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**A STUDY ON DIVIDEND POLICY OF COMPANY WITH REFERENCE  
TO HUL, NESTLE, COLGATE AND PALMOLIVE AND ITC**

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**ABSTRACT**

*Dividend policy is a significant topic in financial literature, with extensive research conducted on dividend decisions. A dividend represents a portion of a corporation's net earnings distributed to its shareholders as a reward for their investment. It is a fundamental right of equity shareholders to receive dividends, provided they comply with legal limits and the rational judgment of directors. Ensuring fair and adequate returns to shareholders, enhancing firm value, and maximizing shareholder wealth are key responsibilities of financial managers. A well-structured dividend policy plays a crucial role in balancing corporate growth, investor satisfaction, and long-term financial stability. To support the objectives and validate the findings of this research, the researcher has utilized various analytical tools and techniques. Relevant analytical practices have been systematically applied and integrated to ensure a robust foundation for the study. By incorporating these methodologies, the research gains credibility and reliability, offering well-supported conclusions. The use of appropriate analytical frameworks enhances the depth and accuracy of the findings, ensuring they are both meaningful and applicable. This structured approach strengthens the overall validity of the research, providing valuable insights while maintaining a logical and methodical investigation process.*



**KEY WORDS:** *Corporate growth, Investor satisfaction, Dividend.*

**INTRODUCTION**

Dividend policy refers to a firm's approach to deciding how much of its earnings should be distributed as dividends versus how much should be retained for reinvestment. A well-structured dividend policy aims to maximize shareholder value while ensuring the company's long-term financial stability. The policy reflects the firm's financial management strategy and influences future growth, expansion, diversification, and mergers. For a strong and sustainable capital market, both dividends and retained earnings play crucial roles. In corporations, shareholders are the owners, but decision-making is carried out by the board of directors. The board is responsible for determining whether to distribute profits as dividends or retain earnings for future investments. This often leads to a conflict between shareholders, who seek immediate returns, and directors, who must consider long-term business needs. Most companies follow a specific dividend policy, typically retaining a portion of net earnings while distributing the remaining amount to shareholders. However, establishing a long-term dividend policy requires evaluating various factors, including profitability, liquidity, growth opportunities, and market conditions. By balancing these aspects, companies aim to maintain financial stability while

meeting shareholder expectations, ensuring a well-planned dividend strategy that aligns with corporate goals and market demands.

#### Following given below are the different types of dividends:

- i. Cash dividend
- ii. Bonus Shares referred to as stock dividend
- iii. Property dividend interim dividend, annual dividend.
- iv. Special- dividend, extra dividend etc.
- v. Regular Cash dividend
- vi. Scrip dividend
- vii. Liquidating dividend
- viii. Property dividend

#### Dividend Decision Matrix

Factors	FCFE> Dividends	FCFE<Dividends
ROE> Cost of Equity	Good Projects Cash flow surplus No Change	Good Projects Decrease Dividends Invest in Projects
ROE< Cost of Equity	Poor Projects Cash flow surplus Increase Dividends Reduce Investment	Poor Projects Cash flow Deficit Decrease Dividends Reduce Investment

#### Type of Dividend Policy

1. **Generous or Liberal Dividend Policy** – Companies adopting this policy consistently increase dividend payouts over time, providing generous rewards to shareholders.
2. **Stable Dividend Policy** – Firms ensure a steady dividend approach, which can be of two types:
  - Stable Dividend Payout Ratio: A fixed percentage of earnings is distributed as dividends, causing fluctuations in payouts based on company earnings.
  - Stable Rupee Dividend Policy: The absolute rupee amount of dividends remains stable, often adjusted for inflation.
3. **Low Regular Dividend Plus Extra Dividend Policy** – A low but consistent dividend is maintained, with an additional dividend issued during profitable periods. While the regular portion remains predictable, the total dividend amount varies.
4. **Residual Dividend Policy** – Dividends are paid only after meeting capital investment requirements. The payout fluctuates based on the company's investment needs and available profits.
5. **Multiple Dividend Increase Policy** – Some firms opt for frequent, small increases in dividends, creating an impression of continuous growth and movement.
6. **Uniform Cash Dividend Plus Bonus Policy** – A minimum fixed cash dividend is paid annually, supplemented by bonus shares issued from accumulated reserves periodically (e.g., every 3–5 years), depending on financial stability.

#### REVIEW OF LITERATURE

**Khadija Farrukh, et.al (2017)** The Researcher examine the relationship between dividend policy, shareholders' wealth, and firm performance. Using dividend per share (DPS) and dividend yield (DY) as independent variables, the study measured dividend policy, while earnings per share (EPS) and share price assessed shareholders' wealth. Return on equity (ROE) evaluated firm performance. Regression and correlation tests revealed a positive relationship between dividend policy, earnings per share, share price, and return on equity, highlighting its significant impact on firm performance.

**AsmaTahir, NainTaraSarfarz Raja (2014)**, The Researcher analyzed the effect of dividend policy on shareholder wealth in oil and gas industry. Using convenience sampling, six companies were selected, including two exploration firms, two refineries, and two marketing/distribution companies. Independent variables included dividend payout ratio, P/E ratio, and BV/MV equity ratio, while holding

period yield was the dependent variable. Regression and correlation analyses found a weak and insignificant relationship between these variables.

**Anifat Oladipupo (2016)** ,The Researcher analyzed how dividend policy influences market share prices. The research examined 10 companies listed on the Nigeria Stock Exchange from 2011 to 2015. Dividend price per share was used as the dependent variable, while shareholder wealth was measured using the average of the highest and lowest market prices per share (independent variable) each year. The study relied on secondary data from annual reports and the Nigeria Stock Exchange. Regression analysis revealed a strong positive relationship between dividend policy and shareholders' wealth, indicating that if dividends are not paid, market share prices may decline.

### OBJECTIVE OF STUDY

- To study the theoretical aspects of dividend policy.
- To Examine Dividend policy of different companies.

### RESEARCH METHODOLOGY

This study is based on secondary sources of data such as articles, books, journals, research papers, websites and other sources.

### Dividend Policies Company

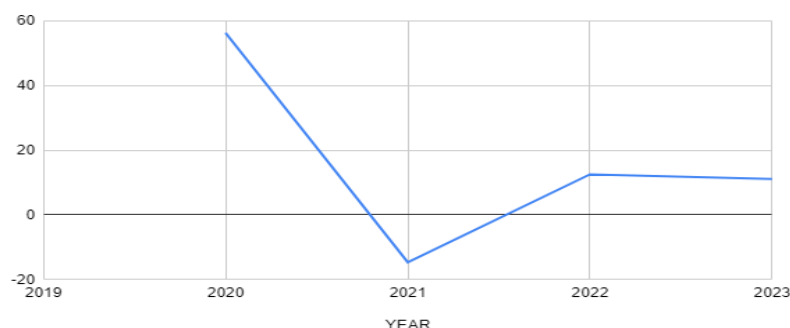
#### HINDUSTAN UNILEVER

Hindustan Unilever Limited (HUL) is a leading company in India's consumer goods sector, offering a diverse range of household and personal care products. Renowned for its innovation, product quality, and vast distribution network, HUL has established itself as a market leader. With a strong brand presence and a commitment to meeting consumer needs, HUL continues to be a trusted name across India.

#### Dividend Payout of Hindustan Unilever

YEAR	DIVIDEND				GROWTH %
	Interim	Final	Special	Total	
2019	11	13	0	24	
2020	14	14	9.5	37.5	56.25
2021	15	17	0	32	-14.66
2022	17	19	0	36	12.5
2023	18	22	0	40	11.1

DIVIDEND GROWTH OF HINDUSTAN UNILEVER

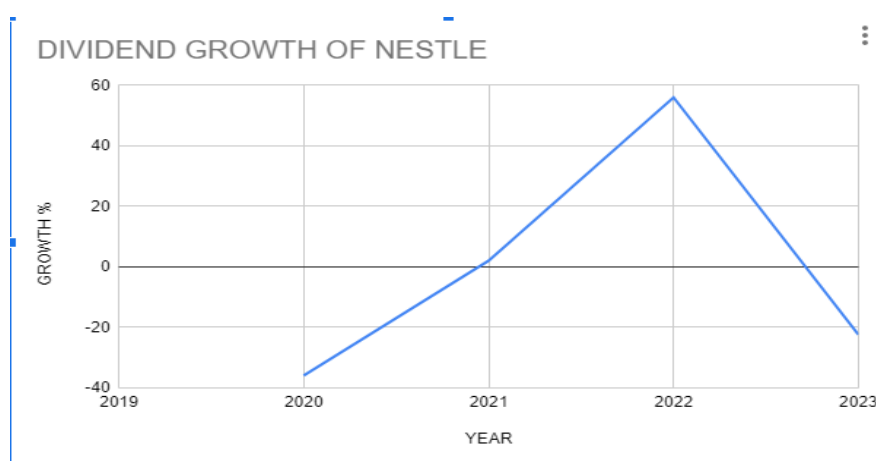


## NESTLE

Nestlé is a globally renowned multinational corporation in the food and beverage industry, recognized for its vast presence and diverse product portfolio. Founded in 1866 by Henri Nestlé, it has grown into one of the world's largest food companies. Headquartered in Vevey, Switzerland, Nestlé operates in over 180 countries and employs approximately 290,000 people. Committed to providing high-quality and nutritious products, its offerings span categories such as baby food, bottled water, cereals, chocolate, coffee, dairy, beverages, ice cream, and pet care.

### Dividend Payout of Nestle

YEAR	DIVIDEND				GROWTH %
	Interim	Final	Special	Total	
2019	101	25	180	306	
2020	135	61	0	196	-35.94
2021	135	65	0	200	2.04
2022	172	140	0	312	56
2023	167	75	0	242	-22.4



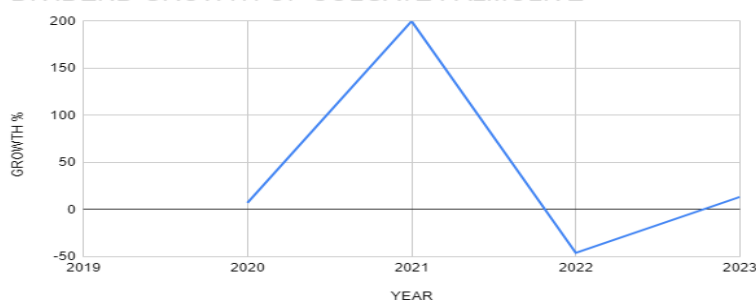
## COLGATE PALMOLIVE

Colgate-Palmolive is a globally recognized consumer products company specializing in household, healthcare, and personal care products. Renowned for its trusted brands, it is especially known for its iconic Colgate toothpaste, making it one of the most widely recognized names worldwide.

### Dividend Payout of Colgate-Palmolive

YEAR	DIVIDEND				GROWTH %
	Interim	Final	Special	Total	
2019	40	48	0	98	
2020	0	105	0	105	7.14
2021	85	80	150	315	200
2022	95	65	0	160	-46.03
2023	80	105	0	185	13.5

DIVIDEND GROWTH OF COLGATE PALMOLIVE



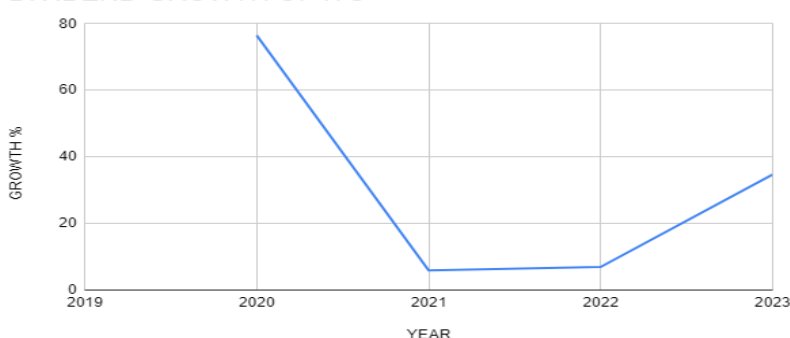
## ITC

ITC Limited, originally known as the Imperial Tobacco Company of India Limited, is a leading Indian conglomerate with diverse business interests, including tobacco, food processing, retail, and financial services. Headquartered in Kolkata, West Bengal, ITC has a strong global presence, with a market capitalization exceeding ₹4,38,601 Cr and a workforce of over 36,500 employees across 90 countries and 60 locations in India.

Dividend Payout of ITC

YEAR	DIVIDEND				GROWTH %
	Interim	Final	Special	Total	
2019	0	5.75	0	5.75	
2020	0	10.15	0	10.15	76.52
2021	5	5.75	0	10.75	5.91
2022	5.25	6.25	0	11.5	6.9
2023	6	6.75	2.75	15.5	34.7

DIVIDEND GROWTH OF ITC



## FINDINGS:

Over the past five years (2019–2023), the dividend payment policies of Hindustan Unilever, Nestlé, Colgate-Palmolive, and ITC have varied significantly. Hindustan Unilever has maintained a consistent and growing dividend policy, with a temporary decline in 2021 but a strong recovery afterward. A special dividend in 2020 contributed to a notable increase that year. Nestlé's dividend payments have been volatile, heavily influenced by special dividends. Colgate-Palmolive follows a flexible policy, with dividends fluctuating based on financial performance. ITC primarily focuses on final dividends, with occasional interim and special dividends. Among these, Hindustan Unilever stands out as the most attractive for investors seeking steady and growing dividends. While Nestlé and Colgate-Palmolive exhibit significant fluctuations, Hindustan Unilever has demonstrated a reliable upward trend. However, a deeper financial analysis—including profitability, cash flow, and payout ratios—would be necessary to assess the sustainability of these dividends in the long term.

## CONCLUSION :

A significant impact on the financial performance of consumer goods companies, analyzed through key variables such as dividend payout, dividend yield, firm size, and liquidity. A positive and significant relationship between dividend payout, dividend yield, and firm size with financial performance, as measured by return on assets, emphasizing the importance of strategic dividend policies. However, the negative and statistically significant effect of firm liquidity on financial performance underscores the need for careful managerial decision-making.

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