DIVIDEND BEHAVIOR ANALYSIS OF SELECTED STEEL COMPANIES IN INDIA –A DESCRIPTIVE STUDY

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Abstract

The Indian Iron and Steel industry contributes significantly to the overall growth and development of the economy. As per the estimation of the ministry of steel, the industry today directly contributes to 2% of India's GDP. Payment of dividend is desirable because the shareholders contribute in the capital of the company to earn higher returns from their investment and to maximize their wealth. In this, retained earnings are the major sources of internal finance for financing future requirement such as expansion and modernisation of the company. Hence, both business growth and dividends are desirable. On the contrary, higher dividend leads to less provision of funds for growth and higher retained earnings leads to low dividends which majority of shareholders dissatisfies from return on investment, from the analysis it found that the dividend ratios such as Dividend Payout Ratio, Dividend Per Share,Earning Per Share differ significally between large cap companies and midcap companies.

Key words:*Dividend**,** Dividend Payout Ratio,Dividend Per Share,Earning Per Share, dividend policy, investors*

INTRODUCTION

The Indian Iron and Steel industry contributes significantly to the overall growth and development of the economy. As per the estimation of the ministry of steel, the industry today directly contributes to 2% of India's GDP and its weightage in the of ficial index of Industrial Production (IPP) is 6.2%. The industry has been able to shape out a niche for itself globally. From a country with a production of one million tonnes at the time of independence, it has now become the world's 4th largest producer of crude steel preceded behind China, Japan and the US. Crude steel production grew by 4.6% to 81.2 million tonnes and steel demand grew by 1.8%. India's GDP growth has slowed down to 5% in 2013 on account of rising inflation and tight monetary controls. This has led to weak domestic steel demand, which grew by 3.3% in 2013, in spite of a rise in demand in the last quarter.

Due to infrastructure creation and urbanization emerging as key growth enabler, the Indian economy is witnessing rising import of steel in recent times. This has resulted in India becoming the big exporter of steel in Financial Year 2013-14 after a gap of six years. Total steel exports by India during the Financial Year stood at 5.59 million tonnes, as against imports of 5.44 million tonnes as per the report issued by the Joint Plant Committee (JPC), a unit of the steel ministry. India's GDP is expected to grow by 5% and steel demand is expected to grow by 3.3% in 2014. However, in the past three years, growth in this sector has been just 5%. Observed with the market trend, the National Steel Policy 2012 is being set in place to facilitate rapid growth of the domestic steel sector by ensuring more rapid capacity addition. At the same time, India is committed to reduce GHG Emission Intensity of its GDP to 20-25% by 2020 over the 2005 level, through pursuits of proactive policies. There is a need to transform the technological face of the Indian steel industry to achieve international benchmarks as a long-term strategy.

Dividend

The word 'dividend' derived from the Latin word "dividend" which means that divided. According to the Institute of Chartered Accountants of India, "dividend is a distribution to shareholders out of profits or reserves available for this purpose."

Also, it means that the portion of net profit distributed to shareholders, the profits after deducting all expenses, provision made for taxation, and transferring some portion of amount to reserve from the total income of the company. If the company desires to pay dividends to the shareholders, it should have sufficient profit; it should get approval from the Board of Directors and acceptance of the shareholders at the annual general meeting.

Dividend Policy

According to Weston and Brigham, "dividend policy determines the division of earnings between payments to shareholders and retained earnings."

The dividend policy of a firm greatly influences the dividends and retained earnings proportion decision. As discussed above, the dividends are payable in cash mode by the company to its shareholders. The Retained earnings should be a part of business surplus remaining earning should kept as reserve for financing firm's long term growth or it reinvest in the business, also the dividend policy of a firm affects shareholders wealth as well as firm's long term financial position. Financial experts shall adopt a usual dividend policy in order to bring consistency for better investment. The experts also suggest that the company should not pay dividends in the beginning of business operation. That should pay after evaluation of past performance and predicted of future performance.

Evaluation of dividend progress of steel companies to identify how the companies are retaining their existing investor and attracting new investor to keep its market share position in stable level because the investor is the major key player to start and run a business and keep this position, the company has to fulfil investor's financial needs through the issuing of dividend and other financial benefits. Dividend decision is one of the three major important decisions of financial management. The financial manager has to choose between the distribution of earnings and retention of earnings. The choice would depend on the effect of the decision on the shareholder wealth. For this, the payment of dividends should be preferred to maximize shareholders wealth. Otherwise, the company should retain the profit. The financial expert has to take a decision for dividend payment based on dividend policy of firm's determinants and the proportion of retaining earnings that are reinvestment purpose.

Need of the Study

Once a company makes a profit, management must decide to utilize profits. In order to retain the profits within the company for the purpose of expansion and modernization, or it could pay out its surplus profits to the shareholders in the form of dividends. If the company decides to pay dividends, it may formulate a permanent dividend policy; this policy creates a good impact on the company's value in the financial markets to fulfill investor's expectation. It depends on the present and future situation of the company and its financial planning. It also depends on the management decision and preferences of retail and potential investors. Therefore, that the company needs to concentrate on dividend policy and dividend declarations to retain their existing shareholders or investors and attracting new investor.

Statement of the Problem

Payment of dividend is desirable because the shareholders contribute in the capital of the company to earn higher returns from their investment and to maximize their wealth. In this, retained earnings are the major sources of internal finance for financing future requirement such as expansion and modernisation of the company. Hence, both business growth and dividends are desirable. On the contrary, higher dividend leads to less provision of funds for growth and higher retained earnings leads to low dividends which majority of shareholders dissatisfies from return on investment. Therefore, both decisions are complementary to each other and no decision can be taken independent of the other, the finance manager has to formulate a guidable dividend policy to fix the proportion of dividend payment and retention that can retain the existing shareholders and attract new investors. Increasing profitability and dividend declaration are most significant tasks of the business managers. Hence, finance managers constantly investigate possible ways to change the business to improve profitability and shareholders wealth. These possible changes can be analysed in the present study and attempt to make the evaluation of dividend progress of select steel companies in India.

Objectives of the Study

1. To evaluate dividend performance of select steel companies in India
2. To analyse various measures of dividend of select steel companies in India.

REVIEW OF LITERATURE ON DIVIDEND

Lintner (1956) studied the recognized companies in the United States of America and concluded that the recent earnings power and past dividend records are key determinants of changes in dividend payout, and it helps to maintain the regular increase in dividend policy of the companies.

Alex Kane, Young Ki Lee and Alan Marcus (1984)examined that the abnormal stock returns surrounding contemporaneous earnings and dividend announcements in order to determine whether investor evaluate the two announcements in relation to each other. They found that there is a statistically significant interaction effect. The abnormal return corresponding to any earnings or dividend announcement depends upon the value of other announcement.

Warren Bailey (1988) indicated that the premium is largely explained by the relative value of dividend paid and cost imposed on investor by stock dividend payment and shares conversion procedures. Premium for few firms also reflects the relative liquidity of two classes of shares.

David (1990)found that special dividend payments generally increase the wealth of target firm's shareholders, regardless of payout type, those firms remaining independent after the outcome of corporate control contest experience an abnormal share price increase over the duration.

Harry De Angelo, Linda De Angelo, and Douglas Skinner (1992**)** found that. Dividend reductions are more likely given greater current losses, less negative unusual item, and more persistent earnings difficulties. Dividend policy has information content in the knowledge that a firm has reduced dividends improves the ability of current earnings to predict future earnings.

Franklin Allen, Antonio Bernardo and Ivo Welch(2000)studied about firms paying dividend attract relatively more institution, which have a relative advantage in detecting high firm quality and in ensuring firms are well managed and suggested the prediction that it is the tax differences between institutions and retailers investors that determines dividend payments.

DoronNissim and Amir Ziv (2001) studied about the relation between dividend changes and future prof itability and measured in terms of either future earnings or future abnormal earnings, they found that dividend changes provide information about the level of prof itability in same period, incremental to market and accounting data.

Eugene A.Pilotte(2003) examined the possibility that inflation also proxies for variance between real price and dividend ratios and found that the covariance between real price /dividend ratios and inflation is nonzero, the relationship between return and expected inflation differ for the two components of return: dividend yields and capital gain returns

Lubos Pastor and PietroVeronesi (2003) developed a simple approach for valuing stock in the presence of learning about average profitability. The market to book ratio increases with uncertainty about average profitability and found the prediction that younger stock and stock that pay no dividends have more volatile returns. Firm's profitability has become more volatile.

Malcolm Baker and Jeffrey Wurgler(2004) proposed that the decision to pay dividends is driven by prevailing investor demand for dividend payers. Managers cater to investors by paying dividends when investor put a stock price premium on payers and not paying when investor prefer non payers and measured non payers tend to initiate dividends when demand is high. But sometimes payers tend to omit dividends when demand is low.

Adam Koch and AmyX. Sun (2004) studied whether the market interprets changes in dividends as a signal about the persistence of past earning changes. Prior to this signal, investor may believe past earnings changes are not necessarily indicative of future earnings level. And found that the changes in dividend cause investors to revise their expectation about the persistence of past earning changes. This effect varies predictably with the magnitude of the dividend change and sign of past earnings change.

Philip Brown and Alex Clarke (1993)have documented shifts in ex-day pricing of Australian companies that paid cash dividend and relate these shifts to three major changes in taxation of capital gains, dividend and superannuation funds. Despite the changes, which on the whole increasingly favoured dividend over capital gain shareholders, have continued to prefer capital gain.

Campbell and Beranek(1955) and **Durand and May**(1960) have found that the ex-dividend day drop in share price was not significantly different from the amount of the dividend. Dividend seemed to have no intrinsic value beyond their face value, and marginal investor was indifferent between dividend and capital gains.

Miller and Modigliani (1961)explained dividend irrelevance theorem for a (tax free) perfect capital market given the firm's investment policy, how investors are received their income, whether it is through dividend or capital gain, would be irrelevant share price in such a market.

DuhaAl-Kuwari(2009)investigated the determinants of dividend policies for firms listed on Gulf Cooperation Council country stock exchanges and resulted that the main characteristics of firm dividend payout policy and dividend payment related strongly and directly to government ownership, firm size and firm profitability, but negatively to the leverage ratio in addition and as a result of the significant agency conflict interacting with need to build firm reputation, a firm's dividend policy was found to depend heavily on firm profitability.

NickolaosTravlos, LenosTrigeorgis and Nikos Vafeas(2001) found that positive impact of dividend increase may reflect apparently effective attempts by Cyprus listed firms to bridge the information asymmetry gap with investor via their dividend payout policy.

Faccio Mara, Lary, Lang and Leslie Young (2001) examined group-affiliated corporations in Europe pay higher dividends than in Asia, dampening insider expropriation. Dividend rates are higher in Europe, but lower in Asia, when there are multiple large shareholders, suggesting that they dampen expropriation in Europe, but exacerbate it in Asia.

Fenn and Liang(2001)analysed how corporate payout policy is affected by managerial stock incentives. They found that managerial stock incentives mitigate the agency cost for firms with excess cash flow problem. They also found that a strong relationship between dividend and management stock option.

Kevin (1992) shows that dividend stability is the primary determinate of payout while prof itability is only secondary importance.

Bhat, Ramesh and Pandey(1994)found that payments of dividends depend on current and expected earnings as well as the pattern of past dividend, Dividends are used in signalling the future prospects and dividends are paid even there is profitable investment opportunity.

Mohanty and Pitabas(1999) examined the behaviour of payout after the bonus issue and found that bonus issuing firms yielded greater issues to their shareholders than those that did not make any bonus issue but maintained a steadily increasing dividend rate.

Reddy(2002) examined the dividend behaviour and attempts to explain the observed behaviour with help of trade of theory and signalling hypothesis the paper support the earlier findings that dividend omission have information content about the future earnings but does not find any evidence in the support of tax preference theory.

Manos(2003) estimated cost minimisation model of dividend and found that government ownership, insider ownership, risk, debt and growth opportunity have a negative impact on the payout ratio, whereas institutional ownership, foreign ownership, and dispersed ownership have a positive impact on the payout ratio.

Kothari and Walia(2004) guide lined for payment of dividend by Haryana state public enterprises, it is too early to comment on the impact of the guidelines on the working performance of various state public undertakings, However, a strict and stringent compliance as well as proper monitoring will go a long way in making the public sector undertakings accountable and responsible and also improving their performance and profitability.

RESEARCH METHODOLOGY

Research Design

The research design describes the theoretical plan and structure of the study to find answers to the research problem. It constitutes the outline for data collection, sampling techniques and framework for analysis of data. The present study is both descriptive and analytical nature.

Data Collection

The present study purely based on the secondary data only. The related data, such as profit and loss account statement, balance sheet and some important key ratios were collected from the published annual reports of selected steel companies in India. Other related information was collected from the Centre for Monitoring Indian Economy (CMIE) Reports, official website of selected steel companies, NSE,BSE, annual report of the ministry of steel, , research publications and various academic research reports. Further the researcher referred various finance related textbooks and journals.

Sampling

In order to analyse the dividend performance of steel companies, the details of 72companies were collected. From this, the steel companies which satisfied the following criteria which have been shortlisted for further research:

1. The companies listed in NSE and BSE.
2. Availability of data at least for the period of 10 years.
3. The company should have at least three years of continues profit during the study period.
4. The companies declared and paid dividend for a minimum of three years during the study period.
5. The selected steel companies have been classified as large and mid cap companies based on market capitalisation.

The companies' stocks with market capitalisation of Rs. 10,000 crore or more are large cap companies and which are listed below:

Large cap Companies

i. Tata Steel Limited
ii. Steel Authority of India Limited (SAIL)
iii. JSW Steel Limited
iv. Visa Steel Limited

The companies' stocks with market capitalisation between Rs. 2,000crore to Rs.10,000crore are mid cap companiesand which are listed below:

Mid Cap Companies

i. Bhushan Steel Limited
ii. Jindal Steel and Power Limited (JSPL)
iii. Kalyani Steels Limited

Framework for Analysis

The various statistical tools are used to analyse dividend performance of the selected steel companies in India.The study of financial statement such as profit and loss accounts and balance sheets through profitability ratios, solvency ratios, turnover ratios and dividend ratios constitutes in the framework of analysis. The frame work of analysis contains data analysis by using of SPSS package with applications of ratio analysis and statistical tools such as Mean, Standard Deviation (SD), Coefficient of Variation (CV),

Tools for Analysis

Ratio Analysis

Ratio analysis is an important traditional tool for analysis of financial statement of the company. It assists to understand the financial strength and weakness of companies in the aspects of liquidity, profitability and operational efficiency undertaking. The ratio analysis is used in the present study, to measure and compare the financial efficiency of selected steel companies in India.

Mean

The mean is used to get one single value that represents the characteristics of the entire data. It is the central tendency measure representing the arithmetic average of a set of observations.

Standard Deviation

Standard deviation is the positive square root of variance which measures of dispersion in the same units as the original data. Lower standard deviation leads to lower dispersion and higher standard deviation leads to greater dispersion.

Coefficient of Variation

The coefficient variation is a relative measure in consistency. The greater coefficient variation shows conversely lower consistency or more variable and less coefficient show more consistency.

Limitations of the Study

The main limitations of the study are related to the period of time, availability of data and the size of the sample covered by the study.

1. The quality of the study purely depends on the accuracy, reliability and quality of secondary data.
2. The study could not be extended to a longer period due to the problem of resources/data availability.
3. The companies are chosen for the study was restricted to a small number due to limitation such as lack of continuous profit earning, non-availability of data of select companies.
4. The present study is largely based on ratio analysis, which has its own limitations also.

ANALYSIS AND INTERPRETATION

As was discussed earlier dividend depends to a large extent on the current earnings and to a limited extent on past earnings. The behaviour of earnings, in the sense, the stability or otherwise and its relationship with the quantum of dividend will throw some light on the type of dividend policy adopted by the companies. In order to ascertain the consistency in the payment of dividends and earnings and also the relationship of TATA, SAIL, JSW, VISA, which are large cap and Mid cap companies of BHUSHAN, JSPL&KALYANI are to be analysed. The data relating to various financial aspects are collected for a period of 10 years from the annual reports and data are classified and used for analyzing the dividend ratios . Financial aspects analyzed include Dividend Payout ratio , Dividend per share, Earnings per share, Earnings retention ratio. Further the association between these variables is also studied.

Dividend Payout Ratio

The dividend payout ratio indicates the relationship between the earnings per equity share and dividends paid to them. This ratio measures managerial ability and status of the company. Also, it clearly depicts the amount of retained in the business and payment of dividend to the shareholders. The higher ratio may lead to favour to shareholders to stay long period in company. This ratio is expressed as follows

$$\textbf{Dividend Payout Ratio} = \frac{\text{Dividends per Equity Share}}{\text{Earnings per Share}} \times 100$$

Large cap Companies

The table 1 shows the Dividend Payout Ratio (%) of TATA Company during the year 2004 was 23.83. It increased to 29.39 in 2008, ***SAIL*** during the year 2004 was 0. It increased to 44.29 in 2013 of JSW during the year 2004 was 0. It increased to 18.86 in 2007 VISA during the year 2004, 2005, 2006, 2007, 2009, 2012 and 2013 was 0. It increased to 29.82 in 2008,2010 and 2011.

The average operating profit margin of large cap companies stood for **TATA** 22.72, for **SAIL** 23.25, for **JSW** 13.00, and **VISA** 8.18 percents, with the co-efficient of variation of 18.51, 45.52, 13.00, and 161.64 percents respectively. By comparing the coefficient of variation more variation in the Dividend Payout Ratio is observed in VISA and consistency was observed in TATA company

Mid Cap Companies

The Dividend Payout Ratio (%) of ***BUSHAN*** Company during the year 2004 was 5.05. It increased to 7.61 in 2006 ***JINDAL*** during the year 2004 was 11.38. It continuously decreases in ***KALYANI*** Company during the year 2004 was 0.08. It increased to 32.09 in 2013

The average operating profit margin of Mid cap companies stood for **BHUSHAN** 3.57 percent , for **JINDAL** 8.33 and **KALYANI** 17.35 percent with The co-efficient of variation of 68.07, 22.88, and 60.47 percents respectively By comparing the coefficient of variation more variation in the Dividend Payout Ratio is observed in BUSHAN and consistency was observed in JINDAL Company.

Table No.1 Dividend Payout Ratio

Year	Large Cap Companies								Mid cap Companies					
	TATA	% Inc/Dec	SAIL	% Inc/Dec	JSW	% Inc/Dec	VISA	% Inc/Dec	BHUSHAN	% Inc/Dec	JSPL	% Inc/Dec	KALYANI	% Inc/Dec
2004	23.83		0		0		0		5.05		11.38		0.08	
2005	23.64	-0.8	22.71		14.7		0		7.46	47.72	10.18	-10.54	22.25	27712.5
2006	23.39	-1.06	23.47	3.35	17.58	19.59	0		7.61	2.01	9.19	-9.72	14.24	-36
2007	26.15	11.8	23.83	1.53	18.86	7.28	0		3.96	-47.96	9.14	-0.54	22.72	59.55
2008	29.39	12.39	23.71	-0.5	18.32	-2.86	29.82		2.93	-26.01	5.86	-35.89	25.77	13.42
2009	27.15	-7.62	20.32	-14.3	6.24	-65.94	0	-100	2.94	0.34	5.55	-5.29	0	-100
2010	16.64	-38.71	23.54	15.85	10.63	70.35	27.14		1.46	-50.34	8.16	47.03	14.75	
2011	19.04	14.42	23.49	-0.21	16.24	52.78	24.88	-8.33	1.29	-11.64	6.97	-14.58	18.54	25.69
2012	20.11	5.62	27.1	15.37	12.45	-23.34	0	-100	1.33	3.1	7.23	3.73	23.02	24.16
2013	17.88	-11.09	44.29	63.43	14.98	20.32	0		1.63	22.56	9.6	32.78	32.09	39.4
Mean	**22.72**		**23.25**		**13.00**		**8.18**		**3.57**		**8.33**		**17.35**	
SD	**4.21**		**10.58**		**5.98**		**13.23**		**2.43**		**1.9**		**10.49**	
CV	**18.51**		**45.52**		**45.98**		**161.64**		**68.07**		**22.88**		**60.47**	

Dividend Per Share

Dividend per share (DPS) expresses the company's total dividends paid out during a year for its equity shareholders. The sum of declared dividends for every ordinary share issued. For this purpose, annual dividend and interim dividend take account for calculation except special dividend declared by the company. The Dividend per share might be calculated by using the following formula.

$$\textbf{Dividend Per Share} = \frac{\text{Total Dividend Amount Declared}}{\text{Total Number of Equity shares.}}$$

Large Cap Companies

the Dividend Per Share (%) of ***TATA*** Company during the year 2004 was Rs.10. It increased to Rs.15.15 in 2007 ***SAIL*** during the year 2004 was Rs.0. It increased to Rs.3.7 in 2008 **JSW** Company during the year 2004 was Rs.0. It increased to Rs.12.25 in 2011 **VISA** during the year 2004 was Rs.0. It increased to Rs.1 in 2008, 2010, 2011

The average operating profit margin of large cap companies stood for **TATA** 12.35, for **SAIL** 2.44, for **JSW** 8.28, and **VISA** 0.30 percents, with the co-efficient of variation of 24.30 43.34, 55.97, and 161.02 percents respectively. By comparing the coefficient of variation more variation in the Dividend Per Share is observed in VISA and consistency was observed in TATA company

Mid Cap companies

The Dividend per Share (%) of ***BUSHAN*** Company during the year 2004 was Rs.1. It increased to Rs.2.5 in 2005, 2006, 2007, 2008, 2009, 2010 ***JINDAL*** during the year 2004 was Rs.10. It increased to Rs.18 in 2007 ***KALYANI*** Company during the year 2004 was Rs.0. It increased to Rs.4 in 2007, 2008

The average operating profit margin of Mid cap companies stood for **BHUSHAN** 1.75, for **JINDAL** 7.35 and **KALYANI** 1.88 percent with The co-efficient of variation of 55.94, 89.59, and 76.79 percents respectively By comparing the coefficient of variation more variation in the Dividend per Share is observed in KALYANI and consistency was observed in SINDAL Company.

Table No.2 Dividend per Share

Year	Large Cap Companies								Mid cap Companies					
	TATA	% Inc/Dec	SAIL	% Inc/Dec	JSW	% Inc/Dec	VISA	% Inc/Dec	BHUSHAN	% Inc/Dec	JSPL	% Inc/Dec	KALYANI	% Inc/Dec
2004	10		0		0		0		1		10		0	
2005	13	30	3.3		8		0		2.5	150	15	50	2	
2006	13	0	2	-39.39	8	0	0		2.5	0	15	0	3	50
2007	15.5	19.23	3.1	55	12.5	56.25	0		2.5	0	18	20	4	33.33
2008	16	3.23	3.7	19.35	14	12	1		2.5	0	4	-77.78	4	0
2009	16	0	2.6	-29.73	1	-92.86	0	-100	2.5	0	5.5	37.5	0	-100
2010	8	-50	3.3	26.92	9.5	850	1		2.5	0	1.25	-77.27	1.25	
2011	12	50	2.4	-27.27	12.25	28.95	1	0	0.5	-80	1.5	20	2	60
2012	12	0	2	-16.67	7.5	-38.78	0	-100	0.5	0	1.6	6.67	1	-50
2013	8	-33.33	2	0	10	33.33	0		0.5	0	1.6	0	1.5	50
Mean	**12.35**		**2.44**		**8.28**		**0.3**		**1.75**		**7.35**		**1.88**	
SD	**3**		**1.06**		**4.63**		**0.48**		**0.98**		**6.58**		**1.44**	
CV	**24.3**		**43.34**		**55.97**		**161.02**		**55.94**		**89.59**		**76.79**	

Earnings Retention Ratio

The earnings retention ratio refers to the percentage of net income of the company that retained to grow through expansion etc., rather than paid out as dividends to shareholders. Simply, it is the proportion of earnings kept back in the business as retained earnings. The earnings retention ratio measures the percentage of earnings paid out to shareholders as dividends. It is the opposite of the dividend payout ratio. The retention ratio changes year to year by depending on the company's earnings stability and dividend payment policy. This ratio can be calculated as follows:

Earnings Retention Ratio = 1- Payout Ratio

Large Cap Companies

The Earning Retention Ratio (%) of TATA during the year 2004 was 78.19. It increased to 84.22 in 2013 ***SAIL*** during the year 2004 was 100. It continuously Decreases in 2008 JSW during the year 2004 was 100. It continuously Decreases in 2005, ***VISA*** during the year 2004 - 2007 was 100. It continuously Decreases for further years

The average operating profit margin of large cap companies stood for **TATA** 76.62, for **SAIL** 76.77, for **JSW** 85.35 and **VISA** 61.14 percents, with the co-efficient of variation of 5.69, 12.82, 11.86, and 72.16 percents respectively. By comparing the coefficient of variation more variation in the Earning Retention Ratio is observed in VISA and consistency was observed in TATA company

Mid Cap Companies

The Earning Retention Ratio (%) of ***BUSHAN*** during the year 2004 was 94.04. It increased to 98.77 in 2011 ***JINDAL*** during the year 2004 was 88.66. It increased to 94.79 in 2008, ***KALYANI*** during the year 2004 was 99.92. It increased to 100 in 2009

The average operating profit margin of Mid cap companies stood for **BHUSHAN** 96.42, for **JINDAL** 91.82 and **KALYANI** 81.67 percent with The co-efficient of variation of 2.54, 2.23, and 12.89 percents respectively. By comparing the coefficient of variation more variation in the Earning Retention Ratio is observed in KALYANI and consistency was observed in JINDAL Company

Table No.3Earning Retention Ratio

Year	Large Cap Companies								Mid cap Companies					
	TATA	% Inc/Dec	SAIL	% Inc/Dec	JSW	% Inc/Dec	VISA	% Inc/Dec	BHUSHAN	% Inc/Dec	JSPL	% Inc/Dec	KALYANI	% Inc/Dec
2004	78.19		100		100		100		94.04		88.66		99.92	
2005	76.14	-2.62	76.75	-23.25	84.77	-15.23	100	0	92.65	-1.48	90.13	1.66	78.15	-21.79
2006	76.32	0.24	75.83	-1.2	64.2	-24.27	100	0	92.74	0.1	90.87	0.82	77.47	-0.87
2007	74.25	-2.71	75.66	-0.22	79.48	23.8	100	0	95.75	3.25	90.74	-0.14	77.26	-0.27
2008	69.02	-7.04	75.56	-0.13	80.67	1.5	71.51	-28.49	97.03	1.34	94.79	4.46	73.88	-4.37
2009	71.16	3.1	79.99	5.86	97.44	20.79	0	-100	98	1	94.9	0.12	100	35.35
2010	79.66	11.94	74.92	-6.34	85.72	-12.03	69.3		98.37	0.38	91.89	-3.17	84.89	-15.11
2011	78.97	-0.87	74.93	0.01	81.95	-4.4	70.62	1.9	98.77	0.41	93.03	1.24	78.61	-7.4
2012	78.23	-0.94	74.8	-0.17	91.67	11.86	0	-100	98.67	-0.1	92.77	-0.28	78.65	0.05
2013	84.22	7.66	59.24	-20.8	87.59	-4.45	0		98.15	-0.53	90.4	-2.55	67.9	-13.67
Mean	**76.62**		**76.77**		**85.35**		**61.14**		**96.42**		**91.82**		**81.67**	
SD	**4.36**		**9.84**		**10.12**		**44.12**		**2.45**		**2.04**		**10.53**	
CV	**5.69**		**12.82**		**11.86**		**72.16**		**2.54**		**2.23**		**12.89**	

Earnings Per Share

The earnings per share (EPS) shows the relationship in prof itability of the firm on per equity share basis. It measures the prof it allowed to the equity shareholders on per share basis. By analysing the movement of earnings per share over a period, we can understand the changes in earning power of the firm on per share basis during that period. It is an important and commonly used ratio to identify original shareholders benefits. This ratio can be expressed as follows

$$\text{Earnings Per Share} = \frac{\text{Net Prof it after Tax Interest and Preference Dividend}}{\text{Number of Equity Shares}}$$

Large Cap Companies

the Earning per share Ratio (%) of TATA Company during the year 2004 was Rs. 47.48. It increased to Rs 68.95 in 2012, ***SAIL*** during the year 2004 was Rs 6.08. It increased to Rs Rs 18.25 in 2008 ,JSW Company during the year 2004 was Rs 4.1. It increased to Rs 106.59 in 2010 VISA during the year 2004 was. Rs 2.22. It increased to Rs 4.67 in 2011.

The average operating profit margin of large cap companies stood for **TATA** 62.89, for **SAIL** 12.26 for **JSW** 66.01, and **VISA** .-0.62 percents, with the co-efficient of variation of 13.54 , 37.77, 47.83, and -912.66 percents respectively. By comparing the coefficient of variation more variation in the Earning per share Ratio is observed in JSW and consistency was observed in VISA company.

Mid cap Companies

The Earning per share Ratio (%) of ***BUSHAN*** during the year 2004 was Rs 22.31. It increased to Rs. 199.09 in 2010 ***JINDAL*** during the year 2004 was Rs. 99.15. It increased to Rs. 186.07 in 2006 ***KALYANI*** during the year 2004 was Rs. 2.82. It increased to Rs. 24.02 in 2006.

The average operating profit margin of Mid cap companies stood for **BHUSHAN** 70.42 for **JINDAL** 93.83 and **KALYANI** 8.83 percent with The co-efficient of variation of 74.42, 82.90, and 67.49 percents respectively.By comparing the coefficient of variation more variation in the Earning per share Ratio is observed in JINDAL and consistency was observed in KALYANI Company

Table No.4 Earning per share

Year	Large Cap Companies								Mid cap Companies					
	TATA	% Inc/Dec	SAIL	% Inc/Dec	JSW	% Inc/Dec	VISA	% Inc/Dec	BHUSHAN	% Inc/Dec	JSPL	% Inc/Dec	KALYANI	% Inc/Dec
2004	47.48		6.08		4.1		2.22		22.31		99.15		2.82	
2005	62.77	32.2	16.5	171.38	65.27	1491.95	0.87	-60.81	37.89	69.83	167.48	68.92	10.23	262.77
2006	63.35	0.92	9.72	-41.09	53.28	-18.37	1.13	29.89	37.42	-1.24	186.07	11.1	24.02	134.8
2007	72.74	14.82	15.02	54.53	77.09	44.69	1.87	65.49	73.76	97.11	228.3	22.7	20.59	-14.28
2008	63.85	-12.22	18.25	21.5	90.84	17.84	3.92	109.63	99.77	35.26	80.34	-64.81	18.15	-11.85
2009	69.7	9.16	14.95	-18.08	22.96	-74.72	-6.07	-254.85	99.2	-0.57	99.35	23.66	0.76	-95.81
2010	56.37	-19.12	16.35	9.36	106.59	364.24	4.31	-171	199.09	100.7	15.89	-84.01	9.91	1203.95
2011	71.58	26.98	11.87	-27.4	88.87	-16.62	4.67	8.35	47.16	-76.31	22.09	39.02	12.53	26.44
2012	68.95	-3.67	8.58	-27.72	71.62	-19.41	-10.8	-331.26	47.84	1.44	22.58	2.22	5.05	-59.7
2013	52.13	-24.39	5.25	-38.81	79.48	10.97	-8.28	-23.33	39.72	-16.97	17.04	-24.53	5.47	8.32
Mean	**62.89**		**12.26**		**66.01**		**-0.62**		**70.42**		**93.83**		**10.95**	
SD	**8.51**		**4.63**		**31.57**		**5.62**		**52.4**		**77.78**		**7.85**	
CV	**13.54**		**37.77**		**47.83**		**-912.66**		**74.42**		**82.9**		**71.66**	

Findings and Recommendation

- **The Dividend payout ratio of TATA, SAIL, JSW, VISA and KALYANI show favour with excellence in managerial ability and status of companies, that can be maintained for long periods.BHUSHAN and JSPL show lower ratio, hence they should increase their payout ratio for the welfare of investors.**
- **Dividend per share is an important and commonly used ratio to identify original shareholder benefits. SAIL, VISA, BHUSHAN and KALYANI declared belowRs.5as a dividend. It shows that the companies not caring of investor benefits, it is suggested to declare higher dividend as much as possible because it may lead to shareholders to stay longer period.**
- **The higher earnings retention ratios are found in VISA, BHUSHAN and JSPL. It shows that these companies are giving more importance to their growth like expansion, modernization. At the same time, these companies should take care of investor benefits by paying of higher dividend, earnings retention depending on the company's earnings stability and dividend payment policy.**
- **SAIL, VISA and KALYANI recorded their Earnings per share at lower levels due to minimum prof it allowed to the equity shareholders on per share basis. These companies should take care of its prof itability maintenance to increase market share by attracting new investors.**

Conclusion

The dividend progress plays important role in the financial activities of the company and also its affect profitability, liquidity, capital structure, flow of fund, share valuation, and investor satisfaction with regard to wealth maximization. It helps companies to maximize the market value in the capital market. The present study concludes that many of the companies following proper dividend policy and paying regular dividend, that will lead to investors' satisfaction towards better income generation on investment, also it will help to retain existing investor for long period and acquire new investor to mobilize fund for future projects.

Managerial Implications

- **This study also provides insight to the finance managers of VISA, BHUSHAN and JSPL to adopt proper dividend policy and follow proper retention rate. This will help to the companies to retain existing investor for long period and acquire potential investors for new project such as expansion and diversifications.**
- **The study examined about dividend behaviour but, The finance managers have to consider a close relationship between liquidity, profitability and dividend when taking of financial decision, investment decision and dividend decision that will help to improve overall financial performance of the company.**

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