**SHRI RAMDEOBABA COLLEGE OF ENGINEERING AND MANAGEMENT**

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**Comparative Analysis of Dividend Trends in Indian Banking: A Study of Selected Public and Private Sector Banks**

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**Abstract:**

This study performs a comparative examination of dividend patterns among India's top public and private sector banks over a decade (FY 2014–15 to FY 2022–23). The research examines three public sector banks—State Bank of India (SBI), Bank of Baroda (BoB), and Punjab National Bank (PNB)—along with three private sector banks—HDFC Bank, ICICI Bank, and Axis Bank. Employing two main financial metrics, Earnings Per Share (EPS) and Dividend Per Share (DPS), the study investigates sectoral variations in profitability and dividend patterns, backed by statistical and trend analysis.

The results show that private sector banks consistently exceeded their public counterparts in terms of profitability and dividend reliability. HDFC and ICICI, specifically, showed consistent earnings growth and dividend policies favoring shareholders, whereas public sector banks faced more volatility, including periods of negative earnings and disrupted dividend payments. Nonetheless, indicators of recovery in the public sector after 2020 imply enhanced financial stability and the effects of reforms. The research adds to current literature by emphasizing the importance of governance, profitability, and strategic adaptability in influencing dividend policies. It also recognizes constraints concerning data scope and variables, while suggesting future research paths that include wider financial metrics and macroeconomic integration.

**Introduction:**

Dividends play a crucial role in shareholder returns and act as significant indicators of a firm's financial stability, profitability, and management’s assurance regarding future profits. In the banking industry, dividend strategies are especially crucial because of the sector's highly regulated nature, capital adequacy requirements, and its vital role in maintaining economic stability. In India, the differences in ownership structure, operational independence, and financial strategies between public and private sector banks have resulted in varying methods of dividend distribution. Although private sector banks typically focus on maximizing shareholder value and remaining competitive in the market, public sector banks function within stricter constraints shaped by government regulations, recapitalization requirements, and prudential standards.

This research intends to perform a comparative study of dividend patterns in three major public sector banks—State Bank of India (SBI), Bank of Baroda (BoB), and Punjab National Bank (PNB)—alongside three significant private sector banks—HDFC Bank, ICICI Bank, and Axis Bank—over a decade from FY 2014–15 to FY 2022–23. The research examines sectoral variations in profitability, dividend practices, and financial stability by assessing two crucial financial metrics—Earnings Per Share (EPS) and Dividend Per Share (DPS). The objective is to evaluate if private banks provide more reliability and return predictability to shareholders than public banks, as well as how dividend policies mirror wider institutional and regulatory contexts.

Over the last ten years, the Indian banking industry has experienced considerable change driven by technological advancements, efforts towards financial inclusion, evolving consumer habits, and regulatory changes including the adoption of Basel III standards and the Insolvency and Bankruptcy Code. These changes have created fresh pressures on banks' capital frameworks and risk management systems, directly affecting their capacity and inclination to pay out dividends. The difference in dividend patterns between public and private sector banks should be comprehended not only regarding earnings but also in relation to policy directives, capital sufficiency challenges, and systemic functions.

Additionally, dividend policies affect more than just the immediate value for shareholders. They affect market views, credit scores, investor faith, and even consumer confidence. For public sector banks, decisions regarding dividends may also indicate the fiscal approaches of the government, which holds the majority stake. Consequently, this research assesses dividend patterns not only as financial results but also as strategic indicators integrated within the operational structures of two separate industries. By connecting financial results to distribution trends, the study enhances the comprehension of how Indian banks balance the two goals of profitability and stability.

**Literature Review:**

The topic of dividend policy and financial performance within the Indian banking sector has attracted significant interest from researchers, especially regarding the emerging distinctions between public and private banks.

Mangla and Goel (2017) carried out a comprehensive analysis of public sector banks and emphasized how the historical dividend patterns in these banks were influenced by government directives and financial goals. Their study highlighted that public sector banks frequently maintained dividend payments even with declining asset quality, as the government depended on these dividends to cover fiscal shortfalls. They also highlighted that the dividend policy must represent the strength of the balance sheet and not just act as a financial instrument.

Pakira (2016) analyzed growth performance metrics, such as equity dividends and earnings per share, for both SBI and HDFC Bank. The research indicated that HDFC Bank demonstrated better financial results and steady growth in areas such as reserves, net profit, and earnings per share. The findings strengthened the idea that private banks have been able to sustain more robust growth patterns than their public counterparts during times of volatility.

Arora and Dua (n.d.) performed a basic analysis contrasting SBI and HDFC by utilizing factors such as dividend payout ratio, net profit margin, and debt-equity ratio. Their results showed no notable difference in the dividend payout ratio between the two, although they observed significant differences in profitability and capital structure. This implies that although payout patterns might seem alike in theory, the fundamental financial strengths of the banks vary significantly.

Goel and Rekhi (2013) investigated the performance comparison of chosen public and private sector banks and found that private banks demonstrated higher efficiency and profitability. Their research supported the idea that operational efficiency and greater returns on equity were more common in private sector banks, partly because of reduced political interference and more robust corporate governance practices.

Koley (2019) assessed the financial standing of SBI and HDFC Bank through the CAMEL model, emphasizing elements such as capital adequacy, asset quality, and management effectiveness. The results indicated statistically significant variations in the financial performance of these banks, with HDFC outperforming on most metrics. The study also highlighted the significance of governance and risk management in shaping long-term financial stability.

Sultana et al. (2020) examined the topic through a fundamental analysis lens, evaluating factors such as EPS, P/E ratio, and return on capital employed. They verified that private banks like HDFC and ICICI exceeded public sector banks such as SBI, BoB, and PNB in profitability measures throughout the study duration. Their results provide additional proof of the disparities in structure and performance between the two sectors.

Singh and Yadav (2023) explored the impact of financial distress on dividend allocation in Indian banks. Using panel data from 31 banks from 2016 to 2020, the study revealed that banks facing greater financial distress, shown by lower Z-scores, generally opt to decrease or halt dividend payments to safeguard capital. This emphasizes how sensitive dividend policies are to the financial well-being of a bank.

Raza (2018) performed a comparative analysis of the factors influencing dividend policies in public and private sector banks in India. The results indicate that private banks show a more significant relationship between dividend distributions and shareholder value, linked to their market-oriented approaches. In contrast, the dividend choices of public sector banks are largely shaped by regulatory mandates and government control, resulting in a more cautious payout strategy.

Huda and Farah (2011) examined different elements influencing dividend policies in Indian banks. The research pinpointed critical factors like earnings per share, cash flow, retained earnings, and company size. It highlighted that although profitability is a key factor, other elements such as liquidity and growth prospects significantly influence dividend choices.

Collectively, these studies lay a solid groundwork for comprehending the dividend patterns and performance discrepancies between public and private sector banks in India. The common agreement among academics indicates that although public sector banks fulfill a wider policy objective, private banks exhibit superior financial discipline, higher returns, and more reliable dividend approaches. Nevertheless, recent advancements in public sector performance since 2018 suggest a possible change in this enduring pattern.

**Research Methodology:**

**Hypothesis of the Study**

**Null Hypothesis (H0):** There is no significant difference between the dividend payout trends of public and private sector banks in India.

**Alternative Hypothesis (H1):** There is a significant difference between the dividend payout trends of public and private sector banks in India.

**Data Collection**

The information utilized in this research was obtained from secondary sources, mainly concentrating on publicly accessible financial statements and annual reports released by the relevant banks. The information spans a decade from 2015 to 2024, offering perspective on the changes in profitability and dividend payout strategies of each bank over time. The banks chosen for this research comprise State Bank of India (SBI), Bank of Baroda (BoB), and Punjab National Bank (PNB) from the public sector, alongside HDFC Bank, ICICI Bank, and Axis Bank from the private sector.

The information gathered for each of these banks encompasses Earnings Per Share (EPS), representing the banks' profitability, and Dividend Per Share (DPS), which shows the dividends distributed to shareholders. These two metrics are crucial for grasping the extent to which the banks' profits are allocated as dividends and the general direction of their dividend strategies.

The information was collected from the banks' official annual reports, investor presentations, and credible financial websites like Moneycontrol, Yahoo Finance, and Bloomberg. The data were meticulously gathered for each bank for each year between 2015 and 2024, guaranteeing that the analysis encompasses the entire 10-year span for comparison.

*Table 01: Summary Statistics, Public Banks*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | Mean | Median | S.D. | Min | Max |
| SBIEPS | 31.7 | 29.1 | 28.9 | -10.5 | 74.9 |
| SBIDPS | 4.48 | 3.05 | 4.79 | 0.000 | 13.7 |
| BoBEPS | 10.6 | 5.99 | 19.4 | -22.4 | 38.6 |
| BoBDPS | 2.48 | 0.600 | 3.23 | 0.000 | 7.60 |
| PNBEPS | -4.94 | 2.01 | 18.9 | -41.3 | 19.1 |
| PNBDPS | 0.479 | 0.000 | 0.729 | 0.000 | 2.00 |

*Table 02: Summary Statistics, Private Banks*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Variable | Mean | Median | S.D. | Min | Max |
| HDFCEPS | 66.2 | 66.8 | 14.7 | 42.2 | 85.8 |
| HDFCDPS | 13.3 | 14.0 | 4.44 | 6.50 | 19.5 |
| ICICIEPS | 24.5 | 17.9 | 16.5 | 6.77 | 58.4 |
| ICICIDPS | 4.45 | 5.00 | 2.95 | 1.00 | 10.0 |
| AxisEPS | 36.2 | 29.8 | 30.5 | 1.84 | 91.0 |
| AxisDPS | 1.50 | 1.00 | 1.90 | 0.000 | 5.00 |

**Software and Techniques**

This research utilizes both trend analysis and statistical techniques to investigate the link between two essential financial measures—Earnings Per Share (EPS) and Dividend Per Share (DPS)—over a decade for six prominent Indian banks. Trend analysis is the main technique for assessing the directional changes of these indicators over time. By utilizing this method, the research reveals enduring trends in profitability and dividend allocation, enabling the recognition of sector-specific patterns among both public and private banks. Line graphs aid in visually representing these trends by depicting the year-over-year variations in EPS and DPS. These graphs improve interpretability and allow for clear comparisons between banks, making it simpler to identify patterns of growth, stability, or volatility in financial results.

In addition to the trend analysis, comparative and statistical analyses are utilized as well. Comparative analysis explicitly compares the performance of public and private sector banks regarding average EPS and DPS, investigating whether private banks demonstrate superior or more stable dividend behavior. This section of the research also considers how government policies and regulatory requirements may impact the dividend practices of public sector banks. Statistical analysis enhances the interpretation of trends by calculating the mean and standard deviation of EPS and DPS for every bank. These metrics offer an understanding of the stability and scale of earnings and dividend distributions over time. Furthermore, year-over-year growth rates are computed to account for variations in financial metrics, thus providing a dynamic perspective on how each bank responds to economic circumstances and internal financial strategies.

**Data Analysis and Interpretation**

#### **EPS Trend Analysis: Public Sector Banks**



From FY 2015 to FY 2023, EPS numbers for public sector banks exhibit a fluctuating pattern. SBI’s EPS plummeted significantly from ₹27.90 in 2015 to a low of -₹10.47 in 2018, before rebounding sharply to ₹49.80 in 2023. Likewise, BoB faced variations, hitting a low of -₹22.38 in 2016 and steadily rising to ₹40.33 by 2023. PNB encountered major challenges, particularly in 2018 with an EPS of -₹41.31, yet achieved a positive recovery to ₹17.71 by 2023. These trends indicate a strong responsiveness to economic fluctuations and provisioning disruptions in public banks.

**EPS Trend Analysis: Private Sector Banks**



Private sector banks demonstrated a consistently stable and increasing EPS trend. HDFC Bank’s EPS rose consistently from ₹42.18 in 2015 to ₹71.70 in 2023, showcasing ongoing profitability. ICICI Bank showed a rebound from a low of ₹6.77 in 2018 to ₹53.70 by 2023. Axis Bank, which dropped to ₹1.84 in 2017, gradually improved and rose to ₹54.20 by 2023. These trends demonstrate improved financial stability and enhanced risk management systems within the private sector.

#### **DPS Trend Analysis: Public Sector Banks**



Payouts of dividends by public banks have varied over time. SBI, even with a negative EPS in 2018, distributed dividends in the majority of years, with DPS reaching a high of ₹11.30 in 2023. BoB’s DPS stayed at zero between 2016 and 2020, only starting dividends again in 2021 and rising to ₹5.50 in 2023. PNB refrained from distributing dividends from 2016 to 2021, providing ₹1.50 in 2023. The inconsistency of DPS indicates limits on profitability and priorities for conserving capital.

#### **DPS Trend Analysis: Private Sector Banks**



Private banks showed a greater and more steady distribution of dividends. HDFC Bank’s DPS increased from ₹8.00 in 2015 to ₹19.50 in 2023, experiencing consistent yearly growth. ICICI Bank sustained small yet consistent dividends, amounting to ₹8.00 in 2023. Axis Bank, having halted dividends between 2017 and 2021, rekindled them with a ₹1.00 distribution in 2022 and ₹7.00 in 2023. This consistency, especially in HDFC and ICICI, indicates strong profitability and a focus on shareholder interests.

**Key Findings**

**Private Sector Banks Show Consistent Profitability and Dividend Growth**: Private banks like HDFC, ICICI, and Axis showcased robust and consistent financial performance throughout the decade. HDFC Bank showed steady growth in earnings per share (EPS), increasing continuously from FY 2015 to FY 2023 without notable drops. Their dividend per share (DPS) demonstrated a steady increase, hitting ₹19.5 in 2023, underscoring their dedication to shareholder rewards. ICICI and Axis demonstrated a rebound from mid-decade declines and restored steady dividend distributions in subsequent years, indicating robust internal financial discipline and improved operational efficiency.

**Public Sector Banks Display Earnings Volatility and Irregular Payouts**: Public sector banks—SBI, Bank of Baroda, and Punjab National Bank—saw significant variations in their EPS, experiencing several periods of negative earnings, especially from FY 2016 to FY 2019. BoB and PNB halted dividends for numerous consecutive years, reinstating payments solely after an earnings revival following 2021. SBI, while somewhat improved, also demonstrated years of subdued profit and reduced DPS. This irregularity suggests a more careful and responsive dividend policy, shaped by financial pressure, capital adequacy needs, and regulatory oversight.

**Dividend Policies Reflect Sectoral Differences in Governance and Strategy**: The research shows a clear difference in dividend distribution approaches between the two sectors. Private sector banks showcased a forward-thinking, investor-oriented dividend strategy, with an increase in profits closely aligned with an increase in dividends. Conversely, public banks frequently refrained from paying dividends even during moderately profitable years, focusing on preserving capital. This difference emphasizes the impact of ownership structure—market-focused strategies in the private sector compared to policy-focused methods in the public sector.

**Recovery in Public Sector Banks Evident Post-2020**: In spite of the challenges faced in previous years, public sector banks—particularly SBI and BoB—have exhibited a significant recovery in both EPS and DPS following 2020. This enhancement corresponds with government recapitalization initiatives, improved NPA handling, and more stringent regulatory supervision. The DPS for BoB and PNB, although still modest in comparison to private counterparts, signifies a return to profitability and a careful re-engagement in dividend payments.

**Private Sector Banks Offer Lower Volatility and Greater Financial Stability**: Statistical analysis indicates that private banks exhibit considerably lower standard deviations in both EPS and DPS when compared to public banks. This indicates that their profits and dividend distributions were more consistent and foreseeable, something investors usually favor. The increased volatility of public banks indicates a higher susceptibility to credit risk, economic conditions, and policy changes, resulting in less predictable performance and more uncertain dividends.

**SBI Outperforms Among Public Banks but Lags Behind Private Leaders**: SBI distinguishes itself among public sector banks with comparatively stronger financial indicators. It reliably distributed dividends, even in years of minimal profits, and demonstrated robust recovery after 2020. Nonetheless, its DPS stayed significantly lower than that of top private banks such as HDFC, highlighting the ongoing disparity in shareholder returns between the two sectors.

**Conclusion**

This research aimed to examine dividend patterns in the leading public and private sector banks in India by evaluating Earnings Per Share (EPS) and Dividend Per Share (DPS) figures from FY 2014–15 to FY 2022–23. The examination distinctly shows a uniform and organized variation in financial results and dividend strategies between the two sectors. Private sector banks—especially HDFC Bank, ICICI Bank, and Axis Bank—showed robust and consistent earnings growth, backed by reliable and investor-friendly dividend distributions. Their capacity to sustain profitability, even in times of economic hardship, indicates exceptional risk management, operational efficiency, and strategic independence.

In contrast, public sector banks such as SBI, Bank of Baroda, and Punjab National Bank displayed higher earnings volatility and adopted more conservative dividend distribution strategies. Several years of losses and lack of dividend distributions underscore the challenges these institutions encounter from non-performing assets, regulatory demands, and capital adequacy standards. In spite of these difficulties, the period following 2020 exhibited hopeful signs of recovery, particularly for SBI and BoB, indicating that structural reforms and government recapitalization efforts might be benefitting the performance of public banks.

The results reinforce the idea that governance frameworks, fiscal discipline, and strategic independence are essential in influencing dividend policies. Private banks, motivated by market rivalry and shareholder demands, usually connect dividends closely to their profitability. Public sector banks, limited by wider fiscal and policy duties, frequently emphasize retaining capital, which results in cautious payout practices.

As India's banking industry evolves, the performance disparity between public and private banks might lessen, particularly as public banks adjust to new regulatory standards and embrace digitization. Nevertheless, at this point, private sector banks are in a stronger position to provide steady returns to shareholders, rendering them more appealing to income-oriented investors.

**Future Scope**

This research paves the way for numerous possible avenues of additional investigation. Although it emphasizes EPS and DPS as key metrics, upcoming research might integrate a wider array of financial ratios—like Return on Equity (ROE), Net Interest Margin (NIM), and Capital Adequacy Ratio (CAR)—to offer a more complete perspective on bank performance. Broadening the dataset to encompass mid-sized, regional, and cooperative banks may aid in assessing whether the patterns seen in large institutions are consistent throughout the broader banking sector. Moreover, incorporating macroeconomic elements such as GDP growth, inflation, and regulatory changes might assist in framing dividend behavior within larger economic cycles.

Another encouraging avenue would be to investigate how the market reacts to dividend announcements in both sectors, assessing their influence on stock prices and investor sentiment. Future research could also gain from a longitudinal perspective, examining how public sector reforms, recapitalization strategies, and digital banking initiatives affect long-term dividend patterns and financial viability. As public sector banks undergo transformation, monitoring these changes over time could offer important insights into the shifting dynamics of dividend policies in Indian banking.

**Limitations**

Although this study provides valuable insights into the dividend patterns of India’s leading public and private sector banks, it has its limitations. The evaluation relies exclusively on two fundamental financial indicators—Earnings Per Share (EPS) and Dividend Per Share (DPS). While these indicators are essential for grasping profitability and returns for shareholders, they do not completely reflect the wider financial context of a bank. Additional key variables, including Return on Assets (ROA), Capital Adequacy Ratio (CAR), and Non-Performing Assets (NPA), were excluded, potentially constraining the depth and explanatory capacity of the results.

Furthermore, the research is limited to a sample of six major banks, which, although indicative of the industry leaders, may not capture the trends and issues encountered by smaller, mid-sized, or regional banks. The study depends solely on secondary data sourced from annual reports and publicly accessible materials, which may pose risks of delays in reporting, restatements, or inconsistencies in disclosure formats. Additionally, the research excludes macroeconomic or policy factors that could greatly affect banking performance and dividend choices, including variations in interest rates, regulatory changes, or capital injection initiatives. These exclusions limit the scope and indicate a requirement for more comprehensive and cohesive analyses in upcoming projects.

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