IMPACT OF VARIOUS OWNERSHIP GROUPS ON DIVIDEND PAYOUT POLICIES – A STUDY WITH SPECIAL REFERENCE TO THE SELECT INDIAN CORPORATE FIRMS

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Abstract
Dividend is an important part of investment and dividend decision of the firm is yet another crucial area of financial management. The important aspect of dividend policy is to determine the amount of earnings to be distributed to share holders and the amount to be retained in the firm. The Ownership structures of Indian Corporate Firms are characterized by large shareholders, like other emerging market economies. Majority control gives the largest shareholder incentives and control over key decisions, like dividend payout. The dominance of large shareholders may affect the dividend payout in several ways. In these aspects, the present study has been taken into account to investigate whether any systematic relationship exists between dividend choices of firms in India and their ownership characteristics with special reference to select Indian Corporate firms for a period of 10 years from 2006 to 2015. Linear multiple regression analysis was performed to test the impact of ownership groups on dividend payout ratio.

Key Words: Dividend Payout ratio, Debt – Equity Ratio and Ownership Groups.

Introduction
Dividend payout policy is considered as one of the most important policies in the corporate policies. Dividend policy is an influential control vehicle to reduce the conflicting interests of the shareholders and managers because shareholders are interested in getting dividends, but managers prefer to retain earnings in order to maintain higher control over the resources. Corporate governance received huge attention as it deals with the agency problems. Dividend policy will not only assist in reducing the agency cost but will also act as a signal to give information to the shareholders about the firm's valuation. The dividend payout can be influenced by the firm ownership structures. The ownership structure plays an important role in the corporate dividend policy, while minimizing the agency cost is associated with the agency issue. Dividend is used as a disciplining device to control the opportunistic behavior of the manager by reducing the available free cash flow that can be expropriate or utilized for uneconomic projects. In this context, the present study investigates the relationship of the dividend policy with the institutional ownership, managerial ownership and the concentrated institutional ownership of select Indian Corporate firms.

Statement of the Problem
Dividend policy is said to be one of the pivotal components of firm policies and has been viewed as an interesting issue in the literature. Dividend policy is one of the companies' decisions that are found to be influenced by ownership structure. Dividends can be used to mitigate agency problems in a company, thus substitute large ownership as monitoring tools. On the other hand, large shareholders could use their power to expropriate corporate resources for their own private consumption. This could limit the dividend payments of companies that are associated with severe agency conflicts. In view of this argument, the study analysed the relationship between various ownership groups and dividend payout policies of select Indian corporate firms.

Review of Literature
Hamid Ullah et al. (2012) investigated the determinants of the corporate dividend policy in the context of agency relation. The analysis of the study was based on the random sample of seventy firms from Karachi Stock Exchange KSE-100 index for a period of eight years ranging from 2003 to 2010. The study used Step wise multiple regression to investigate for the relationship of ownership variables with the dividend payouts. The empirical results found that there had the negative relationship between the dividend payouts and managerial share ownership and thus these are alternative tools that can be used to minimize the agency problem. Further, more managerial share ownership has explanatory power of 18%, while the institutional ownership has explanatory power of 23.3%. Therefore, it can be concluded that the incremental effect of the institutional ownership in the model has about 5% while that of the foreign ownership contribute about 1.9% with the total model explanatory power of 25.2%.

Amitava Roy (2015) investigated the association between the firm's ownership structure and dividend policy and the impact of corporate governance practices adopted by the firm on dividend policy. The use of debt by firms in their capital structure

acts as an additional monitoring mechanism and the study proposed to analyse the impact of capital structure on dividend policy. The study also explored the determinants of dividend policy of Indian firms. Thus, firms' characteristics which seem to have an impact on dividend policy like profitability, liquidity, growth, income volatility, size and age were investigated. The study used a panel of 51 top Indian listed firms, in terms of market capitalization (BSE 100 and NIFTY 100), over the 5-year period from 2007–2008 to 2011–2012. The study concluded that the corporate governance variables namely board size, independent directors and the proportion of non-executive directors on the board had significant impact on the dividend policy of the firm. The proportion of cash and cash equivalent to total asset, used as a measure of firm liquidity, also had an influence on the dividend policy and growth opportunities had a positive influence on the dividend policy of firms.

Objective of the Study
- To investigate relationship between various ownership groups and dividend payout policies among the selected Indian Corporate firms.

Hypothesis
H_o: There is no significant relationship between shareholding pattern and dividend payout ratio among selected automobile, cement, drugs, steel and textile industries.

Research Methodology
In the present study, an attempt has been made to analyse the relationship between various ownership groups and dividend payout policies of select Indian Corporate firms for a period of ten years from 2006 to 2015. The study is primarily based on secondary data which are collected from PROWESS database of Centre for Monitoring Indian Economy (CMIE). The sample for the study has been chosen from the list of companies listed in National Stock Exchange (NSE) & Bombay Stock Exchange (BSE)**.** The study considers 5 manufacturing sectors with 5 companies each, which are paying dividend continuously for the past 10 years. Accordingly, 25 companies of Automobile, Cement, Drugs, Steel and Textile constitute the sample set for the study. Linear multiple regression analysis was performed to test the impact of ownership groups on dividend payout ratio.

Limitations of the Study
1. The present study is confined to twenty five companies for a period of ten years only.
2. The present study is based on the sample drawn from the list of companies listed in National Stock Exchange and Bombay Stock Exchange only.
3. For the present study, the required data of the sample companies is collected from "PROWESS Data Base". Hence, the reliability of data is based on the accuracy of data in "PROWESS Data Base".

Data Analysis
To assess the effect of independent variables on Dividend Payout Ratio of selected automobile, cement, drugs, steel and textile companies, regression analysis is performed. The regression model considers four variables (Promoters, Institutions, Corporate and Debt – Equity Ratio) as independent variables and Dividend Payout Ratio as the dependent variable.

The Table1 shows the impact of ownership groups and dividend payout ratio of select Automobile companies.

Table 1, Shareholding Pattern and Dividend Payout Ratio of Selected Automobile Companies – Regression Analysis

R	R^2	Adjusted R^2	F-value	p-value
.590[a]	0.350	0.290	6.022	.001[a]

a. Predictors: (Constant), DE Ratio, Promoters, Corporate, Institutional

Coefficients [a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t-value**	**p-value**
	B	**SE**	**Beta**		
(Constant)	66.096	70.780		0.934	0.355
Promoters	-0.914	0.789	-0.197	-1.158	0.253
Institutional	1.016	1.115	0.303	0.911	0.367
Corporate	-0.984	1.465	-0.187	-0.672	0.505
DE Ratio	6.097	10.409	0.081	0.586	0.561

a. Dependent Variable: DP Ratio

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It is found from Table 1 that value of R (0.590) is the multiple correlations co-efficient of dependent variable with the group of independent variables included in the study. It reveals that there exists a good correlation between dependent variable and set of independent variables. The R^2 value is 0.350 and expresses that 35% of the variation in dividend payout ratio is due to four independent variables. The calculated value of F (6.022) reveals that R^2 value (.350) is significant at 5% level.

The Table 2 shows the impact of ownership groups and dividend payout ratio of select Cement companies.

Table 2, Shareholding Pattern and Dividend Payout Ratio of Selected Cement Companies – Regression Analysis

R	R^2	Adjusted R^2	F-value	p-value
.648[a]	0.420	0.369	8.158	.000[a]

a. Predictors: (Constant), DE Ratio, Promoters, Corporate, Institutional

Coefficients [a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t-value**	**p-value**
	B	**SE**	**Beta**		
(Constant)	84.173	27.265		3.087	0.003
Promoters	-0.622	0.308	-0.631	-2.019	0.049
Institutional	-0.536	0.343	-0.529	-1.562	0.125
Corporate	-0.464	0.634	-0.114	-0.732	0.468
DE Ratio	-19.158	4.050	-0.573	-4.731	0.000

a. Dependent Variable: DP Ratio

It is inferred from Table 2 that value of R (0.648) is the multiple correlation co-efficient of dependent variable with the group of independent variables included in the study. It reveals that there exists a good correlation between dependent variable and set of independent variables. The R^2 value is 0.420 and expresses that 42% of the variation in dividend payout ratio is due to four independent variables. The calculated value of F (8.158) reveals that R^2 value (.420) is significant at 5% level.

The Table 3 shows the impact of ownership groups and dividend payout ratio of select Drugs companies.

Table 3, Shareholding Pattern and Dividend Payout Ratio of Selected Drugs Companies - Regression Analysis

R	R^2	Adjusted R^2	F-value	p-value
0.245[a]	0.060	0.024	0.716	0.585[a]

a. Predictors: (Constant), DE Ratio, Promoters, Corporate, Institutional

Coefficients [a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t-value**	**p-value**
	B	**SE**	**Beta**		
(Constant)	12.470	11.907		0.109	0.916
Promoters	0.333	1.385	0.079	0.240	0.811
Institutional	-0.434	1.800	-0.073	-0.241	0.811
Corporate	2.161	3.740	0.093	0.578	0.566
DE Ratio	-41.075	33.302	-0.207	-1.233	0.224

a. Dependent Variable: DP Ratio

It is observed from Table 3 that value of R (0.245) is the multiple correlation co-efficient of dependent variable with the group of independent variables included in the study. The R^2 value is 0.060 and expresses that 6% of the variation in dividend payout ratio is due to four independent variables. The calculated value of F (0.716) reveals that R^2 value (.060) is not significant at 5% level.

The Table 4 shows the impact of ownership groups and dividend payout ratio of select Steel companies.

Table 4, Shareholding Pattern and Dividend Payout Ratio of Selected Steel Companies - Regression Analysis

R	R^2	Adjusted R^2	F-value	p-value
0.533[a]	0.284	0.221	4.470	0.004[a]

a. Predictors: (Constant), DE Ratio, Promoters, Corporate, Institutional

Coefficients [a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t-value**	**p-value**
	B	**SE**	**Beta**		
(Constant)	7.495	8.659		0.866	0.391
Promoters	0.378	0.117	0.609	3.236	0.002
Institutional	0.038	0.126	0.086	0.301	0.765
Corporate	-0.429	0.308	-0.326	-1.393	0.170
DE Ratio	-7.029	3.410	-0.319	-2.061	0.045

a. Dependent Variable: DP Ratio

It is found from Table 4 that value of R (0.533) is the multiple correlations co-efficient of dependent variable with the group of independent variables included in the study. It reveals that there exists a good correlation between dependent variable and set of independent variables. The R^2 value is 0.284 and expresses that 28.4% of the variation in dividend payout ratio is due to four independent variables. The calculated value of F (4.470) reveals that R^2 value (.284) is significant at 5% level.

The Table 5 shows the impact of ownership groups and dividend payout ratio of select Steel companies.

Table 5, Shareholding Pattern and Dividend Payout Ratioof Selected Textile Companies - Regression Analysis

R	R^2	Adjusted R^2	F-value	p-value
0.651[a]	0.424	0.373	8.282	0.000[a]

a. Predictors: (Constant), DE Ratio, Promoters, Corporate, Institutional

Coefficients [a]					
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t-value**	**p-value**
	B	**SE**	**Beta**		
(Constant)	69.680	58.343		1.194	0.239
Promoters	-0.568	0.656	-0.335	-0.866	0.391
Institutional	-1.224	0.668	-0.625	-1.833	0.073
Corporate	1.465	2.479	0.127	0.591	0.553
DE Ratio	15.896	5.980	0.339	2.658	0.011

a. Dependent Variable: DP Ratio

It is inferred from Table 5 that value of R (0.651) is the multiple correlation co-efficient of dependent variable with the group of independent variables included in the study. It reveals that there exists a good correlation between dependent variable and set of independent variables. The R^2 value is 0.424 and expresses that 42.4% of the variation in dividend payout ratio is due to four independent variables. The calculated value of F (8.282) reveals that R^2 value (.424) is significant at 5% level.

Conclusion
A total of twenty five companies have chosen among ten industries to validate the association between various ownership groups and its dividend payout ratio. The objective of this section is to validate the existence of association between dividend payout ratio and various shareholding patterns. Linear multiple regression analysis was performed and the result indicates that shareholding patterns of automobile, cement, steel and textile industries have found significant association with dividend payout ratio. Those companies which are not exhibiting its significant association may be influenced by other factors and the outcomes are estimated based on the standard parameters. Thus, inclusion and exclusion of other parameters are considered in this scenario.

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