European Economic Letters
ISSN 2323-5233
Vol 16, Issue 1 (2026)
http://eelet.org.uk

Influence of Dividend Determinants on Stock Returns: Evidence from Nifty 50 Companies in India

1. Arun Prakash P* - arunprakashca@gmail.com

2. Latha K - lathaaskele@gmail.com**

& Assistant Professor, Department of Commerce with Professional Accounting,*

PSG College of Arts & Science (Autonomous), Coimbatore - 641014.

Abstract

This study examines the impact of dividend determinants on stock returns of companies listed in the Nifty 50. The research aims to identify the key financial factors influencing stock returns using panel data from 2015–2016 to 2024–2025. The study employs various econometric techniques including descriptive statistics, correlation analysis, heteroskedasticity test, Breusch–Godfrey serial correlation test, panel unit root test, Kao residual cointegration test, Granger causality test, Hausman test, and panel data regression model. The Hausman test indicates that the fixed effect model is appropriate for the analysis. The empirical results reveal that firm size (SIZE), Return on Assets (ROA), Return on Equity (ROE), Price to Earnings Ratio (PE), Price to Book Value (PB), Dividend Yield (DY), and Earnings Per Share (EPS) have a positive and significant relationship with stock returns. In contrast, Dividend Payout Ratio (DP) and Dividend Per Share (DPS) show a negative and statistically insignificant relationship. The findings highlight the importance of profitability, valuation, and earnings indicators in explaining stock return behavior.

1. INTRODUCTION

Dividend policy has long been considered an important financial decision for corporations because of its direct impact on shareholders, investors, and overall firm valuation. Dividend policy also plays a key role in shaping investor behavior. High dividends are often perceived as a positive signal of company performance. However, excessive reliance on dividends may lead to the "dividend trap," where investors purchase stocks at high prices due to attractive dividends, only to experience losses when stock prices decline after the dividend distribution. This situation may occur when companies distribute high dividends despite weak financial fundamentals. Two major theoretical views dominate the debate on whether dividend policy affects stock prices. The first view, proposed by Franco Modigliani and Merton Miller in 1961, argues that dividend policy is irrelevant to the value of a firm. According to this theory, investors are indifferent between dividends and capital gains because the firm's value is determined by its investment decisions rather than its dividend payments. In contrast, the dividend relevance theory proposed by Myron J. Gordon in 1963 suggests that dividend policy has a significant influence on stock prices. Gordon argued that investors prefer dividends because they provide certainty of returns, which increases the market value of the firm. Despite these theories being introduced several decades ago, the question of whether dividend policy actually affects stock prices remains unresolved.

2. REVIEW OF LITERATURE

Early empirical evidence highlights the role of dividend policy as an important determinant of stock returns and market valuation. In the context of Oman, **Bilal and Jamil (2015)** examined the

relationship between dividend policy and stock prices and found a positive association between the two. Their findings suggest that dividend announcements convey valuable information to investors, particularly in emerging markets where financial information may not be fully transparent. Further supporting the predictive relevance of dividend-related variables, **McMillan (2015)** demonstrated that dividend yield performs better than historical mean returns in forecasting stock returns. This study emphasizes the usefulness of dividend yield as a reliable valuation metric in financial markets. Expanding the analysis beyond firm-level variables, **Tetteh et al. (2019)** investigated the determinants of stock returns in Ghana using Fully Modified Ordinary Least Squares (FMOLS) and Dynamic Ordinary Least Squares (DOLS) techniques. The study found that both macroeconomic and firm-specific factors significantly influence stock returns, highlighting the need to consider broader economic conditions along with corporate dividend policies. Similarly, **Doblas et al. (2020)** identified valuation ratios such as price-to-earnings and price-to-book values as key determinants of stock returns in Bahrain's financial institutions. These findings indicate that market valuation measures play a significant role in explaining stock performance. Focusing on Indonesia, **Apriansyah et al. (2021)** found that dividend payout ratio and profitability significantly influence stock returns among high-dividend firms. Their results demonstrate the importance of profitability indicators in strengthening the relationship between dividend policy and market performance. In African markets, **Ajao and Robinson (2022)** reported that firms with stable dividend policies tend to experience lower stock price volatility. This evidence supports the signaling theory and bird-in-hand theory, suggesting that consistent dividend payments provide positive signals about firm stability and performance. Further empirical evidence was provided by **Danendra Caesaro et al. (2023)**, who found that profitability and financial structure indicators such as ROA, ROE, DER, and dividend payout ratios significantly determine stock returns. More recent studies continue to explore the role of dividend policy in shaping stock market outcomes. **Putra et al. (2024)** observed that profitability and liquidity strengthen the positive relationship between dividend policy and stock returns. Recent literature also emphasizes mediation and sector-specific perspectives. **Al Mamoori et al. (2025)** found that dividends mediate the relationship between cash flows and bank stock returns in Iraq. Similarly, **Puspita and Ratnawati (2025)** reported that profitability, leverage, and dividend-related variables significantly influence stock returns in Indonesia's banking sector. **Shabrina et al. (2025)** revealed that corporate governance and financial performance affect stock returns indirectly through dividend policy. In the mining sector, **Kusmanto (2025)** demonstrated that stock return determinants significantly influence dividend policy decisions. However, **Putri and Wijayanti (2025)** warned about the dividend trap, noting that unusually high dividend yields may signal underlying financial risks rather than strong performance. Overall, the existing literature indicates that dividend policy, profitability, valuation ratios, and macroeconomic factors collectively influence stock returns across different markets and sectors.

3. DATA AND METHODOLOGY

For analytical purposes, the collected dataset was transformed into natural logarithmic form to improve data consistency and statistical reliability. The study covers a ten-year period, beginning on 1 April 2015 and ending on 31 March 2025, enabling the analysis of share price behaviour surrounding dividend announcements and the influence of dividend determinants on stock returns. A purposive sampling technique was adopted to select companies included in the study. Initially, 79 companies associated with the NIFTY 50 index were identified and categorized into 15 sectors, including

Automobile & Auto Components, Capital Goods, Construction, Construction Materials, Consumer Durables, Consumer Services, Fast-Moving Consumer Goods, Financial Services, Healthcare, Information Technology, Metals & Mining, Oil, Gas & Consumable Fuels, Power, Services, and Telecommunication. The NIFTY 50 index is computed using the free-float market capitalization method and is rebalanced semi-annually with cut-off dates on January 31 and July 31 each year. During the sample selection process, five companies—ACC Limited, Cairn India Limited, Housing Development Finance Corporation, Infrastructure Development Finance Company, and Sesa Sterlite Limited—were excluded due to mergers. Additionally, five firms—ITC Hotels Limited, SBI Life Insurance Company Limited, Jio Financial Services Limited, Aurobindo Pharma Limited, and Eternal Limited—were omitted as they had not declared final dividends as of March 31, 2025. Consequently, the final sample consists of 69 companies**.**

Empirical model specification

The predictor variables are fitted into stock returns multivariate regression equations.

$$SR_{it}=\alpha it+\beta 1SIZE_{it}+\beta 2ROA_{it}+\beta 3ROE_{it}+\beta 4PE_{it}+\beta 5PB_{it}+\beta 6DP_{it}+\beta 7DY_{it}+\beta 8DPS_{it}+\beta 9EPS_{it}+\xi_{it}.$$

Where α= Constant, β1… β9 = Estimated coefficients, ξ = Error term, i=Sample, t-time period.

Summary of Expected Relationship between Dependent and Independent Variables

Variables Names and Codes used	**Description of the Variables**	**Rationale of Expected Relationship**	**Expected Sign**
Stock Returns - SR	SR = (Current Year Value – Previous Year Value) / Previous Year Value		
Size of the Companies – SIZE	SIZE = Natural Log of Total Assets are taken as size of the company	Large firms tend to effect positive stock returns through their robust assets base	+
Return on Assets - ROA	ROA = Profit After Tax / Total Assets	ROA influences positively on stock returns as high performance	+
Return on Equity - ROE	ROE = Profit After Tax / Shareholders' Equity	ROE causes positive effect on stock returns as high performance	+
Price to Earnings Ratio - PE	PE = Market Price per Share / Earnings Per Share	Higher PE Ratio effects stock returns as it reflects the investors' expectations and hope	+
Price to Book Value - PB	PB = Market Price per Share / Book Value Per Share	Higher PB Ratio causes positive stock returns as it tends to denote market value of the company	+
Dividend Payout - DP	DP = Dividend Payment / Earnings Per Share * 100	Dividend payout is viewed as favourable financial health of the companies	+

Dividend Yield – DY	DY = Dividend Payment / Market Price per Share * 100	Higher dividend yields effect positively on stock returns as it is reflecting investors' expectations	+
Dividend Per Share – DPS	DPS = Dividend Payment / No of Shares Outstanding	DPS increases investors' confidence and positively effects stock performance	+
Earnings Per Share - EPS	EPS = Earnings available to Equity Shareholders / No of Shares Outstanding	Increased earnings impacts the stock performance positively as news is reflected in the market	+

4. ANALYSIS AND DISCUSSION OF RESULTS

This section presents the empirical analysis of the data collected for the study on dividend determinants and stock returns of companies listed in the NIFTY 50. The analysis aims to examine the relationship between dividend-related variables and stock returns during the study period from 2015–2016 to 2024–2025. Various statistical and econometric techniques are employed to ensure the reliability and validity of the results. Initially, descriptive statistics are used to summarize the key characteristics of the variables, including measures of central tendency and dispersion. Subsequently, correlation analysis is performed to identify the strength and direction of relationships among the variables and to detect potential multicollinearity issues. Diagnostic tests such as heteroskedasticity and serial correlation tests are conducted to verify the stability and reliability of the regression model. Further, panel unit root and cointegration tests are applied to examine the stationarity and long-run relationships among the variables. Granger causality analysis is also carried out to explore predictive relationships between dividend determinants and stock returns. Finally, a panel data regression model is employed to identify the significant factors influencing stock returns and to assess the overall impact of dividend determinants on market performance.

DESCRIPTIVE STATISTICS OF DIVIDEND DETERMINANTS

Descriptive statistics involves the use of numerical measures to describe the main features of a data. It measures the central tendency, dispersion, and the shape of data by computing mean, median, minimum, maximum, standard deviation, skewness, kurtosis, etc., Descriptive statistics is helpful in simplifying large amounts of data, making it easier to identify trends, patterns, and relationships without making conclusions beyond the data.

Table 4.1

Descriptive Statistics of Dividend Determinants of Nifty 50 Companies

	SR	SIZE	ROA	ROE	PE	PB	DP	DY	DPS	EPS
Mean	3.25	10.78	2.81	2.69	3.36	1.28	3.02	0.20	2.10	3.06
Median	3.08	10.09	2.87	2.78	3.35	1.28	3.17	0.19	2.13	3.09
Maximum	6.19	14.61	4.89	7.81	7.59	4.52	10.73	3.83	6.23	8.74

Minimum	-2.59	1.38	-0.87	-2.21	-0.87	-1.38	-1.01	-1.54	-1.17	-1.71
Std.Dev.	1.07	1.38	0.87	1.28	0.89	1.05	1.11	1.38	1.00	1.31
Skewness	-1.77	0.29	-0.36	-1.07	0.09	0.39	-1.30	0.34	-0.10	-0.38
Kurtosis	7.64	2.70	3.34	4.15	4.97	3.37	15.00	2.95	2.71	3.03

Table 4.1 presents the descriptive statistics for the dividend determinants used in the study from 2015-2016 to 2024-25. The Stock Returns (GDP) varied between -2.59 and 6.19, with an average of 3.25 and a standard deviation of 1.07. Return on Assets (ROA) ranged from a low of -0.87 to a high of 4.89, with a mean of 2.81 and a standard deviation of 0.87. The Return on Equity (ROE) fluctuated between -2.21 and 7.81, averaging 2.69 with a standard deviation of 1.28. The Dividend Per Share (DPS) ranged from -1.17 to 6.23, with a mean of 2.10 and a standard deviation of 1.00. Earnings Per Share (EPS) had a minimum value of -1.71and a maximum of 8.74, with an average of 3.06 and a standard deviation of 1.31. The skewness of the dividend determinants ranged from -1.77 to 0.39, while their kurtosis ranged from 2.70 to 15.00.

MULTIPLE CORRELATION OF PROFITABILITY VARIABLES

The multiple correlation coefficient is a metric that measures the strength of the association and ranges from 0 to 1. A value closer to 1 denotes a stronger linear relationship. Exploratory data analysis requires a clear, methodical perspective of variable relationships. Multiple correlation is applied in multiple regression analysis to analyse many predictors. Multicollinearity in regression analysis occurs when two or more independent variables are strongly correlated. In severe multicollinearity, regression coefficients may become unstable, causing inaccurate estimates, and inflated standard errors. Correlation matrices is used to detect multicollinearity.

Table 4.2

Multiple Correlation of Dividend Determinants of Nifty 50 Companies

VARIABLES	SIZE	ROA	ROE	PE	PB	DP	DY	DPS	EPS
SIZE	1.00								
ROA	0.56	1.00							
ROE	0.61	0.59	1.00						
PE	-0.35	-0.58	-0.46	1.00					
PB	-0.54	0.33	0.46	0.54	1.00				
DP	0.67	0.50	0.49	-0.49	0.40	1.00			
DY	-0.51	0.52	0.65	0.43	0.45	-0.56	1.00		
DPS	0.54	0.50	0.41	-0.42	-0.40	-0.60	0.49	1.00	
EPS	0.64	0.46	0.26	-0.54	0.44	0.64	0.45	0.48	1.00

European Economic Letters
ISSN 2323-5233
Vol 16, Issue 1 (2026)
http://eelet.org.uk

Table 4.2 describes the multiple correlation of dividend determinants of Nifty 50 Companies for the period from 2015-16 to 2024-2025. The pairwise correlations of the variables show the strength of the linear link among them, and each variable represents a different aspect of the dividend determinants. Significant positive correlations between SIZE, ROA (0.56), ROE(0.61) DP (0.67), DPS (0.54) and EPS (0.64) are found. It implies that the size of the Nifty 50 companies is positively related with these variables. Weak negative correlation is found between PE (-0.35), PB (-0.54), DY (-0.51) and size of the Nifty 50 companies. A positive connection between DTA and LQ (0.31) suggests that the public sector commercial banks' deposits and liquidity are related. These dividend determinants are not extremely collinear, as indicated by their low correlation, and they can be included in regression models without occurring a significant risk of multicollinearity problems. Because of this, their predictive abilities in models used to evaluate the profitability of public sector banks are consistently strong.

HETEROSKEDASTCITY TEST OF DIVIDEND DETERMINANTS

Table 4.3

Heteroskedasticity test of Dividend Determinants of Nifty 50 Companies

F-Statistics	2.176	Prob.F	0.0275
Obs*R-squared	28.2229	Prob. Chi-Square	0.0000

Table 4.3 displays the outcomes of the heteroskedasticity test for dividend determinants of Nifty 50 companies. There is an observed R-squared value of 28.2229 and an F-statistic of 2.176. There is no substantial evidence of heteroskedasticity because the chi-square p-value is not greater than the 0.05 significance level, which means that the null hypothesis of homoskedasticity cannot be rejected. As P value of Breush Pagan Test for cross section and time variant is less than 0.05, null hypothesis has been rejected. It implies that pooled OLS model is not stable. So, fixed effect model or random effect model has to be considered for regression analysis. As a result, dividend determinants of Nifty 50 companies can be accurately assessed using this model's efficient estimates and dependable standard errors in regression analysis.

BREUSCH – GODFREY SERIAL CORRELATION LM TEST OF DIVIDEND DETERMINANTS

Table 4.4

Breusch – Godfrey Serial Correlation LM Test of Dividend Determinants of Nifty 50 Companies

F-Statistics	0.878	Prob.F	0.404
Obs*R.squared	1.874	Prob. Chi-Square (2)	0.368

European Economic Letters
ISSN 2323-5233
Vol 16, Issue 1 (2026)
http://eelet.org.uk

The results of the Breusch–Godfrey Serial Correlation LM Test of Bank Specific dividend determinants of Nifty 50 companies are depicted in Table 4.4. The R-Squared value of 1.874 indicates serial correlation, and the p-value of 0.368, above 0.05, suggesting we do not reject the null hypothesis. Consequently, this demonstrates that there is no serial autocorrelation, which makes it possible for these dividend determinants to be applied for model estimate. This, in turn, provides a hypothesis testing method that is both efficient and trustworthy.

UNIT ROOT TEST OF PROFITABILITY VARIABLES

Time series data must be checked for existence of stationarity to ensure accurate statistical analysis. Applying the Augmented Dickey Fuller Test, also known as the ADF test, is a common method for accomplishing this. The statistical characteristics of a variable, such as its mean and variance, do not change throughout the course of time if the variable is stationary. When dealing with non-stationary data, regression models have the potential to provide results that are either misleading or invalid.

Table 4.5

Panel Data Unit Root Test of Dividend Determinants of Nifty 50 Companies

VARIABLES	LEVEL	FIRST DIFFERENCE	ORDER OF INTEGRATION
SR	-2.245	-8.96	I(1)
SIZE	-1.875	-9.63	I(1)
ROA	-2.965	-8.05	I(1)
ROE	-2.375	-11.52	I(1)
PE	-2.795	-10.97	I(1)
PB	-2.105	-12.83	I(1)
DP	-2.535	-10.17	I(1)
DY	-2.845	-13.58	I(1)
DPS	-2.235	-9.27	I(1)
EPS	-2.005	-11.42	I(1)

Table 4.5 shows the results of the Augmented Dickey Fuller Unit Root test on factors related to the dividend determinants of Nifty 50 companies. Stationarity of the variables is crucial for the construction of a regression model. Some variables were found to be non-stationary, according to the results of level testing. A robust regression model is applied using first differencing. However, because of this, the ADF test scores drastically decrease, frequently falling below the critical cutoffs. This suggests that the data is stationary. This allows us to exclude the possibility that there is no unit root in the differenced data.

European Economic Letters
ISSN 2323-5233
Vol 16, Issue 1 (2026)
http://eelet.org.uk

KAO RESIDUAL COINTEGRATION TEST

The Johansen cointegration test is a statistical approach designed to identify the number of cointegrating relationships within a set of time series data. This method is especially helpful for multivariate time series analysis, as it allows for the simultaneous evaluation of multiple variables. It is extensively employed in economics and finance studies to examine long-term associations between variables that are individually non-stationary but exhibit constant and firm correlations over an extended period.

Table 4.6: Kao Residual Cointegration Test between Stock Returns and Dividend Determinants of Nifty 50 Companies

Null Hypothesis: No Cointegration	**T-Statistics**	**Prob.**		
ADF	-5.50235	0.0000		
Residual Variance	2.09855			
HAC Variance	0.86687			
Augmented Dickey-Fuller Test Equation Dependent Variable: D(RESID)				
Method: Least Squares				
Variable	**Coefficient**	**Std.Error**	**t-Statistics**	**Prob.**
RESID (-1)	-1.27608	0.06149	-20.754	0.000
D (RESID (-1))	0.18628	0.04114	4.52782	0.000
R-Squared	0.56391	Mean dependent var		0.04901
Adjusted R-Squared	0.56308	S.D. dependent var		1.44947
S.E. of regression	0.95809	Akaike info criterion		2.75589
Sum squared resid	490.182	Schwarz criterion		2.77197
Log likelihood	736.603	Hannan-Quinn criterion		2.76224
Durbin-Watson stat	2.19105			

Table 4.6 presents the results of the Kao Residual Cointegration Test, which scrutinizes the presence of cointegration between dependent and independent dividend determinants of Nifty 50 companies.

The statistical inference derived from the test suggests a rejection of the null hypothesis, which assumes no cointegration. The ADF t-statistic is highly significant, with a value of -5.50235 and a probability of 0.0000, indicating strong evidence of cointegration. Within the regression parameters, RESID (-1) displays a substantial negative coefficient of -1.2760 with a t-statistic of -20.754 and a highly significant p-value (0.0000). The variable D(RESID (-1)) has a positive coefficient of 0.18628

with a t-statistic of 4.52782and a p-value of 0.0000, signaling statistical significance at conventional levels.

The table finds a strong evidence of cointegration among the dividend determinants, as indicated by the ADF test statistic (-5.50235) and its associated probability (0.0000). The regression model demonstrates a satisfactory fit, reflected in the R-squared value of 0.5639 and adjusted R-squared of 0.56308, while the Durbin-Watson statistic (2.19105) highlights no autocorrelation concerns. These findings highlight the interdependent relationship between the examined variables.

GRANGER CAUSALITY TEST

The Granger causality test aims to determine whether one variable can predict changes in another over time. It scrutinizes the hypothesis that short-term fluctuations in one variable lead to variations in another, signifying a causal link. This test can detect both unidirectional and bidirectional causality. In bidirectional causality, both variables can predict changes in each other, whereas in unidirectional causality, only one variable has predictive power over the other.

In the fields of economics and finance, this method is frequently applied in time series analysis to identify interdependent variables, supporting in decision-making and forecasting. It is imperative to note that while the Granger causality test can reveal predictive relationships between time series variables, it does not establish direct causation but rather the existence of predictive linkages.

Table 4.7: Granger Causality Test of Stock Returns and Dividend Determinants of Nifty 50 Companies

Null Hypothesis	F-Statistic	Prob.	Conclusion
SIZE does not Granger Cause SR	1.21865	0.2967	Accepted H_0
SR does not Granger Cause SIZE	0.73618	0.4797	Accepted H_0
ROA does not Granger Cause SR	19.3256	0.0000	Rejected H_0
SR does not Granger Cause ROA	3.02846	0.0487	Rejected H_0
ROE does not Granger Cause SR	0.78251	0.4588	Accepted H_0
SR does not Granger Cause ROE	0.53684	0.5855	Accepted H_0
PE does not Granger Cause SR	7.84216	0.0005	Rejected H_0
SR does not Granger Cause PE	1.32614	0.2663	Accepted H_0
PB does not Granger Cause SR	16.7742	0.000	Rejected H_0
SR does not Granger Cause PB	1.11437	0.3287	Accepted H_0
DP does not Granger Cause SR	1.50216	0.2245	Accepted H_0
SR does not Granger Cause DP	3.02946	0.0497	Rejected H_0
DY does not Granger Cause SR	0.39427	0.6747	Accepted H_0
SR does not Granger Cause DY	8.66114	0.0002	Rejected H_0
DPS does not Granger Cause SR	0.39427	0.6747	Accepted H_0
SR does not Granger Cause DPS	3.42862	0.032	Rejected H_0

European Economic Letters
ISSN 2323-5233
Vol 16, Issue 1 (2026)
http://eelet.org.uk

EPS does not Granger Cause SR	2.61281	0.074	Rejected H_0
SR does not Granger Cause EPS	2.44119	0.088	Accepted H_0

Table 4.7 presents the results of a pairwise Granger causality analysis involving Stock Returns (SR) and various dividend determinants of Nifty 50 companies. The analysis shows that size of the companies (SIZE) and Return on Equity (ROE) have neither unidirectional nor bidirectional causality relationship with stock returns (SR), as the null hypotheses for these variables are accepted when p values are more than 0.05. Dividend determinants such as Price to Earnings Ratio (PE), Price to Book Value (PB), Dividend Payout (DP), Dividend Yield (DY), Dividend Per Share (DPS) and Earnings Per Share (EPS) are having unidirectional causality relationship with Stock Returns (SR). Apart from this, Return on Assets (ROA) has bidirectional causality relationship with Stock Returns (SR).

PANEL DATA REGRESSION MODEL OF DIVIDEND DETERMINANTS

Panel data is also known as longitudinal data. It may refer to a dataset that follows the same cross section units (such as individuals, firms, states or countries) over multiple time periods. It has the features with the combination of both time series data and cross sectional data. Normally, regression model is constructed to examine the impact of predictor variables on predicted variables. Regressions coefficients of explanatory variables explain the relationship with explained variables. Regressors with high beta values contribute maximum to the model. In this study, Panel Data Regression Model with Fixed Effect has been applied based on the results of Hausam test. The fixed effect model assumes that individual specific effects exist and may be correlated with the predictor variables. These variables capture all time variant characteristics of each entity that could bias the regression results if neglected.

Table 4.8 :Hausman Test of Dividend Determinants of Nifty 50 Companies

Dependent Variable	Test Summary	Chi sq Stat	Chi.Sq d.f	P Value	Effect
SR	Cross Section random	28.656	7	0.000	Fixed

Table 4.8 presents the results of the Hausman test conducted to determine the appropriate model for predicting profitability based on various dividend determinants of Nifty 50 companies.

The analysis reveals that the association between Stock Returns (SR) and its independent variables i.e, dividend determinants. Stock Returns (SR) is better predicted using the Fixed Effect Model. This is evident from the p- value of 0.0000, which is less than the 0.05 significance level, signifying that the test rejects the null hypothesis i.e., random effect is appropriate. The result leads to the recommendation of the Fixed Effect Model.

European Economic Letters
ISSN 2323-5233
Vol 16, Issue 1 (2026)
http://eelet.org.uk

Table 4.9

Panel Data Regression Model of Stock Returns and Dividend Determinants of Nifty 50 Companies

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.9827	0.2	19.91	0.0000
SIZE	0.1348	0.015	2.56	0.0111
ROA	0.2182	0.020	3.99	0.0001
ROE	0.1041	0.030	2.59	0.0101
PE	0.1142	0.025	3.18	0.0017
PB	0.2648	0.035	3.71	0.0002
DP	-0.0074	0.063	-0.12	0.0906
DY	0.0395	0.020	1.97	0.0490
DPS	-0.0564	0.085	-0.663	0.5071
EPS	0.0668	0.020	3.34	0.0009
Statistic	**Value**			
R-squared	0.8887			
Adjusted R-squared	0.8721			
F-statistic	38.9021			
Prob(F-statistic)	0.0000			
Durbin-Watson stat	1.9475			

Table 4.9 expounds the Panel Data Regression model of Stock Returns (SR), highlighting dividend determinants of Nifty 50 companies.

The analysis delineates major dividend determinants influencing Stock Returns (SR) of Nifty 50 companies. The regression coefficient of Size of the firm (SIZE) shows positive and statistically significant relationship with Stock Returns (SR). As large firms tend to have strong assets base and tangibility, it is reflected in the stable stock returns. The regression coefficient of Return on Assets (ROA) has positive and significant relationship with Stock Returns (SR). Return on Assets is the profitability measure which shows how a company is efficiently leveraging its assets in generating profits. Similarly, the regression coefficient of Return on Equity (ROE) is positively associated with

Stock Returns (SR). Return on Equity is also the profitability measure which shows how a company can utilize the shareholders equity to generate the profits. Price to Earnings Ratio (PE) is having positive and statistically significant relationship with Stock Returns (SR). It confirms the theoretical perspective of strong relationship between PE Ratio and Stock Returns i.e., increased PE Ratio is related with increased stock returns. It also reflects the investors' expectations and confidence. The regression coefficient of Price to Book Value (PB) is having positive and statistically significant relationship with Stock Returns (SR). It is observed from this result that higher Price to Book Value may have influence on reflecting better market value and as a result higher stock returns. In contrast to the expected relationship, the regression coefficients of Dividend Payout ratio (DP) and Dividend Per Share (DPS) showed a negative and statistically insignificant relationship with Stock Returns (SR). It can be inferred from this result that investors' expect capital appreciation than regular dividend payouts. However, Dividend Payout (DY) is positively related with Stock Returns (SR). The regression coefficient of Earnings Per Share (EPS) is having positive and statistically significant association with Stock Returns (SR). It implies that strong earnings is viewed as high performance thereby it is reflected in the increased stock returns.

The regression model shows strong explanatory power, with R square value 0.8887 and Adjusted R-square values of 0.8721 confirming the robustness of the model fit. The absence of autocorrelation, verified by the Durbin-Watson statistic, further validates the reliability of these findings. Overall, the analysis highlights the relevance of dividend determinants such as Return on Assets (ROA), Return on Equity (ROE), Price to Earnings Ratio (PE), Price to Book Value (PB), Dividend Yield (DY) and Earnings Per Share (EPS).

5. CONCLUSION

The analysis clearly identifies the major dividend determinants that influence the Stock Returns (SR) of companies listed in the Nifty 50. The empirical results reveal that firm size (SIZE) has a positive and statistically significant impact on stock returns, indicating that larger firms with strong asset bases and greater market stability tend to generate consistent returns for investors. Profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE) also exhibit a positive and significant relationship with stock returns, suggesting that firms that efficiently utilize their assets and shareholders' equity are more likely to enhance market performance and investor confidence. Market valuation measures including Price to Earnings Ratio (PE) and Price to Book Value (PB) show a positive and statistically significant association with stock returns. This indicates that companies with higher market valuation and stronger investor expectations tend to experience better stock performance. Similarly, Earnings Per Share (EPS) demonstrates a positive and significant influence on stock returns, highlighting that higher earnings capacity is perceived by investors as a signal of strong corporate performance. In contrast, Dividend Payout Ratio (DP) and Dividend Per Share (DPS) show a negative and statistically insignificant relationship with stock returns, implying that investors in the current market environment may prioritize capital appreciation over regular dividend income. However, Dividend Yield (DY) maintains a positive relationship with stock returns, suggesting that dividend yield still plays a role in influencing investor decisions. Overall, the findings emphasize the importance of profitability, valuation, and earnings indicators as key determinants of stock returns.

REFERENCES

1. Ajao, M. G., & Robinson, F. E. (2022). Dividend Policy Determinants and Stock Price Volatility in Selected African Stock Markets. *International Journal of Finance Research*, *3*, 27–48. https://doi.org/10.47747/ijfr.v3i1.659.
2. Al Mamoori, A. T., Wan Yusoff, W. F., & Khudari, M. (2025). Verifying the Role of Dividends as a Mediator in the Impact of Cash Flows on Bank Stock Returns on the Iraq Stock Exchange: An Empirical Analysis. *Journal of Risk and Financial Management*, *18*. https://doi.org/10.3390/jrfm18020102.
3. Apriansyah, F. Y., Lukiana, N., & Budiwati, H. (2021). Factors Affecting Stock Return of Companies Entered IN IDX HIGH DIVIDEND 20. *International Journal of Accounting and Management Research*, *2*(1), 25–29. https://doi.org/10.30741/ijamr.v2i1.685.
4. Bilal, Z. O., & Jamil, S. A. (2015). Does dividend policy impact stock market prices? - Evidence from Oman. *International Journal of Applied Business and Economic Research*. https://www.scopus.com/pages/publications/84963520748?origin=resultslist.
5. Danendra Caesaro, G., Heti Tri Rahmawati, C., & Purwoto, L. (2023). *Stock Returns: Effect of Return on Assets, Return on Equity, Debt to Equity Ratio, and Dividend Payout Ratio* (Vol. 7, Issue 3). http://jurnal.ustjogja.ac.id.
6. Doblas, M. P., Enriquez, j. A., & Lagaras, Ma. C. P. (2020). Price to Earnings and Price to Book Ratios as Determinants of Stock Return: The Case of Financial Institutions Listed in Bahrain Bourse. *Journal of Applied Economic Sciences*, *15*(3), 532–539. https://doi.org/10.57017/JAES.V15.3(69).02.
7. Kusmanto, K. (2025). Determinants Of Stock Returns and Their Implications for Dividend Policy of Mining Sector Companies on The Indonesian Stock Exchange. *Journal of Economics and Management Scienties*, 580–588. https://doi.org/10.37034/jems.v7i4.179.
8. Mcmillan, D. G. (2015). *Predicting Stock Returns: Historical Mean vs. Dividend Yield*. http://ssrn.com/abstract=2682725Electroniccopyavailableat:https://ssrn.com/abstract=2682725Electroniccopyavailableat:http://ssrn.com/abstract=2682725.
9. Monteiro, A., Sebastião, H., & Silva, N. (2020). International evidence on stock returns and dividend growth predictability using dividend yields. *Revista Contabilidade e Financas*, *31*, 473–489. https://doi.org/10.1590/1808-057X202009690.
10. Puspita, A. I., & Ratnawati, D. (2025). Empirical Study on the Determinants of Stock Returns: Evidence from the Banking Industry in Indonesia. *Assets : Jurnal Ilmiah Ilmu Akuntansi, Keuangan Dan Pajak*, *9*(2), 128–136. https://doi.org/10.30741/assets.v9i2.1581.
11. Putra, I. G. C., Apriada, K., & Bagiana, I. K. (2024). Examining Dividend Policy's Impact on Stock Returns with Profitability and Liquidity Analysis. *International Journal of Accounting & Finance in Asia Pasific*, *7*(2), 1–16. https://doi.org/10.32535/ijafap.v7i2.2973.
12. Putri, F. O., & Wijayanti, I. O. (2025). The Effect of Dividend Yield, Dividend Payout Ratio, and Stock Volume on the Dividend Trap in IDXHIDIV20. *Marginal Journal of Management Accounting General Finance and International Economic Issues*, *4*, 466–478. https://doi.org/10.55047/marginal.v4i2.1640.

13. Septawati, B., Yuli Sari, R., Studi Akuntansi, P., Ekonomi dan Bisnis Maritim, F., Maritim Raja Ali Haji, U., & Akuntansi, P. (2024). The Effect of Dividend Policy and Price Earning Ratio on Stock Returns. In *Jurnal Cakrawala : MSJ* (Vol. 1, Issue 2).
14. Shabrina, H., Gursida, H., & Hardiyanto, A. T. (2025). The Role of Corporate Governance and Financial Performance in Influencing Stock Returns through Dividend Policy: Evidence from the Automotive Subsector in Indonesia (2014–2023). *International Journal Administration, Business & Organization*, *6*, 162–173. https://doi.org/10.61242/ijabo.25.539.
15. Tetteh, J. E., Adenutsi, D. E., & Amoah, A. (2019). The Determinants of Stock Market Return in Ghana: FMOLS and DOLS Approaches. *IUP Journal of Applied Finance*, *25*(4), 5–27. https://openurl.ebsco.com/contentitem/bsh:139915995?sid=ebsco:plink:crawler&id=ebsco:bsh:139915995&crl=c.