

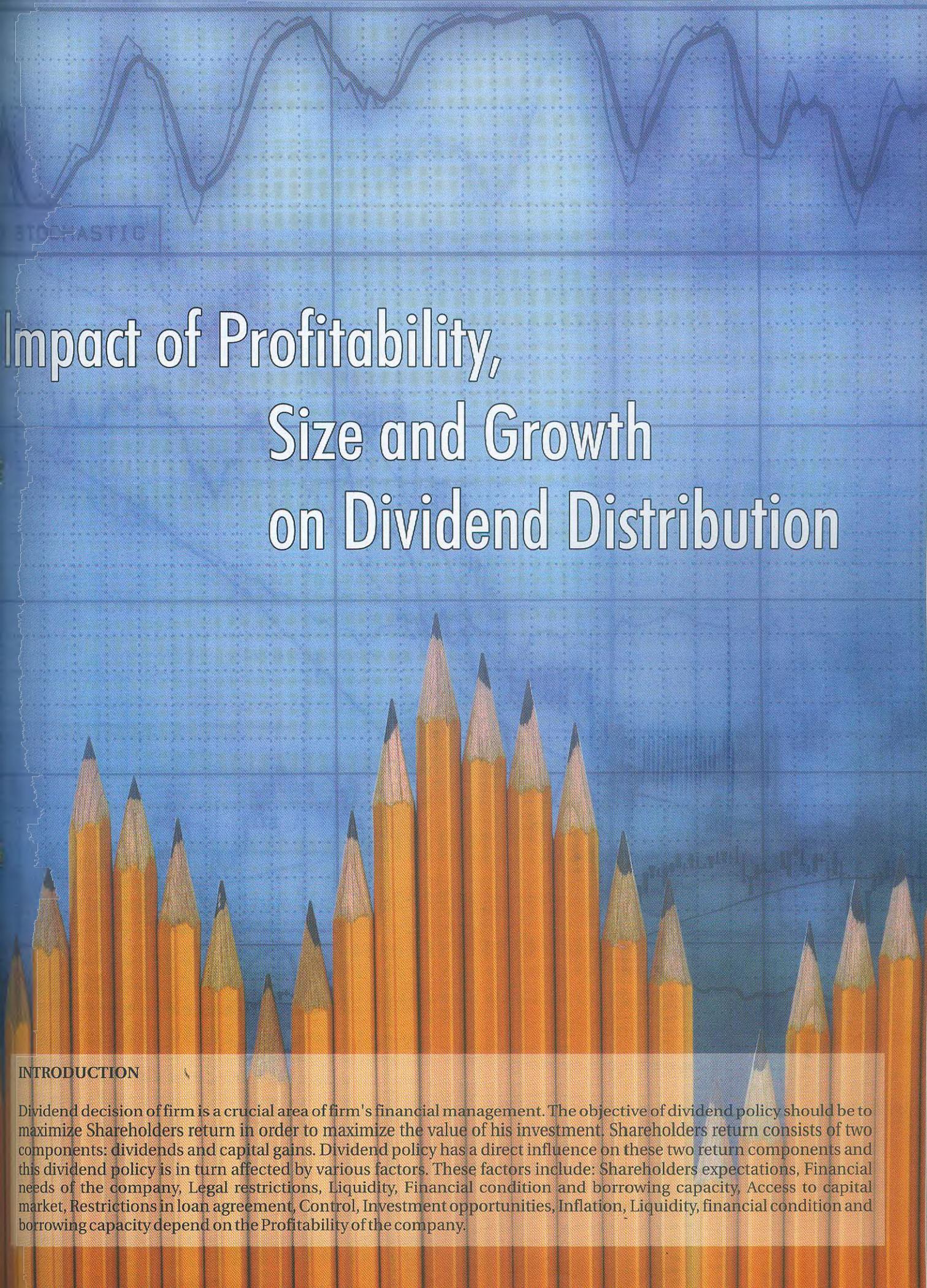
Dividend Policy of NSE and BSE Firms

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ABSTRACT

The present article tends to study the dividend behavior of NSE and BSE firms over the last five years. Dividend decision being one of the most important financial management decisions should be studied to find out whether the firm is moving towards its goal of maximizing shareholders wealth. The article studies the dividend trend of the selected firms for the period 2001-2005 and finds out target payout ratio for them for the year 2006. Further the study uses regression analysis to establish the relationship between dividend paid and profitability, growth and size. It finds out a positive relationship of dividend paid with profitability while a negative relationship with growth and size. In short the research has been an attempt to discover the most important factor that drives the Indian firms towards dividend payment.



Impact of Profitability, Size and Growth on Dividend Distribution

INTRODUCTION

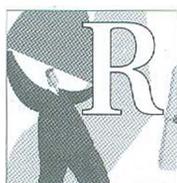
Dividend decision of firm is a crucial area of firm's financial management. The objective of dividend policy should be to maximize Shareholders return in order to maximize the value of his investment. Shareholders return consists of two components: dividends and capital gains. Dividend policy has a direct influence on these two return components and this dividend policy is in turn affected by various factors. These factors include: Shareholders expectations, Financial needs of the company, Legal restrictions, Liquidity, Financial condition and borrowing capacity, Access to capital market, Restrictions in loan agreement, Control, Investment opportunities, Inflation, Liquidity, financial condition and borrowing capacity depend on the Profitability of the company.

Financial needs of the company, Investment opportunities indicate the Growth Prospects while the expectations of Shareholders depend upon whether the company is closely or widely held and hence the size of the company

Thus, we can say that the most important factors affecting the dividend policy are Profitability, Growth and size. Profitability affects the funds available for distribution as income. Higher the profits, higher will be the Earnings Per Share (PAT/No. of shares outstanding) and hence higher can be the Dividend Per Share. But, profitability is not an independent variable affecting dividend payment. In fact, dividend is an interaction of a number of underlying variables. An important factor interacting with profitability while determining dividend payment is growth. Growth may be growth in retained earnings, assets, sales or revenue.

Growth represents investment avenues available with the company. Higher the growth, better it will be to retain the funds available, as these can be used to further increase the earnings.

So, in case of profitability that is accompanied with high growth, the payout ratio should be lower. But in case of high profitability with low growth must result in high payout decision. In other words, low payout companies are those with high profitability high growth. Another important factor in dividend decision is the size of the company i.e. the total value of dividend available. This in turn will lead to a lower payout. So increasing size decreases the dividend available.



REVIEW OF LITERATURE

The study draws inspiration from the following research papers and aims to correlate the different issues related to dividend payment in Indian scenario:

Malcolm Baker and Jeffery Wurgler (2004) proposed a catering theory of dividends, which says that the decision to pay dividends is driven by prevailing investor demand for dividend payers. Managers cater to dividends i.e., they pay dividends as per the demands of investors. This investor demand is reflected in stock prices. When investors demand dividends the prices of firms paying them rise while when dividends are not in demand the prices of non-payers rise and thus the firms tend to initiate dividend when demand is high and these payer firms tend to omit dividends when demand is low. (Baker, Malcolm, & Jeffery Wurgler. 2003. *Appearing & Disappearing Dividends -The link to catering incentives. NBER Working Paper No. W9995*)

Dr. Harish.S.Oza (2004)(xiv) studied the determinants of dividends in selected Indian enterprises. They observed that M&M model (1961), is not acceptable in India. According to their findings the top five determinants of

dividend policy in India are (i) current earnings (ii) pattern of past dividend (iii) availability of cash (liquidity)(iv) expected future earnings and (v) capital expenditure requirements (Oza.Harish.S., 2004, *Dividend decision : A managerial approach (A survey of selected enterprises) Executive Chartered Secretary November 2004.*)

Malcolm Baker and Jeffery Wurgler (2003) identified a total of four distinct trends in the propensity to pay dividends between 1963 and 2000 in a sample of firms from NASDAQ, AMEX & NYSE. They found four distinct trends in dividend payment between 1963 and 2000 and these trends were in accordance with the desire of managers to cater to the needs of shareholders with respect to dividends. The dividend paid increased when it was found that investors demand more dividends and decreased when their demand for dividends decreases. (Baker, Malcolm, & Jeffery Wurgler, 2002, *Catering theory of Dividends, Journal of Finance, VOL. LIX NO. 3 JUNE 2004*)

Harry De Angelo, Linda De Angelo and Douglas.J.Skinner (2003) studied a sample of CRSP (Centre for Research & Security Pricing) firms and were of the view that aggregate real dividends paid by industrial firms increased over the given period. The reason is that (i) the reduction in payers (those who paid dividends) occurs almost entirely among firms that paid very small portion of total dividends, and (ii) increased in dividend payment from the top payers swamp the dividend reduction by many small payers. (Angelo Harry De, Angelo Linda De & Skinner Douglas J, 2002. *Are Dividends Disappearing-Dividend Concentration & Consolidation of Earnings. Journal of Finance Vol. 47 No. 5, December*).

Publications (Chittagong Stock Exchange-2003) - The study identified five broad groups of factors that influence the dividend policy decision of the corporate management in Bangladesh. These were:

- i. Factor of dividends, yield and payout ratio.
- ii. Factor of profitability and capital structure.
- iii. Factor of dividends and earnings volatility.
- iv. Factor of returns, profitability ratios and behavior of share prices.
- v. Factor of firm's profitability, changes in size and composition of firm's capital size.

(Publications, 2003, *Bangladesh Chittagong Stock Exchange Publications Portfolio O4.*)

Jayesh Kumar (2003) examined the possible association between ownership structure, corporate governance and firm's dividend payout policy of manufacturing firms listed on BSE over the period 1994-2000. The results consistently supported the potential association between ownership structure and dividend payout policy. Though the relationship differs across different group of owners and at different level of shareholding. Institutional ownership has inverse effect on dividends. He found no evidence in favour

of association between foreign ownership and dividend payout growth. (Kumar Jayesh, 2003, Determinants of Dividend Payout Policy in India, www.google.com)

The studies reviewed above relate to discovering the determinants of dividends in Indian companies and abroad. Drawing an influence from these, the researchers tend to analyze how the various determinants are related to dividend in the Indian firms listed on NSE and BSE. It also tends to analyze the dividend payment trend of BSE 30 and NSE 50 companies (Out of these, common companies have been short listed and they comprise 42 companies, which have been taken for sample study) for the last five years. It finds out the target payout ratio for each company for year 2006 and examines the impact of profitability, growth and size on dividend payment.

Profitability is measured in terms of Return on Equity, Earnings Per Share and Profit After Taxes.

Growth is measured as growth in retained earnings (g = ROE x Retention ratio).

Size is measured in terms of total value of share capital of the company.

The above terms may be defined as:

PROFITABILITY:

$$ROE = \frac{\text{Profit after taxes}}{\text{Net Worth}}$$

Profit after taxes = Operating Profit – Interest – Taxes

Here,

Operating Profit = Gross profit - Operating Expenses

Interest refers to interest to be paid on borrowings and debt

$$EPS = \frac{\text{Profit after taxes}}{\text{Number of common shares outstanding}}$$

GROWTH:

Growth in retained earnings = ROE x Retained Earnings

$$ROE \text{ is Return On Equity} = \frac{\text{Profit after taxes}}{\text{Net Worth (Equity)}}$$

SIZE = Number of shares x Face value per share

Dividend is taken, as dependent variable while Profitability, Growth and Size are taken as independent variables and their relationship with dividend is determined in the present study.

OBJECTIVES OF THE STUDY

- To analyze the dividend payment trend of NSE and BSE firms.
- To determine the target payout ratio of each firm on BSE and NSE for the year 2006.
- To analyze the impact of profitability, growth and size on dividend payment.



RESEARCH METHODOLOGY

A) Sample Size: The study consists of a sample size of 42 companies (BSE 30 and NSE 50 companies - out of these common companies have been short listed and they comprise 42 companies, which have been taken for sample study). The name of these sample companies can be seen from Table no 3 & 4.

B) Sample Composition: The sample comprises of companies, which are listed on NSE or BSE and those listed both on NSE and BSE and whose data for the last 5 years was available. The companies listed for less than 5 years have been excluded for the purpose of study.

C) Sampling Method: Stratified random sampling has been done for the present study.

D) Data: The present treatise is based on Secondary data.

E) Time Period of Study: Data for the period of 5 years i.e., from 31st March 2001 to 31st March 2005 has been analyzed for the purpose of study.

F) Hypothesis: It has been theoretically established that dividend payment is directly proportional to Profits while inversely related to growth and size. So, to test the established theorems empirically and analyze the impact of Profitability, growth and size on dividend payment for the BSE and NSE listed companies (out of which a list of 42 selected companies is taken for study), the study aims to test the following three hypothesis:

- H₀₁ Dividend payment is positively related to Profit After Taxes, Return on Equity and Price-Earning Ratio.
- H₀₂ Dividend payment is negatively related to Growth in Retained Earnings
- H₀₃ Dividend payment is negatively related to missing & Size of /Firm's Share Capital

G) Statistical Test Used: The study used Regression Analysis to achieve the objectives set. Factor analysis was not used, as the factor analysis reduces a large number of variables into a few by grouping them. It also does not establish the relationship between the

dependent (test) variable and independent ones. The study however focuses on only three groups of variables and establishes the relationship of these with dividend (dependent variable). The researcher has used regression analysis as one of the statistical technique to study the relationship between dependent variable i.e. dividend with three independent variables i.e. growth, size & profitability.

For the purpose of the study Litner's model was followed which is a well-tested model applied to many Indian as well as international researches.

Litner's model was applied to find out the target payout ratio of the selected companies for the year 2006:

According to Litner's model:

$$Div_t = a + b Div^*_t + (1-b) Div_{t-1} + e_1 \dots\dots\dots (eq 1)$$

Where,

"a" is a constant

"Div_t" is current dividend

"Div*_t" is the desired payout ratio

"Div_{t-1}" is last year's dividend payout

"b" is the adjustment factor related to previous period's dividend & the new desired level of dividends where b < 1.

"e₁" is error term.

In the model the desired payout ratio (Div*_t) is defined as

$$Div^*_t = p (EPS) \dots\dots\dots (eq 2)$$

Substituting eq 2 in eq 1:

$$Div_t = a + bp EPS + (1-b) Div_{t-1} + e_1$$

Applying Regression to above equation helps to give the values of a, bp and 1-b. From these values p can be determined as follows, which is the target payout ratio of the firm.

$$p = bp/b$$

The relationship between dividend, profitability, growth and size was determined using a modified Litner's model as follows:

$$Div_t = a + \beta_1 ROE + \beta_2 SC + \beta_3 PAT + \beta_4 P/E + \beta_5 G.Re \dots\dots\dots (eq 3)$$

Where:

- Div_t = Current year's dividend
- ROE = Return on Equity
- P/E = Price Earning ratio
- G.Re = Growth in Retained earnings
- S.C = Share capital

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ express the relationship of independent variables with the dependent variable dividend payout ratio.

A positive sign shows a positive relationship while a negative sign indicates a negative relationship of independent variable with the dependent one.

In order to examine the effect of each of the independent variables the regression results were repeated first by omitting one variable at a time and then by omitting all variables of profitability, growth and size one by one. The significance of regression and hence the variable was determined using Coefficient of Determination r^2 .

The *coefficient of determination* is a measure of how well the regression line represents the data. If the regression line passes exactly through every point on the scatter plot, it would be able to explain all of the variations. The farther the line is away from the points, the less it is able to explain. The coefficient of determination is useful because it gives proportion of the variance (fluctuation) of one variable that is predictable from the other variable and denotes the strength of the linear association between x and y.

It represents the percent of the data that is closest to the line of best fit. For example, if $r = 0.922$, then $r^2 = 0.850$, which means that 85% of the total variation in y can be explained by the linear relationship between x and y (as described by the regression equation). The other 15% of the total variation in y remains unexplained.

So the study uses r^2 to establish how significant is each variable in explaining dividend behaviour. First regression is established using all the variable and r^2 is found. Then one by one the variables are omitted and again r^2 is determined. Significant lowering of r^2 on excluding any independent variables denotes that the variable excluded has a significant relationship with the dependent variable i.e. dividend. So the case in which r^2 became very low indicates that the variable excluded significantly affects dividend due to which its exclusion drastically reduces the explanatory power of the regression equation.



IMITATIONS OF THE STUDY

- The study is based on only one analytical technique i.e., Regression analysis.
- Size of company has been used to

refer the total value of share capital only

- Growth stands only for growth in Retained earnings.
- Values of various variables have been measured in average of / five years.
- The depth of the study is limited only to determine the relationship between various dividend determinants and dividend and not on classification of these firms on the basis of their dividend payment characteristics

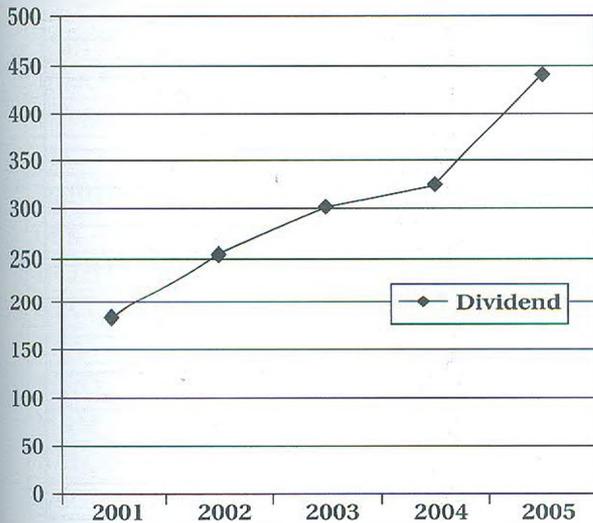
ATA ANALYSIS

I Dividend trend of BSE and NSE firms:
The average dividend paid by various companies from 2001-2005 is given as follows.

Table No: 1

YEAR	AVG DIVIDEND (Rs. Crores)
2001	185.16071
2002	256.12643
2003	301.90476
2004	325.13333
2005	441.3381

Source: Annual Report of 42 Sample Companies



Graph 1: Total Dividend of BSE and NSE firms from 2001-2005

INTERPRETATION :

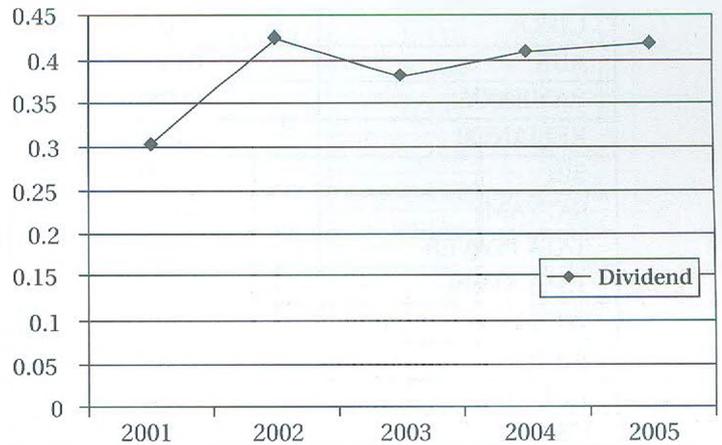
The graph above shows that during the period 2001-2005, the average dividend paid has increased at a decreasing rate during

2001-2004 i.e 38.3% in 2001-02, 17.8% in 2002-03 and 7.69% in 2003-04 but in 2005 it showed an increasing rate of 35.63%. This means that an average firms have increased their dividend payments during the last five years.

The average Dividend Per Share (DPS) paid by the selected firms during the period 2001-2005 is shown below:

Table No: 2

YEAR	DPS
2001	0.3025816
2002	0.4258585
2003	0.3813774
2004	0.4095957
2005	0.4195479



Graph 2: Total Dividend Per Share of BSE and NSE Firms from 2001-2005

INTERPRETATION :



The graph above shows that during the years 2001-2005, the dividend per share has first increased in 2001-02 by 40.7%, then decreased in 2002-03 by 10.35% and then finally recovered and increased in 2003-04 by 7.3% and by 2.4% in 2004-05. This means that the dividend paid per share as compared to total dividends paid has increased since the last two years only.

II Target Payout Ratio of BSE and NSE Firms

Table No. 3

	bp	1-b	b	P (payout) =bp/b
DR. REDDY'S	0.01	-2.093	3.093	0.0032
GRASIM	0.151	-0.475	1.475	0.1024
GUJARAT AMBUJA	0	1	0	0
HDFC	-0.462	-0.791	1.791	-0.258
HDFC BANK	0.198	-0.487	1.487	0.1332
HLL	-0.654	3.082	-2.082	0.3141
HERO HONDA	3.676	-11.91	12.905	0.2849
HINDALCO	-0.013	0.683	0.317	-0.041
ICICI BANK	0.85	-1.086	2.086	0.4075
ITC	0.212	-1.007	2.007	0.1056
INFOSYS	-0.358	-0.129	1.129	-0.317
L&T	0.331	-0.185	1.185	0.2793
ONGC	0.817	-1.032	2.032	0.4021
ACC	-0.422	1.758	-0.758	0.5567
BHEL	0.18	-0.309	1.309	0.1375
BAJAJ AUTO	3.929	-7.152	8.152	0.482
CIPLA	-0.008	0.786	0.214	-0.037
ABB	0.063	-0.308	1.308	0.0482
RANBAXY	-0.066	1.314	-0.314	0.2102
RELIANCE	0.072	-0.463	1.463	0.0492
SBI	0.299	-0.675	1.675	0.1785
SATYAM	0.193	0.536	0.464	0.4159
TATA POWER	0.269	0.702	0.298	0.9027
TATA STEEL	0.022	0.469	0.531	0.0414
WIPRO	0.039	0.012	0.988	0.0395
BPCL	-0.465	2.617	-1.617	0.2876
DABUR	0.402	0.126	0.874	0.46
GSK	0.088	0.137	0.863	0.102
HCL TECH	0.007	0.402	0.598	0.0117
HPCL	2.077	-4.892	5.892	0.3525
IPCL	0.065	0.496	0.504	0.129
MTNL	-0.011	0	1	-0.011
M&M	-0.478	2.557	-1.557	0.307
NALCO	-0.027	-0.395	1.395	-0.019
OBC	0.068	-0.191	1.191	0.0571
SAIL	0	0	1	0
SCIL	-0.029	-0.097	1.097	-0.026
SUN PHARMA	-0.189	-0.074	1.074	-0.176
TATA CHEMICALS	-0.199	1.461	-0.461	0.4317
TATA TEA	-0.076	0.408	0.592	-0.128
VSNL	2.908	-0.499	1.499	1.94
ZEE	3.964	-0.324	1.324	2.994

The highest target payout ratio predicted for year 2005-06 is of Zee Telefilms followed by VSNL, while the lowest is of Infosys. This shows that due to high growth opportunities Infosys is targeting at lower payout; while Zee and VSNL being slow growth companies are targeting at a high payout.

Relationship between dividend, profitability, growth and size

Table No.4 Results of regression analysis
(Averages of the variables for five years were taken for each company.)

Company	DIV	ROE	SHARE CAPITAL*	PAT	GROWTH	EPS
DR. REDDY'S	36.962	0.180	36.932	268.974	0.172	39.940
GRASIM	104.506	0.173	91.670	542.682	0.142	65.200
GUJARAT AMBUJA	121.324	0.151	181.472	280.008	0.119	12.292
HDFC	295.934	0.231	196.386	726.462	0.103	29.800
HDFC BANK	88.846	0.194	280.338	413.972	0.152	14.716
HLL	1156.306	0.616	220.108	1538.054	0.123	6.306
HERO HONDA	311.518	0.584	39.940	565.870	0.255	27.710
HINDALCO	99.542	0.243	74.470	583.630	0.207	95.014
ICICI BANK	344.988	0.138	476.600	1069.444	0.095	17.926
ITC	443.888	0.267	246.886	1470.516	0.243	191.716
INFOSYS	309.916	0.384	53.580	1108.510	0.263	48.684
L&T	215.848	0.158	159.368	522.312	0.099	25.602
ONGC	3393.724	0.233	1425.930	8720.690	0.149	65.158
ACC	64.882	0.131	173.828	172.086	0.082	9.994
BHEL	122.384	0.112	244.760	567.324	0.088	23.178
BAJAJ AUTO	147.324	0.166	104.822	533.462	0.115	55.050
CIPLA	64.772	0.250	59.970	275.644	0.238	34.202
ABB	24.390	0.178	42.140	99.004	0.133	25.253
RANBAXY	215.622	0.221	157.736	476.246	0.113	30.398
RELIANCE	717.510	0.151	1326.860	4508.890	0.127	33.760
SBI	452.618	0.164	526.300	3025.278	0.140	57.482
SATYAM	87.496	0.285	61.832	509.828	0.247	16.426
TATA POWER	102.832	0.114	181.438	441.840	0.088	24.682
TATA STEEL	345.376	0.274	405.352	1398.206	0.194	28.380
WIPRO	148.004	0.746	46.374	702.086	0.684	34.145
BPCL	381.000	0.224	300.000	1118.578	0.148	37.288
DABUR	33.712	0.240	28.560	81.276	0.152	7.636
GSK	80.374	0.209	74.108	143.580	0.085	17.138
HCL TECH	97.440	0.176	57.476	333.366	0.129	12.624
HPCL	289.254	0.185	338.848	1318.924	0.112	38.924
IPCL	70.744	0.119	249.050	323.968	-0.059	13.440
MTNL	283.500	0.126	630.000	1184.722	0.123	18.358
M&M	87.202	0.134	114.904	246.000	0.085	21.262
NALCO	283.498	0.185	644.310	711.662	0.103	10.602
OBC	75.090	0.206	192.540	485.454	0.170	25.212
SAIL	272.606	0.055	4130.400	1317.838	0.029	3.190
SCIL	189.162	0.212	282.300	589.160	0.172	20.184
SUN PHARMA	44.630	0.300	55.836	216.836	0.249	25.748
TATA CHEMICALS	107.624	0.113	180.700	209.886	0.054	10.520
TATA TEA	46.660	0.095	56.220	92.642	0.053	20.756
VSNL	892.050	0.179	285.000	1020.068	-0.006	32.738
ZEE	30.114	0.043	41.240	121.614	-0.074	2.870

*In Rs. Crores

DIVIDEND POLICY OF NSE AND BSE FIRMS

a) Regression analysis taking dividend as dependent variable and rest of the variables as independent ones yielded the following results:

Rsquare: 0.895

Table No: 5

VARIABLE	COEFFICIENT
CONSTANT	-92.933
β_1 (ROE)	1443.408
β_2 (SHARE CAPITAL)	-0.047
β_3 (PAT)	0.343
β_4 (GROWTH)	-1659.418
β_5 (EPS)	0.999

The above analysis shows a positive relationship of dividend payment with Return On Equity, Earnings Per Share and Profit After taxes. A negative relationship has been revealed with Growth and Share Capital. The sign of the respective coefficients indicates the above mentioned relationship.

Further the significance of the relationship was established by studying the t values of these coefficients as follows:

Table No: 6

VARIABLE	COEFFICIENT	T VALUE
CONSTANT	-92.933	-1.402
β_1 (ROE)	1443.408	4.158
β_2 (SHARE CAPITAL)	-0.047	-0.913
β_3 (PAT)	0.343	14.416 *
β_4 (GROWTH)	-1659.418	-3.875
β_5 (EPS)	0.999	0.094

* Indicates significant value

Dividend has a significant relationship with Profit After Taxes (t-value=14.416 significant at 5%). Relationship with others though insignificant yet shows the direction of movement of dividend with these factors.

Thus we can say that dividend is directly proportional to Profit after Taxes, Return On Equity and Earnings Per Share. High Profit After Tax and Earnings Per Share increases the total dividend available while high return on equity leads to increased growth and thus increases the dividend amount available, although the payout ratio may have decreased.

The above regression analysis is quite strong as it explains 84.6% of the cross-sectional relationship. This means that

the above regression equation explains 84.6% of the dividend behavior due to the above listed factors.

An attempt has been made to prove the significance of each of the factors viz. profitability, growth and size by omitting one by one each and seeing the effect of the same on regression results.

a) Omission of variables for regression:

Omission of Share Capital:

R Square: 0.892

Table No: 7

Variable	Coefficient	T value
CONSTANT	-117.072	-1.931
β_2 (ROE)	1509.108	4.454
β_4 (PAT)	0.332	16.024
β_5 (GROWTH)	-1679.386	-3.936
β_6 (EPS)	0.302	0.294

The sign of various coefficients remains the same as in previous equation. By excluding Share Capital the explanatory power of regression remains almost the same i.e. 89.2%. This shows that if we do not include share capital in the above analysis then regression equation explains the dividend behavior of the companies' upto 89.2% i.e. it is only 0.30% less than 89.5%, which was the case when even share capital was included. Thus, it can be said that size of a firm does not significantly affect dividend available for payment.

Omission of Growth in Retained Earnings:

R Square: 0.851

Table No: 8

Variable	Coefficient	T value
CONSTANT	-62.924	-0.814
β_2 (ROE)	404.031	1.561
β_4 (PAT)	0.352	12.664
β_6 (EPS)	-1.219	-1.043
β_3 (SHARE CAPITAL)	-0.057	-0.947

The above analysis shows that by excluding Growth in Retained Earnings, the explanatory power of regression gets reduced to 85.1%. Relationship of other variables with dividend is as in the previous analysis. From this we can conclude that growth in retained earnings affects dividend available more than share capital.

Omission of PAT, ROE and EPS:

R Square: 0.104

Table No : 9

Variable	Coefficient	T value
CONSTANT	178.088	1.239
β_3 (SHARE CAPITAL)	0.265	2.121
β_5 (GROWTH)	231.054	0.316

The above analysis shows that by excluding PROFIT AFTER TAXES, RETURN ON EQUITY and EARNINGS PER SHARE the explanatory power of regression gets highly reduced to 10.4%. So PAT, ROE and EPS are the most important variables affecting dividend payments. This means that profitability is the most important factor affecting dividend payment for the firms listed on NSE and BSE followed by growth and share capital.

FINDINGS AND CONCLUSION :

The analysis of above data shows that dividend payment on an average has shown an increasing trend over the last five years while dividend per share has first shown a decreasing trend and then an increasing trend.

The dividend paid has increased at a decreasing rate during 2001-2004 i.e., 38.3% in 2001-02, 17.8% in 2002-03 and 7.69% in 2003-04, while in 2005 it showed an increasing rate of 35.63%. On the other hand, dividend per share has first increased in 2001-02 by 40.7%, then decreased in 2002-03 by 10.35% and then finally recovered and increased in 2003-04 by 7.3% and by 2.4% in 2004-05.

For the next year i.e., 2006, the highest target payout has

been predicted for Zee Telefilms and the lowest for Infosys. The payout ratio for all the firms on average is 26.5%.

The results of regression analysis indicate a positive and significant relationship of dividend paid with Profit After Taxes and a positive relationship with Return On Equity and Earnings Per Share. This means that increase in profitability increases dividend payment and most significant factor among it is Profit After Taxes.

However, share capital and growth have a negative relationship with dividend payment. This indicates that increase in size and growth in retained earnings reduces dividend payment. So the analysis proves the theoretically established facts on actual data of selected NSE and BSE companies.

Thus, the Three-Hypothesis stand accepted, i.e.

- Dividend payment is Positively related to Profit After Taxes, Return On Equity and Price Earnings Ratio.
- Dividend payment is Negatively related to Growth In Retained Earnings.
- Dividend payment is Negatively related to missing & Size of Firm's Share Capital.

On further analysis it was found that Profit after tax is the most important of all the variables determining dividend payments and overall profitability most significantly affects dividend payment. So it can be said that dividend payments of BSE & NSE firms in India has been increasing and bears a strong positive relationship with profitability, and a negative relationship with growth and size of the firm. The areas where further research may be conducted include study of characteristics of various firms to group them into payer and non-payer groups on basis of discriminant analysis and find out the distinction between the trends of dividend payment of these firms.

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