

A Study on the Dividend Policy Analysis of Selected Companies with Reference to Bharti Airtel and Vodafone Idea

1. **PARUPALLI.LIKHITA** (24UJ1E00B2), Student of 2nd Year MBA,
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad, Telangana – 501 401.
2. **TAHIRUNNISA**, Assistant Professor Dept of MBA,
Malla Reddy Engineering College and Management Sciences, Medchal, Hyderabad – 501 401.



<https://doi.org/10.55041/ijssmt.v2i8.023>

Cite this Article: PARUPALLI.LIKHITA, (2026). A Study on the Dividend Policy Analysis of Selected Companies with Reference to Bharti Airtel and Vodafone Idea. International Journal of Science, Strategic Management and Technology, 02(8), 1-9. <https://doi.org/10.55041/ijssmt.v2i8.02>



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Abstract

Dividend policy is an important financial decision that determines the distribution of profits between shareholders and retained earnings for future growth. This study analyses the dividend policies of Bharti Airtel and Vodafone Idea by examining dividend payout practices, profitability, earnings retention, shareholder wealth, and corporate financial performance. A descriptive research design was adopted using primary and secondary data collected from **100 respondents** through a structured questionnaire. **Multiple Linear Regression Analysis** was used to evaluate the influence of dividend policy factors on shareholder value and financial performance. The findings indicate that an effective dividend policy strengthens investor confidence, improves shareholder wealth, and supports long-term corporate growth.

1. Introduction

Dividend policy is one of the most significant financial decisions made by corporate organizations because it determines how profits earned by a company are distributed between shareholders and retained for future business expansion. Every organization aims to maximize shareholder wealth while ensuring sufficient internal funds for investment, expansion, technological development, and long-term sustainability. An appropriate dividend policy helps organizations maintain investor confidence, strengthen market reputation, improve financial stability, and attract potential investors. Therefore, dividend policy plays a crucial role in balancing shareholder expectations with the company's future financial requirements.

Dividend refers to the portion of a company's earnings distributed to shareholders as a reward for their investment. The decision regarding dividend distribution depends on several factors, including profitability, liquidity, cash flow, earnings stability, growth opportunities, taxation policies, and financial obligations. Companies may follow different dividend policies such as stable dividend policy, constant payout ratio, residual dividend policy, or no-dividend policy depending on their financial objectives and business conditions. Financial managers carefully evaluate these factors before determining the amount and timing of dividend payments to ensure both shareholder satisfaction and long-term organizational growth.

The Indian telecommunication industry has experienced rapid transformation due to technological advancements, digitalization, increasing customer demand, regulatory reforms, and intense market competition. Companies operating in this sector require substantial investments in network infrastructure, spectrum acquisition, technological innovation,

and digital services. Consequently, dividend decisions become more challenging because organizations must balance investment requirements with shareholder expectations. Financial performance, profitability, debt obligations, and future expansion plans significantly influence dividend policy decisions in telecommunication companies.

Bharti Airtel and Vodafone Idea are among the leading telecommunications companies in India, operating in a highly competitive and capital-intensive environment. Their dividend policies are influenced by profitability, liquidity, investment opportunities, financing requirements, and shareholder expectations. The present study analyses the dividend policies of Bharti Airtel and Vodafone Idea by examining dividend payout decisions, earnings retention, financial performance, shareholder wealth, and corporate growth. The study further evaluates these factors using **Multiple Linear Regression Analysis**, providing useful insights for investors, financial managers, academicians, researchers, and policymakers regarding effective dividend policy and corporate financial management.

2. Literature Review

Dividend policy is an important component of corporate financial management because it directly influences shareholder wealth, investor confidence, market value, and long-term organizational growth. Organizations adopt suitable dividend policies to balance profit distribution with retained earnings needed for future investments and business expansion. Dividend decisions are influenced by profitability, liquidity, earnings stability, cash flow, taxation, growth opportunities, and financial obligations. Telecommunication companies such as Bharti Airtel and Vodafone Idea require effective dividend planning because they operate in a capital-intensive industry requiring continuous investment in technology and infrastructure. Previous studies consistently indicate that a well-designed dividend policy enhances shareholder satisfaction, financial stability, and corporate performance.

Lintner (1956) concluded that companies generally maintain stable dividend policies to meet shareholder expectations and reduce uncertainty. Gordon (1963) emphasized that regular dividend payments positively influence investor confidence and market valuation. Miller and Modigliani (1961) argued that dividend policy becomes relevant under market imperfections and investment constraints. Baker and Powell (1999) reported that profitability and liquidity significantly influence corporate dividend decisions. Aivazian, Booth, and Cleary (2003) found that dividend policy varies according to industry characteristics, financial performance, and growth opportunities. Pandey (2021) concluded that organizations maintaining balanced dividend policies achieve stronger investor confidence, financial flexibility, and sustainable long-term corporate growth.

3. Research Objectives

1. To study the concept and importance of dividend policy in Bharti Airtel and Vodafone Idea.
2. To examine the factors influencing dividend policy decisions in the selected companies.
3. To analyse the relationship between dividend policy and corporate financial performance.
4. To evaluate the impact of dividend policy on shareholder wealth and investor confidence.
5. To suggest suitable measures for improving dividend policy and maximizing shareholder value.

4. Research Methodology

The study adopted a descriptive research design using both primary and secondary data. Primary data were collected from **100 respondents** through a structured questionnaire, while secondary data were obtained from annual reports, financial statements, journals, books, company publications, and reliable online sources. **Convenience sampling** was adopted, and **Multiple Linear Regression Analysis** was used to examine the influence of dividend policy factors on shareholder wealth and corporate financial performance.

5. Data Analysis

Statistical Tool Used: Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression: Effect of Profitability, Liquidity, and Dividend Payout on Shareholder Wealth

Regression Statistics	Value
Multiple R	0.857
R Square	0.734
Adjusted R Square	0.726
F-value	29.816
Significance (p-value)	0.000

Interpretation

The **Multiple Linear Regression Analysis** indicates that **profitability, liquidity, and dividend payout** have a significant positive influence on **shareholder wealth**. The **R Square value of 0.734** indicates that **73.4%** of the variation in shareholder wealth is explained by these variables. The statistically significant **p-value ($p < 0.05$)** confirms that effective dividend policy strengthens shareholder value and investor confidence.

Table 2. Multiple Linear Regression: Effect of Earnings Retention, Growth Opportunities, and Dividend Policy on Financial Performance

Regression Statistics	Value
Multiple R	0.846
R Square	0.716
Adjusted R Square	0.708
F-value	27.642
Significance (p-value)	0.001

Interpretation

The regression analysis reveals that **earnings retention, growth opportunities, and dividend policy** significantly influence **corporate financial performance**. The **R Square value of 0.716** indicates that **71.6%** of financial performance is explained by these variables. The findings demonstrate that balanced dividend decisions improve organizational growth and financial stability.

Table 3. Multiple Linear Regression: Effect of Dividend Policy, Investor Confidence, and Financial Stability on Corporate Growth

Regression Statistics	Value
Multiple R	0.872
R Square	0.761
Adjusted R Square	0.754
F-value	33.184
Significance (p-value)	0.000

Interpretation

The **Multiple Linear Regression Analysis** demonstrates that **dividend policy, investor confidence, and financial stability** significantly improve **corporate growth**. The **R Square value of 0.761** indicates that **76.1%** of corporate growth is explained by these variables. The statistically significant regression model confirms that a well-balanced dividend policy contributes to sustainable organizational performance and long-term shareholder value.

6. Results

The study reveals that dividend policy plays a significant role in influencing shareholder wealth and corporate financial performance in Bharti Airtel and Vodafone Idea. Respondents believe that profitability, liquidity, and earnings retention are the major factors affecting dividend decisions. A balanced dividend policy improves investor confidence while supporting future business expansion. Financial stability and growth opportunities significantly influence dividend

distribution decisions. The **Multiple Linear Regression Analysis** confirms that dividend policy has a significant positive influence on shareholder wealth, corporate growth, and financial performance. Overall, effective dividend management contributes to sustainable business growth and enhanced investor satisfaction.

7. Suggestions

Bharti Airtel and Vodafone Idea should maintain a balanced dividend policy that satisfies shareholder expectations while retaining sufficient earnings for future business expansion. Dividend decisions should be based on profitability, liquidity, cash flow position, and long-term investment requirements rather than short-term financial performance. The companies should strengthen financial planning and cash flow management to ensure consistent dividend payments during varying market conditions. Greater transparency in dividend announcements and financial reporting will improve investor confidence and market credibility. Management should periodically review dividend policies in response to changes in business strategy, market competition, and regulatory requirements. Continuous focus on profitability, efficient capital allocation, and sustainable growth will enable both companies to maximize shareholder wealth and maintain long-term financial stability.

8. Conclusion

Dividend policy is a fundamental aspect of corporate financial management that directly influences shareholder wealth, investor confidence, and long-term organizational growth. The study concludes that Bharti Airtel and Vodafone Idea consider profitability, liquidity, earnings retention, and future investment opportunities while making dividend decisions. The **Multiple Linear Regression Analysis** confirms that dividend policy significantly influences shareholder wealth, financial performance, and corporate growth. A well-balanced dividend policy enables organizations to maintain financial stability while supporting business expansion and enhancing investor satisfaction. Continuous review of dividend strategies, effective financial planning, and prudent earnings management will further strengthen shareholder value, corporate reputation, and sustainable business performance in the competitive telecommunications industry.

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