

PROGRESS AND TREND IN CORPORATE DIVIDEND OF SELECTED TYRES COMPANIES IN INDIA

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ABSTRACT

The dividend policy decision is crucial for any corporate entity whose shares are listed in the stock exchange. The mean value of Ceat Ltd. has high dividend per share of Rs. 8.55 and earnings per share of Rs. 59.99 have been observed over the periods of the study. It has been seen that Ceat Ltd. has the highest dividend growth rate as compared to other selected companies. The Ceat Ltd. and Apollo Ltd. have followed a constant dividend policy whereas J.K. tyre Ltd. followed a stable dividend policy. The Ceat Ltd. and Apollo Ltd. reported an upward trend in dividend per share and earnings per share with positive linear annual growth rate while J.K. Ltd. showed a downward trend with negative linear annual growth rate. It may be inferred that progress and trend of Ceat and Apollo Ltd. found to be positive. J.K. Ltd. pointed out negative growth rate with declining trend of EPS and DPS. Therefore, J.K. Ltd. should be taken care in coming years also. The firms belong to tyres industry declared dividend varied among the firms over the periods of the study.

Keywords: DPS, EPS, Trend and Linear Annual Growth Rate.

Introduction

The dividend decision is one of the core financial decisions which will have impact on the value of the firm. Dividend decision is an integral part of a company's decision making. It is explicitly related to major of two decisions i.e. financial decision and investment decision. Dividend decision affects the resources available at the firm's disposal for further growth and wealth of the shareholders. The profits of the firm can be used for reinvestment within the firm by purchasing a new plant and machinery, investing in research and development, expending inventories and the like. In view of the significance of dividend decision, it becomes essential to study on dividend practice of a firm. The study disclosed the two important variables such as earnings per share (EPS) and dividend per share (DPS) as the most influencing factors. Researchers like Lintner (1956), Darling (1957), Brittain (1966) have developed mathematical models to address this decision problem. Do the firms in the same industry declare similar rate of dividend and differ from one company to the other? In order to assess these questions, the present study has been under taken.

Review of Relevant Studies

Lintner's (1956) examines that firms pursue a stable dividend policy and gradually increase dividends given that target payout ratio. The findings of the study suggest that firms establish their dividend as per the level of current earnings, as well as dividend paid in the previous years. He pointed out that inventors prefer the firm with stable dividend policies.

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Darling (1957) conducted a study on “The influence of expectations and liquidity on dividend policy”. The weight is assigned to it in the regression equation is a reflection of some other variables that cover lagged dividend, he concluded.

Brittain, John (1964) studied on tax structure and corporate dividend policy and found that cash flow variable was able to explain dividend behavior of the firms.

Fama, Sugene and Harvey Babiak (1968) concluded that Lintner’s classic dividend model well explained the dividend behavior to another model. Further, as compared to a variable like cash flow or depreciation, net income was found to be a better explanatory variable of dividend.

Roji George & A Kumudha (2007) conducted a study on dividend policy of Hindustan constructed company Ltd. with special reference to Litners model and proved that earnings have the main role in deciding the dividend policy.

Objectives of the Study

- To examine the trend and progress in the distribution of dividends in the selected tyre companies of India.
- To diagnose the behaviors of DPS and EPS in selected tyres companies of India.
- To assess the rationalization of dividend policy.

Scope of the Study

In view of the importance of divined decision, it has been decided to select the firm on random sampling basis. A sample of three units of top five have been taken to achieve the objectives of the study. The study covers the periods of ten years from 2010-11 to 2019-20. List of five units is given in the references

Methodology

The secondary data have been taken as input to achieve the objectives of the study. The data have been collected from www.moneycontrol.com and annual reports of the respective companies. The study is confined to examine the progress and trend in corporate dividend with the help of ratio analysis and statistical tools like as mean, co-efficient of variation (C.V.) trend values, Linear annual growth rate and “F” test used for drawing meaningful inferences from the study. To justify the dividend payment pattern of the firms and growing or declining direction of trend and progress has been assessed by the trend analysis. The least square method has been used to determine the trend. To test whether the mean value of dividend per share differs from one company to the other “F” test has been used in the study.

Analysis and Discussion

The data have been presented in different tables, reflecting upon the various objectives of the study.

Table 1: Analysis the Behavior of DPS and EPS in Ceat Tyre Ltd.

Year	DPS	Trend	EPS	Trend
2010-11	2.00	2.25	6.51	24.44
2011-12	1.00	3.65	2.20	32.34
2012-13	4.00	5.05	31.06	40.24
2013-14	10.00	6.45	71.66	48.14
2014-15	10.00	7.85	79.76	56.04
2015-16	11.50	9.25	111.87	63.94
2016-17	11.50	10.65	89.67	71.84
2017-18	11.50	12.05	68.90	79.74
2018-19	12.00	13.45	71.42	87.64
2019-20	12.00	14.85	66.94	95.54
Mean	8.55		59.99	
C.V.	0.49		0.56	
LAGR	1.40		7.90	

Table 1 reveals the behavior of dividend per share and earnings per share over the period of the study. The mean value of dividend per share is recorded to be 8.55 with C.V. value 0.49. The C.V. value 0.49 proves moderate variation in the growth of dividend per share. The mean value of earnings per share is noticed to be 59.99 with C.V. value 0.56. It means that high variation in the growth of earnings per share.

The company has shown a positive linear annual growth rate at 1.40 in dividend per share and 7.9 in earnings per share. An upward trend has been seen in earnings per share and dividend per share. The pattern of dividend payment has been based on its earnings, which indicates that company has been following a constant dividend policy. It may be inferred that progress of the company is good and this trend should be maintained in coming years also.

Table 2: Analysis the Behavior of DPS and EPS in Apollo Tyre Ltd

Year	DPS	Trend	EPS	Trend
2010-11	0.50	0.23	3.93	6.19
2011-12	0.50	0.59	3.60	7.07
2012-13	0.50	0.95	6.20	7.95
2013-14	0.75	1.31	8.78	8.83
2014-15	2.00	1.67	12.70	9.71
2015-16	2.00	2.03	19.69	10.59
2016-17	3.00	2.39	15.77	11.47
2017-18	3.00	2.75	11.55	12.35
2018-19	3.25	3.11	10.35	13.23
2019-20	3.00	3.47	8.89	14.11
Mean	1.85		10.15	
C.V.	0.61		0.47	
LAGR	0.36		0.88	

Table 2 highlights the behavior of dividend per share and earnings per share in Apollo Ltd over the ten years period of study. The average dividend per share is noticed to be 1.85 with C.V. value 0.61. The C.V. value 0.61 proves high variation in the growth of dividend per share. The average earnings per share is witnessed to be 10.15 with C.V. value 0.47. The C.V. value 0.47 means moderate fluctuation in earnings per share. The linear annual growth rate found to be positive in respect of dividend per share and earnings per share. The trend analysis of Apollo Ltd. has been shown an upward trend in dividend per share and earnings per share. The payment of dividend pattern has been based on earnings per share which reflects that company has been following a constant dividend payout policy. It may be concluded that positive growth rate and upward trend in dividend per share and earnings per share indicate positive progress of the company.

Table 3: Analysis the Behavior of DPS and EPS in J.K. Tyre Ltd

Year	DPS	Trend	EPS	Trend
2010-11	3.00	3.59	14.93	18.82
2011-12	2.50	3.33	2.68	17.76
2012-13	3.50	3.07	25.70	16.70
2013-14	5.00	2.81	32.57	15.64
2014-15	1.50	2.55	12.05	14.58
2015-16	2.50	2.29	17.68	13.52
2016-17	2.50	2.03	14.64	12.46
2017-18	1.50	1.77	1.90	11.40
2018-19	1.50	1.51	9.01	10.34
2019-20	0.70	1.25	9.29	9.28
Mean	2.42		14.05	
C.V.	0.48		0.65	
LAGR	-0.26		-1.06	

Table 3 explains the behavior of dividend per share and earnings per share over the periods of the study. The mean dividend of J.K tyre Ltd. is reported to be 2.42 with C.V value 0.48. The C.V. value 0.48 witnesses the moderate fluctuation in dividend per share. The mean value of earnings per share is happened to be 14.05 with C.V value 0.65. The C.V. value 0.65 proves high variation in earnings per share. The trend analysis of dividend per share and earnings per share have been sailing in the same direction i.e. downward trend has been seen in J.K. tyre ltd. The linear annual growth rate found to be negative in dividend per share and earnings per share which indicated that company follows stable dividend policy. It may be inferred that negative linear annual growth rate and downward trend of dividend per share and earnings per share pointed out to be taken care of in coming years.

ANOVA Test

In the order to examine whether the mean value of dividend per share of the firm differ from each other. The hypothesis has been framed and tested by performing analysis of variance (ANOVA) test.

Ho: There is no significant difference in mean value of dividend per share among the firms

Table 4: Analysis the Difference in Mean Value of Dividend per Share

Year	DPS of Ceat Ltd.	DPS of Apollo Ltd.	DPS of J.K Ltd.
2010-11	2.00	0.50	3.00
2011-12	1.00	0.50	2.50
2012-13	4.00	0.50	3.50
2013-14	10.00	0.75	5.00
2014-15	10.00	2.00	1.50
2015-16	11.50	2.00	2.50
2016-17	11.50	3.00	2.50
2017-18	11.50	3.00	1.50
2018-19	12.00	3.25	1.50
2019-20	12.00	3.00	0.70
Mean	8.55	1.85	2.42
C.V.	0.49	0.61	0.48
'F' value (Firms)	14.06		
(Years)	0.380		

Table 4 shows the difference in mean value of dividend per share over the period of the study. The "F" value 14.06 proves that there is significant difference in mean value of dividend per share among themselves, however, the "F" value 0.38 means that dividend per share of firm is alike over the period of the study. It can be concluded that firms belonging to tyres industry have declare dividend, which have varied significantly among the firms.

Conclusion

The dividend decision of a firm is an integral part of financing decision making. It is explicitly related to the other two major decisions. The mean value of Ceat Ltd. has high divided per share of Rs. 8.55 and earnings per share of Rs. 59.99 have been found over the period of the study. It has been seen that Ceat Ltd. has the highest growth rate as compared to other selected companies. The Ceat Ltd. and Apollo Ltd. have followed a constant dividend per share policy and its dividend per share depends on its earnings whereas J.K. tyre Ltd. followed stable dividend policy. The Ceat and Apollo Ltd. reported an upward trend in dividend per share and earnings per share with positive linear annual growth rate. It proves that progress of the both companies reflected positive signal whereas J.K. Tyre Ltd. has shown downward trend with negative linear annual growth rate. It is pointed out that J.K Ltd. to be taken care in coming years also. It may be inferred that companies belonging to tyres industry have declared dividend varied among the companies over the period of the study. Hence, earnings have the main role to decide the dividend policy.

Scope for Further Research

Further researchers can examine the determinant of dividend policy and its impact on value of the firm.

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