

DETERMINANTS OF CORPORATE DIVIDEND POLICY IN SELECT PRIVATE SECTOR CEMENT COMPANIES IN TAMIL NADU - AN EMPIRICAL ANALYSIS

DR. V. MOHANRAJ
ASST. PROFESSOR
P G & RESEARCH DEPARTMENT OF COMMERCE
SRI VASAVI COLLEGE
ERODE

DR. N. DEEPA
ASST. PROFESSOR
P G & RESEARCH DEPARTMENT OF COMMERCE
SRI VASAVI COLLEGE
ERODE

ABSTRACT

Dividend Policy is one of the hotly debated issues in finance. While shaping dividend payment a sensible management strikes a balance between shareholder's expectation and firm's long-term interest. Several questions related to dividend decisions remain perplexing because of diverse and conflicting theories and empirical results. This paper attempts to focus on the factors determining the corporate dividend policy and the conformity of these factors with the predictions drawn by the dividend theories using some known dividend models based on the multiple regression technique. The study considers four private sector cement companies for the period of ten years from 2001-2002 to 2010-2011. It is found from the analysis that previous dividend, earning after tax, depreciation and cash flow are the important factors affecting dividend decision of the selected cement companies.

KEYWORDS

Dividends, Determinants, Corporate Financial Management, Dividend Payout, Dividend Policy and Retained Earnings.

INTRODUCTION

Dividend policy is one of the most important financial policies, not only from the viewpoint of the company, but also from that of the shareholders, the customers, the workers, regulatory bodies and the Government. Shareholders' wealth is represented in the market price of the company's common stock, which, in turn, is the function of the company's investment, financing and dividend decision. Shareholders would like to receive a higher dividend as it increases their current wealth. But, for the company, retention of profits would be desirable as it provides funds for financing the expansion and growth plans. Retained earnings are the most important internal source of finance. The dividend policy must strike a happy balance between distribution and retention. It should allocate the earnings between dividends and retained earnings in such a way that the value of the firm is maximized. Hence, dividend policy is a crucial area of financial management. The optimal dividend policy is the one that maximizes the company's stock price which leads to maximization of shareholders' wealth and thereby ensures more rapid corporate growth.

DIVIDEND

The term dividend refers to that part of the profits of a company which is distributed amongst its shareholders. It may, therefore, be defined as the return that a shareholder gets from the company, out of its profits, on his shareholdings. According to the Institute of Chartered Accountants of India, dividend is "a distribution to shareholders out of profits or reserves available for this purpose."

DIVIDEND POLICY

The term dividend policy refers to the policy concerning quantum of profits to be distributed as dividend. The concept of dividend policy implies that companies through their Board of Directors evolve a pattern of dividend payments which has a bearing on future action. Of course, in practice many companies do not have a dividend policy in this sense. They rather take each dividend decision independent of every other such decision. This is not a sound practice but the financial manager cannot do much about it since he works only in an advisory capacity and the power to recommend/declare dividends vests completely in the Board of Directors of the company.

STATEMENT OF THE PROBLEM

The objective of corporate management usually is the maximisation of the market value of the enterprise i.e., its wealth. The market value of common stock of a company is influenced by its policy regarding allocation of net earnings into 'plough back' and 'payout'. While maximising the market value of shares, the dividend policy should be as oriented as to satisfy the interests of the existing shareholders as well as to attract the potential investors. Thus, the aim should be to maximise the present value of future dividends and the appreciation in the market price of shares. Over time, numbers of factors have been identified in the literature as being important to be considered in taking dividend decisions. Academician and researchers have developed many theoretical models describing the factors that managers of the corporate firms should consider while taking dividend policy decision. Against this background, this study makes an attempt to identify the major determinants of dividend policy and their relative significance on the selected cement companies.

OBJECTIVES OF THE STUDY

The following are the main objectives of the study.

- To analyze the dividend policy of selected cement companies.
- To identify the factors determining the dividend decision of the select cement companies with the use of some known dividend models.

HYPOTHESES OF THE STUDY

In course of analysis, it is proposed to test the following hypotheses with the help of the sample data:

1. Dividend payout is a function of net current earnings after tax and dividends paid in the previous year.
2. Cash flow, rather than net current earnings after tax is a better measure of a company's capacity to pay dividend.
3. Decomposition of cash flow into earnings after tax and depreciation as separate variables help in explaining better, the dividend behavior of the companies.

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

ijrcm



A Monthly Double-Blind Peer Reviewed Refereed Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.

as well as in Open J-Gate, India [link of the same is duly available at Inlibnet of University Grants Commission (U.G.C.)]

Registered & Listed at: Index Copernicus Publishers Panel, Poland

Circulated all over the world & Google has verified that scholars of more than 1500 Cities in 141 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

www.ijrcm.org.in

CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	DO EXECUTIVE DIRECTORS MANIPULATE EARNINGS? SEYED HOSSEIN HOSSEINI & MOHAMADREZA ABDOLI	1
2.	MANAGEMENT EDUCATION – IMPACT OF VALUE ORIENTATIONS ON CAREER & BUSINESS PUSHPA SHETTY	7
3.	STRATEGIC GAINS OF BY-PRODUCT MARKETING: A STUDY ON SELECTED COMPANIES OF BANGLADESH GOLAM MOHAMMAD FORKAN & TAHSAN RAHMAN KHAN	13
4.	THE EFFECT OF CURRENCY DEVALUATION ON THE ETHIOPIAN ECONOMY'S TRADE BALANCE: A TIME SERIOUS ANALYSIS FIKREYESUS TEMESGEN & MENASBO GEBRU	17
5.	MUTUAL FUNDS IN INDIA: AN ANALYSIS OF INVESTORS PERCEPTIONS DR. PRASHANTA ATHMA & K. RAJ KUMAR	21
6.	FINANCES OF CENTRE FOR DISTANCE EDUCATION, OSMANIA UNIVERSITY, HYDERABAD, ANDHRA PRADESH: AN ANALYTICAL STUDY G. VENKATACHALAM & P. MOHAN REDDY	27
7.	THE INFLUENCE OF MARKETING ON CONSUMER ATTITUDE FUNCTIONS FOR KITCHENWARE, A STUDY WITH SPECIAL REFERENCE TO KOCHI METRO ANILKUMAR. N	32
8.	BEHAVIOURAL FINANCE: A NEW PERSPECTIVE FOR INVESTMENT IN FINANCIAL MARKET DR. SREEKANTH. M S	39
9.	THE EFFECT OF MERGER AND ACQUISITIONS ON THE SHAREHOLDERS' WEALTH: EVIDENCE FROM THE FOOD INDUSTRY IN INDIA DR. RAMACHANDRAN AZHAGIAH & T. SATHISH KUMAR	42
10.	WHETHER DIFFERENCES MAKE DIFFERENCES? A NEW PARADIGM ON WORKFORCE DIVERSITY D. RAMADEVI & DR. S. A. SENTHIL KUMAR	54
11.	CORPORATE SOCIAL ENGAGEMENT: NEW BASE LINE TO CORPORATE SOCIAL RESPONSIBILITY KAVITA MEENA	59
12.	GREEN MARKETING BRIJESH SIVATHANU PILLAI & KANCHAN PRANAY PATIL	64
13.	MARKET EFFICIENCY AND INTERNATIONAL BENCHMARKS IN THE SECURITIES MARKET OF INDIA – A STUDY DR. MUNIVENKATAPPA	74
14.	CHALLENGE OF LIQUIDITY RISK AND CREDIT RISK IN INSURANCE COMPANIES WITH SPECIAL REFERENCE TO INDIAN PUBLIC SECTOR GENERAL INSURANCE COMPANIES AVINASH TRIPATHI	82
15.	CONTEMPORARY ISSUE ON DEREGULATION OF SAVING ACCOUNT INTEREST RATE DR. RAJIV GANDHI	87
16.	A STUDY ON THE EFFECT OF FOOD ADVERTISEMENTS ON CHILDREN AND THEIR INFLUENCE ON PARENTS BUYING DECISION GINU GEORGE	92
17.	DETERMINANTS OF CORPORATE DIVIDEND POLICY IN SELECT PRIVATE SECTOR CEMENT COMPANIES IN TAMIL NADU - AN EMPIRICAL ANALYSIS DR. V. MOHANRAJ & DR. N.DEEPA	107
18.	THE ROLE OF 'FOLLOW THE NEIGHBOUR' STRATEGY AND FACTORS INFLUENCING INVESTMENT DECISION WITH REFERENCE TO NASIK CITY BHUSHAN PARDESHI, PAVAN C. PATIL & PADMA LOCHAN BISOI	110
19.	IMPACT OF ADVERTISING ON BRAND RECALL AND BRAND PERSONALITY FORMATION: A STUDY OF ORGANISED FASHION RETAILING HIMANSHU SHEKHAWAT & PREETI TAK	116
20.	A CASE STUDY ON STRESS MANAGEMENT IN WORKING WOMEN IN GOVERNMENT\SEMI-GOVERNMENT ENTERPRISES IN SHIMLA, (H.P.) SHALLU SEHGAL	122
21.	LEVERAGE ANALYSIS AND ITS IMPACT ON SHARE PRICE AND EARNING OF THE SELECTED STEEL COMPANIES OF INDIA – AN EMPIRICAL STUDY MUKESH CAJMER	129
22.	A STUDY ON LEVEL OF EXPECTATION OF MUTUAL FUND INVESTORS & IMPACT OF DEMOGRAPHIC PROFILE ON PERIOD OF INVESTMENT IN MUTUAL FUND TARAK PAUL	136
23.	IMPACT OF MERGERS & ACQUISITIONS ON FINANCIAL PERFORMANCE: WITH SPECIAL REFERENCE TO TATA GROUP NEHA VERMA & DR. RAHUL SHARMA	140
24.	EXPLORING SERVICE INNOVATION PROCESS AND STRATEGY IN DEVELOPING CUSTOMER RELATIONSHIP-WITH REFERENCE TO 21st CENTURYBANK 'YES BANK' SHILPA SANTOSH CHADICAL & DEBLINA SAHA VASHISHTA	144
25.	EMPLOYEE LOYALTY ABOVE CUSTOMER LOYALTY AFREEN NISHAT A. NASABI	152
26.	FDI IN MULTIBRAND RETAILING IN INDIA: PERCEPTION OF THE UNORGANISED RETAILERS IN BUSINESS CAPITAL OF UTTARAKHAND DEEPAK JOSHI	156
27.	COMPARATIVE STUDY OF SELECTED PRIVATE SECTOR BANKS IN INDIA NISHIT V. DAVDA	161
28.	IMPACT OF HRM PRACTICES ON PERFORMANCE OF NON-ACADEMIC EMPLOYEES OF OPEN UNIVERSITIES IN INDIA B. LAXMINARAYANA	167
29.	POST-MERGER FINANCIAL PERFORMANCE APPRAISAL OF ACQUIRING BANKS IN INDIA: A CASE ANALYSIS AZEEM AHMAD KHAN	172
30.	MANPOWER REQUIREMENT ASSESSMENT CONSIDERING THE MAKE OR BUY DECISION POLICY OF CENTRAL WORKSHOP IN AN INTEGRATED STEEL & POWER COMPANY AKHILESH JHA, SOUPOARNO MUKHERJEE & RANDHIR KUMAR	176
	REQUEST FOR FEEDBACK	181

CHIEF PATRON

PROF. K. K. AGGARWAL

Chancellor, Lingaya's University, Delhi
Founder Vice-Chancellor, Guru Gobind Singh Indraprastha University, Delhi
Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

PATRON

SH. RAM BHAJAN AGGARWAL

Ex.State Minister for Home & Tourism, Government of Haryana
Vice-President, Dadri Education Society, Charkhi Dadri
President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

DR. SAMBHAV GARG

Faculty, M. M. Institute of Management, MaharishiMarkandeshwarUniversity, Mullana, Ambala, Haryana

ADVISORS

DR. PRIYA RANJAN TRIVEDI

Chancellor, The Global Open University, Nagaland

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., HaryanaCollege of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), MaharajaAgrasenCollege, Jagadhri

EDITOR

PROF. R. K. SHARMA

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

CO-EDITOR

DR. BHAVET

Faculty, M. M. Institute of Management, MaharishiMarkandeshwarUniversity, Mullana, Ambala, Haryana

EDITORIAL ADVISORY BOARD

DR. RAJESH MODI

Faculty, YanbuIndustrialCollege, Kingdom of Saudi Arabia

PROF. SANJIV MITTAL

UniversitySchool of Management Studies, Guru Gobind Singh I. P. University, Delhi

PROF. ANIL K. SAINI

Chairperson (CRC), Guru Gobind Singh I. P. University, Delhi

DR. SAMBHAVNA

Faculty, I.I.T.M., Delhi

DR. MOHENDER KUMAR GUPTA

Associate Professor, P.J.L.N.Government College, Faridabad

DR. SHIVAKUMAR DEENE

Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

MOHITA

Faculty, Yamuna Institute of Engineering & Technology, Village Gadholi, P. O. Gadhola, Yamunanagar

ASSOCIATE EDITORS

PROF. NAWAB ALI KHAN

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

PROF. ABHAY BANSAL

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

PROF. V. SELVAM

SSL, VIT University, Vellore

PROF. N. SUNDARAM

VIT University, Vellore

DR. PARDEEP AHLAWAT

Associate Professor, Institute of Management Studies & Research, Maharshi Dayanand University, Rohtak

DR. S. TABASSUM SULTANA

Associate Professor, Department of Business Management, Matrusri Institute of P.G. Studies, Hyderabad

TECHNICAL ADVISOR

AMITA

Faculty, Government M. S., Mohali

MOHITA

Faculty, Yamuna Institute of Engineering & Technology, Village Gadholi, P. O. Gadhola, Yamunanagar

FINANCIAL ADVISORS

DICKIN GOYAL

Advocate & Tax Adviser, Panchkula

NEENA

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

CHANDER BHUSHAN SHARMA

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT

SURENDER KUMAR POONIA

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Management Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic and Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email address: infoijrcm@gmail.com.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. COVERING LETTER FOR SUBMISSION:

DATED: _____

THE EDITOR
IJRCM

Subject: SUBMISSION OF MANUSCRIPT IN THE AREA OF

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '_____ ' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:

Affiliation with full address, contact numbers & Pin Code:

Residential address with Pin Code:

Mobile Number (s):

Landline Number (s):

E-mail Address:

Alternate E-mail Address:

NOTES:

- a) The whole manuscript is required to be in **ONE MS WORD FILE** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
- b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
- c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
- d) The total size of the file containing the manuscript is required to be below **500 KB**.
- e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
- f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. MANUSCRIPT TITLE: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. AUTHOR NAME (S) & AFFILIATIONS: The author (s) full name, designation, affiliation (s), address, mobile/landline numbers, and email/alternate email address should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. ABSTRACT: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
6. **MANUSCRIPT:** Manuscript must be in **BRITISH ENGLISH** prepared on a standard A4 size **PORTRAIT SETTING PAPER**. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.
7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should follow the following sequence:

INTRODUCTION

REVIEW OF LITERATURE

NEED/IMPORTANCE OF THE STUDY

STATEMENT OF THE PROBLEM

OBJECTIVES

HYPOTHESES

RESEARCH METHODOLOGY

RESULTS & DISCUSSION

FINDINGS

RECOMMENDATIONS/SUGGESTIONS

CONCLUSIONS

SCOPE FOR FURTHER RESEARCH

ACKNOWLEDGMENTS

REFERENCES

APPENDIX/ANNEXURE

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed **5000 WORDS**.

10. **FIGURES & TABLES:** These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:
 - All works cited in the text (including sources for tables and figures) should be listed alphabetically.
 - Use (ed.) for one editor, and (ed.s) for multiple editors.
 - When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
 - Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
 - The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
 - For titles in a language other than English, provide an English translation in parentheses.
 - The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITE

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>

METHODOLOGY

The study is based mainly on secondary data. The data has been sourced from Prowess database of CMIE. This study covers a period of ten years from 2000-2001 to 2009-2010. According to CMIE (Centre for Monitoring Indian Economy) data base there are 13 cement companies registered in Tamil Nadu of which one company belongs to the public sector and 12 are in the Private Sector. Hence, the study considers the private sector cement companies. The companies which were not in operation in any of the past 10 years or where data are not available for the continuous period of ten years have been excluded from the study. Accordingly, the following four companies constitute the sample set for the study:

- Chettinad Cements Ltd
- Dalmia Cements Ltd
- India Cements Ltd
- Madras Cements Ltd

The dividend determinants are estimated with the use of some known dividend models.

EMPIRICAL RESULTS

The dividend decision thus is a difficult one because of conflicting objectives and also because of lack of specific decision-making techniques. It is not easy to lay down an optimum dividend policy, which would maximise the long-run wealth of the shareholders. However, there is no gain saying that dividend decision involves sound judgments. There are certain factors that impinge upon the dividend decision and, therefore, should be taken into consideration while deciding a policy in this respect. There are some theories that consider dividend decisions to be an active variable in determining the value of a firm. The dividend decision is, therefore relevant. We critically examine below three theories representing this notion:

- Lintner's Model
- Brittain's Cash Flow Model and
- Brittain's Explicit Depreciation Model

LINTNER'S MODEL

In Lintner's model changes in current year's dividend is sought to be explained by current year's profit after tax and the dividend payments in the previous year. It is expressed as

$$D_t = a_0 + a_1 P_t + a_2 D_{t-1} + U_t$$

Where,

D_t & D_{t-1} = Total equity dividend in period 't' and 't-1' respectively

P_t = Net profit, after tax in period 't'

U_t = Error term

The regression results of Lintner's dividend model are shown in Table No.1.

TABLE NO. 1: REGRESSION RESULTS OF LINTNER'S DIVIDEND MODEL

Company Groups	a_0	A_1	A_2	R^2	\bar{R}^2	F-Value	Dw stat
Dalmia Cement	5.159	0.169 (1.286)	-0.758 (-0.696)	52.1	38.4	3.810***	1.036
Madras Cement	10.087	0.100 (1.053)	-0.181 (-0.212)	61.3	50.2	5.537**	0.871
India Cement	7.000	0.0555* (4.713)	0.387* (2.121)	87.2	83.5	23.759*	1.329
Chettinad Cement	1.716	0.0554* (3.121)	0.916* (9.188)	95.7	94.5	78.687*	1.521

*Significant at 1 % level, ** Significant at 5% level, *** Significant at 10% Level.

Figures in parenthesis indicates 't' values

Table 1 discloses that the regression equations (Lintner's dividend equations) estimated for all the four sample companies seem to satisfy all the specifications. This is because the coefficient of determination adjusted for degrees of freedom is statistically significant in all the sample companies. The significant value of F proves that the relationship between the dividend pay out and exogenous variables last year dividend and current year net profit are linear. The regression co-efficient of the explanatory variables net current earnings after tax (P_t) and dividend paid in the previous year (D_{t-1}) are found statistically significant in determining the dividend policy in the case of India Cements Ltd and Chettinad Cements Ltd but these variables does not have significant impact on the dividend decision of Dalmia Cements Ltd and Madras Cements Ltd.

BRITAIN'S CASH FLOW MODEL

Brittain's cash flow model used in this study is a variant of Lintner's model making use of cash flow, instead of profit after tax, as a measure of corporate income. It can be expressed as:

$$D_t = a_0 + a_1 C_t + a_2 D_{t-1} + U_t$$

Where;

D_t & D_{t-1} = Total equity dividend in period 't' and 't-1' respectively

C_t = Cash flow in period 't'

U_t = Error term

The regression results of Brittain's Cash Flow Model have been presented in Table No 2.

TABLE NO. 2: REGRESSION RESULTS OF BRITAIN'S CASH FLOW MODEL

Company Groups	a_0	A_1	a_2	R^2	\bar{R}^2	F-Value	Dw stat
Dalmia Cement	3.549	0.565 (0.500)	0.110 (1.063)	49.0	34.5	3.367***	1.076
Madras Cement	31.901	0.555* (2.755)	0.419* (2.363)	78.3	72.1	12.644**	0.642
India Cement	3.036	0.322* (1.669)	0.0521 (.4621)	86.8	83.0	22.969*	1.264
Chettinad Cement	2.201	1.296* (7.090)	0.0248 (1.635)	92.6	90.5	43.999*	1.835

*Significant at 1 % level, ** Significant at 5% level, *** Significant at 10% Level.

Figures in parenthesis indicates 't' values

It is found from the analysis that the value of adjusted R square of estimated regression equations is found to be statistically significant in all the selected sample companies as is depicted from their F – values. The result of the study also shows that there is positive significant association between previous dividend and dividend pay out ratio of Madras Cements Ltd, India Cements Ltd and Chettinad Cements Ltd. It indicates that previous dividend emerged as an important factor having positive impact on dividend policy of these firms. The regression results highlights the fact that though cash flow has positive association with dividend payment is not an important determinant of dividend payment of Cement Companies, however cash flow plays significant role in determining the dividend pay out of Madras Cements Ltd.

BRITAIN'S EXPLICIT DEPRECIATION MODEL

The third model used in this study in Brittain's explicit depreciation model. This is a variant of Lintner's dividend model. This model incorporates depreciation as an additional explanatory variable in the Lintner's model.

$$D_t = a_0 + a_1 P_t + a_2 D_{t-1} + a_3 A_t + U_t$$

Where;

D_t & D_{t-1} = Total equity dividend in period 't' and 't-1' respectively
 P_t = Net profit, after tax in period 't'
 A_t = Amount of depreciation in period 't'
 U_t = Error term

The regression results of Brittain's explicit depreciation model have been presented in Table No. 3.

TABLE NO. 3: REGRESSION RESULTS OF BRITTAIN'S EXPLICIT DEPRECIATION MODEL

Company Groups	a_0	a_1	a_2	a_3	R^2	\bar{R}^2	F-Value	Dw stat
Dalmia Cement	20.672	0.498* (2.021)	0.580 (0.577)	1.104 (1.529)	65.5	48.3	3.805***	1.287
Madras Cement	44.820	0.775* (4.893)	0.790* (4.482)	1.866* (2.934)	91.1	86.6	20.457*	1.933
India Cement	9.964	0.438 (1.371)	0.0575* (3.559)	0.0967 (0.474)	87.2	80.9	13.658**	1.390
Chettinad Cement	2.051	0.0133 (0.050)	1.307* (6.187)	0.0385 (0.144)	92.7	89.0	25.237*	1.769

*Significant at 1% level, ** Significant at 5% level, *** Significant at 10% Level.

Figures in parenthesis indicates 't' values

This model fits well in the sample firms signifying that the explanatory variables net current earnings after tax, lagged dividend and depreciation are explaining the dividend behavior of the sample firms. The constant term is showing positive relationship with dividend policy. All the estimated coefficients are statistically significant. It is observed from the analysis that the exogenous variables are determining more than 65.5 per cent of the variations in the dividend pay out of the sample firms. The F statistic also proves the validity of the estimated model. The explanatory variable Depreciation is having positive impact on dividend payments, which shows that company's ability to pay current dividends as per target payout ratio after charging depreciation from current earnings.

TEST OF HYPOTHESES

Ho1: Dividend payout is a function of net current earnings after tax and dividend paid in the previous year.

This hypothesis was examined using inter's regression model. In the process of analyzing the regression results, it was found that, the co-efficient of determination (R^2) and adjusted R^2 is good for all the firms. The significant value of F proves that the relationship between the dividend pay out and independent variable net current earnings and previous year dividend are linear. Hence, the hypothesis Dividend payout is a function of net current earnings after tax and dividend paid in the previous year is valid.

Ho2: Cash flow rather than net current earnings after tax is a better measure of a company's capacity to pay dividend.

This hypothesis was examined by using the Brittain's cash flow model. It was evident from the analysis that the cash flow is not a better measure of the company's capacity to pay dividend in the sample companies except Madras Cements Ltd. Thus this hypothesis stands invalid.

Ho3: Decomposition of cash flow into earnings after tax and depreciation as separate variables helps in explaining better the dividend behavior of the company's.

This hypothesis was tested using Brittain's explicit depreciation model. It suggested that the decomposition of cash flow into earnings after tax and depreciation as separate variables, explain better the dividend behavior of Madras Cements Ltd whereas, in all other companies the results does not support the hypothesis.

CONCLUSIONS

Dividend policy continues to be an often-controversial area between financial economist and corporate managers. The theories and justifications that have emerged resulted in an enormous theoretical and empirical body of research with hundreds of papers. But the controversy over the subject motivates the conduct of research; where answers to many questions are still not clearly developed. However, this paper summarized the most important determinants of corporate dividend policy. It is found from the empirical results that lagged dividend, earnings after tax, cash flow and depreciation are the factors demonstrating significant effect over dividend decisions of the sample firms in Cement Industry. Lagged dividend and earnings after tax are positively linked to dividend decision but cash flow is showing mixed results. This paper may be used as a ready reference for further researches on the area under discussion. Further, for the policy makers of the Indian cement Industry, the study may prove to be valuable for re-drafting their dividend policy keeping in view the outcome of the study.

REFERENCES

1. Baker H. Kent and Garry E. Powell [2000], "Determinants of Corporate Dividend Policy: A Survey of NYSE Firms", Financial Practice and Education, No. 9, pp. 29-40.
2. Kevin, S. [1992], "Dividend Policy: An Analysis of Some Determinants", Finance India, Vol. VI, No. 2, June, pp. 253-259.
3. Mahapatra R. P. and Sahu P. K. [1993], "A Note on Determinants of Corporate Dividend Behavior in India - An Econometric Analysis", Decision, No. 20, pp. 1-22.
4. Mishra C. S. and Narender V. [1996], "Dividend Policy of SOEs in India - An Analysis", Finance India, Vol. X, pp. 633-645.
5. Pandey, I. M. and Bhat R. [2004], "Dividend Behaviour of Indian Companies under Monetary Policy Restrictions", Indian Institute of Management, Ahmedabad, Working Paper.
6. Reddy, Y. S. [2002], "Dividend Policy of Indian Corporate Firms: An Analysis of Trends and Determinants", NSE Working Paper, 2002.
7. Singhania Monica [2005], "Trends in Dividend Payout: A Study of Select Indian Companies", Journal of Management Research, Vol.5, No.3, pp. 129-142.

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail i.e. **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals

