



**ORIGINAL RESEARCH PAPER**

**Commerce**

**A STUDY ON IMPACT OF DIVIDEND ON MARKET VALUE OF EQUITY SHARE OF INFRASTRUCTURE INDUSTRY**

**KEY WORDS:** Dividend, Equity Share, Infrastructure Companies

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**ABSTRACT**

Dividends refer to that portion of a firm's net earning Which are paid to shareholders. A major decision of financial management is the dividend decision in the sense that firm has to choose between distributing the profits to its shareholders or ploughing back them into the business. That part of divisible profit, which is received by the shareholders in proportion to their holding is called as dividend. Basic objective of a company is to increase earning and to distribute these earning amongst shareholders as dividend. But generally, the company does not distribute all the earning as dividends. It retains some part of earning in the company as ploughing back of profit, so that retains earning can be used during expansion or development project or even during recession time.

**1. INTRODUCTION**

Dividend is that portion of a firm's net earning which is paid to the shareholders and retained earnings are that that portion of a firm's net earning Which is not paid to shareholders but retained in business. These retained earnings are re-invested in the company i.e., why they are also known as ploughing back of profit. There is adverse relationship between dividend and retained earnings. If accompany distributes more profit as dividends, retained earnings decline. On other hand if a company distributes less profit as dividends, retained earnings increase. How much earning are distributed as dividends and retained earnings is affected many factors.

On the basis of mode payment, dividend can be classified into five types

- (1) Cash dividend
- (2) Stoke dividend
- (3) Bond dividend
- (4) Property dividend
- (5) Composite dividend

**1.1 OBJECTIVES OF DIVIDEND POLICY**

Dividend Policy has Generally followed objectives

- (1) To maximize wealth of company in long run: To maintain proper balance between retained earnings and dividends
- (2) To maintain and thereby to increase market value of share
- (3) To fulfill share holders' expectations.
- (4) To formulate optimal dividend policy.
- (5) To declare dividend by keeping in view of various statutory provisions.
- (6) To consider various factors affecting / constraints to dividend

**1.2 MEANING OF SHARE**

The share capital is the most important requirement of a business It is divided into a 'number of indivisible units of a fixed These unit are known as 'Shares are units of ownership interest in a corporation of financial asset that provide for an equal distribution in any profits, if any are declared, in the form of dividends.

According to Section 2 (46) of the Companies Act, 1956, a is a share in the share capital of a company, and includes stock except where a distinction stock and shares is expressed or implied. Share is that smallest part, into which the overall capital of the company is divided. The person who is the owner of the shares is called 'Shareholder and the return he gets on his investment is called 'Dividend.

**1.3 INFRASTRUCTURE COMPANIES**

Larsen & Toubro ranks 1st in the Industrial construction

industry in terms of sales revenues in the year 2019-20. Infrastructure, Electrical & Automation, Defense Engineering, Heavy Engineering, Others and Power are the major revenue segments disclosed by the company as per its annual financial statements for the year 2019-20.

Reliance Infrastructure turned profitable at the net level in 31 March 2020, the latest year for which its annual financial statements are available. It earned a net profit of Rs.6,759.9 million on the back of a total income of Rs.33,811.9 million compared to a net loss of Rs.4,064.5 million on a total income of Rs.77,263.9 million in the preceding year. At the operating level, it earned an operating profit of Rs.647.5 million.

IRB Infrastructure Developers Ltd. has today become India's leading and one of the largest Infrastructure Developing Company in BOT Space, committed to the Roads & Highway sector.

G M R Infrastructure ranks 33rd in the Infrastructural construction industry in terms of sales revenues in the year 2019-20. E P C and Other are the major revenue segments disclosed by the company as per its annual financial statements for the year 2017-18. G M R Infrastructure is a large-sized company with revenues of Rs.12,117 million as per the latest annual report of the company for the year ended 31 March 2020.

**2. REVIEW OF LITERATURE**

**Maunder (1959)** in his study attempts to explain corporate saving and justified companies' savings in terms of profitability for the aggregate and for some individual's industries as well,

Gordon (1959) indorse the idea with firm belief that dividend increases shareholders wealth and on other hand Miller and Modigliani (1961) who revealed that in worldwide perfect capital market dividend declaration and its payment does not impact the value of the firm and advocated that value of a firm depends only on the distribution of the future cash flows that result from the investments undertaken, Miller and Modigliani (1966) in his later study found that change in dividend convey healthy amount of information especially about expectations of management in respect of long run future profit.

**3. RESEARCH METHODOLOGY**

**3.1 Research Objectives**

- 1. To study the theoretical framework of dividend, equity share, market size and other related concepts.

2. To study brief profile of selected infrastructure companies.
3. To study the impact of percentage change in stock market price before and after dividend announcement date.
4. To study the impact of percentage change in stock market price before and after dividend effective date.

**3.2 Research Hypothesis**

H1: There is a significant impact of dividend announcement on percentage change in price before and price after dividend announcement date on share of Infrastructure companies.

H2: There is a significant impact of dividend effective date on percentage change in price before and price after dividend effective date on share of Infrastructure companies.

**3.3 Data Collection:** This study is based on secondary data. The relevant Sources of secondary data are books, journals, magazines, newspapers, brochures and websites of select capital goods companies. All the relevant data is being collected from moneycontrol.com for year 2010 to year 2020.

**3.4 Sample Size:** Top four companies have been selected on the basis of its market capitalization.

The Sample Companies are Larsen and Turbo Ltd. (L & T), Reliance Infrastructure, GMR Infrastructure and IRB Infrastructure for this research work.

**3.4 STATISTICAL TOOLS:**

In this study following statistical tools are used by researcher;

Paired t-test was used to compare percentage change in share price as well as volume traded before and after dividend announcement effective date for selected companies. Further t-test was also used to compare means of companies when dividend pay-out ratio is more than 100 and dividend pay-out ratio is less than 100.

Coefficient of Corelation was also calculated and tested to find out relation between percentage change in share price and volume traded before and after dividend announcement date and effective date for selected companies.

Analysis of Variance (ANOVA) technique was also used to compare mean percentage change in price and volume traded of selected companies.

**3.5 LIMITATION OF THE STUDY**

The study is based on secondary data from varied sources, so limitation of the secondary data will influence the research study.

The study is conducted on Infrastructure companies, so results cannot be generalizing for all the industries.

Time period taken for the study is ten years, further this research is event-based study taken into consideration 30 days' time period, so that will also act as limitation for this research study.

**4. DISCUSSION OF RESULTS**

**Table No. 4.1 Company wise details of Percentage of Dividend declared from 2010 to 2020.**

LARSEN-TURBO		RELAINCE INFRA		IRB INFRA		GMR INFRA	
Year	Dividend (%)	Year	Divide nd (%)	Year	Divid end (%)	Year	Divid end (%)
2010(F)	625	2010(I)	71	2010(F)	15	2013(F)	10
2011(F)	725	2011(F)	72	2011(F)	15	2014(F)	10
2012(F)	825	2012(F)	73	2012(I)	18		
2013(F)	616.5	2013(F)	74	2012(I)	10		

2014(F)	712.5	2014(F)	75	2012(I)	10		
2015(F)	812.5	2015(F)	80	2013(I)	10		
2016(F)	912.5	2016(F)	85	2013(I)	10		
2017(F)	700	2017(F)	90	2013(I)	20		
2018(F)	800	2018(F)	95	2014(I)	20		
2019(F)	900			2014(I)	20		
2020(I)	500			2015(I)	20		
2020(F)	400			2015(I)	20		
				2016(I)	20		
				2017(I)	20		
				2017(I)	30		
				2017(I)	25		
				2018(I)	25		
				2018(I)	25		
				2020(F)	50		

Source: moneycontrol.com)

From Above table, it is evident that Larsen & Turbo has declared 12 times dividend >100% and never declared dividend <100% from 2010 to 2020. Highest dividend 912.5% was declared into the years 2016, whereas Lowest dividend declared was 400% into the 2020 year. By analyzing the data Reliance Infrastructure has declared 9 times dividend <100% and never declared dividend >100% from 2010 to 2020. Highest dividend 95% was declared in 2018 year, whereas Lowest dividend declared is 71% into the 2010 year. In the case of IRB Infrastructure, this company has declared 19 times dividend <100% and never declared dividend >100% from 2010 to 2016. Highest dividend 50% was declared in into the 2020 year, whereas Lowest dividend declared is 12% into consecutive two years i.e., 2012 and 2013. GMR Infrastructure has declared 02 times dividend <100% and never declared dividend >100% from 2010 to 2020. Highest and Lowest dividend 10% was declared into the 2013 and 2014 years. This Infrastructure company has declared dividend only two times.

**4.2 ANOVA TESTING**

H0: There is no significant difference in percentage change of share prices of selected Infrastructure companies before dividend announcement date.

H1: There is a significant difference in percentage change of share prices of selected Infrastructure companies before dividend announcement date.

The results of ANOVA, it is evident that p – value is 0.000 which is less than significance value (0.05). So, null hypothesis is rejected and there is a significant difference in percentage change of share prices of selected Infrastructure companies before dividend announcement date.

**CONCLUSION**

The study basically aims to find the impact of dividend announcement on market value of shares of selected Infrastructure companies. On the basis of study, it can be said that there is not much volatility or abnormal changes were observed on share prices of selected companies before and after dividend announcement date. Whereas some abnormal changes were observed in volume traded before and after announcement of dividends for few of the companies on selected years. Moreover, no significant volatility was observed on share prices of selected Automobile, Infrastructure, Petroleum and Technology companies before and after dividend effective date, while high volatility was observed in volume traded for some of the companies before and after dividend effective date. Dividend pay-out ratio ranges from as low as 10% to 4000% and there are more events when dividend pay-out ratio is less than 100% for

selected companies for the period of the study. It was found from the study that there is significant in volume traded of shares of selected petroleum companies before dividend effective date.

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