IMPACT OF DIVIDEND POLICY ON SHARE PRICE VOLATILITY IN INDIAN STOCK MARKET ON SPECIFIC FIRMS

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ABSTRACT

The volatility of a stock (or of the broader stock market) can be seen as an indicator of fear or uncertainty. Prices tend to swing more wildly (both up and down) when investors are unable to make good sense of the economic news or corporate data coming out Maximum drawdown is another way to measure stock price volatility, and it is used by speculators, asset allocators, and growth investors to limit their losses. Investorscan hedge to minimize the impact volatility has on their portfolio, or they can embrace volatility and seek to profit from price swings. The Indian stock market, concept of stock price volatility, dividend policies, type of dividends, factors affecting decisions related to dividend policy and various models in context to the dividend policy. The need of the study has also been discussed.

INTRODUCTION

This chapter gives an introduction to the Indian stock market, concept of stock price volatility, dividend policies, type of dividends, factors affecting decisions related to dividend policy and various models in context to the dividend policy. The need of the study has also been discussed.

DIVIDEND POLICY

The last decemvirate has endorsed the increase in interests of financiers in the various matters had connection with profit tactics. It has a deep affect the performance of the firm at the local and worldwide display also. The present unit is the detail elucidationof the ideas had connection with profit, profit procedure as well as determinants doing the profit tactics. The chapter further determines an impact of the hypothetical outlooks that provides base for the development of directions had connection with dividend fees for one firms to the worried shareholders in the display. A proper profit tactics is necessary to maintain Ōthe present shareholders to hold establishing in the shares of the firm at the responsive prices and symbolize word-of-mouth ideas for the added financiers. A correct profit policy is necessary for the complete sustainability of the firm marketing.

STATEMENT OF THE PROBLEM

The dividend policy of a firm is a great subject of interest in the world of finance. Itis a very difficult as well as crucial decision for any finance manager. Dividend policy of a company is important not only for its investors but also for managers, lenders and other stakeholders. For investors dividend is not only a source of income but is the parameter of assessing a company from investment point of view.

It is the way of assessing whether a company is cash generative or not. Similarly, it is important to the management as flexibility of investing in profitable projects depends on amount distributed as dividend to shareholders because it decides the amount available for the future. High rate of dividend reduces the fund capacity of a firm for future investments. Lenders are also interested in dividend announcement of the company as more dividend declaration leaves lesser funds for their payment dues.

OBJECTIVES OF THE STUDY

The main aim concerning this study is to think profit procedure of allied sector in India. Tomanage this objective following distinguishing aims have happened covered:

1. To focal point profit procedure under the study.

2. To examine the friendship middle from two points profit per share and limits such asprofit, pay after deductions, additional profit, share price and market capital.

3. To recognize the connection in-enclosed by guests in the measure of dividend per sharepercentage.

SCOPE OF THE STUDY

During last sure age, business flows have existed mobile towards globalization. Many international guests have filed the Indian market and too touch evolve. Nowadays investor's trade stocks in all planet outside crossing borders concerning matter and this has enhance attainable only through internet. The resolution of financiers to profession merely depends on facts declared to all. Dividends are individual of the important determinants moving share prices concerning business.

The dividend pertinence belief is main not only to management but, to financiers and monetary economists more. Over the last half century, the conflict concerning two together ideas of dividend tactics (appropriate and immaterial theory of profit) has existed the focus of a lot of attention and persists expected a questionable topic with analysts about the world. Therefore it is main to have an understanding of either profit policy is main a suggestion of correction in India.

RESEARCH METHODOLOGY

Research is an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experiment. In short, the search of knowledge through objective and systematic method of finding solution to a problem is research.

SAMPLING TECHNIQUES

Sample techniques adopted for the study is simpler and sampling for the collection of secondary data through.

TOOLS USED IN ANALYSIS

➢ Abnormal Return Analysis
➢ Comparative Balance sheet

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DATA COLLECTION

Data collection is the process of gathering and measuring information on targeted variables in an established systematic fashion which then enables one to answer relevant questions and evaluate outcomes. The goal for all data collection is to capture quality evidence that then translates to rich data analysis and allows the building of a convincing and credible answer to questions that have been posted.

SECONDARYDATA

Secondary data are the second hand information the data which have already been collected and processed by some agency or persons and are not used for the first time are termed as secondary data. It has been collected through books, internet, journals, research articles etc.

LIMITATIONS OF THE STUDY

▪ This research is geographically restricted to INDIA. Hence there should cannot beextra polated to other places.

▪ The study is restricted only to the all over Indian stock markets.

▪ Sample size was confined to100 respondents keeping in views of time and cost constraintsas at different rates of dividends.

REVIEW OF LITERATURE

Manneh and Naser (2015), revealed that dividend policy ispositively and significantly associated with corporate profitability and negatively with leverage.

Ebire et al. (2018) determined that that dividend pay-out ratio positively affected firm performance.

Hafeez et al. (2018) applied a panel data regression model using ROA and ROE to measure performance and dividend pay-out ratio and earnings per share to measure dividendpolicy.

Phan, T. and Tran, N. (2019)examined dividend announcement and ownership pattern impact on share prices in the Vietnamese market for a period of 8 years in the paper "Dividend policy and stock price volatility in an emerging market: Does ownership structure matter?" Dividend yield has found to significantly impact the dividend policy.

Pinto (2019) used longitudinal study for sectoral analysis of factors affecting the dividend policy. Size, profitability and interest coverage ratios had a significant positive impact on dividend policy while debt and business risk had negative relation with dividend.

ANALYSIS AND INTERPRETATION

Analysis and Interpretation refers to a systematic and critical examination of the financial statements. It not only establishes cause and effect relationship among the various items of the financial statements but also presents the financial data in a proper manner.

HYPOTHESIS:

AAR, CAAR and t-statistics of Bajaj Auto, Hero Motocorp and Tata Motors for the window period starting from day +5today -5relativeto dividend announcement (day-0) when S&P BSE AUTO is the proxy for market return.

BAJAJAUTO S&PBSEAUTO			
DAYS	AAR	CAAR	T-STAT
5	0.0019	0.0140	1.2263
4	-0.0040	0.0121	1.1620
3	-0.0043	0.0161	1.7231
2	0.0021	0.0203	2.5154*
1	0.0040	0.0183	2.7697*
0	0.0143	0.0143	3.0569*
-1	-0.0049	0.0094	1.4156
-2	-0.0062	0.0031	0.3870
-3	0.0080	0.0111	1.1865
-4	0.0033	0.0144	1.3764
-5	0.0089	0.0232	**2.0312***
Denotes Statistical Significance at 5%			

HEROMOTOCORPS&PBSE AUTO			
DAYS	AAR	CAAR	T-STAT
5	0.0077	0.0103	0.8382
4	0.0000	0.0027	0.2364
3	0.0014	0.0026	0.2618
2	0.0014	0.0012	0.1368
1	-0.0043	-0.0002	-0.0248
0	0.0041	0.0041	0.8238
-1	0.0048	0.0090	1.2650
-2	-0.0006	0.0083	0.9601
-3	0.0129	0.0213	**2.1174***
-4	-0.0044	0.0169	1.5046
-5	0.0058	0.0227	1.8440
Denotes Statistical Significance at 5%			

TATAMOTORSS&PBSEAUTO			
DAYS	**AAR**	**CAAR**	**T-STAT**
5	-0.0005	-0.0297	**-2.3866**
4	-0.0056	-0.0292	**-2.5730**
3	-0.0039	-0.0236	**-2.3214**
2	-0.0015	-0.0197	**-2.2416**
1	-0.0173	-0.0182	**-2.5381**
0	-0.0009	-0.0009	-0.1831
-1	-0.0011	-0.0020	-0.2772
-2	0.0028	0.0008	0.0940
-3	-0.0028	-0.0019	-0.1900
-4	0.0002	-0.0018	-0.1561
-5	-0.0005	-0.0023	-0.1838
*DenotesStatisticalSignificanceat5%			

INTERPRETATION

Average abnormal returns (AAR) of Bajaj Auto, Hero Motocorp and Tata Motors, in case of the model were positive on 0, 1, 2, 5, -3, -4 &-5 and negative on 3, 4, -1 & -2 days of the window period. Cumulative Average Abnormal Returns (CAAR) were found positive throughout the window period. T-statistics (TSTAT) was significant on days 0, 1, 2 & - 5 of the window period.

FINDINGS

Present study was attended to commemorate the impact of profit tactics on quoted price of shares of car subdivision through the reasoning of results and reports of picked Indian vehicular car parties, that is to say Bajaj Auto, Hero Motocorp, Tata Motors.

A ending of 5 economic age from Consolidated financial statement including gains and losses for a period was captured into concern for the purpose of dossier reasoning and achievement of goals of the study.

Data for the study was primarily calm from the annual reports of the guests picked, site of BSE (once famous as Bombay Stock Exchange), site of National Stock Exchange (NSE), annual reports of Society of Indian Automobile Manufacturers (SIAM), and site moneycontrol.com.

Average abnormal returns (AAR) of the company were beneficial only -2 & -4 and negative on staying 9 days of the fenestration ending has been finded. Cumulative Average Abnormal Returns (CAAR) were erect beneficial only till -2, days of the casement ending so the enormous way of calculation has been finded. T-enumerations (TSTAT) was meaningful on 1, 2, 3, 4 & 5 days of the fenestration ending post proclamation that describes that an financier can create important returns on calculation.

SUGGESTION

To accomplish the first objective that search out evolve the understanding of believes have to do with dividend tactics and allure connection accompanying display appraisal of associations, complete review of surviving literature was transport about

It was noticed that antagonistic judgments were eminent by analysts and skilled are two schools of idea individual which shows that profit payout has an affect retail worth of a firm and the additional that contravenes the same.

This phase presents the main judgments, convictions and suggestions for the financiers to create more cognizant resolution and for administration of the firms to reinforce market capitalization through the custom of profit procedure.

When selecting a security for investment, traders look at its historical volatility to help determine the relative risk of a potential trade. Numerous metrics measure volatility in differing contexts, and each trader has their favorites. A firm understanding of the concept of volatility and how it is determined is essential to successful investing..

CONCLUSION

Contradictory results were acquired in the studies that dotted the determinants moving profit tactics of firms and in many everything the predictors were establish to be in opposite guidance. Signaling effect was not checked on the vehicular car manufacturing of India and likewise approximate study on the firms contained in the index and outside the index was again establish missing all these and the antagonistic results in prior studies concerning connection middle from two points payout percentage and quoted price of shares cued the investigator to carry out the present work. A fixed dividend policy is the smooth and most usually used. The aim of the tactics is a steady and certain profit payout done yearly, which is what most financiers inquire. Whether earnings be honest or below, investors endure a profit.

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