Number, S. (2021). *Earnings Management , Debt Maturity , Dividend Policy and Future Performance of Manufacturing Companies in Indonesia*. *6*(36), 394–412. https://doi.org/10.23887/jia.v6i2.33233

Suwasono, H. (2021). … Decisions, Dividend Policy, and Corporate Social Responsibility (CSR) on the Value of Manufacturing Companies Listed on the Indonesia Stock Exchange 2015-2019. *International Journal of Seocology*, *02*(02), 71–78. http://seocologi.com/index.php/seocology/article/view/24

Suwendiyanti, R., & Gantino, R. (2022). *Analysis on Ex-Dividend Phenomenon before and During COVID-19 Pandemic in Indonesia (Study on Index IDX High Dividend 20)*.

4464(1), 1–10. https://doi.org/10.36349/easjebm.2022.v05i01.001

Tuigong, W. K., Jagongo, A. O., & Ndede, F. W. S. (2016). Effects of Dividend Policy on Share Price of Firms Listed at the Nairobi Securities Exchange , Kenya. *Research Journal of Finance and Accounting*, *7*(8), 220–230.

Usman, B., Lestari, H. S., & Sofyan, S. (2021). The Effect of Dividend Policy on Share Price Manufacturing Companies in Indonesia. *Proceedings of the 3rd International Conference on Banking, Accounting, Management and Economics (ICOBAME 2020)*, *169*(Icobame 2020), 117–122. https://doi.org/10.2991/aebmr.k.210311.023

Wahjudi, E. (2020). Factors affecting dividend policy in manufacturing companies in Indonesia Stock Exchange. *Journal of Management Development*, *39*(1), 4–17. https://doi.org/10.1108/JMD-07-2018-0211

YASEEN, H., & Ruxandra, T. (2019). The Impact of Dividend Events on Stock Returns: Findings on Companies Listed on the Bucharest Stock Exchange. *The Review of Finance and Banking*, *11*(2), 59–78. https://doi.org/10.24818/rfb.19.11.02.02

Zagonel, T., Terra, P. R. S., & Pasuch, D. F. (2018). Taxation, corporate governance and dividend policy in Brazil. *RAUSP Management Journal*, *53*(3), 304–323. https://doi.org/10.1108/RAUSP-04-2018-006

Zainudin, R., Mahdzan, N. S., & Yet, C. H. (2018). Dividend policy and stock price volatility of industrial products firms in Malaysia. *International Journal of Emerging Markets*, *13*(1), 203–217. https://doi.org/10.1108/IJoEM-09-2016-0250

SANTRAUKA

Mano magistro darbo tyrimo tema – dividendų politikos įtaka Lietuvos biržoje listinguojamų bendrovių akcijų grąžai, tačiau konkrečiai nagrinėjau tik vartotojų paslaugų sektorių dėl nepakankamos informacijos prieinamumo. Šio tyrimo tikslas – išnagrinėti Dividendų politikos įtaką Lietuvos vertybinių popierių biržoje listinguojamų įmonių (vartotojų paslaugų) akcijų grąžai. Visi šio tyrimo duomenys surinkti iš oficialių įmonių tinklalapių ir metinių ataskaitų. Šiame tyrime buvo atsižvelgta į vartotojų paslaugų sektorių. Šiame tyrime naudojamas kiekybinis metodas. Viena iš priežasčių, kodėl pirmenybė teikiama kiekybiniam, o ne kokybiniam tyrimui, yra ta, kad tyrėjų gauti kiekybinių tyrimų rezultatai yra patikimesni. Šiuo tikslu akcijų grąža buvo laikoma priklausomu kintamuoju, be to, pelnas atskaičius mokesčius, pelnas vienai akcijai, finansinis svertas ir nuosavybės grąža yra laikomi nepriklausomais kintamaisiais. Akcijų grąža matuojama metiniais dividendais. Šiame tyrime buvo nagrinėjami subalansuoti 2017–2021 m. penkerių metų skydiniai duomenys, susiję su 12 NASDAQ Vilnius listinguojamų įmonių Lietuvos biržoje. Šiame tyrime aiškiai parodyta, kad šie rezultatai prieštarauja dividendų nereikšmingumo teorijai, tačiau palaiko pakeitimo teoriją. Iš šių trijų kontrolinių kintamųjų, kurie yra pelnas atskaičius mokesčius, pelnas vienai akcijai, finansinis svertas ir nuosavybės grąža, tik finansinis svertas turi labai teigiamą reikšmingą ryšį su dividendais, tai reiškia, kad įmonė, turinti didelį svertą, gavo aukštą dividendų normą už akcijas.

Pagrindiniai žodžiai:

Dividendų politika, Akcijų rinkos kaina, Vartotojų paslaugų sektorius.

ANNEXURE

Proxies and Formulas of independent variables

Variables	Proxies
Earnings per share	Net income / outstanding number of shares
Profit after Tax	Net income before taxes - taxes
Financial Leverage	Total debt / EBITDA
Return on Equity	Net income / shareholder's equity

Total number of Companies

Sr. No	Names of companies
1	Baltika
2	Ekspress Grupp
3	Silvano Fashion Group
4	Tallina Kaubamaja Grupp
5	Apranga
6	Novaturus
7	Nordic Fibreboard
8	Snaige
9	Tallink Grupp
10	Utenos
11	Vilniaus Baldai