

A STUDY ON DIVIDEND DECISION ANALYSIS

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ABSTRACT

The objective of this present study is financial management that is to use business funds in such a way that the firm's earnings are maximized. So choose a study to conduct on the dividend decision of "Infosys" using ratios in comparison with previous year performance. The purpose of this paper is how finance managers will take the Dividend Decision towards his shareholders. This is one of the crucial decisions made by the finance manager relating to the payouts to the shareholders. The payout is the proportion of Earning Per Share given to the shareholders in the form of dividends. The core objective of this present study is how the decisions are made over dividends owner for the welfare of a business. These objectives can be achieved by Retained earnings and Shareholder's wealth maximization. This study covered of profits and shares of Infosys drawn from annual report of the company. Ratio analysis is used for evaluating shares and earnings. In this study an attempt is made to know the growth of total investment and earnings of Ultratech for the past 10 years.

Keywords: Diversity, equal opportunities, valuing diversity, strategic HRM, India

1. INTRODUCTION

The term profit alludes to that piece of the benefits of an organization which is appropriated among its investors. It might in this manner be characterized as the return that an investor gets from the organization, out of its benefits, on his offer property. "As indicated by the Institute of Chartered Accounts of India" profit is a "Dispersion to investor out of benefits or holds accessible for this reason".

The Dividend policy has the effect of dividing its net earnings into two Parts: Retained earnings and dividends. The retained earnings provide funds to finance the long-term growth. It is the most significant source of financing a firm's investment in practice. A firm, which intends to pay dividends and also needs funds to finance its investment opportunities, will have to use external sources of finance. Dividend policy of the firm. Thus has its effect on both the long-term financing and the wealth of shareholders. The Moderate view, which asserts that because of the information value of dividends, some dividends should be paid as it may have favorable effect on the value of the share.

The Dividend Decision is a decision made by the directors of a company. It relates to the amount and timing of any cash payments made to the company's stockholders. The decision is an important one for the firm as it may influence its **capital structure** and stock price. In addition, the decision may determine the amount of taxation that stockholders pay.

There are four main factors that may influence a firm's dividend decision:

- Free-cash flow
- Dividend clienteles
- Information signaling
- Stability of earnings

Profit choice, one of the significant parts of organization's monetary strategy, is anything but an autonomous choice. Or maybe, it is a choice that is taken subsequent to thinking about the different related perspectives and components. There are different variables affecting a company's profit strategy. For instance, a few examinations recommend that profit strategy assumes a significant part in deciding firm capital design and office costs. Numerous examinations have furnished contentions that connect office costs with the other monetary exercises of a firm.

Dividend:

Meaning: Dividend is that part of the profits of a company which is distributed amongst its shareholders.

Definition: According to ICAI, "Dividend is a distribution to shareholders out of profits or reserves available for this purpose.

2. REVIEW OF LITERATURE

TITLE

DIVIDEND POLICY: A REVIEW OF THEORIES AND EMPIRICAL EVIDENCE

AUTHOR: Husam-Aldin Nizar Al-Malkawi

ISSN: 1451-243X Issue 9 (2010)

SOURCE: International Bulletin of Business Administration

Abstract: The literature on dividend policy has produced a large body of theoretical and empirical research, especially following the publication of the dividend irrelevance hypothesis of Miller and Modigliani (1961). No general consensus has yet emerged after several decades of investigation, and scholars can often disagree even about the same empirical evidence. This paper aims at providing the reader with a comprehensive understanding of dividends and dividend policy by reviewing the main theories and explanations of dividend policy including dividend irrelevance hypothesis of Miller and Modigliani, bird-in-the-hand, tax-preference, clientele effects, signalling, and agency costs hypotheses. The paper also attempts to present the main empirical studies on corporate dividend policy. However, due to the enduring nature and extensive range of the debate about dividend policy which has spawned a vast amount of literature that grows by the day, a full review of all debates is not feasible.

TITLE

Dividend Policy and Its Impact on Firm Value: A Review of Theories and Empirical Evidence

AUTHOR: Dr. P. Vidhya Priya, Dr. M. Mohanasundari

International Bulletin of Business Administration

Abstract: The Empirical and theoretical research on dividend policy has produced an extensive volume of literature. The research are categorized into two different schools of thought, the first is that dividend policy of a firm has an impact on its value and the second is that dividend policy of the firm has no impact on firm value. Even after several years of research no consensus has emerged, and scholars do not even agree upon with the same empirical evidence. This study provides with a complete understanding of dividends and dividend policy by reviewing the theories and their explanations of dividend policy including both dividend relevance and irrelevance theory of Miller and Modigliani, tax-preference, bird-in-the-hand, clientele effects, signaling and agency costs hypotheses. This study also attempts to present the important empirical studies on corporate dividend policy. However, due to the continuing nature and extensive array of the debate about dividend policy which has hatched a vast amount of literature that grows by the day, a full-fledged review of all debates is not feasible.

OBJECTIVES:

- To study the impact of 'dividend' on the price and volume before and after such dividend is announced.
- To check whether abnormality exists in the price and volume of the share as the 'dividend' is announced.
- To find out the room for leakage of any insider information about 'dividend policy' of a company
- To check whether any insider information plays any part in abnormal trading effect and abnormal price effect in a script.
- To measure the cumulative impact of 'corporate dividend policy' and try to conceive a general trend based on it.

3. RESEARCH METHODOLOGY

RESEARCH GAP ANALYSIS

The project reaches at a conclusion that the famous statement of Fisher Black about dividend policy "the harder we look at the dividends picture, the more it seems like a puzzle, with pieces that just do not fit together

Need For The Study

The principal objective of corporate financial management is to maximize the market value of the equity shares. Hence the key question of interest to us in this study is, "What is the relationship between dividend policy and market price of equity shares? Most of the discussion on dividend of dividend policy and firm value assumes that the investment decision of a firm is independent of its dividend decision. The need for this study arise from the above raised question and the most controversial and unresolved doubts about the relevance of irrelevance of the dividend policy.

Scope Of The Study:

Investment Decision - Investment decision relates to selections of asset in which funds will be invested by a firm. The asset that can be acquired by a firm may be long term asset and short term asset. Investment Decision with regard to

long term assets is called capital budgeting. Decision with regard to short term or current assets is called working capital management.

Methodology

RESEARCH

Research is a strategy in which the analysts wish to discover the final product for a given issue & along these lines the arrangement helps in forecasting game-plan. The examination has been all around characterized as “A cautious report or enquiry particularly through scan for new realities in part of information”

RESEARCH DESIGN

The examination configuration utilized in this task is Analytical/intelligent in nature the technique utilizing, which analyst needs to utilize certainties, data officially accessible, and investigate these to make a basic assessment of the execution.

TYPES OF RESEARCH

Sources of data:

The sources of information are classified to two primary data and secondary data.

The data collected by the researcher and agent known to the researcher, especially to answer the research question, is known as the primary data. Studies made by others for their own purposes represent secondary data to the researcher. Secondary sources can usually be found more quickly and cheaply than primary data especially when national and international statistics are needed.

Primary data:

Data is collected by interviews and direct discussions with clients, employees and staff in the office.

Secondary Data:

1. NCFM modules
2. Journals and Books
3. Websites of UltraTech's cement Ltd., NSE, BSE etc.

Tools of Collecting Data:

There are various ways of collecting the data. Some of the most commonly used ones are telephone interview, personal interview and, questionnaire administering. These are basically the methods for collecting the primary data the data required for conducting this study it has been collected from the various web portals as the data is basically secondary in nature.

Limitations Of The Study

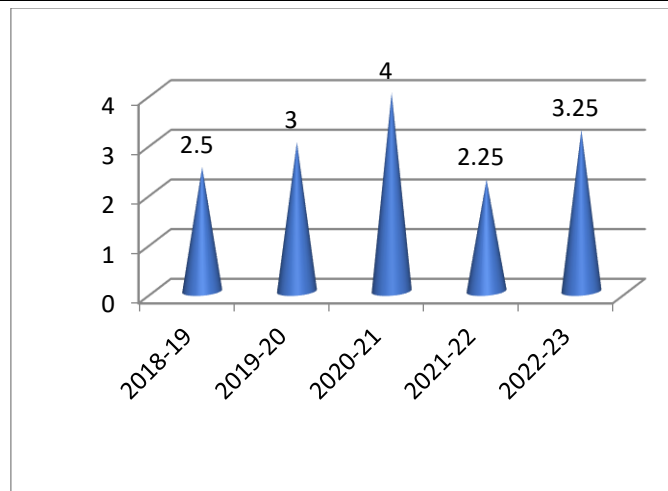
The data collected is of secondary nature and hence it is difficult to ascertain the reliability of the data.

- The scope of the study has been limited to the impact of the dividend on the market value of the firm's equity. Others factors affecting the firm's market value have been assumed to have remained unchanged.
- The period of the study has been limited to only five years.
- The method of sampling used is judgment sampling' hence the Choice of the sample has been left entirely to the choice of the Researcher. This has led to some amount bias being introduced into the research process.

4. DATA ANALYSIS & INTERPRETATION

Comparison of Dividend per Share of the UltraTech Cements

YEAR	DIVIDEND PERSHARE
2018-19	2.50
2019-20	3.00
2020-21	4.00
2021-22	2.25
2022-23	3.25

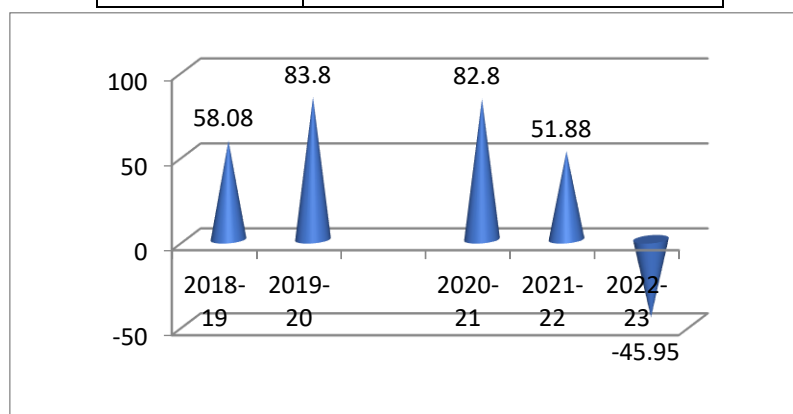


Interpretation:

The dividend Per Share of UltraTech Cement Ltd., is Rs 2.50 in the year of 2018-19. The dividend per share for the next two financial years is 3.00 and 4.00 respectively. When it is compared with the year 2020-21 the dividend per share in the year 2021-22 it is increased at the rate of 20% and 30% in the year of 2022-23.

Comparison of Earning Per Share of the Firm for the Last Five Years

YEAR	EARNING PER SHARE
2018-19	58.08
2019-20	83.80
2020-21	82.80
2021-22	51.88
2022-23	-45.95



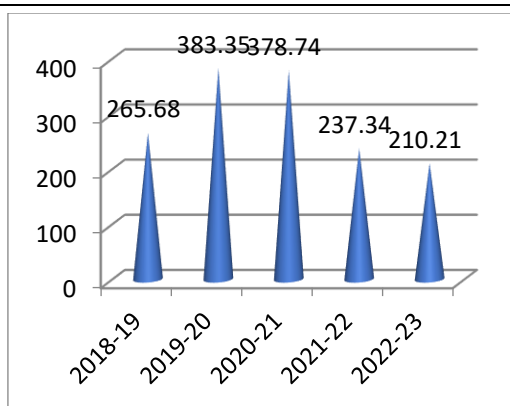
Interpretation:

The Earning per share of the firm is moderate in the year 2018-19. The Earning per share fluctuated slightly during the financial years 2019-20, 2020-21 and 2021-22.

However, there is massive decrease reported (about 200% of 2018-19 in the year 2022-23).

Comparison of Profit after Tax of the Ultra tech Cements

YEAR	PAT IN (RS)
2018-19	265.68
2019-20	383.35
2020-21	378.74
2021-22	237.34
2022-23	210.21

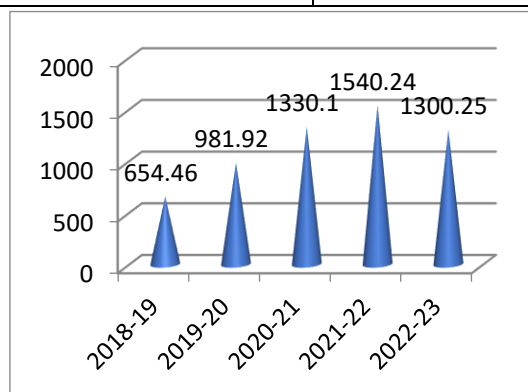


Interpretation:

The profit after tax of Ultra tech cement limited had moderate at 2018-19 and next year was increased. After 2019-20 increased highly. That is 383.35 and then decreases continuously till 2022-23 i.e. to -379.74.

Comparison of Net Worth of The UltraTech Cements

YEAR	PAT IN (RS)
2018-19	654.46
2019-20	981.92
2020-21	1330.10
2021-22	1540.24
2022-23	1300.25



Interpretation:

There is a gradual increased in the net worth of the firm subject to 2018-19 up to 2019-20 then a gradual decrease till 2021-22.

DECLARATION OF DIVIDENDS

Announcement Date	Effective Date	Dividend Type	Dividend (%)
10/04/2023	17/06/2023	Final	32.5%
10/04/2022	24/11/2022	Interim	22.5%
28/04/2021	17/06/2021	Final	32.5%
10/11/2020	24/11/2020	Interim	22.5%
29/04/2019	14/06/2019	Final	32.5%
03/11/2018	16/11/2018	Interim	22.5%
04/05/2017	09/06/2017	Final	55%
03/11/2016	17/11/2016	Interim	40%
05/05/2015	09/06/2015	Final	30%

5. CONCLUSION

Efficient market with no taxes and no transaction costs the free cash flow model of the dividend decision would prevail and firms would simply pay as a dividend any excess cash available. The observed behaviours of firm differs markedly from such a pattern Most firms pay a dividend that is relatively constant over time. This pattern of behavior is likely explained by the existence of clienteles for certain dividend policies and the information effects of announcements of changes to dividends.

The dividend decision is usually taken by considering at least the three questions of how much excess cash is available. What do our investors prefer? And what will be the effect on our stock price of announcing the amount of the dividend.

The result or most firms tends to be a payment that steadily increases over time, as opposed to varying wildly with year-to-year changes in free cash flow. Investors in aggregate cannot be shown to uniformly prefer either high or low dividends. Individual investors however, have strong dividend preferences and will tend to invest in companies whose dividend policies match their preferences. Regardless of the payout ratio, investors prefer a stable, predictable dividend policy.

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