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DETERMINANTS OF DIVIDEND POLICY OF RELIANCE INDUSTRY LIMITED

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Abstract: The present study empirically attempts to examine the determinants of dividend policy of reliance industry limited. Sample period of study from 2007-08 to 2017- 2018 i.e. 10 years. Secondary data has collected from the annual report of reliance industry. Descriptive statistics, correlation matrix, ANOVA and regression model are used to analyze relationship and impact of specified variable on dependent variable.

Findings suggest that leverage and liquidity has positively correlated with dividend pay-out ratio. Tax ratio, size and profitability has negatively correlated with dividend pay-out ratio of Reliance Industry Limited. Leverage has positively and significantly correlated with dividend rate. Size and risk have significant but negatively correlated with dividend rate of Reliance Industry Limited. Profitability and risk both having negative significant impact on dividend pay-out ratio. Leverage has positive significant impact on dividend rate but risk and profitability have negative significant impact on dividend rate of Reliance Industry Limited.

Keywords: Correlation, Dividend rate, Dividend payout, Leverage, Profitability, Regression.

INTRODUCTION

The term dividend policy refers to the practice that management follows in making dividend payout decisions or, in other words, the size and pattern of cash distributions over time to shareholders" (Lease et al., 2000, p.29). This issue of dividend policy is one that has engaged managers since the birth of the modern commercial corporation. Surprisingly then dividend policy remains one of the most contested issues in finance. (Al-Malkawi, 2010) Dividend policy refers to the payment policy used by the management when determining the amount and patterns of distribution to shareholders over a period of time (Baker, Powell, 2005). It is considered that dividend policy includes three questions (Brigham, Houston, 2004) (a) which part of the earnings should be distributed? (b) Should the distribution be in the form of cash dividends or share repurchase? And (c) Should the company maintain a steady, stable growth rate of dividends?

According to Barman if dividends are the key indicator of share price and then share price is the key indicator of firm value, so as to maximize shareholder's wealth, the company should adopt a dividend policy that will increase the share price. (Dr. P. VidhyaPriya, 2016) When company makes profit then decided to retain profit for investment in new projects or pay out to the shareholder as dividend.

According to professors Soloman, Modigliani and Miller, dividend policy has no effect on the share price of the company. There is no relation between the dividend rate and value of the firm Dividend decision is irrelevant of the value of the firm. Modigliani and Miller contributed a major approach to prove the irrelevance dividend concept.

Prof. James E. Walter and Myron Gorden argues that the dividend policy almost always affects the value of the firm. According to the Walter's model, if r > k, the firm is able to earn more than what the Shareholders could by reinvesting, if the earnings are paid to them. The implication of r > k is that , the shareholders can earn a higher return by investing elsewhere. If the firm has r = k, it is a matter of indifferent whether earnings are retained or distributed.

INTRODUCTION TO RELIANCE INDUSTRYLIMITED

The global economy is now growing at its fastest pace since 2010, with the upturn becoming increasingly synchronized across countries. The world economy is expected to strengthen further in 2018 and 2019, with economic growth projected to rise to about 4%, from 3.7% in 2017. Stronger investment, the rebound in global trade and higher employment are helping make the recovery increasingly broad-based. This long-awaited lift, supported by policy stimulus, is being accompanied by solid employment gains, a moderate upturn in investment and a pick-up in trade growth. The continued rise in global trade was led by pickup in import demand in developed markets. Growing protectionism impacting trading relations and geo-political tensions in parts of Asia are a key area of concern. India's economy maintained its strong growth in FY 2017- 18 – the Gross Domestic Product growth was 6.7%, with a strong 7.7% increase in the last quarter of the year. With the 'One Nation, One Tax' GST regime being implemented, and gradually stabilizing by the second half of the year, the economy witnessed upsurge in investments, consumption, as well as government spending.

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Industrial activity rebounded, and services indicators too showed positive trends. Thanks to a series of policy initiatives, India moved into the world's Top 100 countries in terms of ease of doing business. The country also retained its position as a favoured destination for foreign capital, with gross foreign direct investment inflows of $64.6 bn in 2017. Reliance improved on its last year's record performance to post a 20.6% jump in net profit to ₹36,075 crore ($5.5 billion). It also became the first Indian company to record an EBITDA of over $10 billion, with our key businesses – Refining & Marketing, Petrochemicals, Retail and Digital Services – achieving record earnings performance. The year saw our consumer businesses attain a threshold, wherefrom they will start contributing meaningfully to consolidated profits. From a mere 2% in FY 2016-17, Jio and Retail accounted for 13.1% of RIL's consolidated Segment EBITDA in FY 2017-18. This was achieved notwithstanding a sharp 33.6% spurt in consolidated EBITDA to ₹74,184 crore. Our aim is to have the consumer businesses contribute on par with the energy and materials business over the next decade, when we celebrate our Golden Jubilee. The refining and petrochemical businesses posted 15 record level of profitability owing to expanded capacities, high operating rates, and improved cost competitiveness. The refining business improved upon the preceding year's strong Gross Refining Margins (GRMs).

The petrochemicals segment posted a significant jump in profits due to higher volumes from expanded capacities and better margins.

LITERATURE REVIEW

Amidu, Abor (2006) examined the determinants of dividend payout ratios of listed companies in Ghana. The analyses are performed using data derived from the financial statements of firms listed on the Ghana Stock Exchange during a six-year period. Ordinary Least Squares model is used to estimate the regression equation. The results show positive relationships between dividend payout ratios and profitability, cash flow, and tax. The results also show negative between dividend payout and risk, institutional holding, growth and market-to-book value.

Aldin, Malkwin (2007) examined the determinants of corporate dividend policy in Jordan. Researcher used firm-level panel data set of all publicly traded firms on the Amman Stock Exchange between 1989 and 2000. The results suggest that the proportion of stocks held by insiders and state ownership significantly affect the number of dividends paid. Size, age, and profitability of the firm seem to be determinant factors of corporate dividend policy in Jordan. The findings provide strong support for the agency costs hypothesis and are broadly consistent with the pecking order hypothesis. The results provide no support for the signaling hypothesis.

Pandey Bhat (2007) studied the dividend payout behavior of firms in India under monetary policy restrictions. Monetary policy restrictions are expected to affect the availability and cost of external fund relative to internal funds. Balanced panel data of 571 firms for years are used, from 1989 to 1997 together with, the GMM estimator, which is the most suitable methodology in a dynamic setting. Researcher found that Indian firms have lower target ratios and higher adjustment factors. Finding suggests that the restricted monetary policies have a significant influence on the dividend payout behavior of Indian firms, they cause about a 5-6 per cent reduction in the payout ratios. Limitation of paper is that the significance of the macroeconomic policy variables suggests that monetary policy restrictions do have an impact on the cost of raising funds, and the information asymmetry between lenders and borrowers increases, which forces companies to reduce their dividend payout.

Azhagaiah (2008) conducted study on the impact of dividend policy of shareholders' wealth in Organic and Inorganic Chemical Companies in India during 1996 – 1997 to 2005-2006. Researcher used only secondary data which are collected from CMIE (Centre for Monitoring Indian Economy) prowess package. The sample of 28 companies in Chemical Industry(Organic-19 and Inorganic-9)has been chosen from 114 listed companies in BSE. To measure the impact of dividend policy on shareholders' wealth multiple regression method and stepwise regression models are used by taking DPS it (Dividend per Share), RE it (Retained Earnings per Share), Pet-1 (Lagged Price Earnings Ratio) and MPSit-1(Lagged Market Price) (MVit-1) as independent variable, and MP Sit (Market Price per share) as dependent variables. To determine the proportion of explained variation in the dependent variable, the co- efficient of determination (R2) has been tested with the help of F -test. Study proves that the wealth of the shareholders is greatly influenced mainly by five variables viz., Growth in sales, Improvement of Profit Margin, Capital Investment Decisions (both working capital and fixed capital), Capital Structure Decisions, Cost of Capital (Dividend on Equity, Interest on Debt)

Abor, Bokpin (2010) conducted the study to investigate the effects of investment opportunities and corporate finance on dividend payout policy. Sample of 34 emerging market countries covering a 17-year period, 1990-2006. Fixed effects panel model was employed. Researcher found significantly negative relationship between investment opportunity and dividend payout policy and insignificant effects of the various measures of corporate finance namely, financial leverage, external financing, and debt maturity on dividend payout policy. Profitability and stock market capitalization are also

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identified as important in influencing dividend payout policy. Profitable firms are more likely to support high dividend payments to shareholders.

Rizvi, Khare (2011) examined the factors which affect the dividend payout ratio of Indian Banks. Sample of banks from CNX BANKEX Index has been selected for the study. Researcher used the Statistical techniques of correlation and regression to explore the relationship between key variables. Researcher found that the study shows positive and significant association between Earning per share (EPS) and Dividend Payout Ratio (DP).

Bodla, Rani, (2013) examined the factors influencing dividend payout ratio. Researcher used secondary data, sourced from Prowess database of Centre for Monitoring Indian Economy (CMIE) and multiple regression to analyze the factors. Researcher found that firm size & pecking order hypothesis, profitability & ownership structure, liquidity ratios & leverage, and dividend signaling and stability are the major factors. Regression on these factors shows firm size & pecking order hypothesis and dividend signaling & stability to be the determinants of the dividend policy for Mining industry in India. Limitation of the study, Researcher has been taken only one industry i.e. Mining and that too with small sample size, i. e 14 companies. So, the results cannot be generalized.

Iqbal, Arshad, (2013) studied to investigate the determinants of dividend policy of Pakistani banking sector. Researcher used secondary data of 27 foreign and domestic banks operating in Islamic and conventional banking in Pakistan listed at different stock exchanges. Applying stepwise regression analysis. Researcher found that liquidity, profitability, last year dividend and ownership structure show highly significant relationship with the dividend payout of Pakistani banks.

Umamaheswari (2014) emphasized the determinants of dividend pay-out ratio of Indian Pharmaceuticals industry. Study evaluates the performance of various pharmaceutical companies and their annual compound growth rate. Used secondary data and were collected from the financial reports of the selected pharmaceutical companies from the year 2010-2014 from internet (www.moneycontrol.com). Researcher found that Annual compound growth rates of the dividend determinants give the profitability and the growth rate of select pharmaceutical companies. The negative annual compound growth rate doesn't mean that there is loss at per share earnings for every year it only represents the annual compound growth rate.

Kapoor (2015) examined that managers of dividend-paying firms listed on the National Stock Exchange (NSE) in India to learn their views about the factors influencing dividend policy, dividend issues, and explanations for paying cash dividends and repurchasing shares. Used questionnaire to gather primary data from a sample of 500 firms listed on the NSE. Researcher found that the most important determinants of dividends involve earnings (the stability of earnings as well as the level of current and expected future earnings) and the pattern of past dividends. Comparing the overall rankings of the 21 factors by respondents from Indian firms to those of Indonesian, Canadian, and US firms reveals statistically significant correlations. Limitation of the study that the sample does not suffer from non-response bias, the findings should be viewed as suggestive rather than definitive because of the relatively low response rate.

Kavidayal (2015) explained the model which would enable to examine the effect of dividends in relation to profitability, beta rate, size, retained earnings, P/E and debt ratio. The data was collected from the annual report of sample companies included in BSE 200 index (www.bseindia.com, www.moneycontrol.com). The period of study 5 years 2009-2013 and multiple regression analysis used. This study includes those companies in the sample that had continuously paid dividend during study period and all financial institution government owned companies have been excluded. Researcher found the direct relationship between dividend and profitability, the results also revealed the reverse relationship of these factors (P/E, beta rate and debt ratio) with dividend. The results show that there is no meaningful relationship between the dividend policy and a company's size and rate of retained earnings.

Labhane (2015) analyzed the trend and determinants of dividend payout ratio of National Stock Exchange (NSE) listed companies in India. The study based on 239 companies, which has continuous data during the period 1994-95 to 2012-13, from the trend analysis found that the number of dividends paying companies has declined but the average dividend paid by them has increased manifold over the last two decades. the main implication, the investors can use the key factors affecting the dividend policy of a firm to decide which firms will have high or low dividend payout ratio and dividend yield and invest accordingly.

Jóźwiak (2015) examined cash dividend payments of Polish listed companies. panel data analysis was applied to investigate the determinants of dividend policies of Polish companies, the data employed is derived from the Thompson Reuters database covered the period from 2000 to 2012, The results show statistically significant and negative relationship between dividend payout ratio (DPO) and two analyzed factors, profitability (ROE) and leverage (LEV). The results show

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that dividend payout has negative function of profitability and leverage.

Vetrivelan, (2016) studied the dividend performance of select steel companies in India and the dividend variance of select steel companies in India. the study purely based on the secondary data. To analyze the dividend performance of steel companies, the details of 72companies were collected. Researcher found that many of the companies following proper dividend policy and paying regular dividend, that will lead to investors' satisfaction towards better income generation on investment, also it will help to retain existing investor for long period and acquire new investor to mobilize fund for future projects.

Zainudin, Shahri (2016) studied the determinants of the dividend policies of public listed firms in Malaysia for the period 2005 to 2009. A panel regression estimation model used to identify the determinants of dividend policy within Malaysian firms. Researcher found that agency cost positively related to dividend policy for the Basic Material industry but failed to display any significant results for the Energy and Consumer Cyclical industries.

Padmavati (2016), objective of paper to study how do finance managers of adapt themselves in dividend payments in India and to study the pattern of dividend distribution in Information Technology and Power Sectors, the study is based on secondary data. The data is taken from the financial statements of the listed companies. Mean and coefficient of variation are considered for the purpose of analysis of companies. The study reveals that Power sector has consistent dividend policy as compared to Information Technology sector.

K.J P.R (2017) studied the influence of dividend policy on the market price of selected company's scrip in NSE, The sample was selected of the 150 balance sheet and profit and loss account from three industries for the period of 2007 to 2016, The variables were empirically tested with the hierarchical regression on the companies from three industry such as pharmaceutical, Energy, and Media. Researcher found that the investors should consider more on Dividend, Dividend yield, and Return on equity before they invest in securities because these variables are highly significant to Market price.

BR. K (2017) studied to analyze whether the dividend policy of a firm affects the market value of a firm and the shareholders' wealth, Data was collected from the Center for Monitoring Indian Economy (CMIE) Prowess database for a time period of ten years i.e. from financial years 1998- 1999 to 2013-2014. There were totally 439 companies in the industry of electrical machinery manufacturing. Out of them 194 companies were listed in the Bombay Stock Exchange (BSE) and there were 72 companies paying dividends frequently. Therefore, the data of these 72 companies was taken into consideration. Researcher found negative non-linear association between market value of a share and the dividend yields.

Banerjee (2017) emphasized the Earnings per Share, Price to Earnings Ratio, Current Ratio, Life Cycle, and Promoter Holding are found to be statistically significant factors which affect the Dividend Payout Ratio. top 30 companies in terms of market capitalization from India's burgeoning Information Technology sector is taken and researcher found that Firms with higher PE Ratio are high growth firms, so it is natural that these firms have lower DPR, as more proportion of profit can be deployed in business expansion.

Nusrathunnisa, (2017) studied the dividend policies followed by banks in Indian banking sector and analyze the dividend trend of constituent banks in Indian banking sector. Researcher used secondary data of 21 public and private banks and various statistical tools such as Mean, Standard Deviation, Coefficient of Variation, and ANOVA. The researcher found that banking companies belonging to the same industry adopted a different dividend policy among themselves.

Ahmad, (2017) examined the impact of profitability, growth opportunities, risk, liquidity, firm size, leverage, taxation and audit type on dividend payout in order to increase understanding of the determinants of dividend payout within Pakistani corporate environment. Five-year financial data from 2009-2014 of listed pharmaceutical companies were used. Correlation analysis and backward multiple linear regression applied on the data to determine the association between variables and the impact of selected independent variables on dividend payout. Researcher found that audit type, liquidity, growth opportunities & profitability are the key determinants of dividend payout of pharmaceutical companies of PSX. 31.90% variation in dividend payout is caused by these variables.

Thangkhiew (2017) explained the determinants of dividends in Indian Iron and Steel Industry are being investigated in the framework the Lintner's model. Main objective of the paper to examine the interdependence between dividend decision and investment decision in iron and steel industry in India and to examine the determinants of dividend in iron and steel industry in India. Researcher used the data of public limited companies, which are non-governmental and non-financial, for the period 1999-2000 to 2010-11. The model has three specifications in which time series, cross section and

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pooled data is employed for estimation using ordinary least squares method. The results of the three above mentioned analyzed, revealed the importance of current profit and lagged dividend in determining the dividend payout decision in Indian iron and steel industry. The implication of paper, firms under the iron and steel industry follow stable dividend policies. Investment expenditures, borrowing and risks are found not to have any bearing on the dividend decision of the firms.

Thangkhiew (2017) examined the interdependence between dividend decision and investment decision in iron and steel industry in India and to examine the determinants of dividend in iron and steel industry in India. Researcher used the secondary data of public limited companies, which are non-governmental and non- financial, for the period 1999-2000 to 2010-11 and time series, cross section and pooled data is employed for estimation using ordinary least squares method. The results of the three above mentioned analyses revealed the importance of current profit and lagged dividend in determining the dividend payout decision in Indian iron and steel industry.

Pandey, Mansuri, (2017) examined the Dividend Policies of FMCG sector in India and variation in the impact of DER, ERN, CT, EPS and FS on the DP of FMCG sector in India. Researcher used secondary data of 12 company from 2003-04 to 2012-13 and Ordinary least square models (OLS) to estimate the impact of DER, DPR, ERN, FS, EPS and on the DP. Researcher found that DPR, DER and ERN has significant impact on EPS and also good predictors of dividend payout in FMCG sector. The limitation of study, basic financial ratios, correlation, and regression are only used for analysis, therefore, inclusion of some or more predictor variables may change the result of determinants of dividend policy of the FMCG firms in India.

Sharma, P, (2017) examined the dividend trend of the Indian firms over a period of 12 years from 2002-2014.secondary data taken.t-test was also conducted between payer and non-payer groups, and it was observed that paying of dividend does make a difference to the profitability and other related factors to firms.

Dewasiri (2018) studied to identify the dividend policy determinants of Sri Lankan firms and why they pay dividends. The study used several quantitative approaches to investigate dividend determinants using market (secondary) data of 190 Sri Lankan firms and 1,330 firm-year observations. Dividend determinants are also identified using survey (primary) data from 141 of the 190 firms. Triangulation used to facilitate validation of the data through cross-verification from two data sources. Analysis of the market data reveals that firm size , industry impact, corporate governance, free cash flow, earnings, past dividends, profitability, investment opportunities, net working capital, concentrated ownership structure and investor preference represent the most important dividend determinants. Data confirmed these findings.

Srinivasan (2018) examined the determinants of dividend policy of National Stock Exchange (NSE) listed firms in India, using dynamic panel data model for the sample of 95 NSE listed firms with continuous dividend payments from 2012/2013 to 2017/2018. The empirical results reveal that profitability, liquidity, leverage, risk, size of the firm and inflation are the major determinants of dividend policy of selected NSE listed firms in India. Findings deduced from empirical evidence bears testimony to the fact that profitability, liquidity, size of the firm and inflation have significant negative impact on dividend policy of the selected NSE firms covered by the study.

Singla, Samanta (2018) emphasized the determinants of the dividend policy of the construction companies in India. Data from 2011 to 2016 (six years) of 45 listed construction companies in India are collected, and a strong balanced panel is created. The panel data was tested for stationary and finally fixed and random-effect panel regression model with robust estimation option is performed. The random effect model was found fit with an R2 of 62 per cent, and profitability, life cycle and size of the firm show a significant positive effect on dividend payment. Cash flow shows a negative significant relationship, indicating the presence of agency problem. Rest of the variables indicated an insignificant relationship.

Kannadhasan (2018) examined the influence of firm characteristics such as profitability, growth opportunities, size, leverage and maturity on dividend policy of Indian firms. The study analyzed that the determinants of dividend policy of manufacturing firms in India using panel data. Because of the non-linearity behavior of dividend pay-out by firms, the study uses quantile regression method to examine whether the determinants of dividend vary depending on the company's level of dividends. The results show important difference between ordinary least square and quantile regression estimates and depict differential effect on dividend at different levels. The notable difference occurs because either the significance changes (e.g. for profitability and growth opportunities) or because the magnitude of coefficients changes (e.g. for size, profitability and growth opportunities).

Sujit (2018) examined the determinants of dividend trends of Indian firms. The study was based on a sample of 31,234 firms representing 15 different industry sectors. The sample period was 2015–2016. Partial least square structural

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equation modeling methodology (PLS SEM) was employed to examine the determinants of the dividend intensity of Indian firms. Partial least square structural equation modeling methodology (PLS SEM) was employed to examine the determinants of the dividend intensity of Indian firms. The results suggest that firms with high intangibles tend to have higher agency costs. Another finding is that firms with higher agency costs tend to pay more dividends to shareholders. Cash flows are lower for firms with high agency costs.

Sayba (2018) emphasized to investigate the critical factors in determining the dividend payout policy of Bangladeshi commercial banks listed in Dhaka Stock Exchange. study considers the effect of growth rate, beta coefficient, and return on asset, size of shareholders, company size and listing age on dividend payout ratio by using a panel dataset of listed banks from 2007 to 2011. Secondary multiple regression used for analysis. Researcher found that the dividend policies are positively affected by profitability and negatively affected by sponsors' ownership and the effects of growth and beta coefficient on dividend policy are not statistically significant. Also found that when the ownership concentration is high the dividend payment is low.

RESEARCH GAP

From the above literature review, no study has been conducted from the period of 2008-09 to 2017-18. In most of the paper study period less than 10 years, in present study ten years data collected (2008-09 to 2017-18). Above the literature review found that most of paper dividend payout ratio taken as a dependent variable. In the present study dividend, payout and dividend rate taken as dependent variable.

RESEARCH METHODOLOGY

Research Objective

The objectives of present study are to analyze the dividend behavior of reliance industry limited. To attain this main objective, the following objectives are sought to be achieved

- To examine the relationship between the specified determinants of dividend policy of reliance industry.
- To examine the impact of specified determinants on dividend policy of reliance industry.

RESEARCH HYPOTHESES

H_{01}:There is no significant relationship between dividend payout ratio and tax ratio, leverage, liquidity, profitability, risk and size of Reliance Industry.
H_{11}: There is significant relationship between dividend payout ratio and tax ratio, leverage, liquidity, profitability, risk and size of Reliance Industry.

H_{02}: There is no significant relationship between independent(tax-ratio, leverage, liquidity, profitability, risk and size) and dependent variable (dividend rate) of Reliance Industry.
H_{12}: There is significant relationship between independent (tax ratio, leverage, liquidity, profitability, risk and size) and dependent variable (dividend rate) of Reliance Industry.

H_{03}: There is no significant impact of tax ratio, leverage, liquidity, profitability, risk and size on dividend payout ratio of Reliance industry.
H_{13}: There is significant impact of impact of tax ratio, leverage, liquidity, profitability, risk and size on dividend payout ratio of reliance Industry.

H_{04}: There is no significant impact of tax ratio, leverage, liquidity, profitability, risk and size on dividend rate of Reliance industry.
H_{14}: There is significant impact of impact of tax ratio, leverage, liquidity, profitability, risk and size on dividend rate of reliance Industry.

STUDY PERIOD

Study period has been selected from year-end 31 march, 2008 to 31 March 2018 that is period of 10 years.
Source of data: Data extracted from annual report of the company.
Tools and Technique: Descriptive statistics, ANOVA, correlation and Regression analysis technique is used to test the behavior of specified determinants on dividend policy.

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DESCRIPTION OF DEPENDENT VARIABLE

Dividend payout ratio

Dividend payout computed by dividing the total equity dividend of one year by the total earning of that particular year. This ratio does not always state the proportion of current earning paid out only as dividend since dividend is allowed to be paid out of past accumulated profits. The ratio is depicted as DP

Dividend rate

It is calculated by dividing the total equity dividend of one accounting year by the face value of all equity shares outstanding at the close of that year. A relatively high dividend rate states the perceived compulsion on the part of a company to make a relatively high dividend payment for attracting much needed capital to finance its operation. This ratio is depicted as DR.

DESCRIPTION OF INDEPENDENT VARIABLE

Profitability

Profitability is measured by the return on equity and it is calculated by dividing the net earnings by the total equity. The pecking order theory stated that firm will pay lower dividend and retain more earnings for the expansion of the business. This variable depicted as PRO.

Tax ratio

This variable is calculated by dividing the tax figure of the company for a particular year by the earning before tax of the company of that year. Higher tax ratio states the lower amount available for the dividend payment but it also depicts the higher amount of earnings. Higher earning means higher capacity to pay dividend given the liquidation position of the company so this variable is important to consideration the dividend and it is depicted as TAXR.

Liquidity

Liquidity of a firm occupies a dominant role in dividend payment decision. The firms may generate profits but suffer from insufficient liquid cash to declare dividends. Hence, it is anticipated that the high liquid firm would pay higher dividend due to the excess amount of cash. The current ratio is employed to evaluate the liquidity position of a firm. On the other hand, if the cash paid out to investors in the form of dividends will reduces cash on hand to the firm, thereby affecting liquidity position of the firm and thus total assets and the firm's net worth. This perception may result in paying fewer dividends to the shareholders. Therefore, the expected relationship between the liquidity and dividend is indeterminate. This variable depicted as LEQ.

Leverage

A firm's leverage is considered to be an important factor for the dividend policy decisions. Debt over equity indicates the proportion that is financed by creditors relative to shareholders, the study employed debt-equity ratio to measure leverage of a firm. The higher the firm is financed with debts, the lower the dividend payout due to debt covenants. Showed that firms with high leverage ratio have high fixed payments for using external financing and thus, higher the leverage ratio, the lower the opportunity for dividend as a consequence leverage is negatively related to dividends. This explanation is in accordance with the agency cost theory of dividend policy. The firm's ability to pay dividends is depending upon the optimal capital structure, i.e., how the firm divides its cash flows between debt payments which is a fixed component and dividends-a residual component. The profitable firms have greater need for external financing and therefore to ensure access to external equity capital the firm may be motivated to establish a good reputation with shareholders through higher dividend, as a consequence leverage is positively related to dividends. Variable depicted as LEV.

Risk

The higher P/E ratio implies investor's anticipation of higher earnings growth in the future compared to firms with lower P/E ratio. High P/E ratio may be associated with low risk and higher pay-out ratios, where as low P/E ratio with high risk and lower payouts ratios. This explanation is in line with the studies of agency theory of dividend policy. Hence, the P/E ratio is considered as a proxy for risk and negative relation is expected between risk and dividend payout ratio. Variable depicted as RISK

Firm Size

Generally, the larger firms have higher proportion of institutional shareholdings and as a result, they have easy access to capital which leads to pay them higher dividend. Besides, the larger firms need to pay more dividends in order to reduce the agency problem between the managers and the shareholders. The firm size is negatively related to dividend payment

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decisions because the larger firms tend to have greater 33 reinvestment opportunities and pay lesser dividend. The natural log of market capitalization of the firm is considered as proxy for firm size. Variable depicted as SIZ

DATA ANALYSIS AND INTERPRETATION

In order to find out the impact and relationship of selected independent variables on dividend payout and dividend rate of reliance industry, various tools and techniques are used.

DESCRIPTIVE STATISTICS

Descriptive statistics states the minimum value, maximum value, the range between minimum and maximum value, mean value and standard deviation from the mean value of data, which is, include dependent and independent variable.

Table 4.1 depicts the descriptive statistics of all variable used in the study. There are two dependent variable including dividend payout and dividend rate, and independent variables including tax ratio, leverage, liquidity, size, profitability and risk. The mean value of dividend payout ratio (DP) of reliance industry is 0.1088, suggesting that investors of reliance industry receive 10.88 percent of equity dividend paid out of the earning. The investors can receive maximum of 21.96 percent and minimum of 0.00percent of equity out of the earnings. The mean value of dividend rate (DR) 0.7402, suggest that 74.02 percent paid dividend to its total equity. The maximum value of dividend rate1.2056 and minimum 0.00. The average mean of tax ratio (TAXR) 0.2161, suggest that the reliance industry 21.61 percent portion of total earning paid to the government in the form of tax. During the period of 2008-09 to 2017-18 Company paid tax maximum 26.49 percent and minimum 16.67 percent out of the earning. The mean value of leverage (LEV) 0.4400, suggest that the average total debt of reliance industry is44percentofits total equity. Higher the debt ratio indicates the higher risk. The mean value of liquidity (LEQ) 1.2418, suggest that current assets of reliance industry 1.2418 times of its current liabilities. The minimum and maximum liquidity ratio of company 0.6499 and 1.9211 respectively. The mean value of size 12.6782, minimum and maximum value 12.3872 and 13.2343 respectively. The mean value of profitability(pro) 7.0770, the minimum and maximum value of profitability 4.9646 and 9.7291respectively. Profitability ratio also has the highest standard deviation during the sample period. The mean value of risk 0.1580, the maximum and minimum value of risk 0.1028 and0.2015 respectively.

Table 4.2, shows the ANOVA table, it indicates the f- value is 103.684 and p-value 0.001<0.05, it indicates that model is best fitted at 5 percent significance level.
H01: There is no significant relationship between dividend payout ratio and tax ratio, leverage, liquidity, profitability, risk and size of Reliance industry.
H11: There is significant relationship between dividend payout ratio and tax ratio, leverage, liquidity, profitability, risk and size of Reliance industry
The table shows the p-value 0.001<0.05, it depicts the rejection of null hypothesis at 5 percent significant level, which means that there is significant relationship between dividend payout ratio and tax ratio, leverage, liquidity, profitability, risk and size of Reliance industry.

Table 4.3 shows the Pearson correlation matrix between dependent variable(dividend payout) and independent variable (TAXR, LEV, LEQ, SIZE, PRO, and RISK). Dividend payout has positively correlated with leverage (.412) and liquidity (0.600) and negatively correlated with tax ratio (-.322), size (-.557), profitability(-.497),and risk(-.484). Tax ratio has significantly positive correlated with the size(.698) at 0.05 significant level and with the risk (0.490) tax ratio positively correlated. Tax ratio has negatively correlated with the liquidity and profitability but with the leverage(-0.784) tax ratio has negatively and significantly correlated at 0.01 significant level. Leverage has positively correlated with liquidity (.230) and profitability (.380) and negative correlated with the size (-0.541) and risk(-0.650)

With the risk liquidity has significantly negative correlated at 0.05 significant level. The variable liquidity negative correlated with the size(-0.794), profitability(-0.339), and risk (-0.156). With the size, liquidity has significantly negative correlated at the 0.01 significant level. The variable size has negatively correlated with profitability (-0.183) and positively correlated with the risk (.627). The variable profitability negatively correlated with the risk(-0.480)

Table 4.4 shows the result of model summery, table shows R value.998.it means coefficient of correlation. R value 0.998 which is close to 1. It means aforesaid relationship is strong over the sample period. The value of R-square is 0.995.It means 99.5% variation in dividend payout is explained by the independent variable. The p-value 0 .001 less than 0.01 significant level. It means, model is best fitted at 1% significant level.
H03: There is no significant impact of tax ratio, leverage, liquidity, profitability, risk and size on dividend payout ratio of Reliance industry.

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H13: There is significant impact of impact of tax ratio, leverage, liquidity, profitability, risk and size on dividend payout ratio of reliance Industry.

The p-value 0.001 less than 0.01 so, null hypothesis rejected at1% significant level. It means that there is significant impact of impact of tax ratio, leverage, liquidity, profitability, risk and size on dividend payout ratio of reliance Industry.

The coefficient of multiple regression analysis as presented in the table 4.5 reflects that the variables namely profitability (PRO)and risk (RISK) are significant at the 1%(0.01) confidence level. Another side the variables namely tax ratio (TAXR), leverage (LEV), liquidity (LEQ), and size (SIZE) shows insignificant impact.

In Table 4.4, Tax ratio (TAXR) , Statistical test showed p- value is .741>0.05. The result of study reported tax ratio has no significant impact on dividend payout ratio. This means that the amount of tax ratio does not affect the dividend payout ratio of reliance industry.
Leverage (LEV),the result of p-value.077>0.05 there for its insignificant. The result of this study reported leverage has no significant effect on dividend payout ratio. It means that the amount leverage does not affect the dividend payout ratio.
Liquidity (LEQ) In Table 4.4 the result of p-value0.148>0.05 there for its insignificant. The result of this study reported liquidity has no significant effect on dividend payout ratio. It means that the amount of liquidity does not affect the dividend payout ratio.
Size (SIZE): In Table 4.4, Size shows the log of market capitalization of reliance industry during the period of 2008-09 to 2017-18. The p-value of size 0.057>0.05 therefor it can be said it is insignificant. The result of this study reported size has no significant effect on dividend payout ratio. It means that the amount of size does not affect the dividend payout ratio.
Profitability (PRO): In the table 4.4, the result of coefficient shows the influences of profitability on dividend payout ratio is -0.025. Statistical test showed the p-value 0.001<0.05. The result of this study reported profitability has a negative and significant effect on dividend payout ratio, implying that reliance industry pay lower dividend and retain more earning for their expansion. The risk (RISK) variable is represented by price earnings ratio of the reliance industry. The result of coefficient shows the influences of risk on dividend payout ratio is 0-.673. Statistical test showed the p-value 0.006<0.01. The result of this study reported, risk has a negative and highly significant effect on dividend payout ratio, implying that the risk of future cash flow to share holder of reliance industry is low and thus it leads to increase the dividend yield

Regression equation

DPR=1.352-0.025(PRO)-0.673(RISK)
Above the statements shows the impact of Tax ratio, liquidity, leverage, profitability, risk, and size on dividend payout ratio. Only profitability and risk has significant impact on dividend payout ratio other are insignificant.

Table 4.6, shows the ANOVA table, it indicates the f- value is 107.878 and p-value 0.001<0.01, it indicates that model is best fitted at 1 percent significance level.
H02: There is no significant relationship between dividend rate and tax ratio, leverage, liquidity, profitability, risk and size of Reliance industry.
H12: There is significant relationship between dividend rate and tax ratio, leverage, liquidity, profitability, risk and size of Reliance industry
The table shows the p-value 0.001<0.01, it depicts the rejection of null hypothesis at 1 percent significant level, which means that there is significant relationship between dividend rate and tax ratio, leverage, liquidity, profitability, risk and size of Reliance industry.

Table4.7 shows the correlation matrix between dependent variable(dividend rate) and independent variable (TAXR, LEV, LEQ, SIZE, PRO, and RISK). Dividend rate is positively correlated with leverage (.696) liquidity (0.426) and profitability (0.026), with the leverage dividend rate is significantly positive correlated at the 0.05 significant level. Dividend rate negatively correlated with Tax ratio(-.519), size(-.690) and risk (-0.861), with the size and risk dividend rate has significantly negative correlated at 0.05 significant level. Tax ratio has significantly positive correlated with the size (.698) at0.05 significant level and with the risk (0.490) tax ratio positively correlated. Tax ratio has negatively correlated with the liquidity and profitability but with the leverage (- 0.784) tax ratio has negatively and significantly correlated at 0.01 significant level. Leverage has positively correlated with liquidity (.230) and profitability (.380) and negative correlated with the size (-0.541) and risk (-0.650). With the risk liquidity has significantly negative correlated at 0.05 significant level. The variable liquidity negative correlated with the size (-0.794), profitability (-0.339), and risk (-0.156). With the size, liquidity has significantly negative correlated at the 0.01 significant level. The variable size has negatively correlated with profitability (-0.183) and positively correlated with the risk (.627). The variable profitability negatively

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correlated with the risk (-0.480).

The coefficient of multiple regression analysis as presented in the table 4.9 reflects that the variables namely profitability (PRO), risk (RISK) and leverage (LEV) are significant at the 5% (0.05) confidence level. Another side the variables namely tax ratio (TAXR), liquidity (LEQ), and size (SIZE) shows insignificant relationship.
Tax ratio (TAXR): Statistical test showed p- value is .817>0.05. The result of study reported tax ratio has no significant effect on dividend rate. This means that the amount of tax ratio does not affect the dividend rate of reliance industry.

Leverage (LEV): the result of p- value .036< 0.05 therefore it can be said it is positive and significant at 5 percent confidence level. The result of this study reported leverage has significant effect on dividend rate. It means that the amount of leverage positively affects the dividend rate.

Liquidity (LEQ): the result of p- value 0.305>0.05 therefore it can be said it is insignificant. The result of this study reported liquidity has no significant effect on dividend payout ratio. It means that the amount of liquidity does not affect the dividend rate.

Size (SIZE): The p-value of size 0.153>0.05 therefore it can be said it is insignificant. The result of this study reported size has no significant effect on dividend rate. It means that the amount of size does not affect the dividend rate.

Profitability (PRO): the result of coefficient shows the influences of profitability on dividend rate is -.113 Statistical test showed the p-value 0.006<0.01. The result of this study reported profitability has a negative and significant impact on dividend rate, implying that reliance industry pay dividend at lower rate and retain more earning for their expansion.
Risk (RISK): the risk variable is represented by price earnings ratio of the reliance industry. The result of coefficient shows the influences of risk on dividend payout ratio is -7.722. Statistical test showed the p-value 0.002<0.01. The result of this study reported risk has a negative and significant effect on dividend payout ratio. Above the statements shows the impact of independent variable on dependent variable. Only profitability, liquidity and risk having significant impact on dividend rate others are insignificant.

FINDINGS

For analyze the relationship and impact of specific determinants on dividend payout ratio and dividend rate, various statistical tools and techniques are used like descriptive statistics, ANOVA, correlation matrix and regression analysis. Descriptive statistics suggest that size having highest mean value 12.6782 and profitability having highest standard deviation 1.6770. Correlation suggests that dividend payout is positively correlated with leverage and liquidity and negatively correlated with tax ratio, size, profitability and risk.
Dividend rate is positively correlated with leverage, liquidity and profitability and negatively correlated with tax ratio, size and risk.

ANOVA model suggest the p-value 0.001<0.05 in both the dependent variables, it means that null hypothesis is rejected at 5% significant level. It depicts that there is there is significant impact of specific determinants on dividend payout ratio and dividend rate of reliance Industry and its also suggest that the model is best fitted.
Regression model suggest that profitability (p-value 0.001<0.05) and risk (p-value 0.006<0.05) have significant impact and tax ratio (p-value 0.741>0.05), liquidity (p- value 0.148>0.05), leverage (p-value 0.077>0.05) and size (p-value 0.057>0.05) have insignificant impact on dividend payout. The coefficient of profitability -0.025 and risk - 0.673, it means that profitability and risk both having negative significant impact on dividend payout ratio of reliance industry. If any increment in the profitability and risk, then it will be decrease the dividend payout ratio of the reliance industry
Results of the model also suggest that profitability (p-value 0.006<0.05), leverage (p- value 0.036<0.05) and risk (p-value 0.002<0.05) have significant impact and tax ratio (p-value 0.817>0.05), liquidity (p-value 0.305>0.05) and size (p-value 0.153>0.05) have insignificant impact on dividend rate of the reliance industry.
The coefficients of profitability is -0.113, risk -7.722 and leverage 1.290, it means that leverage have positive significant impact on dividend rate, risk and profitability have negative significant impact on dividend rate of reliance industry.
If any increment in the ratio of profitability and risk, then it will be decrease the dividend rate another side if any increment in the ratio of leverage then it will increase the dividend rate of reliance industry.

CONCLUSION

The present study empirically attempts to examine the determinants of dividend policy of reliance industry limited. The Company is selected on the basis of highest market capitalization in NSE(National stock exchange).Sample period of

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study from2007-08 to 2017-2018 i.e. 10 years. Secondary data were collected from the annual report of reliance industry. Two dependent variable namely dividend payout ratio and dividend rate, six independent variables name lytax ratio, leverage, liquidity, profitability, risk and size are taken to examine the impact of specified variable on dividend policy of reliance industry and to examine the relationship between the specified variable of dividend policy of reliance industry. Descriptive statistics, correlation matrix, ANOVA and regression model is used to analyze the impact and relationship between the specified variables. The p-value in both the dependent variable is 0.001<0.05, it means the model is best fitted. Regression model shows that profitability and risk has significant impact and tax ratio liquidity, leverage and size have insignificant impact on dividend payout. The coefficient of profitability -0.025 and risk -0.673, it means that profitability and risk both having negative significant impact on dividend payout ratio of reliance industry. If any increment in the profitability and risk, then it will be decrease the dividend payout ratio of the reliance industry. Results of the model also suggest that profitability, leverage and risk have significant impact and tax ratio, liquidity and size have insignificant impact on dividend rate of the reliance industry. The coefficients of profitability are -0.113, risk -7.722 and leverage 1.290, it means that leverage have positive significant impact on dividend rate, risk and profitability have negative significant impact on dividend rate of reliance industry. If any increment in the ratio of profitability and risk, then it will be decrease the dividend-rate another side if any increment in the ratio of leverage then it will increase the dividend rate of reliance industry.

RECOMMENDATION

In the study 10 year's data collected from annual reports of reliance industry. Dividend rate and dividend payout ratio has been taken as dependent variables and tax ratio, liquidity,profitability,risk,andsizehasbeentakenasindependentvariable.Descriptive statistics, ANOVA, correlation and regression model used to analyze the determinants of dividend policy of reliance industry. If anyone else wants to conduct the research on the same topic, then the researcher must include the followings

- Researcher include more independent variable for better result.
- The period of study should be more than 10 years for better result of reliance industry limited
- To analyze the determinants of dividend, researcher must collect data more than the one Company.

MANAGERIAL IMPLICATION

In the present study, it has been found that profitability and risk has negative significant impact on dividend payout ratio of the reliance industry so manager should consider profitability and risk for consideration of dividend payout to the shareholders.

Profitability and risk also has negative significant impact on dividend rate of the reliance industry limited so mangers should consider the profitability and risk to determine the dividend rate of the company.

Leverage has positive significant impact on dividend rate of the reliance industry. If leverage has increased, then debt ratio of the company also increased. Therefore, mangers can use more debt with equity for the increment of dividend rate and also take the tax benefits, reduce the cost of capital of the company and increased the value of company.

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TABLE 4.1: Descriptive statistics of the all variables

	Mean	Median	Standard Deviation	Range	Minimum	Maximum
DP	0.1088	0.1245	0.0395	0.1296	0.0000	0.1296
DR	0.7402	0.7939	0.3203	1.2056	0.0000	1.2056
TAXR	0.2161	0.2161	0.0261	0.0982	0.1667	0.2649
LEV	0.4400	0.4300	0.0741	0.2600	0.3700	0.6300
LEQ	1.2418	1.3251	0.4314	1.2712	0.6499	1.9211
SIZE	12.6782	12.6729	0.2724	0.8471	12.3872	13.2343
PRO	7.0770	6.6533	1.6770	4.7645	4.9646	9.7291
RISK	0.1580	0.1578	0.0329	0.0987	0.1028	0.2015

Table 4.2
ANOVA F-test of Dependent variable- Dividend payout ratioIndependent variable- Tax ratio, liquidity, leverage, profitability, risk, size

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.014	6	0.002	103.684	0.001[b]
	Residual	0.000	3	0.000		
	Total	0.014	9			
a. Dependent Variable: DP						
b. Predictors: (Constant), RISK, LEQ, PRO, LEV, TAXR, SIZE						

Table 4.3
Pearson correlation between dependent variable (dividend payout ratio) and Independent variables (Tax ratio, liquidity, leverage, profitability, risk and size)

x		DP	TAXR	LEV	LEQ	SIZE	PRO	RISK
DP	Pearson	1						

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	Correlation							
TAXR	Pearson Correlation	-0.322	1					
LEV	Pearson Correlation	0.412	-0.784(**)	1				
LEQ	Pearson Correlation	0.600	-0.539	0.230	1			
SIZE	Pearson Correlation	-0.557	0.698(*)	-0.541	- 0.794(**)	1		
PRO	Pearson Correlation	-0.497	-0.323	0.380	-0.339	-0.183	1	
RISK	Pearson Correlation	-0.484	0.490	-0.650(*)	-0.156	0.627	-0.480	1

(Source: Compiled by authors)
** Correlation is significant at the 0.01 level (2-tailed).
Correlation is significant at the 0.05 level(2-tailed).

Table 4.4Model summary of dependent variable (dividend payout ratio) and Independent variables (tax ratio, liquidity, leverage, profitability, risk, size)

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df 2	Sig. F Change
1	0.998	0.995	0.986	0.00474	0.995	103.684	6	3	0.001
a. Predictors: (Constant), RISK, LEQ, PRO, LEV, TAXR, SIZE									

Table 4.5
Result of multiple regression of Independent variable (Tax ratio, liquidity, leverage, profitability, risk, and size) on Dependent variable (Dividend payout ratio)

Coefficients							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	1.352	0.354		3.822	0.032	0.226	2.478
TAXR	-0.053	0.147	-0.035	-0.362	0.741	-0.522	0.415
LEV	0.118	0.045	0.221	2.647	0.077	-0.024	0.260
LEQ	-0.031	0.016	-0.335	-1.936	0.148	-0.081	0.020
SIZE	-0.076	0.025	-0.523	-3.024	0.057	-0.156	0.004
PRO	-0.025(**)	0.002	-1.070	-12.364	0.001	-0.032	-0.019
RISK	-0.673(**)	0.098	-0.560	-6.887	0.006	-0.984	-0.362
a. Dependent Variable: DP							

Table 4.6 ANOVA F-test
Dependent variable- Dividend rate
Independent variable- Tax ratio, liquidity, leverage, profitability, risk, size

ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig.

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Regression	0.919	6	0.153	107.878	0.001[b]
Residual	0.004	3	0.001		
Total	0.923	9			
a. Dependent Variable: DR					
b. Predictors: (Constant), RISK, LEQ, PRO, LEV, TAXR, SIZE					

Table 4.7
Pearson correlation between dependent variable (dividend rate) and Independent variables (Tax ratio, liquidity, leverage, profitability, risk and size

	DR	TAXR	LEV	LEQ	SIZE	PRO	Risk
TAXR	-.519	1					
LEV	0.696(*)	-0.784(**)	1				
LEQ	0.426	-0.539	0.230	1			
SIZE	-0.690(*)	0.698(*)	-0.541	-0.794(**)	1		
PRO	0.026	-0.323	0.380	-0.339	-0.183	1	
Risk	-0.861(**)	0.490	-0.650(*)	-0.156	0.627	-0.480	1

Table 4.8 model summary
Dividend rate has been taken as dependent variable and risk, profitability, liquidity. Leverage and size taken as independent variable

R	R Square	Adjusted RSquare	Std. Error	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
0.998	0.995	0.986	0.03768	.995	107.878	6	3	.001

Table 4.9 coefficients
Impact of specified variable on dividend rate

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.126	2.814		2.532	.085
TAXR	0.295	1.171	0.024	.252	0.817
LEV	1.290(*)	0.355	0.298	3.639	0.036
LEQ	-0.156	0.126	-0.209	-1.234	0.305
SIZE	-0.379	0.199	-0.322	-1.902	0.153
PRO	-0.113(**)	0.016	-0.590	-6.950	0.006
RISK	-7.722(**)	0.778	-0.792	-9.932	0.002