



## A Comparative Study on Dividend Policy of Nationalised Banks (With special reference to EPS)

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a comparative study on dividend policy of Nationalised Banks (with special reference to eps) ABSTRACT This paper throws a light on the topic policy as a whole and then it analyses the Earning Per Share values (Since EPS is the main variable in the configuration of dividend policy) of five Nationalised banks for six consecutive years (recent years are tried to be covered in the study). And then it consolidated the EPS values of those six years in order to come to a result.

### Abstract

This paper throws a light on the topic-Dividend Policy as a whole and then it analyses the Earning Per Share values (Since EPS is the main variable in the configuration of dividend policy) of five Nationalised banks for six consecutive years (recent years are tried to be covered in the study). And then it consolidated the EPS values of those six years in order to come to a result. Earnings per Share are the finest determinant of a share's factual price since it shows how much of a organisation's profit after tax each shareholder owns. So greater is the value of EPS, greater is the profit. Five Nationalised Banks have been taken in the study namely, State Bank Of India, Indian Bank, Punjab National Bank, Union Bank Of India, Canara Bank out of which the Indian Bank has done exceptionally well in these six years in terms of Earning Per Share and there is a difference between the values of average EPS as well as EPS for those six consecutive years.

### Key Words

Dividend Policy, Nationalised Banks & Earnings Per Share (EPS).

### Introduction

In this paper, research is carried out on the study entitled "A comparative study on dividend policy of Nationalised Banks (with special reference to EPS)". A dividend policy is the policy which a company uses to organize its dividend payout to shareholders. Some researchers propose the dividend policy is irrelevant, in theory, because investors can sell a segment of their shares or

collection if they need funds. This is the dividend insignificance theory, which infers that dividend payouts minimally affect a stock's price.

As Dividend policy refers to the decision of the board regarding distribution of residual earnings to its shareholders. The main objective of a finance manager is the maximization of wealth of the shareholders. Sum of dividend leads to amplify in the price of shares on the one hand but leads to a crunch in liquid resources for financing of prospective projects.

As, Earnings per share or EPS is the main variable in the configuration of dividend policy hence we will be taking the research ahead with this variable

Earnings per share or EPS which indicates the profitability of a business. It is calculated by dividing the company's net income with its total number of outstanding shares. It is a tool that market participants use often to measure the profitability of a corporation prior to buy its shares.

As, Earnings per share (EPS) is intended as a company's profit divided by the outstanding shares of its common stock. The resultant number serves as an display of a company's profitability. It is common for a company to report EPS that is adjusted for astonishing items and potential share dilution.

EPS represents how much capital a company makes for each one of its share, and is a widely used metric to approximate corporate's value. A higher EPS indicates greater value because investors will pay more for a company's shares if they think that the company has elevated profits relative to its share price.

## Objectives

1. To study of Earning per Share (EPS) of Nationalised Banks with respect to dividend policy.
2. To compare the average values (2015-2020) of Earning per Share of Nationalised Banks.

## Hypothesis

There is no significant difference between the Earning per Share i.e. EPS of Nationalised Banks.

## Research Method

### Tools, Technique and Statistics

Sample size of the study consists of Earning per Share offered by 5 Nationalised Banks of India. These are as follows:

- State Bank of India
- Indian Bank
- Punjab National Bank
- Union Bank Of India
- Canara Bank

Sample of study period is from 31/03/2015 to 31/03/2020.

Following techniques have been used to study the dividend policy of Nationalised Banks:

- The statistical tools have been applied to the data using MS-Excel 2007.
- EPS values are consolidated by taking up Averages of each Nationalised Bank in order to compare the a certain values of EPS of one bank from the other

Data has been collected from secondary sources. In order to take the research ahead, the Researcher had gone through the facts sheet, Business magazine, journals, articles, book, published and unpublished

documents Annual reports, souveniour, and other related materials of the selected mutual funds to deal with the statistical part. From the related materials of these Nationalised Banks, researcher had taken out the required material and then consolidated it accordingly and then presented it.

## Analysis

### Hypothesis

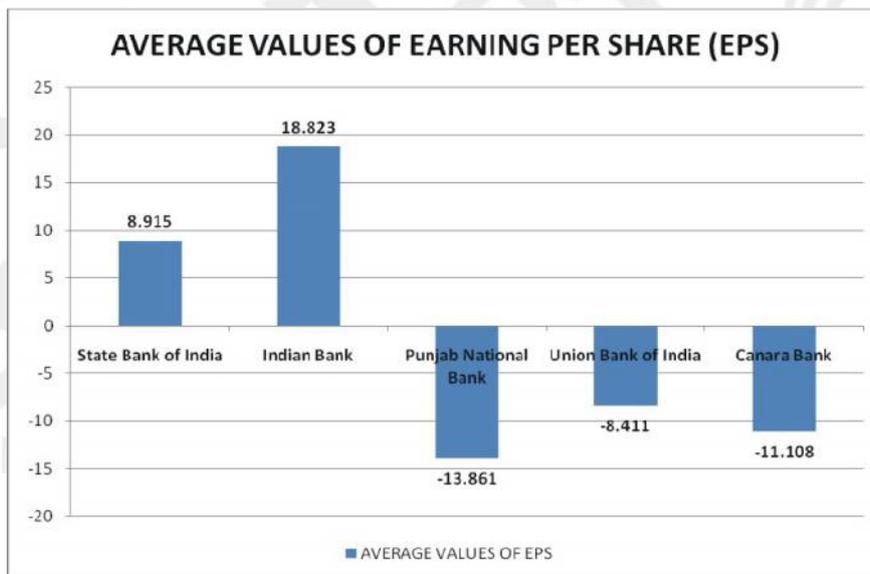
There is no significant difference between the Earning Per Share i.e. EPS of Nationalised Banks

BANK NAMES	YEAR (EPS)						AVERAGE VALUES OF EPS	RANK
	2015	2016	2017	2018	2019	2020		
State Bank of India	17.55	12.98	13.43	(-7.67)	0.97	16.23	8.915	II
Indian Bank	21.62	14.81	29.27	26.21	6.70	14.33	18.823	I
Punjab National Bank	16.91	(-20.82)	6.45	(-55.39)	(-30.94)	0.62	(-) 13.861	V
Union Bank of India	28.05	20.42	8.08	(-69.45)	(-) 25.08	(-) 12.49	(-) 8.411	III
Canara Bank	58.59	(-53.61)	20.63	(-) 70.47	4.71	(-) 26.50	(-) 11.108	IV

(Source: Calculated from secondary data)

In the above table, we have the values of Earning per share of five nationalised banks for almost 6 years i.e. from the year 2015 to 2020 and then these EPS values are consolidated by taking up Averages of each Nationalised Bank in order to compare the a certain values of EPS of one bank from the other. The table represents that five selected Nationalised Banks namely State Bank Of India, Indian Bank, Punjab National Bank, Union Bank Of India, Canara Bank. The highest value of Average EPS is 18.823 of Indian Bank which is ranked at 1st position and the lowest value is (-)13.861 of Punjab National Bank which is ranked at 5<sup>th</sup> position. As every Nationalised bank has very different values of average EPS hence, there is significant difference between the Earning per Share i.e. EPS of Nationalised Banks. Hence, hypothesis is rejected.

### Graphical Representation of Average values of EPS of Nationalised Banks



## Findings

As we know that Earnings per Share is extensively considered to be the finest determinant of a share's true price because it enshrines how much of a company's profit after tax that each shareholder owns and in our study, Indian Bank has the best value of average EPS also the above table shows that

there is no negative value of EPS for Indian Bank for consecutive years, whereas Punjab National bank has the negative average value which shows that it has the least profit after tax that each shareholder owns. Therefore there is major difference between the EPS of these selected five Nationalised Banks.

### Suggestions

1. A similar research can be conducted on comparing the Earning Per Share (EPS) values of Private and Public Banks.
2. A similar research can be conducted on analysing a relationship between Earning per Share (EPS) and Dividend Payout Ratio (DPR) of banks.
3. Research can also be conducted to investigate the impact of Earning Per Share (EPS) on dividend policy using a certain model.

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