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# ANALYSIS OF DIVIDEND POLICIES OF COMPANIES LISTED IN BSE WITH REFERENCE TO INDIA BULLS PVT. LIMITED

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## ABSTRACT

*Dividend refers to a proportion of company's earnings that is being issue to the class of the shareholder's as decided by the board of directors. For investors, dividends help as Attractive way of investment revenue. Dividend decisions is one of the four key major functions of financial management through which the firm decides on how much to pay and how much to retain in its Net profits. Through dividend decisions companies improve their goodwill thus impacting the share prices. The cyclical relationship among profits, dividends and share value of the companies is instrumental for both companies and investors. A good and balanced dividend policy enables a company to be the face of the company at times. Owing to the importance the present study is intended to analyze the dividend policy of companies listed in BSE's Sensex. Dividend policy is one of the important policies of organization. the present study is related to the analysis of dividend policies for the period of five years in different sectors which are listed in sensex. The present research would be useful for the financial managers of the company in formulating the dividend announcement strategies. Dividend policy is the plan of action of the company used to decide the dividend amount and date of payment.*

**KEY WORDS:** Stock Exchange, Dividend, Ratio analysis.

## I. INTRODUCTION

Stock market is a place where the exchange and issuance of shares of public listed companies takes place. Stock market consist of different events which takes place in particular industry or any individual company. The types of events may impact the performance and growth rate of stocks which are listed at the popular stock exchanges.

The company may give announcements related to different events. The announcement of information as bonus issue, stock split, right issues, changes in management, merger or acquisition of the company, earnings and dividend etc., which can produce a immediate effect in stock prices. The present study is on the dividend analysis of companies listed at sensex. Dividend policy is a crucial decision part of the corporate companies, the dividend policy will effect the shareholder's wealth maximization, which refers to increasing the value of the company as calculated by the price of common stock. This can be by giving the fair dividend payment on their investments to the shareholders of the company.

Dividend refers to a proportion of company's earnings that is being issue to the class of the shareholder's as decided by the board of directors. For investors, dividends help as Attractive way of investment revenue. Dividends are usually paid in the form of cash or may also be paid in the form of additional

## II. REVIEW OF LITERATURE

A number of literature have been carried out to find the effect of dividend policy on stock prices. Dividend announcement decisions are taken by the board of directors, it has a great importance in the company. Researchers discussed and developed many theories and models regarding to the dividend policies



A literature review is a systematic investigation of a specific topic .some of the following studies related to the present topic.

**Fama and Babiak**(1968) used lintner’s model to examine the dividend policy,and they opined that firms would try to increase the dividends ,when the dividends could continued in the future.

**Lee** (1996) conducted a study to test the connection between the dividend and earnings.he used bi-variate time-series model over the period covers from the year 1972 to 1992 the results show that earnings of the firm would define by the firm’s dividend.

**PitabasMohanty**(1998) studied more than 200 companies in india to test the behavior if dividend payment over 15 years, he noticed that the companies do not follow the dividend payout ratio regularly instead of that they issue the bonus shares to reward their shareholders. However ,after the issue of bonus shares companies tried to maintain their dividend policies.

**Oza**(2004) examined 30 non financial companies in india to evaluvate the dividend behavior .The study resulted that current earnings control the decision related to the dividend policy on the basis of past dividend pattern

**Pani (2008)** used fixed effect model and pooled OLS model to study the dividend policy and stock price behavior over the period covers from 1996 to 2006 by selecting the different sectors in sample of 500 corporate companies listed .He took the six different sectors as a sample i.e., textile ,mining ,electricity ,food and beverages ,non – metallic and service industry. He took the dependent and independent variables. The study presents that net profit, Dividend and retention ratio are important in services ,textiles and mining industries. The companies which are paying dividends are in large and profitable

### I ILNEED FOR THE STUDY

- With the advancement of technology , many people are interested in trading in the stock market through online trading facility without a physical existence of a investor .
- The investors will take the decision related to the investment depend upon the company announcement .
- Dividend announcement plays a important role in changes in share price in the stock market.
- It is important to know about the dividend polices of the company ,need of the study will show the clear picture about the analysis of dividend policies which should consider by the investor.

### IVSCOPE OF THE STUDY

- The present study is on the analysis of dividend policy of three companies selected from three different sectors listed in Sensex.
- It is limited to the period of five financial years data.
- The scope of this research contain of information taken from the secondary data from various websites.
- Data analysis tools such as Mean, ration ANOVA ,Average, Variance are used to analyze the data.

### V.OBJECTIVES OF THE STUDY

The primary objective of the study is to understand the concept of dividend announcement

1. To determine the trends in dividend policy of firms listed at the Sensex.
2. To study and differentiate dividend payment on different categories.
3. To find the relationship between companies in different sectors to measure the dividend per share ratio.
4. To find the relationship between companies in different sectors to measure the dividend payout ratio.

### VI. RESEARCH METHODOLOGY

Research methodology is a method to solve the problem for this the data may be collected from the different sources ,the main point has to kept that the sampling fit to the objectives of the study. The data may be collected in two popular ways i.e from the primary data and secondary data.

The present study data is collected from the secondary data like magazines, journals ,websites, money control.





## VII. LIMITATIONS OF THE STUDY

The following are the limitations of the study:

1. The present study is done on sample size of 3 sectors listed at BSE can't be made to whole listed companies from BSE
2. The study is collected from the secondary data which will influence the data
3. The study is conducted for the period of 5 years
4. There are many tools to analyze the dividend policy but in this research restricted to limited tool due to the time period

## VII I. EMPIRICAL RESULTS

For the purpose of understanding the analysis of dividend policy ,dividend per share and dividend pay- out ratio of three sectors analyzed for the five financial years 2018-2022.

### 1. DIVIDEND PER SHARE

#### 1.PHARMA SECTOR

PHARMA SECTOR						
Company	2018	2019	2020	2021	2022	AVG
Cipla ltd	2.00	2.00	3.00	3.00	4.00	2.6
Dr.Reddys Laboratories Ltd	20.00	20.00	20.00	20.00	25.00	21
Sun pharma	1.00	3.50	2.00	2.75	4.00	2.65
<b>AVERAGE</b>	7.66	8.5	8.33	8.58	11	8.75

**TABLE 1.1: Dividend payout ratio of Pharmaceutical industry**

*Source: Author's Compilation*

In pharmacy sector, Cipla ltd announced the dividend amount is low but there is increasing in dividend per share. In Dr.Reddys Laboratories Ltd dividend per share is constant for 4 years in 2022 it is increased by 5, the sun pharmacy ltd there is poor rate in DPS it is increased in the year 2019 decrease in the year 2020&2021 and increased in the year 2022. in banking sector, HDFC bank dividend per share has good amount it is slightly increased but in the 2022 it is fallen down, in yes bank there is up and down the DPS whereas in SBI bank there is same dips for two years and there is no dividend payment to shareholders. in IT sector TCS company in the year 2021decrease in the DPS and increases by 40/-, Wipro company has poor DPS. Infosys is same as TCS decreased in the 2021& 2022.

### 2. AVERAGE OF DIVIDEND / SHARE(Rs)

AVERAGE OF DIVIDENDS PER SHARE (RS)					
SECTORS	2018	2019	2020	2021	2022
PHARMA SECTOR	7.66	8.5	8.33	8.58	11
BANKING SECTOR	7.36	8.53	5.23	8.5	2.5
IT SECTOR	24.6	24.9	31.5	17.5	30.5

**Table No: 1.2 Dividend payout ratio of Pharma, Banking, IT Sectors**

*Source: Author's Compilation*

Average of dividend per share IT sector has good dips when compared to pharma sector and banking sector. In banking and pharma sector has slightly changes in their DPS crit,it is concluded that is F value is 42.20 and F crit value is 3.88.This is the case  $42.20 > 3.88$ .Hence we reject the null hypothesis. is concluded that from 2020 to 2022 dividend pay ratio decreased in pharma sector.in banking sector from three companies dividend payout ratio is not good there is a fluctuations in year by year . dividend payout ratio in IT sector companies there is no proper payout ratio. dividend payout ratio is analysed in pharma sector for the five financial years in three different companies .In cipla ltd dividend payout ratio is decreased in the year 2020 and it raised at high ratio .In reddy's laboratories ltd and sun pharma ltd there is no stable in dividend payout ratio there is ups and down in the ratio F crit,it is concluded that is F value is 1.271663 and F crit value is 3.88.This is the case  $1.27 < 3.88$ .Hence we accept the null hypothesis.



## IX FINDINGS, SUGGESTIONS AND CONCLUSION

### Findings

The following are the findings of the present study:

To understand the dividend policy, we look over the ratio of dividend per share in companies from different sectors for the financial year (2018-2022)

1. When the average is calculated on company's dividend for each share, it was found that IT sector is having the highest values in each year when compared to other sectors.
2. When the average is calculated on company's dividend payout ratio, it was found that Banking sector is having low value and high values in the IT sector in each year.
3. To achieve the objective of the study, ANOVA ONE WAY test was used
4. In hypothesis test, relation between dividend per share and companies  $H_0$  is rejected and relation between dividend payout ratio and companies  $H_0$  is accepted.

### Suggestions

1. To the shareholders must get the maximum amount from the profit, because they are the real owners of the company and the risk bearers.
2. The announcement of dividend payment will effect the stock prices of the company so the management should take the decision fairly.
3. The companies have to pay the dividend every year to their shareholders without any strong reason the firms do not skip the dividend.
4. The company's dividend policy must be designed in a effective way to maximize the shareholders wealth.

### Conclusion

The main objective of the present study is to analyse the dividend policy of different sectors listed in the SENSEX. For this motive three sectors were selected, in each sector three companies were analysed for the five financial years i.e, from (2018-2022). To find out the trend analysis of dividend, DPS and DPR were studied. To know the connection between the dividend policy in different sectors ONE -WAY ANOVA test was conducted it gives the interesting results. Analysis of dividend policy is useful for the investors, those want to invest in the company. A dividend policy indicates that how much returns are available to the shareholders.

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