

## DIVIDEND PAYOUT TRENDS: A STUDY OF INDIAN CORPORATE SECTOR

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### ABSTRACT

Dividend policy is a vital policy of a concern around which all other policies rotate. Dividend policy is a policy related to the decision regarding what amount of dividend should be paid by the company to its shareholders and what amount should it retain for future growth. In this research paper trends of dividend policy of 5 industries viz. Industrial Manufacturing, Automobile, Energy, IT and Consumer goods containing 10 companies each listed on NSE were studied. Study covered the period of eleven years i.e. 2010-2020. Study found that the Industrial Manufacturing, Automobile and IT industries following conservative dividend policy and are inconsistent in dividend payment on the other hand Energy and Consumer goods industries are following liberal as well as consistent dividend policy during the study period.

**Key Words:** *Dividend, Dividend policy, Dividend payout ratio, Trends.*

### INTRODUCTION

The main motive of any kind of business is earning profit. The profit enables the business to meet its short-term as well as long-term objectives. Shareholders want maximum return on their investment in shape of dividend and on the other hand company wants to invest the profit in various growth opportunities. Because if it distributes its all profit then it has to depend upon outside resources such as issuing new shares or debt etc. The value of the firm can be maximized if shareholder wealth is maximized. Dividend helps the companies in earning more profits and also helps in its growth (Reddy, S 2003). So for the financial management it is a big task to decide about the best utilization of their profit so that Shareholders can be satisfied and at same time business must also grow. So dividend policy is a policy which decides that what amount of profit should be distributed to the shareholders and what amount should be retained by the business for future growth. There are various forms of dividend, such as profit dividend, liquidation dividend, interim dividend and final dividend. On the basis of medium, dividend can be cash dividend, stock dividend, property dividend or scrip dividend. Cash dividend is usual method of distribution of dividend. Shareholders get the dividend in cash form but in case of scrip dividends there is a promise to shareholders to pay dividend at future specific date. In case of property dividend share holders in form of dividend get some assets other than cash and get bonus shares in case of stock dividend.

In this research paper trends of the dividend policy of 5 industries viz. Industrial Manufacturing, Automobile, Energy, IT and Consumer goods were studied for 11 years.

### REVIEW OF LITERATURE

The aim of literature review is to give an overview of the previous studies on a given topic. Available literature guides the right path and also provides directions for new research. Various research papers published in journals, doctoral thesis, books, and magazines were referred and explained below to study the dividend payout trends in Indian corporate sector:

Reddy (2003) Studies the behavior of dividend policy of Indian firms. For Dividend trends Analysis all companies listed on NSE and BSE were taken as sample. Research found that the percentage of companies paying dividends had declined from 60.5 percent in 1990 to 32.1 percent in 2001 and only few firms were consistently paid the same levels of dividend. Study also found that dividend-paying companies were more profitable and large in size. Monica, S. (2005) analyzed the trends of dividend payout of 590 companies listed on BSE. Data was collected from CMIE prowest database. Study found significant increase in average dividend payout ratio from 25 to 68 percent during study period i.e. 1992-2004. Devki (2009) analyzed the trends and determinants of dividend policy of Indian corporate hotels. 25 companies in hotel industry and having financial coverage in CAPITALINE database were taken as sample. Study found relation between profitability, revenue and payment of dividend. No relation of payment of dividend, size of firm and liquidity to DPS was found. Joshi & Ghosh (2012) made an attempt to examine the trends of dividend payout of two leading steel companies of India i.e. Steel authority of India Ltd. (SAIL) and Tata steel Ltd. (TSL). Study found satisfactory trends of dividend payout in both companies. Study found more consistency in Tata steel than SAIL. Ayan (2013) tried to study the trends of Indian corporate sector. For this purpose 35 companies of Indian corporate sector were studied. The study found that each company had its own unique dividend policy and variety of dividend trend even if they were from the same

industry.Labhane & Mahakud (2016) analyzed the determinants and trends of the dividend policy of Indian companies.Study found that the firms with having high investment opportunity, financial leverage and business risk had lower dividend payout ratio and vice versa.Chauhan et al., (2019) made an effort to study the effect of dividend policy on the profitability of Indian IT companies listed at Bombay stock exchange. Study found that selected companies didn't have consistent dividend pattern. Study found significant impact of dividend policy on the profitability of selected IT companies

### OBJECTIVES

1. To Study the nature and consistency of dividend policy of selected companies.
2. To Analyse the nature and consistency of dividend policy of selected industries.

### RESEARCH METHODOLOGY

The current study is proposed to analyze the dividend payout trends in Indian corporate sector during the post recession period i.e. January 2010 onwards. The study covers the period of eleven years i.e.2010-2020.For this purpose 5 industries viz. Industrial Manufacturing, Automobile, Energy, IT and Consumer goods containing 10 companies each listed on NSE and paying regular dividend throughout the study period were considered. So total 50 companies were taken as sample. Secondary data was used for this purpose. The data was collected from NSE website and annual reports of companies.

**Variable Used:** Dividend per share, Earnings per share, Dividend payout ratio.

### TECHNIQUES FOR DATA ANALYSIS

In present study DPR has been considered as the indicator of dividend policy as most of the previous studies used DPR as an indicator of dividend policy ( Ayan,2013; Agarwal,2008; Amidu & Abor,2006; Afja,2010 ; Bulla,2010 etc). DPR has been calculated by using the following formula

$$DPR = DPS / EPS$$

- Average of DPR of selected companies has been calculated by arithmetic mean of DPR.
- The Average DPR of an industry has been obtained by the arithmetic mean of the average values of DPR of all the selected companies belonging to the industry.
- Grand average of DPR of the industries has also been measured by arithmetic mean of the DPR of the industries.
- CV of DPR of the industry has been calculated by the mean of CVs of DPR of the companies in the concerned industry.
- Grand average of CV of DPR has also been calculated by the arithmetic mean of CV of DPR of all the Industries under study.

### ANALYSIS

**Table 1.1 Company wise Mean and coefficient of variation of DPR**

Company Name	Sector	Mean	Coefficient of variation
ABB India Ltd.	INDUSTRIAL MANUFACTURING  Mean = 25.75 CV = 0.74	33.52	0.44
BEML Ltd.		36.37	0.70
Bharat Electronics Ltd.		27.26	0.32
Bharat Forge Ltd.		26.03	0.17
Cummins India Ltd.		56.53	0.13
Finolex Cables Ltd.		15.16	0.20
Finolex Industries Ltd.		44.43	0.18
Honeywell Automation India Ltd.		8.49	0.36
Jai Corp Ltd.		11.07	2.38
Jain Irrigation Systems Ltd.		73.99	2.17
Apollo Tyres Ltd.	AUTOMOBILE	17.49	0.55
Bajaj Auto Ltd.		43.71	0.22

Bosch Ltd.	Mean = 25 CV = 1.21	22.85	0.50
Exide Industries Ltd.		28.48	0.25
Hero MotoCorp Ltd.		59.75	0.36
MRF Ltd.		2.25	0.62
Mahindra & Mahindra Ltd.		22.43	0.09
Maruti Suzuki India Ltd.		20.84	0.50
Minda Industries Ltd.		15.57	0.20
WABCO India Ltd.		16.17	0.26
Bharat Petroleum Corporation Ltd.	ENERGY Mean = 31.98 CV = 0.23	45.64	0.60
GAIL (India) Ltd.		35.44	0.39
Hindustan Petroleum Corporation Ltd.		40.37	0.42
NHPC Ltd.		45.58	0.34
NTPC Ltd.		36.12	0.24
Nava Bharat Ventures Ltd.		19.61	0.26
Oil & Natural Gas Corporation Ltd.		41.68	0.15
Oil India Ltd.		57.91	0.40
PTC India Ltd.		35.81	0.21
Petronet LNG Ltd.		30.17	0.68
Infosys Ltd.	IT Mean = 27.08 CV = 0.85	44.33	0.31
MindTree Ltd.		26.64	0.77
Mphasis Ltd.		54.59	0.42
NIIT Technologies Ltd.		37.47	0.19
Take Solutions Ltd.		63.59	0.58
Tata Consultancy Services Ltd.		48.40	0.40
Tata Elxsi Ltd.		43.41	0.40
Tech Mahindra Ltd.		21.70	0.54
Vakrangee Ltd.		24.32	1.53
eClerx Services Ltd.		25.49	0.92
Akzo Nobel India Ltd.	CONSUMER GOODS Mean = 32.05 CV = 0.63	80.51	0.90
Symphony Ltd.		42.65	0.61
Asian Paints Ltd.		43.37	0.12
Bata India Ltd.		22.47	0.17
Berger Paints India Ltd.		33.42	0.14
Britannia Industries Ltd.		41.45	0.26
CCL Products (I) Ltd.		24.46	0.47
DCM Shriram Ltd.		10.56	1.74
Dabur India Ltd.		50.53	0.48
Emami Ltd.		49.06	0.28
<b>Industrial Grand Average Mean = 28.37</b>			
<b>Industrial Grand Average Coefficient of variation = .73</b>			

**TABLE 1.2 Average –consistency status of DPR of selected companies in Industrial manufacturing**

Mean CV	Low ( $\leq 25$ )	Moderate ( $> 25$ But $\leq 35$ )	High ( $> 35$ )
High ( $> 0.45$ )	Honeywell Automation India Ltd. Jai Corp Ltd.	ABB India Ltd.	BEML Ltd. Jain Irrigation Systems Ltd.
Moderate ( $> 0.25$ But $\leq 0.45$ )		Bharat Electronics Ltd.	
Low ( $\leq 0.25$ )	Finolex Cables Ltd.	Bharat Forge Ltd.	Cummins India Ltd. Finolex Industries Ltd.

**TABLE 1.3 Average –consistency status of DPR of selected companies in Automobile**

Mean CV	Low ( $\leq 25$ )	Moderate ( $> 25$ But $\leq 35$ )	High ( $> 35$ )
High ( $> 0.45$ )	Apollo Tyres Ltd. Bosch Ltd. MRF Ltd. Maruti Suzuki India Ltd.		Hero MotoCorp Ltd.
Moderate ( $> 0.25$ But $\leq 0.45$ )	WABCO India Ltd.	Exide Industries Ltd.	
Low ( $\leq 0.25$ )	Mahindra & Mahindra Ltd. Minda Industries Ltd.		Bajaj Auto Ltd.

**TABLE 1.4 Average –consistency status of DPR of selected companies in Energy**

Mean CV	Low ( $\leq 25$ )	Moderate ( $> 25$ But $\leq 35$ )	High ( $> 35$ )
High ( $> 0.45$ )		Petronet LNG Ltd.	Bharat Petroleum Corporation Ltd. GAIL (India) Ltd. Hindustan Petroleum Corporation Ltd. Oil India Ltd.
Moderate ( $> 0.25$ But $\leq 0.45$ )	Nava Bharat Ventures Ltd.		NHPC Ltd.

Low ( $\leq 0.25$ )			NTPC Ltd. Oil & Natural Gas Corporation Ltd. PTC India Ltd.
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**TABLE 1.5 Average –consistency status of DPR of selected companies in IT**

Mean CV	Low ( $\leq 25$ )	Moderate ( $> 25$ But $\leq 35$ )	High ( $> 35$ )
High ( $> 0.45$ )	Tech Mahindra Ltd. Vakrangee Ltd.	MindTree Ltd. eClerx Services Ltd.	Mphasis Ltd. Take Solutions Ltd. Tata Consultancy Services Ltd. Tata Elxsi Ltd.
Moderate ( $> 0.25$ But $\leq 0.45$ )			Infosys Ltd.
Low ( $\leq 0.25$ )			NIIT Technologies Ltd.

**TABLE 1.6 Average –consistency status of DPR of selected companies in Consumer Goods**

Mean CV	Low ( $\leq 0.25$ )	Moderate ( $> 0.25$ But $\leq 0.35$ )	High ( $> 0.35$ )
High ( $> 45$ )	CCL Products (I) Ltd. DCM Shriram Ltd.		Akzo Nobel India Ltd. Symphony Ltd. Dabur India Ltd.
Moderate ( $> 0.25$ But $\leq 0.45$ )			Britannia Industries Ltd., Emami Ltd.
Low ( $\leq 0.25$ )	Bata India Ltd.	Berger Paints India Ltd.	Asian Paints Ltd.

## FINDINGS

The average dividend payout ratio of the company has been compared with the average DPR of the industry to which particular company belongs.. Company having higher average DPR than the average DPR of the industry to which it belongs implies that company is following a liberal dividend policy. On the other hand company having lower average DPR as compared to average DPR of the industry to which it belongs shows that company is following conservative dividend policy.

An industry having higher average DPR than grand average of DPR implies that industry is adopting liberal dividend policy and industry having lower average DPR than grand average DPR indicates that Industry is following conservative dividend policy.

In table 1.1 the consistency of paying dividends of selected companies has also been assessed. For this purpose Coefficient of variation of DPR has been calculated. The CV of DPR of each company has been compared with the CV of DPR of the industry to which it belongs. The company having lower CV of DPR than CV of DPR of the industry to which it belongs implies that company is more consistent in paying dividends and company having higher CV of DPR than the CV of DPR of the industry it belongs implies that company is less consistent in paying dividends.

Industry having higher CV of DPR than grand average of CV of DPR implies that industry is inconsistent in paying dividends The industry having lower CV of DPR than grand CV of DPR implies that industry is more consistent in paying dividends.

In tables 1.2 to 1.6 efforts has been made to analyse the trends of dividend policy more precisely by considering average dividend payment and consistency of dividend payment.

**Industrial Manufacturing:** Table 1.1 shows that in Industrial Manufacturing there are 3 companies following liberal dividend policy and 7 companies following conservative dividend policy as compared to the general trend of the industry. Jain Irrigation Systems Ltd. is the company following most liberal dividend policy out of the 10 selected companies of the industry. Moreover table 1.1 shows that in this industry 8 companies are consistent and 2 companies are inconsistent out of ten selected companies in dividend payment. Finolex Industries Ltd. is the most consistent company in paying dividends in this industry.

Table 1.2 shows that BEML Ltd .and Jain Irrigation Systems Ltd. are highly liberal but are not consistent in paying dividend during the study period. ABB India Ltd. is moderately liberal but less consistent in dividend payment. Cummins India Ltd. and Finolex Industries Ltd both are following liberal dividend policy and are consistent in dividend payment.

**Automobile:** Table 1.1 shows that in Automobile Industry there are 3 companies following liberal dividend policy and 7 companies following conservative dividend policy as compared to the general trend of the industry. Bajaj Auto Ltd. is the company following most liberal dividend policy out of the 10 selected companies of the industry. 1.1 shows that in this industry all the companies are consistent in dividend payment. Mahindra & Mahindra Ltd.is the most consistent company in paying dividends in this industry.

Table 1.3 shows that Apollo Tyres Ltd.,Bosch Ltd.,MRF Ltd. and Maruti Suzuki India Ltd. are following conservative dividend policy and are inconsistent in dividend payment. On the other hand Mahindra & Mahindra Ltd. and Minda Industries Ltd. are following conservative dividend policy but are consistent in dividend payment.

**Energy:** Table 1.1 shows that in Energy Industry there are 8 companies following liberal dividend policy and 2 companies following conservative dividend policy as compared to the general trend of the industry. Oil India Ltd. is the company following most liberal dividend policy out of the 10 selected companies of the industry. 1.1 shows that in this industry 2 companies are consistent and 8 companies are inconsistent out of ten selected companies in dividend payment. Oil & Natural Gas Corporation Ltd. is the most consistent company in paying dividends in this industry.

Table 1.4 shows that Bharat Petroleum Corporation Ltd.,GAIL (India) Ltd.,Hindustan Petroleum Corporation Ltd. and Oil India Ltd. are liberal but inconsistent in dividend payment. On the other hand NTPC Ltd.,Oil & Natural Gas Corporation Ltd. and PTC India Ltd. are following liberal dividend policy but also consistent in dividend payment.

**IT :** Table 1.1 shows that in IT Industry there are 6 companies following liberal dividend policy and 4 companies following conservative dividend policy as compared to the general trend of the industry. Take Solutions Ltd. is the company following most liberal dividend policy out of the 10 selected companies of the industry. 1.1 shows that in this industry 8 companies are consistent and 2 companies are inconsistent out of ten selected companies in dividend payment. NIIT Technologies Ltd. is most consistent company in paying dividends in this industry

Table 1.5 shows that Mphasis Ltd.,Take Solutions Ltd.,Tata Consultancy Services Ltd. and Tata Elxsi Ltd. are highly liberal but inconsistent in dividend payment. NIIT Technologies Ltd. is liberal as well as is consistent in dividend payment.

**Consumer goods:** Table 1.1 shows that in IT Industry there are 7 companies following liberal dividend policy and 3 companies following conservative dividend policy as compared to the general trend of the industry.Akzo Nobel India Ltd.is the company following most liberal dividend policy out of the 10 selected companies of the industry. 1.1 shows that in this industry 8 companies are consistent and 2 companies are inconsistent out of ten selected companies in dividend payment. Asian Paints Ltd. most consistent company in paying dividends in this industry

Table 1.6 shows that Akzo Nobel India Ltd.,Symphony Ltd. and Dabur India Ltd. are highly liberal but inconsistent in dividend payment. CCL Products (I) Ltd. and DCM Shriram Ltd. are conservative as well as inconsistent in dividend payment. Bata India Ltd. is conservative but is consistent in dividend payment.

Out of all the selected industries study found that Industrial Manufacturing, Automobile and IT industries are following conservative dividend policy and are inconsistent in dividend payment and Energy and Consumer goods industries are following liberal as well as consistent dividend policy during the study period.

## CONCLUSION

The main purpose of this research paper was to study the trends and nature of dividend policy of 5 industries viz. Industrial Manufacturing, Automobile, Energy, IT and Consumer goods for the period of eleven years i.e. 2010- 2020. In present study DPR has been considered as the indicator of dividend policy as most of the previous studies used DPR as an indicator of dividend policy ( Ayan,2013; Agarwal,2008; Amidu & Abor,2006; Afja,2010 ; Bulla,2010 etc). Study found Industrial Manufacturing, Automobile and IT industries are following conservative dividend policy and are inconsistent in dividend payment and Energy and Consumer goods industries are following liberal as well as consistent dividend policy during the study period.

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