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**A Study on Impact of Dividend Policy on Stock Prices of Selected Bharat Petroleum Corporation Ltd. (BPCL) and Hindustan Petroleum Corporation Ltd. (HPCL) Petroleum Companies in India.**

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**ABSTRACT**

A dividend policy is a company's strategy for sharing profits with shareholders. It involves deciding how much of a company's earnings to distribute as dividends and how much to reinvest for growth. The goal of a dividend policy is to balance the needs of shareholders with the company's financial stability and growth. The main objective of the study is to check the impact of dividend policy on stock prices of Selected Bharat Petroleum Corporation Limited BPCL and Hindustan Petroleum Corporation Limited (HPCL) Petroleum companies in India. The period of the study is five years, 2019-20 to 2023-24. The data was collected through Annual reports of the Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL). Correlation and regression was performed to check the impact of DPR, DPS and RR on stock price of two selected petroleum companies. The result of correlation between stock price and retention ratio, stock price and dividend per share shows positive relationship where as stock price and dividend payout ratio have negative associations. The results of regression analysis of Bharat Petroleum Corporation Limited (BPCL) have not significant between stock price and Dividend payout ratio, retention ratio and dividend

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per share. Whereas in Hindustan Petroleum Corporation Limited (HPCL) stock price and dividend per share have significant effect whereas stock price and retention ratio and dividend payout ratio has not significant result.

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## **Introduction**

The dividend policies of firms such as Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) have various implications—financial, behavioral, and market-related. These implications occur due to the fact that these are substantial, state-owned, capital-intensive enterprises functioning within the significant petroleum sector.

The dividend strategies of Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) impact stock values, investor attitudes, corporate governance, capabilities for reinvestment, and government income. For these firms, decisions regarding dividends exceed financial considerations; they hold strategic impact, influencing perceptions in the capital markets and public finances and sustainable industrial development. Understanding these implications is input to combining investor expectations with the country's energy needs and economic objectives.

A dividend is the amount of money given to shareholders from a company's earnings. It is the process by which a company gives its shareholders a portion of its profits. In most cases, dividends are distributed on a predetermined date, such as quarterly or annually. While final dividend is given after the company's Annual General Meeting (AGM), interim dividends can be issued at any time during the year. The board of directors of a firm generally handles the dividend payment process.

While making investment decision the company's dividend policy becomes a well established financial strategy alternative. Shareholders will pay more attention to a dividend policy that offers a high return in the form of dividends. Simultaneously, a dividend policy gains to hold among shareholders when a company retains a sizeable portion of shareholder's fund in equity in order to access favorable investment possibilities rather than paying out dividends in cash.

Stock price volatility is significantly impacted by dividend policy measures that affect both the dividend yield and payment ratio. The study identified a number of variables that affect prospective stock price and the dividend policy. These elements include the firm's earning, planned and actual financial



planning, capital structure and investment prospects. These policies may also be impacted by modification to government regulation and tax reform initiatives.

### **Types of dividend**

There are other ways to distribute a dividend, including cash payment, more shares or even real estate. The most common kind of dividend is cash. The amount paid per share will be determined by the corporation. Some kinds of dividend may be cash dividend, special dividend, property dividend, stock dividend and script dividend.

#### Formula of Calculation of Dividend

Dividend received = Dividend per share \* Number of shares

### **Literature Review**

(Bish, Singh , & Kavidayal , 2015)

The study examine the relationship between the several elements that influence the firm's dividend decision based on the annual reports of the businesses listed in the BSE 200 for the years 2009–2013. Presenting a model that would allow to investigate the impact of dividends on profitability, size, retained earnings, P/E, debt ratio, and beta rate is the aim of this study. The study's conclusions show a clear correlation between profitability and dividends. The findings also show that the variables—P/E, beta rate, and debt ratio—have a negative correlation with dividends. The size and rate of retained earnings of a firm, as well as its dividend policy. The results of the study viewed that there is no meaningful relationship between the dividend policy and a company's size and rate of retained earnings.

(**Manjunatha& S, 2019**)

Examine the financial aspects has influence the dividend policies of the companies selected the aim of this paper. Dividend yield, dividend payout ratio, and dividend per share can all be used separately or in combination to represent dividend policy. The present study's dividend policy is represented by dividend payout ratio only. Sample companies of the study are listed on BSE in India and the same sample companies are also the part of the constituent companies of BSE Sensex. The study has utilized the variable such as DPR, EBIT, total assets, total debt, shareholders equity, retaining earnings, current assets, current liabilities, profit after tax of selected 15 companies during the period from 2007/08 to 2016/17 for the study selected various ratios such as dividend payout ratio, profitability ratio, growth of



the firm ratio, debt-equity ratio, investment opportunity ratio, liquidity ratio and firm size ratio. All of the selected companies' ratios are combined into a pooled data set, which is then examined through a pooled OLS model. From the study it was found that only of profitability ratio, from then other ratios that were employed as independent variables were statistically significant. The sample sizes of the companies are listed on BSE in India and on BSE sensx. The profitability ratio was only employed to determine the dividend policy.

(Dr Suresh & Pooja , 2022)

This study were inspected that to show the relationship between the dividend distribution policy and the financial performance of 60 companies listed on the National Stock Exchange between the periods of 2009 to 2018 for the study period. The explanatory variable was the Dividend Pay-out ratio, which was worked as a proxy for dividend policy, while the Return on Assets (ROA) was worked as a stand-in for the dependent variable, profitability. Leverage, asset tangibility, and business size which were the examples of the control variables. The results of the regression as indicated that the dividend payout policy (DPO) and business performance (ROA) had a positive and substantial association.

(AlAli, Alqmals, Alhajri, Albasri, & Alsaleam, 2024)

The purpose of the study is to investigate the relationship between share prices and various profitability and dividend policy factors. For the study purpose the data was utilized from five insurance companies which were used during 2014 to 2022 on the Kuwait Stock Exchange (KSE). This study was used an OLS regression approach to examine the link between the independent variables of earnings per share (EPS), dividend yield (DY), earning to price ratio (EP), risk premium (RP), and retention ratio (RR) and the dependent variable was the stock price.

The regression analysis from the study it was concluded that a strong correlation between stock price and earnings per share (EPS). The investors were select shares with great potential for profit. The earnings to price ratio (EP) has been shown a statistically significant direct correlation with the stock price at the 99% confidence level. The risk premium (RP) also demonstrated a strong direct correlation at the 90% confidence level. Dividend yield (DY) was the only variable that showed a significant negative correlation with the share prices.

(Yadav & Querishi, 2021)



Dividend policy represents one of the key financial decisions made by a company and has become a heavily studied subject within finance. It pertains to how a company allocates its earnings to shareholders while also retaining enough earnings to support future growth and expansion needs. Various investors have differing preferences regarding dividend payments; some favor a higher payout ratio, while others are inclined toward a lower payout ratio. Consequently, identifying the ideal payout ratio poses a significant challenge for the company.

This paper aims to explore the key determinants affecting the Dividend Payout Ratio that influence the decision to distribute dividends. The research focuses on companies listed on the BSE index and utilized the data from the financial year 2014-15 to 2018-19. The study examined the impact of variables such as Earnings per Share, Book Value per Share, Market Price per Share, and Promoter's Ownership through Linear Regression Analysis. The finding was indicated that Earnings per Share and Promoter's Ownership had a positive relationship with the payout ratio, whereas Book Value per Share and Market Price per Share had a negative impact on the payout ratio. The research indicated that the four factors such as Earnings per Share, Book Value per Share, Market Price per Share, and Promoter's Ownership—did not significantly impact the Dividend Payout Ratio of the companies which were of listed on the BSE index.

### **Research Gap:**

The oil sector faces different challenges, such as fluctuating crude oil prices, geopolitical uncertainties on a global scale, government financial assistance, and regulations concerning the transition to alternative energy. Limited research has been conducted on how these elements interact with dividend strategies to affect stock price movements, particularly for government-owned oil and gas firms.

### **Research Methodology:**

### **Research Problem**

A study on Impact of Dividend Policy on Stock Prices of Selected Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) petroleum companies in India.

### **Scope of the study:**

This study investigates impact of dividend policy on stock price of Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) two prominent public sector oil companies. The study period from 2019-20 to 2023-24 which shows consistent payment of dividend.



### Research Objective

To study the impact of dividend policy on stock prices Selected Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) petroleum companies in India. The period of the study is five years, 2019 -20 to 2023-24. The data was collected through Annual reports of the Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL).

### Hypothesis of the study

H1 = Dividend payout ratio has significant positive impact on stock price.

H2 = Retention ratio has significant positive impact on stock price.

H3 = Dividend per share has positive significant impact on stock price.

Correlation and regression was performed to check the impact of DPR, DPS and RR on stock price of two selected petroleum companies.

Whereas

SP = Stock price

DPR = Dividend Payout Ratio

DPS = Dividend per Share

RR = Retention Ratio

### Sample size

Two companies Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) Petroleum companies were taken as sample study for this study.

### Data Analysis and Interpretation:

**Table No 1 Correlation between Stock Price and Dividend Payout ratio of BPCL and HPCL**

Year	BPCL		HPCL	
	Stock Price	DPR	Stock Price	DPR



2020	171	120.96	129	56.33
2021	230	81.91	187	32.24
2022	168	38.73	172	31.15
2023	182	45.55	170	0
2024	309	25.16	356	30.41
<b>Correlation</b>	<b>-0.443527</b>		<b>-0.13692</b>	

To evaluate the relationship a correlation study was conducted between the dividend payout ratio and stock price. The person's correlation coefficient was -0.4435 which was suggested negative association was indicated by correlation of -0.1369 in Hindustan Petroleum Corporation Limited (HPCL) Company. The findings suggest that the dividend payout ratio does not seem to be a significant predictor of stock price despite the possibility of same adverse relationship

**Table No 2 Correlation between Stock Price and Retention ratio of BPCL and HPCL**

Year	BPCL		HPCL	
	Stock Price	RR	Stock Price	RR
2020	171	-20.96	129	43.67
2021	230	18.09	187	67.76
2022	168	61.27	172	68.85
2023	182	54.45	170	100
2024	309	74.84	356	69.59
Correlation	<b>0.4435268</b>		<b>0.13692</b>	

Tale No 2 shows the association between the stock price and retention ratio was investigated using a person correlation analysis. Bharat Petroleum Corporation Limited (BPCL's) correlation coefficient was 0.4435, whereas the Hindustan Petroleum Corporation Limited (HPCL's) was 0.1369. A somewhat positive linear relationship is indicated by the correlation coefficient of 0.4435. On the other hand, the coefficient of 0.1369 indicates a very weak positive association, suggesting that the stock price is not much impacted by the retention ratio.

**Table No 3 Correlation between Stock Price and Dividend per Share of BPCL and HPCL**

Year	BPCL		HPCL	
	Stock Price	DPS	Stock Price	DPS
2020	171	16.5	129	9.75



2021	230	79	187	22.75
2022	168	16	172	14
2023	182	4	170	0
2024	309	31.5	356	31.5
<b>Correlation</b>	<b>0.424232</b>		<b>0.84897</b>	

The relationship between dividend per share and stock price was examined using a correlation analysis. Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL) companies' correlation coefficient during a five-year period was 0.4242 and 0.8489, respectively. A relatively favorable linear correlation between dividend per share and stock price has been shown by the coefficient of 0.4242. While the higher coefficient of 0.8489 indicates a very strong positive linear association, this suggests that increases in dividend payout are only modestly related to increases in stock price. The stock price is generally positively impacted by dividends per share.

### Regression analysis (BPCL)

**H1 = Dividend payout has significant positive impact on stock price.**

<b>Statistical Analysis (Regression)</b>	
<b>Regression Statistics</b>	
Multiple R	0.241343912
R Square	0.058246884
Adjusted R Square	-0.41262967
Standard Error	75.63439419
Observations	4

<b>ANOVA</b>						
	Df	SS	MS	F	Significance F	
Regression	1	707.6268	707.6268	0.123699	0.758656	
Residual	2	11441.12	5720.562			
Total	3	12148.75				

	Coefficients	Standard	t Stat	P-value	Lower	Upper	Lower	Upper
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		Error			95%	95%	95.0%	95.0%
Intercept	252.5538102	94.09561	2.684013	0.115296	152.307	657.4146	152.31	657.4146
120.96	-0.63347395	1.801134	-0.35171	0.758656	8.38313	7.116179	8.3831	7.116179

The association between retention ratio and stock price was investigated using a straight forward linear regression analysis. At the 5% significant limit, the p value is 0.7587, which is higher than 0.05, is not significant.

**H2 = Retention ratio has significant negative impact on stock price.**

Statistical Analysis (Regression)								
Regression Statistics								
Multiple R	0.241343912							
R Square	0.058246884							
Adjusted R Square	-0.41262967							
Standard Error	75.63439419							
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ANOVA								
	Df	SS	MS	F	Significance F			
Regression	1	707.6268	707.6268	0.123699	0.758656			
Residual	2	11441.12	5720.562					
Total	3	12148.75						
	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	189.2064149	101.2771	1.868205	0.202683	246.554	624.9666	246.55	624.9666
-20.96	0.633473953	1.801134	0.351708	0.758656	7.11618	8.383127	7.1162	8.383127



To investigate the connection between retention ratio and stock price, simple regression analysis was carried out. The p value is 0.7587, which is higher than 0.05 and not significant at the 5% level of significance.

**H3 = Dividend per share has positive significant impact on stock price.**

Statistical Analysis	
Regression Statistics	
Multiple R	0.368690715
R Square	0.135932843
Adjusted R Square	-0.29610074
Standard Error	72.44769104
Observations	4

ANOVA						
	Df	SS	MS	F	Significance F	
Regression	1	1651.414	1651.414	0.314635	0.631309	
Residual	2	10497.34	5248.668			
Total	3	12148.75				

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	198.9856244	55.06682	3.61353	0.068777	37.9478	435.919	37.948	435.919
16.5	0.71308431	1.271269	0.560923	0.631309	4.75674	6.182913	4.7567	6.182913

The regression's output indicates that the dividend per share coefficient has a p value is 0.6313. The p value in this case is higher than 0.05. The outcome indicates that there is no association among the two variables and is not statistically significant.

**HPCL**

**H1 = Dividend payout has significant positive impact on stock price.**



Statistical Analysis

Regression Statistics					
Multiple R	0.34475965				
R Square	0.118859216				
Adjusted R Square	-				
Standard Error	103.6451529				
Observations	4				
ANOVA					
	Df	SS	MS	F	Significance F
Regression	1	2898.115	2898.115	0.269784848	0.65524035
Residual	2	21484.64	10742.32		
Total	3	24382.75			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	174.68206	103.5555	1.686845	0.233683249	270.881	620.2453	270.881	620.2453
56.33	1.9858397	3.823274	0.519408	0.65524035	14.4644	18.43606	14.4644	18.43606

The p-value is significantly higher than the conventional 0.05 criterion of significance. There is no statistical significance in the result. This suggests that variables fail to relate to one another.

**H2 = Retention ratio has significant negative impact on stock price.**

Statistical Analysis	
Regression Statistics	
Multiple R	0.3447597



R Square	0.1188592					
Adjusted R Square	-0.321711					
Standard Error	103.64515					
Observations	4					
ANOVA						
	df	SS	MS	F	Significance F	
Regression	1	2898.115	2898.115	0.269784848	0.65524	
Residual	2	21484.64	10742.32			
Total	3	24382.75				

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	373.26603	297.2242	1.25584	0.336002175	905.587	1652.119	905.587	1652.119
43.67	-1.98584	3.823274	-0.51941	0.65524035	18.4361	14.46438	18.4361	14.46438

The association between the stock price and the retention ratio was examined using a straightforward linear regression. Finding out if the Retention ratio significantly affects stock price was the main objective. Regression analysis results showed a P value is 0.65524. This implies that the Retention ratio has no discernible impact on stock price, as per the data.

**H3 = Dividend per share has positive significant impact on stock price.**

Statistical Analysis	
Regression Statistics	
Multiple R	0.8381877
R Square	0.7025586
Adjusted R Square	0.5538378
Standard Error	42.506127
Observations	4



ANOVA					
	df	SS	MS	F	Significance F
Regression	1	8535.208	8535.208	4.724012574	0.161812
Residual	2	3613.542	1806.771		
Total	3	12148.75			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	154.49646	37.72849	4.094955	0.054780791	7.83613	316.8291	7.83613	316.8291
9.75	3.9709032	1.82698	2.173479	0.161812338	3.88996	11.83176	3.88996	11.83176

The relation between dividend per share and share price is revealed by the regression analysis with a p value is 0.1618. the study is suggested that the stock price and dividend per share have a big impact on share price. At the 5% level, there is no statistically significant correlation between dividend per share and share price. Therefore, it doesn't seem to have a significant effect on the price of share.

### Findings of the Study:

1. The result of correlation between stock price and retention ratio, stock price and dividend per share shows positive relationship where as stock price and dividend payout ratio have negative associations.
2. The results of regression analysis of Bharat Petroleum Corporation Limited (BPCL) have not significant between stock price and Dividend payout ratio, retention ratio and dividend per share. So null hypothesis was not accepted.
3. In Hindustan Petroleum Corporation Limited (HPCL) stock price and dividend per share have significant effect where as stock price and retention ratio a dividend payout ratio has not significant result.



### **Limitations of the study:**

1. The study was based on secondary data which were collected from the annual reports of company's websites.
2. Only two samples were taken for the study and time period was only 5 years data.

### **Scope for further research**

The present study focused on understanding of dividend policy and its influence on stock price in the context of India's petroleum sector. By addressing the indentified research gaps and exploring the suggested avenues future research can contribute to more view on corporate finance, investor behaviour and governance in emerging markets.

### **Suggestions:**

From the analysis and results of this research regarding the influence of dividend policy on the stock prices of Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL), the subsequent suggestions are put forward.

The suggestions presented offer a guide for investors, corporate leaders, regulators, and scholars to effectively manage the complexities associated with dividend policies in publicly-owned petroleum firms.

By focusing on transparency, governance, challenges unique to the sector, and enhancing investor knowledge, all parties involved can cultivate a more effective, and sustainable capital marketplace.

Furthermore, the proposed research directions will enhance academic discussions and aid in the development of improved policy structures in emerging markets.

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