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Study of Corporate dividend Performance in Selected Banking Companies in India

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No doubt, one of the most important policies in corporate financing is the dividend policy. This is not only from the viewpoint of the company, but also from that of the shareholders, the consumers, the workers, the regulatory bodies and the government. The relative importance of this policy stems from the fact that it is a pivotal policy around which other financial policies rotate, hence central to the performance and valuation of firms. A firm's dividend policy refers to its choice of whether to pay out cash to shareholders, in what fashion, and in what amount. The most obvious and important aspect of this policy is the firm's decision whether to pay a cash dividend, how large the cash dividend should be, and how frequently it should be distributed. This is more so because managers as decision-makers are often confronted with the "dividend puzzle" - the problem of reconciling observed dividend behavior with economic incentives. Dividend decision of the firms is considered as one of the important decisions that the firm would make. It must be depend upon what portion of earnings is to be retained by the firm and what portion is to be paid off. There is always an inverse relationship between these two larger intentions such as investment decision and financial decision-making of the firm. Banking Industry shows an impressive growth figures over the recent years. The present paper highlights various dividend policies practice in the corporate world. The paper discusses the various factors which determine the dividend policy of the company and come to the conclusion that academic researchers cannot specify a theoretical optimal dividend policy that simultaneously fits all firms. Because of the complexities involved, it is skeptical that a one-size-fits-all theory of dividend policy will ever gain acceptance. The objectives of the present study are to determine the performance of dividends declaration policies of all the banking companies included in NSE NIFTY, and to estimate the dividend amount allotted to each equity shareholder of the company as well as to determine the mean values of DPS of different banking companies. For this empirical analysis, data has been collected from the share broking sites and selected banking companies' financial reports. The researchers have taken all the banking companies which are included in NSE NIFTY. The researchers found 8 banking companies viz., ICICI Bank, Punjab National Bank, State Bank of India, Kotak Mahindra Bank, HDFC Bank, AXIS Bank, Indusind Bank and Bank of Baroda. The researchers have taken the data related to Earning Per Share and Dividend Per Share for five years viz., 2011 to 2015. The researchers used various statistical tools such as Mean, Standard Deviation, Coefficient of Variation, and ANOVA. The analysis concludes that banking companies belong to the same industry adopted a different dividend policies among themselves. Key Words: Earnings, dividend, value of firm, dividend payout ratio, banking companies.

Introduction:

The last decade has seen many positive developments in the Indian banking sector. The policy-makers, which comprise the Reserve Bank of India, Ministry of Finance and related government and financial sector regulatory

entities, have made several notable efforts to improve regulation in the sector. The sector now compares favorably with banking sectors in the region on metrics like growth, profitability and non-performing assets. A few banks have established an outstanding track record of

innovation, growth and value creation. This is reflected in their market valuation. However, improved regulations, innovation, growth and value creation in the sector remain limited to a small part of it. With a jump in the Indian economy from a manufacturing sector, that never really took off, to a nascent service sector, Banking as a whole is undergoing a change. A larger option for the consumer is getting translated into a larger demand for financial products and customization of services is fast becoming the norm than a competitive advantage. With the Retail banking sector expected to grow at a rate of 30% players are focusing more and more on the Retail and are waking up to the potential of this sector of banking. At the same time, the banking sector as a whole is seeing structural changes in regulatory frameworks and securitization and stringent NPA norms expected to be in place by 2004 means the faster one adapts to these changing dynamics, the faster is one expected to gain the advantage. The main goal of financial management is the maximization of shareholders' wealth. To achieve this goal, management, the custodians of shareholders' interests, are faced with three important categories of decision-making namely, investment, financing and dividend decisions. Investment decisions determine the total value and types of assets a firm employs.

Financing decisions determine the capital structure of the firm and forms the source on which investment decisions are made. Dividend decisions in the form of dividend policies, which form the focus of this study, involve the determination of the payout policy that management follows in determining the size and pattern of cash distributions to shareholders over time (Lease, John, Kalay, Loewenstein & Sarig 2000:1). According to Botha (1985:3), the investment, financing and dividend decisions are interdependent and must be resolved simultaneously. A combination of these policy decisions should theoretically maximize shareholders' wealth. No doubt, one of the most important policies in corporate financing is the dividend policy. This is not only from the viewpoint of the company, but also from that of the shareholders, the consumers, the workers, the regulatory bodies and the government. The relative importance of this policy stems from the fact that it is a pivotal policy around which other financial policies rotate, hence central to the performance and valuation of firms (Bebczuk, 2004). A firm's dividend policy refers to its choice of whether to pay out cash to shareholders, in what fashion, and in what amount. The most obvious and important aspect of this policy is the firm's decision whether to pay a cash dividend, how large the cash dividend should be, and how frequently it should be distributed. In a broader sense, dividend policy also encompasses decisions such as whether to distribute cash

to investors via share repurchases or specially designated dividends rather than regular dividends, and whether to rely on stock rather than cash distributions. Non-traditional forms of dividend payments, especially share repurchases are much more commonly used today, and so the dividend decision is much more complex and difficult than in the past. Also, there are many more important categories of shareholders who must be satisfied today—especially institutional investors—whereas managers once merely had to satisfy individual stockholders. An increase in the dividend payout is considered to be good news. The firm is demonstrating that it not only has positive cash flows, but these cash flows are increasing enough to justify a higher payout to shareholders. The firm “proves” its cash flow by paying out some of that cash to its shareholders. Higher dividends may signal permanent higher earnings for the firm. Dividend announcement by a company is an indicator to shareholders. Basically, managers and shareholders have different information, where managers have more complete information than shareholders. Conversely, the decline in dividend payments interpreted as anticipation of the limited cash flow in the future. Lintner (1956) advocated the view that firms increase dividend payments only if the management believes that these high dividend payments can be maintained in the future. The decision to establish a stable cash dividend is, as any other decision-making, influenced by the environment of and the context of such decision. The tendencies in cash dividend policy are not only influenced by internal factors such as investment opportunity, profitability and liquidity of companies, but also, influenced by external factors (Jensen & Johnson, 1995; Jensen & Smith, 1984; Lintner, 1956). The uncertainty with respect to the world-wide policy, growth, macroeconomic problems, stability, technology and changes in consumers tastes influences managers' decision-making (Roberto, 2002). Available information in the financial markets reduces the uncertainty and leads to better decisions about the company's performance.

Review of literature:

- **Miller and Modigliani (1961)** provide an accepted argument for dividends irrelevance in a world with perfect capital markets since 1961. However, this argument has been challenged at present. If dividends are irrelevant, why companies still pay dividends and why investors are aware of dividends because dividends are the part of return on stock.
- **Shefrin and Statman (1984)** introduced concepts such as prospect theory and mental accounting to explain why investors like dividends. Statman

(1997) contends that solving the dividends puzzle is impossible while ignoring the patterns of normal investor behavior. If paying dividends is important for companies, then we need to identify what factors are influencing the dividends policy.

- **Farrelly et al. (1986)** and Baker, Farrelly, and Edelman (1985) made a survey for 562 New York Stock Exchange firms about dividends policies in 1983. They received 318 responses from utility, manufacturing, and wholesale/retail firms; they analyzed and found that the important determinants of dividends payments were the expected future earnings and the pattern of past dividends. The evidence also shows that managers were highly concerned with dividends continuity and believed that dividends policy affects share value. The view also matched with Fama and French (1998) since the research pointed out that the factor explaining the dividends should be important because the price of stock is the present value of its future dividends from the intrinsic model. Farrelly and Baker (1989) also showed that these sophisticated investors believe that dividends policy affects stock prices. The finding was totally matched with above studies such as Lintner's behavioral model and dividends consistency is very important. Dividend policy still remains an academic debate amid the clouding picture of its importance among the financial economists till today. There are few aspects of corporate financial policy where the gap between the academics and the practitioners is larger than that of the dividend policy.
- **From Miller & Modigliani (1961)**¹, Gordon & Linter to Fama & French (2001)², the research on the topic exhibits conflicting trends in dividend payments and firm value. The academic consensus shows that dividends really don't matter very much for the market nor is relevant, when firms pay dividend as a signal to the investors. Both corporate officials and investment analysts, still continue to insist that a firm's dividend policy matters a great deal for conveying the information to the stakeholders. One side of the argument on the basis of economic theory is, it doesn't matter or is irrelevant. But the practitioners believe it as information content to the public, which reflects seriousness of the problem that is inherent in the reaction mechanisms of the market to the dividend policy announcements. The board of directors suggests the dividends to shareholders at an annual meeting (Pike and Neale, 2009). The

main aim is to suggest acceptance and secure a fair dividend for shareholders consistent with the rate of dividend decided by the company's management. Therefore, in preparing dividend distribution, managers not only look at the current year profit but also at expected future earnings and hence the ability of the company to maintain a stable rate of dividend, taking into consideration the systematic growth of this ratio. On their part, investors are aware of this truth, and they look for a profit increase in a positive vision expecting throughout a stability of future dividends. If a company achieves high profits for a particular year and do not expect the same level of profit in the following years, they will make a normal dividend and give an additional dividend so as not to disappoint the investors' hopes in the future. The profits are then divided into two dividends, a normal and an incremental dividend, to notify investors that this type of dividend is unexpected and would not continue in the future (DeAngelo et al., 1996).

- **Lintner (1956)** after conducting interviews with the personnel of numerous large, well established firms of united states of America, Linter concluded (a) That the primary determinants of changes in dividends payout were the most recent earnings and the past dividends paid, (b) That management focused on the change in the dividends rather than amount, (c) That changes were only made when management felt secure that the new level of dividends could be maintained, (d) That there was propensity to move toward some target payout ratio for most firms, but the speed of adjustment towards the level of differed greatly among companies and (e) Those investment requirements generally had little effects on dividend behavior.

Types of Dividend:

1. Cash dividend: Payment of dividend in cash results in outflow of funds and reduced the company's net worth, though the shareholders get an opportunity to invest the cash in any manner they desire.
2. Scrip or Bond dividend: When a company does not have sufficient funds to pay dividend in cash, it may issue notes or bonds for amount due to the shareholders.
3. Property dividend: Property dividends are paid in the form of some assets other than cash.
4. Stock dividend: Stock dividend means the issue of bonus shares to the existing shareholders. If a

company does not have liquid resources, it is better to declare stock dividend.

Types of Dividend Policies :

There are many distinct dividend policies, but most policies fall into one of three categories.

1. A stable dividend policy is characterized by the tendency to keep a stable amount of dividends per share from period to period. Corporations tend to establish a predetermined target dividend payout ratio in which dividends are increased only after management is convinced that future earnings can support the higher dividend payment. Under this policy, dividend changes will normally lag behind earnings changes. Firms are reluctant to lower their dividend payments, even in times of financial distress. Most firms follow a relatively stable dividend policy for three reasons:
 - (i) Many business executives believe that stable dividend policies lead to higher stock prices. The empirical evidence on the relationship between dividend policy and stock prices is inconclusive.
 - (ii) Investors may view constant or steadily increasing dividends as more certain than a fluctuating cash dividend payment.
 - (iii) There is less chance to signal erroneous informational content with a stable dividend policy. Thus, firms tend to avoid reducing the annual dividend because of the information content that a dividend cut may convey.
2. A constant dividend payout ratio policy is one in which a firm pays out a constant percentage of earnings as dividends. This policy is easy to administer once the firm selects the initial payout ratio. A constant dividend payout policy will cause dividends to be unstable and unpredictable, if earnings fluctuate. Few firms follow a constant dividend payout policy because stock prices may be adversely affected by highly volatile dividends.

Factor Determining Dividend Policy:

It is a generally accepted principle that the directors of a company have sole right to declare dividend and determine its amount out of company's earnings. But, in addition to legal restrictions, they have to consider following factors while deciding the dividend policy

- 1) **Preference of Shareholders:** The preference of shareholders may influence the dividend policy of the firm. Dividend income provides investors a regular income and builds confidence amongst the investors of the company. However, there are certain shareholders, especially from high tax brackets, like to get the benefit of capital gains in the form of appreciation in the value of share. In

such a case, the policy should try to satisfy the dominating group of shareholders.

- 2) **Current Year's Earnings:** Earnings of a company fix the upper limit of dividends. A company has to determine the amount of dividend keeping in view the actual earnings of the current year only. Of course, the whole of earnings is not to be distributed by the company, but it is the base of dividend policy.
- 3) **Past Dividends:** Shareholders do expect that the company would pay not less than dividend paid in the past. Of course, if conditions change, departure has to be made from the past trend of dividends. But generally directors are hesitant to reduce the previous year's dividend rate, and if needed, they would maintain the rate by withdrawing from accumulated profits.
- 4) **Management Control Motive:** The existing shareholders or management's control motive also influences the dividend policy of a company. If the management wants that the existing shareholders should continue to retain control over the company it would not be wise to raise finance through issues of new shares, for that control is diluted into the hands of new shareholders. Therefore, the firm may rely more on retained earnings. It is likely to have a lesser dividend payout policy.
- 5) **Liquidity Position:** Dividends entail cash payments. Hence, the liquidity position of the firm has a bearing on its dividend decisions. A firm may have earned handsome profits, but may not have enough cash to pay dividend. This is typically the case of new establishments or highly profitable but rapidly expanding firms, which, thanks to their substantial investment and other commitments do not have adequate liquidity.
- 6) **Future Financial Requirements:** A company should consider its financial requirements for expansion programmes or increased needs of working capital before taking a dividend decision. Generally, firms, which have substantial investment proposals and consequently considerable funding needs, should retain maximum of its earnings and minimum dividend payout ratio.
- 7) **Access to Capital Market:** If a firm has an easy access to capital market (it can raise fund, whenever it is required, at minimum cost), it can afford to adopt liberal dividend policy. If the firm does not have easy access to capital market, it cannot raise funds externally easily and so it will

have to depend more on retained earnings for funds required for its expansion programmes. This consideration also affects the dividend policy of the companies.

- 8) **Contractual Restrictions:** Sometimes a firm's dividend policy is restricted by certain specific conditions in loan agreements. When the finance is raised from external sources, creditors may impose various restrictions to exempt themselves from possible insolvency of the firm. The creditors may withdraw their money from the firm if these requirements are violated.
- 9) **Taxation Policy:** The corporate taxes affect the rate of dividend of the company. High rate of taxation reduces the residual profits available for distribution to shareholders and consequently the rate of dividend is lowered down. Further, in some circumstances, government levies additional dividend tax on distribution of profits beyond a certain limit.
- 10) **Inflation: Inflation may also affect the dividend policy of a company.** With rising pricing, funds generated by depreciation may fall short in order to replace obsolete equipments. The firms have therefore to rely on retained earnings for this purpose and have to retain greater part of earnings for replacement. As such, the dividend payment ratio tends to be low during the inflation period.
- 11) **Stability of Earnings:** The stability of earnings has a significant impact on formation of dividend policy. A firm having a stable income over a long period of time will be more liberal in its dividend policy, usually; firms dealing in necessities suffer less from fluctuating income and can adopt stable dividend policy. A firm having fluctuating earnings for example firms dealing in luxurious product would have to be very careful in determining its dividend policy, as it would not be able to adopt a stable dividend policy.
- 12) **Legal Restrictions:** The Company may have to legally pay all arrear and current interest on loans/debentures, all arrear and current dividend to preference shareholders and charge depreciation on depreciable assets before payment of dividend.

Objectives of the Study:

1. To determine the performance of dividends declaration policies of all the banking companies included in NSE NIFTY.

2. To determine the earning per share of the banking companies.
3. To estimate the dividend amount allotted to each equity shareholder of the company.
4. To determine the mean values of DPS of different banking companies.

Research Methodology:

For this empirical analysis, data has been collected from the share broking sites and selected banking companies' financial reports. The researchers have taken all the banking companies which are included in NSE NIFTY. The researchers found 8 banking companies viz.:

- a. ICICI Bank,
- b. Punjab National Bank,
- c. State Bank of India,
- d. Kotak Mahindra Bank,
- e. HDFC Bank,
- f. AXIS Bank,
- g. Bank of Baroda,
- h. IndusInd Bank.

We have taken the data related to Earning Per Share and Dividend Per Share for five years viz; 2011 to 2015. The researchers used the following statistical tools such as:

- (i) Mean
- (ii) Standard Deviation
- (iii) Coefficient of Variation
- (iv) ANOVA

Analysis and Interpretation:

The analysis and interpretation of the study are mentioned in the following tables and figures:

ICICI BANK

Table 1: EPS, DPS AND DPR OF ICICI BANK

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	34.90	12	34.38
2012	44.73	14	31.30
2013	56.09	16.50	36.88
2014	72.17	20	27.71
2015	85.04	23	27.04

Source: Moneycontrol.com

The EPS of ICICI Bank has shown an increasing pattern for the year 2011 to 2015. The dividend payout ratio ranges from 27.04 percent to 36.38 percent during the period of study. It is on decreasing trend for the period of study. However, the DPS is on increasing trend since 2010.

PUNJAB NATIONAL BANK

Table 2: EPS, DPS AND DPR OF PUNJAB NATIONAL BANK

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	123.78	22	17.77
2012	139.94	22	15.72
2013	144	22	15.28
2014	134.31	27	20.10
2015	92.32	10	10.83

Source: Moneycontrol.com

The EPS of PNB shows an increasing trend from 2011 to 2013 but afterwards it shows a declining trend. But DPS remains constant for the same period. Major fluctuation came during the period 2014 and 2015. The DPS paid by the bank in 2014 is less than 50 percent of the amount paid in the years 2011 to 2014. The dividend payout ratio shows a major fluctuation during the five years of study ranging from 10.83 percent to 20.10 percent.

STATE BANK OF INDIA

Table 3: EPS, DPS AND DPR OF STATE BANK OF INDIA

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	144.54	30	20.75
2012	130.15	30	23.05
2013	174.46	35	20.06
2014	206.20	41.50	20.12
2015	145.88	30	20.56

Source: Moneycontrol.com

SBI shows an increasing trend from the year 2012 to the year 2014 but it drops in the year 2015. The DPS falls to Rs. 30 in the year 2015 from Rs. 41.5 in the year 2014. Like PNB, the SBI pays highest dividend per share in the year 2014. The dividend payout ratio lies in the range of 20.06 percent to 23.05 percent during five years of study.

KOTAK MAHINDRA BANK

Table 4: EPS, DPS AND DPR OF KOTAK MAHINDRA BANK

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	16.20	0.85	5.25
2012	11.10	0.50	4.50
2013	14.65	0.60	4.09
2014	18.23	0.70	3.84
2015	19.51	0.80	4.10

Source: Moneycontrol.com

The EPS of Kotak Mahindra Bank shows fluctuation in the first three years of study and shows an increasing trend since 2012 to 2015. In spite of fluctuation in the earnings per share, the dividend per share of the bank increases constantly Rs. 0.10 per share for consecutively four years viz., 2012, 2013, 2014 and 2015. The dividend payout ratio shows ups and downs and ranges from 3.84 percent in the year 2013 to 5.25 percent in the year 2011.

HDFC BANK

Table 5: EPS, DPS AND DPR OF HDFC BANK

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	64.33	12	18.65
2012	84.40	16.5	19.55
2013	22.02	4.30	19.53
2014	28.27	5.50	19.45
2015	35.34	6.90	19.52

Source: Moneycontrol.com

The above figures show an increasing trend in EPS and DPS of HDFC Bank from 2013 to 2015. Depending on earnings and dividend, the dividend payout ratio also exhibits a stable trend of around 19 percent.

AXIS BANK

Table 6: EPS, DPS AND DPR OF AXIS BANK

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	62.16	12	19.30
2012	82.54	14	19.96
2013	102.67	16	15.58
2014	110.68	18	16.26
2015	132.33	20	15.11

Source: Moneycontrol.com

The AXIS Bank has an increasing trend in the earnings and dividend paid per share from 2011 to 2015. The EPS rose by 112.88 percent from 2011 to 2015 and DPS rose by 66.67 percent during the same period. The dividend payout ratio shows a meager fluctuation of around 1 percent during 2013 to 2015.

BANK OF BARODA

Table 7: EPS, DPS AND DPR OF BANK OF BARODA

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	83.96	15	17.86
2012	108.33	16.50	15.23
2013	121.79	17	13.96
2014	106.37	21.50	20.33
2015	105.75	21.50	20.33

Source: Moneycontrol.com

The EPS of Bank of Baroda shows an increasing trend during first three years of study but afterwards it declines. The dividend per share rose from Rs. 15 to Rs. 21.5 during the five years of study i.e. increase by 43.33 percent during the same period. The DPR shows some fluctuations ranging from 13.96 percent to 20.33 percent.

INDUSIND BANK:

Table 8: EPS, DPS AND DPR OF INDUSIND BANK:

Year	EPS (Rs.)	DPE (Rs.)	DPR(%)
2011	9.36	1.80	19.23
2012	12.46	2	16.05
2013	17.16	2.20	12.82
2014	20.23	3	14.77
2015	26.80	3.50	13.06

Source: Moneycontrol.com

The EPS of IndusInd Bank shows an increasing trend during the five years of study. Similarly, dividend per share also exhibits the same trend. It increases by 94.44 percent from year 2010 to 2015. But dividend payout ratio shows fluctuation during the five years.

Table 9:

Mean, Standard Deviation and Coefficient of Variation of DPS of Banking Companies

Name of the Bank	Mean	SD	CV
ICICI Bank	17.10	4.45	26.02
Punjab National Bank	20.62	6.31	30.62
State Bank of India	33.30	5.07	15.22
KOTAK Mahindra	0.69	0.14	20.75
HDFC Bank	9.04	5.10	56.40
AXIS BANK	16.00	3.16	19.76
Bank of Baroda	18.30	3.01	16.46
IndusInd Bank	2.50	0.72	28.84

Source: Calculated Values.

The mean dividend paid per share is highest of SBI and lowest of Kotak Mahindra Bank. Also, the standard deviation of dividend paid per share is highest of PNB and lowest of Kotak Mahindra Bank. But the coefficient of variation of HDFC Bank is highest due to lower mean of dividend paid per share. We saw lowest coefficient of variation of State Bank of India among all the eight banking companies under study. In order to find out whether the mean values of DPS of the banking companies differ from each other, Hypothesis of the study was formulated and statistical tool ANOVA was applied.

Hypothesis:

Ho: There is no significant difference among the mean values of dividend per share among the banks.

H1: There is significant difference among the mean values of dividend per share among the banks.

Table 10: ANOVA

Sources of variation	Sum of Squares	degree of Freedom	Mean Squares	variance Ratio (F)
Between Banks	3891.67	k-1 (8-1 = 7)	555.95	33.98
W ithin Banks	523.65	N-k (40-8 = 32)	16.36	

Source: Calculated Values.

The Table 9 shows the Variance Ratio which is calculated as 33.98. The Table value of F at 5 % level of significance and $v_1 = 7$ and $v_2 = 32$ is 2.31, while the calculated value is 33.98. In other words $F > F_{.05}$, Hence, there is significant difference among the mean values of DPS among different banks. Hence, Null

Hypothesis is rejected.

It is clear from the above study that the banks belonging to the same banking sector have adopted different dividend declaration policy among themselves.

FINDINGS:

After going through the above study, the researchers present the following findings:

1. The mean dividend paid by SBI is highest among the eight banks under study. It had paid a mean dividend per share of Rs. 33.30 during the period 2011-2015.
2. The mean dividend paid by Kotak Mahindra Bank is lowest among the eight banks under study. It had paid a mean dividend per share of Rs. 0.69 during the period of 2011-2015.
3. The standard deviation of DPS of PNB is highest among the eight banks. The standard deviation of DPS of Kotak Mahindra Bank is lowest.

4. The coefficient of variation of SBI is lowest among all the eight banking companies under study and the coefficient of variation of HDFC Bank is highest.
5. There is a significant difference among the mean values of DPS among different banks. It is clear from the above study that the banks belonging to the same banking sector have adopted different dividend declaration policy among themselves.
6. The dividend payout ratio of ICICI Bank is highest (36.88 percent) among all the banks under study in the year 2013. The dividend payout ratio of Kotak Mahindra Bank is lowest (3.84 percent) in the year 2013 among all the banks under study.

CONCLUSION

Academic researchers cannot specify a theoretical optimal dividend policy that simultaneously fits all firms (a macro-level policy). Because of the complexities involved, it is skeptical that a one-size-fits-all theory of dividend policy will ever gain acceptance. Corporate Financial Managers view dividend decision as important and relevant decision. However any advice offered to managers on how to set their dividend policies must be made at the firm-specific level. These Corporate Financial managers must examine how the various market frictions affect their firms, as well as their current claimholders, to arrive at "Optimal" dividend policies for their firms.

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