A Study on Dividend Pattern of Indian Corporate Firms

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Abstract

The study undertaken investigated the dividend pattern and trend of Indian corporate firms for the period from 2002-2014. Dividend payment has always been considered as an important decision by corporates. It has been observed that many firms believe that paying dividend does not affect the value of firms, and many assure that dividend payment does enhance the wealth of shareholders. This study attempted to examine what has been the dividend trend of the Indian firms over a period of 12 years. Analysis of dividend trends for a large sample of stocks traded on the Bombay Stock Exchange (BSE) indicated that the percentage of companies paying dividends increased by 28% over a period of 12 years. The number of companies who were in the non-payer group declined by 51%, which indicated that firms moved towards the paying group. *t* - test was also conducted between payer and non-payer groups, and it was observed that paying of dividend does make a difference to the profitability and other related factors to firms.

Keywords : **dividends, payer group, non-payer group, profitability**

JEL Classification : G30, G32, G35

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Numerous studies have anticipated various theories in explanation of the reason of companies paying dividends. From the viewpoint of experts, dividend policy of a firm has implications for investors, managers, lenders, and other stakeholders. For investors, dividends – whether announced today or accrued and provided at a later date - are not the only ways of regular income, but also an imperative effort in valuation of a firm.

There are three fundamental principles that underlie corporate finance, namely, investment, financing, and dividend principle (Stern.nyu, 2015). These are the basic principles that rule the theory of corporate finance and are thus, known as the first principles. Investment principle defines investments made by organizations in order to gain profit that is higher than the hurdle rate which might occur. However, for investment principle to be successful, the hurdle rate is to be efficiently determined.

Financing principle on the other hand focuses on the sources of funding that are used in order to fund projects or to make investments. Debt and equity are the two major types of financing sources and an optimum mix of the two is covered under the financing principles. The third and the last is the dividend principle. This principle is important in order to determine the amount of earnings to be invested back in the business and how much is to be distributed to the shareholders of the company. The dividend principle basically judges as to how much money is needed in order to overcome the hurdle rate. If it is not large enough, then the company might just pay dividends to its shareholders which might help it in building a strong image.

Dividend paying stocks have certain exceptional benefits in the view of their corporate finance. Dividends are a strong signal of the financial health of a firm. Higher earnings imply a higher ability of the firms to make investors feel a part of the profit of the firm. This improves their image in the investor market and hence makes

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them more popular. Total return is also higher for the stocks that pay dividend as the dividend and volatility is also found to be low. Moreover, it has been seen historically that dividend payments remain unaffected by interest rate movements. Dividend paying stocks also provide other benefits to investors in the form of shield against turbulent market cycles. This, in turn, is also beneficial for firms that are able to maintain their market prices (Ridgeworth Investments, 2011).

A dividend paying firm also implies a more disciplined management. A firm that has more than it can spend within and on its organization usually has the option to indulge in hoarding of money, pay it out as dividends, or acquire some other firms. Dividend payout thus implies that the firm in question believes in satisfying its investors and excelling in one field rather than trying its luck on everything and excelling in nothing (Koppenheffer, 2015).

Study of the dividend payout pattern tells about the ups and downs that have been reported in the dividend payout of any firm over a time period. Such studies are of grave importance to see the trends that have existed and the reasons that have caused such trends. The effect of certain prominent changes in the environment and those in the policy can also be seen through the study of patterns.

Literature Review

There are very few studies which explain the proper dividend pattern of the firms over a period of time. This study explored the various patterns of firms by dividing them into category of paying and non-paying firms.

Yarram (2002) conducted a study on the combination of BSE and National Stock Exchange (NSE) listed firms. It was reported that the average aggregate dividend payout had increased over the years (from INR 0.99 crore in 1990 to INR 2.93 crore in 2000, and to INR 4.19 crore in 2001). When compared for the years 2000 and 2001, it was also seen that although the number of total firms that paid dividend decreased from 1988 in 2000 to 1531 in 2001, the average aggregate dividend payout rose enormously.

In the context of the trend shown by regular payers, current payers, and initiators, the above study showed that the regular payers paid the highest amount of dividends over the years followed by the current payers and then the initiators. The study also made a comparison among the dividend payout of firms on the basis of whether they were indexed or not. Results showed that the companies belonging to indexes such as NIFTY and SENSEX had a higher dividend payout compared to BSE 100, BSE 200, CNX 500, and other such indices. In absolute figures, majority of both the NIFTY (29 out of 30) and SENSEX (49 out of 50) firms paid dividends during the period of the study (Yarram, 2002).

The study also showed wide differences across industries. The study showed that whereas the textile industry had a stable dividend payout through the years, the financial industry reported a growth in the same. Certain high growth firms such as computer hardware and software firms (which fall under machinery industry) reported low dividend payments (Yarram, 2002). The demographics and industry characteristics were useful for the present study, and trends could be compared with the established results.

A theoretical model was also developed by Lintner (1956) that furnished the results for the study. It was concluded through analysis that the dividend represented by the variable (dividend / share) depended on the target payout ratio (long-term desired ratio of dividend to earning). Bhat and Pandey (1994) along with current earnings and past dividends also recognized the importance of changes in equity base of the firm. Black (1976) stated that when taxes on payouts are introduced, the investors are motivated to prefer less of dividends and are more satisfied if the firm gets more inclined towards retained earnings in such cases. Fama and French (2001, pp. 26-27) showed for U.S. stock that improved liquidity reduced the dividend payout ratios. Now that the trends related to dividend are slightly known, there are certain papers, which noticed the causes of these trends. This question was also noticed in the study by Healy (1988). Jensen and Meckling (1976) concluded that because an increase in dividend payments increases the debts of the firms, therefore, the relation between the two can be established to

be negative. It is ,therefore, considered more logical to see the impact of multi-nationality on dividend payout through the concept of existing debt.

Dividend decision holds immense importance from the point of view of organizational management team's perspective. It also needs to be analyzed on a priority basis due to its symbiotic relationship with matters of investment and financial arena. Another reason for the vitality of dividend decision was the dependence of the financial and investment decision on it. One might expect that the dividend payout must increase to make the shareholders happier, but it was rather found to be an anomaly with respect to certain cases. One of the case studies from United States of America registered dividend payout around 30% in 2005 as compared to $60 30 years ago against shareholder happiness as reported by Singhania (2005).

Another study carried out in the Indian context is by Mohanty (1999). A total of 200 companies were analyzed over a period of 15 years (1982-1996) which were further divided into two periods for the convenience of the study (1982-91 and 1992-96). This study focused on two types of companies - those that made bonus issues and those who didn't. Results indicated that the companies that issued bonus to allure their shareholders didn't reduce their dividend rates after bonus issue, if not increased.

Singhania (2005) highlighted this case and conducted a study on 590 BSE (Bombay Stock Exchange) listed manufacturing companies from the years 1992-2004 (i.e. FY 1991-92 to 2003-04). Data was collected from CMIE (Center for Monitoring of the Indian Economy) Prowess database for validating the research propositions. Dividend payout ratio was indicated as the key metric to analyze the trend in dividend decision of variegated companies. The reason that was stated for the choice of BSE over any other index was that the former had the largest number of listed companies around the world after NYSE (New-York Stock Exchange). In the post-era of liberalization, many changes have happened in all spheres of the Indian economy. So, the time period of study was chosen accordingly. The chosen companies were profiled according to their characteristic of being payer or non-payer and according to the industry of operation. It was seen through analysis that the trend in dividend payout ratio was rather volatile. Whereas, it increased in the initial time period of the study (from 25.7% in 1992 to 46.02% in 1997), it had decreased a little after that (37.71% in 2000) and increased thereafter, to reach an all-time high in 2004 (67.86%).

In the study, differences have also been seen amongst the companies belonging to different industries and other profiles. Whereas some industries had companies with stable patterns, others had companies reporting great hike in the dividend payout ratios. Therefore, huge industry wise fluctuations were reported. Trend had also been seen for the payer companies. It was reported that the regular payers shelled out higher payout and were more consistent. On the other hand, the current payers and initiators, when compared to the regular payers, made lower payouts and showed more fluctuations in their payouts, respectively. Singhania (2005) also stated three approaches that can be followed for forming dividend policy. Firstly, either the companies can distribute 100% of their profits or retain 100% of their profits. The last option is that they follow the technique of part retention and part distribution. The trends reported that the companies following the third approach had decreased over time (from 75% of the companies in 1992 to 56% in 2004). On the contrary, the percentage of companies following the second approach increased from 24% in 1992 to 36% in 2004. Although the companies following the third type of strategy had increased over time in absolute numbers (from 5 in 1992 to 46 in 2004), their percentage had been less than 1% of the total sample. These results are relevant and provided a base for the current research for a comparative analysis.

Sudhahar and Saroja (2010) carried out a study of Indian banks, which were traded on BSE. The time period for this study was 1997-98 to 2006-07. The study focused on judging two relationships. First was profit and dividend relationship. This relationship was important because the profits that were earned by the firms were the source of dividend that will be paid out. It was the inflow of occurrence of profits that instigated the payout of dividends. The second relationship studied was the comparison of banks on the basis of their dividend paid to equity capital relationship. Through analysis of the trends, it was seen that with a hike in the net earnings over

years (from INR 2,500.39 crores in 1997-98 to INR 15,520.14 crores in 2006-07), the dividend payout also reported an increase (from INR 495.25 crores in 1997-98 to INR 3550.43 crores in 2006-07). It was concluded on the basis of the figure for coefficient of variation that though the dividend payout and net profit were both increasing and significant, the dividend payout ratio was insignificant. This implied that the dividend policy, as adopted by the Indian banks, was stable despite the volatility of the profits. The value of 20.17% for the mean payout ratio also revealed the same, that is, the banks reinvested 80% of their earnings in their own business. Data also laid open the fact that 45% of the firms paid upto 24% of their income as dividend while another 45% of the firms paid 25% to 48%. The remaining 10% paid a humongous amount, that is, 60% of their earnings as dividends.

Rizvi and Khare (2011), in their paper, emphasized that the biggest challenge for any organization was to determine the optimal allocation of profits, and the same was applicable to the banking industry. The results of their study showed that earnings per share was a very important determinant of the dividend payout ratio. Stock beta was also found to have a negative but significant association with the dividend payout ratio. Thus, these variables also set the dividend payment pattern for any firm in an industry.

On the lines similar to those of Singhania (2005), Gayathridevi and Mallikarjunappa (2012) studied the trends in dividend policy of 114 textile companies of India, which are listed on NSE (National Stock Exchange). This study was done in the time period from 1989 - 2009. Therefore, although this study gave the trend analysis of a particular industry, focus had been on a longer time duration. Analysis showed that the number of companies paying dividends decreased during the time period of their study. It fell from 75.86% in 1990 to 35.71% in 2009. This trend can be observed to be in agreement with the trend shown by Singhania (2005), but it also showed that after 2006 (i.e. after the time period of the latter study), the trend started falling again. Gayathridevi and Mallikarjunappa (2012) reported another important finding in addition to falling percentage. It was seen through the data that although the companies that paid dividends were majorly profit making companies, but even loss-incurring companies paid dividends. It was also seen that profit making companies formed 50% of the total companies which didn't pay dividends (percentage of latter rose from 24.14% in 1990 to 64.29% in 2009). It was ,therefore, concluded that loss cannot be the only reason why the companies were not paying dividends. It was an important finding from a research point of view which was utilized for the present research work.

The above reviewed studies showed that studying the trends of dividend policy and payout is of utmost importance. It is vital not only for the formation of dividend policy in the future, but it also determines the pathway for other policies as well. Hence, in this study, the trend analysis of the collected data was explored to get an overview of the existing trends of dividend payout in the collected sample.

Objectives of the Study

The present study caters to the following objectives:

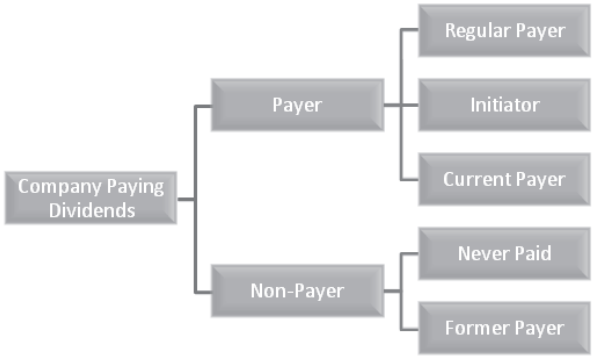
(1) To find out the trend of dividend payment over a period of 12 years.

(2) To analyze whether payment of dividend makes a difference to some important variables of the firms, for example, market to book value and profitability.

Research Methodology

The dividend payment patterns of all the companies in India that were listed on the Bombay Stock Exchange (BSE) - 500 during the period from 2002 to 2014 were employed for the purpose of analysis. The data was sourced from Prowess Database of the Centre for Monitoring Indian Economy (CMIE). The companies were

Figure 1. Payer and Non-Payer Groups



excluded by the software used for analysis and no manual exclusion was done.

Dividend policies of various industries considered over the years were seen through a scatter plot. For this purpose, scatter diagram of the variable of dividend payout ratio was created. The scatter helped in determining the trends that dividend payout ratios of various companies showed over the years.

The categories from Figure 1 are defined as follows:

- Regular payers are those who have paid dividends regularly from the starting year to the current year and haven't skipped any year in between.
- Initiators are those who haven't paid dividends ever during the whole duration considered and are paying for the first time in current year.
- Current payers are those who are paying dividends in the current year and have paid in the years before the current year but have missed out in one of the years.
- Never paid consists of the companies that have never paid dividends during the whole time duration considered and are not even paying in the current year.
- Former payers are those who paid dividends earlier but are not paying in the current year.

A line graph of the number of payers and non-payers of dividends over the years was also created. This shows that the fall and rise in their numbers has been reported (Singhania, 2005). Moreover, *t*-test was also conducted between these two groups. This was done to see the impact of paying dividend or dividend payout ratio (DPR) on the profitability, price-book ratios, and market capitalization of the firms in the respective firm years (Mittal & Chopra, 2006).

A categorization of the payer groups into regular payers, initiators, and current payers was done. Moreover, non-payers group was also divided into those who have never paid and former-payers. This categorization was done on the basis of the study conducted by Singhania (2005) and Yarram (2002).

Another way in which dividend payout trends can be seen in the industry is by knowing the number of companies paying a particular range of dividends. This was done with the help of pictorial representation. Help of area graphs was taken to depict these trends. The calculation for the graphs included bifurcation of the companies into four categories according to the percentage of dividend that they provided. The six categories considered are: 0%, 0-25%, 25-50%, 50-75%, 75-100%, and more than 100%.

Another analysis was done for the average percentage dividends paid by the firms belonging to various industries and the trends in the same. The averages were calculated industry and year wise for all the companies considered under any particular industry. The industries having more than 10 companies in the considered samples were the ones that were considered for this analysis. Both these analysis were inspired and adopted from Singhania (2005).

Table 1. Sample Characteristics

Industry	Number of Firms	Industry	Number of Firms	Industry	Number of Firms
Abrasives	2	Fertilizers	4	Other recreational services	2
Agricultural machinery	2	Footwear	1	Other textiles	4
Air transport services	1	Gems & Jewellery	6	Other transport equipment	3
Air-conditioners & refrigerators	3	General purpose machinery	5	Paints & varnishes	4
Aluminium& Aluminium products	2	Generators, transformers & switchgears	2	Paper & newsprint	3
Auto finance services	4	Glass & glassware	2	Paper products	1
Bakery products	2	Health services	2	Passenger vehicles	1
Banking services	39	Hotels & restaurants	4	Pesticides	4
Beer & alcohol	3	Housing construction	3	Plastic films & flexible packaging	2
Boilers & turbines	3	Housing finance services	7	Plastic furniture, floorings & misc. items	2
Business consultancy	7	Industrial construction	9	Plastic packaging goods	2
Castings & forgings	4	Industrial cooling equipment	1	Plastic tubes, pipes, fittings & sheets	3
Caustic soda	1	Industrial machinery	2	Production & distribution of films	1
Cement	13	Infrastructural construction	8	Readymade garments	2
Ceramic products	2	Infrastructure finance services	6	Refinery	7
Cloth	2	ITES	3	Refractories	1
Coal & lignite	1	LNG storage & distribution	5	Retail trading	4
Coffee	2	Lubricants, etc.	1	Shipping transport infrastructure services	3
Commercial complexes	14	Man-made filaments &fibres	2	Shipping transport services	3
Commercial vehicles	2	Media-broadcasting	9	Sponge iron	1
Communication equipment	1	Media-print	3	Steel	5
Computer software	22	Metal products	7	Steel pipes & tubes	3
Consumer electronics	1	Minerals	2	Storage & distribution	1
Copper & copper products	2	Mining & construction equipment	1	Storage batteries	2
Cosmetics, toiletries, soaps & detergents	8	Misc. electrical machinery	2	Sugar	4
Cotton & blended yarn	1	Other agricultural products	5	Tea	2
Crude oil & natural gas	4	Other asset financing services	15	Telecommunication services	7
Dairy products	2	Other automobile ancillaries	6	Tobacco products	3
Diversified	13	Organic chemicals	1	Tourism	2
Diversified cotton textile	1	Other chemicals	10	Trading	15
Diversified machinery	3	Other domestic appliances	2	Transport logistics services	4
Drugs & pharmaceuticals	34	Other electronics	3	Two & three wheelers	4
Dyes & pigments	1	Other fee based financial services	1	Tyres & tubes	5
Education	2	Other financial services	3	Vegetable oils & products	3
Electricity distribution	1	Other fund based financial services	11	Wires & cables	2
Electricity generation	13	Other industrial machinery	1	Wood	1
Engines	3	Other misc services	5		
Exhibition of films	2	Other non-ferrous metals	1		

Analysis, Results, and Findings

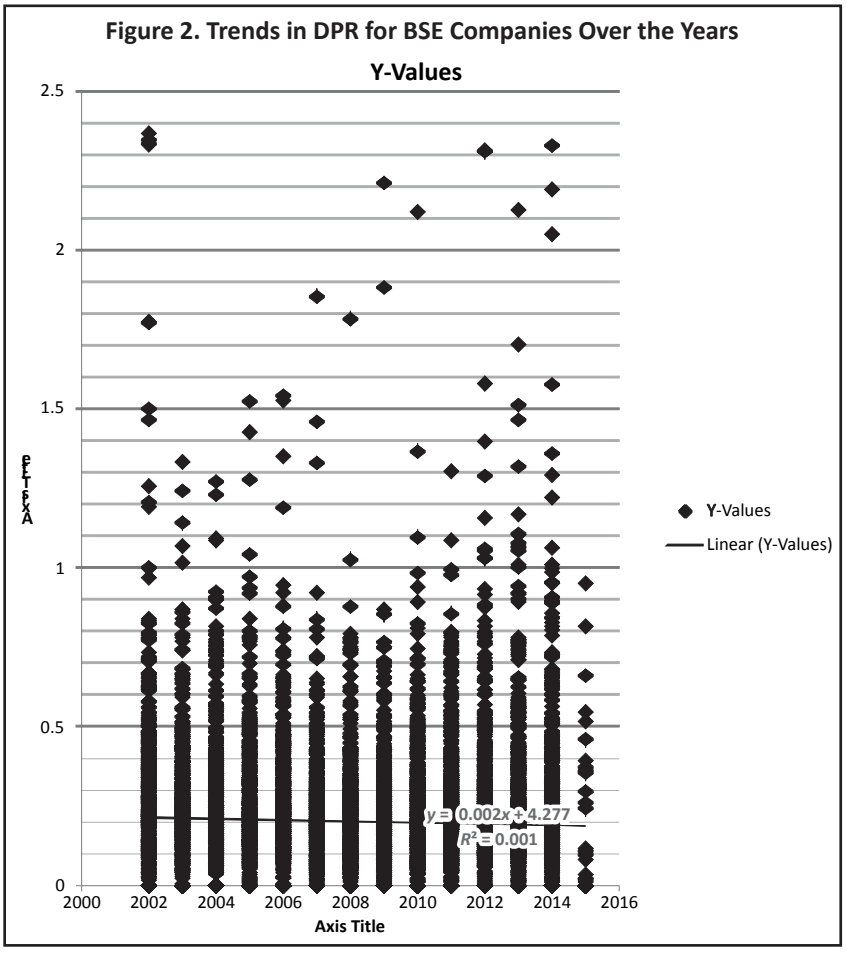
The characteristics of the sample that has been studied is important to be looked through. It helps in deciphering any unusual behavior that the data set might show. As can be seen, the firms belong to a number of different industries, which can be a possible cause of anomalies. Therefore, knowing about the sample characteristics is always a better option.

As shown in the Table 1, the firms that were considered for the study belong to a variety of industries. However, majority of them belonged to banking services industry, other asset financing services industry, cement industry, commercial complexes industry, computer software industry, and trading industry.

The graph shown in Figure 2 depicts the dividend payout trends of all the 500 BSE firms over the years. The outliers in the value of DPR were removed. The graph thus obtained shows that the trend of dividend payout ratio of the companies is stable. However, it is reported to be low through the years. The regression coefficient value (R^2 = 0.0012) is also found to be very low, indicating no impact of years on DPR. Therefore, it can also be statistically seen that there is no difference in the dividend payout ratio over the years.

Trends as shown in Figure 3 depict the number of payers and non-payers over the years. It can be seen that whereas the non-payers have decreased over the years, the number of payers have increased. In 2014, the number of payers was found to be 398, 109 more than the 2002 figures. On the other hand, the number of non-payers decreased from 210 in 2002 to 102 in 2014.

As can be seen from Figures 4 and 5 and as discussed above, the number of dividend payers has increased over



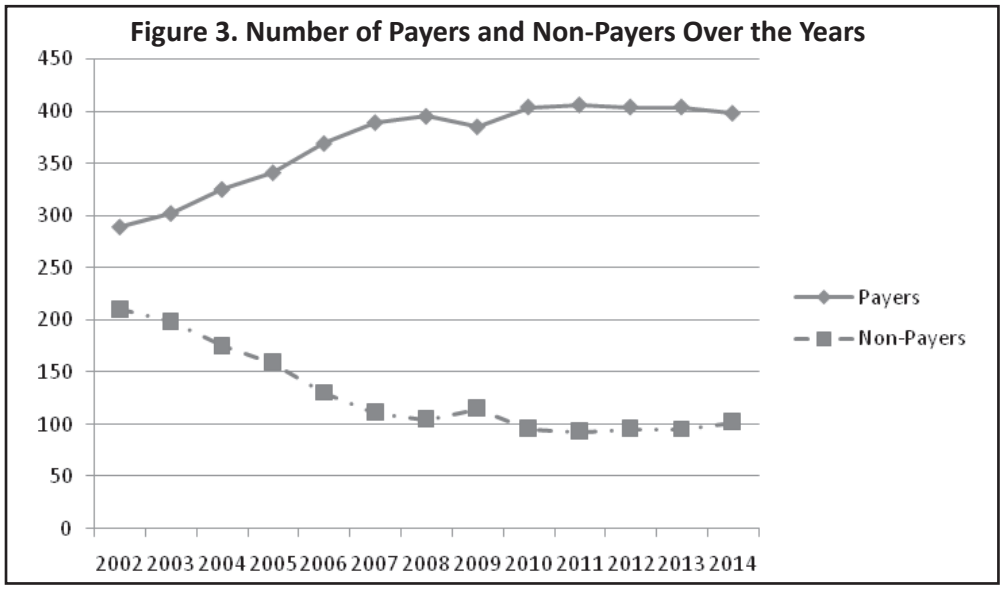


Table 2. Distributions of Dividend Payers and Non-Payers: Number of Firms and Percentages

	Year												
	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Payers Group													
Payer	289	302	325	341	369	389	395	385	404	406	404	404	398
Percentage	57.8%	60.4%	65%	68.2%	73.8%	77.8%	79%	77%	80.8%	81.2%	80.8%	80.8%	79.6%
Regular Payer		277	274	268	267	266	261	250	248	246	236	225	221
Percentage		91.7%	84.3%	78.6%	72.4%	68.4%	66.1%	65%	61.4%	60.6%	58.4%	55.7%	55.5%
Initiator		25	23	22	25	18	13	8	7	6	8	12	4
Percentage		8.3%	7.1%	6.5%	6.8%	4.6%	3.3%	2.1%	1.7%	1.5%	2%	3%	1%
Current Payer		0	28	51	78	105	121	127	149	154	159	166	171
Percentage		0%	8.6%	15%	21.1%	27%	30.6%	33%	36.9%	379%	39.4%	41.1%	43%
Non-Payers Group													
Non-Payer	210	198	175	159	130	111	105	115	96	93	96	95	102
Percentage	42%	39.6%	35%	31.8%	26%	22.2%	21%	23%	19.2%	18.6%	19.2%	19%	20.4%
Never Paid		186	163	141	116	98	85	77	70	64	56	44	40
Percentage		93.9%	93.1%	88.7%	89.2%	88.3%	81%	67%	72.9%	68.8%	58.3%	46.3%	39.2%
Former Payer		12	12	18	14	13	20	38	26	29	40	51	62
Percentage		6.1%	6.9%	11.3%	10.8%	11.7%	19%	33%	27.1%	31.2%	41.7%	53.7%	60.8%

the years. Amongst these payers, the percent of regular payers and initiators have shown a fall, whereas that of current payers has shown an increase.

Figures 6 and 7 explain that the trends for non-payers group show that the number of non-payers has shown a fall over the years. Amongst these decreasing non-payers, the percentage of those who never paid dividends has decreased ; whereas, those who are former payers have increased from 2003-2014. It can also be noticed that the former payers as a percent of total non-payers showed a sudden fall from 2009 to 2010, after which this figure again started increasing. Similar, but opposite trend was noted for companies which never made any dividend payment. It was seen that the percentage of such companies reported a sudden rise from 2009 to 2010 after which

Figure 4. Percentage of Components of Payers Group

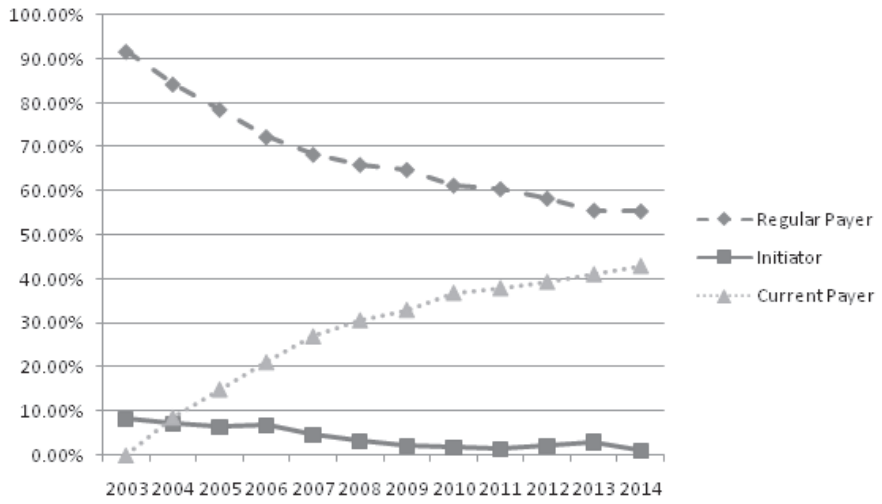


Figure 5. Number of Components of Payers Group

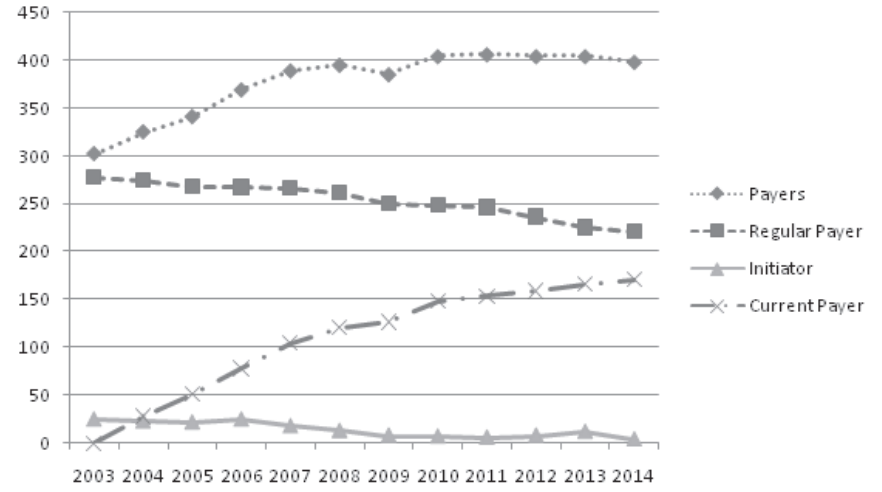
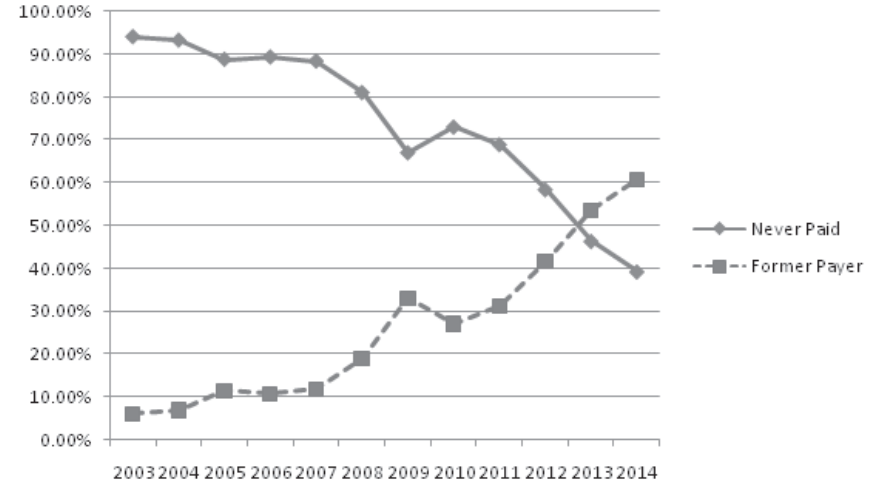


Figure 6. Percentage of Components of Non-Payers Group



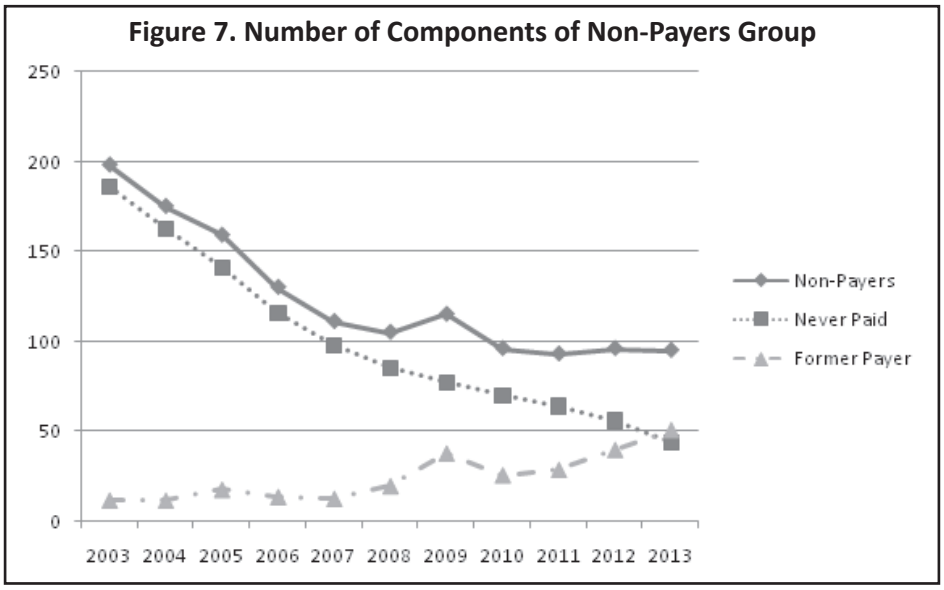


Table 3. Bifurcation of Companies Based on Percentage Dividend Payment

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0%	208	194	173	157	128	109	103	114	95	93	96	95	102
0% - 25%	123	137	160	171	194	224	242	231	233	231	210	210	202
25% - 50%	109	129	121	130	139	138	123	122	134	129	142	133	132
50% - 75%	34	23	29	25	26	20	20	24	27	33	29	36	37
75% - 100%	11	7	11	9	6	4	8	5	6	10	12	12	13
>100%	12	6	4	6	4	3	2	3	4	3	11	13	14

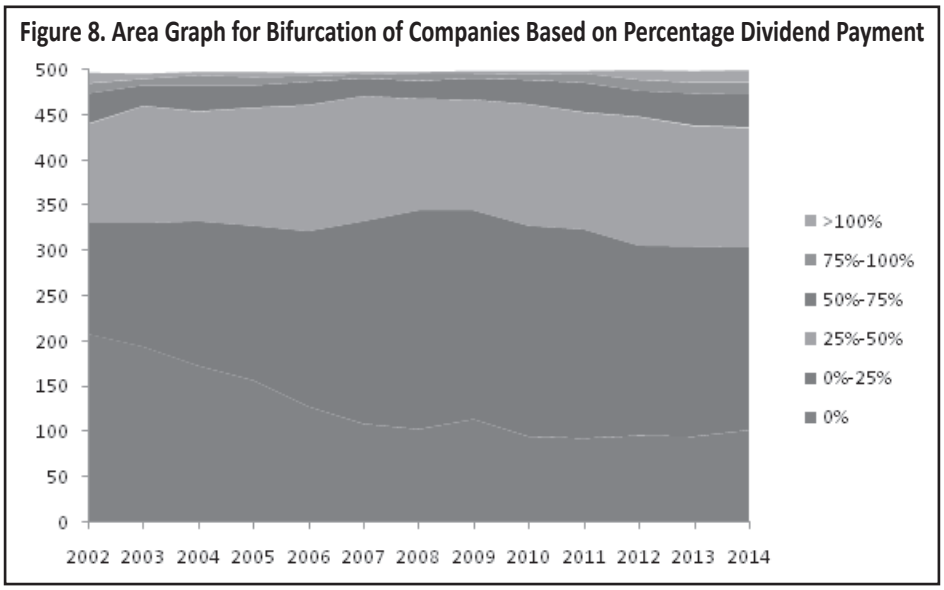


Table 4. Average Dividend Payouts for Certain Industries

Industry Name	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Banking services	17.18%	15.98%	16.01%	16.11%	18.45%	18.80%	18.06%	16.40%	17.93%	18.56%	18.58%	20.24%	16.33%
Cement	28.22%	20.64%	18.85%	38.03%	18.54%	10.71%	11.24%	14.92%	15.11%	25.28%	17.90%	20.26%	20.71%
Commercial complexes	13.29%	6.19%	10.69%	7.11%	9.86%	18.22%	10.86%	7.44%	15.14%	15.88%	18.85%	21.87%	21.89%
Computer software	15.87%	23.07%	32.51%	30.12%	36.27%	21.26%	21.28%	18.65%	20.94%	24.26%	30.95%	35.19%	30.82%
Diversified	28.79%	23.61%	21.23%	20.08%	19.55%	19.02%	16.94%	14.16%	17.15%	15.18%	29.26%	28.30%	26.20%
Drugs & pharmaceuticals	29.48%	22.88%	24.70%	29.98%	23.78%	25%	22.28%	22.12%	22.74%	22.99%	31.72%	25.05%	37.68%
Electricity generation	6.39%	6.57%	7.23%	20.04%	23.27%	20.99%	20.35%	19.48%	15.56%	16.98%	17.93%	18.31%	21.06%
Other asset financing services	4.28%	7.61%	5.76%	14.28%	6.81%	4.64%	13.35%	7.76%	11.99%	13.22%	13.13%	16.32%	15.73%
Other fund based financial services	10.41%	5.23%	12.69%	9.96%	21.33%	22.34%	31.26%	35.75%	28.37%	61.36%	33.96%	45.58%	50.52%
Trading	28.85%	11.55%	13.60%	14.02%	16.72%	13.58%	19.34%	14.93%	16.62%	19.41%	34.65%	13.30%	31.20%

Table 5. *t*-test with Respect to Payers and Non-Payers

		***t*-test for Equality of Means**						
		t	***Df***	**Sig. (2-tailed)**	**Mean Difference**	**Std. Error Difference**	**95% Confidence Interval of the Difference**	
							Lower	**Upper**
Return on Equity	Equal variances assumed	-14.061	6128	.000	-4.66280	.33160	-5.31285	-4.01274
	Equal variances not assumed	-19.500	3986.630	.000	-4.66280	.23911	-5.13159	-4.19400
Price to Book Ratio	Equal variances assumed	3.752	5767	.000	4.35955	1.16196	2.08168	6.63743
	Equal variances not assumed	2.018	1282.504	.044	4.35955	2.15985	.12233	8.59678
Market Capitalization	Equal variances assumed	-33.993	6998	.000	-3.30789	.09731	-3.49865	-3.11713
	Equal variances not assumed	-28.642	2937.775	.000	-3.30789	.11549	-3.53434	-3.08144

their numbers again started falling.

The Table 3 clearly gives the bifurcation for the number of companies based on percentage of dividend payment. It has been categorized into different categories ranging from 0%, 0-25%, 25%-50%, and so on. The Figure 8 depicts the number of companies that pay various levels of dividends. It is found that in 2002, 208 companies paid no dividends, by 2011, this number dropped down to 93. However, the number again rose and came upto 102 by 2014. It can also be seen that the companies which paid in between 0 to 25% dividends increased over the years, however, the payment of dividend followed same increasing trend as mentioned in the literature. The number of companies under this category increased from 123 in 2002 to 242 in 2008 after the number started falling and reached a figure of 202 by 2014. The companies paying 25% to 50% dividends also showed a similar trend and ended up at being 132 in 2014 compared 109 in 2002. The companies paying higher dividends also showed similar trends but weren't much in numbers.

The Table 4 shows the prominent industries under the sample and the average dividend payments made by these industries over the years. It can be seen that drugs & pharmaceuticals made the highest average dividend payments (29.48%) in 2002, whereas in 2014, it was the 'Other fund based financial services' industry that made the highest average dividend payments (50.52%). However, the former was the second highest average dividend

paying industry amongst the considered industries.

The Table 5 shows that paying of dividend makes a difference to market capitalization [t (7000) = -33.993, p = 0.000], profitability (return on equity) [t (6130) = -14.061, p = 0.000], and price - book ratio [t (5769) = 3.752, p = 0.000] of the firms. The firm years in which dividend was paid are found having higher means of profitability indicator and market capitalization. However, the mean of price to book ratios are found to be lower in that time period.

Conclusion, Suggestions, and Implications

A general overview of the sample shows that the companies lying in the BSE 500 category belonged to diverse sectors. The major concentration of companies is found in the banking sector, drugs & pharmaceutical sector, computer software sector, and several others. Moreover, on examining the pattern, it is also discovered that almost for all the companies, the cash flow in the company and their dividend payout moved in a similar manner. It can ,therefore, safely be assumed that as the cash flow from operating activities, or in short, the liquidity in the company increases, the dividend payouts of the companies also increases. However, there are certain companies which are an exception to this trend.

Upon conducting graphical analysis, it is found that over the years, no significant variation could be seen in the dividend payout ratio. Therefore, it is concluded that more or less, the companies had maintained a stable dividend payout pattern over the years. As for the statistics for the companies that pay dividends, their number is found to have registered an increase over the years. It is seen that from 2002 to 2014, the number of payers increased, and the number of non-payer companies decreased.

Further details regarding the payer and non-payer groups are also examined. The payers are categorized as regular payers, current payers, and initiators. The analysis shows that whereas the number of current payers increased, the number of initiators and regular payers reported a fall. It can ,therefore, be concluded that more and more companies are coming up for paying dividends. The companies that had given up dividend payments for some or the other reason are also returning to the dividend-paying category. On the other hand, amongst the non-payers, that were categorized as former payers and never paid companies, the former reported an increase and the latter, a decrease. This also implies a positive change in the trend of dividend-paying companies.

There were two other analyses that were conducted under this study. The companies were divided under categories according to the percentage of dividend payout made by them under a particular year. It is found that most of the companies made zero dividend payment in the year 2002 ; whereas, by 2014, the majority lie under the '0 to 25%' dividend paying category. Number of companies under the '25 to 50%' category also reported an increase. It can ,therefore, be concluded that more and more companies are now jumping onto the dividend paying side.

As for the individual industries, we examined as to what is the average dividend pattern in these industries over the years. The result of this analysis would be useful for knowing about the individual industries. The companies that are planning to get onto the dividend paying side can make use of the information presented in this paper to make decisions regarding dividend payments.

The dividend decisions directly impact the financing and investment decisions of a firm. Therefore, it becomes very important for a firm to decide optimum dividend payout to be given to shareholders. The patterns for dividend policy will help the shareholders to decide a proper payout so as to have a positive impact on the wealth of shareholders.

Limitations of the Study and Scope for Future Research

The study depended more on the empirical and statistical methods rather than theoretical justification in the

anomalies on dividend policy patterns. The research is totally based on the data collected from the Prowess database and limited with respect to the time span and sample size.

A profound analysis of the patterns of dividend shows that there are many companies who initially did not pay the dividends, but eventually started paying the same. The study undertaken focused on the trends of number of companies paying dividend and not paying dividend. The same data set can be used to further look into the effect on dividend policy on value of the firms for paying group as well as non-paying group. The question of whether the dividend payment leads to more profitability or not can be answered by performing further analysis by considering the prominent variables that affect the dividend policy of companies in India.

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