CHAPTER 7

SUMMARY, FINDINGS AND SUGGESTIONS
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7.1. **INTRODUCTION:**

Like a traveler who after completing a long and arduous journey, reaches to a predetermined destination and looks back at the area, covered for recapitulating the important landmarks he came across, the research also wants to review the various aspects of the study so as to come out with important findings drawn on the basis of the research work. As such this chapter work, major findings and conclusions drawn based on the research work undertaken.

7.2. **SUMMARY, FINDINGS OF THE STUDY:**

The main aim of any person is the utilization money in the best manner since the India is country were more than half of the population has problem of running the family in the most efficient manner. However Indian people faced large number of problem till the development of the full-fledged banking sector. The Indian banking sector came into the developing nature mostly after the 1991 government policy. The banking sector has really helped the Indian people to utilize the single money in the best manner as they want. People now have started investing their money in the banks and banks also provide good returns on the deposited amount. The people now have at the most understood that banks provide them good security to their deposits and so excess amounts are invested in the banks. Thus, banks have helped the people to achieve their socio economic objectives. The banks not only accept the deposits of the people but also provide them credit facility for their development. Indian banking sector has the nation in developing the business and service sectors. But recently the banks are facing the problem of credit risk .It is found that many general people and business people borrow from the banks but due to some genuine or other reasons are not able to repay back the amount drawn to the banks. The main aim behind making this report is to know how public sector Banks are operating their business and how dividend play its role to the operations of the public sector Banks. The reports Dividend are classified according to the sector, industry, and state wise. The present study also focuses on the existing system in India to solve the problem of dividend and comparative analysis to understand which bank is playing what role with concerned to dividend.
The present research work has been presented in various seven chapters. The summary of each chapter has been given below.

**Chapter 1 “An Overview of the Indian Banking”**

The banking system has a significant role to play in the rapid growth of the economy through planned efforts. In fact, banking system of any country is the lifeline or lifeblood of the economy. A banking institution is indispensable in a modern society. The purpose of this study has been to assess the role of the Indian banking system in the social-economic field in the post-nationalization period and to evaluate its many achievements and shortcomings. The Reserve Bank of India in its ‘road map’ for the banking industry has indicated that the Indian market will be opened for international banks by in nearer future. It is expected that many foreign banks would gain entry in the Indian markets to tap the vast potential that exists today. These banks with the help of advanced technology, adequate capital for investment, and their customer-centric approach will be able to attract the profitable customers from the existing banks. A fierce competition between the existing banks and the new entrants is likely to provide impetus for business growth. To effectively meet the competitive challenges from such banks, the Indian banking industry will have to gear up and adopt the global best practices, which make them stronger and comparable with the international banks.

**Chapter 2 “Conceptual framework of Dividend Policy”**

A major decision of financial management is the dividend decision and the firm has to choose between two things:

I. Distributing profit to Shareholders

II. Ploughing them back in to the business.

The profit of the company that remains after meeting all expenses, provision of taxation and depreciation and transferring the reasonable amount to the reserve funds called ‘divisible profit’ or ‘Surplus’. A portion of this surplus is distributed among the shareholders of the company as dividend as the balance is retained or ploughing back in the business for meeting future needs of the funds. How this surplus is to be bifurcated between dividend and retained earnings, depends upon the
rational decision of the directors. Payment of dividend is desirable, because the shareholder invest in the capital of the company with the view to earn higher return and to maximize their wealth. On the contrary are the sources of internal finance for financing future development and expansion programmers of the company. If the large portion of the surplus is distributed as dividend among the shareholders then the management has to depend upon external sources like debenture or new issue of shares for financing future capital and working capital needs. Thus, both growth and dividend are desirable. But they are in conflict, a higher dividend amount to less provision of fund for growth and retention of large earnings leaves a little amount of funds for divisible to which shareholder may react strongly. Therefore the finance manager has to formulate a guidable dividend policy in such a way as to strike a compromise between dividend payment and retention.

Chapter 3 “Research Methodology”

Research in common parlance refers to search for knowledge. Research means search back. It means again and again searching for knowledge. One can also define research as a scientific topic. Research can be considered as a movement, a movement from the known to the unknown.

Main object of the study is to analyze the dividend and its impact on profitability of selected Indian Banking Sector.

- To evaluate the comparative ratios of the selected Banks with concerned to the dividend.
- To understand the impact of dividend on the profitability of selected banks.

Researcher has selected ten public sector banks as a sample size of the research study and ten years data from 2004-05 to 2013-14 to analysis. For the analysis of the study researcher has used different ratios related to dividend like Dividend Payout Ratio, Dividend per Share, Dividend Yield and Dividend Cover for testing the hypothesis one way ANOVA has been used and to find out the impact of
dividend on profitability of selected banks researcher has used regression. Each study cannot be free from limitations. Some limitations likewise, the limitation of time areas, economic, efforts, scope as well as the method of the study.

Chapter 4 “Sample Profile of Selected Banks”

Researcher has selected ten public sector banks and ten years data from 2004-05 to 2013-14 as a sample for the research study. The information about samples is as under:

A. **Allahabad bank:**

Allahabad Bank is one of the premier nationalized banks in India. It is also the oldest joint stock bank of India. It was incorporated by a group of Europeans at Allahabad on April 24, 1865. It was the time Indian economy had started shifting towards organized trade and business affairs. After some years in 1920, the P&O Bank brought Allahabad Bank and its headquarters at Kolkata. The Allahabad bank got an entirely new identity when it was nationalized in 1969 along with 13 other banks in India.

B. **Andhra bank:**

Andhra Bank" was founded by the eminent freedom fighter and a multifaceted genius, Dr. Bhogaraju Pattabhi Sitaramayya. The Bank was registered on 20th November 1923 and commenced business on 28th November 1923 with a paid up capital of Rs 1.00 lakh and an authorized Andhra Bank (AB) was founded by the eminent freedom fighter and a multifaceted genius, Dr.Bhogaraju Pattabh iSitaramayya. The Bank was registered in 20th November 1923 and commenced its business in 28th November 1923. AB offering innovative and need based financial products and services using state-of -the art technology.

C. **Bank of India:**

Bank of India was founded on 7th September, 1906 by a group of eminent businessmen from Mumbai. The Bank was under private ownership and control till July 1969 when it was nationalized along with 13 other banks. Beginning with one office in Mumbai, with a paid-up capital of Rs.50 lakh and 50 employees, the Bank
has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the Bank occupies a premier position among the nationalized banks.

The Bank has 4545 branches in India spread over all states/union territories including specialized branches. These branches are controlled through 50 Zonal Offices. There are 54 branches/offices and 5 Subsidiaries and 1 joint venture abroad.

D. Bank of Baroda:

Bank of Baroda has been a long and eventful journey of almost a century across 25 countries. Starting in 1908 from a small building in Baroda to its new hi-rise and hi-tech Baroda Corporate Centre in Mumbai is a saga of vision, enterprise, financial prudence and corporate governance.

It is a story scripted in corporate wisdom and social pride. It is a story crafted in private capital, princely patronage and state ownership. It is a story of ordinary bankers and their extraordinary contribution in the ascent of Bank of Baroda to the formidable heights of corporate glory. It is a story that needs to be shared with all those millions of people - customers, stakeholders, employees & the public at large - who in ample measure, have contributed to the making of an Institution. Our mission statement, “To be a top ranking National Bank of International Standards committed to augmenting stake holders' value through concern, care and competence.”

E. Corporation Bank:

Corporation Bank came into being as Canara Banking Corporation (Udipi) Limited, on 12th March, 1906, in the temple town of Udupi, by the pioneering efforts of a group of visionaries. The Bank started functioning with just Rs.5000/- as its capital and at the end of the first day, the resources stood at 38 Rupees-13 Annas-2 Pies.

The Founder President Khan Bahadur Haji Abdullah Haji Kasim Saheb Bahadur, committed to fulfill the long felt banking needs of the people and also to inculcate the habit of savings, provided the much-needed impetus to founding a financial institution that would bring about prosperity to the society.
F. Dena bank:

Dena Bank was founded on 26th May, 1938 by the family of Devkaran Nanjee under the name Devkaran Nanjee Banking Company Ltd. It became a Public Ltd. Company in December 1939 and later the name was changed to Dena Bank Ltd.

In July 1969 Dena Bank Ltd. along with 13 other major banks was nationalized and is now a Public Sector Bank constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970. Under the provisions of the Banking Regulations Act 1949, in addition to the business of banking, the Bank can undertake other business as specified in Section 6 of the Banking Regulations Act, 1949.

G. Punjab National Banks:

Punjab National Bank (PNB) is second largest bank in Indian and headquarters is at New Delhi. It was founded in 1894 and is currently the second largest state-owned commercial bank in India ahead of Bank of Baroda with about 5000 branches across 764 cities.

PNB was founded on 19 May 1894 under the Indian Companies Act at Lahore (presently in Pakistan) as an off-shoot of the Swadeshi Movement. Among the inspired founders were Sardar Dayal Singh Majithia, Lala HarKishen Lal, Lala Lalchand (founding father), Shri Kali Prosanna Roy, Shri E.C. Jessawala, Shri Prabhu Dayal, Bakshi Jaishi Ram, Lala Dholan Dass. With a common missionary zeal they set about establishing a national bank; the first one with Indian capital — owned, managed and operated by the Indians for the benefit of the Indians. The Lion of Punjab, Lala Lajpat Rai, was actively associated with the management of the Bank in its formative years.

H. State bank of India:

State Bank of India (SBI), with a 200 year history, is the largest commercial bank in India in terms of assets, deposits, profits, branches, customers and employees. The Government of India is the single largest shareholder of this Fortune 500 entity
with 61.58% ownership. SBI is ranked 60th in the list of Top 1000 Banks in the world by "The Banker" in July 2012.

The origins of State Bank of India date back to 1806 when the Bank of Calcutta (later called the Bank of Bengal) was established. In 1921, the Bank of Bengal and two other banks (Bank of Madras and Bank of Bombay) were amalgamated to form the Imperial Bank of India. In 1955, the Reserve Bank of India acquired the controlling interests of the Imperial Bank of India and SBI was created by an act of Parliament to succeed the Imperial Bank of India.

I. Syndicate Bank:
Syndicate Bank was established in 1925 in Udupi, the abode of Lord Krishna in coastal Karnataka with a capital of Rs.8000/- by three visionaries - Sri Upendra Ananth Pai, a businessman, Sri Vaman Kudva, an engineer and Dr.T M A Pai, a physician - who shared a strong commitment to social welfare. Their objective was primarily to extend financial assistance to the local weavers who were crippled by a crisis in the handloom industry through mobilising small savings from the community. The bank collected as low as 2 annas daily at the doorsteps of the depositors through its Agents under its Pigmy Deposit Scheme started in 1928. This scheme is the Bank's brand equity today and the Bank collects around Rs. 2 crore per day under the scheme.

J. Union Bank of India:
Union Bank of India (UBI) was registered on 11 November 1919 as a limited company in Mumbai and was inaugurated by Mahatma Gandhi. At the time of India's Independence in 1947, UBI only had four branches – three in Mumbai and one in Saurashtra, all concentrated in key trade centres. After Independence UBI accelerated its growth and by the time the government nationalized it in 1969, it had grown to 240 branches in 28 states. Shortly after nationalization, UBI merged in Belgaum Bank, a private sector bank established in 1930 that had itself merged in a bank in 1964, the Shri Jadeya Shankarling Bank. Then in 1985 UBI merged in Miraj State Bank, which had been established in 1929. In 1999 the Reserve Bank of India requested that UBI acquire Sikkim Bank in a rescue after extensive irregularities had been discovered at
Chapter 5 “Data analysis and Interpretation”

1. The comparative analysis of Dividend Payout ratio of selected banks. Minimum D/P margin is 9.32 in year 2006-07 of Dena Bank and maximum D/P is 39.86 in year 2005-06 of Andhra Bank. The calculated value of ‘F’ is 8.29 which is higher than the table value of ‘F’. The table value of ‘F’ at 5% level of significance is 1.99. It indicates that the null hypothesis is rejected and alternative hypothesis will remain. So, it indicates that Dividend Payout ratio of the sampled banks is significantly different during the period of study.

2. The comparative analysis of Dividend per Share of selected banks. Minimum DPS margin is 1.00 in year 2008-09 of Dena Bank and maximum DPS is 41.50 in year 2012-13 of SBI. The calculated value of ‘F’ is 22.73 which is higher than the table value of ‘F’. The table value of ‘F’ at 5% level of significance is 1.99. It indicates that the null hypothesis is rejected and alternative hypothesis will remain. So, it indicates that DPS of the sampled banks is significantly different during the period of study.

3. The comparative analysis of Dividend Yield of selected banks. Minimum DY is 1.12 in year 2013-14 of Corporation Bank and maximum DY is 7.71 in year 2004-05 of Andhra Bank. The calculated value of ‘F’ is 6.63 which is higher than the table value of ‘F’. The table value of ‘F’ at 5% level of significance is 1.99. It indicates that the null hypothesis is rejected and alternative hypothesis will remain. So, it indicates that DY of the sampled banks is significantly different during the period of study.

4. The comparative analysis of DC of selected banks. Minimum DC is 1.07 in year 2013-14 of BOI and maximum DC is 12.28 in year 2008-09 of Dena Bank. The calculated value of ‘F’ is 1.82 which is lower than the table value of ‘F’. The table value of ‘F’ at 5% level of significance is 1.99. It indicates that the
null hypothesis is accepted and alternative hypothesis will remain. So, it indicates that DC of the sampled banks is significantly different during the period of study.

5. The comparative analysis of Net Profit margin of selected banks. Minimum NP margin is 3.11 in year 2004-05 of Dena Bank and maximum NP margin is 18.18 in year 2004-05 of Andhra Bank. The calculated value of ‘F’ is 2.65 which is higher than the table value of ‘F’. The table value of ‘F’ at 5 % level of significance is 1.99. It indicates that the null hypothesis is rejected and alternative hypothesis will remain. So, it indicates that Net profit margin ratio of the sampled banks is significantly different during the period of study.

6. The comparative analysis of EPS of selected banks. Minimum EPS is 2.98 in year 2004-05 of Dena Bank and maximum EPS is 206.20 in year 2012-13 of SBI. The calculated value of ‘F’ is 23.45 which is higher than the table value of ‘F’. The table value of ‘F’ at 5 % level of significance is 1.99. It indicates that the null hypothesis is rejected and alternative hypothesis will remain. So, it indicates that EPS of the sampled banks is significantly different during the period of study.

Chapter 6 “Impact of Dividend on Profitability”:

1. Correlation of Dividend payout ratio with Net Profit Margin:

- There is positive relationship (0.35) between DP and Profitability (NP) of Allahabad Bank.
- There is positive relationship (0.25) between DP and Profitability (NP) of Andhra Bank.
- There is positive relationship (0.76) between DP and Profitability (NP) of BOB.
- There is positive relationship (0.54) between DP and Profitability (NP) of BOI.
- There is positive relationship (0.72) between DP and Profitability (NP) of Corporation Bank.
• There is positive relationship (0.39) between DP and Profitability (NP) of Dena Bank.
• There is positive relationship (0.20) between DP and Profitability (NP) of Punjab National Bank.
• There is positive relationship (0.45) between DP and Profitability (NP) of State Bank of India.
• There is positive relationship (0.57) between DP and Profitability (NP) of Syndicate Bank.
• There is positive relationship (0.79) between DP and Profitability (NP) of Union Bank of India.

2. Correlation of Dividend per Share with Net Profit Margin:

• There is positive relationship (0.14) between DPS and Profitability (NP) of Allahabad Bank.
• There is positive relationship (0.56) between DPS and Profitability (NP) of Andhra Bank.
• There is positive relationship (0.31) between DPS and Profitability (NP) of BOB.
• There is positive relationship (0.22) between DPS and Profitability (NP) of BOI.
• There is positive relationship (0.12) between DPS and Profitability (NP) of Corporation Bank.
• There is positive relationship (0.36) between DPS and Profitability (NP) of Dena Bank.
• There is positive relationship (0.04) between DPS and Profitability (NP) of Punjab National Bank.
• There is positive relationship (0.42) between DPS and Profitability (NP) of State Bank of India.
• There is positive relationship (0.03) between DPS and Profitability (NP) of Syndicate Bank.
• There is positive relationship (0.28) between DPS and Profitability (NP) of Union Bank of India.
3. Correlation of Dividend Yield with Net Profit Margin:

- There is positive relationship (0.78) between DY and Profitability (NP) of Allahabad Bank.
- There is positive relationship (0.88) between DY and Profitability (NP) of Andhra Bank.
- There is positive relationship (0.31) between DY and Profitability (NP) of BOB.
- There is positive relationship (0.21) between DY and Profitability (NP) of BOI.
- There is positive relationship (0.73) between DPS and Profitability (NP) of Corporation Bank.
- There is positive relationship (0.79) between DY and Profitability (NP) of Dena Bank.
- There is positive relationship (0.57) between DY and Profitability (NP) of Punjab National Bank.
- There is positive relationship (0.40) between DY and Profitability (NP) of State Bank of India.
- There is positive relationship (0.78) between DY and Profitability (NP) of Syndicate Bank.
- There is positive relationship (0.67) between DY and Profitability (NP) of Union Bank of India.

4. Correlation of Dividend Cover with Net Profit Margin:

- There is positive relationship (0.39) between DC and Profitability (NP) of Allahabad Bank.
- There is positive relationship (0.20) between DC and Profitability (NP) of Andhra Bank.
- There is positive relationship (0.47) between DC and Profitability (NP) of BOB.
- There is positive relationship (0.75) between DC and Profitability (NP) of Corporation Bank.
There is positive relationship (0.90) between DC and Profitability (NP) of Dena Bank.

There is positive relationship (0.37) between DC and Profitability (NP) of Punjab National Bank.

There is positive relationship (0.54) between DC and Profitability (NP) of State Bank of India.

There is positive relationship (0.65) between DC and Profitability (NP) of Syndicate Bank.

There is positive relationship (0.32) between DC and Profitability (NP) of Union Bank of India.

7.3. **SUGGESTIONS:**

1) It would be of interest if future research can investigate how profitability and dividend policy will be affected by changes in pattern of past dividends, tax policy, financial leverage, growth stage and capital structure. Other factors such as tax position of shareholders, shareholder’s expectations, industry practice growth stage capital structure and access to capital markets can also be considered in designing a dividend policy though they affect dividend to a moderate extend.

2) Major suggestions and comments given by non-banking group respondents include dividend policy should be as stable as possible; enterprises should prepare dividend policy considering all factors including shareholders' desire to dividend policy.

3) The major suggestions and comments given by banking group respondents include dividend policy should be focused on earning capacity and future prospects of the enterprise; stock trading and pricing so far observed are not based on fundamentals but on speculation and announcement of certain strategy; and dividend policy in financial sector mainly guided by the directives of Bank.
4) There is a significant scope for investigating further the relationship between dividends and ownership over a longer period of time and to compare the behavior of private and public sector bank.

5) Similarly other possibility for future extension of the present study is to examine the interactions between dividend policy and other financial decisions and ownership structure. Examining the influence of board structures on dividend payout policy can also be a future area of research.

6) The present research covers ten banks of Indian economy. Accordingly, further research is needed to explore the issues surrounding payout policy more fully by extending the research to other sectors of Indian economy.