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STYDY THE RELATIONSHIP BETWEEN DIVIDEND POLICY & SELECTED INFORMATION TECHNOLOGY COMPANIES IN INDIA

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ABSTRACT
The purpose of the study is to investigate the relationship between dividend policy & share valuation in selected information technology companies in India. This research has used historical information and special statistical methods (multiple regressions, Standard Deviation, Coefficient of Variation, Correlation, and t-test have been used.) to examine the relationship between variables and to test the hypotheses. Required information was collected through different journals and reports. Regression analysis methods were used to analyze the statistical tests.

KEYWORDS :*Dividend policy, multiple regressions, Standard Deviation, Coefficient of Variation, Correlation, and t-test.*

INTRODUCTION

The period of the study has been taken 10 years starting from 2004-2005 to 2014-2015. There are total 899 public and private information technology companies in India .Out of which , to analyze, top five information technology companies in India are selected on the basis of maximum revenue earned during F.Y 2013-2014. The sample is based on financial statements of information technology companies in India, listed on BSE or NYSE. Non probability sampling method has been used to select the samples.

LIST OF COMPANIES:-

1. Tata Consultancy Service Ltd.
2. Wipro Limited (Western India Products Limited)
3. Infosys Ltd (Infosys Technologies Limited)
4. Tech Mahindra
5. HCL Technology (Hindustan Computer Limited)

REVIEW OF LITERATURE

1.Narsimhanand Vijay Lakshmi (2002) analyzed the influence of ownership structure on dividend payout of 186 manufacturing firms. Regression analysis shows that promoters' holding as of September 2001 has no influence on average dividend payout for the period 1997-2000.

2. Adelegan (2003) concluded that dividend yield and dividend payment ratio is higher in corporations with more leverage. In addition, higher levels of dividends increase the levels of leverage. It appears that managers in corporations with higher levels of leverage separate the dividend policies from funding policies. Therefore, they pay dividends without taking account of the level of leverage. This is probably because there is compressed competition among corporations which distribute dividends to attract investors despite their increased debt.

3. Beabczuk (2004) investigated dividend policies in Argentina. His goal was to investigate deterministic elements in dividend policies of listed corporations in the Argentina Exchange during 1996-2002. Research results indicated that larger and more portable ?rms without good investment opportunities paid more dividends.

4. Dong et al. (2005) in a questionnaire survey to a panel of Dutch individual investors tested various theories underlying a firm's dividend payout policy. The theories that they examined from an investor's perspective included signalling, agency costs, dividend irrelevance, transaction costs, uncertainty resolution, free cash flow and taxes. They found that respondents strongly believe that dividend payments send a signal about the profitability of the firm. They concluded that firms are justified to keep up dividend payments in good and bad times given the signalling effect of dividends. Their survey results did support pecking order theory while not support for agency theory.

5. Amidu and Abor (2006) carried out a study on the Determinants of dividend payout ratios in Ghana. The analyses were performed using data derived from the financial statements of firms listed on the Ghana Stock Exchange during a six-year period. Ordinary Least Squares model was used to estimate the regression equation. The results showed positive relationships between dividend payout ratios and profitability, cash flow, and tax. The results also showed negative associations between dividend payout and risk, institutional holding, growth and market-to-book value. Furthermore, the study founds very strong, significant, and consistent evidences that the safer banks pay more dividends. In the test for the partitioned sample, the tendency of the banks with higher safety and profitability to pay more dividends was observed more strongly and transparently.

6. Kumar (2006) examined the relationship between corporate governance and dividend payout behaviour of the Indian firms by taking into consideration their financial structure, investment opportunities, dividend history, earnings trend and ownership structure during 1994–2000. He finds a positive association of dividends with earnings and dividend trends but does not find any association between foreign ownership and growth in dividend payout.

7. Mancinelli and Ozkan (2006) undertook an empirical investigation of the relationship between the ownership structure of companies and dividend policy using 139 firms listed in Italian exchange. Their results suggested that the dividend payout ratio is negatively associated with the voting rights of the largest shareholders.

8. Mohammed Amidu and Joshua Abor(2006) examined the factors affecting dividend payout ratios of listed companies in Ghana. The results of their study showed that payout ratios were positively related to profitability, cash flow and tax but are negatively related risk and growth.

9. Sharma and Singh (2006) examined deterministic factors of stock price in Indian corporations. They studied 160 firm samples during 2001-2005. Results indicated that revenue and book value per share and dividends are important and effective factors in determining stock price and that they signalled the financial health of corporations. Therefore, corporations need to adopt an expansible policy in dividend distribution, because high dividend ratio is effective in increasing market value per share.

MATERIAL AND METHOD
IT SECTOR

IT sector has been chosen for study because it is a sunshine sector of India. It currently accounts for almost 4.8% of India's GDP. It will account for 7% of India's GDP by 2010.The dividend payment pattern of IT companies have changed leaps and bounds over past few years

SERVICE SECTOR

Indian service sector comprises of trade hotels, transport, communication, IT and software, banking and insurance etc. Till 2002 service sector was ignored in India and the main emphasis was on manufacturing and agricultural sector. It was only after 2002 that service sector started growing at a healthy rate of 8-10%. Today it is the highest contributor to the GDP of our economy.

THE DATA

The research is analytical and empirical in nature and makes use of secondary data. I used internet and web sites of selected information technology companies. Library research, academics literature, internet, books, articles and electronic data base are also used for the study.

CONCULSION

1. To analyze the dividend policy of selected IT companies.
2. To find the impact of dividend announcement on shareholders' wealth of IT companies.
3. To identify the regularity and uniformity of dividend paying IT companies.
4. To find out the impact of dividend policy on valuation of share of the company under study.

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