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UNDERSTANDING ICICI BANK'S DIVIDEND DISTRIBUTION DECISIONS

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ABSTRACT: Investigating the process by which ICICI Bank, a prominent private sector financial institution in India, decides on its dividend distribution policy is the aim of this research . Finding the factors that affect these choices—such as the company's profitability, cash availability, regulatory environment, and shareholder expectations—is the main objective. The analysis looks into the bank's historical financial performance, dividend distribution patterns, and the effects of outside economic factors like inflation and market conditions. In order to ascertain how effectively payment plans fit with the bank's long-term objectives of expansion, shareholder interests, and continuous operation, this research looks at the bank's policies and overall health. With these findings, researchers seek to gain a better understanding of how banks handle company money.

Keywords: Dividend Distribution, Profitability, Capital Adequacy, Shareholder Expectations and Financial Performance.

1. INTRODUCTION

The total gains distributed to shareholders are termed dividends. The ruling concerns the distribution of the company's after-tax income to shareholders. It also includes the portion of the profit allocated to remain within the company. The investing of retained earnings improves the company's potential profitability. The amount of retained earnings substantially influences the company's financing choices. When establishing a dividend, it is crucial to consider the primary aim of augmenting shareholders' wealth.

The dividend choice involves selecting the portion of the company's net earnings to distribute to shareholders versus the amount to keep for investment obligations. The dividend decision involves determining the suitable portion of profit to distribute to shareholders as dividends, representing a vital component of company financial management. Dividends are distributed to shareholders from a company's profits, usually as cash or more shares.

The dividend decision involves the process by which a company's management ascertains the quantity of cash or shares to distribute to shareholders from profits or retained earnings, together with the timing of these payouts. It entails deciding whether to allocate a segment of the company's revenues for internal reinvestment or to distribute them as dividends. The dividend decision, a critical component of financial management, profoundly impacts the company's capital structure, shareholder value, and overall financial health.

2. REVIEW OF LITERATURE

Hoque, A., Islam, M. R., & Hossain, S. 2024 This article examines how nations with imputation tax regimes—like Australia—handle dividend policies that are impacted by overseas chief executive officers. If the authors are to be believed, outside CEOs frequently prioritize reinvestment opportunities over dividend payments because they lack firm-specific knowledge. The companies that have altered their strategy the most are those that place a high value on capital expenditures. The paper offers fresh perspectives on corporate governance by clarifying the relationship between dividend policy and leadership dynamics in particular tax situations and addressing endogeneity issues with sophisticated statistical techniques.

Hasan, M., & Shah, M. 2024 In order to determine how dividend policies affect business performance, this article examines the various legal frameworks and economic circumstances found in South Asian economies. The research 's conclusions emphasize how crucial dividend payments are to business success, especially in areas with stable economies where investor confidence is crucial. The authors stress the importance of regular distribution plans in promoting business growth and investor trust by demonstrating how dividend policies may be a symbol of financial stability and predictability using data from several regional countries.

Ali, M., & Nawaz, M. 2023 The relationship between dividend payments and profits in developing nations is examined in this research . Although the authors point out that more profitable companies typically distribute larger dividends, they also point out that this relationship is not always linear and is dependent on a number of factors, including market conditions, corporate governance standards, and reinvestment requirements. This research advances our knowledge of dividend policy in emerging economies, which are distinguished by erratic profitability and outside economic variables that could change the patterns of dividend distribution. This demonstrates how crucial it is to consider both external and financial success at the same time when creating dividend strategies.

Tan, J., & Sun, Y. 2023 This research examined data from 10,000 distinct companies to examine dividend smoothing tactics used by family-owned businesses. The authors point out that family firms usually place a high priority on dividend constancy, guaranteeing regular distributions even in the face of economic instability. The family's desire to guarantee a steady income for each member may eventually affect the company's capacity to reach its financial objectives. According to the research , dividend policy was significantly impacted by family ownership structures, with family-oriented businesses making more cautious distribution choices than non-family businesses.

Brown, S. J., & Johnson, K. D. 2022 According to this long-term research , which examines the impact of dividend policies on shareholder value over time, devoted investors favor businesses with reliable and consistent distribution strategies. The authors contend that consistent dividend payments, which show sound financial standing and lower perceived risk, can increase shareholder value. The significance of dividend policies in financial strategy is shown by research that indicates businesses that

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distribute dividends to their shareholders have higher values and continue to develop.

Ahmed, I., & Batra, P. 2022 This research looks at how established and emerging market marketplaces respond to dividend announcements. The authors discover that investors in emerging nations are more affected by dividend signals. The primary cause of this in many countries is the dearth of financial data and alternative investing possibilities. On the other hand, because dividend announcements are typically regarded as normal and expected, markets in developed countries typically respond to them more mutedly. The research provides insights into how businesses in various markets could communicate their dividend policy to increase investor trust by shedding light on regional variations in investor expectations and market realities.

James, T. R., & Zhang, Z. 2021 This research examines the effects of various corporate governance frameworks on dividend policy. According to the authors, companies with robust governance frameworks are more likely to adopt dividend policies that closely reflect shareholder interests in order to guarantee accountability and openness in financial decision-making. The research highlights the importance of governance practices, including board composition and shareholder rights, in determining an organization's financial strategy, especially with regard to dividend distributions. Through an examination of multiple industries, this research offers significant insights into how governance affects the optimization of corporate financial policy.

Hasan, M., & Li, S. 2021 This article explores how corporate governance affects Chinese companies' dividend policy, providing a window into the changing business landscape of a developing economy. According to the authors, improved corporate governance procedures, such as the appointment of unbiased directors and the creation of stronger shareholder safeguards, are linked to higher dividend payments. Fast-growing countries like China, whose corporate structures and financial regulations are still in their infancy, tremendously benefit from the new information this research offers about how corporate governance affects financial strategy. The results have significant ramifications for practices and policy in comparable emerging markets.

Singh, R., & Gupta, A. 2020 The relationship between dividend policy and firm value under various tax scenarios is examined in this research . Businesses in high-tax jurisdictions are reported to retain more of their earnings and limit dividend payments in order to reduce their tax bills, whereas companies in low-tax jurisdictions are considered to be more likely to pay dividends. The fact that tax restrictions lead to a discrepancy in dividend intentions highlights the importance of comprehending the broader economic backdrop when making dividend decisions. According to the research , tax policy can significantly impact company financial projections, which can therefore impact market reactions in the immediate term as well as the long-term valuation of businesses.

Wang, P., & Xie, X. 2020 This international research examines the relationship between dividend policy and

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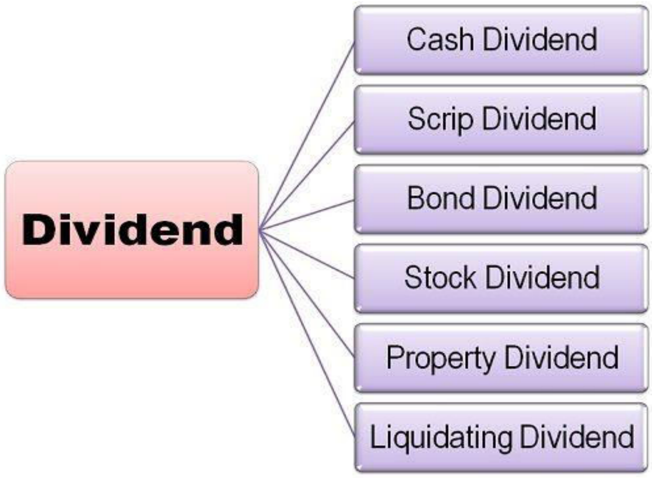
company success and finds that companies that regularly pay dividends outperform the market, especially in developed countries. The reason for this, according to the writers, is that dividends inform investors about the company's financial stability. Additionally, the data show that dividend success rates vary by geography; emerging-market companies, for instance, have less stable distribution patterns. According to the research , a consistent dividend policy is essential for drawing in long-term investors and improving a business's performance internationally.

Cheng, Q., & Wei, S. 2020 In this research , we examine the relationship between dividend policy and stock price responses in global markets. The authors claim that because investors view these businesses as reliable and financially secure, consistent dividend payments raise stock values. The research examines how investors respond to dividend payments by geography and finds that price variations are more noticeable in developing countries because of a lack of understanding. According to the research, dividend decisions have a big influence on global stock price performance and investor sentiment.

3. TYPES OF DIVIDEND



Cash Dividend:: As far as financial payments are concerned, this is among the most common options. The amount to be divided among the shareholders is announced on the "date of declaration." The "date of record" is used to divide the money among the shareholders, whereas the "date of payment" is when the real payouts take place. As long as they have a sufficient amount of liquid assets and retained earnings, businesses should be able to pay out cash dividends to their shareholders.

Scrip Dividend: In this structure, a company issues a transferable promissory note to its shareholders, agreeing to future dividend payments.Scrip dividends may or may not earn interest and have a shorter maturity time. These dividends are paid out when a company doesn't have enough liquid assets and needs more time to turn its current assets into cash.

Bond Dividend: The main difference between bond dividends and scrip payouts is that bond dividends usually have a longer maturity time and are subject to interest.

Stock Dividend/ Bonus Shares: A company may choose to pay out dividends in the form of common shares to satisfy

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the interests of its shareholders when it does not have sufficient operating capital to make payments to them.Bonus shares are given to shareholders in proportion to their existing holdings, and there are no extra costs associated with issuing these shares. Investors still feel satisfied when they receive incentive shares, even though the total number of shares in circulation has increased.

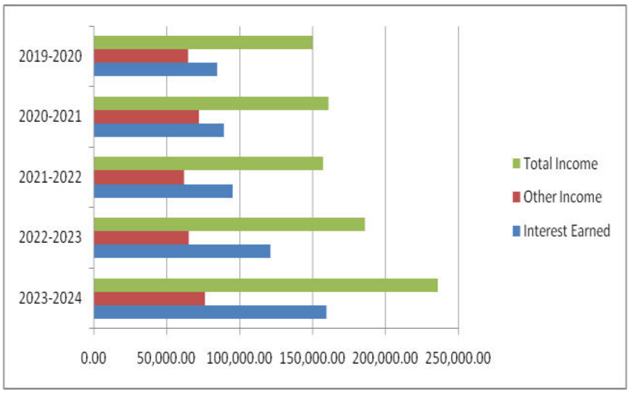
Property Dividend: Instead of being paid out as cash, these dividends are distributed as real estate. A company may give its shareholders non-monetary dividends when it does not have enough cash on hand to maintain operations.Commodities, real estate, cars, and other assets are eligible for property dividends. Businesses record the difference as a profit or a loss after recording the dividend-distributed asset at its fair market value, which may differ from its book value.

Liquidating Dividend: When the board of directors decides to pay dividends to equity stockholders to cover their initial investment, this is known as a liquidation dividend. These obligations are usually settled when a business shuts down or stops operating.

4. RESULTS AND DISCUSSION

INCOME

Income	2023-2024	2022-2023	2021-2022	2020-2021	2019-20
Interest Earned	159,515.93	121,066.81	95,406.87	89,162.66	84,835.
Other Income	76,521.80	65,111.99	62,129.45	72,029.53	64,950.
Total Income	236,037.73	186,178.80	157,536.32	161,192.19	149,786.



INTERPRETATION: Income data reveals that interest earned increased substantially to 159,515.93 from 2019–2020 to 2023–2024, signifying effective revenue growth. Furthermore, an increase in ancillary revenue, amounting to 76,521.80, contributed to the elevation of overall earnings. The total income of $236,037.73 indicates remarkable financial results and enhanced operational efficiency.

EXPENDITURE

Expenditure	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Interest expended	74,108.16	50,543.39	41,166.67	42,659.09	44,665.52
Employee Cost	19,171.98	15,234.17	12,341.60	11,050.91	11,156.75
Selling, Admin & Misc Expenses	95,815.63	84,423.66	76,914.20	85,922.45	81,567.15
Depreciation	1,935.21	1,514.56	1,330.01	1,340.07	1,171.22
Operating Expenses	97,782.79	82,439.03	73,151.72	76,271.67	71,517.91
Provisions & Contingencies	19,140.03	18,733.36	17,434.09	22,041.76	22,377.21
Total Expenses	191,030.98	151,715.78	131,752.48	140,972.52	138,560.64

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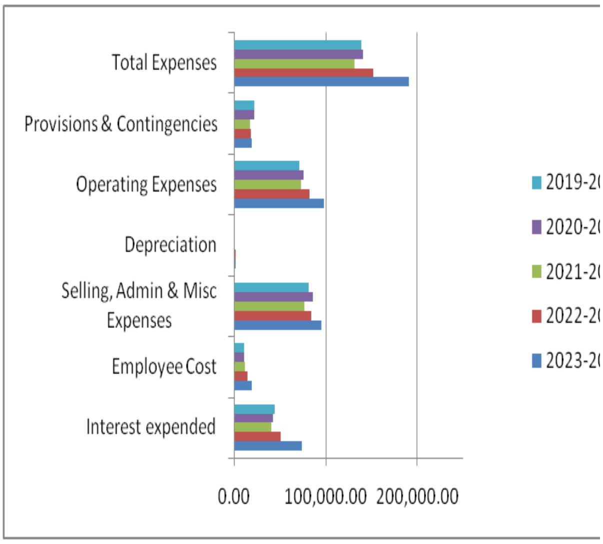
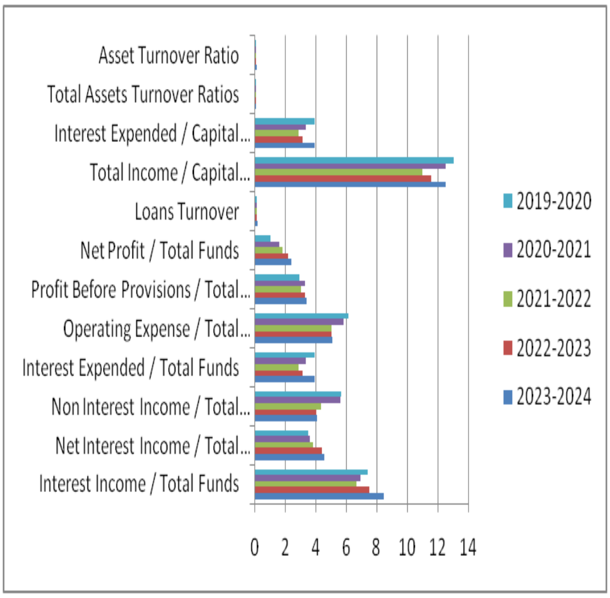


INTERPRETATION: From the 2019–2020 to the 2023–2024 seasons, total expenses rose substantially, amounting to 191,030.98. The majority of this rise was attributed to heightened interest charges of $74,108.16 and elevated selling, administration, and miscellaneous expenses of $95,815.63. Payroll expenses have risen to 19,171.98 due to the recruitment of more personnel. In summary, these trends indicate increasing operating costs and revenue, necessitating prudent management to maintain profitability.

MANAGEMENT EFFICIENCY RATIOS

Management Efficiency Ratios	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Interest Income / Total Funds	8.45	7.51	6.64	6.91	7.38
Net Interest Income / Total Funds	4.53	4.38	3.78	3.61	3.5
Non Interest Income / Total Funds	4.06	4.04	4.33	5.58	5.65
Interest Expended/ Total Funds	3.93	3.14	2.87	3.31	3.89
Operating Expense / Total Funds	5.08	5.02	5	5.81	6.12
Profit Before Provisions / Total Funds	3.4	3.3	3.01	3.28	2.92
Net Profit / Total Funds	2.39	2.14	1.8	1.57	0.98
Loans Turnover	0.14	0.12	0.11	0.12	0.13
Total Income / Capital Employed(%)	12.51	11.55	10.97	12.5	13.03
Interest Expended / Capital Employed(%)	3.93	3.14	2.87	3.31	3.89
Total Assets Turnover Ratios	0.07	0.07	0.06	0.06	0.06
Asset Turnover Ratio	0.08	0.07	0.06	0.06	0.07



INTERPRETATION: Between 2019 and 2024, there is a discernible increase trend in the management efficiency ratios for operational performance. The increase in Net Interest Income and the enhancement of the Interest Income to Total Funds ratio signify improved interest management and more effective fund utilization. A minor

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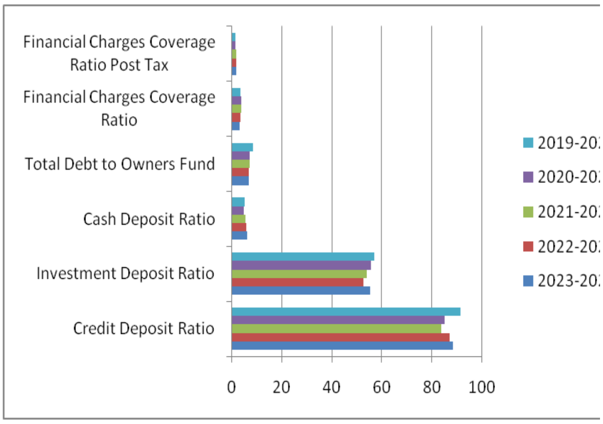
reduction in non-interest income signifies the necessity to enhance revenue from alternative sources. A sign of improved cost management is a reduction in operating expenses in relation to overall financial resources. Profitability seems to have enhanced, evidenced by the significant rise in the ratio of net profit to total assets. The Loans Turnover ratio and the Total Income to Capital Employed % both illustrate the stability and efficiency of income creation. Ultimately, these ratios indicate that management is efficiently employing its resources.

DEBT COVERAGE RATIOS

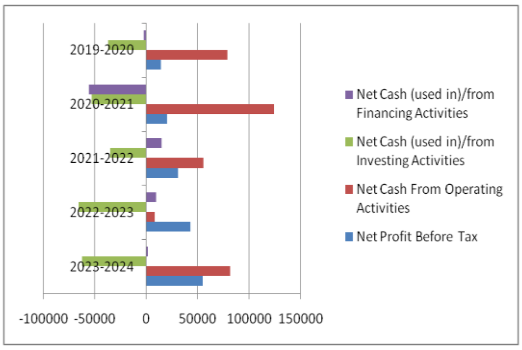
Debt Coverage Ratios	2023-2024	2022-2023	2021-2022	2020-2021	20 2
Credit Deposit Ratio	88.33	87.05	83.46	85.08	9
Investment Deposit Ratio	55.26	52.41	53.8	55.66	5
Cash Deposit Ratio	5.97	5.6	5.19	4.64	4
Total Debt to Owners Fund	6.56	6.65	7.02	7.15	8
Financial Charges Coverage Ratio	2.92	3.37	3.59	3.71	3
Financial Charges Coverage Ratio Post Tax	1.62	1.7	1.64	1.46	1



INTERPRETATION: The debt coverage ratios from the 2019–2020 fiscal year to the 2023–2024 fiscal year indicate a stable and sound financial situation. The Credit Deposit Ratio has marginally risen to 88.33%, signifying good utilization of loans relative to deposits. The investment management strategy is secure, with an investment deposit ratio of approximately 55%. A greater proportion of deposits held in cash signifies improved cash flow management. The corporation can fulfill its interest obligations as the Financial Charges Coverage Ratios indicate its proficiency in handling financial responsibilities. The Total Debt to Owners Fund ratio has declined to 6.56, signifying a substantial reduction in leverage.

CASH FLOW

Cash Flow	2023-2024	2022-2023	2021-2022	2020-2021	2019-2020
Net Profit Before Tax	54487.8	42421.2	30608.9	20182.7	14048
Net Cash From Operating Activities	81656.6	7690.32	55046.9	124093	78449.4
Net Cash (used in)/from Investing Activities	-62649	-65751	-35035	-53491	-37107
Net Cash (used in)/from Financing Activities	1075.85	9426.38	14868	-55935	-2644.6



INTERPRETATION: In the fiscal year 2023–2024, the company's net profit before taxes amounted to $54,487.8, representing a substantial increase compared to previous years. A significant cash inflow of 81,656.6 from operating activities indicates considerable operational success, notwithstanding cash outflows from financing and investing, which reflect continued investment endeavors and the management of financial obligations.

5. CONCLUSION

The main determinants of ICICI Bank's dividend distribution decisions are the financial performance, regulatory environment, and the bank's long-term growth goals. By carefully combining dividend payments with profitability and making sure that sufficient capital reserves are maintained for both expansion and risk management, the bank maintains a strong balance. Shareholder expectations are just as important as the bank's efforts to keep investors' trust by continuously achieving profitable operations. ICICI Bank is unwavering in its resolve to reward shareholders by upholding a sensible dividend policy that puts financial security first, despite the current market uncertainties. The research comes to the conclusion that a carefully thought-out dividend policy is essential to the financial sector's long-term success.

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