



**St. Edmund's College, Shillong, congratulates
Mekelle Jodie Kharkongor on publishing a research article on
Dividend Payout and Firm Value Relationship: Role of Age and Size
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6th Semester
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Article

**Dividend Payout and Firm Value
Relationship: Role of Age and Size**

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Abstract

This research article examines the relationship between dividend payout (DP) policy and firm value (FV), with a focus on the impact of the age and size of the firm. The study used a panel regression model to analyze the data of 657 companies for seven years with 4,599 firm-year observations, and results indicate that DP positively influences the FV of Indian firms. However, when analyzing the relationship based on age and size, it is found that there is no statistically significant relationship for younger and smaller firms. This supports the maturity hypotheses theory, suggesting that younger and smaller firms need to rely on other strategies to influence market value, while larger and older firms with more resources and experience can positively impact market value through DP. The study highlights the importance of considering age and size effects on the relationship between DP and FV.

Keywords

Dividend payouts, firm value, age effect theory, size effect theory, maturity hypotheses

Introduction

Dividend payout (DP) policy has long been a subject of significant interest and debate among academics, practitioners, and investors alike. Understanding the relationship between DP and firm value (FV) is crucial for both financial managers and market participants, as it directly influences investment decisions, capital allocation strategies, and overall shareholder wealth. This article aims to provide a comprehensive analysis of the impact of DP on FV, examining the impact of the age and size of the firm and their effect on

the relationship between DP and FV. DP represents the portion of a company's earnings distributed to shareholders in the form of cash dividends. While dividends have been considered a vital component of total shareholder return, their effect on FV is inconclusive. Empirical studies exploring the DP-FV relationship have yielded mixed findings. Some studies suggest a positive relationship, indicating that companies with higher DPs tend to have higher FVs. This perspective highlights the attractiveness of dividend-paying stocks to investors seeking current income and stable returns (Baker & Jabbouri, 2016; Baker & Weigand, 2015;

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This accomplishment represents a significant milestone for an undergraduate student. Being published in a journal holds high prestige within academic circles. Given its rarity among undergraduates in India, this achievement is highly valued by recruiters as it demonstrates strong analytical abilities.

In her endeavour Mekelle was guided by Sir Navin Chettri, Research Facilitator, Department of Commerce, St. Edmund's College, Shillong. A member of the Research and Publication Cell.

Mekelle's published article was the first among the undergraduates from the Department of Commerce, St. Edmunds College, Shillong.