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A STUDY ON DIVIDEND DECISIONS

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ABSTRACT: The Dividend Decision, in corporate finance, is a decision made by the directors of a company. It relates to the amount and timing of any cash payments made to the company's stockholders. The decision is an important one for the firm as it may influence its capital structure and stock price. In addition, the decision may determine the amount of taxation that stockholders pay. There are three main factors that may influence a firm's dividend decision. Free-cash flow, Dividend clienteles and Information signaling. Under this theory, the dividend decision is very simple. The firm simply pays out, as dividends, any cash that is surplus after it invests in all available positive net present valueprojects..A particular pattern of dividend payments may suit one type of stock holder more than another. . This model may help to explain the relatively consistent dividend policies followed by most listed companies A model developed by Merton Miller and Kevin Rock in 1985 suggests that dividend announcements convey information to investors regarding the firm's future prospects.

KEY WORDS: Forms of Dividend, Significance of dividend decision, INDUSTRY PROFILE & COMPANY PROFILE, INVESTMENTS/DEVELOPMENTS, GOVERNMENT INITIATIVES.

I. INTRODUCTION

The term Dividend refers to that part of the profits of a company which is distributed amongst is shareholders. It may therefore be defined as the return that a shareholder gets from the company, out of its profits, on his share holdings. “According to the Institute of Charted Accounts of India” dividend is a “Distribution to shareholder out of profits or reserves available for this purpose”The Dividend policy has the effect of dividing its net earnings into two Parts: Retained earnings and dividends. The retained earnings provide funds to finance the long-term growth. It is the most significant source of financing a firm’s investment in practice. A firm, which intends to pay dividends and also needs funds to finance its investment opportunities, will have to use external sources of finance. Dividend policy of the firm. Thus has its effect on both the long-term financing and the wealth of shareholders. The moderate view, which asserts that because of the information value of dividends, some dividends should be paid as it may have favorable affect on the value of the share.

1.1.NEED OF THE STUDY:

- The principal objective of corporate financial management is to maximize the market value of the equity shares. Hence the key question of interest to us in this study is, "What is the relationship between dividend policy and market price of equity shares".
- Most of the discussion on dividend of dividend policy and firm value assumes that the investment decision of a firm is independent of its dividend decision. The need for this study arise from the above raised question and the most controversial and unresolved doubts about the relevance of irrelevance of the dividend policy

II.REVIEW OF LITERATURE

Dividend refers to that portion of a firm's net earnings, which are paid out to the shareholders. Our focus here is on dividends paid to the ordinary shareholders because holders of preference shares are entitled to a stipulated rate of dividend. Moreover,the discussion is relevant to widely held public limited companies, as the dividend issue does not pose a major problem for closely held private limited companies, since dividends are destroyed out of the profits the alternative to the payment of dividends is the retention of earning profits.

2.1.Forms of Dividend

Scrip Dividend- An unusual type of dividend involving the distribution of promissory notes that calls for some type of payment at a future date.

Bond Dividend- A type of liability dividend paid in the dividend payer's bonds.

Property Dividend- A stockholder dividend paid in a form other than cash, scrip, or the firm's own stock.

2.2.Significance of dividend decision

- The firm has to balance between the growth of the company and the distribution to the shareholders
- It has a critical influence on the value of the firm
- The market price gets affected if dividends paid are less.

III.RESEARCH METHODOLOGY

A proposition is a statement about concepts that may be judged as true or false if it refers to observable phenomena. When a proposition is formulated for empirical testing, we call it a hypothesis. Hypotheses have also been described as statements in which we assign variables to cases.A case iddefind in this the hypothesis.Talks about the varibute that, in the hypothesis, are imputed to the case.

3.1.Secondary data:

Secondary sources can usually be found more quickly and cheaply than primary data especially when national and international statistics are needed. Similarly, data about distant places often can be collected more cheaply through secondary sources.

IV.INDUSTRY PROFILE & COMPANY PROFILE

4.1.INDUSTRY PROFILE

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

4.2.MARKET SIZE

The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1,562 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions.^^ In FY07-18, total lending increased at a CAGR of 10.94 per cent and total deposits increased at a CAGR of 11.66 per cent. India's retail credit market is the fourth largest in the emerging countries. It increased to US$ 281 billion on December 2017 from US$ 181 billion on December 2014.

4.3. INVESTMENTS/DEVELOPMENTS

Key investments and developments in India's banking industry include:

- As of September 2018, the Government of India launched India Post Payments Bank (IPPB) and has opened branches across 650 districts to achieve the objective of financial inclusion.
- The total value of mergers and acquisition during 2017 in NBFC diversified financial services and banking was US$ 2,564 billion, US$ 103 million and US$ 79 million respectively @.
- In May 2018, total equity funding's of microfinance sector grew at the rate of 39.88 to Rs 96.31 billion (Rs 4.49 billion) in 2017-18 from Rs 68.85 billion (US$ 1.03 billion)

4.4. GOVERNMENT INITIATIVES

- As of September 2018, the Government of India has made the PradhanMantri Jan DhanYojana (PMJDY) scheme an open ended scheme and has also added more incentives.
- The Government of India is planning to inject Rs 42,000 crore (US$ 5.99 billion) in the public sector banks by March 2019 and will infuse the next tranche of recapitalization by mid-December 2018.

4.5. ACHIEVEMENTS

Following are the achievements of the government in the year 2017-18:

- To improve infrastructure in villages, 204,000 Point of Sale (PoS) terminals have been sanctioned from the Financial Inclusion Fund by National Bank for Agriculture & Rural Development (NABARD).
- Between December 2016 and March 2017, a major drive was undertaken to boost use of debit cards, resulting in an increase in the number of Point of Sale (PoS) terminals by an

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additional 1.25 million by 2017 end from 1.52 million as on November 30, 2016.

4.6. ROAD AHEAD

Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. All these factors suggest that India's banking sector is also poised for robust growth as the rapidly growing business would turn to banks for their credit needs.

India's digital lending stood at US$ 75 billion in FY18 and is estimated to reach US$ 1 trillion by FY2023 driven by the five-fold increase in the digital disbursements.

YEAR	EARNING PER SHARE
2014-2015	36.10
2015-2016	44.73
2016-2017	56.09
2017-2018	72.17
2018-2019	85.61

V. DATA ANALYSIS AND INTERPRETATION

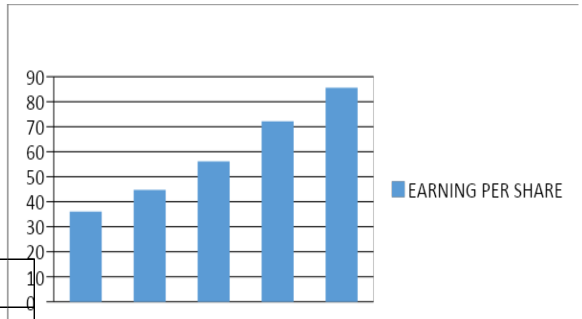
5.1. DIVIDEND DECISIONS IN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI)

The various modes of dividend theories, which have been discussed earlier, the sample of the INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA (ICICI).selected. And analyzed to empirical evidence for the two theories supporting the relevance of dividend policies Walter's model and Gordon's model.

5.2. COMPARISON OF EARNING PER SHARE OF THE FIRM FOR THE LAST FIVE YEARS

Table- 5.1: The above table shows the Earning per share:

Figure:4..1 EARNING PER SHARE OF THE FIRM FOR THE LAST FIVE YEARS OF THE ICICI



INTERPRETATION:

The Earning per share of the firm is very low in the year 2014-15, but it is doubled in the next year. The Earning per share fluctuated slightly during the financial years 2016-17 and 2018-19. However, there is massive increase reported (about 2 times to the starting year of 2014-15 in the year 2018-19. It indicates the increase in the revenue of the profit.

5.3. A PROFILE OF RETURN PER SHARE OF THE FIRM

Table- 5.2: The following table shows the return per share:

YEAR	RETURN PER SHARE
2014-2015	7.27
2015-2016	8.06
2016-2017	12.14

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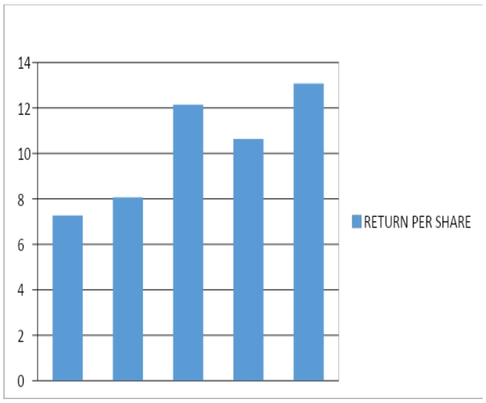
2017-2018	10.64
2018-2019	13.07

Figure:5.2RETURN PER SHARE OF THE FIRM ICICI



INTERPRETATION:

Return per share of ICICI Ltd is low of in the year 2014-15 and in the next year it has increased normally and after next year it is highly decreased. The year of 2018-19 the return per share highly increased that is 13.07.

CALCULATION OF PRICE EARING

PRICE EARNING = EARNING FOR SHARE DIVIDE BY RETURN FOR SHARE

2014-15 = 36.10 / 7.27=4.965612

2015-16=44.73/8.06=5.549628

2016-17=56.09/12.14=4.620264

2017-18=72.17/10.64=6.782895

2018-19=85.61/13.07=6.550115

SCOPE OF THE STUDY:

- Investment Decision Investment decision relates to selections of asset in which funds will be invested by a firm. The asset that can be acquired by a firm may be long term asset and short term asset. Investment Decision with regard to long term assets is called capital budgeting. Decision with regard to short term or current assets is called working capital management.
- Dividend Decision A firm distributes all profits or retain them or distribute a portion and retain the balance with it. Which course should be allowed? The decision depends upon the preference of the shareholders and investment opportunities available to the firm.

Dividend Decision The financial manager should determine the optimum pay out ratio I.e. the proportions of net profit to be paid out to the shareholders. The above three decisions are inter related. To have an optimum financial decision the three should be taken jointly.

CONCLUSION

Efficient market with no taxes and no transaction costs, the free cash flow model of the dividend decision would prevail and firms would simply pay as a dividend any excess cash available. The observed behaviors’ of firm differs markedly from such a pattern. Most firms pay a dividend that is relatively constant over time. This pattern of behavior is likely explained by the existence of clienteles for certain dividend policies and the information effects of announcements of changes to dividends.

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