



# DO DEMOGRAPHIC FACTORS INFLUENCE DIVIDEND POLICY PERCEPTIONS? A STUDY OF FMCG INVESTORS

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## ABSTRACT

Dividend policy is one of the important decisions taken by the management of companies as it influences investors' perceptions and their investment decisions. Investors' perception regarding dividend policy are shaped by the demographic characteristics of the investors. The present study is an attempt to analyse which demographic factors of investors influence their perception regarding dividend policy. To meet the objective of the study, primary data were collected through a structured questionnaires from 420 investors of the FMCG sector in India. The reliability test was conducted using Cronbach's alpha, and further, independent samples t-test and one-way ANOVA were conducted to analyse the data. The results indicated that age, occupation, and income levels of investors influence their perception regarding the dividend policy of this sector in India.

**KEYWORDS:** Dividend Policy Perception, Demographic Factors, Investors, FMCG Sector, One-way ANOVA, Indian Investors.

## INTRODUCTION

Dividend decision is one of the major decisions made by the companies, where companies decide how much proportion of profits it should distribute to its equity shareholders and how much amount to plough back into the company as retained earnings to meet its investment opportunities (Imran, 2011). Dividends play a significantly important role in shaping the decisions of the investors to invest in a particular stock, especially among those who prefer regular income. However, investors perception regarding dividend policy is largely influenced by demographic characteristics including age, gender, income, educational qualification and investment experience. These factors influence the perception of investors regarding dividend paying companies. FMCG highly contributor to the India economy. It contributes largely to the GDP of the country and it experiences robust demand for its products. Despite the importance of this sector limited research has examined whether demographic factors influence the dividend policy perceptions of investors. Therefore, the present study attempts to analyse how demographic factors of investors influences their perception regarding dividend policy of this sector.

## REVIEW OF LITERATURE

(Obamuyi, 2013) study found that demographic characteristics like age, gender, marital status and education have influence of investment decision of investors of Nigeria.

(Das & Jain, 2014) study found that demographic factors like age, gender, education and occupation significantly influences investment decisions of investors.

(Dewri & Islam, 2015) The study found that demographic factors of investors do not influences their preference for dividend paying companies in capital market of Bangladesh.

(Khanam, 2017) study found that different demographic factors age, education, occupation, income, investor experience affected investor's response to dividend declaration, and the study is confined to the city of Dhaka, Bangladesh.

(Khan, 2021) the study was conducted in the city of Islamabad and Rawalpindi, found that age and gender don't influence investors preference for cash dividends.

(Tandon & Walia, 2023) the study found that age, occupation, income, marital status and education influence investor preference for dividend in the area of Punjab in India.

## RESEARCH GAP

Prior studies conducted tried to analyze the how age, gender, income levels etc., effect on dividend policy were restricted to other sectors in India and most of the studies are conducted on the population which does not fall under Indian geographical limits. So, there arises a need to analyze whether the demographic factors of Indian investors influence the dividend policy of this particular FMCG sector which has been mostly ignored in previous studies. The need of this study arises as the demographic factors change according to population of investors where they belong. Indeed, it can be said that sector, geographical and economic conditions influence the supremacy of demographic factors on dividend policy.

## OBJECTIVES

- The main objective of the study is to analyze the influence of demographic factors which include age, gender, educational qualification, occupation, income and investment experience on dividend policy perception in the Indian FMCG sector.
- To examine whether dividend policy perception differs across various demographic groups of investors in the FMCG sector.

## HYPOTHESIS

- $H_{01}$ : There is no association between age and dividend policy perception
- $H_{02}$ : There is no association between gender and dividend policy perception
- $H_{03}$ : There is no association between educational qualification and dividend policy perception
- $H_{04}$ : There is no association between occupation and dividend policy perception
- $H_{05}$ : There is no association between income and dividend policy perception
- $H_{06}$ : There is no association between investment experience and dividend policy perception

## RESEARCH METHODOLOGY

### Data and Sample

The data for the study is collected using primary data approach. The population of investors in FMCG sector was considered infinite population. Using Cochran's formula sample size was calculated which figures out to 384.16. Based on this formula data has been collected through structured questionnaire using purposive sampling method from 500 respondents. Out of 500 only 420 responses were received. So, the sample of the study stands at 420 investors of FMCG sector.

### Statistical Tools Used

To conduct the analysis independent sample t-test was employed for demographic variables having two categories (gender and educational qualifications) and for other variables one-way Anova was employed. Additionally, Cronbach alpha reliability test was conducted which was well above the threshold value of 0.70. All the analyses were conducted by using Stata BE software.

## ANALYSIS and INTERPRETATION

This section contains results of statistical test, which were conducted to meet the objectives of the study.

**Table 1: Demographic Profile of the Respondents**

| Variable                  | Category                    | Frequency | Percentage (%) |
|---------------------------|-----------------------------|-----------|----------------|
| Gender                    | Male                        | 352       | 83.81          |
|                           | Female                      | 68        | 16.19          |
|                           | Total                       | 420       | 100.00         |
| Age Group                 | Below 25 years              | 0         | 0              |
|                           | 26-35 years                 | 54        | 12.86          |
|                           | 36-45 years                 | 43        | 10.24          |
|                           | 46-55 years                 | 54        | 12.86          |
|                           | Above 55 years              | 269       | 64.04          |
|                           | Total                       | 420       | 100.00         |
| Educational Qualification | Undergraduate               | 0         | 0              |
|                           | Postgraduate                | 373       | 88.81          |
|                           | Professional (CA, CS etc.,) | 47        | 11.19          |
|                           | Others                      | 0         | 0              |
|                           | Total                       | 420       | 100.00         |
| Occupation                | Student                     | 0         | 0              |
|                           | Employed                    | 172       | 40.95          |
|                           | Self-employed               | 21        | 5.00           |
|                           | Unemployed                  | 0         | 0              |
|                           | Retired                     | 227       | 54.05          |
|                           | Total                       | 420       | 100.00         |



|                       |                    |     |        |
|-----------------------|--------------------|-----|--------|
| Annual Income         | Less than 10 lakhs | 161 | 38.33  |
|                       | 11-25 lakhs        | 114 | 27.14  |
|                       | 26-50 lakhs        | 105 | 25.00  |
|                       | More than 50 lakhs | 25  | 5.95   |
|                       | Prefer not to say  | 15  | 3.57   |
|                       | Total              | 420 | 100.00 |
| Investment Experience | Less than 2 years  | 107 | 25.48  |
|                       | 3-5 years          | 85  | 20.24  |
|                       | 6-10 years         | 40  | 9.52   |
|                       | More than 10 years | 188 | 44.76  |
|                       | Total              | 420 | 100.00 |

**Interpretation**

The demographic profile of 420 investors of the FMCG sector is presented in Table 1. In the study 83.81 percent are male whereas 16.19 percent are female. Regarding age most of the respondents belong to the age category of above 55 years which accounts for 64.04 percent which is followed by the age groups of 26-35 years and 46-55 years with a percentage of 12.86 each, whereas the age group of 36-45 years accounts for 10.24 percent. The majority of the respondents under educational qualifications belong to post graduate category i.e., 88.81 percent whereas 11.19 percent belong to professional's category (CA, CS etc). With regard to occupation the majority of respondents belong to the retired category (54.05 percent), whereas 40.95 percent belong to the employed category and 5 percent belong to the self-employed category. In terms of annual income, the majority of the respondents belong to income group of less than 10 lakhs which constitutes 38.33 percent, 27.14 percent of respondents belong to 10-25 lakhs income group, 25 percent of respondents belong to 26-50 lakhs income group whereas 5.95 percent of respondents belong to the income group of more than 50 lakhs. With regard to investment experience the majority of the respondents have experience of more than 10 years which constitutes 44.76 percent, 25.48 percent of respondents have less than 2 years of experience, whereas 20.24 percent and 9.52 percent of respondents have experience of 3-5 years and 6-10 years respectively.

**Table 2: One-Way ANOVA Results for Age and Dividend Policy Perception**

| Source of Variation | Sum of Squares | df  | Mean Square | F-value | p-value |
|---------------------|----------------|-----|-------------|---------|---------|
| Between Groups      | 27.671         | 3   | 9.224       | 14.193  | 0.000   |
| Within Groups       | 270.347        | 416 | 0.650       |         |         |
| Total               | 298.017        | 419 |             |         |         |

**Interpretation**

Table 2 presents the results of the one-way ANOVA examining the association between age and dividend policy perception. The F-value of 14.193 with a p-value of 0.00 leads to the rejection of the null hypothesis. This indicates that dividend policy perception differs among different age groups of investors.

**Table 3: Independent t-test for Gender and Dividend Policy Perception**

| Gender | N   | Mean  | Std. Deviation | t-value | p-value |
|--------|-----|-------|----------------|---------|---------|
| Male   | 352 | 3.878 | 0.839          |         |         |
| Female | 68  | 3.863 | 0.872          | 0.131   | 0.896   |

**Interpretation**

Table 3 presents the results to test whether dividend policy perception differs among male and female investors. Based on the results (t-value= 0.13 & p-value= 0.89) it can be inferred that there is no association between gender and dividend policy perception among FMCG investors in India.

**Table 4: Independent Samples t-test for Educational Qualification and Dividend Policy Perception**

| Educational Qualification | N   | Mean  | Std. Deviation | t-value | p-value |
|---------------------------|-----|-------|----------------|---------|---------|
| Category 2                | 373 | 3.860 | 0.792          |         |         |
| Category 3                | 47  | 4.000 | 1.179          | -0.793  | 0.431   |

**Interpretation:**

Table 4 represents the results conducted to test whether the educational qualifications of investors affect their dividend policy perception. The results indicate that the educational qualifications of investors do not affect dividend policy perception.

**Table 5: One-Way ANOVA Results for Occupation and Dividend Policy Perception**

| Source of Variation | Sum of Squares | df  | Mean Square | F-value | p-value |
|---------------------|----------------|-----|-------------|---------|---------|
| Between Groups      | 22.302         | 2   | 11.151      | 16.865  | 0.000   |
| Within Groups       | 275.715        | 417 | 0.661       |         |         |
| Total               | 298.017        | 419 |             |         |         |

**Interpretation**

The results in table 5 indicate whether that occupation of investors affects their dividend policy perception. The results indicates that dividend policy perception differs among investors belonging to different occupations. It can be inferred that occupation affects the dividend policy perception of investors in the FMCG sector in India.

**Table 6: One-Way ANOVA Results for Annual Income and Dividend Policy Perception**

| Source of Variation | Sum of Squares | df  | Mean Square | F-value | p-value |
|---------------------|----------------|-----|-------------|---------|---------|
| Between Groups      | 15.988         | 4   | 3.997       | 5.882   | 0.0001  |
| Within Groups       | 282.029        | 415 | 0.680       |         |         |
| Total               | 298.017        | 419 |             |         |         |

**Interpretation**

Table 6 presents the results of the one-way ANOVA conducted to test whether the annual income of investors affects their perception of dividend policy. The F-value of 5.88 with a p-value of 0.00 leads to the rejection of the null hypothesis. This indicates that dividend policy perception differs among investors belonging to different income levels.

**Table 7: One-Way ANOVA Results for Investment Experience and Dividend Policy Perception**

| Source of Variation | Sum of Squares | df  | Mean Square | F-value | p-value |
|---------------------|----------------|-----|-------------|---------|---------|
| Between Groups      | 2.244          | 3   | 0.748       | 1.052   | 0.3695  |
| Within Groups       | 295.774        | 416 | 0.711       |         |         |
| Total               | 298.017        | 419 |             |         |         |

**Interpretation**

Table 7 presents the results of the test conducted to test whether the investment experience of investors affects their perception of dividend policy. The results indicates that the experience of investors does not affect their perception regarding the dividend policy.

**FINDINGS**

The study examined the influence of demographic factors of investors belonging to the FMCG sector in India on dividend policy perception. The findings reveal that age is one of the demographic factors which influences dividend policy perception of investors which means investors belonging to different age groups perceive dividend policy differently. Occupation was also found to influence dividend policy perception of investors, suggesting that investors belonging to different occupations have different perceptions towards dividend policy. Similarly, investors with different income levels also differ in their dividend policy perception. On the other hand, gender does not affect the dividend policy perception of investors, which means both male and female investors hold similar perceptions regarding dividend policy. In the same way, educational qualifications and investment experience do not affect dividend policy perception among investors. Therefore, among the demographic variables considered for the study, age, occupation and annual income of investors were the characteristics which control the dividend policy perception of investors of the FMCG sector in India.

**CONCLUSION**

The present study examined whether demographic factors influence dividend policy perception by taking a sample of 420 investors from the FMCG sector in India. Based on the analysis, it can be inferred that demographic factors like age, occupation, and income levels of investors influence the dividend policy perception of investors. However, educational qualifications and investment experience do not affect the perception of investors regarding dividend policy.

Therefore, FMCG companies should consider the demographic profile of their investors while making dividend decisions. The study provides to the existing review of literature on how demographic factors of investors influence dividend policy perception in the



FMCG sector in India, where the research on this is limited. Further studies may extend the analysis by including investors from other sectors, additional demographic factors, and incorporating a diversified sample so that the results can be more generalized.

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