Abstract
The life-cycle theory of dividends suggests that dividend omissions may indicate significant strategic changes in the firm's life-cycle. Such behaviours at the same time have implications for investor perception as dividend omissions may signal weak operating performance or financial distress situation. A firm's preference for dividend payments relative to omitting dividend payments is also used to cater to investor time-varying preferences. This paper aims to test the prediction models of dividend omission behaviour of firms in India. The financial data of 12942 firm-year observations from 2013 to 2018 indicate 55 percent dividend omissions. The paper uses five classes of machine learning algorithms to predict this behaviour. The multi-layer perceptron (MLP) ANN approach using the RProp algorithm achieves a predictive accuracy of 82.36 percent with an ROC (area under the curve) of 0.901. The feature set relating to the financial parameters of a firm contributes to the prediction accuracy.

JEL Code : C53, D21, G35
Keywords : Dividend Policy, Life Cycle Theory, Machine Learning, Behavioural Finance, Algorithms, Firms, Investors, India

I. Introduction
EARNINGS DISTRIBUTION THROUGH dividends to shareholders has been a well-researched topic in finance. Lintner (1956), in a seminal paper, suggested that managers prefer the stability of dividends and follow a target dividend payout policy. They adjust their payouts towards this target over a period of time. On the theoretical side, Miller and Modigliani’s (1961) hypothesis suggests that dividends are pure residual numbers that have no impact on a firm’s value. Between these two competing hypotheses, the negative impact of dividend reduction or omission announcements on stock prices is a well-researched topic in finance (Dielman and Openheimer 1984, Healy and Palepu, 1988). Baker and Wurgler (2004) find that stocks deliver higher negative abnormal returns at the time of dividend omission.
References


© Indian Institute of Finance


Capital Budgeting Decision under Risk & Uncertainty

Contents

- Nature & Meaning of Capital Budgeting
- Techniques of Evaluating Capital Budgeting Decisions
- Capital Budgeting Decisions and Multiple Objectives
- CBD, Multiple Objectives & Indian Firms
- Lexicographic Model of Ranking of Multiple Objectives
- Goal Programming Model for Capital Budgeting Decisions
- A Stochastic Goal Programming Model for Capital Budgeting Decisions under Uncertainty
- Summary and Conclusions
- Bibliography
- Subject Index; Author Index

About the Author

Prof. J.D. Agarwal, Ph.D. (Delhi School of Economics); Hon. Ph.D. (TFI, Uzbekistan); Hon. D.Litt., Doctorem Honoris Causa (SZIU, Hungary), ITP (LBS London)

Prof. Agarwal, Distinguished Professor of Finance, is the founder Chairman & Director of Indian Institute of Finance (IIF), Founder Chairman, IIF Business School (IIFBS), Founder Chairman, IIF College of Commerce and Management Studies (IIFCCMS) & Editor-in-Chief of Finance India. He is a leading economist & financial expert. In the past he has taught at Shri Ram College of Commerce (Delhi University), Delhi School of Economics, Indian Institute of Technology IIT Delhi, Ahmadu Bello University, Nigeria & Cleveland State University, USA. He has written over 18 books (authored over 5600 pages), edited over 130 volumes of Finance India (edited more than 50,000 pages), published more than 211 research papers, authored more than 38 book reviews, 500 case studies & working papers. He has been supervisor of several Ph.Ds, M.Tech (Systems & Management) dissertations, MBA & M.Sc. (Finance) dissertations & SRTP research projects by senior government officials sponsored by GoI on study leave at IIF. Numerous Government policies like Budget time change to Fornoon, Education Cess, Money Laundering Act (FEMA), KYC Norms & many others have been based on his works. His news, analysis & comments on economic & financial issues appear on AIR, TV & National Dailies. Dr. Agarwal's ex-students include two Cabinet Ministers, a Former Judge in Supreme Court of India, Ex-Chief Election Commissioner of India; Ex-Secretary Defense Finance, GoI; Ex CEO, Noida Authority & FCI, dozens of IAS/IPS/IRS, CEOs of Banks, FIs & PSUs, leading CAs, CS, CFOs, COOs, Lawyers, Vice-Chancellors and Deans of Foreign & Indian Universities, Media Personalities and successful Entrepreneurs.

For Orders and Bulk Discount(s) Contact:
IIF Publication
Indian Institute of Finance

ISBN: 81-85225-00-1
Pages: 168
Price: `280/- + Postage
Discount 40%

© Indian Institute of Finance