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Dividend Policy of Indian Companies: Evidence from S&P BSE 500 Companies

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ABSTRACT

The impartial of a firm is to allocate the resources in a way that meets the objective of maximizing wealth of all stakeholders by increasing the efficiency of the resources of the business. The dividend policy is focused on determining the returns to the shareholder from the earnings of the business. The objective of this study is to (i) investigate the annual dividend return by the sample of S&P BSE 500, BSE listed firms in India and (ii) investigate the dividend payout policy of the sample firms. Considering the usable sample of 164 companies, grouped into thirty-nine industry for the period from FY2015-16 to FY2018-19 i.e. span of 4 years shows results that the sample firms has been steady on an aggregate level in dividend payout policy and shows resistance with respect to change in policy. The overall performance of sample companies shows that the 4-year average of dividend yield was 1.53% with a variability range from 0.08% to 6.92%. Similarly, the dividend payout policy as measured in proportion of EPS and Cash EPS shows 4-year average as 39% and 29% respectively. The results also showed that on an average the architecture and engineering activities; technical testing and analysis (NIC code 71) has given the maximum dividend yield (6%). The dividend payout in proportion of EPS was highest (77%) for the manufacture of fabricated metal products, except machinery and equipment (NIC code 25) and dividend payout in proportion of cash EPS, the financial service activities, except insurance and Pension funding (NIC code 64) was highest (69%). In both the proportions, information service activities (NIC code 61) has recorded the minimum (1%).

Key words: firms, dividend, dividend yield, dividend payout policy, profitability, efficiency

Chapter One
Background of the Study

1.1 Introduction

Capital allocation is a method to distribute the company's resources in a way that creates value and boost the long-term financial steadiness of the business. The decision taken will contribute in defining the pace of growth and returns to the shareholders. The various aspects of capital allocation are dividend policy, capital expenditure policy, working capital management policy, and research and development policy.

The dividend policy is the policy in which a company decides the structure of its dividend pay-out to its shareholders. The decision has to be taken regarding how much a company would pay to its shareholders and how much is retained in the business. The dividend is the part which is paid to the shareholders. It is the proportion of the shares owned by a shareholder in the company. The dividends are classified in different ways. *First,* it can be paid in cash or as additional stock (Dividend Policy, Aswath Damodaran). *Second,* the dividend can be regular which is paid on regular basis or a special dividend which is paid in addition to regular dividends when there is a large amount of cash available (Dividend Policy, Aswath Damodaran). Special dividend is mainly a one-time payment. *Third,* there are liquidating dividends which are paid when a company gets liquidated and these are in excess to the value of retained earnings showed in the books. The dividend policy is an important aspect for handling the capital structure of the company.

The dividends in the policy are measured using dividend yield and dividend payout ratio. Dividend yield is related to the dividends paid in proportion to the market price of the shares. It is evident from the studies that stocks with high dividend yields earn excess returns, after adjusting for market performance and risk (Dividend Policy, Aswath Damodaran). Another measure of the dividend policy is the dividend payout ratio. It is related to the dividends paid in proportion to the earnings of the business. Earnings can be divided into the proportion of EPS and Cash EPS. There is some empirical evidence on dividend policy (Dividend Policy, Aswath Damodaran) as follows: (i) dividends tend to follow earnings, (ii) dividends are sticky, (iii) dividends follow a smoother path than earnings, (iv) a firm's dividend policy tends to follow the life cycle of the firm. Since the dividends are paid from the earnings, so there is a relation between both, mostly they are positively correlated. The "sticky dividends" is a result from the

resistance of the firms to frequently change their dividends. It is mainly due to the concern of maintaining higher dividends in long term and another is market view that stock price falls if dividend decreases. Since the dividends are sticky and the managers do not change them, so they become involatile as compared to the earnings. They do not deviate much like earnings. Finally, the dividend policy follows the life cycle of the firm because the firm has to adopt a policy which suits it best in the position they are.

1.2 Objectives

The overall objective of the study is to analyze the dividend policy of Indian companies based on the sample of listed firms in India. The specific research objectives are:

1. To investigate the annual dividend return (annual dividend yield) of the sample company based on the historical evidence.
2. To investigate the dividend payout policy of the sample companies based on the historical evidence.

Chapter 2
Review of Literature

Linter (1956) studied the setup of dividends by firms and noted that there are some constant patterns. First, firms decide upon their dividend payout ratios from the earnings that they are ready to give as dividends in the long span. Second, to match with long span and sustainability in earnings they change dividends. Lastly, the matter of concern for managers is changes in dividend rather than about levels of dividends.

Fama and Babiak (1968) acknowledged that with regressing changes in dividends against changes in earnings can cause a delay in both current and prior periods.

Parua and Gupta (2009) states in their study the trends in dividend payment and determinants of dividend decision. They concluded that in Indian companies, the private sector is stable in terms of dividend payment and they also noted that there is no clear evidence in respect of information content of dividend.

Kapoor (2016) stated in her study that the managers view dividend decisions as important but it was evident to not conclude that market rewards a carefully managed dividend policy with higher share price. The Indian managers do not follow a residual policy. Her study shows that the dividends are managed by using a model projected by Lintner and somewhat the firm managers follow stable dividend policy.

Chapter 3

Research Methodology

The objective of this chapter is to outline the methodology used in this dissertation.

3.1. Sample Design and Sample Companies

For the present study, the secondary data have been used. It is based upon the quantitative data collected of S&P BSE 500 listed in the S&P BSE India. Among S&P BSE 500 companies, the usable sample was 164 companies for which the information related to dividend history was available in the CMIE Prowess database.

3.2. Study Period

The study period selected was from FY 2015-16 to the FY 2018-19, i.e., a span of 4 years.

3.3. Data Sources

The data was collected from the CMIE Prowess database and other publicly available database online brokerage firms (e.g. www. moneycontrol.com)

3.4. Selection and Description of Dependent Variables

In the present study, the variables used were as follows:

3.4.1. Earnings Per Share (EPS):

It is calculated by dividing the net income of the company to the number of its outstanding shares. It is a financial measure indicating the profitability of the business. In this study, this number is taken from the CMIE prowess database.

3.4.2. Cash Earnings Per Share (Cash EPS):

It is calculated by dividing the operating cashflows to the number of shares outstanding. It is a measure indicating how much cash can be allocated for the shares. In this study, the number is taken from the CMIE Prowess database.

3.4.3. Price-Earnings Ratio (P/E Ratio):

It is a ratio showing relationship between a company's stock price and earning per share. These numbers are also taken from the CMIE Prowess database for this study.

3.4.4. Dividend Per Share (DPS):

It is a measure showing how much an investor or the shareholder gets from the income of the company on his/ her share basis. It is the total amount of dividends paid to each shareholder on their shares outstanding. In this study, the DPS data is taken from the moneycontrol.com database.

3.4.5. Market Price Per Share (MPS):

It is a price at which the share of a company can be bought or sold in the market. It is calculated by taking the multiple of Price Earnings ratio with the Earnings Per Share.

3.4.6. Dividend Yield:

It is the amount of money a company pays to its shareholders on the shares they owned in respect to the current stock price and measured in percentage. It is calculated as follows:

Dividend Yield= DPS/MPS*100

3.4.7 Dividend Pay-out as per EPS:

A company's dividend pay-out ratio estimates how much it returns to its shareholders compared to how much it is retaining in the business. It is calculated as follows:

Dividend Pay-out= DPS/EPS

3.4.8. Dividend Pay-out as per Cash EPS:

A company's dividend pay-out as per cash EPS estimates how much it is returning to the shareholders from their cashflows. It is calculated as follows:

Dividend Pay-out= DPS/Cash EPS

The above-mentioned variables have been used to determine the dividend policy of the sample firms.

3.5. Analysis method:

The analysis method used in the study is descriptive statistics.

Chapter 4

Findings

4.1 Overall Performance of Sample Companies

Table 1 summarizes the overall performance of sample companies with respect to various parameters related to the dividend policy of the companies. The findings suggest that (i) there is wide variability in the annual dividend yield among the sample companies, which ranges from 0.08% to 6.92%, with an average annual yield of 1.53 % (ii) on an average, the sample companies paid 39% of earnings measured in terms of earning per share (EPS) as dividend to the shareholders, however, there was wide variability in the dividend payout by the sample firms which was in the range of 1 % (i.e. approximately no dividend payout) to 134% (i.e. dividend payout more than the earnings during the year), (iii) when dividend payout ratio was measured in terms of cash EPS, the average payout by the sample firm was (mean = 28%, S.D. = 21%), (iv) the dividend payout was marginally higher in the financial year 2018 when compared with the other sample periods in this study, hence at aggregate level, for the sample firm, there was a preliminary evidence of consistency in the dividend payout policy of the firms during the sample period (i.e. from the FY 16 through FY 19) supporting the earlier evidence that there is a stickiness in the dividend payout wherein firms are more likely to maintain a consistency in the policy and shows resistance with respect to adverse change in the policy. Behavioural finance literature has widely discussed the "signalling hypothesis", wherein dividend is used by firms as 'signal' to provide information to the financial market about the financial health of the

company and hence, firms are conscious towards providing adverse information with respect to dividend payout and earnings.

Table 1: Overall Performance of Sample Companies on Dividend Policy Parameters (n= 164)

	Dividend Yield (in %)					Dividend Pay-out Ratio (In proportion to EPS)					Dividend Pay-out Ratio (In proportion to Cash EPS)				
	FY-16	**FY-17**	**FY-18**	**FY-19**	**4-Year Average**	**FY-16**	**FY-17**	**FY-18**	**FY-19**	**4-Year Average**	**FY-16**	**FY-17**	**FY-18**	**FY-19**	**4-Year Average**
Sample Size	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*	*164*
Average	1.57	1.41	1.46	1.68	1.53	0.39	0.38	0.40	0.39	0.39	0.27	0.29	0.30	0.28	0.29
S.D.	1.61	1.39	1.86	1.73	1.42	0.37	0.34	0.34	0.40	0.27	0.26	0.29	0.27	0.21	0.21
Minimum	0.07	0.07	0.07	0.05	0.08	0.01	0.01	0.01	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Maximum	11.22	6.86	15.59	10.39	6.92	2.31	2.72	2.17	4.09	1.34	1.45	2.45	1.30	0.91	0.93

4.2 Industry-wise Performance of Sample Companies with Respect to Annual Dividend Yield

The sample companies were divided into various industries using 2-digit NIC 2008 classification codes. Table 2 summarizes the industry-wise performance of thirty-nine industries. For fifteen industries, there was no distinction between the firm and industry (i.e. the sample size of the industry was one). Findings suggests that (i) architecture and engineering activities; technical testing and analysis (NIC code 71) 4-year average annual yield was maximum (6%), followed by manufacturing of coke and refined petroleum products (NIC code 19) (sample size= 3; mean =5.52 %; S.D. = 6.62%) and electricity gas, steam and air conditioning supply (NIC code 35) (sample size=4; mean = 4.58%; S.D.= 4.69%), (ii) minimum 4-year average annual yield was for information services activity (NIC code 63), followed by motion picture, video and television programme production, sound recording and music publishing activities (NIC code 59) and sports activities and amusement and recreation activities (NIC code 93).

Among the sample industry, for two industry during the sample period, average annual yield was more than 5%, for three industry less than 5% to 4% and from thirty-nine industry group, for seventeen industry the four-year average annual yield was less than 1%.

Table 2: Industry-Wise Performance of Sample Companies (Annual Dividend Yield %) (n= 164)

				Mar-16		Mar-17		Mar-18		Mar-19		4-Year Period	
S.no	Industry NIC code	Industry	Sample Size	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Average	S.D.
1	71	Architecture and engineering activities; technical testing and analysis	1	11.22	0.00	3.87	0.00	3.62	0.00	5.30	0.00	6.00	0.00
2	19	Manufacture of coke and refined petroleum products	3	3.80	0.52	5.83	0.98	8.48	6.16	3.98	2.15	5.52	6.62
3	35	Electricity, gas, steam and air conditioning supply	4	4.63	3.75	4.38	2.20	4.03	1.37	5.28	1.11	4.58	4.69
4	64	Financial service activities, except insurance and Pension funding	2	5.08	6.09	4.02	3.92	5.46	4.13	2.48	0.01	4.26	8.34
5	61	Telecommunications	3	2.43	1.59	4.15	0.83	5.13	2.70	4.78	0.65	4.12	3.31
6	58	Publishing activities	1	3.56	0.00	1.05	0.00	0.33	0.00	8.80	0.00	3.44	0.00
7	72	Scientific research and development	1	2.30	0.00	3.50	0.00	2.81	0.00	3.77	0.00	3.10	0.00
8	34	Miscellaneous	3	2.31	1.65	2.13	1.14	2.67	1.69	3.05	2.60	2.54	3.69
9	62	Computer programming, consultancy and related activities	7	2.14	1.18	2.58	0.48	1.85	0.81	2.34	1.09	2.23	1.86
10	24	Manufacture of basic metals	6	2.38	1.39	1.36	1.19	2.20	3.13	2.72	3.81	2.16	5.26
11	46	Wholesale trade, except of motor vehicles and motorcycles	5	2.15	1.51	1.51	1.23	1.71	1.77	2.29	1.97	1.92	3.29
12	30	Manufacture of other transport equipment	3	1.75	1.07	1.66	1.15	1.67	1.12	2.02	1.40	1.78	2.38
13	52	Warehousing and support activities for transportation	10	1.30	1.00	1.16	1.06	1.56	1.39	1.83	1.63	1.46	2.59
14	12	Manufacture of tobacco products	2	1.63	1.36	1.20	0.70	1.49	0.73	1.40	0.76	1.43	1.86
15	20	Manufacture of chemicals and chemical products	24	1.64	1.20	1.41	1.14	1.04	0.74	1.39	0.96	1.37	2.05
16	28	Manufacture of machinery and equipment n.e.c.	6	1.50	1.53	1.17	1.05	1.30	1.27	1.22	1.07	1.30	2.49
17	49	Land transport and transport via pipelines	1	1.09	0.00	1.35	0.00	1.07	0.00	1.63	0.00	1.28	0.00
18	26	Manufacture of computer, electronic and optical products	2	0.75	0.90	1.63	2.17	0.80	0.86	1.92	2.43	1.28	3.49
19	25	Manufacture of fabricated metal products, except machinery and equipment	1	0.45	0.00	3.87	0.00	0.35	0.00	0.29	0.00	1.24	0.00
20	23	Manufacture of other non-metallic mineral products	8	1.08	0.84	0.82	0.48	1.23	1.49	1.70	2.51	1.20	3.07
21	27	Manufacture of electrical equipment	5	1.33	0.61	0.84	0.23	0.88	0.31	1.13	0.39	1.04	0.82
22	29	Manufacture of motor vehicles, trailers and semi-trailers	6	0.83	0.24	0.96	0.56	0.90	0.44	1.37	1.02	1.01	1.27

23	22	Manufacture of rubber and plastics products	9	1.08	0.77	0.84	0.60	0.78	0.47	1.15	0.75	0.96	1.32
24	42	Civil engineering	8	1.04	0.69	0.80	0.56	0.85	0.76	1.09	1.03	0.95	1.56
25	14	Manufacture of wearing apparel	1	0.76	0.00	0.76	0.00	1.15	0.00	1.02	0.00	0.92	0.00
26	13	Manufacture of textiles	2	1.24	0.06	0.42	0.44	0.77	0.93	1.21	1.53	0.91	1.84
27	10	Manufacture of food products	4	0.94	0.62	0.88	0.54	0.86	0.52	0.97	0.64	0.91	1.17
28	41	Construction of buildings	8	0.94	0.52	0.88	0.41	0.66	0.36	0.78	0.44	0.81	0.88
29	21	Manufacture of pharmaceuticals, medicinal chemical and botanical products	17	0.83	0.43	0.65	0.38	0.79	0.34	0.85	0.38	0.78	0.77
30	11	Manufacture of beverages	1	0.85	0.00	0.51	0.00	0.53	0.00	0.74	0.00	0.66	0.00
31	47	Retail trade, except of motor vehicles and motorcycles	1	0.69	0.00	0.62	0.00	0.55	0.00	0.44	0.00	0.57	0.00
32	55	Accommodation	2	0.68	0.53	0.51	0.33	0.44	0.18	0.38	0.08	0.50	0.65
33	77	Rental and leasing activities	1	0.57	0.00	0.47	0.00	0.42	0.00	0.52	0.00	0.49	0.00
34	82	Office administrative, office support and other business support activities	1	0.45	0.00	0.69	0.00	0.47	0.00	0.33	0.00	0.48	0.00
35	86	Human health activities	1	0.45	0.00	0.51	0.00	0.47	0.00	0.49	0.00	0.48	0.00
36	16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1	0.59	0.59	0.39	0.39	0.31	0.31	0.48	0.48	0.44	0.90
37	93	Sports activities and amusement and recreation activities	1	0.30	0.00	0.19	0.00	0.40	0.00	0.49	0.00	0.35	0.00
38	59	Motion picture, video and television programme production, sound recording and music publishing activities	1	0.27	0.00	0.14	0.00	0.16	0.00	0.12	0.00	0.17	0.00
39	63	Information service activities	1	0.08	0.00	0.07	0.00	0.08	0.00	0.09	0.00	0.08	0.00

4.3 Industry-wise Performance of Sample Companies with Respect to Dividend Payout Policy

Table 3 and 4 summarizes the dividend payout policy of the sample industries. The dividend payout policy measured in terms of proportion of EPS and cash EPS was found to vary among the industries and within industry among the companies (measured through S.D.). Dividend payout in proportion to EPS was highest (i.e. 77%) for manufacture of fabricated metal products, except machinery and equipment (NIC code 25), followed by 74 % for architecture and engineering activities; technical testing and analysis (NIC code 71) and 73 % for financial service activities, except insurance and pension funding (NIC code 64). Dividend payout in proportion of EPS was minimum 1 % for information services activity (NIC code 63), followed by 9 % for motion picture, video and television programme production, sound recording and music publishing activities (NIC code 59) and rental and leasing activities (NIC code 77) and 13 % for manufacturing of beverages (NIC code 11). These findings were mostly consistent with dividend payout as proportion to cash EPS, which was maximum of 69 % for financial service activities, except insurance and pension funding (NIC code 64) and 68 % for architecture and engineering activities; technical testing and analysis (NIC code 71) and minimum of 1% for information services activity (NIC code 63), followed by 4% for motion picture, video and television programme production, sound recording and music publishing activities (NIC code 59) and 9% for rental and leasing activities (NIC code= 77).

Table 3: Industry-wise performance of sample companies with respect to Dividend Payout Policy in proportion to EPS (n=164)

				Mar-16		Mar-17		Mar-18		Mar-19		4-Year Period	
S.no	Industry NIC code	Industry	Sample Size	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Average	S.D.
1	25	Manufacture of fabricated metal products, except machinery and equipment	1	0.34	0.00	2.19	0.00	0.29	0.00	0.28	0.00	0.77	0.00
2	71	Architecture and engineering activities; technical testing and analysis	1	1.56	0.00	0.57	0.00	0.43	0.00	0.38	0.00	0.74	0.00
3	64	Financial service activities, except insurance and Pension funding	2	0.66	0.54	0.73	0.17	1.01	0.10	0.53	0.42	0.73	0.71
4	61	Telecommunications	3	0.37	0.16	0.76	0.33	0.93	0.72	0.51	0.37	0.64	0.89
5	14	Manufacture of wearing apparel	1	0.45	0.00	0.48	0.00	0.94	0.00	0.69	0.00	0.64	0.00
6	35	Electricity, gas, steam and air conditioning supply	4	1.02	0.97	0.51	0.20	0.44	0.15	0.52	0.14	0.62	1.02
7	19	Manufacture of coke and refined petroleum products	3	0.33	0.02	0.60	0.19	0.80	0.48	0.45	0.24	0.54	0.57
8	58	Publishing activities	1	0.69	0.00	0.20	0.00	0.06	0.00	1.05	0.00	0.50	0.00
9	34	Miscellaneous	3	0.29	0.10	0.43	0.19	0.67	0.49	0.55	0.33	0.49	0.63
10	20	Manufacture of chemicals and chemical products	24	0.46	0.38	0.49	0.52	0.39	0.33	0.58	0.81	0.48	1.08
11	46	Wholesale trade, except of motor vehicles and motorcycles	5	0.64	0.65	0.36	0.19	0.48	0.46	0.38	0.16	0.47	0.84
12	52	Warehousing and support activities for transportation	10	0.54	0.59	0.44	0.43	0.48	0.32	0.40	0.32	0.46	0.86
13	55	Accommodation	2	0.56	0.29	0.42	0.31	0.55	0.44	0.32	0.11	0.46	0.62
14	27	Manufacture of electrical equipment	5	0.52	0.46	0.39	0.30	0.39	0.29	0.52	0.48	0.45	0.78
15	12	Manufacture of tobacco products	2	0.49	0.35	0.44	0.19	0.46	0.26	0.39	0.26	0.44	0.54
16	28	Manufacture of machinery and equipment n.e.c.	6	0.44	0.24	0.44	0.27	0.37	0.24	0.52	0.52	0.44	0.68
17	10	Manufacture of food products	4	0.42	0.26	0.39	0.16	0.47	0.21	0.48	0.28	0.44	0.47
18	62	Computer programming, consultancy and related activities	7	0.44	0.26	0.46	0.08	0.37	0.14	0.48	0.23	0.44	0.38
19	72	Scientific research and development	1	0.49	0.00	0.52	0.00	0.36	0.00	0.34	0.00	0.43	0.00
20	30	Manufacture of other transport equipment	3	0.37	0.10	0.37	0.17	0.38	0.19	0.34	0.17	0.36	0.32
21	23	Manufacture of other non-metallic mineral products	8	0.38	0.29	0.27	0.14	0.45	0.42	0.32	0.16	0.36	0.56

22	24	Manufacture of basic metals	6	0.40	0.24	0.28	0.26	0.52	0.81	0.22	0.17	0.36	0.90
23	41	Construction of buildings	8	0.20	0.10	0.34	0.21	0.40	0.36	0.42	0.35	0.34	0.55
24	49	Land transport and transport via pipelines	1	0.28	0.00	0.35	0.00	0.28	0.00	0.46	0.00	0.34	0.00
25	82	Office administrative, office support and other business support activities	1	0.34	0.00	0.41	0.00	0.27	0.00	0.25	0.00	0.32	0.00
26	26	Manufacture of computer, electronic and optical products	2	0.20	0.19	0.46	0.59	0.24	0.17	0.37	0.35	0.32	0.73
27	29	Manufacture of motor vehicles, trailers and semi-trailers	6	0.28	0.16	0.29	0.13	0.33	0.17	0.30	0.18	0.30	0.31
28	47	Retail trade, except of motor vehicles and motorcycles	1	0.38	0.00	0.28	0.00	0.25	0.00	0.27	0.00	0.30	0.00
29	86	Human health activities	1	0.23	0.00	0.29	0.00	0.31	0.00	0.29	0.00	0.28	0.00
30	42	Civil engineering	8	0.22	0.21	0.22	0.20	0.31	0.28	0.26	0.24	0.25	0.47
31	21	Manufacture of pharmaceuticals, medicinal chemical and botanical products	17	0.25	0.24	0.23	0.21	0.26	0.21	0.25	0.17	0.25	0.42
32	22	Manufacture of rubber and plastics products	9	0.24	0.20	0.21	0.18	0.23	0.15	0.29	0.35	0.24	0.47
33	93	Sports activities and amusement and recreation activities	1	0.13	0.00	0.15	0.00	0.33	0.00	0.21	0.00	0.21	0.00
34	13	Manufacture of textiles	2	0.21	0.04	0.08	0.09	0.14	0.16	0.12	0.14	0.14	0.24
35	16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1	0.13	0.00	0.12	0.00	0.13	0.00	0.14	0.00	0.13	0.00
36	11	Manufacture of beverages	1	0.14	0.00	0.12	0.00	0.11	0.00	0.13	0.00	0.13	0.00
37	77	Rental and leasing activities	1	0.08	0.00	0.09	0.00	0.10	0.00	0.10	0.00	0.09	0.00
38	59	Motion picture, video and television programme production, sound recording and music publishing activities	1	0.09	0.00	0.10	0.00	0.10	0.00	0.06	0.00	0.09	0.00
39	63	Information service activities	1	0.01	0.00	0.01	0.00	0.01	0.00	0.02	0.00	0.01	0.00

Table 4: Industry-wise performance of sample companies with respect to Dividend Payout Policy in proportion to Cash EPS (n=164)

				Mar-16		Mar-17		Mar-18		Mar-19		4-Year Period	
S.no	Industry NIC code	Industry	Sample Size	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Average	S.D.
1	64	Financial service activities, except insurance and Pension funding	2	0.64	0.57	0.69	0.22	0.93	0.20	0.49	0.35	0.69	0.74
2	71	Architecture and engineering activities; technical testing and analysis	1	1.44	0.00	0.53	0.00	0.40	0.00	0.36	0.00	0.68	0.00
3	25	Manufacture of fabricated metal products, except machinery and equipment	1	0.29	0.00	1.93	0.00	0.25	0.00	0.23	0.00	0.67	0.00
4	14	Manufacture of wearing apparel	1	0.41	0.00	0.44	0.00	0.87	0.00	0.64	0.00	0.59	0.00
5	34	Miscellaneous	3	0.25	0.09	0.38	0.18	0.61	0.46	0.48	0.28	0.43	0.58
6	61	Telecommunications	3	0.21	0.06	0.47	0.27	0.58	0.50	0.31	0.18	0.39	0.60
7	19	Manufacture of coke and refined petroleum products	3	0.22	0.03	0.45	0.17	0.59	0.37	0.29	0.16	0.39	0.44
8	10	Manufacture of food products	4	0.37	0.26	0.33	0.20	0.40	0.23	0.42	0.27	0.38	0.49
9	62	Computer programming, consultancy and related activities	7	0.38	0.26	0.38	0.10	0.32	0.14	0.42	0.19	0.38	0.36
10	58	Publishing activities	1	0.54	0.00	0.16	0.00	0.04	0.00	0.77	0.00	0.38	0.00
11	12	Manufacture of tobacco products	2	0.40	0.36	0.35	0.24	0.37	0.29	0.34	0.26	0.37	0.58
12	46	Wholesale trade, except of motor vehicles and motorcycles	5	0.42	0.44	0.28	0.16	0.44	0.49	0.31	0.18	0.36	0.70
13	72	Scientific research and development	1	0.37	0.00	0.43	0.00	0.31	0.00	0.30	0.00	0.35	0.00
14	20	Manufacture of chemicals and chemical products	24	0.33	0.29	0.39	0.48	0.32	0.30	0.35	0.25	0.35	0.68
15	30	Manufacture of other transport equipment	3	0.34	0.09	0.33	0.15	0.34	0.17	0.31	0.15	0.33	0.28
16	52	Warehousing and support activities for transportation	10	0.38	0.42	0.30	0.30	0.34	0.22	0.28	0.23	0.33	0.61
17	35	Electricity, gas, steam and air conditioning supply	4	0.41	0.31	0.32	0.15	0.26	0.10	0.29	0.08	0.32	0.37
18	27	Manufacture of electrical equipment	5	0.35	0.25	0.28	0.18	0.29	0.19	0.34	0.25	0.31	0.44
19	28	Manufacture of machinery and equipment n.e.c.	6	0.29	0.20	0.32	0.21	0.28	0.20	0.28	0.19	0.30	0.40
20	41	Construction of buildings	8	0.18	0.10	0.30	0.20	0.33	0.27	0.34	0.26	0.29	0.43
21	82	Office administrative, office support and other business support activities	1	0.29	0.00	0.36	0.00	0.25	0.00	0.24	0.00	0.28	0.00

22	26	Manufacture of computer, electronic and optical products	2	0.18	0.17	0.41	0.52	0.22	0.14	0.32	0.28	0.28	0.64
23	49	Land transport and transport via pipelines	1	0.20	0.00	0.26	0.00	0.21	0.00	0.33	0.00	0.25	0.00
24	29	Manufacture of motor vehicles, trailers and semi-trailers	6	0.19	0.11	0.21	0.09	0.25	0.13	0.23	0.14	0.22	0.24
25	47	Retail trade, except of motor vehicles and motorcycles	1	0.23	0.00	0.20	0.00	0.19	0.00	0.22	0.00	0.21	0.00
26	24	Manufacture of basic metals	6	0.21	0.14	0.18	0.15	0.30	0.41	0.16	0.14	0.21	0.48
27	42	Civil engineering	8	0.18	0.19	0.18	0.20	0.25	0.24	0.22	0.23	0.21	0.43
28	21	Manufacture of pharmaceuticals, medicinal chemical and botanical products	17	0.21	0.23	0.19	0.19	0.21	0.18	0.20	0.16	0.20	0.38
29	55	Accommodation	2	0.23	0.13	0.19	0.12	0.22	0.13	0.17	0.04	0.20	0.22
30	23	Manufacture of other non-metallic mineral products	8	0.15	0.08	0.17	0.11	0.31	0.41	0.18	0.09	0.20	0.44
31	86	Human health activities	1	0.15	0.00	0.16	0.00	0.16	0.00	0.14	0.00	0.15	0.00
32	22	Manufacture of rubber and plastics products	9	0.14	0.14	0.14	0.11	0.15	0.10	0.17	0.17	0.15	0.26
33	93	Sports activities and amusement and recreation activities	1	0.10	0.00	0.13	0.00	0.13	0.00	0.19	0.00	0.14	0.00
34	11	Manufacture of beverages	1	0.12	0.00	0.11	0.00	0.10	0.00	0.11	0.00	0.11	0.00
35	13	Manufacture of textiles	2	0.14	0.00	0.06	0.07	0.11	0.13	0.09	0.10	0.10	0.18
36	16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	1	0.10	0.00	0.09	0.00	0.09	0.00	0.10	0.00	0.10	0.00
37	77	Rental and leasing activities	1	0.08	0.00	0.09	0.00	0.09	0.00	0.10	0.00	0.09	0.00
38	59	Motion picture, video and television programme production, sound recording and music publishing activities	1	0.05	0.00	0.04	0.00	0.04	0.00	0.03	0.00	0.04	0.00
39	63	Information service activities	1	0.01	0.00	0.01	0.00	0.01	0.00	0.02	0.00	0.01	0.00

Chapter 5
Summary of Findings, Implication, Limitations and Future Direction of Research

This chapter outlines the summary of key findings of the study. Then followed by the discussion on the implication of findings for researchers and stakeholders along with future direction of the study. Next, the limitations will be shown.

5.1. Summary of Findings

In this study, the overall performance of sample companies has been studied with respect to various parameters related to the dividend policy of the companies.

One of the aspects i.e. Dividend yield showed a wider variability ranging from 0.08% to 6.92% with an average of 1.53%. The dividend payout in proportion of EPS showed an average of 39% ranging from 1% to 134% which varied results from no dividend payout to dividend payout more than the earnings during the sample years. The dividend payout in proportion of Cash EPS showed an average of 28% with 21% deviation in the averages. In overall, the dividend payout policy showed a consistency on an aggregate level.

The sample companies were divided into 39 industries using 2-digit NIC 2008 classification. In the classification, there were15 industries with one sample size. Thus, there was no distinction between industry and company in these cases. It was suggested through the findings that the 4-year average annual yield was maximum (6%) for architecture and engineering activities; technical testing and analysis (NIC code 71) and the 4-year average annual yield was minimum (0.08%) for Information service activities (NIC code 63).

The dividend payout policy which was measured in proportion of EPS and Cash EPS was also seen to be varying among industries and companies. Within industry, the variation among companies was measured through standard deviation.

Dividend payout in proportion of EPS was highest (77%) for manufacture of fabricated metal products, except machinery and equipment (NIC code 25) and was minimum (1%) for Information service activities (NIC code 63).

Dividend payout in proportion of Cash EPS was founded to be maximum (69%) for financial service activities, except insurance and pension funding (NIC code 64) and it was minimum (1%) for Information service activities (NIC code 63).

5.2. Implication and future direction of the study

The study taken is an evidence towards the dividend trends in the past 4 years to determine the dividend policy of the sample firms. Further, the researchers can study other aspects of capital allocation policy also and determine the impact of free cashflow on all other variables of the policy.

5.3. Limitations of the Research

The study proposes the dividend policy only. The capital allocation can also be studied in further researches. Apart from descriptive statistics, regression model can be built for knowing the impact FCFF on dividend payout policy.

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