Industry-wise average dividend paid (Rs. Crore) in the corporate sector of selected companies in Baddi, Himachal Pradesh (India)

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Abstract: Thus the above all tends to confirm that in case of all industries the average PAT has shown increasing trend in the early 2001s due to increase in total demand in the country but in the mid and late 2001s some industries have shown declining trends in PAT due to increase in the competition. But in all most all companies gets momentum in the 2012 due to subsequent pick up in the economy after the age of competition. Despite the high level of variability in earnings of all industries, the average dividend paid has shown increasing trend. The amount of dividend paid was found very low in early 2001s, which was due to need of funds for internal investments in the early phase of economic reforms in Indian economy. The variability in average dividend paid was less in comparison to the same in the earnings, which indicated the management's desire of stable dividend policy. The amount of dividend payment in textile industry was found lowest among all industries under study. The result ANOVA (F) indicates the significant variations in the amount of average dividend paid among different industries.

Keywords: Divide Paid, Corporate Sector, Company, Baddi, Himachal Pradesh

Introduction:

Dividend policy is the percentage of earnings to be distributed as earnings and percentage of earnings to be retained by the firm (Droms & Wright, 2010). According to Brigham & Gapenski (1998), the main objective of dividend decision should be to maximize shareholders wealth in the long run than in short run. According to Baker, Veit and Powell (2001), size and pattern of cash distribution provided to the shareholders by the managers is the dividend policy. Dividend decision is still a puzzle in corporate finance. According to Brealey, R.A., S.C. Myers, et al., (2005), dividend policy is still one of the top unsolved problem in finance. Black, F., (1976) provided the statement "the harder we look at dividend the more it seems like a puzzle with pieces that just don't fit together". Dividend policy is different from Country to country, industry to industry and company to company. Gordon, M.S., (1959) argued that dividend policy increases the shareholders wealth, Merton, H. Miller and Franco Modigliani (1961) and Miller, M.H. and M.S. Scholes (1978) argued that the dividend policy is irrelevant whereas Litzenberger, R.H and K. Ramaswamy (1982) argued that dividend policy decreases the shareholders wealth. There are many other factors which impact the dividend decision of the firm. This study identifies the factors that impact the dividend among the Indian companies. The scope of financial management and the functions of finance manager have undergone changes in the last few decades but the goal or objective of the company remains unchanged. The main objective of the firm is

shareholders wealth maximization. It is represented by the positive net present value of the financial decisions. Finance manager should identify optimum dividend policy that maximizes shareholders wealth by increase in the market value of the firm. The main objectives of the study is to investigate the determinants of dividend payout based on core industries in India viz Automobile, Infrastructure & Construction, Energy, Information Technology and Pharmaceutical industries and based on market capitalization viz, Large cap, Mid cap and Small and based on global financial meltdown viz, pre financial meltdown and post financial meltdown.

Materials and methods:

Table 1.1 Industry-wise Number of Sample Units

Industries	No. of Companies
Chemical	50
Textile	50
Banking	33
Construction	49
Mining	22
Food and Beverages	50
Cement	20
Transport Equipment	50
Miscellaneous Manufacturing Industries	50
Total	374

Source: Prowess Database (CMIE)

To examine the various hypotheses, the study has used secondary data. The sample was drawn from the

companies listed of Baddi, Himachal Pradesh (India) on the Bombay Stock Exchange. The companies were selected on the basis of having a track record of consistent dividend payment for at least seven years during the study period 2002 -2018. The data has been collected from prowess database maintained by the Center for Monitoring Indian Economy (CMIE), Bombay for the period of 16 years ranging from 2002 -2018. The yearly data has been used on the concerning aspects of the thesis. This led to the short-listing of 801 companies at the first stage. Then companies were classified into various industrial groups on the basis of industries given in prowess database. These companies were found from various industries i.e. Chemical, Textile, Banking, Construction, Mining, Food and Beverages, Cement, Transport and Miscellaneous Industrial groupings. At the second stage of sampling from each such industry grouping having more than 50 companies, top 50 companies were selected on the basis frequency of dividend payment and from the industries having companies less than 50 all such companies were selected in the sample. After selection on the basis of above criteria, a sample of 374 companies was left at stage second. The total companies has been further classified into three categories on the basis of their market capitalization (a) the companies having market capitulation below Rs. 500 Crores have been termed as Small cap companies, (b) the companies with market capitalization between Rs. 500 Crores to Rs. 1000 Crores have been termed as mid cap companies and (c) companies with market capitalization above Rs. 1000 Crores have been classified as large cap companies. To make comparison of relationship between earning per share and, the total companies

have been also classified into various listing groups as per BSE listing information available in the prowess database. The companies were found from the various groups i.e. A, B, S, Z and T groups. Further on the basis of track record of dividend payment companies have been classified into payer groups and regular payer groups. The companies which have paid dividend for all sixteen years under study were termed as regular payers and rest in the payer group. Detail of these companies is given in the table.

Results

The analysis of industry-wise dividend paid (Table 1.2) revealed that the average dividend paid in case of Cement Industry has been increased from Rs. 5.46 crore in 2003 to Rs. 70.89 crore in 2018. The average dividend paid was very low upto the year 2006, which was due to high opportunity of internal investment in the early phase of economic reforms. The average dividend paid has shown decline in the years 2009. But, very soon it got momentum again and showed increasing trend upto the end of the study period except the year 2015. In the last three years of the study dividend paid has shown the highest level of changes. The variability in divided paid in terms of standard deviation ranges from 6.77 to 136.28, which indicates high level of variability but less in comparison to the same in the earnings of the industry. The analysis of average dividend paid in case of Food and Beverages Industry revealed that the average dividend paid has been increased from Rs. 3.67 crore in 2003 to Rs. 60.42 crore in 2018. The amount of dividend paid was found very low in the early 2001s, which may be due to increase in total demand in the early phase of economic reforms.

Table 1.2. Industry-wise average dividend paid (Rs. Crore)

Industry Years→		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Banking	Average	3.26	1.39	5.13	16.3	20.9	26.2	14.7	16.1	27	41.7	42	57.5	70.3	68.6	68.7	107
	S. D.	4.52	1.22	13.9	41.7	45.7	56.3	19.4	21	50.7	72.5	64.2	90.6	114	129	139	146
Chemical	Average	4.97	6.3	8.95	11.8	16.6	21.1	23.7	29	48.4	41.6	40.1	82.3	132	72.3	33.1	82
	S. D.	9.63	12.3	17.1	22	34.9	45.2	57.2	77.5	130	117	129	330	421	245	57.7	206
Mining	Average	15.3	11.9	13.5	14.6	17.7	59.2	85.7	144	184	205	320	485	432	128	779	194
	S. D.	24.9	22	23.2	25.6	34.4	102	136	288	367	551	742	1422	1127	205	2118	294
Textile	Average	1.21	1.34	1.73	2.17	1.85	1.97	2.09	2.23	2.61	2.71	2.91	3.09	4.03	4.07	4.14	4.28
	S. D.	2.05	2.13	2.61	3.2	1.88	1.8	2.31	2.95	3.22	3.92	5.01	4.95	6.27	5.84	5.8	6.25
Food & Beverages	Average	3.67	4.09	2.66	6.25	4.96	4.91	8.18	9.95	11.7	15.1	18.4	25.2	31.9	38.1	60.4
	S. D.	9.67	12.5	4.74	19.6	11	15.4	10.7	22.4	29	40.2	54.3	63.7	85.8	123	158	211
Cement	Average	5.46	5.5	6.11	9.93	12.1	12.5	8.95	12.2	15.2	18	22.2	24.4	16.3	35.7	45.4	70.9
	S. D.	6.77	7.99	8.54	13.1	16.1	15.7	14.7	18.1	21.6	25.6	31.9	35.7	34.2	56.1	70.4	136
Construction	Average	1.84	2.7	3.33	4.04	4.52	4.91	5.58	5.94	7.21	7.54	9.04	10.2	11.2	16	16.2	33.4
	S. D.	6.03	11.5	13.8	16.6	20.3	22.7	25.1	25.1	27.6	28.1	33.3	36.4	38.3	63.9	54.6	88.7
Transport Equipment	Average	2.99	2.65	2.53	4.88	9.03	5.72	7.31	8.98	9.97	5.35	16.3	22	28.1	31.8	34.6	48.7
	S. D.	7.19	5.99	4.32	10.8	24.1	14.2	16.7	19.2	20.6	11.1	53.4	57.4	76.2	90.7	96.3	119
Miscellaneous Manufacturing	Average	1.98	1.83	2	2.26	2.3	1.82	1.32	1.93	2.2	3.99	2.69	3.6	4.2	5.69	4.04	8.9
	S. D.	4.26	3.72	4.38	5.11	3.71	2.74	1.04	1.98	2.67	6.53	4.47	5.67	6.25	9.05	4.55	11.4
ANOVA (F)= 10.443 Significance.000																	

Source: Prowess Database (CMIE)

The average dividend paid has shown some fluctuations upto the year 2009. But, in late 2001s it got momentum and has shown increasing trend up to the end of the study period. The variability in terms of standard deviation ranges from 4.74 to 210.74, which indicates the level of variability in dividend paid of the industry. Likewise, the analysis of average dividend paid in case of Chemical Industry revealed that the average dividend paid has been increased from Rs. 4.97 crore in 2003 to Rs. 81.99 crore in 2018. The average dividend paid has witnessed increasing trend during the study period. The amount of the dividend paid as very low in early 2001s, which was due to increase in internal investment opportunity, in the early phase of economic reforms. Although, the amount of dividend paid was high after 2013 but, it has shown a very high level of fluctuations. The variability in average dividend paid in terms of standard deviation ranges between 9.63 and 421.22, which indicates high level of variability which was due to the higher variability in the years 2014 and 2015 respectively. Similarly the analysis of average dividend paid in Banking Industry revealed that the average dividend paid has been increased from Rs.3.26 crore in 2003 to Rs. 106.67 crore. The amount of average dividend paid was found low in the early 2001s. But it was found high after 2012 due to increased profits as a result of pick up in the Indian economy. The variability in terms of standard deviation ranges between 1.22 and 145.9. The analysis of average dividend paid in case of Construction Industry revealed that the average dividend paid has been increased from Rs. 1.84 crore to Rs. 33.43 crore in 2018. Besides very high fluctuations in earnings (PAT), the average dividend paid has witnessed a positive trend during the study period. Although the amount of dividend paid was low in early 2001s. But variability in dividend paid was found almost similar in the whole study period except the year 2018. The average dividend in the textile industry has been increased from Rs.1.21 crore in 2003 to Rs. 4.28 crore in 2018. The amount of dividend paid in the early 2001s was very low. It was found that in case of textile industry the amount of average dividend paid was low in comparison to all other industries under study. The variability in average dividend paid was almost similar during whole study period. Likewise the average dividend paid in case of Mining Industry has been increased from Rs. 15.32 crore in 2003 to Rs. 193.83 crore in 2018. The average dividend paid touches all time high level of Rs.779.16 crore in 2017. The amount of dividend paid was yet again found low in the early 2001s, which may be due to internal investment opportunities in early phase of economic reforms and structural adjustments in the Indian economy. The variability in terms of standard deviation ranges between 22 and 1422.2. The highest level of variability was found in the years 2014 and 2015 respectively. The analysis of average dividend paid in case of Transport Industry revealed that the average dividend has increased from Rs. 2.99 crore in 2003 to Rs. 48.69 crore in 2018. The amount of dividend paid was found very low in the early 2001s. The rate of change in dividend paid was found high in the years after 2012. The variability in terms of standard deviation ranges between 4.32 and 119.09.

Thus the above all tends to confirm that in case of all industries the average PAT has shown increasing trend in the early 2001s due to increase in total demand in the country but in the mid and late 2001s some industries have shown declining trends in PAT due to increase in the competition. But in all most all companies gets momentum in the 2012 due to subsequent pick up in the economy after the age of competition. Despite the high level of variability in earnings of all industries, the average dividend paid has shown increasing trend. The amount of dividend paid was found very low in early 2001s, which was due to need of funds for internal investments in the early phase of economic reforms in Indian economy. The variability in average dividend paid was less in comparison to the same in the earnings, which indicated the management's desire of stable dividend policy. The amount of dividend payment in textile industry was found lowest among all industries under study. The result ANOVA (F) indicates the significant variations in the amount of average dividend paid among different industries.

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