



# DIVIDEND DECISIONS OF AUTO INDUSTRY IN INDIA

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## ABSTRACT

This paper seeks to analyse the dividend payout trends and discover the factors affecting dividend policy in chosen companies from the Indian Auto Industry. While examining the dividend policy of the chosen companies, the Dividend Payout Ratio has been used as the indicator of the dividend policy adopted by the companies under study. The current study measures the influence of various factors such as current ratio, Profitability, operating cash flow per share, Corporate Tax, Debt to Equity Ratio, Firm Size, earning volatility, Tangibility and Earning Volatility on the Dividend Payout Ratio. Regression analysis indicated that operating cash flow per share, Corporate Tax, debt to equity ratio, firm size, and tangibility have positive significant influence with dividend payout ratio while profitability, current ratio, and Growth have negative significant influence.

**Index Terms: Dividend Payout Ratio, current ratio, Profitability, operating cash flow, Corporate Tax, Debt to Equity ratio, Firm Size, Growth, Tangibility, and Earning Volatility.**

## INTRODUCTION

The dividend decision is one of the most drastically researched subjects in the area of finance. Over the years, a sequence of educational research has been carried out on firms' dividend policy but, the conclusions of this studies can be summarised by skill of the perspectives of Fisher Black when he referred to that "the harder we look at the dividend picture, the more it seems like a puzzle, with portions that just don't fit together" (Black, 1976, p. 5). ) and in the phrases of Richard A Brealey "one of the ten important unsolved issues in corporate finance" (Brealey et.al., 2006). Dividends are in many instances described as the distribution of earnings to the shareholders of the company in proportion to their ownership. Dividend policy refers to some kind of consistent method to the decision involving distribution versus retention of net profits after taxes from year to year. Dividend policy is one of the most essential monetary policies, not best from the point of view of the enterprise however additionally from that of the shareholders, the customers, the employees and the government. For a company, it is a vital policy due to the fact different policies of the company have been affected by means of this policy. Price of company securities relies upon on dividend policy. Dividend decision, one of the vital factors of a company's monetary policy, is no longer an independent decision. Rather, it is a choice that is taken after thinking about a number associated components and factors. There are a number of elements influencing a firm's dividend policy.

## LITERATURE REVIEW

R. N. Agarwal (1987) in his study “Profitability and Growth in Indian Automobile Manufacturing Industry” discovered that the auto enterprise observed the target payout ratio and Lintner’s model determined suitable for the car industry in India. He also observed that earnings had been the most significant aspect for determining dividend in the auto industry in India.

Pruitt and Gitman (1991) in their study “The Interactions between the Investment, Financing, and Dividend Decisions of Major U.S. Firms” found that dividend decisions were found to be driven by profits and prior year's dividends rather than by the firm's investment and financing actions.

Jaidev, M. (1992) in his paper “Determinants of Dividends-Some Empirical Observations” observed that earnings were extensively affecting dividends while lagged dividends had been insignificant.

Glen J.D., Y. Karmokolias, R.R. Miller and S. Shah (1995), in their study, “Dividend Policy and Behaviour in Emerging Markets: To Pay or not to Pay”, observed that companies in the emerging markets have a target dividend payout rate, however less worried with volatility in dividends over time.

N. R. Parasuraman (2012), in his paper, “Does Lintner model of dividend payout hold good? Empirical evidence from BSE SENSEX firms”, found that payout decision of firms depends on the factors like earnings, money earnings, lagged dividends and capital expenditure.

Gayathridevi A and T. Mallikajunappa (2012), in their study “An Empirical Study on the Determinants of Dividend Policy of Firms” have concluded that the lagged earnings belonging to common shareholders, profits after tax, earnings belonging to common shareholders, cash flows, size and lagged dividends determine the dividend policy of the companies in India.

Mistry S. Dharmendera (2012), in his paper entitled “Determinants of Profitability in Indian Automobile Industry – Using Multiple Regression Analysis” observed that profitability and liquidity have been discovered beneficial to raise dividend payout ratio in Indian two wheeler industry; while operating activities, turnover and capital market things to do affected dividends charge choice of Indian two wheeler industry adversely.

Mehta Anupam (2012), in his learn about “Financial Performance of UAE Banking Sector- A Comparison of before and during Crisis Ratios” observed that profitability and size are the most important considerations of dividend payout choices through UAE firms.

Ebenezer Agyemang Badu (2013), in his paper entitled “Determinants of Dividend Payout Policy of listed Financial Institutions in Ghana” finds that the predominant determinants of dividend policy of economic institutions in Ghana are the age of the firm, collateral and liquidity.

Boamah Kofi Baah, Richard Tawiah (2014), in their paper “Industry sector determinants of Dividend policy and its effect on share prices in Ghana” identifies profitability as a key determinant of dividend policy in Ghana.

Baker, Mendel and wurgler (2015), in their paper “ Dividend as Reference Points: A Behavioural Signalling Approach” finds that firms having a strong position of cash income provides high dividend to their investors and retain enough cash for subsequent 12 months to avoid the trouble of dividend cuts.

## VARIABLES

The main objective of the present study is to analyze the determinants of dividend policy of the selected companies of Auto industry in India. While analyzing the dividend policy of the selected companies, the Dividend Payout Ratio has been used as the indicator of the dividend policy adopted by the companies under study.

Several variables affecting the dividend policy of the companies such as Profitability, Operating Cash flow per share, current ratio, Debt to Equity Ratio, Firm Size, Growth, Earning Volatility, Tangibility and Corporate Tax, have been selected for the purpose of the study.

Dividend Payout Ratio (DPR) = Yearly dividend/ Net Income after tax

Profitability (PROF) = Earnings before Interest and Taxes/ Total Assets

Operating Cash flow per share (CFPS) = Operating Cash flow/ Number of shares outstanding.

Current Ratio (CR) = Current Assets/ Current Liabilities

Debt to Equity Ratio (D/E) = Total Liability/ Shareholders Equity

Firm Size (SIZ) = Natural log of Total Asset

Growth (GRO) = (Gross Fixed Asset in Current Year -- Gross Fixed Asset in Previous Year) / Gross Fixed Asset in Current Year

Earning Volatility (EV) = (Profit before Taxes in Current Year-- Profit before Taxes in Previous Year)/ Profit before Taxes in Current Year

Tangibility (TAN) = Fixed Assets/ Total Asset

Corporate Tax (TAX) = Corporate Tax/ Net Profit before Tax

## OBJECTIVES OF THE STUDY

To study the in dividend payout trend in the auto industry of Indian Industry.

To evaluate the major factors that influences the dividend policy of selected companies.

## RESEARCH METHODOLOGY

The data used in the present study were collected from the secondary source i.e.; Centre for Monitoring Indian Economy (CMIE) – PROWES, CAPITALLINE, MONEYCONTROL.COM, NSE and BSE websites, Published Annual Reports of various companies selected for the study etc.

Dividend payment pattern of all companies that are listed for trading on one of the two major exchanges namely National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) during the period 2008-2018 are employed for the analysis.

The degree of relationship between the selected variables and dividend will be assessed through the correlation coefficients taking into account their magnitude by Pearson's simple correlation coefficient, rankings of their magnitude by Spearman's rank correlation coefficient and the nature of their associated changes by Kendall's correlation coefficient. Multiple regression techniques will be applied in measuring the joint influence of the selected variables on the dividend policy of the selected companies. In order to examine whether the computed values of correlation coefficients are statistically significant or not t-test will be used. Similarly, the F test will be applied at the time of testing the statistical significance of multiple correlation coefficients.

## STATEMENT OF THE PROBLEM

Till the works of Lintner (1956) and Miller and Modigliani (1961), dividend policy has remained one of the most controversial problems in company finance. Over the years, a sequence of academic research has been carried out on firms' dividend policy. This has led to countless competing theoretical explanations for dividend policy. Some of the questions that continue to be unanswered include: What are the elements that determine dividend policy? Is dividend policy decided dependently or independently? Etc. Prior academic works of literature have tried to grant solutions to these questions however mystery still covers the dividend policy decision of firms. While designing the dividend policy of a company several factors are taken into consideration. In other words, the dividend policy of a company stems from several factors. Some of them are quantifiable, while others fail to possess such quality. The present study seeks to analyse the dividend payout trends and identify the factors affecting dividend policy in the Auto industry in India.

## PERIOD OF THE STUDY

The study covers a period of 10 years from 01/04/2008 to 31/03/2018.

## ANALYSIS AND INTERPRETATION

### ANALYSIS OF DIVIDEND TRENDS IN THE SELECTED COMPANIES

**TABLE 1.1: ANALYSIS OF DIVIDEND TRENDS IN THE SELECTED COMPANIES**

NAME OF COMPANY	MEAN	SD	CV
Ashok Leyland	31.34	12.79	0.408
Bajaj Auto	41.58	16.51	0.397
Eicher Motors	25.18	14.23	0.565
Maruti Suzuki India	14.34	6.141	0.428
Hero Motor Corp	63.19	23.04	0.365
Mahindra and Mahindra	22.69	4.369	0.193
Force Motors Ltd	7.491	7.606	1.015
Tata Motors	65.05	76.8	1.181
TVS Motor Company	35.74	12.12	0.339
Escorts Ltd	12.34	6.585	0.534
<b>Auto Industry Average</b>	<b>31.893</b>	<b>18.020</b>	<b>0.542</b>
<b>Average of Indian Auto industry</b>	<b>27.32</b>	<b>19.31</b>	<b>0.67</b>

The above table indicates that four companies out of the ten selected companies belonging to Auto Industry, viz., Bajaj Auto Ltd, Hero Motorcop, Tata Motors Ltd and TVS Motor Company followed a more liberal dividend policy as compared to the general trend of the industry. This table also exhibits that Auto Industry adopted a more liberal dividend policy as compared to the general trend revealed in the Indian industries.

The table also indicates that seven companies out of the ten selected companies belonging to Auto Industry, viz., Ashok Leyland, Bajaj Auto Ltd, Maruti Suzuki India, Hero Motor cop, Mahindra and Mahindra , TVS Motor Company and Escorts Ltd were more consistent in paying dividend as compared to the general trend reflected in the Auto industry. This table further depicts that Auto Industry was more consistent in paying dividend as compared to the general trend revealed in the Indian corporate sector.

**Table 1.2: Average consistency status of dividend payments in the Automobile Industry**

<b>Mean</b> <b>CV</b>	<b>Low</b> <b>(<math>\leq 0.15</math>)</b>	<b>Moderate</b> <b>(<math>&gt; 0.15</math> but <math>\leq 0.25</math>)</b>	<b>High</b> <b>(<math>&gt; 0.25</math>)</b>
<b>High</b> <b>(<math>&gt; 0.60</math>)</b>	Force Motors Ltd		Tata Motors
Moderate <b>(<math>&gt; 0.40</math> but <math>\leq 0.60</math>)</b>	Maruti Suzuki India Escorts Ltd		Asok Leyland Eicher Motors
<b>Low</b> <b>(<math>\leq 0.40</math>)</b>		Mahindra and Mahindra	Hero Motor Corp TVS Motor Company Bajaj Auto

The above table shows the average consistency status of dividend payments in the Automobile Industry based on Dividend Payout Ratio (DPR). This table discloses that Tata motors followed a more liberal dividend policy but was not at all consistent with dividend payments. Asok Leyland and Eicher Motors were found to be moderately consistent with their dividend policies. Maruti Suzuki India and Escorts Ltd were found to be moderately consistent with their lower dividend payment policy. Mahindra and Mahindra was neither conservative nor aggressive in paying dividends. It is proved from the table that Force Motors Ltd was the only company in Automobile Industry which placed in the most undesirable category 'low average- low consistency' class. Hero Motor Corp, TVS Motor Company and Bajaj Auto were found to be placed in the best category i.e., 'high average – high consistency' class.



Table 1.3: Correlation Analysis of Auto Industry

AUTO INDUSTRY										
Name of Company	Correlation coefficient	PRO	CF	CR	DE	SIZ	GRO	EV	TAN	TAX
Asok Leyland	Pearson	.568	.245	.172	-.352	-.055	-.306	.118	.314	-.692*
	Kendall	.378	.111	.111	-.289	-.022	-.386	-.045	.442	-.135
	Spearman	.479	.261	.164	-.394	.006	-.470	-.091	.566	-.128
Bajaj Auto	Pearson	-.011	-.100	.305	.047	-.107	.416	-.006	.114	.245
	Kendall	-.180	0.000	.289	-.072	.111	.290	-.315	-.111	.303
	Spearman	-.225	-.006	.345	-.043	.018	.449	-.377	-.018	.431
Eicher	Pearson	.002	.074	.379	.463	.311	.228	.557	.285	-.025
	Kendall	-.135	-.270	.092	.501	-.270	0.000	.270	-.114	-.315
	Spearman	-.134	-.274	.205	.641*	-.274	-.006	.426	-.128	-.322
Escorts	Pearson	-.286	-.309	.788**	-.225	.476	-.242	-.401	.587	-.822**
	Kendall	-.368	-.225	-.621*	.345	.092	-.159	-.180	.250	-.814**
	Spearman	-.465	-.267	-.765*	.336	.107	-.326	-.274	.329	-.905**
Force	Pearson	-.451	.261	.013	-.175	.089	.629	-.885**	.003	.094
	Kendall	-.180	.070	-.023	-.295	.023	.235	-.250	.163	.068
	Spearman	-.359	.055	.006	-.323	-.043	.386	-.329	.222	.183
Hero	Pearson	.393	.153	-.333	.209	-.292	.309	-.220	.416	.763*
	Kendall	.270	.090	-.156	-.230	-.135	-.045	-.244	.090	.360
	Spearman	.377	.097	-.127	-.166	-.182	-.024	-.333	.128	.511
Mahindra	Pearson	.269	-.533	-.462	-.476	-.499	.402	-.186	.227	-.375
	Kendall	.138	-.225	-.494*	-.378	-.200	.270	-.244	.135	-.256
	Spearman	.214	-.328	-.608	-.588	-.297	.353	-.333	.182	-.271
Maruti	Pearson	-.574	.684*	-.664*	-.576	.691*	.017	.053	-.194	.171
	Kendall	-.523*	.556*	-.556*	-.276	.584*	0.000	-.090	.114	-.141
	Spearman	-.659*	.636*	-.685*	-.434	.748*	.073	-.128	.091	-.136
Tata	Pearson	.104	.269	-.370	-.503	-.207	-.356	.234	-.163	.200
	Kendall	.269	.119	-.358	-.406	-.435	-.097	-.024	-.193	.263
	Spearman	.393	.169	-.394	-.544	-.618	-.129	.019	-.367	.256
TVS	Pearson	-.465	-.350	.324	.839**	-.676*	.454	-.031	-.123	-.221
	Kendall	-.341	-.289	.276	.556*	-.494*	.225	.111	-.092	-.244
	Spearman	-.494	-.418	.399	.733*	-.657*	.413	.055	-.117	-.285

\* Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

Table 1.3 shows the correlation coefficients between DPR and other variables while determining the dividend policy in the automobile industry. The above Table indicates a negative relationship between profitability and DPR in the automobile industry. Out of thirty correlation coefficients between DPR and PROF, thirteen had been determined to be positive and none were discovered to be statistically significant. The last seventeen correlation coefficients have been negative and of which two were discovered to be statistically significant. Many researchers consider profitability as the primary indicator of a

firm's capability to pay dividends. But in the case of automobile industry the net result failed to agree with the theoretical argument.

Table 1.3 indicates a positive relationship between cash flow and DPR in the automobile industry. Out of thirty correlation coefficients between DPR and CF, sixteen had been determined to be positive and of which three were discovered to be statistically significant. The remaining thirteen correlation coefficients have been negative and none were found to be statistically significant. The cash flow position of an organisation is a major factor to be considered while paying dividends. In the case of automobile industry the outcome of the study slightly suit with the theoretical argument.

Table 1.3 indicates a negative relationship between current ratio and DPR in the automobile industry. Out of thirty correlation coefficients between CR and DPR, fourteen had been determined to be positive and none were discovered to be statistically significant. The remaining sixteen correlation coefficients have been negative and of which six were discovered to be statistically significant. Theoretically it was argued that, greater the cash position and overall liquidity of a firm, greater is the ability to pay dividend. But in the case of automobile industry the net result failed to agree with the theoretical argument.

Table 1.3 reveals that out of thirty correlation coefficients between debt-to-equity ratio and DPR, ten had been determined to be positive of which four were discovered to be statistically significant. The remaining twenty correlation coefficients have been negative and none were discovered to be statistically significant. As per the study of correlation between debt-to-equity ratio and DPR it was shown that no significant impact of leverage on dividend policy of the companies under study was observed during the study period. However, it is observed that 100 per cent of the total significant correlation coefficients were found to be positive. Thus, it was noticed that leverage also contributed towards designing the company's dividend policy. Many previous studies reveal that a firm with large amount of external debt will follow a more conservative dividend policy. In the case of automobile industry the net result is not agreeing with the theoretical argument.

Table 1.3 indicates a negative relationship between size and DPR in the automobile industry. Out of thirty correlation coefficients between SIZ and DPR, twelve had been determined to be positive and of which three were discovered to be statistically significant. The remaining eighteen correlation coefficients have been negative and of which three were discovered to be statistically significant. The hypothesised relationship between firm size and DPR is positive. But in the case of automobile industry the net result failed to agree with the theoretical argument.

Table 1.3 indicates a positive relationship between growth and DPR in the automobile industry. Out of thirty correlation coefficients between DPR and CF, sixteen had been determined to be positive and none were found to be statistically significant, twelve correlation coefficients have been negative and none were found to be statistically significant. The remaining two correlation coefficients show zero correlation. The higher growth companies have lots of investment potential and are likely to follow a conservative dividend policy. The hypothesised relationship between firm size and DPR is negative. In the case of automobile industry the net result failed to agree with the theoretical argument.

Table 1.3 indicates a negative relationship between earning volatility and DPR in the automobile industry. Out of thirty correlation coefficients between DPR and EV, nine had been determined to be positive and none were found to be statistically significant. The balance twenty one correlation coefficients have been negative and one correlation coefficient found statistically significant. The higher growth companies have lots of investment potential and are likely to follow a conservative dividend policy. The hypothesised relationship between earning volatility and DPR is negative. In the case of automobile industry the net result agrees with the theoretical argument.

Table 1.3 indicates a positive relationship between tangibility and DPR in the automobile industry. Out of thirty correlation coefficients between DPR and TAN, nineteen had been determined to be positive and none were found to be statistically significant. The last eleven correlation coefficients have been negative and none were found to be statistically significant. Tangibility is negatively related to dividend payout ratio. The negative relationship indicates that increased investment in tangible assets reduce the level of funds available for distribution to shareholders. But in the case of automobile industry the net result failed to agree with the theoretical argument.

Table 1.3 indicates a negative relationship between earning tax and DPR in the automobile industry. Out of thirty correlation coefficients between DPR and TAX, thirteen had been determined to be positive and of which one were discovered to be statistically significant. The balance seventeen correlation coefficients have been negative and of which four were discovered to be statistically significant. Out of the significant correlation coefficients between DPR and TAX 80

per cent was found to be negative. Hence, the study result disclosed strong negative relationship between DPR and TAX. Many researchers in their study of determinants of dividend payout ratio found that corporate tax and dividend payout ratio are positively related. In the case of automobile industry the net result does not agree with the theoretical argument.

**Table 1.4: REGRESSION ANALYSIS OF AUTO INDUSTRY**

<b>Model Summary<sup>b</sup></b>					
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>	<b>Durbin-Watson</b>
1	.432 <sup>a</sup>	.187	.105	31.49355	.979
a. Predictors: (Constant), TAX, GROWTH, CURRENTRATIO, DEBTEQUITYRATIO, EARNINGVOLATILITY, PROFITABILITY, CASHFLOW, TANGIBILITY, SIZE					
b. Dependent Variable: DPR					

The above table 1.4 indicates that the value of R for Auto Industry 43.2% that refers there is a moderate linear correlation between explanatory variables such as profitability, operating cash flow per share, current Ratio, debt to equity ratio, growth, size, tangibility, corporate tax and growth and the dependent variable i.e. dividend payout ratio. The R<sup>2</sup> value 18.7% (the "R Square" column) indicates how much of the total change in the dependent variable can be explained by the independent variables. Value of adjusted R- Square for auto industry is 0.105. It indicates that there is 10.5% change in dividend payout due to the changes in the independent variable.

The Durbin-Watson coefficient is employed to see for autocorrelation. If the Durbin-Watson coefficient is between 0.5 and 2.5 it might show the independence of observations. The Durbin-Watson coefficient within the analysis results was recorded as 0.979, which indicates the independence of observations.

**Table 1.5: ANOVA<sup>a</sup>**

<b>AUTO INDUSTRY</b>						
<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	20495.218	9	2277.246	2.296	.023 <sup>b</sup>
	Residual	89265.952	90	991.844		
	Total	109761.171	99			
a. Dependent Variable: DPR						
b. Predictors: (Constant), TAX, GROWTH, CURRENTRATIO, DEBTEQUITYRATIO, EARNINGVOLATILITY, PROFITABILITY, CASHFLOW, TANGIBILITY, SIZE						

The above table 1.5 shows that the independent variables statistically significantly predict the dependent variable, F = 2.296 10. The value of F significance 0.023, p <0.05 also shows that the model is significant. It means that there is significant impact of independent variables on the dividend payout ratio of the auto industry.

From the above table, we can fit regression equation to predict the Dividend Payout Ratio from independent variables as under.

$$DPR = b_0 + b_1 PROF + b_2 CFPS + b_3 CR + b_4 D.E + b_5 SIZ + b_6 GRO + b_7 EV + b_8 TAN + b_9 TAX$$

$$DPR = 19.28 - 0.4 PROF + 5.12 CFPS - 26.465 CR + 10.56 D.E + 3.93 SIZ - 6.31 GRO + 0.19 EV + 16.2 TAN + 2.21 TAX$$



Table 1.6: Coefficients<sup>a</sup>

AUTO INDUSTRY								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	19.281	21.877		.881	.380		
	PROFITABILITY	-.400	.527	-.084	-.759	.450	.736	1.359
	CASHFLOW	5.115	4.801	.154	1.065	.290	.435	2.300
	CURRENTRATIO	-26.465	9.001	-.299	-2.940	.004	.874	1.145
	DEBTEQUITYRATIO	10.556	7.485	.144	1.410	.162	.865	1.156
	SIZE	3.925	7.222	.079	.544	.588	.432	2.314
	GROWTH	-6.305	5.277	-.145	-1.195	.235	.615	1.626
	EARNINGVOLATILITY	.189	.360	.051	.524	.602	.957	1.045
	TANGIBILITY	16.196	21.586	.091	.750	.455	.612	1.634
	TAX	2.207	12.063	.018	.183	.855	.932	1.073

Unstandardized coefficients indicate how much the dependent variable varies with an Independent variable when all other independent variables are held constant.

Table 1.6 shows, the Unstandardized Coefficient for profitability is equal to -0.04. This means that in the case of Auto Industry in India for every additional increase in profitability, dividend payout ratio decreases by 0.04.

Table 1.6 shows, the Unstandardized Coefficient for cashflow is equal to 5.12. This means that in the case of Auto Industry in India for every additional increase in cashflow, dividend payout ratio increases by 5.12.

Table 1.6 shows, the Unstandardized Coefficient for current ratio is equal to -26.47. This means that in the case of Auto Industry in India for every additional increase in current ratio, dividend payout ratio decreases by 26.47.

Table 1.6 shows, the Unstandardized Coefficient for debt equity ratio is equal to 10.56. This means that in the case of Auto Industry in India for every additional increase in debt equity ratio, dividend payout ratio increases by 10.56.

Table 1.6 shows, the Unstandardized Coefficient for size is equal to 3.93. This means that in the case of Auto Industry in India for every additional increase in size, dividend payout ratio increases by 3.93.

Table 1.6 shows, the Unstandardized Coefficient for growth is equal to -6.31. This means that in the case of Auto Industry in India for every additional increase in size, dividend payout ratio decreases by 6.31.

Table 1.6 shows, the Unstandardized Coefficient for earning volatility is equal to 0.19. This means that in the case of Auto Industry in India for every additional increase in earning volatility, dividend payout ratio increases by 0.19.

Table 1.6 shows, the Unstandardized Coefficient for tangibility is equal to 16.2. This means that in the case of Auto Industry in India for every additional increase in tangibility, dividend payout ratio increases by 16.2.

Table 1.6 shows, the Unstandardized Coefficient for tax is equal to 2.21. This means that in the case of Auto Industry in India for every additional increase in tax, dividend payout ratio increases by 2.21.

The t-statistics helps to determine the relative importance of each variable in the model. 'T' values of the independent variables beneath -2 or above 2 would effectively explain the variance of the dependent variable. In the case of Auto Industry the 't' values show that the variable current Ratio is a significant variable while profitability, operating cash flow per share, debt to equity ratio, size, growth, earning volatility, tangibility, and corporate tax were insignificant variables.

Multicollinearity measures whether any change in an independent variable influences any other independent variables. To examine the multicollinearity, tolerance or variance inflation thing (VIF), which is built with the aid of regressing each independent variable on all the others, was used. A tolerance of less than 0.20 suggests the existence of multicollinearity. A VIF value of above 4 suggests that multicollinearity trouble exist. Table 1.6 shows that all variance inflation factors (VIF) are less than 4 and tolerance coefficients are greater than 0.2. Therefore we can conclude that no multicollinearity trouble exist in auto industry.

## CONCLUSION

The study shows that Tata Motors Ltd, Hero Motorcop and Bajaj Auto Ltd had been the top three dividend-paying companies in the Auto industry. The present study also found that the Auto Industry adopted a more liberal dividend policy as compared to the general trend revealed in the Indian industries. The study of correlation exhibits positive correlation between cash flow, Debt to Equity Ratio, growth and tangibility with Dividend Payout Ratio, while Profitability, current ratio, size, Earning Volatility, and tax suggests negative correlation. Regression analysis indicated that cash flow, debt-equity ratio, size, earning volatility, tangibility and tax have positive significant influence with dividend payout ratio while profitability, current ratio, and growth have negative significant influence. In the case of Auto industry, the 't' values and the P values show, the variable current Ratio is a significant variable while profitability, operating cash flow per share, debt to equity ratio, size, growth, earning volatility, tangibility, and corporate tax were insignificant variables.

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