

Understanding Dividend Decisions: Evidence from India's Automobile and Textile Sectors

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Abstract

Purpose: The current research has been taken to know the factors having influence on dividend policy of two major sectors of Indian economy. The studied two sectors are- automobile sector and textile sector.

Design/methodology: The author uses the secondary data approach to collect data from a sample of 30 S&P BSE listed firms.

Findings: It has been found that across the sectors considered in the present study, the dividend policy of automobile industry significantly influenced through tangibility, leverage, risk and growth. The dividend payment decision of textile industry is determined through tangibility, growth and risk. The dividend payout ratio of textile industry on an average is the highest as compared automobile sector.

Research implications: A limited sample of thirty companies for ten years has been used for the current study. It's also possible that psychological and behavioral factors may also influence the choice to declare dividends. The current research does not take those factors into consideration. Hence, the variables taken into the study are generic.

Originality/value: This paper gives a new evidence of dividend policy of Indian automobile and textile sector. The findings provide the investors an insight to choose the sector before the investment as per the expectations and requirements. If an investor wants a regular income, then the investment should be made in the textile firms. Just the opposite, if the investor prefers capital gains rather than receiving regular dividends, the alternative automobile companies.

Keywords: India, dividend policy, corporate sector, automobile, textile, investors.

Paper type: Research paper.

JEL classification code: G35

1. Introduction

A capital market is essential to an economy's ability to function since capital is a necessary component of producing economic production. Any country's economy is reliant on the expansion of its capital market. The capital market is the venue where new securities can be issued and traded. To meet their financial needs, joint stock corporations issue new securities on the capital market, which investors trade. The capital market is expanding quickly these days, and investors are drawn to it because they believe it to be the greatest place to make investments.

The earnings to be distributed among company's shareholders according to their ownership is known as a dividend. The profit made from the selling of capital assets, such as stocks, bonds, and other assets, is referred to as capital gain. This suggests that investors want to see the increased value of the shares they own in order to get profit from the selling of those shares.

The goal of financial management is to maximize shareholder wealth by making three fundamental decisions: financing, investing, and paying dividends. The focus of the current study is dividend policy. The dividend is given to the shareholders for a set period of time as compensation for their investment in the company's shares.

Any company's decision to pay dividends is considered to be one of its most important ones. The company chooses which portion of its earnings will be disbursed as a dividend and which portion will be kept in the company for future reinvestment. Dividends are the share of profits that are given to the company's stockholders. The company distributes dividends after deducting the interest. In the subject of finance, dividend policy is regarded as an

important research topic. This subject has received a lot of research because it directly affects the company's ability to use the finances that are at its disposal.

As per the section 2(22) of the Income Tax Act, 1961, dividend defined as:- "Any distribution of accumulated profits whether capitalized or not, if such distribution entails a release of assets or part thereof".

1.1 Dividend Policy

It has been so long that financial experts are interested to know more about the dividend policy of an enterprise. It regarded as one the most important and difficult task of what proportion of the company's earnings should be retained or what amount should be distributed among the shareholders in the form of dividends. The financial managers spend most of their value time in deciding frequency and magnitude of distributions to be made in cash to the shareholders. One of the aim of joint stock company is to maximize wealth of its shareholders which in turn leads to value maximization of that company. It can be disclosed by the increased price of firm's equity.

When a company provides an adequate return on the capital to its shareholders, it leads to fulfil one of the company's financial objectives. Though it's still an unknown question that how shareholders' wealth gets affected through dividend decision of a firm. In some cases, management avoid to make dividend payment to the shareholders with an expectation that the firm can earn higher revenues by investing in other projects with a thought in their mind that investors will get more returns in the form of capital gains within few years. Thus, financial managers try to skip dividends sometimes.

The market price of the company's common shares, which in turn depends on the company's investment, financing, and dividend decisions, serves as a proxy for the wealth of its shareholders. The management of any company makes a variety of decisions to further the organization's objectives and enhance overall performance. One of these important choices is the dividend choice. Dividend decisions are seen as being of utmost significance in the current situation because of the huge expansion in the function of finance in the firm's growth.

A company's dividend policy is a reliable source of information for stakeholders such as managers, lenders, and investors. Different parties are affected differently by a company's dividend policy. Dividends serve as a regular source of revenue for investors as well as a vital window into the company's expansion. The flexibility of managers in making investment-related decisions is also influenced by the dividend payments they make to shareholders.

2. Review of literature

Kanwal and Kapoor (2008) studied the factors affecting dividend payout decision of Indian Information Technology Sector. The study revealed that the dividend payments to shareholders still remain constant even with increasing earnings per share. It had also been found that past growth rate of revenue, estimated future earnings, number and type of shareholders that a firm had played a significant role in declaring dividends to the shareholders. Gupta and Banga (2010) said that a company's choice to declare a dividend is the result of many factors. Depending on the period and the sector, these factors change. Using a two-step multivariate technique, the study revisited a number of factors that affect a firm's decision to declare dividends. Multiple regression was then undertaken on those components after performing a factor analysis on the data to separate out important factors from other variables. Leverage, liquidity, profitability, expansion, and ownership structure were the key elements, according to the results of the factor analysis. Rani and Sarathi (2013) investigated the determinants of dividends with special reference to Indian pharmaceutical companies. In order to achieve the said objective, the secondary data had been used from 2002-2011. Some companies' scored higher annual compound growth rate and some scored negative annual compound growth rate. It did not mean that companies with negative annual compound growth rate had loss in per share earnings and higher annual compound growth rate means that firms are playing very well. The analysis was done through using annual compound growth rate of selected pharmaceutical companies. The study revealed that factors of dividend affect the profitability of various pharmaceutical companies taken into consideration. Azhagaiah and Gejalakshmi (2014) did a study with a purpose to analyze the determinants of dividend policy of IT sector in context to India. The study was performed on 20 firms listed at national stock exchange (NSE) out of 84 companies. In order to accomplish the said purpose several determinants that effect dividend policy pay-out ratio, debt equity ratio, cash from operations, corporate tax and earnings per share were taken into consideration. The empirical study depicted that price earnings ratio and debt

equity ratio has a significant impact on earnings per share and it works as a good representative of dividend decision making in IT industry. Devanadhen and Karthik (2015) studied the determinants of dividend policy in Indian public and private banks. The factors that influencing dividend policy of Indian commercial banks were investigated by using fixed effects method of panel regression, considering 19 public sector banks and 10 private sector banks during the period of 2007 to 2014. It was found that risk has positive impact on dividend payout policy that assures lower risk leads to low variations in cash flow and put an increase of dividend payout. The liquidity found to be negatively associated with dividend payment as liquidity is important for smooth banking activities. Fatehmian and Hooshyarzadeh (2016) did a study on the role of dividend policy determinants in multinational and domestic companies. The findings showed that there was significant difference in dividend policy of both multinational and domestic companies. The study revealed that multinational companies distributed more profit as compare to domestic firms. Moreover, the results suggested that in case of domestic companies, leverage and profitability were the significant determinants and dividend policy. But in case of multinational firms, in addition to these variables, there was significant impact of force cash flows and sales growth on the dividend policy. Kannadhasan (2017) using panel data examined the factors influencing the dividend policies of Indian manufacturing enterprises. The study examined the factors influencing the dividend policies of Indian manufacturing enterprises. The findings depicted that the dividend policy of the firm was determined by financial leverage, profitability, and firm size. In the short term, the dividend policy was impacted by the company's growth. Banerjee (2017) propagated determinants of dividend policy with special reference to information technology companies in India. The sample of top 30 companies on the basis of market capitalization was taken into consideration. The study revealed that firms having higher PE ratio were high growth firms so in turn had lower dividend pay-out ratio because these firms spend more of their funds in expanding their business.

Brahmaiah and Srinivason (2018) studied the determinants of firms' dividend decision making by applying methodology of dynamic panel data analysis. This empirical study revealed that profitability, Liquidity, Size of the firm, risk and inflation have negative and significant impact on dividend policy of the studied firms. The study suggested that the corporate managers can take into consideration these factors at the time of formulation of required dividend policy for shareholders. Sumathy and Rajsekaran (2021) analyzed the factors that influence dividend payout of Indian automobile firms. The study's findings showed that the dividend policy was substantially influenced by the factors of liquidity, size, price earnings, retained profits, profitability, and previous year dividend. Katakwar et al (2021) assessed the factors that affect NSE's Nifty 50 dividend policy. For the fiscal years 2015–16 to 2019–2020, this study examined the effects of six fundamental variables on the dividend payout of NSE, Nifty 50 Index firms. These elements included risk, tax rate, firm size, return on equity, liquidity, and leverage.. The findings showed that risk and tax rate had a large negative influence on dividend payout, whereas return on equity had a considerable positive impact. The association between liquidity and dividend payout and the relationship between leverage and dividend payout, on the other hand, was positive and had zero relevance. The size of firm and dividend payout was found to be negatively correlated and insignificant.

Kaur and Malhotra (2022) studied the dividend policy of corporate sector of India represented by five industries. The five chosen industries are: IT, textile, automobile, FMCG and pharmaceutical. The dividend payout ratio was taken as the dependent variable and tangibility, growth, firm size, liquidity and risk were considered as independent variables. The results suggested that among the six independent variables considered in the research, leverage and tangibility have an inverse association with the dividend payout of the studied firms. The remaining four variables are positively correlated with the dividend payout of studied companies.

2.1 Research Gap

Research gaps exhibit the flaws of the available literature relating to the same study. The literature review in the field of current study helped in finding the gaps in the previous studies. These gaps are listed below:

- There are number of studies conducted relating to factors influencing dividend policy, but it has been discovered that there is no uniformity in the factors that affect dividend policy of Indian companies significantly.
- After reviewing the existing literature, it has been found that only study conducted by Labhane and Mahakud (2016) considered the tangibility of a firm as a determinant of dividend policy. The present study considered tangibility as an independent variable along with other variables.

2.2 Objectives of the study

The study has been carried out to achieve the following objective:

- To evaluate the factors affecting dividend decision making of textile and automobile companies in India.

3. Research methodology

The textile sector and automobile sector of Indian corporate sector has been chosen for the research study. These sectors of the economy play a significant role in the GDP of India. This is demonstrated by the fact that India has one of the largest automobile industries in the world, and the largest contributor to India's exports in terms of the textile industry.

To frame out the study sample, the companies from each sector have been chosen on the basis of market capitalization and regularity in dividend payout.

The fifteen companies each from both the sectors have been selected. The time span of the study is ten financial years, which is from the years 2012–13 to 2022–23.

The current study requires secondary data in order to accomplish its objectives. The money control website is used to gather the necessary data for the current study. Moreover, the annual reports of the companies have also been used wherever the need arises. Each individual (i) is observed in all time periods (t), thus creating a balanced panel.

3.1 Variables of the study

The variables of the study have been categorized in two parts namely; dependent variables and independent variables. The said variables along with their measurement are given below:

The following table presents the variables in a summarized form:

Table-1 Description and measurement of dividend payout determinants

Variable	Measurement	Symbols	Expected Relationship
Dividend payout ratio	DPS/EPS	DPR	Dependent variable
Liquidity	Current ratio	LIQ	+ve
Leverage	Debt equity ratio	LEV	+ve
Risk	Price-earning ratio	RISK	-ve
Firm size	Total assets' natural log	FSZ	+ve
Tangibility	Net tangible assets	TAN	+ve
Growth	Net worth	GRW	-ve

Source: Author's Compilation

To fulfill the said objective, the random effect method of panel regression has been applied.

Before applying the panel regression, testing some assumptions is mandatory. These assumptions include multicollinearity, heteroskedasticity and autocorrelation. All the mentioned assumptions have been checked and concluded that the data set meets the assumptions of panel regression.

3.2 Hypothesis of the study

The following null hypotheses have been constructed to test in the current study:

Ho₁ - There is no significant relationship between Tangibility and Dividend Policy.

Ho₂ -There is no significant relationship between Leverage and Dividend Policy.

Ho₃ -There is no significant relationship between Liquidity and Dividend Policy.

Ho₄ -There is no significant relationship between Growth and Dividend Policy.

Ho₅ -There is no significant relationship between Firm Size and Dividend Policy.

H_{06} -There is no significant relationship between Risk and Dividend Policy.

4. Data Analysis and Interpretation

The method has been applied sector wise and interpretation of the same is given below:

➤ Textile Industry

Table-2 Unit Root Test of Textile Industry

Variables	Levin, Lin & Chu			ADF Test		
	Statistics	Prob.	Obs.	Statistics	Prob.	Obs.
DPR	-10.67	0.00	750	-4.78	0.04	750
TAN	-3.07	0.02	750	-3.73	0.00	750
LEV	-6.45	0.00	750	-4.82	0.02	750
LIQ	-3.89	0.03	750	-3.87	0.01	750
GRW	-4.45	0.03	750	-5.91	0.00	750
FSZ	-5.49	0.00	750	-6.29	0.00	750
RISK	-6.72	0.01	375	-2.93	0.02	375

Source: author's compilation

The table 2 displays the results of Levin, Lin & Chu and ADF (Augmented Dickey Fuller) test to find out the presence of stationarity in the series. The p-values are less than 0.05, rejecting the null hypothesis (the series has unit root), means that the series are non-stationary. The series are stationary at level, which should also be mentioned.

Table-3 Descriptive statistics of Textile Industry

Variable	N	Minimum	Maximum	Mean	Std. Dev.	C.V.
DPR	750	-12.83	108.33	23.181	1.477	0.063
TAN	750	109.27	6236.12	1877.0	79.43	0.042
LEV	750	0.000	69.653	1.646	0.09	0.054
LIQ	750	0.590	11.11	2.041	0.17	0.083
GRW	750	29.33	2966.9	743.74	605.45	0.814
FSZ	750	2.038	3.79	3.079	0.567	0.184
RISK	375	-8.1	245.26	24.78	4.546	0.183

Source: author's compilation.

The Table-3 exhibits the descriptive statistics of all the variables of textile industry. The study sample includes the fifteen firms from textile industry that are listed on S&P BSE Index. The results include mean, minimum, maximum, standard deviation and coefficient of variation values of the textile companies. The average dividend payout ratio is 23.18 indicates that average dividend payout ratio of textile firms of India is 23.18% with minimum and maximum values of -12.83 and 108.33 respectively. The negative DPR in this case indicates that the firm uses available cash to declare dividends in a year when it is experiencing losses and lacks the funds to pay out dividends. The standard deviation is 1.477 and coefficient of variations is 0.063. It is worth mentioning here that fluctuations in dividend payout ratio of textile companies is low which are represented by standard deviation and coefficient of variation values.

Table-4 Random Effect Method Results of Textile Industry

Model	Coefficient	Std. Error	t-stats	p-value
Const	53.68	2.341	141.39	0.041
TAN	0.834	0.042	0.421*	0.041

LEV	-0.427	1.892	-0.495	0.071		
LIQ	0.613	5.391	-0.195*	0.049	Rho	0.1219
GRW	-0.198	0.403	-0.783	0.063	Durbin Watson	1.294
FSZ	0.594	1.891	0.428	0.051	r-squared	0.8821
RISK	-0.089	0.478	-0.576*	0.039	f-statistics	0.003

Source: author's compilation

*Sig. at level of 0.05

The table 4 depicts the outcomes of the panel regression analysis of textile companies using the random effects method. The dividend payout ratio (DPR) is the dependent variable. The table displays the estimated coefficients for each independent variable (TAN, LEV, LIQ, GRW, FSZ, and RISK) along with their standard errors, t-statistics, and p-values. The coefficient estimates show, while holding other variables constant, the expected change in the dependent variable (DPR) associated with a one-unit change in the related independent variable.

TAN: The coefficient of tangibility (TAN) is 0.834 having p-value of (0.041) which is less than the significance level of 0.05. It conveys that firms' tangibility and dividend payout ratio has positive as well as significant relationship. It may be the reason that businesses with a lot of tangible assets can use those assets to secure debt from outside parties by using them as collateral. They can therefore pay a dividend to the stockholders using their retained earnings. In order to put it all together, we may conclude that companies are able to issue larger dividends when they have more tangible assets, and vice versa. Thus, the findings disprove the null hypothesis which says that there is no substantial relationship between tangibility and dividend payout

LEV: The leverage index value (LEV) is -0.427, having p-value more than 0.05 indicating an insignificant negative link between leverage and dividend payment ratio of textile companies. It shows that businesses with substantial borrowing commitments are unable to increase dividend payouts. However, companies with lower debt loads can manage to use their cash to provide dividends to their shareholders. Companies with higher levels of leverage are more likely to have dividend payout ratios that are lower. The findings indicate that there is no significant relationship between leverage and dividend payout ratio; hence, the null hypothesis is not rejected. The findings are similar to the studies conducted by Higgins (1972), Fama (1974), Gupta and Banga (2010) and Labhane and Mahakud (2016), Nathani and Gangil (2019) and Katakwar et al. (2021).

LIQ: The coefficient value of liquidity (LIQ) is positive i.e. 0.613 having p-value less than 0.05. It shows the positive as well as significant association between the liquidity position of firm and its dividend payout. The regression results imply that firms with good liquidity position tend to distribute more dividends as compare to companies having weak liquidity position. The firms with strong liquidity position have sufficient cash in their hand or bank to pay out dividends to their shareholders. The table exhibits that with one unit change in liquidity, the dividend payout ratio shall increase with 0.381 units. The relation comes out to be significant; hence the null hypothesis is rejected. The similar findings have been reported by Katakwar et al. (2021) and Sumathy and Rajasekaran (2021).

GRW: The index value of growth (GRW) is -0.198 along with p-value of more than 0.05 showing that the growth prospects of textile firms hav negative but non-significant association with the dependent variable i.e. DPR. Since the firms with high growth logically have higher investment expenditures, high growth companies need more capital than low growth companies. Due to the fact that these companies keep their profits in order to finance investments, we anticipate that they would adopt a policy of low dividend payout. In accordance with the agency hypothesis, low-growth companies should pay bigger dividends since they have higher retained earnings and fewer investment expenditures, which will cut agency costs between shareholders and managers. The null hypothesis is failed to reject since there is insignificant correlation between growth and dividend distribution. The findings are in line with the studies carried out by Labhane and Mahakud (2016) and Nathani and Gangil (2018).

FSZ: The value of firm size coefficient (FSZ) is 0.594 having p-value more than 0.05 confirming that there is non-significant but positive association is present between size of business and dividend distribution of Indian textile firms. It could be the cause of larger companies being able to use internal funds, such as retained earnings, because they have easy access to the capital markets. Because smaller businesses may only use retained income for

potential future growth, they often do not declare as many dividends as larger ones. The table displays that p-value is more than 0.05, signifies that null hypothesis fails to reject. The findings are similar to the studies of Labhane and Mahakud (2016), Nathani and Gangil (2019) and Sumathi and Rajasekaran (2021).

RISK: The risk coefficient (RISK) is -0.089, with a p-value less than 0.05 exhibiting a significant negative association between risk and dividend payout ratio. The risk is larger for dividend payout ratios that are lower. Because of their uncertain future, companies with fluctuating earnings may not be able to declare greater dividends. On the other hand, businesses with steady revenue are able to plan for the future and can pay dividends. Overall, it may be said that companies that face greater business risk pay lesser dividends, and vice versa. However, p-value conveys that there is significant association exists between risk and dividend payout, thus the null hypothesis is rejected. The similar result has been reported by Labhane and Mahakud (2016) and Katakwar (2021).

The findings reveal that the value of panel regression model's R-squared is 0.8821 means that 75.93% of fluctuation in the dependent variable i.e. dividend payout ratio is explained by the studied independent variables. The value of F-statistics comes out to be 0.0003 implies that the applied model is significant. There is no problem of autocorrelation exists as the value of Durbin –Watson is in range. The individual effect on dependent variable is 0.1219 which is explained through Rho-value.

➤ Automobile Industry

Table-5 Unit Root Test of Automobile Industry

Variables	Levin, Lin & Chu			ADF Test		
	Statistics	Prob.	Obs.	Statistics	Prob.	Obs.
DPR	-9.58	0.04	750	-3.89	0.00	750
TAN	-4.92	0.01	750	-4.72	0.03	750
LEV	-6.37	0.00	750	-5.92	0.01	750
LIQ	-4.79	0.02	750	-4.82	0.00	750
GRW	-5.67	0.00	750	-4.94	0.04	750
FSZ	-4.84	0.03	750	-5.62	0.02	750
RISK	-7.39	0.02	375	-3.93	0.01	375

Source: author's compilation.

The table 5 depicts the outcome of Levin, Lin & Chu and ADF (Augmented Dickey Fuller) test to ascertain the existence of stationary in the series. The p-values are less than 0.05, rejecting the null hypothesis (the series has unit root), means that the series are non-stationary. In addition, it is important to mention here that the series are stationary at 1st difference.

Table-6 Descriptive Statistics of Automobile Industry

Variable	N	Minimum	Maximum	Mean	Std. Dev.	C.V.
DPR	750	0.00	143.94	25.86	20.35	0.786
TAN	750	112.28	1,63,246	17603	27423.8	1.556
LEV	750	0.0000	2.2242	0.5239	0.48	0.916
LIQ	750	0.5123	6.0000	1.6988	0.89	0.523
GRW	750	23.400	48,437	751.56	0.67	0.089
FSZ	750	2.0503	5.2227	3.8619	0.74	0.191
RISK	375	-24.78	86.43	39.427	35.14	0.894

Source: author's compilation.

The table 4.5 presents the summary statistics of all the variables of automobile sector. The total of fifteen automobile firms considered in the sample. The results include mean, minimum, maximum, standard deviation and coefficient of variation values of the collected data of Pharmaceutical sector. The average DPR is 25.86 implies that average dividend payout ratio of pharmaceutical firms of India is 25.86% with minimum and maximum values of 0.00 and 143.94 respectively. The standard deviation is 20.35 and coefficient of variations is

0.786. it can be concluded that there are high fluctuations in dividend payout ratio of Indian automobile industry. The value of CV shows 78.6% variation in the dividend payout during the study period i.e. 2010-11 to 2019-20. Similarly, the table shows these values of all other variables taken into study.

Table-7 Random Effect Method Results of Automobile Industry

Model	Coefficient	Std. Error	t-stats	p-value		
Const	69.04	3.671	125.93	0.041		
TAN	0.694	0.025	0.567*	0.036		
LEV	-0.478	1.742	-0.593*	0.048		
LIQ	0.984	4.891	0.189*	0.039	Rho	0.212
GRW	-0.743	0.392	-0.894*	0.027	Durbin Watson	1.783
FSZ	-0.589	2.835	-0.643	0.095	r-squared	0.863
RISK	-0.073	0.382	-0.762	0.052	f-statistics	0.006

Source: author's compilation

*Sig. at level of 0.05

The table 7 discloses the results of the panel regression analysis of Indian automobile companies making use of random effects method. The dependent variable is the dividend payout ratio (DPR). The above table includes the estimated coefficients for each independent variable (TAN, LEV, LIQ, GRW, FSZ, and RISK) along with their standard errors, t-statistics, and p-values. The coefficient estimates show, while holding other variables constant, the expected change in the dependent variable (DPR) associated with a one-unit change in the related independent variable.

TAN: The coefficient of tangibility (TAN) is 0.694 having p-value of (0.036) which is less than the significance level of 0.05. It means that firms' tangibility and dividend payout ratio has positive and significant relationship. It can be the reason for companies with a lot of tangible assets might utilize such assets as collateral to secure debt from third parties. Thus, they can use their retained earnings to pay a dividend to the stockholders. All things considered, we may draw the conclusion that businesses can pay out more dividends when they have more tangible assets, and vice versa. The results refute the null hypothesis, according to which there exists no significant connection between tangibility and dividend payout.

LEV: The leverage coefficient (LEV) is -0.478, with a p-value less than 0.05 indicating a significant negative link between leverage and dividend payment ratio. It implies that corporations with significant debt obligations are unable to declare higher dividends. However, businesses with lesser burden of debt can afford to use their cash to pay dividends to their shareholders. Companies with higher leverage tend to declare lower dividends and vice-versa. The results show that the null hypothesis is rejected. The findings are similar to the studies conducted by Higgins (1972), Fama (1974), Gupta and Banga (2010), Labhane and Mahakud (2016), Nathani and Gangil (2019) and Katakwar et al. (2021).

LIQ: The coefficient value of liquidity (LIQ) is positive i.e. 0.984 having p-value less than 0.05. It demonstrates the significant and positive correlation between a company's liquidity condition and its dividend distribution. According to the regression's findings, businesses with strong liquidity tend to pay out more dividends than those with insufficient liquidity. The table shows that the dividend payment ratio will rise by 0.984 units for every unit change in liquidity. The relationship turns out to be meaningful; hence the null hypothesis is disproved. The similar findings have been reported by Katakwar et al. (2021) and Sumathi and Rajasekaran (2021). But the current findings contradict the studies initiated by Devanadhen and Karthik (2015) and Brahmaiah and Srinivasan (2018).

GRW: The index value of growth (GRW) is -0.743 along with p-value of less than 0.05 showing that the growth prospects of automobile firms is inversely and significantly linked to the dividend payout ratio. According to the pecking order concept, businesses with superior growth prospects fund their investment needs internally. As a result, these companies either avoid paying dividends or pay low dividends. Thus, the growth opportunities and dividend distribution are inversely related to each other. The null hypothesis is rejected since there is a significant correlation between growth and dividend distribution. The similar findings have reported by the studies of Fama and French (2001), Malkawi (2007).

FSZ: The coefficient value of firms size (FSZ) is -0.589 having p-value more than 0.05 demonstrating that there is non-significant and negative association is present between size of business and dividend distribution. It might be the reason that firms that are bigger in size have more future projects to invest in. Sometimes, the firms avoid getting a burden of external financing and preferring to use their retained earnings for growth. Therefore, these companies typically declare lower dividends. On the contrary, smaller companies having less investment opportunities available can use their earnings to distribute dividends to the shareholders. The end result is that the firm size of automobile firms is negatively related to dividend payout. The relation is non-significant confirming the null hypothesis fails to reject. The findings are in line with the studies carried out by Labhane and Mahakud (2016) and Nathani and Gangil (2018).

RISK: The risk coefficient (RISK) is -0.073, with a p-value more than 0.05 exhibiting a insignificant negative association between risk and dividend payout ratio. Lesser dividend payout ratios are associated to higher risk. The firms with high variations in revenues might not be able to declare higher dividends because of their future uncertainty. On the other side, companies with regular income are able to forecast their future and can distribute dividends. Overall, it can be concluded that firms with higher business risk pay out smaller dividends and vice-versa. The results convey that the said relationship is insignificant meaning thereby we fail to reject null hypothesis. The findings of the present study are in line with the Nathani and Gangil (2018) and Katakwar (2021).

The findings reveal that the value of panel regression model's R-squared is 0.863 means that 86.3% of volatility in the dependent variable i.e. dividend payout ratio is due to the studied independent variables. The value of F-statistics is 0.0006 implies that the applied model is significant. There is no problem of autocorrelation exists as the value of Durbin –Watson is in acceptance range. The individual effect on dependent variable is 0.212 which is explained through Rho-value.

5. Findings of the study

(i) Factors determining dividend policy

The determinants that determine dividend policy such as tangibility, liquidity, leverage, growth, firm size and risk were studied sector wise. The findings of the study are as follows:

➤ Textile Sector

- The regression model has exhibited that the independent variable tangibility and dividend payout are positively correlated. It reveals that textile companies having plenty of tangible assets utilize them to offer as collateral for securing debt from the external parties such as banks and financial institutions. The p-value lowers than the significance level implies that tangibility and DPR are significantly associated. Therefore, the null hypothesis has rejected.
- The independent variable i.e. leverage in the regression model is inversely associated to the dividend payout ratio. It indicates that textile firms having significant borrowings cannot afford to declare more dividends; whereas textile firms with lower repayment obligations are likely to distribute higher dividends. The p-value more than the level of significance conveys that there is substantial relationship exists between leverage and DPR, so the null hypothesis has failed to reject.
- The outcome of random effect model has exhibited that liquidity position of textile firms and their DPR are positively connected to each other. It signifies that textile companies with plenty of liquid assets have ability to disburse more of its funds in the form of dividends as compare to firms with weakened liquidity position. As the relation has come out to be significant, thus null hypothesis is disproved.
- The regression model outcome indicates that growth prospects of textile companies has negative link to the dividend payout ratio. It happens because of the reason that high growth firms always have higher expenses on investments. As a consequence, they require more funds to finance their investment projects and not able to declare higher dividends. But firms with lesser growth opportunities have plenty of retained earnings as they do not have promising future projects and can afford to declare good amount of dividends to their shareholders. The p-value is more than the significance level indicates the failure to reject the null hypothesis.
- The regression model has shown that the firm size and DPR had positive association between them. It indicates that textile companies that are bigger in size have easy access to the capital market to acquire finance. The bigger firms can distribute higher dividends to their shareholders. On the other side, smaller size firms have retained earnings to invest as well as for dividend distribution. They are not in a position to declare as much

dividends. The relationship between the both turned out to be insignificant, thus null hypothesis could not be rejected.

- As per the regression model, the relationship between risk and DPR of textile firms has come out to be negative. It conveys that riskier firms tend to declare lower dividends to their shareholders. Due to the uncertainty of future, the riskier firms are not likely to declare more dividends. Just the opposite, the firms with lower risk and constant earnings are likely to distribute more dividends.

The R-squared value according to the model has confirmed that almost 88.2% of volatility in the dividend payout is attributable to the studied independent variables.

Thus the decisions relating to declaration of dividend in the textile companies significantly impacted by the tangibility, leverage, liquidity and risk. These decisions are positively associated to the tangibility, liquidity and firm size whereas leverage, growth and risk inversely affect the dividend policy of Indian textile companies.

➤ **Automobile Sector**

- The outcome of the regression model has been presented that tangibility and DPR are positively related to each other. It reveals that automobile companies with a lot of tangible assets were able to use them in order to secure debt of third parties. So, they are able to distribute more dividends utilizing their retained earnings; whereas firms with fewer tangible assets are unable to declare higher dividends. The p-value less than the level of acceptance indicated to disprove the null hypothesis.

- As per the findings of regression model, there is a negative association between leverage and DPR of the studied automobile firms. It signals that automobile corporations with more debt obligations are not in a condition to utilize their retained earnings as dividend distribution. However, firms with lower repayment obligations, tend to declare good amount of dividends. The p-value is less than the significance level confirming the rejection of null hypothesis.

- The result of random effect model has depicted that liquidity and DPR of automobile firms are favorably associated to each other. It implies that automobile firms with strong liquidity position have declared more dividends during the study period as compare to those having insufficient liquid assets. As per the p-value, the said relationship is meaningful, so the null hypothesis is disproved.

- The growth of automobile firms and DPR is inversely related as presented by the regression model. The pecking order theory says that firms with future growth prospects utilize their internal funds to invest in. As a result, this kind of companies either to avoid paying dividends or declares fewer amounts of dividends. Quite the opposite, firms with lesser number of growth opportunities tend to declare higher dividends. The p-value less than the significance level signify that the null hypothesis is rejected.

- According to the result of regression model, the association between the independent variable firm size and dividend payout is inverse association. The reason behind this association might be that automobile firms which are bigger in size have numerous future projects to invest in. therefore, these types of firms usually prefer to declare lower dividends. However, small size firms having less opportunities available can afford to declare higher dividends. The p-value shows that the relationship between both the variables is insignificant, thus the null hypothesis has failed to reject.

- The outcome of random effect model has exhibited that risk and DPR of automobile firms is negative which implies that highly riskier firms with fluctuations in their revenues might not be able to declare higher dividends. In contrast, the firms with regular income and lower riskier investments are able to declare higher dividends. The p-value is more than the level of acceptance; thus the null hypothesis is fails to reject.

The overall findings suggested that about 86.3% (R-squared value) of fluctuations in the dividend payout ratio are owing to the independent variables that are considered in the present study.

As per the study results, it can be said that the Indian automobile firms' dividend policy is significantly impacted by their tangibility, liquidity and growth. The positive association has been found between the independent variables namely; tangibility, leverage and liquidity of textile companies and dependent variable namely; dividend payout ratio. On the other hand, the dividend policy of these companies negatively influenced by the leverage, growth, firm size and risk.

6. Conclusion

Dividend policy is still a contested issue in finance, with scholars constantly investigating the elements that influence it. Prior studies produced inconclusive results and frequently concentrated on a few businesses. This

study strives to overcome these constraints by thoroughly analyzing the dividend behavior of key Indian industries.

The results reported that across the sectors considered in the present study, the dividend policy of automobile industry significantly influenced through tangibility, leverage, growth and risk. The dividend payout of textile industry is determined through tangibility, growth and risk. The average dividend payout ratio of textile industry is the highest as compared automobile sector. The findings provide the investors an insight to choose the sector before the investment as per the expectations and requirements. If an investor wants a regular income, then the investment should be made in the textile firms. Just the opposite, if the investor prefers capital gains rather than receiving regular dividends, the alternative automobile companies.

7. Scope for future research

The research study has been attempted to be as comprehensive as possible. However, there may be more work done in this field:

- The present study considered the companies registered on S&P BSE Index for the time span of ten years. The further research may be carried out considering more indexes and longer time period.
- In order to draw out the results, only financial factors have included. The future researcher may study non –financial determinants like firm's policies, management behaviour and shareholders' perception etc. These parameters may have different impact on the dividend payout decision of a firm.
- The present study included fifteen firms from five major sectors of India. The future researcher can choose more firms as well as sectors to explore more possible outcomes.
- After the liberalisation of the Indian economy, a large number of multinational corporations have started operating in India. Therefore, it would be worthwhile to compare the dividend policies of Indian companies with those of multinational companies operating in India.

Author's Contribution: This is the original work carried own by the author.

Conflict of interest: The author declares that he has no conflict of interest.

Funding Acknowledgement: The author makes it clear that no funding has been received to carry out the current study.

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