



Factors Influencing Dividend Payout in Select Cement Companies in India

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Abstract: Companies that are able to distribute dividends to shareholders are considered to have good performance because it is assumed able to record profits and pay attention to the investors. However, management often has difficulty in making decisions related to dividends. To study the factors influencing the dividend payout nine cement companies are involved. The analysis purpose the data of the study can be collected from capitalline database for 10 years. The correlation and regression analysis are used to analysis the data. Finally the study reveals that high payment of dividend must increase the company's growth in positive manner.

Keywords: Dividend Payout, Return on Asset, Return on Equity, Current Ratio.

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1. Introduction

Financial Statement of the company provides the information to the management and the shareholders. The management and the shareholders of the company highly concentrate the how much profit discloses by the financial statement. The company's profit separated in to two parts. One is dividend and second one is retained earnings. Companies that are able to distribute dividends to shareholders are considered to have good performance because it is assumed able to record profits and pay attention to the investors. However, management often has difficulty in making decisions related to dividends. This is because investors prefer dividends to be distributed, but on the other hand management is more interested in using those profits to increase capital for future investment financing. Dividend policy is considered at the very core of corporate finance. The shareholders of the company very much interested to earn dividend in high extreme. The firm's dividend policy includes two basic components. First, the dividend payout ratio indicates the amount of dividends pay relative to the company's earnings. The

second component is the stability of the dividends over time. The cement industry is second largest in the world. Cement production reached 329 million tonnes (MT) in the financial year 2020. India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. The Indian cement industry has attracted huge investments, both from Indian as well as foreign investors.

2. Statement of the Problem

The financial manager of the company to take decision about dividend for after seeing the financial statement. Normally, dividends are distributed out of profits; the otherwise to the payment of dividends is the retention of earnings/profits. There is inverse relationship exist between retained earnings and dividends. India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent initiatives, such as development of 98 smart cities, are expected to provide a major boost to the sector. Dividend decision of the firm is a crucial area to the financial manager. Normally, dividends are distributed out of profits; the alternative to the payment of dividends is the retention of earnings/profits. There is inverse relationship exist between retained earnings and cash dividends: larger retention, lesser dividends; smaller retentions, larger dividends. Thus the alternative uses of the net earnings-are competitive and conflicting. In this background it is essential to know, do the companies maintain stable dividend payout? What are the trends in dividend payout?

3. Review of Literature

Syed Zulfiqar, Ali shah, Hui Yuan (2010) in their article titled “Earnings Managements and Dividend Policy – an empirical comparison between Pakistani listed companies and Chinese listed companies. The study concludes that the big companies announce more dividends in Pakistan while small companies announce more dividends in China. **Omodero and Amah, (2017)**, in their study states that dividend policy and its impact on shareholders wealth with the sample of two brewery companies which is situated in Nigeria. In this study inferred that earning per share and net asset per share shows a positive impact on shareholders wealth and dividend per share shows no impact on shareholders wealth. **Ritu and Navita, (2018)**, in their study analysis that determinants of divided policy in FMGC Sector in India in the sample of 11 companies listed in NSE. There are nine variables are involved in the study and the factor analysis concluded that profitability, firm size, liquidity, growth and market value are the major

factor to determine the dividend policy. **H S Lestari, (2018)**, in her study examines that, determinants of dividend policy in Indonesia with the sample of 32 manufacturing companies. The study concluded that cash flow, earnings, previous year dividend have significant relationship between the dividend policy. The study find that the financial manager improve the corporate profit and to making decision about return on investment. **Sumathy N and Rajaesekaran D (2019)** in their study entitled that “Determinants of Dividend Policy in Indian Automobile Industry”. The study discloses that, the liquidity, size, price earnings, retained earnings, profitability and previous year dividend significantly influence the dividend policy.

4. Objectives of the Study

The study based on the following objectives

1. To find the nature of relationship between dividend payout and other variables of Indian cement industry.
2. To find out the factors influencing the dividend payout in Indian cement industry

5. Methodology

This study has been carried out with Secondary data with sample of Nine companies from Cement industry. The select companies are following based on the availability of data. The data collected from CAPITALINE database for 10 years from the period 2009- 10 to 2018-19. Statistical tools like Correlation and Multiple regressions were used to analyze the data. This data using with SPSS 20.0 for analyses the data.

Nature of relationship between select variables and Current year Dividend payout ratio -

Correlation Analysis

Variables Companies	ROA	ROE	CR	SIZE	DEBT
Ultra tech Cement	-0.719*	-0.666*	0.118	-0.792**	0.531
Ambuja Cement	-0.771**	-0.765**	0.280	-0.778**	0.061
ACC	0.029	0.037	-0.522	0.075	0.505
Shree Cement	-0.847**	-0.891**	-0.075	-0.488	-0.112
OCL India cement	0.291	0.428	0.789**	0.165	0.256
Prism Cement	-0.683*	-0.739*	-0.084	0.029	-0.066
Birla Corporation	-0.851**	-0.884**	0.667*	-0.507	0.327
J.K Cement	-0.016	-0.049	-0.113	-0.447	-0.338

Ramco Cement	0.200	-0.371	-0.260	-0.733*	-0.473
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From the above table reveals that there exists a negative relationship between DPR and ROA in Ultratech, Ambuja, Shree, Prism and Brila companies. The values of Ultratech and Prism are significant at one per cent level whereas the values of Ambuja, Shree and Brila companies are significant at one per cent level as well as five percent level. There exists a negative association between DPR and ROE in Ultratech, Ambuja, Shree, Prism and Brila companies. The values of Ultratech and Prism are significant at one per cent level whereas the values of Ambuja, Shree and Brila companies are significant at one per cent level as well as five percent level. There exists a positive association between DPR and CR in OCL and Brila Company. The values of OCL are significant at one per cent level and five per cent level whereas Brila is are significant at one per cent level only. There exists a negative association between DPR and Size in Ultratech, Ambuja and Ramco and the values of Ultratech, Ambuja are significant at one percent level and as well as five per cent level whereas Ramco is significant at one per cent level. There exists a no association between DPR and Debt.

**Determinants of current year Dividend payout ratio in Cement industry –
Multiple Regression Analysis**

Company \ Variables	ROA	ROE	CR	SIZE	DEBT	R ²
Ultra tech Cement	764.01 (1.136)**	-5.80 (-1.43)**	-7.26 (-0.468)	-19.73 (-3.594)	112.08 (1.13)**	0.27
Ambuja Cement	-763.37 (-1.42)**	3.35 (2.65)**	10.23 (1.44)**	-9.77 (-2.60)**	-253.98 (-1.54)**	0.87
ACC	4732.05 (1.52)**	-22.52 (-1.44)**	-151.87 (-2.90)**	-167.23 (-2.84)**	273.32 (1.31)**	0.79
Shree Cement	-334.53 (-1.95)**	-0.197 (-0.195)	-14.85 (-2.94)**	1.49 (0.18)	9.30 (0.25)	0.96

OCL India cement	306.23 (1.01)**	-1.53 (-0.28)	370.83 (1.68)**	-112.16 (-0.49)	99.15 (0.58)	0.70
Prism Cement	2411.68 (1.74)**	-14.58 (-2.43)**	-106.29 (-1.86)**	6.85 (1.11)**	149.80 (2.81)**	0.98
Birla Corporation	129.77 (0.18)	-2.05 (-0.60)	15.65 (1.77)**	13.33 (1.60)**	-0.81 (-.0.01)	0.89
J.K Cement	1459.26 (0.46)	-8.85 (-0.44)	-8.99 (-0.15)	-37.20 (-0.53)	36.07 (0.06)	0.27
Ramco Cement	275.90 (0.81)	-1.10 (-0.71)	-3.17 (-0.45)	-14.70 (-1.38)**	78.28 (1.42)**	0.77

** Significant at One per cent level (two tailed)

Figures in parenthesis are 't' value

d.f = 4

The result of regression analysis are consolidated for select companies and in The Table 2 five variables introduced, three variables are found to be significantly influenced current year dividend payout ratio namely, Return on Asset (ROA), Return on Equity (ROE), Current Ratio (CR), Size of the company and Debt. Only these variables are explained in the paragraph below:

DPR and ROA

The regression co-efficient indicates that ROA is influenced the current year dividend payout ratio. This impact found to be positively significant at one per cent level namely Ultra tech Cement, ACC, OCL India and Prism Cement and all other companies namely Ambuja cement and Shree cement are negatively influenced the current year dividend payout.

DPR and ROE

The regression co-efficient indicates that ROE is influenced the current year dividend payout ratio. This impact found that Ambuja Corporation alone positively influenced the current year dividend payout ratio in one per cent level whereas Ultra tech, ACC and prism cement are negatively influenced the current year dividend payout ratio.

DPR and CR

The regression co-efficient indicates that ROE is influenced the current year dividend payout ratio. This impact found that Ambuja Corporation, OCL India cement and Birla Cement are

positively influenced the current year payout ratio in one per cent level whereas ACC, Shree cement and Prism Cement are negatively influenced the current year dividend payout.

DPR and SIZE

The regression co-efficient indicates that size of the company is influenced the current year dividend payout ratio. This impact found that Prism Cement and Birla Corporation are positively influenced the current year payout ratio in one per cent level whereas Ambuja Cement ACC and Ramco cement are negatively influenced the current year dividend payout.

DPR and DEBT

The regression co-efficient indicates that debt of the company is influenced the current year dividend payout ratio. This impact found that Ultra tech cement, ACC, Prism cement and Ramco Cement are positively influenced the current year payout ratio in one per cent level whereas Ambuja cement alone is found to be negatively influenced the current year dividend payout.

6. Findings of the Study

The present study has been carried out to find the nature of relationship of select variables with current year dividend payout ratio. The following results have been found with the use of Correlation and Multiple regression analysis. The return on Assets of cement companies like Ultra tech, ACC and OCL are positively influenced the Dividend Payout. The Return on equity of Ambuja cement is positively influenced the dividend payout. The current ratio of Ambuja cement, OCL and Birla are positively influenced the dividend payout. The Size of the Prism and Birla are positively influenced the dividend payout. The Debt position of the Ultra Tech ACC, Prism and Ramco are positively influenced the dividend payout.

7. Conclusion

The result of the study discloses that the comprehensive and analysis the factor influencing dividend payout with nine cement companies. The company makes new investment to concentrate return on earning at the same time payment of dividend and it must attract the new investor of our company. The larger companies are paying high dividend compare to small company. The high payment of dividend would increase the company's performance in positive way.

8. Abbreviation

ROA - Return on Asset
ROE - Return on Equity

- CR - Current Ratio,
SIZE - Size of the company
DEBT - Debt of the Company

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