23BAT611 – Financial Management
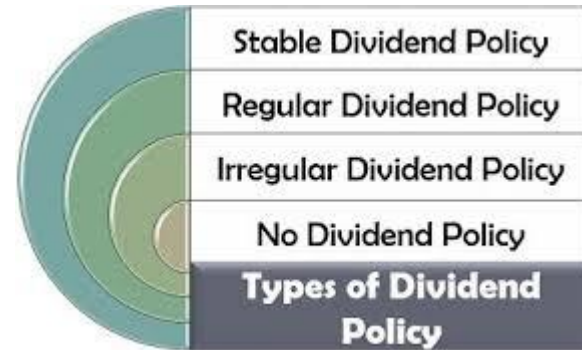
Types of Dividend Policy

Presented by

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1st **Indian**
Institution
to **Implement**
Design Thinking Curriculum
Redesigning Common Mind and Business Towards Excellence

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1. REGULAR DIVIDEND POLICY

Payment of Dividend at the usual rate is termed as regular dividend (Retired Persons, Widow prefer & economically weak persons prefer)

Advantages:

-- It establishes **profitable record** of the company

-- It create **confidence** among the shareholders

-- It renders **financing easily**

-- It stabilizes the **market value** of the firm

-- The ordinary shareholders view dividend as a source of funds to meet **day to day living** expenses

2. STABLE DIVIDEND POLICY

It means a regular payment of a minimum dividend although there may be fluctuation in earnings   (consistency)

A Stable Dividend may be classified into three forms:

-- Constant Dividend Per Share

-- Constant Payout Ratio – (fixed percentage of earnings as dividends year after year) The amount of dividend fluctuates

-- Extra Dividend (low dividend per share plus extra dividend)

Advantages of Stable Dividend Policy

- Regular Income to the Investors

- Avoids sale of securities

- Stability in Share Price

- Investor Confidence

- Easy Availability of Debt funds

- Raising of Addition Finance (external) – chances of oversubscription

- It is sign of operation of the company (Profitability)

- Requirements of Institutional Investors

DIVIDEND INTRODUCTION/SWARNAM S/UNIT 4

3. IRREGULAR DIVIDEND POLICY

▰ Some companies follow irregular dividend policy

▰ Due to uncertain of earnings, unsuccessful business operations, lack of liquid resources, fear of financial position of the company

4. NO DIVIDEND POLICY: May follow a policy of paying no dividends presently because of its unfavourable working capital position

Payment of Dividend at the usual rate is termed as _____ dividend

➤ **Types of Dividend Policy**

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