



A Study On Dividend Analysis with Reference to Muthoot Finance Ltd.

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Abstract – The present study examines the dividend policy and financial performance of Muthoot Finance Ltd. Over a five-year period from 2021 to 2025. The primary objective of the study is to analyse the company's dividend distribution pattern and evaluate the relationship between profitability and dividend payments. The study is based on secondary data collected from annual reports, financial statements, company publications, and financial websites. Key financial indicators such as Dividend per Share (DPS), Earnings per Share (EPS), Net Profit, and Dividend Payout Ratio have been analysed using trend and ratio analysis techniques. The findings reveal that Muthoot Finance has maintained a stable and progressive dividend policy, supported by consistent growth in earnings and profitability.

Keywords – Dividend Policy, Muthoot Finance Ltd., Earnings per Share, Dividend Payout Ratio, Financial Performance.

I. INTRODUCTION

An essential component of financial management is dividend analysis, which examines how businesses pay out dividends to their shareholders. A percentage of a company's profits are distributed to investors as dividends, which serve as a return on their investment. The company's dividend policy is the choice of how much profit to keep and how much to distribute.

In order to maximize shareholder value, preserve investor confidence, and guarantee long-term financial stability, a well-structured dividend policy is essential. Investors typically view companies that pay dividends consistently and steadily as financially sound and trustworthy. Conversely, inconsistent or diminishing payouts could be a sign of unstable finances or subpar performance.

One of the top Non-Banking Financial Companies (NBFCs) in India, Muthoot Finance specializes in offering financial services and gold loans. Over the years, the company's financial performance has consistently improved, and its dividend policy has remained steady. Its consistent profitability allows it to maintain enough earnings for growth while simultaneously paying dividends on a regular basis.

Understanding the Company's profitability, financial stability, and management choices about profit distribution are all aided by dividend distribution. Additionally, it allows investors to assess the company's suitability for growth-oriented or income based investments.

Importance of Dividend Policy

A Company's dividend policy is essential to its financial management since it establishes how much of its revenue are maintained for future expansion and how much is dispersed to shareholders. It is one of the most important

choices made by management since it has direct impact on investor happiness and the company's financial health.

Dividend policy's significance stems from its capacity to impact investor choices. Companies that offer steady and reliable dividends are preferred by investors, particularly those looking for a steady income. A Well- designed dividend policy increases the company's market value by drawing in and keeping investors.

The company's financial status and prospects are also shown by its dividend policy. A rise in dividend payments is sometimes seen as an indication of high profitability and room for expansion. Conversely, a decline or inconsistency in dividend payments could make investors uneasy and harm the company's standing.

Maintaining a balance between profit distribution and earnings retention is another crucial component of dividend policy. Retained earnings are a crucial source of internal funding that enables businesses to thrive over the long-term, expand operations and in new initiatives. As a result, businesses must carefully consider how much dividends to pay without compromising their ability to meet their future financial obligations.

II. REVIEW OF LITERATURE

Dividend policy has been a significant area of research in financial management, as it directly influences shareholder wealth and investment decisions. Several researchers have contributed to understanding the relationship between dividends, profitability, and firm value.

1. Lintner,J(1956)

“ Corporate Income Distribution: Dividends, Retained Earnings and Taxes”.



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According to Lintner's research, businesses choose steady dividend policies and make modest dividend adjustments as opposed to significant ones. In order to boost investor confidence, companies strive to keep dividend payments consistent.

2. Miller, M. & Modigliani, F. (1961)

"Dividend Policy, Growth, and the Share Valuation"

This study presented the Dividend Irrelevance Theory, which holds that in a perfect capital market, a firm's value is unaffected by its dividend policy. However, in real-world, investor preferences are influenced by things like taxes and transaction costs.

3. Gordon, M. J. (1963)

"Optimal Investment and Financing Policy"

Gordon underlined that dividends have a direct influence on the firm's value and are important to investors. The Bird-in-Hand argument states that investors favour specific dividends above unpredictable future capital gains.

4. Walter, J. E. (1963)

"Dividend Policy: Its Impact on the Enterprise's value"

According to Walter's model, dividend policy matters and influences the market value. Whether the dividends should be paid out or kept depends on the internal rate of return and cost of capital.

5. Baskin, J. (1989)

"Dividend Policy and Common Stocks Volatility"

According to this study, businesses that pay out more dividends, typically have lower stock price volatility, which suggests that investors are at less danger.

6. Aivazian, V., Booth, L., & Cleary, S. (2003)

"Do Different Dividend Policies Apply to Emerging Market Firms?"

The study came to the conclusion that because of greater development prospects and financial limitations, companies in emerging economies continue to retain lower payout percent ages.

III. NEED AND IMPORTANCE OF THE STUDY

In the contemporary financial environment, dividend policy has gained significant importance as it directly influences investor decisions, corporate financial planning, and overall market perception of a company. Investors today not only look for capital appreciation but also expect a stable income in the form of dividends. Therefore, analyzing dividend patterns becomes essential for understanding the financial strength and sustainability of a company.

Muthoot Finance, being one of the leading Non-Banking Financial Companies (NBFCs) in India, has established a strong presence in the financial services sector, particularly in gold loan financing. The company has consistently generated profits and maintained a regular dividend distribution policy. However, there is a need to critically

evaluate whether this dividend policy is stable, growth-oriented, or conservative in nature.

IV. SCOPE OF THE STUDY

The goal of this study is to comprehend how Muthoot Finance distributes its earnings and how its dividend policy has changed over time by examining the company's financial performance and dividend policy. The study looks for trend and patterns in dividend payments over a period of recent fiscal years, roughly from 2020-2025. It highlights important dividend metrics such dividend yield, dividend payout ratio and dividend per share (DPS).

Furthermore, the study includes a trend analysis to evaluate whether the company has maintained consistency or growth in its dividend payments over the selected period. The analysis is entirely based on secondary data collected from reliable sources such as annual reports, financial statements, company websites, and financial databases. From an investor perspective, the study provides insights into how dividend policy impacts investor expectations and decision-making. It also extends its relevance to the broader Non-Banking Financial Company (NBFC) sector by offering an understanding of dividend practices within the industry.

V. OBJECTIVES OF THE STUDY

The primary objective of this study is to analyze the dividend policy and its implications on the financial performance of Muthoot Finance. The study aims to provide a comprehensive understanding of how dividend decisions are made and their impact on shareholder value.

- To examine the company's dividend policy.
- To examine the dividend payment trend throughout time.
- To assess the ratio of dividend payments.
- To investigate the connection between dividends and earnings.
- To examine the yield on dividends.

VI. RESEARCH METHODOLOGY

The study is primarily based on secondary data collected from authenticated sources such as annual reports, official publications, and financial databases of Muthoot Finance. The data has been carefully analyzed and interpreted to ensure accuracy and reliability. The use of audited financial statements enhances the credibility of the study and provides a realistic view of the company's dividend practices.

The present study on dividend analysis of Muthoot Finance is based on a descriptive research design using secondary data.

Research Design

In order to explain and analyze the company's dividend policy, trends, and financial performance over a given time period, the study uses a descriptive research design. Witho



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ut changing any variables, this design can be used to comprehend current patterns and relationships.

Data Collection

The entire study is based on secondary data that was gathered from a number of trustworthy sources.

a. Secondary Data Sources:

- Annual reports of Muthoot Finance
- Official company website
- Financial statements (Profit & Loss, Balance Sheet)
- Stock market and financial websites
- Research journals and publications

3. Period of Study

The study covers a period of approximately 5 years (2021–2025) to analyze long-term trends in dividend payments and financial performance.

4. Tools of Analysis

The collected data is analyzed using the following financial and statistical tools:

- Trend Analysis (to study growth in dividends over time)
- Ratio Analysis (Dividend Payout Ratio, Dividend Yield)
- Comparative Analysis (comparison across years)
- Graphical Representation (bar charts, line graphs)
- Percentage Analysis

These tools help in interpreting the data effectively and drawing meaningful conclusions.

5. Variables Used in the Study

The study mainly focuses on the following variables:

- Dividend per Share (DPS)
- Earnings per Share (EPS)
- Net Profit
- Dividend Payout Ratio
- Dividend Yield

6. Nature of Study

- Analytical in nature
- Based on historical financial data
- Focused on understanding dividend behavior

7. Area of Study

The study is limited to the financial performance and dividend policy of Muthoot Finance within the Indian financial sector.

VII. LIMITATIONS OF THE STUDY

Every research study has some constraints that could impact the findings accuracy and breadth. The following are other limitations of the current study.

• Reliance on Secondary Data:

Due to the study's complete reliance on secondary sources, its accuracy and completeness may be limited.

• Restricted to One Company:

Muthoot Finance is the sole subject of the study; comparisons with other businesses are not included.

• Time Constraints:

Due to the study's short time frame, long-term changes outside of the chosen years might not be reflected.

• Market Fluctuations:

The dynamic and unpredictable nature of the market might have an impact on dividend policies.

• Lack of Primary Data:

Investor perception is not directly measured because no primary data (like surveys or interviews) are employed.

• Potential Data Variations:

Information gathered from various sources may differ somewhat.

VIII. DATA ANALYSIS AND INTERPRETATION

Dividend per Share (DPS) Analysis

Dividend per Share (DPS) refers to the amount of dividend paid by a company to its shareholders for each share held. It is an important indicator of the company's ability to generate returns for its investors.

Table 4.1: Dividend per Share (DPS) of Muthoot Finance Ltd. (2021-2025)

Year	Dividend per share(DPS)
2021	20
2022	20
2023	22
2024	24
2025	26

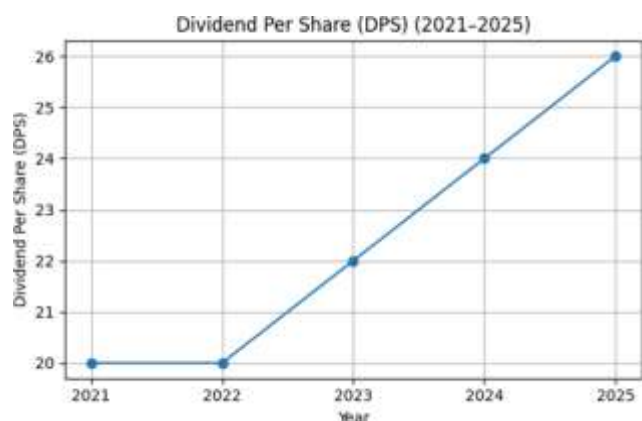


Figure 4.1: Dividend Per Share (DPS) of Muthoot Finance Ltd. (2021-2025) Interpretation

The above table and graph show the trend of dividend per share of Muthoot Finance over a period of five years. It can be observed that the DPS remained constant at ₹20 during the years 2021 and 2022, indicating a stable dividend policy during that period.



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From 2023 onwards, the DPS shows a gradual increase, reaching ₹26 in 2025. This consistent upward trend indicates that the company is improving its dividend payments over time. The increase in DPS reflects the company's strong financial position and its commitment to providing regular returns to shareholders.

The increasing trend in Dividend per Share indicates that the company is adopting a shareholder-friendly approach. The gradual rise in DPS also reflects that the company is confident in its earnings stability and cash flow generation. Since NBFCs like Muthoot Finance operate in secured lending, the risk of default is relatively low, which supports consistent dividend payments.

The steady increase from ₹20 to ₹26 shows that the company is not making abrupt changes in dividend policy, which is a positive signal for long-term investors.

The slower growth in DPS compared to EPS indicates that the company retains a portion of earnings for strengthening capital base and future expansion.

Earnings per Share (EPS) Analysis

Earnings per Share (EPS) represents the portion of a company's profit allocated to each outstanding share. It is a key indicator of profitability and financial performance.

Table 4.2: Earnings Per Share (EPS) of Muthoot Finance Ltd. (2021-2025)

Year	Earnings per share(EPS)
2021	95
2022	105
2023	110
2024	120
2025	130



Figure 4.2: Earnings Per Share (EPS) of Muthoot Finance Ltd. (2021-2025) Interpretation

The above table shows the earnings per share of the company over the study period. It is evident that EPS has shown a consistent increasing trend from ₹95 in 2021 to ₹130 in 2025.

This steady growth indicates that the company is generating higher profits year after year. The increase in EPS reflects

efficient management, strong operational performance, and effective utilization of resources.

Higher earnings per share enhance the company's ability to pay dividends and reinvest in the business. The upward trend in EPS also indicates financial stability and growth potential, which positively influences investor perception.

The consistent growth in EPS indicates strong operational efficiency and profitability of Muthoot Finance Ltd. The upward trend also shows that the company is effectively managing its loan portfolio and generating stable income from its core business operations.

The growth in EPS is mainly supported by increased interest income from gold-backed loans and expansion of branch network across semi-urban and rural markets.

Table 4.3: Growth Analysis of EPS

Year	EPS (₹)	Growth %
2021	95	—
2022	105	10.5%
2023	110	4.8%
2024	120	9.1%
2025	130	8.3%

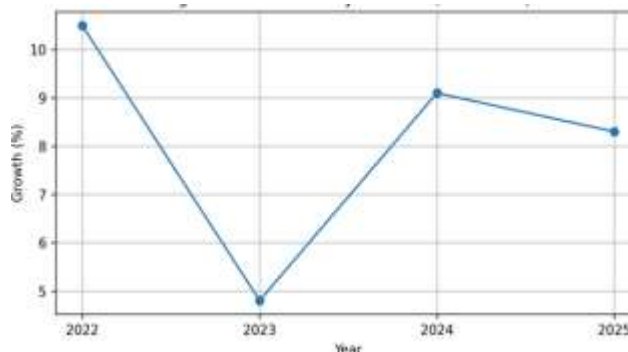


Figure 4.3 Growth Analysis of EPS of Muthoot Finance Ltd. (2021-2025)

The growth pattern of EPS shows minor fluctuations but overall stability. The slight variation in growth rate indicates normal business cycle movements in the NBFC sector. However, the overall increasing trend confirms that the company maintains steady profitability.

This stability is important because dividend decisions are directly influenced by earnings consistency.

Table 4.4: Comparative Analysis of DPS and EPS

Year	DPS	EPS
2021	20	95
2022	20	105
2023	22	110
2024	24	120



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2025	26	130
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The comparative analysis of EPS and DPS clearly shows a direct relationship between profitability and dividend distribution. As EPS increases, DPS also increases gradually, indicating that dividend policy is linked with earnings performance.

However, DPS increases at a slower rate compared to EPS, which suggests that the company retains a portion of earnings for reinvestment and future growth.

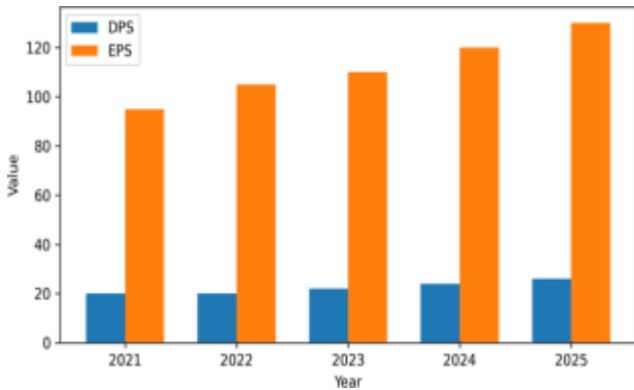


Figure 4.4 Comparative Analysis of DPD and EPS of Muthoot Finance Ltd. (2021-2025)

Dividend Payout Ratio Analysis

The Dividend Payout Ratio indicates the proportion of earnings that is distributed to shareholders in the form of dividends. It helps in understanding how much profit is retained and how much is paid out.

Table 4.5 Dividend Ratio of Muthoot Finance Ltd. (2021-2025)

Year	DPS	EPS	Dividend Payout Ratio (%)
2021	20	95	21.05
2022	20	105	19.05
2023	22	110	20.00
2024	24	120	20.00
2025	26	130	20.00

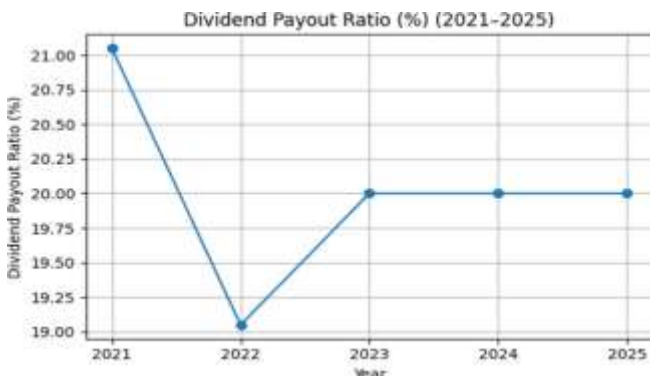


Figure 4.5 Dividend Ratio of Muthoot Finance Ltd. (2021-2025) Interpretation

The dividend payout ratio of Muthoot Finance Ltd. remained relatively stable between 19% and 21% during the study period, indicating consistency in dividend distribution policy. Although there is a slight variation in 2021 and 2022, the ratio stabilizes in the subsequent years.

This indicates that the company follows a conservative dividend policy, where only a portion of the earnings is distributed as dividends, while the majority is retained for future growth and expansion. A stable payout ratio reflects consistency in dividend decisions and indicates that the company is maintaining a balance between rewarding shareholders and reinvesting profits for long-term sustainability.

This approach ensures that sufficient funds are available for business expansion, loan portfolio growth, and regulatory capital requirements.

IX. SUMMARY OF FINDINGS

- The Dividend per Share shows a consistent and gradual increasing trend, indicating that the company is maintaining a stable dividend policy and providing regular returns to its shareholders.
- Earnings per Share has shown a continuous upward movement, reflecting strong profitability and efficient financial management.
- The Net Profit of the company has increased steadily over the years, which indicates improved financial performance and growth in business operations.
- The Dividend Payout Ratio remains stable around 20%, which shows that the company follows a conservative approach by distributing a portion of its earnings while retaining the rest for future growth.
- There is a positive relationship between EPS and DPS, indicating that higher earnings lead to higher dividend payments.
- The company maintains a balance between dividend distribution and retained earnings, ensuring both shareholder satisfaction and long-term sustainability.

X. SUGGESTIONS

- The company may consider slightly increasing its dividend payout ratio to attract more income-oriented investors, while maintaining financial stability.
- It should continue its consistent dividend policy, as stability in dividend payments enhances investor confidence and trust.
- The company can focus on diversifying its financial services to reduce dependence on a single segment and increase revenue sources.
- Efforts should be made to further improve profitability through efficient cost management and operational efficiency.
- The company should enhance its digital and technological capabilities to improve service delivery and customer satisfaction.



XI. CONCLUSION

The study concludes that Muthoot Finance has maintained a stable and well-structured dividend policy over the period of study. The company's strong financial performance, reflected through increasing earnings and net profit, supports its ability to provide regular dividends to shareholders. The analysis shows that the company follows a conservative dividend policy, where a portion of earnings is distributed as dividends while a significant part is retained for future growth and expansion. This approach ensures long-term sustainability and financial stability.

The positive relationship between profitability and dividend payments indicates that the company aligns its dividend decisions with its financial performance. The consistent growth in earnings and dividends reflects strong management practices and efficient utilization of resources. Overall, the company demonstrates a balanced approach in managing its finances, ensuring both shareholder satisfaction and business growth. It can be concluded that the company is financially strong, stable, and capable of maintaining its dividend policy in the long run.

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