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Does Dividend Policy Differ? An Evidence from Selected Companies in India's Oil and Gas Sector

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Abstract

Dividend policy refers to the strategy a company uses to decide how much of its earnings will be distributed to shareholders in the form of dividends. This study examines the dividend policy practices of seven oil and gas companies listed on the Bombay Stock Exchange. This study covers a period of ten years (2015-16 to 2024-25) and attempts to study the dividend policy and investigate whether there are any differences in dividend policies among the selected companies. The study employs descriptive statistics and Kruskal-Wallis Test to draw the inferences. The findings reveal that the companies under study follow regular dividend policies but exhibit different dividend payout patterns. The post hoc analysis indicates that Reliance Industries follows a distinct dividend policy within the sector.

Keywords: Dividend Policy, Share Price, Dividend Pay-out Ratio, Dividend Per Share, Dividend Yield.

Introduction

Dividend policy has been a polarizing topic in corporate finance. Consistent with Bierman (2001), Watson and Head (2010) stated that the portion of profits distributed to shareholders after paying fixed interest and taxes is called a dividend. Black (1976)

concluded that dividend policy is a puzzle, and Mayers (2003) stated this puzzle as one of the top ten challenges in corporate finance. Therefore, selecting a perfect dividend policy is a crucial task for company management (Khan, 2012). The issue becomes even more critical due to differing shareholder preferences; as some prefer regular cash where as other prefer their money to be used for future investment (Gupta et al., 2011).

Different issues relating to dividend policy have been studied in the past, as evidenced by Black (1976), De Angelo et al., (1996), Miller & Modigiliani (1961). In addition to theories on dividend payment (such as stakeholders, pecking order, agency cost, signalling, bird-in-hand fallacy and clientele effect), some of the major issues examined in these studies include insignificance of dividend policy (Miller & Modigiliani, 1961), the puzzle in dividend payment (Black, 1976), the relevance of dividend policy (De Angelo et al., 1996). However, the popularity of dividend policy in recent studies is due to other issues, such as the separation of ownership and control, and information asymmetry (Al-Malkawi, 2007; Hussainey et al., 2011).

Black & Scholes contend that a company's interest in increasing its share price leads to the payment of dividend. A dividend serves as a signal of a company's financial. Optimising between paying out cash dividends and reinvestment is a significant task for management. Thus, dividend payment is a negative function associated with cash follow; on the other hand, it is a positive function related to the profitability of a company (Imran, 2011). Companies with handsome net worth maintain a stable dividend policy (Raghunathan & Parbin, 1999).

The oil and gas sector in India is highly volatile due to various external and internal trade policies. This study, in line with previous researches, aims to evaluate dividend policy and examine the differences in dividend policies among selected companies in India's Oil and Gas sector.

Literature Review

Jain & Kumar (1997), in their study, analysed the dividend policy of 96 companies listed on the Bombay Stock Exchange over a 12-year period (1948–1985). Using a quantitative research methodology,

they conducted an industry-wise empirical analysis of changes in dividend payment patterns. To assess the stability of dividend policy, the authors applied Lintner's model, which evaluates how firms adjust dividends relative to target pay-out ratios and earnings changes. By analysing the consistency in dividend payments over time and the speed of adjustment coefficients derived from the model, the study found that most companies followed a stable dividend policy. Onyekwelu et.al. (2019) randomly selected four oil and gas companies of Nigeria to study how the dividend pay-out associates with the changes in share price of the selected oil and gas companies. This ex-post facto research revealed that the DPR and Total Assets have a positive effect on share price, thus suggested that, the management must maintain their dividend policy and look forward for increasing dividend pay-out so that it enhances the investors' confidence. Consistent results were also found in the study of Arini (2024), which concluded that consistent dividend signal positive company performance, potentially results in increasing of buying activity in market as it enhance investor confidence. Bhatti (2023) advocates the relevance of dividend pay-out with share price valuation, proxies of dividend policy significantly correlates with share price while PAT does not reveal any positive relationship with share price. Lamyaa, Meriam & Karima (2023) studied the companies listed on Casablanca Stock Exchange, the results were consistent with the relevance theory as its posits that the dividend per share influences the share price. Study of Vutale & Chen (2018) concluded that share price of the listed companies in Nairobi Stock Exchange revealed that both dividend pay-out and dividend per share impacts the share price of the companies. Shahid, Inam & Ghaffar on investigation of the automobile sector in Pakistan found that the dividend pay-out per share influences the share price, advocated that consistent dividend payment leads to progressing of share price valuation. Bachmeier (2023) focused on studying the influence of dividend policy on stock valuation of selected 34 companies of S&P 100. The study revealed that dividend yield being a proxy of dividend policy had a significant effect on share price whereas the dividend pay-out didn't showed any significant impact on share price partially supporting the relevance theory. Goud (2023) examined association of dividend policy with share price of 260 non-financial companies listed in Bombay Stock Exchange. Panel data models

FEM and REM were employed. The FEM model revealed that there is a significant negative relationship among dividend pay-out and share price. Ranjan (2024) examining the dividend policy of 596 companies listed in NSE concluded that investors in India supports the Bird hand theory as they prefer immediate cash in hand rather future capital gains. Lalitha & Priya (2010) examined dividend trends in five Indian steel companies (Bhushan Steel, Kalyani Steel, SAIL, Tayo Rolls, and Tata Steel) from 1995-2007 using descriptive statistics, trend analysis, and ANOVA, finding that firms with stable earnings like Tata Steel followed consistent dividend policies while cyclical performers like SAIL showed erratic payouts; their methodology involved calculating mean dividend per share, standard deviation, coefficient of variation, and linear annual growth rates to analyze stability, supplemented by graphical trend analysis of earnings and dividends, ultimately concluding through ANOVA that significant differences existed in dividend policies across companies, with mature firms maintaining steadier payouts than volatile ones, though the study was limited by its small sample size and exclusion of external economic factors. Padre & Bankar (2012) empirically analyzed dividend payout ratios of 10 Indian pharmaceutical companies (including Cipla, Sun Pharma, and GlaxoSmithKline) from 1997-2006 using trend analysis, mean calculations, and ANOVA testing, finding that while companies like Abbott and GSK maintained consistently high payout ratios (52-55%), others like Fulford India exhibited declining trends , with ANOVA results, confirming significant inter-firm differences in payout policies.

Research Gap

Although dividend policy has been extensively studied globally, particularly in developed markets like the U.S., there is a noticeable lack of focused research on how dividend policies are practiced within the Indian stock market, especially among oil and gas companies. Most existing literature emphasizes theoretical or generalized frameworks without delving into company-level variations in dividend behaviour. There is also limited empirical evidence comparing dividend practices across

firms. Furthermore, prior studies have often overlooked the real-world payout patterns followed by Indian firms. This creates a clear need for a detailed, relative analysis of dividend policies among Indian listed companies.

Objectives of the study

➢ To study the dividend policy practices by the selected companies in India's Oil and Gas Sector.

➢ To examine the difference in dividend policies among the selected companies in India's Oil and Gas Sector.

Hypothesis

There is no significant difference in the dividend policies among the selected companies

Research Methodology

This study is empirical in nature and aims to explore dividend policies and examine the differences in dividend policies among selected companies in the Oil and Gas sector in India. Out of the ten companies in the Oil and Gas Index of BSE as 02-07-2025, seven companies have been selected conveniently based on the availability of data for the study period. The study covers a ten-year period, from 2015-16 to 2024-25, following the amendment of the Companies Act, 1956. Dividend policy refers to decisions regarding the amount of dividend to be paid, the timing of the payment, and the form in which it is distributed (Iftikhar, Raja & Sehran, 2017). The indicators that reflect a company's dividend policy, such as the Dividend Payout Ratio and Dividend Per Share (Gautam, 2021; Litzenberger & Ramaswamy, 1979), are examined using descriptive statistics and Kruskal Walis test. Data for the study has been collected from CMIE Prowess IQ, annual reports of the selected companies, and website such as Moneycontrol.com. Statistical data analysis tools such as Excel and SPSS were used in this study.

Table 1: Name of the Selected Companies	
Sl. No	Name of the Companies
	Reliance Industries Ltd (RIL)
	Oil & Natural Gas Corporation Ltd (ONGC)
	Indian Oil Corporation Ltd (IOC)
	Bharat Petroleum Corporation Ltd (BPCL)
	GAIL (India) Ltd
	Indraprastha Gas Ltd (IGL)
	Petronet LNG Ltd (PLNG)

Result and Discussion

This section presents a detailed analysis of the data relevant to dividend declaration collected for seven oil and gas companies in India over a period of 10 years (2015-16 to 2024-25). The analysis begins by exploring the dividend policies of the selected companies, followed by an examination of the differences in dividend policies among these companies in India's Oil and Gas Sector.

Dividend Policies of the Selected Companies

The dividend payout ratio (DPR) measures the proportion of earnings distributed as dividends. Here the dividend declaration table (2), the average DPR of all the companies throughout the study period is 46% suggests that, collectively, these firms return nearly half of their profits to shareholders. Now, let us understand each of their dividend policies. Beginning with RIL, it maintains lowest and most conservative payout ratio among peers, averaging just %10 of earnings. The narrow range (%20–0) and low standard deviation indicate a deliberate policy of earnings retention to fund capital-intensive expansions. RIL announced 11 dividends in past 10 year out that it gave 10 final dividends consistently in the month of April and one interim dividend in the month of March. ONGC maintains one of the most stable (after RIL and GAIL) and predictable dividend policies, with an average DPR of 0.45 that›s right at the sector midpoint. The table

highlights its exceptional dividend frequency (27 total payouts - 9 final and 18 interim). It mostly provides final dividend in the month of May and interim dividend in the month of February. IOCL displays the most volatile dividend policy in the group, with extreme swings in both DPR (2.79-0.03) and DPS (₹2.4 ₹26.5). As per the data it paid 24 total dividends (10 final + 14 interim). The BPCL operates the most generous policy, boasting the highest average DPR (0.76) and including special dividends. However, its enormous DPS range (₹4 to ₹79) indicates inconsistent payment levels despite frequent distributions. GAIL delivers consistent dividends with DPR and DPS (after RIL), ranges showing minimal variation. Its 18 total dividends (6 final and 12 interim) demonstrate stable cash flows from regulated gas operations. IGL follows a middle-ground approach with average DPR (0.39) between conservative and generous peers. Its 14 total dividends (5 interim) suggest a preference for annual in the month of May over quarterly distributions. PLNG combines regular payouts (17 total) with occasional bonuses (3 special dividends) while maintaining a sector-average DPR (0.45).

Overall from table 2 it can be inferred that average Dividend Payout Ratio (DPR) across companies stands at 0.46 with noticeable variation, where IOCL (0.68) and BPCL (0.76) emerge as aggressive payers while RIL (0.10) remains conservative, preferring reinvestment over distributions. Growth patterns show that IGL (AAGR 71%) and PLNG (50%) have

Table 2: Dividend Declaration

Company	DPR (in x:1)					DPS (in ₹)					Type			Form	Time (mode)		Others
	Min	Max	Avg.	SD	AAGR	Min	Max	Avg.	SD	AAGR	Final	Interim	Special	Cash	Final Month	Interim Month	Bonus Share, Etc.
RIL	0.00	0.20	0.10	0.06	14%	0.00	20.5	8.45	5.18	1%	10	1	-	11	April	March	2017-18 (1:1), 2024-25 (1:1) 0 (zero) dividend in 2016-17
ONGC	0.28	0.85	0.45	0.17	3%	3.60	12.25	8.45	3.03	15%	9	18	-	27	May	Feb	2016-17 (1:2)
IOCL	0.03	2.79	0.68	0.74	42%	2.40	26.50	11.80	6.96	34%	10	14	-	24	May	Feb	2016-17 (1:1), 2017-18 (1:1), 2022-23 (1:2)
BPCL	0.46	1.96	0.76	0.46	15%	4.00	79.00	26.55	20.75	90%	9	13	2	24	May	Feb	2016-17 (1:1), 2017-18 (1:1)
GAIL	0.26	0.55	0.40	0.10	3%	4.00	10.00	6.70	1.82	11%	6	12	-	18	May	Jan	2016-17 (1:1), 2017-18 (1:3), 2019-20 (1:1), 2024-25 (1:1)

IGL	0.16	0.98	0.39	0.30	71%	2.00	13.00	6.33	3.78	23%	9	5	-	14	May	Nov	2017-18 (1:3), 2022-23 (1:2)
PLNG	0.08	0.76	0.45	0.23	50%	1.00	15.00	8.30	4.62	52%	10	4	3	17	May	Oct	2017-18 (1:1), 2024-25 (1:1)
Average	0.18	1.16	0.46	0.29	28%	2.43	25.18	10.94	6.53	32%	-	-	-	-	-	-	-

Source: Author Computation; Annual Reports; Moneycontrol.com.

Note: The AAGR for RIL has been calculated beginning from the financial year 2017–18.

recorded the fastest rise in payout ratios, while ONGC and GAIL remain stable with only 3% growth, reflecting a mature dividend stance. Similarly, Dividend per Share (DPS) averages `10.94 with a 32% AAGR, led by BPCL (`26.55, AAGR 90%), IOCL (`11.80, 34%), and PLNG (`8.30, 52%), whereas RIL, despite an average of `8.45, shows negligible growth (1%), reinforcing its strategy of retaining earnings. The type and form of dividends indicate a dominance of final payouts, with ONGC, IOCL, and BPCL supplementing them through interim dividends, while special dividends are rare and confined to BPCL and PLNG. Timing patterns show May as the common month for final dividends, though interim payouts differ across firms, reflecting company-specific financial cycles. Bonus shares further complement these dividend policies, with frequent issuances by IOCL (2016-17, 2017-18, 2022-23), BPCL (2016-17, 2017-18), and GAIL (2016-17, 2017-18, 2019-20, 2024-25), while IGL and PLNG also used bonus issues strategically at key intervals. RIL, despite its low AAGR in dividends, compensated shareholders through bonus shares in 2017-18 and 2024-25, highlighting an alternative means of enhancing value. Overall, the combined evidence from AAGR and bonus issuance suggests that PSU companies (ONGC, IOCL, BPCL, GAIL) are more inclined towards consistent and higher cash distributions

in line with government expectations, whereas private firms (RIL, IGL, PLNG) follow a balanced strategy by keeping dividend growth moderate but rewarding investors through bonus shares. This demonstrates two contrasting corporate approaches: high dividend orientation in PSUs versus long-term equity-based wealth creation in private enterprises.

Difference in the Dividend Policies

The normality of the dividend pay-out ratio (DPR) data was assessed using the Shapiro-Wilk test, which indicated a significant deviation from normality.

Table 3: Tests of Normality						
	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
DPR	.223	70	.000	.674	70	.000
Source: Author's computation						

Given the violations of parametric test assumption, the non–parametric Kruskal-Wallis test was employed to examine differences in the DPR among the companies.

Table 4: Kruskal-Walis test			
Chi-Square	Df	p-value	Conclusion
31.84	6	0.000	Significant
Source: Author's computation			

The results of Kruskal Wallis test in table 4 revealed a statistically significant difference in DPR across the seven companies. Thus Post hoc pair wise comparison was done to understand exactly which companies do differ.
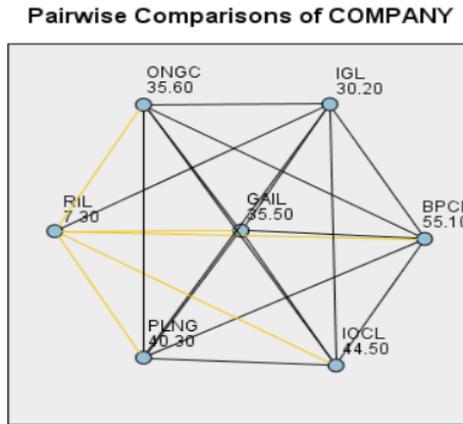
Figure 1: Pairwise Comparison

The pairwise comparison using Dunn's Post Hoc Test and Bonferroni correction analysis reveals that Reliance Industries Ltd. (RIL) stands out from the group, showing statistically significant differences with GAIL, ONGC, PLNG, IOCL, and BPCL even after correcting for multiple comparisons, indicating consistently higher values for the measured variable. No significant differences were observed between RIL and IGL or among the other company pairs, suggesting that, aside from RIL's stronger performance, the remaining companies operate at comparable levels.

Table 4: Post Hoc Pairwise Comparison					
Sample1-Sample 2	Test Statistic	Std. Error	Std. Test Statistic	Sig.	Adj. Sig.
RIL-IGL	22.9	9.101	2.516	0.012	0.249
RIL-GAIL	28.2	9.101	3.099	0.002	0.041
RIL-ONGC	28.3	9.101	3.11	0.002	0.039
RIL-PLNG	33	9.101	3.626	0.006	0.006
RIL-IOCL	37.2	9.101	4.087	0.001	0.001
RIL-BPCL	47.8	9.101	5.252	0.000	0.000
IGL-GAIL	5.3	9.101	0.582	0.56	1.000
IGL-ONGC	-5.4	9.101	-0.593	0.553	1.000
IGL-PLNG	-10.1	9.101	-1.11	0.267	1.000

IGL-IOCL	-14.3	9.101	-1.571	0.116	1.000
IGL-BPCL	24.9	9.101	2.736	0.006	0.131
GAIL-ONGC	-0.1	9.101	-0.011	0.991	1.000
GAIL-PLNG	-4.8	9.101	-0.527	0.598	1.000
GAIL-IOCL	-9	9.101	-0.989	0.323	1.000
GAIL-BPCL	19.6	9.101	2.154	0.031	0.657
ONGC-PLNG	-4.7	9.101	-0.516	0.606	1.000
ONGC-IOCL	8.9	9.101	0.978	0.329	1.000
ONGC-BPCL	19.5	9.101	2.143	0.032	0.675
PLNG-IOCL	4.2	9.101	0.461	0.644	1.000
PLNG-BPCL	14.8	9.101	1.626	0.104	1.000
IOCL-BPCL	10.6	9.101	1.165	0.244	1.000
Source: Author's computation					

These results point to RIL's distinct position within the group, while performance differences among the rest are not statistically meaningful. Thus it is concluded that Reliance Industries exhibited significantly different DPR values compared to the rest of the companies, suggesting that its dividend policy is distinct within the group. Therefore, we accept the alternative hypothesis.

Limitations of the study

➢ **The analysis is limited to companies in the Oil & Gas Index of BSE, restricting the generalizability of the findings to other industries with different dividend behaviours and financial structures.**

➢ **The study period is confined to 2015-16 to 2024-25, which may not capture long-term structural shifts or** dividend policy changes**.**

➢ The study does not account for external macroeconomic or regulatory factors (e.g., oil price shocks, tax reforms), which can have a major influence on a company's dividend policy over time.

Conclusion

The study examined the dividend policies of seven major companies in India's oil and gas sector over a ten-year period

(2015-16 to 2024-25) to determine whether significant differences exist in their dividend distribution strategies. The findings reveal that while all selected companies follow a regular dividend policy, their payout patterns vary considerably. Reliance Industries Ltd. (RIL) stands out with the most conservative and stable dividend policy, maintaining a low average dividend payout ratio (DPR) of 10% and demonstrating minimal volatility. In contrast, Bharat Petroleum Corporation Ltd. (BPCL) and Indian Oil Corporation Ltd. (IOCL) exhibit more liberal and fluctuating dividend distributions, with BPCL having the highest average DPR (76%) and IOCL showing significant variability in both DPR and dividend per share (DPS).The Kruskal-Wallis test confirmed statistically significant differences in dividend policies across the companies, and post hoc analysis highlighted RIL's distinct approach compared to its peers. This divergence suggests that RIL prioritizes earnings retention for reinvestment and growth, whereas other firms, particularly public sector undertakings like ONGC and BPCL, follow more shareholder-friendly dividend policies, possibly due to differing financial strategies, ownership structures, and regulatory influences.

The study contributes to the understanding of dividend policy dynamics in a volatile sector like oil and gas, where external market conditions and government policies significantly influence corporate decisions. However, the findings are limited to the selected companies and time frame, and future research could expand the scope to include macroeconomic factors, regulatory impacts, and cross-industry comparisons for a more comprehensive analysis. Overall, the results support the alternative hypothesis that significant differences exist in dividend policies among the selected companies, reinforcing the notion that dividend strategies are shaped by firm-specific factors, industry conditions, and management priorities. Investors and policymakers can leverage these insights to assess dividend sustainability and corporate financial health in India's oil and gas sector.

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