PREFACE

Dividend is considered as an important facet of organisation’s financing decision. It is one of the key focus areas and aspect of the firm’s financial policy. The core of dividend policy includes the decisions like whether to distribute profits to the shareholders in the form of dividend or to preserve it in the form of retained earnings, payout ratio etc. The declaration of dividend is affected by number of factors like firm’s earnings, expansion plans etc.

A lot of research has been undertaken in this field both in India as well as foreign, yet no conclusive and convincing explanation is there as to the reasons behind dividend distribution and its impact on the company, thus, naming it as ‘dividend puzzle’. Neither the research work nor the theory could give a single universally acceptable indication for dividend. The dividend picture, thus, remains blurred, when it comes to deciding which theory is actually applicable in practical life.

An attempt has been made in the present thesis to explore the hidden management considerations while declaring dividend and framing the dividend policy. The basic purpose behind the study of this aspect was to analyse the practices of corporate India, especially, Engineering, FMCG, Information Technology and Textile sector, in order to identify the factors that are given utmost importance while taking dividend decision. The primary study has been undertaken on 31 companies and secondary study has been undertaken on 172 companies from the selected industrial sectors.
Further, the study also has focused on identifying the factors affecting dividend decision by using factor analysis. An effort has been made to identify a set of dominant factors that influence the dividend to be declared by the companies.

Dividend arena is incomplete without mentioning the contribution of Lintner and some other famous researchers. They are being recognized for their contribution in terms of various dividend models. Some of the well-known dividend models are: Lintner’s model, Brittain’s model, Watt’s model and Aharony and Swary’s model. The testing of these models has extensively been undertaken in foreign researches. Acknowledging their contribution, an attempt has also been made to study their contribution in Indian context. For examining the validity of the said models in the Indian context, multiple regression analysis has been used.

Dividend relevance vs. irrelevance tussle is there for past so many decades. In an endeavor to provide solution to the same, the study has also thrown light on the impact of dividend on the value of the firm using multiple regression analysis.