



## International Journal of Applied Business and Economic Research

ISSN : 0972-7302

available at <http://www.serialsjournal.com>

© Serials Publications Pvt. Ltd.

Volume 15 • Number 4 • 2017

### Determinants of Dividend Policy: A Study of Selected Listed Firms in National Stock Exchange

Anjana C.A.<sup>1</sup> and P. Balasubramanian<sup>2</sup>

<sup>1</sup>Email: [anjanaajay567@gmail.com](mailto:anjanaajay567@gmail.com) and <sup>2</sup>[baladivansapudur@gmail.com](mailto:baladivansapudur@gmail.com)

#### ABSTRACT

Dividend Policy decision is an important policy decision which has remained in the controversy since the evolution of corporate financial research on dividend policy. Since long time, the finance scholars are in search of the truth relating to its relevance and the factors that influence the dividend policy through a large number of empirical investigations. The importance of dividend policy can be accessed on the basis of its effects on companies and shareholders. Companies tend to maintain the balance between debt and equity in their capital structure. Hence, they pay dividends from the residual earnings after meeting all operating and capital expenditures.

This study basically attempts to examine some of the features that determine the behaviour of firms' dividend payouts ratio in NSE. To accomplish this objective, the annual reports for the period 2011-2015 were analyzed and a questionnaire based survey related to the determinants of dividend policy. In addition, the study considered a total of 50 listed firms in the National Stock Exchange Ltd. The choice of the firms' arises based on the frequency in which dividends are paid to shareholders and the availability of ownership structure data for the period under consideration. The factors determining dividend policy decisions are Financial Leverage, profitability, growth, current year's earnings, taxation policy etc.

Increase in the financial performance of firms will lead to a positive improvement in firm's dividend policy. Financial performance of firms has a significant positive impact on dividend policy decisions. Firm with high profits has the potential to pay dividends more than less profitable firms. Firm size is positive and significant. Larger firms have easier access to fund and are able to distribute dividends to shareholders better than smaller firms.

Dividend policy is determined by factors such as: Availability of profits, availability of profitable investment opportunities, availability of liquidity, level of inflation, share prices, composition of shareholders, and company's policy toward dividends stability, contractual restrictions imposed by lenders, access to external sources of funds, and management's attitude and objective. Management's main target is shareholders' wealth maximization, which translates into maximizing the worth of the stable as measured by the worth of the company's common stock.

## 1. INTRODUCTION

Dividend Policy decision is an important policy decision which has remained in the controversy since the evolution of corporate financial research on dividend policy. Since long time, the finance scholars are in search of the truth relating to its relevance and the factors that influence the dividend policy through a large number of empirical investigations. However, due to diverse empirical results, the researchers have not reached a universally accepted explanation for the dividend policy of the firms.

Firm's decisions relating to dividend policy have been a subject of debate in the financial literatures. Series of theoretical models and explanations describing the factors that managers of organization should consider when making dividend policy decisions have been developed by academics and researchers. Dividend policy, in the context of this study, relates to firm's dividend payout policy that managers follow in deciding the pattern and size of cash distribution to shareholders over time. The company may be forced to borrow or to issue additional shares to generate funds. This move will influence the debt: equity ratio (capital structure). Hence, a company's management tends to maintain stability in its dividend pay-out in order to reduce uncertainty for investors and to provide them with income.

The company can also use dividend pay-out for tax purposes. Dividend pay-out can be also used by a company's management to signal information about its performance. Companies with high agency costs pay high dividends in order to force managers to go often to the capital markets for needed funds, thus subjecting management to frequent scrutiny and monitoring by market participants. There is no consensus, however, on the effect of a dividends policy on the shareholders or potential investors. Dividends are important to shareholders and potential investors since they indicate the company's financial health. Dividends are also attractive for shareholders and potential investors who are looking to secure current income. In addition, changes in dividend pay-out may affect the price of a security. Companies that have a long-standing history of stable dividend pay-outs would be positively/ negatively affected by any changes in their policy. In addition, companies without a dividend history may be viewed favorably when they declare dividends.

### Statement of the Problem

The importance of dividend policy can be accessed on the basis of its effects on companies and shareholders. Companies tend to maintain the balance between debt and equity in their capital structure. Hence, they pay dividends from the residual earnings after meeting all operating and capital expenditures. By doing so, they demonstrate that they have enough money to pay dividends after they have paid for all operating and expansion expenses. This study basically attempts to examine some of the features that determine the behaviour of firms' dividend payouts ratio in NSE. To accomplish this objective, the annual reports for the period 2011-2015 were analyzed and a questionnaire based survey related to the determinants of dividend policy. In addition, the study considered a total of 50 listed firms in the National Stock Exchange Ltd. The choice of the firms' arises based on the frequency in which dividends are paid to shareholders and the availability of ownership structure data for the period under consideration.

### Objective of the Study

**Primary Objective:** To study the impact of factors determining the Dividend Policy decisions.

**Secondary Objective:** To study the Socio-economic profile and the relationship of Dividend Policy decisions.

### Scope of the Study

- To examine some of the features that determines the behavior of firm's dividend policy decisions.
- The choice of the firms arises based on the frequency in which dividend are paid to shareholders.
- Based on the factors influencing the company's dividend policy, the economy also has a scope to develop at par.

### Sources of Data

- **Primary data:** Primary data is the data which are collected for the first time directly by the researcher. The primary data was collected from the respondents by administering a structured questionnaire and also through observation, discussion with the management.
- **Secondary data:** Secondary data is the data that have been already collected by and readily available from other sources. Apart from the primary data collected, the data collected through the records different companies listed in NSE, annual report and websites for the study.

### Population

Population for the data collection is the company listed in National Stock Exchange Ltd.

### Sample Size

A sample of 50 respondents is taken for the study.

### Sampling Techniques Used

Here the sampling technique used is **Simple Random Sampling** technique which is a probability sampling technique where we select a group of subjects for study from a larger group. Each individual is chosen entirely by chance and each member of population has an equal chance of being included in the sample. The questionnaire was used for interviewing the respondent in person.

### Tools for Data Collection

Structured Questionnaire was used to collect the primary data and annual reports were used to collect secondary data.

### Tools for Data Analysis

The tools used in this study are Mean, Independent Sample T Test, One Way Anova and Chi Square test, correlation, linear regression. Data analysis was done using SPSS (Statistical Package for the Social sciences).

### Hypothesis of the Study

Independent sample T test, One way Anova, Chi – square has been used to find out the relationship between variables.

### Independent T-Test:

1. There is no difference between dividend influences by Companies shareholders preference.
2. There is no difference between ranking the determinants of dividend policy by Board of Directors

### Anova Test:

1. There is no association in the ranking of determinants of dividend policy by entrusted in fixation of dividend policy.
2. There is no association in the ranking of determinants of dividend policy by type of industry.
3. There is no association in the dividend influence by Annual Income
4. There is no association in the dividend influence by third parties influence.

### Chi-Square Test:

1. There is no relationship between the dividend type most important to shareholders by use of dividend type.

### Correlation Test:

1. There is no correlation between Dividend type most important to shareholders by use of dividend type.

### Limitations of the Study

The study will focus only on the companies listed in NSE to obtain a full picture about the determinants of dividend policy of companies in India.

Due to time constraints, only 50 companies have been taken for the study.

### Linear Regression Analysis

1. **ACC Cements:**

**Table 1.1**  
**Model Summary of ACC Cements**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.213 <sup>a</sup>	.045	-.273	1.784

**Table 1.1.1**  
**Coefficient of ACC Cements**

<i>Coefficients<sup>a</sup></i>					
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1 (Constant)	2008.348	12.333		162.849	.000
ACC	.015	.040	.213	.378	.731

Source: Secondary data

**Interpretation:** In general, greater the value of  $R^2$  better is the fit. Since P value  $> 0.05$  ( $=0.731$ ), we accept the null hypothesis since  $R = 0.213$ , which has a positive relation.

2. **Adani Ports:**

**Table 2.1**  
**Model Summary of Adani Ports**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.730 <sup>a</sup>	.533	.377	1.248

**Table 2.1.1**  
**Coefficient of Adani ports**

<i>Coefficients<sup>a</sup></i>					
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>T</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1 (Constant)	2005.848	3.908		513.226	.000
Adani	.152	.082	.730	1.849	.162

Source: Secondary data

**Interpretation:** In general, greater the value of  $R^2$  better is the fit. Since P value  $> 0.05$  ( $=0.162$ ), we accept the null hypothesis since  $R = 0.730$ , which has a positive relation.

3. **Aurobindo Pharmaceuticals:**

**Table 3.1**  
**Model Summary of Aurobindo Pharmaceuticals**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.966 <sup>a</sup>	.933	.911	.473

**Table 3.1.1**  
**Coefficient of Aurobindo Pharmaceuticals**

<i>Coefficients<sup>a</sup></i>					
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1 (Constant)	2010.328	.464		4329.845	.000
Aurobindo	.011	.002	.966	6.463	.008

Source: Secondary Data

**Interpretation:** In general, greater the value of  $R^2$  better is the fit. Since P value  $> 0.05$  ( $=0.008$ ), we accept the null hypothesis since  $R = 0.966$ , which has a positive relation.

4. **Bank of Baroda:**

**Table 4.1**  
**Model Summary of Bank of Baroda**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.200 <sup>a</sup>	.040	-.280	1.789

**Table 4.1.1**  
**Coefficient of Bank of Baroda**

<i>Coefficients<sup>a</sup></i>					
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1 (Constant)	2010.877	6.045		332.652	.000
BOB	.011	.032	.200	.354	.747

Source: Secondary Data

**Interpretation:** In general, greater the value of  $R^2$  better is the fit. Since P value  $> 0.05$  ( $=0.747$ ), we accept the null hypothesis since  $R = 0.200$ , which has a positive relation.

5. **Bharti Airtel:**

**Table 5.1**  
**Model Summary of Bharti Airtel**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.707 <sup>a</sup>	.500	.333	1.291

**Table 5.1.1**  
**Coefficient of Bharti Airtel**

<i>Coefficients<sup>a</sup></i>					
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1 (Constant)	2011.208	1.185		1697.747	.000
Airtel	.052	.030	.707	1.732	.182

Source: Secondary Data

**Interpretation:** In general, greater the value of  $R^2$  better is the fit. Since P value  $> 0.05$  ( $=0.182$ ), we accept the null hypothesis since  $R = 0.707$ , which has a positive relation.

6. **Bosch:**

**Interpretation:** In general, greater the value of  $R^2$ , better is the fit. Since P value  $> 0.05$  ( $=0.525$ ), we accept the null hypothesis since  $R = 0.382$ , which has a positive relation.

**Table 6.1**  
**Model Summary of Bosch**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.382 <sup>a</sup>	.146	-.139	1.687

**Table 6.1.1**  
**Coefficient of Bosch**

<i>Coefficients<sup>a</sup></i>					
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1 (Constant)	2014.461	2.174		926.461	.000
Bosch	-.002	.003	-.382	-.716	.525

Source: Secondary Data

7. **BPCL:**

**Table 7.1**  
**Model Summary of BPCL**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.753 <sup>a</sup>	.568	.423	1.201

**Table 7.1.1**  
**Coefficient of BPCL**

<i>Coefficients<sup>a</sup></i>					
<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1 (Constant)	2009.274	1.953		1028.780	.000
BPCL	.025	.012	.753	1.984	.141

Source: Secondary Data

**Interpretation:** In general, greater the value of R<sup>2</sup> better is the fit. Since P value > 0.05 (=0.141), we accept the null hypothesis since R = 0.753, which has a positive relation.

8. **CIPLA:**

**Table 8.1**  
**Model Summary of Cipla**

<i>Model Summary</i>				
<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.000 <sup>a</sup>	0.000	-.333	1.826

**Interpretation:** In general, greater the value of R<sup>2</sup> better is the fit. Since P value > 0.05 (=1.000), we accept the null hypothesis since R = 0.000, which has a positive relation.

**Table 8.1.1**  
**Coefficient of Cipla**

<i>Model</i>		<i>Coefficients<sup>a</sup></i>				
		<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
		<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
1	(Constant)	2013.000	20.837		96.609	.000
	Cipla	0.000	.204	0.000	0.000	1.000

Source: Secondary Data

### One Way Anova

9. To find out the association between influences on the dividend decision by Third parties influence upon dividend policy
- H0: There is no association between influences on the dividend decision by Third parties influence upon dividend policy
- H1: There is association between influences on the dividend decision by Third parties influence upon dividend policy

		<i>ANOVA</i>				
		<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Dividend influence- Current years earnings	Between Groups	2.947	4	.737	.830	.513
	Within Groups	39.933	45	.887		
	Total	42.880	49			
Dividend influence- Taxation on dividend	Between Groups	1.956	4	.489	.550	.700
	Within Groups	40.044	45	.890		
	Total	42.000	49			
Dividend influence- Last Year's dividend	Between Groups	.971	4	.243	.301	.876
	Within Groups	36.249	45	.806		
	Total	37.220	49			
Dividend influence- Growth	Between Groups	1.817	4	.454	.519	.722
	Within Groups	39.403	45	.876		
	Total	41.220	49			
Dividend influence- Share Price	Between Groups	3.221	4	.805	.998	.418
	Within Groups	36.299	45	.807		
	Total	39.520	49			
Dividend influence- Taxation policy	Between Groups	2.635	4	.659	.729	.577
	Within Groups	40.645	45	.903		
	Total	43.280	49			
Dividend influence- current liquidity	Between Groups	2.681	4	.670	.893	.476
	Within Groups	33.799	45	.751		
	Total	36.480	49			
Dividend influence- Ownership Structure	Between Groups	11.330	4	2.833	4.242	.005
	Within Groups	30.050	45	.668		
	Total	41.380	49			

Source: Primary Data



**Interpretation:** The Significant Values are 0.513, 0.700, 0.876, 0.722, 0.418, 0.577, 0.476, 0.418 for the dividend influence like ownership structure, current liquidity, taxation policy, share price, growth, current year’s earnings, last year’s dividend, taxation on dividend the value is  $> 0.05$ . Hence Null Hypothesis is accepted which means there is no association between the influences on dividend decision by third parties influence upon dividend policy.

**Inference:** Comparing with the values of factors influence on dividend decision and third parties influence upon dividend policy, there is no association between them.

### CHI Square Test

10. To find out relationship between entrusted with fixation of dividend policy By Qualification

H0: There is no relationship between entrusted with fixation of dividend policy By Qualification

H1: There is relationship between entrusted with fixation of dividend policy By Qualification

<i>Chi-Square Tests</i>			
	<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square	14.737 <sup>a</sup>	9	.043
Likelihood Ratio	15.376	9	.081
Linear-by-Linear Association	3.704	1	.054
N of Valid Cases	50		

Source: Primary Data

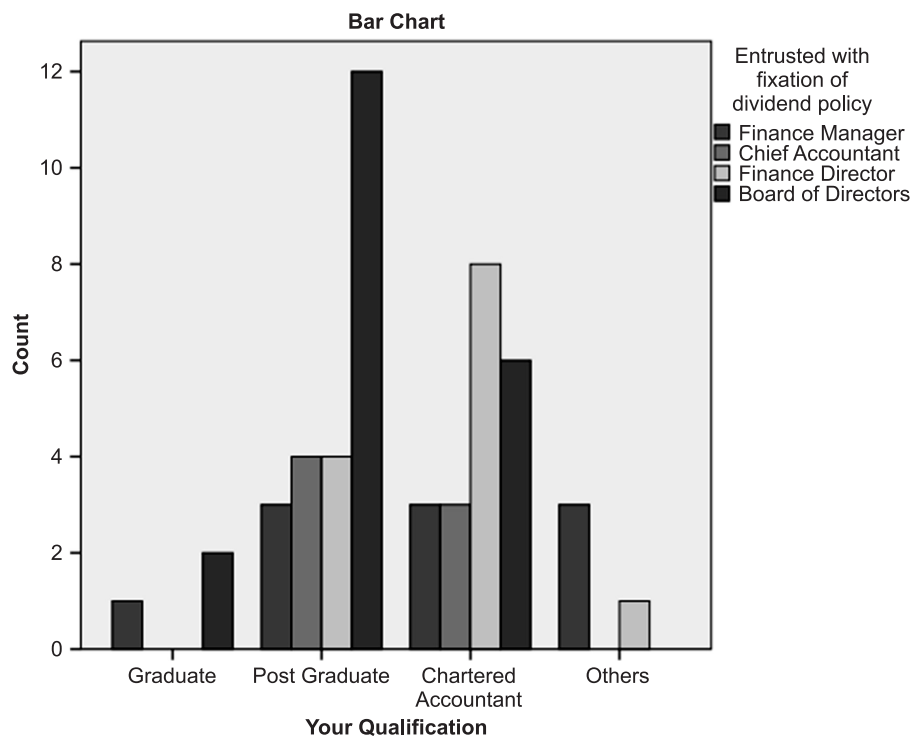


Chart 4.34 (a)

**Interpretation:** Here the Pearson Chi-Square value is 0.043 and the likelihood is 0.081. Since the significant level is less than 0.05, Alternative hypothesis is accepted which means there is relationship between entrusted with fixation of dividend policy By Qualification.

**Inference:** While comparing with the values of entrusted with fixation of dividend policy and qualification, there is relation between them.

12. **To find out the relationship between dividend type most important to shareholders by Shareholders preference**

H0: There is no relationship between dividend type most important to shareholders by Shareholders preference

H1: There is relationship between dividend type most important to shareholders by Shareholders preference

<i>Chi-Square Tests</i>			
	<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
Pearson Chi-Square	4.649 <sup>a</sup>	1	.031
Continuity Correction <sup>b</sup>	.708	1	.400
Likelihood Ratio	3.525	1	.060
Linear-by-Linear Association	4.556	1	.033
N of Valid Cases	50		

Source: Primary Data

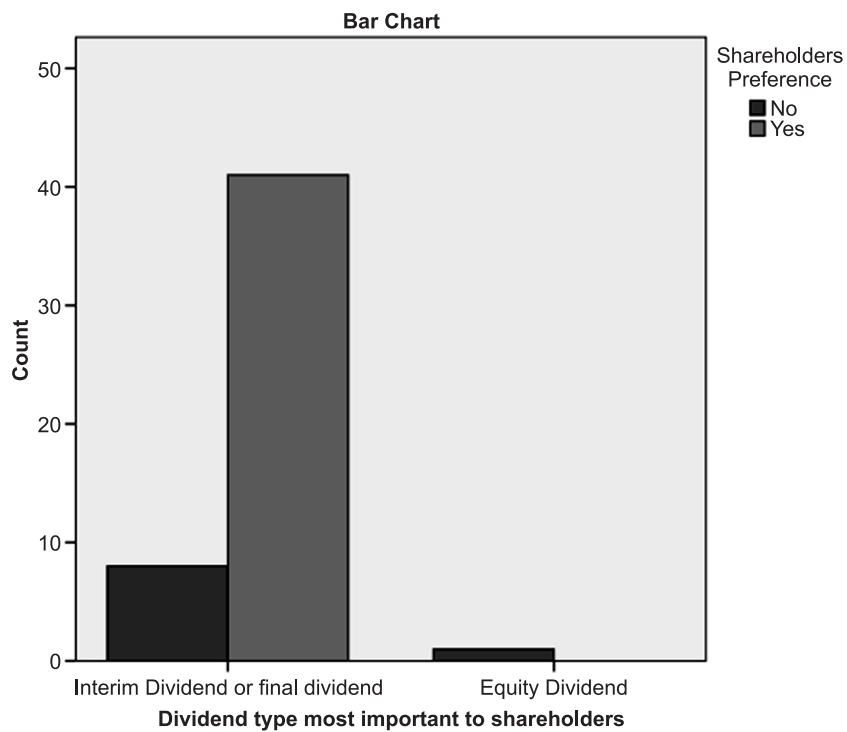


Chart 4.34 (b)

**Interpretation:** Here the Pearson Chi-Square value is 0.031 and the likelihood is 0.060. Since the significant level is less than 0.05, Alternative Hypothesis is accepted which means there is relationship between relationship between dividend type most important to shareholders by Shareholders preference.

**Inference:** Comparing with the values of dividend type most important to shareholders and shareholders preference, there is relation between them

## Findings

1. **To study the impact of factors determining the Dividend Policy decisions.** Based on the objectives necessary findings are as follows:
  - Dividend policy refers to the policy concerning quantum of profits to be distributed as dividend. The concept of dividend policy implies that companies through their Board of Directors evolve a pattern of dividend payments, which has a bearing on future action. The main objective of the study deals with the factors determining the dividend policy.
  - The study was conducted in 50 different companies listed on the National Stock Exchange Ltd. 50 companies were food and beverages, banking, financial institutions, information technology, manufacturing, pharmaceuticals etc. These companies were selected from National Stock Exchange on the basis of Market Capitalization method.
  - The factors determining dividend policy decisions are Financial Leverage, profitability, growth, current year's earnings, taxation policy, previous year's dividend, ownership structure etc. 50 company was selected for the study and their 5 years dividend rates was taken as secondary data. Linear regression analysis was used for the study. Every company's model summary and coefficient analysis were done through regression model.
  - In linear regression analysis, twenty eight companies listed in NSE have a positive relation and twenty two companies have no positive relation. In Positive relation, when the value of  $R^2$  is greater better is the fit.
  - Companies like ACC cements, Adani Ports, Aurobindo Pharmaceuticals, Bank of Baroda, Bharti Airtel, Bosch, BPCL, Cipla, Coal India, Gail, Grasim, HCL, Hero Motocorp, HUL, Infosys, Larsen, Mahindra and Mahindra, Maruti Suzuki, NTPC, ONGC, Powergrid Corporation, SBI, Sun Pharmaceuticals, Tata Power, Tata steel, TCS, Tech Mahindra, Ultratech cement shows the positive relation in linear regression analysis.
  - Increase in the financial performance of firms will lead to a positive improvement in firm's dividend policy. Financial performance of firms has a significant positive impact on dividend policy decisions. Firm with high profits has the potential to pay dividends more than less profitable firms. Firm size is positive and significant. Larger firms have easier access to fund and are able to distribute dividends to shareholders better than smaller firms. Larger banks choose to pay more dividends to diminish agency conflicts and maintain bank's reputation. Increase in turnover provides growth opportunities of the company and it allows observing

that an increase in value presented takes company to invest in order to grow in market both national and international.

- The secondary objective was to examine the socio-economic profile and the relationship of dividend policy decision. Primary data that is through questionnaire analysis was used for the study. Sample size was around 50 companies listed on National Stock Exchange.

**2. To study the Socio-economic profile and the relationship of Dividend Policy decisions:**

Based on the objectives, necessary findings are as follows:-

1. More than 84% of the respondents were males and only 16% were females.
2. Male category is more when compared to female category. Here, age below 35 is more as compared to other age category and there is a slight variation in the age category 36 – 45.
3. Nearly 38% of the respondents were Board of Directors, 30% of them come under Finance Manager, 22% of them were Chief Accountant and 10% of the respondents were other category. Dividend policy decisions mainly deals with the Board of Directors. They take all the decisions regarding the dividend undertaking. Secondly Finance Manager has the role in taking decision regarding dividend policy.
4. More than 46% of the respondents were Post Graduates, 40% of the respondents were Chartered Accountants, 8% of the respondents were other Category and 6% of the respondents were Graduates. The positions of the employees were related to Board of directors, Chief accountant, Finance Manager. So their education qualification should be post graduates, chartered accountant etc.
5. More than 46% of the respondents come under below 5. 30% of them come under 6 – 10, 16% of the respondents come under 11 – 15 and 8% of the respondents come under above 15 category. The study mainly deals with the 50 companies in NSE. Here, the job experience of the employees in 6 – 10 categories is comparatively high compared to the category below 5. They have good experience in the company and may know the dividend policies that might affect the companies.
6. More than 34% of the respondents come under below 40000. 30% of them come under 40001 – 50000, and 18% of the respondents come under both 50001 – 60000 and Above 60000. Dividend decisions are mostly taken by the Board of directors and the associated people in the firm. So their annual income also may vary from position to position.
7. More than 26% of the respondents come from Manufacturing Companies and 20% of them come from other companies, 18% of them come from Banking Industries, 12% of them come from Pharmaceutical companies, there is a slight variation in Communication, Information Technology, food and Beverages. The study divides 50 listed companies in NSE into different categories like manufacturing, banking, Pharmaceuticals, Communication etc. Each categories dividend will be different.
8. More than 98% of the respondents were Bombay Stock Exchange, 2% of them and were only National Stock exchange. There were no respondents in CSE and others. The study

mainly deals with the listed companies in National stock Exchange. In 50 companies, almost all the companies come under both NSE and BSE. There were no respondents under CSE.

9. More than 40% of the respondents come under Board of Directors, 26% of them were Finance Director, 20% of the respondents were Finance Manager and 14% of the respondents were Chief Accountant. Dividend policy decisions mainly deals with the Board of Directors. They take all the decisions regarding the dividend undertaking. Secondly Finance Director has the role in taking decision regarding dividend policy.
10. More than 62% of the respondents say that Board of Directors set price on the amount of dividend. Only 38% of the respondent says that other associate employees set the price of dividend. Mostly in all companies, top management decides the price of amount of dividend. In all cases Board of Directors set the price and in some companies finance director and finance manager have the role in setting price of dividend.
11. More than 98% of the respondents say they use Interim dividend or final dividend. Only 2% of the respondent says that they use Equity dividend. There were no respondents under Cash dividend, stock dividend and others. Majority of the Shareholders prefer Interim or final dividend. In some companies only they use equity dividend. Shareholders are not using Cash dividend and stock dividend.
12. More than 32% of the respondents use interim or final dividend because of the requirement of shareholders. 22% of the respondents use the dividend for the easy implementation. 20% of the respondents use dividend for more flexibility. There were slight variation in avoid changing previous method and others. Majority of the Shareholders prefer Interim or final dividend and the use because of the requirement of shareholders. Some prefer because of the easy implementation.
13. More than 82% of the respondents conduct study based on shareholders preference. 18% of the respondents don't conduct any study based on shareholders preference. Every year company should conduct study based on shareholders preference. We must know the shareholders preference also.
14. More than 26% of the respondents come under Government, 22% of the respondents come under Financial Institutions' and other category. 20% of the respondents come under taxation department and there is slight variation in none also. In dividend decision, third party influence plays an important role. Government acts a third party who influence upon the dividend policy. Sometimes financial institution may act as third party. In certain companies taxation department and other third parties influence upon dividend policy.
15. More than 82% of the respondents say that they consider shareholders preference regarding dividend. 18% of the respondents don't consider shareholders preference regarding dividend. Company may consider shareholders preference regarding dividend.
16. More than 78% of the respondents say that dividend has an impact on firm's taxation policy and only 22% of the respondents say that dividend has not any impact on firm's taxation policy. Dividend has an impact on firm's taxation policy.

## **2. SUGGESTIONS**

1. Moreover, as the study is been conducted in 50 companies listed on NSE, the investors should invest some proportion of their investments in different industries as it help in the diversification of investment along with risk and helps faster economic development in the competitive globalization era through their positive participation in investing all around.
2. It can be suggested to a company's financial manager that despite it is necessary to return profit in business for financing fruitful and development projects, it is also necessary to pay retail investors expectations that is to pay regular handsome return on their investments.
3. Awareness programs should be given to all the investors and make aware of dividend policy decisions. Impact should focus on slowly to big customers so that it can expand the size of business and can create brand name in market for itself.
4. They should try to maintain good relationship with existing customers and their effort must be there to maintain a good long term relationship.

## **3. CONCLUSION**

Dividend policy refers to the policy concerning quantum of profits to be distributed as dividend. The concept of dividend policy implies that companies through their Board of Directors evolve a pattern of dividend payments, which has a bearing on future action. Dividend Policy decision is an important policy decision which has remained in the controversy since the evolution of corporate financial research on dividend policy. The main objective of the study deals with the factors determining the dividend policy. The study was conducted in 50 different companies listed on the National Stock Exchange Ltd.

Dividend policy is determined by factors such as: Availability of profits, availability of profitable investment opportunities, availability of liquidity, level of inflation, share prices, composition of shareholders, and company's policy toward dividends stability, contractual restrictions imposed by lenders, access to external sources of funds, and management's attitude and objective. Management's main target is shareholders' wealth maximization, which translates into maximizing the worth of the stable as measured by the worth of the company's common stock.

Dividend value was collected from fifty companies listed on the NSE. Their model summary and coefficient were calculated. Regression analysis was used for the study. More than 80% of the companies' value comes under the level of significance and 20% of them come above the level of significance.

## *References*

### **Books**

- Khan M. Y. & Jain P. K. "Financial Management: Text & Problems", Tata McGraw-Hill Publishing Company Ltd. New Delhi.
- Kothari C. R. "Research Methodology", New Age International (P) Ltd, New Delhi, 2004.
- Kumar Arun & Sharma Rachana "Financial Management: Theory and Practice", Atlantic Publishers and Distributors, New Delhi, 2001.

- Maheshwari S. N. "Financial Management: Principles and Practice", Sultan Chand & Sons Educational Publishers, New Delhi, 8th ed. 2003.
- Pandey I. M. "Financial Management", Vikas Publishing House Pvt. Ltd., 8th edition.
- Agarwal M. R. "Financial Management", RBSA Publisher, Jaipur, 1st ed. 2003.
- Kuchhal S. C. "Corporation Finance – Principles and Problems", Chaitanya Publishing House, Allahabad, 2001.
- Van Horne J. C. "Financial Management and Policy". Prentice Hall of India Pvt. Ltd., New Delhi, 2000.
- Weston, J. F., Copeland, Thomas E., and Shastri, K. 2004. Financial Theory and Corporate Policy: International Edition, 4/E. Pearson Publication.
- Hampton John J. "Financial Decision Making", Prentice Hall Publication of India Pvt. Ltd., 4th ed. 1996.

### **Journals**

- Anil K, and Kapoor S. (2008). Determinants of dividend payout ratios - A study of Indian information technology sector, International Resource Journal of Finance and Economics, Vol. 15, pp. 1-9.
- Al-Malkawi, H. A. N. (2007). Determinants of Dividend Policy in Jordan, An application of Tobit Model. Journal of Economic and Administrative Sciences, Vol. 23, No. 2, 44-70.
- Amidu, M and Abor, J. (2006). Determinants of dividend payout ratios in Ghana, The Journal of Risk Finance, Vol. 7(2), pp. 135-145.
- Etemadi and Chalalki, (2005). "Trends in Dividend Pay-out A Study of Select Indian Companies", Journal of Management Research, 5(3), pp. 129-142.
- Kania and Bacon (2005), "Shareholding Patterns and Dividend policy: Evidence from Indian Corporate Sector", ICAFI Journal of Applied Finance.
- Singhania Monica (2005), "Trends in Dividend Payout: A study of selected Indian Companies", Journal of Management Research, Vol. 5. No. 3, pp. 129-142.
- Dr. Debasish Sur (2005). "Determinants of Corporate Dividend Policy: A Survey of NYSE Firms", *Financial Practice and Education*, Spring/Summer, pp. 29-40.
- Singhania Monica (2005), "Trends in Dividend Payout: A study of selected Indian Companies", Journal of Management Research, Vol. 5. No. 3, pp 129-142.
- Pandey, I. M. 2001. Corporate Dividend Policy and Behaviour: The Malaysian Experience Working Paper No. 2004 – 11 – 01, November: 1-21.
- Oza, H., (2004), "Dividend Decision: A managerial Approach, A Survey of Selected Enterprises", Executive Company Secretary, Vol. , pp. 40-46.
- Ho, H. (2003). Dividend Policies in Australia and Japan, International Advances in Economic Research, Vol. 9, No. 2, pp. 91-100.
- Reddy, Y. S. 2002. Dividend Policy of Indian Corporate Firms: An Analysis of Trends and Determinants. NSE Working Paper No. 19, December: 1-47.
- Olantundun (2000). A Note on Determinants of Corporate Dividend Behaviour in India – An Econometric Analysis. *Decision*. 20(1): 1-22.
- La Porta, R., Lopez-De Salinas, F., Shleifer, A., and Vishny, R., (2000). "Agency Problems and Dividend Policy Around the World," Journal of Finance 55(1), pp. 1-33.

- Alli, K., Khan, A. and Ramirez G.. (1993). "Determinants of Dividend Policy: A Factorial Analysis", *The Financial Review*, 28(4), pp. 523-47.
- Rodriguez, R. J., (1992). "Quality Dispersion and the Feasibility of Dividends as Signals", *The Journal of Financial Research*, XV(4), pp. 307-315.
- Jensen, M Solberg, D. and Zorn, T, (1992). "Simultaneous Determination of Insider Ownership, Debt, and Dividend Policies", *Journal of Financial and Quantitative Analysis*, 27(2), pp. 247-263.
- Pruitt, S.W., and Gitman, L.W. (1991). The interaction between the investment, financing, and dividend decisions of major US firms. *Financial review*.26 (33):409-30.
- Miller, M. H. and Rock, K., (1985). "Dividend Policy under Asymmetric Information", *The Journal of Finance*, XL(4), pp. 1031- 1051.
- Rozeff, M. S., (1982). "Growth, Beta and Agency Costs as Determinants of Dividend Pay-out Ratios," *The Journal of Financial Research*, Fall, pp. 249-259.
- Higgins, R. C., (1972). "The Corporate Dividend-Saving Decision", *Journal of Financial and Quantitative Analysis*, 7, pp. 1527-1541.
- Fama E.F, and H Babiak(1968). Dividend Policy: An Empirical Analysis. *Journal of American Statistical Association*. 63(324):1132-1161.
- Gordon, M. (1962). The savings, investment and valuation of a corporation, *Review of Economics and Statistics*, 37-51. doi:10.2307/1926621.
- Black, Fischer, "The Dividend Puzzle", *The Journal of Portfolio Management*, winter 1976, pp. 634-639.
- Miller, M. H., and F. Modigliani (1961). Dividend Policy, Growth, and The Valuation of Shares. *The Journal of Business*. 34(4): 411-433.
- John, K., and Williams, J.(1961).Dividends, dilution and taxes: a signaling equilibrium. *Journal of Finance*.40 (4):1053-70.
- Lintner, J (1956), "Distributions of incomes of corporations among dividends, retained earnings and taxes", *American economic Review*, Vol. 46, No. 1, pp. 97-113.
- Ghemawat, P. and T. Khanna, (1951), The nature of diversified business groups: A research design and two case studies, *The Journal of Industrial Economics*, 46(1), 35-61.
- Holder, M.E., F.W. Langrehr and J.L. Hexter, (1951), Dividend policy determinants: An investigation of the influences of stakeholder theory, *Financial Management*, 27(3), 73-82.