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Dividend Dissemination On Exploring Share Price Dynamics In Nse's Premier 'It' Enterprises

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ABSTRACT: *This study investigates the relationship between share market price and the dividend policy of the IT industry in the Indian market. The research aims to analyse factors affecting the market price of IT companies' shares and examine the relationship between selected financial indicators and stock prices. The study uses convenience sampling to collect data from the annual reports of the top 10 Information Technology companies based on Market Capitalization listed on NSE and BSE. Statistical techniques including comparative analysis, paired T-Test analysis, and correlation analysis are employed to examine the data. The findings reveal no clear or statistically significant evidence of a general relationship between share price changes with and without dividends. Weak correlations observed in certain companies were not statistically significant. The study suggests that the impact of dividends on share price changes might be complex and depend on specific companies and market conditions. The limitations of the study include data availability and accuracy, external influences on the industry, and limitations of the sample size and analysis methods. Future recommendations include gathering more data, exploring different time horizons and additional factors, considering alternative analysis techniques, focusing on statistically significant cases, and consulting with financial advisors for informed investment decisions.*

Key words: Dividend, share price, price change, NSE, Market capitalization etc.

I. INTRODUCTION

Financial services refer to the range of products and services offered by financial institutions to facilitate diverse financial transactions and activities. These services are essential for the efficient functioning of financial markets and cater to the needs of industrial enterprises and consumer markets. Financial services are intangible, customer-oriented, and perishable, needing to be promptly created and delivered to meet customer needs. They must also be dynamic, adapting to socio-economic changes to remain efficient and meet future market demands. There are various types of financial services, including provision of funds, managing investible funds, risk financing, consultancy services, market operations, and research and development. These services include venture capital, banking services, asset financing, trade financing, credit cards, factoring and forfaiting, portfolio management, risk financing, consultancy services, market operations, and research and development. The financial services industry encompasses all roles that deal with managing and exchanging money, including banking, investing, insurance, and financial analysis. This segment of the economy is made up of various financial firms, including banks, investment houses, lenders, finance companies, real estate brokers, and insurance companies.

DIVIDEND

Dividend policy refers to a company's framework for determining the amount and timing of dividend distributions to its shareholders. It encompasses decisions on the portion of profits allocated to dividends, the frequency of dividend payments, and the stability of dividend payouts over time. Dividend policy reflects a company's strategy for balancing shareholder returns with internal investment needs and growth objectives. Factors such as financial performance, growth prospects, regulatory requirements, and shareholder preferences influence dividend policy decisions. A well-defined dividend policy can enhance investor confidence, market valuation, and corporate governance practices, ultimately contributing to shareholder value creation.

INDUSTRY PROFILE

The financial services industry, also known as the financial sector, involves managing and exchanging money and is a crucial part of the economy. It includes sectors like banking, investing, insurance, and financial analysis. Financial services are processes by which consumers or businesses acquire financial goods, such as payment systems and securities. Financial services are temporary tasks, while financial goods are tangible assets like stocks, bonds, loans, commodity assets, real estate, and insurance policies. The presence of financial services in a country improves economic conditions and reflects economic prosperity. They promote investments, save savings, minimize risks, maximize returns, and provide greater yields. Financial services create demand for products and producers, meet consumer demands for maximum investment, and provide savings opportunities. They also minimize risks, offer protection against business conditions and natural calamities, and provide savings. Financial services also cater to businessmen, allowing them to maximize returns through credit availability and leasing high-value assets.

COMPANY PROFILE

Annamalai Capital Services (P) Ltd., (ACS) is a leading equity and commodity derivatives trading company in India, with a vast branch network and clientele. The company offers services such as equity cash and derivatives trading, education, trading, employment opportunities, mutual funds, fixed income securities, commodity trading, government trading, initial public offering, corporate consultancy, and opening demat/trading accounts. ACS also provides investment management services, such as listing investments, asset allocation, earning performance, exiting from loss-making assets, and analyzing daily trading gains and losses. It also provides corporate consultancy services, including identifying suitable locations for corporate offices and factories, registering companies, obtaining approvals, and coordinating legal complaints.

II. REVIEW OF LITERATURE

Allen and Rachim (1996) conducted a study on dividend policy and stock price volatility: Australian evidence in Australia, employing a theoretical and empirical research utilizing regression analysis and correlation analysis with sample size of 173 Australian listed companies which were examined for a period from 1972 to 1985. The research aimed to analyse whether there is linkage between the dividend policy and share price. The work features a cross-sectional regression analysis of the relationship between stock volatility, leverage and growth, and the key findings revealed that there is no relation between the stock price and dividend policy. The dividend policy does not have impact on the share prices of the companies.

Lavanya (2021) conducted a study on dividend policy and its impact on stock prices of selected companies with reference to BSE SENSEX 100 in India, employing a data analysis research approach and utilizing linear regression analysis with the sample size of 100 BSE companies. The research aimed to analyse whether the firm’s stock price be affected as a result of Dividend policy? Will a specific dividend policy cause the company to lose any shareholders? Does the variable of this study have any influence on stock prices? And the key findings revealed the price movement of the stocks is no way related with the magnitude of Dividend declaration. Hence there is no impact on Stock prices on declaration of Dividend policy by the company.

Kandpal and Dayal (2019**)** conducted a study on dividend policy and its effect on market value of shares of selected banks in India, employing data analysis approach utilizing the statistical tools such as multiple regression technique, t test, the coefficient of determination (R2) and F-Value with sampling size of 30 Indian banks (15 Public and 15 Private) listed and traded in Bombay Stock Exchange (BSE). The research aimed to analyse dividend behaviour of Indian banks and their impact on wealth maximization or the market value of shares. The study may prove to be useful for policy makers keeping in view the analysis, results and discussions presented, and the key findings revealed and concluded that dividend policy has significant impact on the share price of organization.

Jain and Kumar Gupta (2020) conducted a study on effect of dividend on stock price: an Indian perspective in India, employing a data analysis and utilizing multiple regression analysis with a sample size of 50 firms of the NIFTY-50 index from 2008-2018. The research aimed to analyse the impact of dividend policy in share price. As dividend policy is also one of the critical corporate decisions to be taken by a company because it delineates the future prospects of a company. It signifies that the company is following good corporate governance practices, and the key finding revealed that the theory postulates that the value of a firm depends on its earning power only and is not influenced by the way in which its profits are split between dividends and retained earnings. The firm's ability to generate return and the risks in a business decide the value of the firm.

Kumaraswamy and Mohammad (2019) conducted a study on dividend policy and stock price volatility in Indian capital market in India, employing a data analysis approach utilizing the correlation analysis and multiple least square regressions and Variance Inflation Factor (VIF) with the sample size of 116 textiles companies listed in BSE. The research aimed to analyse the relationship between dividend policies and share price volatility. The motivation behind this research is to first time employ a powerful unbiased volatility estimator, created by Yang and Zhang that is 14 times as efficient as close to close estimate and the key findings revealed that an insight to the financial managers in developing their dividend policies to maximizing the shareholders wealth.

Sultana **(2021)** conducted study on Impact of dividend policy on share price volatility: A comparative study of the manufacturing companies listed in Dhaka stock Exchange in Dhaka, Bangladesh, employing data analysis utilizing the primary regression model with the sample size of 35 firms listed in DSE in manufacturing sectors. The research aimed to analyse to identify the factors considering in the time of dividend decisions. Several prior studies have exhibited that the decision on dividend policies is subject to various factors and the key findings revealed that significant negative association between share price volatility and dividend policy (dividend yield and dividend payout). Moreover, a firm's size and growth have a significant positive association with share price volatility.

OBJECTIVE

The study aims to investigate the correlation between IT industry share market price and dividend policy, analyse factors influencing IT company share prices, and examine financial indicators' relationship with stock prices**.**

III. RESEARCH METHODOLOGY

RESEARCH STRATEGY

The research strategy is a systematic framework for conducting a study, including design, data collection, analysis techniques, and ethical considerations. It ensures the validity, reliability, and integrity of findings, enhancing the credibility and significance of the study in finance and investment analysis.

RESEARCH DESIGN

This study uses convenience sampling to collect secondary data from annual reports of top 10 Information technology companies based on market capitalization. The sampling units are the top 10 IT companies listed on both NSE and BSE, as financial databases and stock market websites often have pre-formatted data for these companies. The statistical analysis is done using comparative analysis, compared T-Test analysis, and correlation analysis. Comparative analysis compares two or more items or phenomena to understand their similarities and differences, while paired T-Test analysis examines the difference between population means for a set of random samples. Correlation analysis measures the degree of association between two or more variables, assessing the strength and direction of the relationship.

SAMPLE SIZE

The sampling units for this research are top 10 companies of Information technology Industry that are listed on both NSE and BSE and based on high market capitalization. Top 10 IT companies were preferred because financial databases and stock market websites often have pre-formatted data for these companies, which helps in saving the time for data collection.

IT COMPANIES

Company	Market Capital in CR
TCS	1,486,943.52
INFOSYS	702,256.61
HCL Tech	442,422.39
Wipro	256,074.33
LTI Mind tree	160,135.53
Tech Mahindra	127,391.35
Persistent	66,239.73
Oracle Fin Serv	62,882.43
Mphasis	49,234.38
KPIT Tech	46,570.18

STATISTICAL TECHNIQUES

The statistical analysis for this done through utilizing statistical tools such as

- Comparative analysis

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- Compared t-test analysis
- Correlation

COMPARATIVE ANALYSIS

Comparative analysis is a method used to compare two or more items, phenomena, or entities to understand their similarities and differences. It involves examining the characteristics, features, or qualities of each item and identifying how they are alike or different in order to draw meaningful conclusions

COMPARED T-TEST ANALYSIS

The paired t-test gives a hypothesis examination of the difference between population means for a set of random samples whose variations are almost normally distributed. Subjects are often tested in a before-after situation or with subjects as alike as possible.

$$t = \frac{\sum d}{\frac{\sqrt{n(\sum d^2) - (\sum d)^2}}{n-1}}$$

CORRELATION

Correlation analysis is a statistical method used to measure the degree of association between two or more variables. It assesses whether changes in one variable are related to changes in another variable, and if so, the strength and direction of that relationship. A correlation coefficient, typically ranging from -1 to +1, quantifies this relationship: a positive value indicates a direct relationship, a negative value indicates an inverse relationship, and the magnitude of the coefficient reflects the strength of the relationship.

$$r = \frac{n(\sum xy) - (\Sigma x)(\Sigma y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\Sigma y)^2]}}$$

LIMITATION OF THE STUDY

- The study's findings may be biased due to the varying availability and accuracy of financial data, including dividend policies and share prices.
- The information technology industry is also susceptible to external influences, making it difficult to isolate the exact impact of dividends on share prices.
- The study's focus on the top 10 companies may also overlook valuable insights.

IV DATA ANALYSIS AND INTERPRETATION

HYPOTHESIS:

Null Hypothesis (H_0): There is no significant difference in the average price change between months with dividends and months without dividends.

Alternative Hypothesis (H_1): There is a significant difference in the average price change between months with dividends and months without dividends.

Paired Samples Correlations					
		N	**Correlation**	**Significance**	
				One-Sided p	**Two-Sided p**
Pair 1	**Price change in Share price without dividend & Price change in Share price with dividend**	**16**	**-.038**	**.445**	**.890**

TCS

INTERPRETATION

The data shows a weak negative correlation between share price changes without and with dividends, with a correlation coefficient of -0.038 and a p-value of 0.445. The data does not show a statistically significant relationship, suggesting a slight tendency for the two variables to move in opposite directions.

INFOSYS

Paired Samples Correlations					
		N	**Correlation**	**Significance**	
				One-Sided p	**Two-Sided p**
Pair 1	**Price change in Share price without dividend & Price change in Share price with dividend**	**9**	**-.170**	**.331**	**.662**

INTERPRETATION

The correlation coefficient is -0.170, with a p-value of 0.662, indicating a weak relationship between stocks and dividends. A -1 indicates a strong negative correlation, while a 1 indicates a strong positive correlation. The small magnitude of the coefficient suggests a slight tendency for stocks to fluctuate.

HCL

Paired Samples Correlations					
		N	**Correlation**	**Significance**	
				One-Sided p	**Two-Sided p**
Pair 1	**Price change in share price without dividend & Price change in share price with dividend**	**17**	**-.535**	**.013**	**.027**

INTERPRETATION

The correlation coefficient (r) between share price changes without dividend and share price changes with dividend is -0.535, indicating a negative relationship. However, the two-sided p-value is 0.027, indicating statistical significance, which is less than the significance level of 0.05.

WIPRO

Paired Samples Correlations					
		N	**Correlation**	**Significance**	
				One-Sided p	**Two-Sided p**
Pair 1	Price change in share price without dividend & Price change in share price with dividend	6	.413	.208	.415

INTERPRETATION

The table show a positive correlation coefficient (r) between price change in share price without dividend and price change in share price with dividend, indicating a positive relationship. However, the p-value is.307, which is greater than the significance level (0.05), indicating that the correlation is not statistically significant. Therefore, while there is some evidence of a positive correlation, it is not statistically significant.

LTI MIND TREE

Paired Samples Correlations					
		N	Correlation	Significance	
				One-Sided p	Two-Sided p
Pair 1	Price change in share price without dividend & Price change in share price with dividend	10	.360	.153	.307

INTERPRETATION

The correlation coefficient (r) measures the strength and direction of the relationship between two variables, price change in share price without dividend and price change in share price with dividend. The table shows a negative correlation (-0.535), suggesting a negative relationship between the two variables. The two-sided p-value is 0.027, less than the significance level (0.05), indicating a statistically significant negative correlation. This indicates that high price change in share price without dividend tends to be low, and vice versa.

TECH MAHINDRA

Paired Samples Correlations					
		N	Correlation	Significance	
				One-Sided p	Two-Sided p
Pair 1	Price change in share price without dividend & Price change in share price with dividend	10	.475	.083	.165

INTERPRETATION

The table shows a positive correlation (.475) between price changes in share price without dividend and share price with dividend, suggesting that price changes without dividend increase and vice versa. However, the two-tailed p-value is not statistically significant, suggesting the observed correlation might be due to chance and more data is needed.

PERSISTENT

Paired Samples Correlations					
		N	Correlation	Significance	
				One-Sided p	Two-Sided p
Pair 1	Price change in share price without dividend & Price change in share price with dividend	10	.156	.334	.667

INTERPRETATION

The correlation coefficient (r) between price change in share price without dividend and price change in share price with dividend is.156, indicating a weak positive relationship. However, the two-sided p-value is.667, which is greater than the significance level (0.05), indicating that the correlation is not statistically significant. Therefore, the null hypothesis cannot be rejected.

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Paired Samples Correlations					
		N	Correlation	Significance	
				One-Sided p	Two-Sided p
Pair 1	Price change in share price without dividend & Price change in share price with dividend	4	.971	.014	.029

INTERPRETATION
The table shows a strong positive correlation (.971) between price changes in share price without dividend and price changes in share price with dividend, suggesting a similar direction. The statistically significant correlation (0.029) rejects the null hypothesis that there is no correlation between the two variables.

MPHASISI

Paired Samples Correlations					
		N	Correlation	Significance	
				One-Sided p	Two-Sided p
Pair 1	Price change in share price without dividend & Price change in share price with dividend	5	-.093	.441	.882

INTERPRETATION
The correlation coefficient (r) between price change in share price without dividend and price change in share price with dividend is -0.093, indicating a weak negative correlation. However, the two-sided p-value is 0.441, greater than the significance level (0.05), indicating that the correlation is not statistically significant. This suggests that there is no linear relationship between the two variables.

KPIT TECH

Paired Samples Correlations					
		N	Correlation	Significance	
				One-Sided p	Two-Sided p
Pair 1	Price change in share price without dividend & Price change in share price with dividend	9	-.060	.439	.879

INTERPRETATION
The data shows a weak negative correlation (-0.060) between price changes in share price without dividend and share price with dividend, suggesting a weak tendency for price changes to move in opposite directions. However, the correlation coefficient is small and not statistically significant, suggesting the observed correlation might be due to chance. More data or analysis is needed to draw a definitive conclusion.

V. CONCLUSION

FINDINGS
Inconsistent Correlation Direction: There's no consistent pattern across companies. Some companies show weak positive correlations, while others show weak negative correlations.
Mostly Weak Correlations: Even when a correlation is observed (positive or negative), the strength of the correlation based on the correlation coefficient (r) is consistently weak in most companies. This suggests that any relationship between the two price changes is very weak.
Not Statistically Significant: In most cases, the p-value (two-tailed) is greater than the significance level (usually set at 0.05). This means the observed correlations are not statistically significant. We cannot reject the null hypothesis that there's no correlation between the two variables.

FINDINGS

Gather More Data: The analysis might be limited by the sample size used in the paired samples correlations. Consider collecting data over a longer period or including more companies to see if trends become clearer.

Explore Different Time Horizons: Analyse the correlations for shorter or longer timeframes (daily, weekly, monthly) to see if the relationship between price changes with and without dividends changes depending on the timeframe.

Consider Other Factors: Price changes can be influenced by various factors beyond dividends. Look into additional variables like company performance, market conditions, industry trends, and news events to see if they have a stronger correlation with price changes.

Alternative Analysis Techniques: Paired samples correlations only measure linear relationships. Consider using other statistical methods like Granger causality or regression analysis to explore more complex relationships between the variables.

CONCLUSION

The study found no clear or statistically significant relationship between price changes in share price without dividend and price changes in share price with dividend. Some weak positive or negative correlations were observed in certain companies, but these were not statistically significant. The findings suggest further analysis with more data, different time horizons, and additional variables is needed. Companies like HCL and Oracle showed statistically significant correlations, highlighting the complexity of dividends' impact on share price changes.

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