CHAPTER - II

REVIEW OF LITERATURE

“Reviewing the past helps to predict the future”

--I.M. Pandey

A Review of literature involves the systematic identification, location and analysis of documents containing information related to research problem. Many empirical studies have examined the determinants of dividend policy with different views and in different situations related to developed economy and developing economy. During the last four decades corporate dividend policy has been a subject of enquiry of financial analysts, academicians and researchers. A detailed review of some of the major studies so far undertaken both in India and abroad on dividend policy that helped the researcher to get an insight into the various determinants of dividend policy of the firms are as follows:

Lintner, J. (1956) in his study entitled “Distribution of Incomes of Corporations among Dividends, Retained Earnings and Taxes” conducted interviews with the personnel of numerous large well established firms of United States of America and concluded that the primary determinants of changes in dividend payments were the most recent earnings and the past dividend paid. Dividend can be described in terms of a weighted average of past earnings. According to him, management focused on the change in the dividends rather than the amount. Changes were made only when the management felt secured that new level of dividend could be maintained. There was propensity to move towards some target payout ratios among companies but speed differed greatly among companies. His hypothesis implies that current dividend partly depends on net current earnings after tax and partly on previous year dividend.

Darling, Paul G. (1957) in his study entitled “The Influence of Expectations and Liquidity on Dividend Policy” holds the view that lagged profit is the better explanation for current level of dividend. As such he substituted lagged
profit in the place of lagged dividend in the Lintner’s model. He further includes some more independent variables like depreciation and amortization recoveries and also changes in sales over the previous two years. His hypothesis is that for the universe of large industrial corporations aggregate dividend will tend to vary directly with current profits, past profits, depreciation and amortization recoveries and will tend to vary inversely with persistent change in the level of sales.

Dhrymes, P.J., & Kurz, M. (1964)³ in their study entitled “On the Dividend Policy of Electric Utilities” they have attempted an alternative view of dividend disbursal practice that does not rely on the auto-regressive character of the model designed by Lintner’s (1956). They found that dividend payments are significantly affected by some factors not taken into account by Linter such as investment, liquidity and long-term debt. According to them, firms that desire to maintain stable may hamper investment by reducing internal funds available for capital expenditure. Further, their result suggests that investment needs have an influence on dividend with greater investments reducing dividend payout.

Friend, I., & Puckett, M. (1964)⁴ in their study titled “Dividend and Stock Prices” provided the relationships between dividends and stock prices using regression analysis of 110 firms from five industries for the period of 1956 to 1958. The regression results exhibited that in growth industries (chemical, electronics and electric utilities) more weights relatively given to retained earnings than in non-growth industries (food and steels). In particular, earnings retention is more important than dividends for growth industries. In the initial stage firm’s managers should increase dividend payments in order to increase firms’ stock prices and encouragement of current investors to keep their investments or attracting more investors. The study concluded that in growth industries stocks, dividend has weak effect on stock price than the retained earnings.

Brittain, John A. (1966)⁵ in his study “Corporate Dividend Policy” used the cash flow version of Lintner’s model. He takes as his starting point the model proposed by Lintner’s and obtained statistically significant results but at the same
time found that better results could be obtained by certain modifications and adjustments. Brittain argues that cash flow is a more appropriate measure of company’s capacity to pay dividend as it reflects more faithfully true earnings. Further, dividend payment is considered as a charge prior to depreciation and hence should be related to earnings gross of depreciation. Besides as regulations and accounting practices regarding depreciation allowance keep on changing, net current earnings would fail to reflect the movement of true earnings which is the ultimate basis of ability to pay dividend. Brittain uses the cash flow version of Lintner’s model in this study and his hypothesis proves that dividend payout is a function of cash flow along with the dividend paid in the previous year. In addition to this, Brittain also used depreciation as a separate explanatory variable along with net current earnings after tax and lagged dividend and found significant results.

Purnanandam, J., & Hanumanta Rao, K.S. (1966)\(^6\) in their study entitled “Corporate Dividend and Target Payout Ratios in Indian Cotton Textile Industry” is a micro time series analysis of 50 companies belonging to the cotton textile industry for the period 1946-63. The Lintner’s model is tried for each company with and without intercept term. An analysis of the size distribution of the estimates of the short and long run dividend payout ratios and reaction coefficients was made. The Lintner’s model proved to be adequate in explaining the dividend behaviour.

Fama, E.F., & Babiak, H. (1968)\(^7\) in their study entitled “Dividend Policy: An Empirical Analysis” examined the various determinants of dividend payment by individual firms. They tried to test the validity of Lintner’s model and other known models on corporate dividend policy. Their study revealed that Lintner’s model continued to explain dividend behaviour quite well and that a slightly different model with lagged earnings as well as lagged dividends did a slightly better jobs in that it had higher explanatory power.

Krishnamurthy, K., & Sastry, D.U. (1971)\(^8\) in their study titled “Some Aspects of Corporate Behaviour in India: A Cross-Section Analysis of Investment, Dividends and External Finance for the Chemical Industry, 1962-67” they have
taken 40 public limited companies. The Lintner’s model along with the cash flow variable was tried. The Lintner’s model offers a good explanation of the dividend behaviour. Explanatory variables like investment expenditure and external finance were also introduced. The study reveals that investment activity seems to influence dividend policy of firms, implying higher savings when investment climate is favourable.

**Rao, G.N., & Sharma, Y. S. R. (1971)** in their study titled “Dividends and Retained earnings of Public and Private Limited Companies in India” focused on a time series study based on the RBI data for the period 1955-56 to 1965-66. They have tried three variations of Lintner’s model, one with net profit, another with cash flow and the third with net profit and depreciation separately. Their study is at three levels of aggregation: for all public and private limited companies separately for four major industry groups and for ten important individual industries among the public limited companies. The study concludes that the basic Lintner’s model with profit variable is quite appropriate for explaining the corporate dividend behaviour at the aggregate level and in the case of five individual industries; whereas the cash flow variant turned out to be more appropriate for four individual industries. The study further reveals that, the payout propensities differ considerably between the industries.

**Higgins, R.C. (1972)** in his study entitled “The Corporate Dividend-Saving Decision” found that consistent with the residual payout policy, dividends vary positively with earnings and negatively with the investments. His study reports US cross section test for 8 industries for the period 1961, 1963 and 1965. He observed that inter temporal differences in corporate dividends could be attributed largely to differences in profitability and investment needs.
Kumar, S. (1976)\textsuperscript{11} in his study entitled “Corporate Dividends and Target Payout Ratios in India” made an attempt to examine the influence of some of the major determinants of dividend payout, particularly the target payout ratio, in the corporate sector of India. The study is confined to four industries: General Engineering, Chemical, Electrical and Cotton Textile covering a period of three years: 1969, 1970 and 1971. The well-known Lintner’s model and Brittain’s cash flow model have been tried. The result of the study discloses that both in chemicals and general engineering industries, the earnings and cash flow variable along with lagged dividend variable seem to explain a large part of the variation in the dividend payout ratio. However, in electrical and cotton textiles, the dividend earnings variation was better.

Dhameja, N.L. (1978)\textsuperscript{12} in his study “Control of Companies and their Dividend Practices” tested the dividend behaviour of Indian companies by classifying them into size group, industry group, growth group and control group. His sample included 158 non-government public limited manufacturing companies listed in various Indian stock exchanges. The study found that there was no statistically significant size on the other. Growth was inversely related to dividend payout and was found to be significant. Regarding dividend rates adjusted for bonus and right issue, it was significantly and directly related to industry growth and mildly to size. Dhameja also applied Lintner’s model to the pooled data for the year 1963-72. His main conclusions are that dividend decisions are better explained by Lintner’s model with current profit and lagged dividend as explanatory variables.

Bhole, L.M. (1980)\textsuperscript{13} in his study entitled “Retained Earnings, Dividends and Share Prices of Indian Joint Stock Companies” specifies model for the empirical testing of the determinants of corporate savings, dividends and share prices respectively. The study is based on RBI’s data on company finance, covering a period from 1960-61 to 1975-76. However the data relating to share prices have been collected from BSE official directory. Both the cross section and time series
analysis have been conducted for carrying out the work. The profit allocation model has been tested on the time series data by using simple, multiple and stepwise regression. The Lintner’s model has also been tried. The study reveals that, Lintner’s model of stable and active dividend policy does not perform well on Indian data for the study period.

**Khurana, P.K. (1985)** in his study titled “Corporate Dividend Policy in India” was based on a judgement sample of 68 companies belonging to chemical, electrical goods, sugar, cotton and general engineering industries for the period 1962-63 to 1976-77. In his study he estimated a few known dividend models namely Lintner’s model, Brittain’s model, Darling’s model and Dobrovolsky’s model to identify and determine their respective significance in the Indian context. Apart from estimating these known models, he has also tried with some other determinants like share prices, liquidity, investment demand, flow of net debt which have a direct bearing on the dividend decision of the sample companies. The analysis reveals that Lintner’s model of dividend behaviour is better than all other models. Determinants, the flow of net debt and the behaviour of share prices have significant impact on the dividend decision of the sample companies.

**Rita Sharma (1986)** in her study entitled “Corporate Financial Policy and Dividend Decisions” attempts to develop a theoretical framework to approach the problem of primacy of dividend decision. She identified the appropriate concept of primacy and determined empirically the relationship of the primacy notion with the objective of the shareholders and the management. The basis of her modeling framework is that, each of the decision makers can have a short-term and or long-term objectives and the dividend decision may be primary to the management of the firm and or the shareholders. Therefore, both short-term and long-term models have been tried separately in her study. In the study, the short-term objective is taken to be the maximization of share prices and maximization of net worth is taken as the long run objective. Both the short-term models and long-term models have been estimated at the level of the individual firms on the basis of the time series data for a selected sample of 71 firms. The firms included in the sample belong to general
engineering, electrical equipment, chemical, cotton, paper and sugar industry groups. The study remarks that both the shareholders and the management have a short-term objectives (maximization of share price) and or long-term objectives (maximization of net worth). However, either one or both of these parties consider some other objectives to be more important.

Kevin, S. (1992)\textsuperscript{16} in his study “Dividend policy: An Analysis of Some Determinants” has analysed the dividend distribution pattern of 650 private sector companies in India between September 1983 and August 1994. His study revealed that changes in dividend rates were not consistent with the changes in earning rates. Thus, dividend stability seems to be the primary determinant of dividend policy while profitability was only of secondary importance in the sense that companies strive to maintain stable dividends in spite of fluctuations in earnings.

Mahapatra, R.P., & Sahu, P.K. (1993)\textsuperscript{17} in their study entitled “A note on Determinants of Corporate Dividend Behaviour in India- An Econometric Analysis” tried to list the validity of some known dividend models, namely Lintner’s model, Brittain cash flow model, Explicit depreciation model and Darling model to examine their relative significance in explaining the corporate dividend behaviour in Indian situation. For the purpose of the study, data for the selected 90 public limited companies representing both the traditional and non-traditional industries were obtained for the period 1977-78 to 1988-89. A comparative review of the various regression models brings out the Brittain’s cash flow model as a model of good fit both at macro level and industry group level. Based on this model, the study further tried to examine the impact of a few more determinants of dividend behaviour like the investment demand, flow of net debt, liquidity, interest, behaviour of share price and changes in sales. Although the last three factors were not found to have any significant impact on dividend decision of the sample companies, the impact of investment demand, flow of net debt and liquidity were found to be significant in the case of some sample industries.
Mahapatra, R.P., & Panda, B.K. (1995) in their study entitled “Determinants of Corporate Dividend Policy and the Target Pay-out Ratio” explained the dividend behaviour in the Indian context with reference to three selected industries namely, cotton, paper and sugar. The result revealed that dividend decision is primarily governed by cash flow and the dividend paid in the previous year. The impact of flow of net debt on dividend decision is found to be significant only in paper industry. Liquidity factor has turned out to be a significant determinant in cotton industry only. However, interest payout was significantly positively related to dividend payments in case of sugar and paper industry. Investment demand and behaviour of share price have no significant impact on the dividend policy decision of the sample companies. The target payout ratio and speed of adjustment coefficients of the sample industries showed wide fluctuations. The low target payout ratio indicated that the paper and cotton industries emphasize more on internal financing. The high speed of adjustment coefficient in case of paper industry indicated the companies belonging to this industry strive to maintain stable dividend.

Mishra, C.S., & Narender, V. (1996) in their study entitled “Dividend Policy of SOEs in India - An analysis” focused on State Owned Enterprises (SOEs) based upon the data published by the Department of Public Enterprise (OPE) in its annual public enterprise surveys for the years from 1984-85 to 1993-94. All the SOEs (thirty nine in number), which have declared dividend since 1985-86 till 1993-94 constitute the sample for the study. For the purpose of analysis, the sample has been divided into three broad groups such as Manufacturing, Petroleum and Service. To study the dividend behaviour pattern of SOEs, Lintner’s model is applied which establishes the relationship between current year's dividend per share (DPS) with current year's earning per share (EPS) and previous year's dividend per share (P DPS) i.e. lagged dividend. From their study they found that Lintner’s argument goes majority of SOEs. Further their study indicates that lagged dividend plays a significant role than that of current year's EPS in taking dividend decision in SOEs.
Baker, H.K., & Powell, G.E. (1999) in their study entitled “How Corporate Managers view Dividend Policy?” in which three industry group (manufacturing, wholesale/retail and utilities) of major US firms listed in the Newyork stock exchange were selected. The sample for the study was 603 firms that paid cash dividend for at least one year during the period 1994-95. They conducted ‘t’ test and chi-square test and concluded that i) most respondents believe that dividend policy affect firm value ii) out of the four explanations (Bird in hand, signaling, tax preference and agency explanations) for dividend relevance examined in this study, the respondents had highest agreement with the statement involving signaling iii) respondents are highly concerned about continuity of dividends. Finally, differences among industries diminished over time because of changing economic and competitive environment for utilities. More than 90 percent of respondents agree that an optimal dividend policy is one that strikes a balance between current dividend and future growth that maximizes the stock price. A firm is formulating dividend policy to produce maximum value for shareholders.

Malkiel, B. G. (1999) in his survey entitled “A Random Walk Down” found that cash dividends convey about the future profitability of the firm. The survey indicates that most of the big investors use to announce dividends to know about the access the firm’s stock prices. One of the examples is a steep drop in the company’s dividends indicates badly about the future of the firm. Respondents were also uncertain about the bird in hand theory of the dividend. This theory indicates that high yield of dividends higher will be the firms value. Dividend represents increase in the share price of the firm because dividends are slightly less risky as compared to capital gain. A firm’s continuity in the payment of dividend suggests stability and consistent growth of the firm and this give investors’ confidence to invest in that firms stocks.

Manoj Anand (2004) in his study entitled “Factors influencing dividend policy decisions of Corporate India” analyzed the results of 2001 survey of 81 CFOs of Business today-500 companies in India to find out the determinants of the dividend policy decisions of the corporate India. He used factor analytic framework
on the CFOs' responses to capture the determinants of the dividend policy of corporate India. The findings revealed that most of the firms have target dividend payout ratio and were in agreement with Lintner’s study on dividend policy. CFO’s use dividend policy as a signaling mechanism to convey information on the present and future prospects of the firm and thus affects its market value. The managers design dividend policy after taking into consideration the investors' preference for dividends and clientele effect.

Sharma, L.V.L.N., & Kuin, K.L. (2004) in their study entitled “Corporate Dividend Behaviour in Emerging Markets: A study of Malaysian Corporate Sector” analysed the trade and services companies in Kaulalumpur, Malaysia from 1998 to 2001. The results were found to be consistent with Lintner’s model and it was understood that stable dividend policies were preferred by the Malaysian corporate sector. The empirical results showed that the main determinants of current dividends were the lagged dividends and the current earnings. It also identified that stable rather than erratic dividend policies were preferred by the Malaysian corporate sector.

Oza, H.S. (2004) in his study titled “Dividend Decision: A managerial approach, A Survey of Selected Enterprises” studied thirty non-financial Indian companies dividend behaviour and found that current earnings are the most influencing factor while deciding on dividend policy followed by pattern of past dividends.

Reddy, Y. (2004) in his study entitled “Dividend Policy of Indian Corporate Firms: An Analysis of Trends and Determinants” examined the dividend behaviour of Indian corporate firms over the period 1990-2001 of companies listed on NSE and BSE. He concluded that dividend changes are impacted more by contemporaneous earning performance and lagged earnings performance rather than by future earnings performance.
George, R. & Kumudha, A. (2005)\textsuperscript{26} in their study entitled “A Study on Dividend Policy of Hindustan Construction Company Limited, with special reference to Lintner Model” tested Lintner’s Model and found that current year’s dividend per share is positively related to current year’s earnings per share and previous year’s dividend per share.

Kaustav Sen & Viswanathan, P.V. (2005)\textsuperscript{27} in their study entitled “Testing Dividend Theories: Evidence from Dividend Payments Versus Earnings Retention” suggested that in the utilities industry it may be more appropriate to look at earnings retention rather than the more common dividend variables. Prior to deregulations, cash generated by the business was largely returned to shareholders whereas in deregulation period firms have been free to acquire and merge with other firms. Under these circumstances the investment opportunities hypothesis predicts that firms will reduce their dividend payouts in order to pay for these investments. They focused their hypothesis on deregulated electric utilities industry firms in USA for 10 years (From 1992-2001).

Monica Singhaniya (2005)\textsuperscript{28} in her study entitled “Trends in Dividend Payout-A study of Selected Indian Companies” examined the trends in dividend payout over the period 1992-2004. The study is based on 590 companies listed in BSE. Dividend payout ratio is the main variable used for analyzing the trends in dividend payment pattern. It indicated that average dividend payout ratio increased along with showing a volatile trend ranging from 25-68% during 1992-2004. It was concluded that a major proportion of sample companies followed a dividend policy of part retention and part distribution of profits.

Sur, I. (2005)\textsuperscript{29} in his study entitled “Dividend Payout Trends in the Post- Liberalisation Era: A case study of Colgate Palmolive (India) Limited” studied the dividend payout trends of Colgate Palmolive Limited and concluded there was a significant deviation between actual DPR and estimated DPR.
Rashid & Rahman (2006) in their study entitled “Dividend Policy and Stock Price Volatility”, introduced the dividend policy and stock price volatility in the context of Bangladesh. The aim of the study is to investigate the relationship between dividend policy and share price volatility. For this purpose they considered the data for the period of 1999-2006. They selected the sample of 104 non-financial firms of different sectors listed in Dhaka stock exchange. Price volatility is taken as a dependent variable and dividend payout, dividend yield and earning volatility are independent variables. The authors used descriptive statistics and cross sectional regression analysis to conclude the results. The Pearson’s correlation showed that there is negative significant correlation between payout and price volatility.

Azhagaiah, R., & Sabari Priya, N. (2008) in their study entitled “The impact of Dividend Policy on Shareholders Wealth” examined the impact of dividend policy on shareholder wealth in South India. Secondary data used in the study was collected from center for monitoring Indian economy. Sample of 28 companies in chemical industry has been chosen from 114 listed companies in Bombay Stock Exchange using multi-stage random sampling technique for the period of 1997 to 2006. Multiple regression and step wise regression model used for data analyzing. Dividend per share, retained earnings per share, lagged price earnings ratio and lagged market price are independent variables and market price per share is a dependent variable. There is a significant impact of dividend policy on shareholder wealth in organic chemical companies while shareholders wealth is not influenced by dividend payout as far as inorganic chemical companies are concerned.

Manickam, M., and Nateson, C. (2008) in their study entitled “Dividend behaviour in Indian industries” have taken dividend per share as the dependent variable. 10 major industries were selected on the basis of convenient sampling method. Out of these, more companies in Automobile, Chemical and Electrical Industries have paid maximum dividend of Rs.2 and above. More companies in the
Cement, Engineering and Metal and Alloy Industries have paid minimum dividend of below Re. 0.5. It is concluded that maximum number of companies have paid dividend per share of below Re. 0.5.

Devaki, S. (2009)\textsuperscript{33} in her study entitled “Dividend Policy of Indian Corporate Hotels: An Analysis of Trends and Determinants” made an attempt to examine the trend in dividend payment in hotel industry and also influence of firm characteristics such as profitability, liquidity, size of business and scale of operations of select companies on dividend policy. In this study, final sample consisted only 25 companies in hotel industry covering the period of 10 years from 1997-98 to 2006-07. This study discloses that dividend paid and dividend per share of large group are more when compared to the rest of the group. The study further indicates that institutional shareholding has a greater influence on determination of dividend payout policies of corporate hotels in India.

Karam Pal & Puja Goyal (2009)\textsuperscript{34} in their study entitled “Corporate dividend policy in Indian IT industry” attempted to investigate important dividend theories and identify the factors that determine the dividend behaviour. They concluded that lagged dividend, PAT, depreciation and sales are the most important factors affecting dividend decisions of the industry and payout ratio has increased to 57\% in 2005-06 from negative number in 1996-97.

Sudhahar, M. (2009)\textsuperscript{35} in his study entitled “Determinants of Dividend Policy in Indian Industries: An empirical analysis” made an attempt to examine the influence of major determinants of dividend payout. In this study, 119 companies were selected from Banking, Cement, Chemical and Fertilizer, Information Technology, Oil and gas, Paper, Pharmaceutical, Shipping, Steel, Sugar and Textile industries covering the period of 10 years 97-98 to 2006-07. Lintner’s model basic and its extended version’s applicability have been evaluated. The study shows that companies across all industries kept increase in paying dividend over the period of
time in order to create goodwill among investors. It also reveals that paying dividend to shareholder is decided based on the status of profitability and depreciation in the current year, as well as dividend policy in the past. On the whole, it is concluded that the depreciation and interest expenses in addition to ROA are the important factors predicting the odds of reducing or omitting dividend payout of companies in India.

Amitabh Gupta & Charu Banga (2010) in their study entitled “The Determinants of Corporate Dividend Policy” took sample of 150 companies from 16 industries. The study period was 7 years from 2001-2007. The study re-examined various factors that have a bearing on the dividend decision of a firm. They have taken 15 variables. Out of these, 5 viz., institutional shareholding, Debt-equity ratio, Net profit ratio, Cash flow and annual sales growth were directly related to dividend payout. They also concluded that they adopted factor analysis and found only two factors Viz., leverage and liquidity (debt-equity ratio and cash flow) were found to have strong relationship with dividend rates of Indian companies.

Kamalaveni, D., Kalaiselvi, S., & Sabitha, D. (2010) in their study entitled “Determinants of Dividend in Indian Pharmaceutical Industry-A study of Select Companies” seek to analyse profitability and dividend performance for the period of 10 years for 14 Indian listed companies through CAGR and determinants of dividend through correlation coefficient and dividend performance is analysed through ANOVA and effect of EPS on market capitalisation through correlation analysis. Their study show that there is growth in profits of majority of sample companies. The multiple regression analysis reveals that only six companies with one or more of independent variables show significant relationship with current year dividend. The EPS does not have a positive influence on their market capitalisation.
Lalitha Mani, S., & Priya, S. (2010)\textsuperscript{38} in their study entitled “Trends and Progress in Corporate Dividend of Selected Steel Companies in India” examined the trends in the distribution of dividend by selecting five steel companies namely Bhushan steel, Kalyani steel, SAIL, Tayo rolls and Tata steel for the period of 13 years (from 1995-2007). Mean, Standard deviation and coefficient of variations used to study variation in the ratios, Linear Annual Growth rate was calculated to find trend of data, Trend analysis was used to find growth and ANOVA test has been used to examine mean value of dividend per share. They concluded that Bhushan steel and Kalyani steel have followed a stable dividend per share policy.

Sudhahar, M. (2010)\textsuperscript{39} in his study entitled “Determinants of Dividend Policy In selected Indian Industries: An Empirical Analysis” made an attempt to examine the influence of major determinants of dividend payout. In this study, 92 companies were selected from Cement, Chemical and fertiliser, Oil and gas, Paper, Pharmaceutical, Shipping, Steel, Sugar and Textile industries covering the period of 10 years 97-98 to 2006-07. Lintner’s model basic and its extended version’s applicability have been evaluated. It was found that paying dividend to the shareholders is decided based on the status of profitability and depreciation in the current year as well as the dividend policy in the past.

Sudhahar, M., & Saroja, T. (2010)\textsuperscript{40} in their study entitled “Determinants of Dividend Policy in Indian Banks: An Empirical Analysis” examined the trends and determinants of dividend policy of banks in India. 20 banks were selected on the basis of availability and that listed in Bombay Stock Exchange under Group A and B for the period of 10 years from 1997-98 to 2006-07. A multiple regression model, basic Lintner’s model and the extended version of Lintner’s model were used for testing independent variables. It was concluded that previous year dividend, current year depreciation, current year profit after tax were influencing current year dividend policy among Indian banks.
Sujata Kapoor, Anil Mishra & Kanwal Anil (2010)\textsuperscript{41} in their study entitled “Dividend Policy Determinants of Indian Service Sector: A Factorial Analysis” have identified 22 key variables that affect the dividend payout of a firm. They focused on important dividend theories and analysed determinants of dividend behaviour of Indian service sector. They studied all companies which are constituents of CNX service sector index developed by IISL with the period of study 2000-2008. This study revealed that there was a negative relationship between firm’s size and dividend payout ratio and also revealed that a positive relationship has been reported between dividend payout ratio and long-term solvency.

Aravanan, S., & Mannarakkal, M. (2011)\textsuperscript{42} have conducted a study entitled “Impact of Dividend Policy on Shareholders’ Wealth—A study with reference to Ferro Alloy and Alloy Steel Industry in India” to analyze the impact of dividend policy on shareholders wealth in ferroalloy and alloy steel companies in India. A sample size of 18 steel companies listed in Bombay Stock Exchange over a period of 10 years (1999-2008) were taken for study. The empirical result of the study shows that there is a significant impact of dividend policy on shareholders wealth in alloy steel companies, while the shareholders wealth is not influenced by dividend payment to the extent that ferroalloy steel companies in India are concerned.

Okafor & Mgbame (2011)\textsuperscript{43} conducted a study entitled “Dividend Policy and Share Price Volatility in Nigeria” to analyse dividend policy and share price volatility in Nigeria by taking sample of 4 banks and 2 firms each from food and beverage, petroleum and brewing sectors. Stock and financial related data of these firms are collected over 8 year period from 1998-2005. Major sources of data were taken from annual fact book of Nigerian stock exchange. The study was related to estimation of price volatility to the variables dividend yield, dividend payout ratio, asset growth, earnings volatility and firm size. A multiple regression analysis were applied to explore the association between share price changes with both dividend yield and dividend payout ratio. Of the two measures of dividend policy, dividend yield showed a general negative impact on share price risk. The other measure that
is the dividend payout ratio showed negative influence in some years and positive influences on others. The study supports the fact that dividend policy is relevant in determining share price changes. The firms with larger size experience less volatility than smaller firms. Whereas, firms with more growth opportunities and firms whose earnings are not stable, experience high price volatility.

Oladipupo & Okafor (2011)\textsuperscript{44} in their research work titled “Control of Shareholders’ Wealth Maximization in Nigeria” focused on parties controlling shareholders’ wealth maximization and the ways it affects the firm’s performance. The data used for the study were collected from the Nigerian Stock Exchange and the annual reports of six sample firms from food / tobacco and subsector for 20 years. The data collected were analyzed using ordinary least square (OLS) regression, autocorrelation and auto regression. The study showed that all the predictor variables provided good explanation. The firm size (FS) and retained earnings (RE) had positive relationship with each other and their impact on the shareholders’ fund was proved statistically significant, while dividend payment had negative relationship with the shareholders wealth (SW). However, turnover and retained earnings were of more significance in controlling the shareholders’ wealth than the dividend payout.

Debasish Sur & Ayan Majumdar (2012)\textsuperscript{45} in their study entitled “Dividend Policy of Indian Corporate Sector: A study of select companies during the post liberalization regime” seek to analyse the factors that influence the dividend policy of selected companies in the Indian corporate sector during 1998-2008 taking top 10 companies from each of five selected industries through correlation coefficient (Pearson’s simple correlation, Spearman’s rank correlation and Kendall’s Correlation coefficient) and examined whether its findings confirm to theoretical argument. This study show that Interest expense was the only variable whose effect was in line with theoretical argument.
Devaki, S., & Kamalaveni, D. (2012) in their study entitled “Shareholding patterns and Dividend Payout: An Empirical Analysis in Indian Corporate Hotels” made an attempt to examine the trend in dividend payment in hotel industry. This paper examines the influence of shareholding pattern on dividend payout ratio of the Indian corporate hotels. Panel data analysis has been carried out to find out the effect of shareholding pattern on dividend policy. Fixed effect firm model estimations revealed that there is a positive association of lagged dividend, earnings, debt-equity ratio, sales, size, age of the firm and institutional shareholding. Institutional shareholding has a greater influence than other shareholders stake on the determination of dividend payout policy of the corporate hotels in India.

Gul et al. (2012) in their study titled “The Relationship between Dividend Policy and Shareholders’ Wealth” investigated the relationship between dividend policy and shareholders wealth in Pakistan. For this purpose they used sample of 75 listed companies and data were collected from State Bank of Pakistan and Karachi Stock Exchange 100 index for the period from 2005 to 2010. Descriptive statistics, multiple regression and stepwise regression methods were used to study the impact of dividend policy on shareholders wealth. The study revealed that the difference in average market value related to book value of equity was highly significant for dividend paying firms and dividend non-paying firms. Lagged market value of equity had a significant impact on the market price per share; however, retained earnings had insignificant influence on the market price of equity as far as the dividend paying firms are concerned and there was a significant influence of dividend policy on shareholders wealth.

Habib et al. (2012) conducted a study titled “Dividend Policy and Share Price Volatility: Evidence from Pakistan” in which he examined dividend policy and share price volatility evidence from Pakistan, to draw and establish relationship between dividend policy and shareholder volatility with focus on Pakistani stock
exchange. Dividend yield, payout ratio, size, debt, earning and growth were independent variables and share price volatility as a dependent variable. Cross sectional regression was used to analyze the relationship of share price with dividend yield and payout ratio. The result of this study shows that dividend yield and share price are positively related but payout ratio is negatively related.

**Hashemijoo, et al. (2012)** in the study titled “The Impact of Dividend Policy on Share Price Volatility in Malaysian Stock Market” examined dividend policy on share price volatility in stock market of Malaysia. The aim of this study focuses towards identifying the relationship between dividend policy and share price volatility on consumer Product Company in Malaysian stock market. They took a sample of 84 listed companies for the period of six years in 2005 to 2010. In this study the share price volatility is the dependent variable and dividend yield or payout ratio is the independent variable. Multiple Regression model was used in this study to analyze the results. The results of this study show that the dividend yield or dividend payout has a negative effect in share price volatility.

**Monica Singhania & Akshay Gupta (2012)** in their article entitled “Determinants of Corporate Dividend Policy: A Tobit’s model approach” examined the validity of different view on determinants of dividend policy in Indian perspective using Tobit’s model. 50 companies were taken for study and found out that only two determinants (i.e) market price to book value and market capitalization were found to be significant and age, debt-equity ratio and earnings per share found to be insignificant while determining dividend policy.

**Zulkifli et al. (2012)** in their study entitled “The Impact of Dividend Policy on the Share Price Volatility: Malaysian Construction and Material Companies” examined the impact of firm’s dividend yield and dividend payout ratio on the share price of Malaysian listed construction and material companies. The study covers a period of six years (2005-10). They reported that there is a significant positive relationship between dividend payout ratio with share price volatility and dividend yield is insignificant and negatively related to movement of stock prices.
Arindam Das & Amalendu (2013) in their study titled “Stock Price Behaviour and Dividend Policy – An Empirical Investigation in Information Technology Sector of Corporate India in Liberalised Era” analyzed the relationship between dividend policy and stock price of information technology sector of corporate India in liberalized era as companies belonging to this sector are to be counted among the best dividend paying companies in the Indian Inc. The present study is based on all companies of this sector which are listed on any stock exchange of India over the decade from 2002-2003 to 2011-2012. In relation to the objective of their study, they have collected data for the companies on required variables from “CAPITALINE” database. In order to examine the relationship between dividend policy and stock price, regression method has been used by taking equity dividend percentage, lagged equity dividend percentage, retained earnings to total assets ratio and lagged retained earnings to total assets ratio as independent variables and Market price per share in the current period as dependent variable. To test the statistical significance of each parameter of the proposed model, its standard error has been calculated and “t” test has been applied for examining its statistical significance. The statistical criterion that has been used for selection of the model is adjusted $R^2$, which is a measure of goodness of fit. The F values have been reported to indicate the level of significance of the adjusted $R^2$. Finally, multicollinearity problem of the model has been checked with reference to condition index and variance inflating factor. The study confirms that irrelevance theorem holds good in information technology sector of corporate India in liberalized era.

Mokaya, S., Nyang’ara, D., & James, L. (2013) in their study titled “The Effect of Dividend Policy on Market Share Value in Banking Industry; The Case of National Bank of Kenya” explains how dividend policy effect market share price in banking industry of Kenya. This study covered a sample of 100 respondents that represented a population of 47000 general public shareholders questionnaires were used to collect the data. Market share value was the dependent variable and dividend
policy was the independent variable. Descriptive and inferential statistics were used to determine and explain the relationships of variables. The study concluded that National Bank of Kenya had a dividend policy and this dividend policy is the major factor driving NBK share value. It has been seen that an increase in dividend payout may result an increase in share price.

Mohammad Salman Sarwar (2013)\(^5\) in his study “Effect of Dividend Policy on Share Holder’s Wealth: A Study of Sugar Industry in Pakistan”, focused on the impact of dividend policy on shareholder’s wealth in sugar industries in Pakistan. 33 companies listed in Karachi Stock Exchange from the food and producers sector have been selected and analysed, the analysis was made for the period of 6 years from 2006 to 2011. Dividend Per Share (DPS), Earnings Per Share (EPS), Lagged Market Price Ratio (LMPR), Lagged Price Earnings Ratio (LPER), Price Earnings Ratio (PER), Retained Earnings Ratio (RER). They were taken up as independent variables and market price per share (MPS) was used as dependent variable. The result showed a significant relationship with dependent variable.

Profilet & Bacon (2013)\(^5\) in their study titled “Dividend Policy and Stock Price Volatility in the U.S. Equity Capital market” conducted a research on dividend policy and stock price volatility in the U.S. equity capital market. The purpose of the study was to identify the impact of certain financial variables on the stock price volatility. A sample of 500 publicly traded firms was taken to explain the results. Price volatility is taken as dependent variable and dividend yield, pay-out ratio, size, leverage and growth are taken as independent variables. The ordinary least square multiple regression was used to find the results. The results revealed that dividend yield, size, leverage and growth had a negative relationship with stock price volatility and there was a positive relationship observed between the pay-out ratio and the stock price volatility. The result suggest that the higher the firm’s dividend yield, the lower is its stock price volatility. The results support the idea that large dividend paying stocks are in fact less risky to own as an investment.
Abdul Karim Garba (2014)\textsuperscript{56} in his study titled “The Impact of Dividend-Per-Share on Common Stock Returns: A Re-Examination” made an attempt to discover the type of relationship existing between common stock returns of some selected manufacturing firms and dividend per share in Nigeria. The study used data generated over a 13 year period from ten sampled manufacturing firms. Using both linear and quadratic polynomials models, the study camp up with two highly significant common stock returns valuation models that can be used by both stockholders and common stock analysts operating within the Nigerian capital market.

Amsaveni, R., & Akilandeswari, N. (2015)\textsuperscript{57} in our study “Determinants of Dividend Policy: A study in Transport equipment industry in India” we examined the determinants of dividend policy and also the applicability of Lintner model and the applicability of extended version of Lintner model of Transport equipment industry with a sample size of 18 BSE listed companies during the period from 2004-2013. The correlation, regression and CAGR were applied to analyse the collected data. It was found that Current year equity dividend is positively related with all the explanatory variables namely, current year profit after tax, previous year profit after tax, Lagged dividend (dividend paid in previous year), Free cash flow, current year depreciation and change in sales in previous two years selected for the study. It was also found that Brittain’s explicit depreciation model is the appropriate model in explaining dividend policy decision of transport equipment industry. The increase in current year profit after tax and decrease in current year depreciation are highly pressuring factors towards the dividend policy of Indian Transport equipment industry.

From the above reviewed research work it has been found that dividend policy and dividend determinants of various industries were analysed separately. No specific research for one particular sector has been carried out in India. Hence, the researcher resorted to make an analysis of one single sector and chose the manufacturing sector which fuels growth, productivity, employment and strengthens agriculture and service sectors of the country.
LIST OF REFERENCES.


