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Trends in Dividend: A Study of Selected IT Companies in India

Dr. Nagesh. M. R

Assistant Professor

DoS in Business Administration

Pooja Bhagavat Memorial Mahajana PG Centre

Mysore – India

Abstract: *The term dividend refers to the part of firm's net profit distributed to shareholders. The policy concerning the quantum of profits to be distributed as dividends is known as dividend policy. Dividend decision is considered as one of the most important decisions that the managers make as it affects the availability of firms' resources for growth and perhaps, the wealth of the share holders. It is therefore, essential to study the dividend practices of a firm. The study tries to analyze the dividend declared by the companies in the same industry differs significantly or not. The study reveals that there is an increasing trend in dividend per share of TCS Ltd., Infosys Ltd., Wipro Ltd., HCL Technologies Ltd. & Tech Mahindra Ltd. The study concludes that the dividends declared by the IT Companies are varied significantly.*

Keywords: *Dividends, trends, wealth, share holders, valuation.*

I. INTRODUCTION

Dividends are referred as reward to the shareholders for providing finance to a firm. So far as 'dividend payout' is concerned, there are two schools of thought. The first school gives importance on payment of dividend as because without any dividend payout, shares would not have any value, whereas the other school of thought stressed on no relationship between dividend and market price of the share - 'the irrelevance theory'. Lintner (1956) concluded 'in developed countries firms target their dividend payout ratio considering current earnings and past dividends'. Miller and Modigliani (1961) suggested 'irrelevance of dividend policy in measuring the current worth of shares assuming market perfections, zero transaction costs, perfect certainty and indifferent behavior of investors'. Payout policy in finance has been the primary puzzle in the economics of corporate finance since the work of Black (1976). However, Miller and Scholes (1982) argue that in the real world, dividend decision is inspired more by high taxes on dividends than capital gains and market imperfections.

A dividend is a payment made to shareholders that is proportional to the number of shares owned. It is authorized by the board of directors. Dividends are usually issued by companies that will not reap significant growth by reinvesting profits, and so instead choose to return funds to shareholders in the form of a dividend. Companies may also issue dividends in order to attract income investors, who are looking for a steady source of income, and which can be reliable long-term holders of company shares.

IT Company is a fast growing Companies in the terms of profitability, market share values. In just some years of its presence in the market, it had the distinction of being one of the fast growing Company's.

II. RESEARCH OBJECTIVES

- To examine the trends in the distribution of dividends of selected IT Companies in India
- To ascertain fluctuations in dividend per share

- To analyze the dividend declared by the companies differ significantly or not.

III. SCOPE OF THE STUDY

- The present study is mainly intends to analyze the trends of dividend declared by Indian IT Companies with respect to five top companies.
- Companies listed in BSE are considered for the study.

IV. DATA COLLECTION

- The study is based on secondary data.
- The data has been collected through data base of BSE & annual reports of the company.
- Six years data on dividends of the Companies have taken into consideration.
- The data from the year 2010 to 2015 has been considered for the analysis of dividend trends.

V. SAMPLE SIZE

Following Five Indian IT Companies are taken into consideration to analyze the trends in dividend:

- 1) TCS Ltd.
- 2) Infosys Ltd.
- 3) Wipro Ltd.
- 4) HCL Technologies Ltd.
- 5) Tech Mahindra Ltd.

VI. HYPOTHESIS

H₀ (Null Hypothesis): There is no significant difference in the mean values of dividend per share among the different IT Companies.

H₁ (Alternative Hypothesis): There is significant difference in the mean values of dividend per share among the different IT Companies.

VII. STATISTICAL TOOL USED

Arithmetic Mean, Trend analysis, Anova & Average Annual Growth Rate are used. Trend Values = $a + bx$, Where, a = sum of y that is DPS/total number of observations, b =sum of product of x (year) and y (DPS) / sum of x square.

VIII. FINDINGS

Table 1:DPS (₹)

Year	TCS Ltd.	Infosys Ltd.	Wipro Ltd.	HCL Technologies Ltd.	Tech Mahindra Ltd.
2010	11.67	25	6	4	3.5
2011	16.29	60	6	7.5	4
2012	19.75	47	6	12	4

2013	25.7	42	7	12	5
2014	36.05	37.02	8	10	20
2015	50.24	53.91	12	30	6

(Source: Annual Reports of the Companies)

Table 2: Trend Values (DPS)

Year	TCS Ltd.	Infosys Ltd.	Wipro Ltd.	HCL Technologies Ltd.	Tech Mahindra Ltd.
2010	9.35	40.32	5.04	3.69	2.74
2011	15.1	41.6	5.86	6.65	4.19
2012	20.86	42.88	6.68	9.62	5.64
2013	32.37	45.43	8.32	15.55	8.53
2014	38.13	46.71	9.14	18.51	9.98
2015	43.89	47.99	9.96	21.48	11.42

(Source: Authors Calculations)

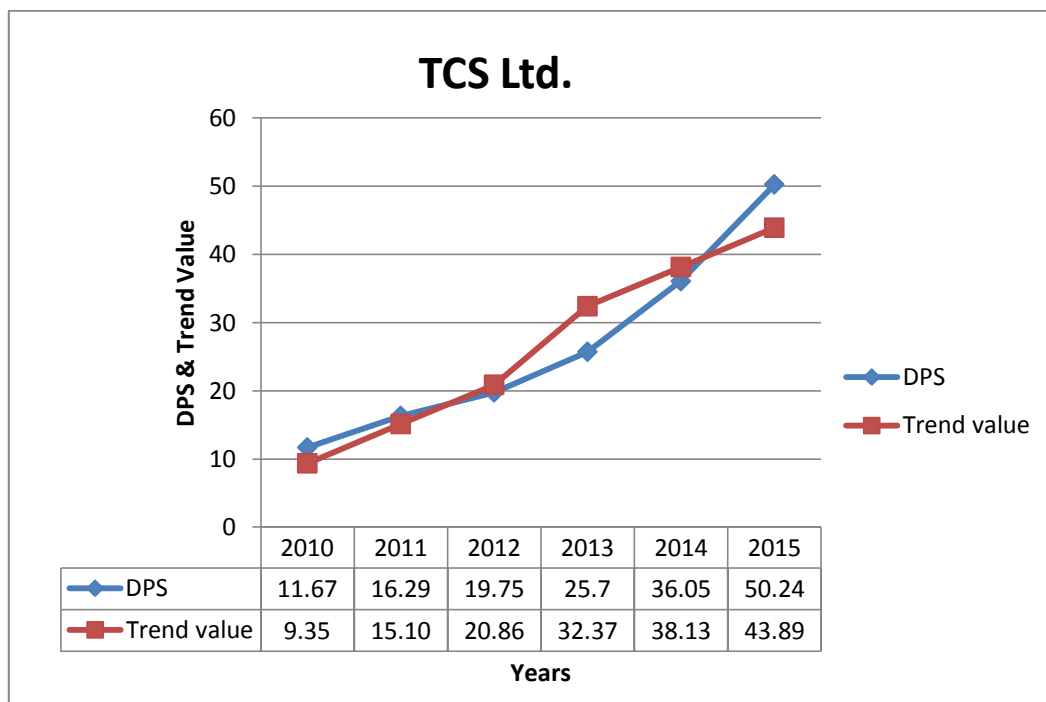


Figure 1: Trends of DPS

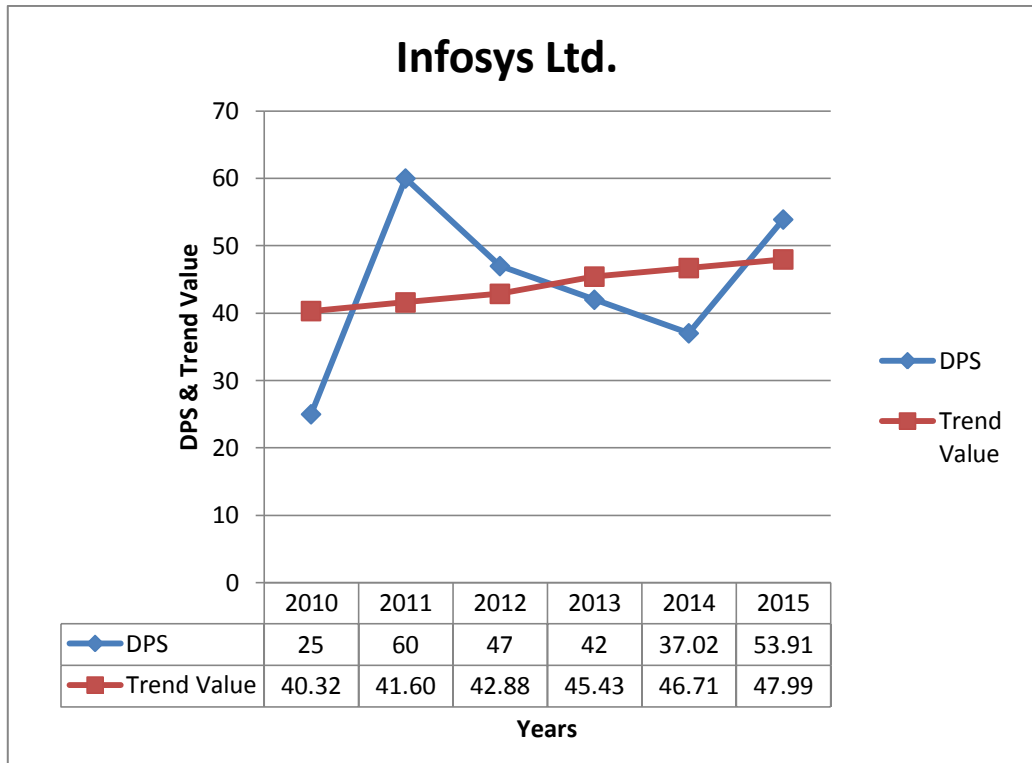


Figure 2: Trends of DPS

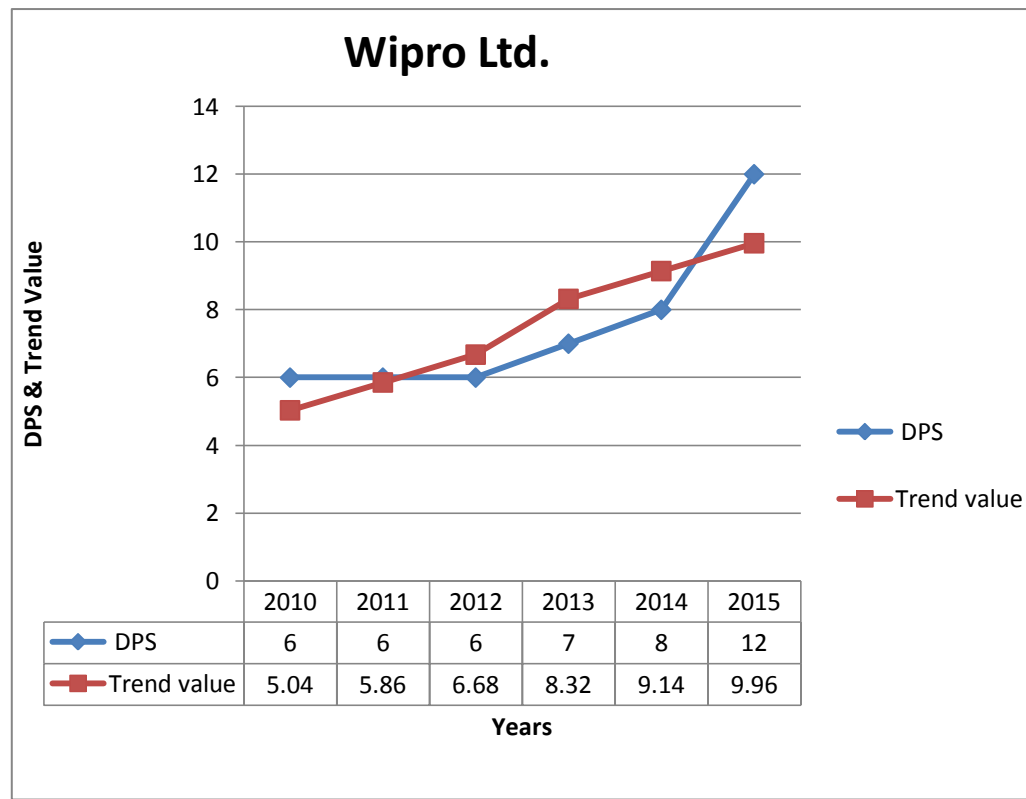


Figure 3: Trends of DPS

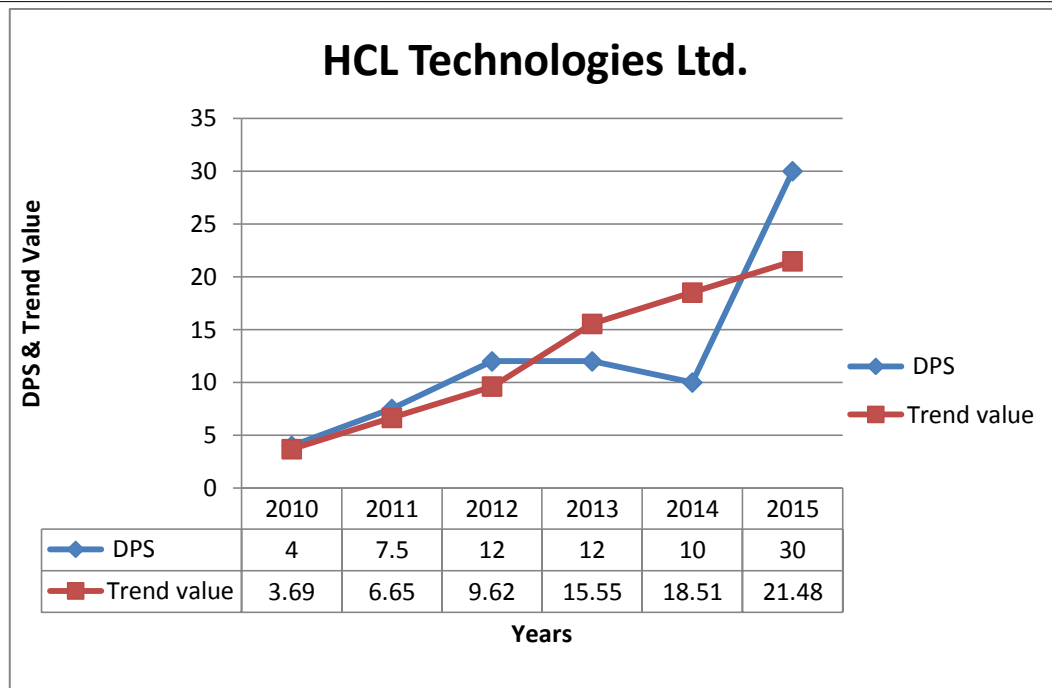


Figure 4: Trends of DPS

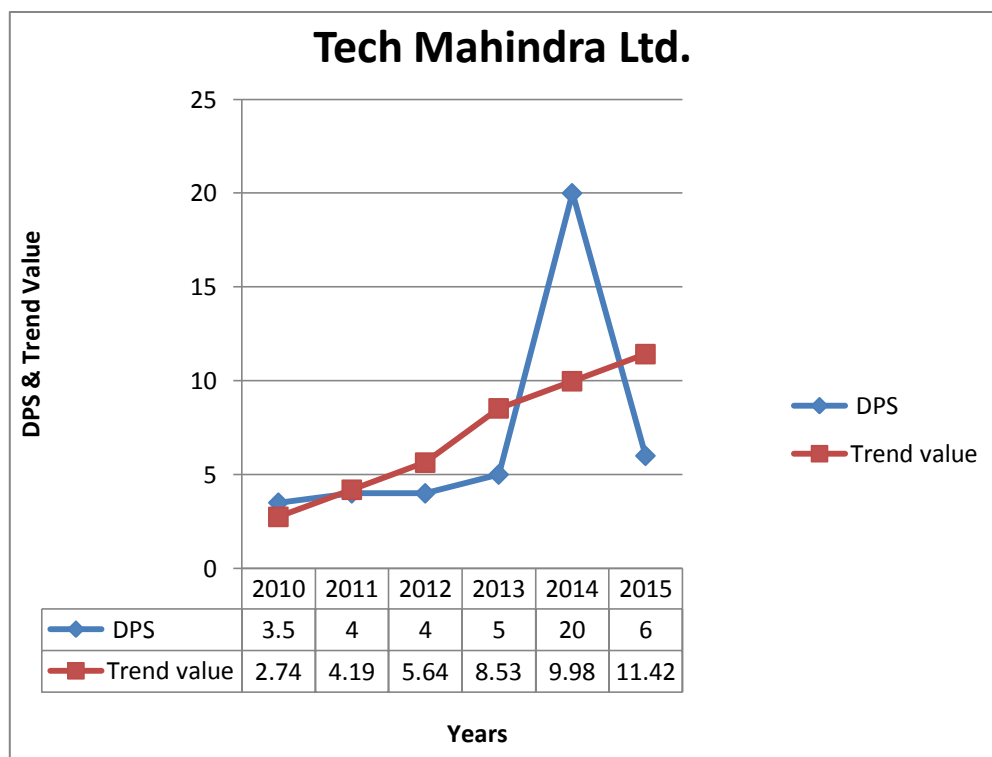


Figure 5: Trends of DPS

X axis shows the years taken for study. Y axis shows DPS and trend values.

Figure 1 shows an increasing trend in DPS of TCS Ltd. over the given years. In the year 2010 DPS value was ₹ 11.67 then it increased to ₹ 50.24 in the year 2015.

Figure 2 shows an increasing trend in DPS of Infosys Ltd. over the given years. In the year 2010 DPS value was ₹ 25 then it increased to ₹ 53.91 in the year 2015.

Figure 3 shows an increasing trend in DPS of Wipro Ltd. over the given years. In the year 2010 DPS value was ₹ 6 then it increased to ₹ 12 in the year 2015.

Figure 4 shows an increasing trend in DPS of HCL Technologies Ltd. over the given years. In the year 2010 DPS value was ₹ 4 then it increased to ₹ 30 in 2015.

Figure 5 shows an increasing trend in DPS of Tech Mahindra Ltd. over the given years. In the year 2010 DPS value was ₹ 3.5 then it increased to ₹ 6 in 2015.

IX. CONCLUSION

Table 3:

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>	<i>AAGR</i>
TCS Ltd.	6	159.70	26.62	205.02	0.341
Infosys Ltd.	6	264.93	44.16	155.36	0.283
Wipro Ltd.	6	45.00	7.50	5.50	0.162
HCL Technologies Ltd.	6	75.50	12.58	82.04	0.662
Tech Mahindra Ltd.	6	42.50	7.08	40.84	0.539

(Source: Authors Calculations)(AAGR: Average Annual Growth Rate)

From the above table it can be find that all the selected IT companies have shown positive Average Annual Growth Rate (AAGR) & HCL Technologies Ltd. has highest AAGR of 62.2% compare to other selected Companies.

Table 4: ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	6026.949	4	1506.737	15.41397	0.000	2.75871
Within Groups	2443.785	25	97.7514			
Total	8470.734	29				

(Source: Authors Calculations)

From the above table it can be seen that the calculated value ($F = 15.41$) is greater than the critical value (2.758) (p value = 0.000). Therefore, null hypothesis is rejected and alternative hypothesis is accepted. Hence, the study concludes that there is significant difference in the mean values of dividend per share among the different IT companies. Further, the study reveals that there is an increasing trend in dividend per share of all the selected IT Companies that is TCS Ltd., Infosys Ltd., Wipro Ltd., HCL Technologies Ltd. & Tech Mahindra Ltd.

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