PREFACE

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

The dividend policy of firm determines what proportion of earnings is paid to shareholders by way of dividends and what proportion is ploughed back in the firm for reinvestment purpose that is retained earnings. Both growth and dividends are desirable, but they are in conflict; a higher dividend means less provision of funds for growth and higher retained earnings means low dividends. Dividend payment should be preferred if it leads to maximization of shareholders wealth. If not, retention is the suitable alternative. According to MM hypothesis (Miller-Modigliani) that supports that dividends are of irrelevance and has no effect on the valuation of the firm. Contrary to this hypothesis, Walter and Gordon support and suggest that investment policy and dividend policy are interlinked and affects the price of the shares of a firm. Hence, as per Walter and Gordon says dividends are relevant. As there are no universally accepted theories and models to denote relevance of dividend i.e. dividends do or do not affecting share prices. So it is proper to study this aspect in context to Indian industry, to verify these theories. Hence, the problem of “A Study of Dividend Policy of Indian Banking sector” has been taken for this study. In keeping with the aim of this study, the researcher tested the effect of dividend on the profitability of selected banks during the study period.