Chapter II

DATABASE AND METHODOLOGY
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2.1.0 INTRODUCTION-

The forwarding chapters will aptly bought out the details of dividend theories and the work done so far by different researchers. Each aspect directly or indirectly affects a stream of future inflows.

In this study we have considered the leverage, earning before tax, and profit after tax, most importantly the tax shield which is having direct impact in countries like India where companies have to pay heavy taxes. I made an attempt to study their influences on dividend distributions. The variables are well defined.

Dividend payment pattern of all companies that are listed for trading on one of the two major exchanges namely National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) during the period 2002-2012 (we refer each year henceforth with the end year i.e., for 2001-2002 to 2012) are employed for analysis. The data has been sourced from database

For the purpose of this study, only final cash dividends are considered and stock repurchases and stock dividends are not considered. Unlike the firms in developed countries that pay quarterly dividends, Indian companies typically pay only one dividend during a year. A few firms do pay interim dividends, however, data regarding these are not readily accessible and it is extremely difficult to get such data for a reasonable number of years. Further, stock repurchases have been permitted only recently and only about a hundred
companies have bought back their stocks so far. Hence, in the present study stock repurchases are not considered for analysis.

2.2.0 Objective of the study-

(1) Does more or less payment of dividend by top manufacturing companies affect their market value per share?
(2) To check whether the dividend pattern differs from sector to sector?
(3) Is percentage of dividend matters even after 60 years of MM approach or still it has the same phenomena?

2.3.0. Period of study-

It was decided to study the variables of various business enterprises for a period of 10 years ending on 31-03-12 with a view to weed out the cyclical effects of the economy and develop better understanding of the behavior of the said variables.

2.4.0 Data collection-

2.4.1. Criteria

For our study of erects of ownership structure (shareholding pattern) on dividends, in an emerging Economy, we focus our attention on Indian corporate sector. We choose this as an experimental setting as Indian corporate sectors the following advantages over other emerging market economies.

The Indian Corporate Sector has large number of corporate firms, lending itself to large sample Statistical analysis. It is large by emerging market standards and the contribution of the industrial and
manufacturing sectors (value added) is close to that in several advanced economies. Unlike several other emerging markets, firms in India, typically maintain their shareholding pattern over the period. The criteria for this study is as below-

(1) Although the Indian Corporate Sector is a mix of government and private firms (which are again a mix of firms owned by business group families, and multi nationals and stand-alone firms), it has not sued from the cronyism that has dominated some of the developing economies, nor it possess the true data so, The enterprise is a public limited listed on the National stock exchange and/or Bombay stock exchange.

(2) The enterprise has sales and other income exceeding Rs. 900 crores as on 31-3-12 as 2013 data is not updated yet for all the companies.

(3) These enterprises belong to the major manufacturing sector i.e. cement, chemicals, Automobile ,Textile, Pharmaceuticals and steel

2.4.1 Type and nature of data –

The data is historical and voluminous in nature. The data which pertains to each variable EBIT, PAT, tax shield, Dividend paid or declared in AGM, Dividend payout ratio, Price earnings Ratio, for each company in the list and for 10 years.

2.4.2. Data collection tools-

(1) Data have been collected from reputed data base moneycontrol.com and bse website.
(2) The data have been further verified by audited books of accounts from authentic websites and annual reports published by these named companies.

(3) The said comparison have been carried out for all the 10 years consecutively.

(4) The exercises have been carries out for minimum 20 companies for each predefined sector and total reaches to sample size of 121 in total.

2.4. 3. Data analysis-

The data analysis for all the variables i.e. variable PAT, Dividend paid or declared in AGM, Dividend payout ratio, Tax shield, EBIT, Entered for all the 10 years.

There after the measures of central tendency like mean, median, standard deviation are worked out.

Then multiple regression analysis used to find the relationship between independent and dependent variables. A cross-sectional analysis has been carried out for this purpose.

Lastly multi co-linearity tests will be carried out to understand the behavioral pattern of said variables.