Determinants Of Corporate Dividend Policy : A Study Of Sensex Included Companies

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INTRODUCTION

The dividend policy decision is crucial for any corporate entity whose shares are listed in the stock exchange. There are some theoretical views that dividends increase the value of the shares, but on the contrary, some theorists are of the opinion that dividends do not increase the share value. In most of the comprehensive statistical works, it has been found that there is no consistent effect of dividend policy on stock prices or their returns. Nevertheless, most analysts are unwilling to assert that dividends are totally irrelevant. Therefore, dividend policy is one of the most controversial subjects in finance (Bhayani, 2009). Three decades ago, Black (1976), wrote, *"The harder we look at the dividend picture, the more it seems like a puzzle, with pieces that just do not fit together."*

Given the importance to this decision problem, scholars have engaged extensively to explain how do companies set their dividend policies in practice and what factors do they consider as important while setting their dividend policies? For about five decades now, the research on dividend policy has grown significantly, not only on the foreign firms, but also on the Indian firms.

Researchers like Lintner (1956), Darling (1957), Brittain (1966) have developed mathematical models to address this decision problem. Based on those works, many researchers from India as well as from abroad have carried out a handful of studies during the last five decades. The contribution of Fama and Babiak (1968), Walter (1967) and others is significant in this regard. However, the number of studies are more on developed economies in comparison to the developing economies. The recent works of Garg, Verma and Gulati (1996), Mishra and Narender (1996), Baker, Pandey (2001), Reddy (2004), Mahapatra and Biswasroy (2006), Pal and Goyal (2007), Anil and Kapoor (2008), Bhayani (2009) are noteworthy in the Indian context. In most of the studies, the authors attempt to explain about a number of determinants such as current earnings, lagged dividend, liquidity, cash flow, capital structure, sales growth, size of the firm, capital expenditure, interest payment, and depreciation allowance as important explanatory variables to the dividend policy decisions. The present study is an attempt to understand and identify the significance of dividend determinants in the Indian situation.

REVIEW OF LITERATURE

One of the earliest attempts in this regard was made by Tinbergen (1939) and then by Dobrovalsky (1951) and Harkavy (1953). But the work of Lintner (1956) established a milestone in the field of dividend policy research, who uncovered for the first time that firms maintain a target payout ratio, and they adjust their dividend payout policy to this target. Using the partial adjustment model to define the primary determinants of dividend policy of US firms, he found that firms establish their dividends in accordance with the level of current earnings and the dividend paid in the previous year.

Based on this landmark study of Lintner, Brittain (1966) considered the current year's free cash flow and current year's depreciation as the explanatory variable in his study. Similarly, Darling (1957) considered last year's profit after tax, current year's depreciation and amortization and current-year change in sales over the preceding two years as the explanatory variable in his model over and above profit after tax.

Since then, a number of empirical studies have been carried out all over the world, and dividend policy has been a subject of enquiry by academicians, researchers, financial analysts for many decades. But, until now, no universally

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accepted explanation for companies' observed dividend behaviour has been established. The followings are some of the reviews of the literature, which were published recently in the context of the Indian firms.

Mahapatra and Biswasroy (2006) conducted a study to know the dividend behaviour in the context of Indian firms, with a sample size of fifty nine companies, which consisted of four industries - namely general engineering, cotton, sugar and paper. The period of study was for twelve years commencing from 1987 to 1999. They examined to see whether the dividend policy of a firm is influenced by Profit After Tax (PAT), or Lagged Dividend (LD) or Cash Flow (CF). They used the Lintner's model and Brittain's cash flow model for their study to know the model of *'good fit'*. In the Lintner's model, both the explanatory variables such as Profit After Tax (PAT) and Lagged Dividend (LD) were found to be statistically significant only in case of sugar and paper industries, whereas, from the Brittain's Cash flow model, both the explanatory variables such as Cash Flow (CF) and Lagged Dividend (LD) were found to be statistically significant in all the four sample industries. Thus, their findings support the proposition that Cash Flow, rather than Profit After Tax is a better measure of a company's capacity to pay dividend.

The study of Pal and Goyal (2007) on the leading determinants of dividend policy is a very comprehensive study. The study was focused on dividend behaviour of banking companies, where the total number of sample size was limited to thirty nine. The period of study was spread over ten years starting from 1996-97 to 2005-06. They considered Profit After Tax (PAT), Cash Flow (CF), Lagged Dividend (LD), Depreciation Allowance (DA), Capital Expenditure, and Current Ratio for liquidity, Debt Equity Ratio for Capital Structure, Interest Payment, Change in Sales, and Share price Behaviour as the explanatory variable in their study. They carried out the study by using the Step Wise Regression method, Granger Causality Test and Linter's model. From the use of Step Wise Regression method, it was found that four independent variables such as LD, PAT, Interest Payment and Change in Sales are the major aspects directing the dividend decisions in the industry. From their study, it was concluded that lagged dividend, profit after tax, interest are the most important factors affecting dividend decisions of the industry.

Bhayani (2009) studied the dividend payout practices by taking a sample size of 30 companies included in the SENSEX. The period of study was from 1996-97 to 2006-2007. He used multiple regression analysis to identify the factors influencing the dividend payout of Indian firms, where he considered Earning Per Share (EPS), Liquidity Ratio (LR) and Total Assets (TA) as independent variables and Dividend Per Share (DPS) as the dependent variable. From his study, two variables, i.e. EPS & LR were found to be significant at 1% level of significance, with the beta coefficient of -0.079 and -4.354 respectively. The variable TA was not found to be significant. Hence, it can be concluded from the study that profitability of the firm & liquidity position are the highly influencing factors in determining dividend policies of Indian companies.

RESEARCH METHODOLOGY

❁ **Objective Of The Study :** SENSEX is an abbreviation used in place of sensitive index, which shows the movement of prices in the stock market. The value of the index is determined by the movement of the prices of shares of the companies included in the index. The index consists of 30 companies selected in such a way that they virtually represent all the sectors of the economy, which has a significant impact on the growth of the economy.

In the context cited above, the objective of the study is to know the dividend policy of the Indian companies included in the SENSEX and to examine the relationship of the dividend decision with their determinants.

❁ **Hypotheses :** For the purpose of the analysis, the following null hypothesis has been developed.

Null hypotheses:

❁ **H0: Dividend decisions are not affected by any determinants.**

❁ **H1: Dividend decisions are affected by any determinants.**

❁ **Study Period And Data Collection :** The study is purely based on the secondary data of different companies included in the SENSEX. The data for this study has been taken from the CMIE Prowess database for 11 years, i.e., from 1998-99 to 2008-09. The pooled data have been collected considering the companies included in the BSE Index. Although it was decided to consider 30 companies of the SENSEX but, because of the non-availability of data, in case of 9 companies for a period of eleven years, it was decided to keep the sample size at 21.

For these 21 companies, the data relating to PAT (Profit After Tax), Equity Dividend Paid, Number Of Equity Shares Outstanding, Reserve And Surplus, Total Assets, Borrowings, Current Ratios, Share Price Data were collected. Then the data were processed to make them suitable for further analysis. The processing and preliminary analyses of data

were carried out by using MS Excel. For regression analysis, SPSS Software was used.

THE SAMPLE

The sample for the study has been selected on the basis of the following criteria:

1. The companies should have been listed on the Bombay Stock Exchange (BSE) and must be included in the SENSEX.

2. The data must be available for the entire period under study.

3. The companies should have paid cash dividend for the year prior to the year under consideration.

4. The companies should have paid cash dividend for the year under consideration.

5. On the basis of the above criteria, a total of twenty one companies had been selected out of thirty companies included in the SENSEX. The names of the selected companies are given in the Annexure 1.

THE MODEL

For the analysis of the cross-sectional data for eleven years, i.e. 1998-99 to 2008-09, an attempt was made to develop a multiple regression equation using identified key variables. The dividend per share was used as a dependent variable and seven other variables such as Earning Per Share, Lagged Dividend Per Share, Liquidity, Capital Structure, Firm Size And Share Price Behaviour are the independent variables. Assuming a linear relationship between dividend and its determinants, the regression model can be outlined as:

$$DPS_{it} = a_0 + a_1EPS_{it} + a_2DPS_{it-1} + a_3CF_{it} + a_4CURRATIO_{it} + a_5DERATIO_{it} + a_6FIXASSET_{it} + a_7PRICE_{it} + U_t$$

Where: DPS_{it} = Dividend per Share in the year t ;

EPS_{it} = Earning per Share in the year t;

DPS_{it-1} = Dividend per Share in the year t-1 or Lagged DPS;

CF_{it} = Cash Flow per share in the year t;

$CURRATIO_{it}$ = Liquidity as measured by Current Ratio in the year t;

$DERATIO_{it}$ = Capital Structure as measured by Debt Equity Ratio in the year t ;

$FIXASSET_{it}$ = Size of the firm as measured by the natural log of total assets in the year t ;

$PRICE_{it}$ = Share price behaviour in the year t;

U_t = Random Disturbance term

LIMITATIONS OF THE STUDY

The study is based on the secondary data collected from the CMIE prowess database for the sample companies. Thus, the study possesses all the inherent limitations of the secondary data. Small sample size can be considered as another limitation, whereby higher degree of precision cannot be achieved. The size of the sample is restricted because of the selection of the companies has been done on the basis of the criteria fixed for the purpose of sample selection. The presence of heterogeneity in the sample selection can also be considered as a limitation of the study. Further, it is unlikely that the error term used in the regression model will not have a constant variance. If it exists, then there is the problem of heteroskedasticity in the model, and this has not been addressed in the study. As the data are historical in nature, they lose the forecasting ability. The compilation of dividend data differs from person to person depending upon its purpose and availability. However, the researcher has adopted a balanced approach in the compilation of the data. Basing on the aforesaid limitations, due care has been taken in deriving the result from the regression model.

ANALYSIS OF DETERMINANTS

This section seeks to analyze the major determinants of the dividend policy. The analysis of the determinants will be carried out with the help of a statistical model, namely Backward Elimination regression model. In the Backward Elimination regression model, all the explanatory variables are entered into the model and then sequentially removed. The variable with the smallest partial correlation with the dependent variable is considered first for removal. After the removal of the variable from the model, the regression is re-calculated. If this significantly weakens the model, then

the removed variable re-enters- otherwise, it is deleted. After the first variable is removed, the variable remaining in the equation with the smallest partial correlation is considered next. This procedure is then repeated until only useful predictor variables remain in the model. For the purpose of the study, the above regression model can be outlined below.

$$DPS_{it} = a_0 + a_1EPS_{it} + a_2DPS_{it-1} + a_3CF_{it} + a_4CURRATIO_{it} + a_5DERATIO_{it} + a_6FIXASSET_{it} + a_7PRICE_{it} + U_t$$

After a detailed consideration of the above regression model, a comprehensive study was carried out to test its significance and to know how good is the model fit. For the purpose of testing the global significance of the model, F-test was carried out and for testing the individual parameters or variables in the model, t-test was carried out. A complete examination of the model has been done to see carefully if there are any problems with violations of the model assumptions with respect to autocorrelation and multicollinearity. Durbin-Watson test (d-statistics) is used to test the autocorrelation problem and the Variance Inflation Factor (VIF) test is used to test the existence of multicollinearity in the above model.

ANALYSIS AND DISCUSSIONS

The analysis of dividend policy of the companies included in the SENSEX has emerged with some concrete results, which are explained later in this paper. While carrying out the study, every care has been taken with regard to the problems of autocorrelation and multicollinearity. The *d* statistics of D-W test confirms that there is no problem of autocorrelation with data. However, the multicollinearity problem was detected in the regression model of the year 2003-04. To overcome this problem, one variable, namely cash flow was dropped from the model, which was insignificant and negatively related with the dependant variable. Then the regression model was rerun, and the result was displayed.

❁Results of Backward Elimination Regression Model : The year wise result of the backward elimination regression model has been displayed in the tables. The analysis tables contain the information pertaining to regression coefficients (both standardized and un-standardized) and the values of t-test, p-value, F-test, R^2, Adj. R^2, D-W test and VIF. The interpretation of the results has been made accordingly.

Table 1: Results of the Regression Equation For The Year 1998-99

1998-99	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	0.452	0.380		1.189	0.250	0.996	0.995	2198.344	1.505	
LAGDPS	1.193	0.033	1.050	35.727	0.000					3.816
DERATIO	-1.064	0.508	-0.062	-2.096	0.050					3.816

The regression results of the above defined model for the year 1998-99 are shown in the Table 1. It discloses that the regression equation estimated for all the sample companies seem to satisfy all the specifications. The coefficient of determination (R^2) in the above regression model is found to be statistically significant as is depicted from their F-value. The value of R^2 is found to be very high at 0.996, which explains well the dividend behaviour of the sample companies. Out of seven explanatory variables considered in the model, only two variables such as lagged dividend and debt equity ratio are found to be statistically significant. Lagged dividend is significant at 1% level, whereas the debt equity ratio is significant at the 5 % level of significance.

However, the debt equity ratio is showing a negative relation with dividend, which predicts that an increase in debt equity ratio reduces the dividend payment. The constant term in the estimated equation is found to be positive. This supports the earlier result of Lintner (1956). To quote Lintner (1956), *"The constant term will be zero for some companies, but will generally be positive to reflect the greater reluctance to reduce than to raise dividends, which was commonly observed"*. It is significant at 1% level of significance.

In 1999-00, the regression model is found to be statistically significant at 1% level of significance, which can be known from its F-value depicted in the Table 2. The constant term and two explanatory variables such as Lagged DPS and debt equity ratio are found to be significant at 1% level of significance, as is depicted from their *t*-values. Lagged DPS and debt equity ratio has been continued as one of the influential variable for the second year under study. However, debt equity ratio is having a negative impact on dividend decision. This shows that a higher debt equity ratio will result into high interest payments, and that will lead into a reduction in the after tax earnings available for dividend payments and vice-versa.

Table 2: Results of the Regression Equation For The Year 1999-00

1990-00	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	5.511	1.160		4.750	0.000					
LAGDPS	0.550	0.114	1.490	4.831	0.000	0.601	0.557	13.553	1.927	4.291
DERATIO	-5.062	1.537	-1.016	-3.294	0.004					4.291

The analysis of the regression model is depicted in the Table 3, which elaborates that three out of the seven explanatory variables are found to be significant in the year 2000-01. The result shows that cash flow is the only factor affecting the dividend policy at 1% level of significance, whereas constant term, current ratio, debt equity ratio is found to be significant at 5% level of significance. Thus, it can be concluded that the dividend payout policies of the sample companies are highly influenced by earnings of the companies and liquidity position of the companies.

Table 3: Results of The Regression Equation For The Year 2000-01

2000-01	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	2.485	0.914		2.719	0.015					
CF	0.114	0.017	0.941	8.285	0.000					1.270
CURRATIO	-1.478	0.519	-0.330	-2.849	0.001	0.827	0.79	27.149	1.404	1.317
DERATIO	0.782	0.278	0.290	2.815	0.012					1.045

In 2001-02 (Table 4), EPS emerged as one of the new variables, with current ratio to define the dividend policy of the sample companies. This variable has been found to be significant in most of the studies. The coefficient of determination (R^2) is calculated at 0.803, which defines that the percentage of variation in the dependant variable is explained by the independent variable. The model is also found to be fit at the 1% level, and can be understood from its F-value. Only two variables - namely EPS and Current ratio are found to be significant at the 1% level of significance. However, current ratio shows a negative relation with the dividend payout policy of the sample companies consecutively for the second year under the study.

The Table 5 exhibits that EPS, Lagged DPS and share price behaviour are found to be as important variables which explain the dividend policy of the sample companies for the year 2002-03. From the study, it is observed that the

Table 4: Results of The Regression Equation For The Year 2001-02

2001-02	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	10.042	1.549		6.484	0.000					
EPS	0.307	0.037	1.071	8.355	0.000	0.803	0.781	36.678	1.227	1.501
CURRATIO	-7.525	1.182	-0.816	-6.366	0.000					1.501

Table 5: Results Of The Regression Equation For The Year 2002-03										
2002-03	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	-5.821	2.180		-2.670	0.016					
EPS	0.154	0.040	0.466	3.850	0.001					1.246
LAGDPS	0.362	0.134	0.342	2.698	0.015	0.800	0.764	22.628	2.310	1.364
PRICE	7.071	2.093	0.393	3.379	0.004					1.147

variation in the dependent variable has been explained by the independent variables to the extent of 80 %, which can be known from its R^2 value. EPS, and share price behaviour are found to be significant at the 1% level of significance, but Lagged DPS showed its significance at the 5% level. For the first time, share price behaviour has emerged as an influential variable.

Table 6: Results of The Regression Equation For The Year 2003-04										
2003-04	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	9.974	3.006		3.318	0.004					
LAGDPS	0.617	0.193	0.559	3.202	0.005	0.455	0.395	7.519	1.285	1.006
PRICE	-1.946	1.007	-0.337	-1.933	0.069					1.006

As per the result of the Table 6, Lagged DPS and share price have emerged as the influential factors to the dividend decision of the firms under study. Out of the two explanatory variables as confirmed by the backward elimination regression process, only lagged DPS is significant at the 1% level, whereas, share price is significant at the 10% level. Interestingly, for the year 2003-04, the share price is showing its negative impact on the current year DPS.

Table 7: Results Of The Regression Equation For The Year 2004-05										
2004-05	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	8.583	3.815		2.250	0.037					
EPS	0.205	0.044	0.696	4.698	0.000	0.609	0.566	14.027	2.350	1.012
CURRATIO	-3.845	2.001	-0.285	-1.921	0.071					1.012

It can be inferred from the Table 7, that in 2004-05, yet again, the current year EPS and current ratio are the most significant factors affecting the dividend policy of the sample companies. Here, it is to be noted that the current ratio is negatively related to the dependent variable and is significant at the 10 % level of significance. EPS is found to be significant at 1% level of significance. This shows that the dividend policy is influenced by the current earnings of the firm.

Table 8: Results Of The Regression Equation For The Year 2005-06										
2005-06	Coefficients and model Summary									
	B	S.E	β	*t*	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	2.492	2.849		0.875	.394					
LAGDPS	0.328	0.099	0.340	3.321	0.004					1.283
CF	0.182	0.028	0.649	6.483	0.000	0.861	0.83	35.104	2.851	1.227
CURRATIO	-3.645	1.509	-0.226	-2.416	0.027					1.072

Table 9: Results Of The Regression Equation For The Year 2006-07										
2006-07	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	9.397	4.605		2.041	0.058	0.914	0.89	42.722	2.121	
EPS	0.144	0.027	0.516	5.372	0.000					1.723
LAGDPS	0.497	0.070	0.617	7.108	0.000					1.410
DERATIO	0.534	0.271	0.155	1.969	0.067					1.152
FIXASSET	-1.044	0.501	-0.187	-2.082	0.054					1.503

Table 10: Results Of The Regression Equation For The Year 2007-08										
2007-08	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	0.604	1.267		0.477	0.639	0.881	0.868	66.526	2.388	
EPS	0.049	0.024	0.206	2.045	0.056					1.532
LAGDPS	0.824	0.103	0.802	7.968	0.000					1.532

The regression results for the year 2005-06 have been depicted in the Table 8, according to which, lagged dividend and cash flow are significant at 1% level and current ratio is significant at the 5 % level. The Current ratio has once again emerged as one of the influential variables, which shows a negative relation with the dividend decision for the fourth time this year.

The regression result of the Table 9 for the year 2006-07 shows the highest number of variables affecting the dividend policy of the firms under study.

Out of seven variables, four variables namely EPS, Lagged DPS, Debt-equity Ratio and Size Of the Firm have been identified as the important predictor variables through backward elimination regression. EPS and Lagged DPS are significant at the 1% level, but Debt-equity Ratio and Size Of The Firm are significant at the 10% level of significance. Fixed assets are having a negative impact on the dividend decision, which supports the theory that higher capital expenditure lowers the dividend payments and vice versa. Here, the R^2 value is 0.914, as a result of which, the percentage variance of dividend policy is explained by 91.4% through lagged dividend and EPS, debt-equity ratio and size of the firm. Thus, independent variables adequately explain the dividend policy.

Table 11 : Results Of The Regression Equation For The Year 2008-09										
2008-09	Coefficients and model Summary									
	B	S.E	β	t	Sig.	R^2	Adj.R^2	F	D-W	VIF
Constant	-2.038	1.120		-1.819	0.086	0.928	0.920	115.349	2.140	
EPS	0.079	0.024	0.297	3.342	0.004					1.959
LAGDPS	0.846	0.103	0.732	8.249	0.000					1.959

In the year 2007-08 (Table 10) , two variables out of seven variables have been found to be the most influential variables in the study. The Lagged DPS is significant at the 1% level of significance, whereas, the EPS is significant at 10% level of significance. The constant term is found to be insignificant in the year 2007-08. The R^2 value is calculated at 0.881, which supports the explanatory power of the model.

The result of the backward elimination regression is exhibited in the Table-11, which shows that EPS and Lagged DPS are statistically significant at 1% level of significance, and are found to be the best predictor variables for the year 2008-09. It can be noticed here from the study that the same variables are found to be significant consecutively for this

year. The coefficient of determination (R^2) is calculated at 0.928, which account for 92.8% variation in the dependent variable current year DPS. The constant term is significant at the 10% level, and has a negative impact on the dividend decision of the sample firms.

TESTING OF THE HYPOTHESES

The null hypothesis of the study ***"Dividend decisions are not affected by any determinants"*** was examined using the regression model on an annual basis. From the regression result, it was found that the independent variables seem to explain well the dividend behaviour of the sample companies, which can be known from the R^2 value. The global significance of the regression model developed through the backward elimination process can be known from its F value. The results indicated the rejection of null hypothesis, as the actual value is found to be higher than the tabulated value. Thus, the alternative hypothesis is accepted. It may be inferred from the result that the dividend policy is influenced by any of the factors explained in the present study.

FINDINGS OF THE STUDY

The regression result of the determinants of the dividend policy explained satisfactorily for the sample companies under consideration. It has been found from the study that two variables - namely EPS and Lagged DPS have emerged as the most significant factors affecting dividend policy for the sample firms. Lagged DPS is found to be significant for a period of nine years out of eleven years, whereas Earning Per Share (EPS) is found to be significant for seven years. The present study confirms the earlier studies of Lintner (1956), Mahapatra and Biswasroy (2006), Mishra and Narendra (1996), Pal and Goyal (2007), and Bhayani (2009). Cash flow variable failed to explain the dividend behaviour of the sample companies in the study. This variable was found to be significant only for two years (2000-01 and 2005-06). Among the other determinants, capital structure and liquidity demonstrated significant effect over the dividend decision. However, both the variables disclosed contradicting results. Debt-equity ratio is having a negative impact on dividend decisions in the year 1998-99 and 1999-00, which exemplifies that higher debt-equity ratio will result in high-interest payments, and that will lead to a reduction in the after-tax earnings available for dividend payment and vice versa. However, in the year 2000-01 and 2006-07, it showed a positive relation with dividend payments, which may be due to the fact that interest payment is tax deductible expenditure. Similarly, current ratio showed a negative relation with the explained variable throughout the study period. The constant term is significant in most of the years, confirming the stable dividend policy.

CONCLUSION

This research work has focused on a clarification of some of the more important theoretical foundations of the applied field of corporation finance. In particular, in order to focus on the more primary issue of whether dividend policy is influenced by any factors, the models provide the appropriate vehicle for further analysis and development. The study disclosed the two important variables such as Earning Per Share (EPS) and Lagged DPS as the most influencing factors. However, these are not the sole factors. The other factors are Capital Structure, Liquidity, Share price, Cash Flow And Size Of The Firm, which are more or less affecting the dividend policy. Further, the study revealed the adaptation of stable dividend policy by the selected industries.

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Annexure 1

Sl. No.	Name of the Companies	Industry Groups
1	BHEL	Engineering heavy
2	CIPLA	Pharmaceuticals
3	HDFC	NBFC
4	GRASIM	Diversified
5	HERO HONDA	Auto 2 wheelers
6	HINDALCO	Aluminium
7	HUL	Personal care
8	HDFC Bank	Banking
9	ITC	Cigarettes
10	LARSEN AND TOUBRO	Engineering heavy
11	ICICI BANK	Banking
12	ONGC	Oil drilling and exploration
13	RELIANCE IND	Refineries
14	RELIANCE INFRA	Power generation/distribution
15	STERLITE IND	Power generation/distribution
16	TATA POWER	Power generation/distribution
17	TATA MOTOR	Automobile
18	TATA STEEL	Steel large
19	WIPRO	Computers software
20	MAHINDRA AND MAHINDRA	Engineering heavy