CHAPTER 5

FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

This chapter highlights the result derived from data analyses. Findings and conclusion helps to frame out recommendation about the impact of dividend in market behavior and to understand the attitude of investor towards the dividend policy.

5.2 FINDINGS

5.2.1 Event Studies

1. AAR and CAAR are highly negative in the year of 2011.

2. Maximum of positive AAR and CAAR are indicated in the year 2008.

3. 2009, 2010 and 2012. It shows that dividend announcement have positive impact in movement of share price.

4. Frequency of positive and negative movement are identified in all sample year, it clear mention that dividend information are floated short period of time.
5. Under the market model, AAR and CAAR move in the same sequence in the year of 2008, 2010 and 2012.

6. AAR and CAAR are identified high fluctuation in the year of 2009 and 2011. It disclosed that average returns are minimum and investor expectations are not fulfilled.

7. In the year of 2009, high negative returns are indicated in the Axis bank.

8. For the year of 2010, positive and negative movement are identified with in short period of time for all select sample banks.

9. In the year of 2011, HDFC indicated negative returns for the whole event window.

10. For the year of 2012, State Bank of India showed the negative returns during pre and post announcement day. In any case the dividend information are not effective.


12. Individual bank returns are correlated with market return for the maximum period of study.

5.2.2 Regression

13. Sales and earnings are major parameters to determine the dividend value.

14. Cash and cash relevant variable are less impact in determining the value of dividend for majority bank.
15. EPS and Retain earning are also play vital role in determining the dividend value.

16. Single financial variable will not support to frame out the value of the dividend.

5.2.3 Quadratic Polynomial Regression Analysis

17. Ownership pattern and structure is not influence the dividend payout decision for the entire sample bank.

18. State Bank of India is highly affected by ownership pattern in determining the dividend in selected value of 0.529 under the calculation of coefficient correlation.

19. Under 5% level of significance, value of regression coefficient of debt equity ratio is also found to be positive and significant in entire sample banking sectors.

5.2.4 Walter Model

20. Under the rule of walter model bank such as Axis bank, Bank of Borada, Canara Bank, HDFC Bank, ICICI Bank, State Bank of India are categories as growth firm.


22. Kotak Mahindra bank and Punjab National Bank are considered as decline firms.

23. Union bank and Punjab National Bank market price are lower than the walter model value of dividend is very low indicated
in the decline firms, so the return on investment will affect the market prices.

5.2.5 Investor Attitude

25. Socio-demographic and economic characteristics of the respondents

26. Majority of the respondents (93%) are of the male in gender.

27. Majority of the respondents (27%) are of the age group between 26-40 years.

28. Majority of the respondents (44%) are of the self employed in occupation.

29. 43% of the respondents were in the income level of 25,001-50,000 INR.

30. 39% of the respondents were earning three persons in family.

5.2.6 Behavior/Psychological Variables

31. 42% of the respondents were investment & saving purpose in type of investment.

32. 48% of the respondents were long term investment in type of investment interval.

33. Most of the respondents preferred to investment in banking & finance.

34. 21% of the respondents are expected that the share price affect the value of dividend.
35. Majority of the respondents (29%) are of the 2-5 years in duration trading / investing in NSE.

36. Majority of the respondents (75%) are in need for cash dividend.

5.2.7 One Sample t test

37. If all factors (describe your level of experience with the dividend information satisfy share holders expectation, dividend information conveys the certainty of firm future prospects, believe that higher dividend yielding companies are risk free in their investments, low dividend paying companies are not suitable for investment, after earning announcement, invests in higher dividend paying stocks will generate high earnings in future, Believe that if company does not pay dividend, they will be invested the money in profitable way, Feel that the dividend announcement will have direct impact with movement of share price determinant, Dividend announcement influences the behavior of investor decision towards investment, Dividend announcement is influenced by only the proposal of management but not based on firm performance, Dividend decision is influenced by financial variable such as sales, profit and retained earnings, Dividend information convey about the firms profitability to investor, Past dividend price will affect the value of current dividend, Publicly available information will impact on value of share of the firms, Stock split, bonus issues, share dividend, merger and acquisition announcement will affect the share price movement and Price earnings ratio, book value, dividend yield will affect the share price movement) are significant.
5.2.8 Chi-square Test

38. It is found that there is no relationship between the gender and type of environment influence to invest in stock market. The respondent gender classifications will not influence by environment to take investment decision making process.

39. It is identified that there is no significant relationship between the gender and type of investment interval. Gender of the respondents is not a criteria to determine the investment preference and duration, it’s purely depends on the future need and wants.

40. There is no relationship between the gender and type of sectors to invest in NSE. Respondents gender will not determine and take decision towards the types of sectors, knowledge and experience mostly helps to choose the type of sectors.

41. It is identified that there is significant relationship between the genders and to identify the factors affect the value of price. Investors can know the basic principles of investment and they clear identified the major influencing factors that affecting the value of share price.

42. It is found that there is no association between the respondent age and type of environment influence to invest in stock market. Age will not influence investment purpose and environment, investor attitude and risk tolerance will determine the type of investment avenue.

43. It is observed from table that there is association between the age and type of investment interval. Old age investor prefer
for long term investment with motto of high safety and rational returns.

44. From the table, it is observed that there is no relationship between the age group and type of sectors preferred to invest. Age will not influence to select the type of sectors but knowledge and experience will support.

45. It has been observed from study that there is no significant relationship between the age group and the factors affect the value of price. Age will not influence or determine the various factors that affecting the value of share prices.

46. It is found that there is no association between the occupation and type of environment influence to invest in stock market. Respondents occupation will not laid out the idea to identify the influencing factors of investment.

47. From the table, it is identified that there is no relationship between the occupation and type of investment interval. Occupation will help to earn money but the determining the time period of investment should be based on investor attitude and future dependence.

48. It is found that there is no relationship between the occupation and type of sectors preferred to invest. Knowledge and experience helps to identified right choice of sectors to earn optimal returns.

49. It has been observed from study that there is significant relationship between the occupation and the factors affect the value of price. Occupation will helps to gather adequate
knowledge about the various factors influencing the price of shares.

50. It is found that there is significant association between the monthly income and type of environment influence to invest. Income level helps to determine and support to identify the purpose of investment.

51. From the table, it is found that there is association between the monthly income and type of investment interval. Income helps to the determine period of the investment.

52. It is found that there is no relationship between the monthly income and type of sectors preferred to invest frequently. Monthly income of the respondents will not determine the sectors to invest.

53. It is observed from the table that there is association between the monthly income and the factors affect the value of price. Experience and knowledge will gather the principles and nature of capital market.

54. It is revealed from the table that there is no relationship between the number of earning members and type of environment influence to invest. Earnings members will not support to determine the affecting factors.

55. It is found that there is association between the number of earning members and type of investment interval. Earnings power of the respondents family will support the period of investment.
56. Table revealed that there is relationship between the number of earning members in family and type of sectors preferred to invest in frequently.

57. It is found that there is association between the number of earning members in family and the factors affect the value of price. Investors clearly understand the market behavior and environment before investing their money.

5.2.9 ANOVA

58. It is found there is significant relationship between the value of price and impact of price earnings ratio, book value, dividend yield, will affect the share price movement.

59. Table revealed there is significant relationship between dividend price and determining the value of prices.

60. It is found that there is significant relationship between the value of price and publicly available information, will impact on value of share of the firms.

5.3 CONCLUSION

This chapter has endeavored the research to conclude empirically tested on determinant of dividends, investors attitude, semi strong form efficiency and dividend relevance theory which focus on CNX BANK Index, it assist manager and investors in the removing state of incertitude towards the dividend policy and investment.

This study has made an effort to find the market impact on cash dividend announcements in taking consider of firm value and shareholders’ wealth maximization. Through the analysis of first objective, it was found that information efficiency was supported and endorsement by movement of
the share value. Most of the banking sectors show the value of AAR and CAAR are indicated positive signal corresponding to statistical significant. The result indicate that regular and high dividend announcement bring positive movement because of present performance of firm information floated in the market and immediately adjusted to the next information prevailed in the market, so it clear indicate that dividend announcement will not prevailed for the long period of time. The result strongly supported to semi-strong form of information efficiency because any information related with dividend announcement is not reflect in the price movement on the day of announcement but it headed to abnormal return during post dividend announcement day. This is clearly associated with the findings of Ball & Brown (1968), Eugene Fama (1998), Chaturvedi (2001).

Through the analysis of second objective it was found that single variable will not support the determent of dividend. The Indian banking sector selected as a sample for this study identified that dividend are mostly depended on the revenue and profit with helps to increase and stabilize the dividend yearly. Maintaining of cash and cash relevant of the firm which is used to analyze the liquidity position is found to be irrelevant in determining the dividend policy. From the study, it is identified that firm managers must be regulated with improve the sales, profit and maintaining the appropriate retain earnings without influencing the distribution of dividend level. Chances for future development, modernization, expansion are found to be negatively related to dividend payout policy. From the statistical regression analysis, reveal that negative and insignificant relationship with retained earnings, cash position and capital expenditure during the current year.

Third objective evidences that the influence of shareholders pattern on the dividend payout is heterogeneous. From the study, it is keenly observed that there are in significant relationship between the ownership pattern and dividend payout in Indian banking sectors. Indian banking sectors
is a strongly protect by rules and law characterized by strong investor protection by various financial institution like SEBI, RBI and ownership pattern is dispersed ownership, so the manager want to played important role in financial decision of the firms. The study observed that agency conflicts are less and cash dividends may not be essential to mitigate the agency conflicts. This line closely related with (Laporta 1998) high investor protection in a country will pay higher dividend. As regard SBI, BOI, BOB, AXIS Bank, the interlink between dividend policy and different ownership groups like FII, Corporate and Institutional holding has been found to be insignificant in nature. These shareholders groups insignificant impact in dividend policy of the banking firm supporting the objective of that dividend policy are the ways to alleviate the agency conflicts.

Fourth objective endorse that dividend are closely related with the determining the value of the firm in market. Dividend relevance theory described that cost of capital and return on the investment are two elements to determining the price of the firm in the market. According to this background, optimal dividend policy should support and will ensure maximization of shareholder wealth by maintain value of firm in the market. In this study, banking sectors are classified according to the growth firms, normal firm and decline firm based on their risk and return. Banks like AXIS, BOB, Canara Bank, ICICI bank, HDFC are comes under the category of growth firm, which found to be followed systematic investment to provided the optimal returns to their investor in the bases of regular or stable dividend that support to maintain value of the firm share. These firms should reinvestment their earnings in high yielding project to access the firm and shareholders wealth by maintaining the historical dividend. Decline and normal firms should vigilant in identifying the high yielding investment and take necessary steps to increase value of dividend and also to avoid the clientele effect.
Fifth objective frames out to identified the investor behavior towards announcement of dividend and significant of dividend policy. the result establish through analysis questionnaire in the form of primary data, respondent are dealing the share for more than two year and have good experience in analyzing the movement of market. Most of the investor are like to receive the dividend in the form of cash and they feel that increasing in the dividend value will act as signal about the performance of the firm. Based on this conclusion, management should consider a dividend as tool to retain and satisfied the investor by offering constant return. Dividend payout should be significant reflected with information asymmetric, manager should provide positive information to the investor on the time without having intention of speculation. Most of the investor are not interest to invest in dividend omission or decrease in dividend paying companies, it reflects with the performance and policy followed by the management.

Investors are clearly aware about the market activity by the way of information technology and analysis the impact in applying various tools and model in security analysis. Information plays vital role in decision making process towards the investment. In this line management and investors should understand the significant and accepted that semi strong form efficiency and dividend relevance theory is ruled the capital market. Management should decide the optimal dividend policy based on the risk and return to maximize the firm value and shareholder wealth.

5.4 RECOMMENDATION

The academic research cannot frame out a specific theoretical optimal dividend model that continuous support and fit for all types of firms. Because the trends, nature and life cycle simultaneously change out and it is skeptical that one form of dividend policy will ever gain according to practices of business firm. If every firm has a unique structure of dividend
payout policy, investors should not able to surprise that significant statistical generalizations still elude researchers. Many existing models imply the impact of dividend policy on market value cannot fully support and explain the complexities according to the present market environment. The goal of this research is to provide a comprehensive framework to assist managers, investors and stakeholder in appraising and understand behavior of market towards the announcement of dividend and support to make strategic decisions based on dividend determinant and signaling asymmetric.

Dividend payout policy is major tools in financial decision to determine the firms profit and wealth maximization. Managers, Investors and stakeholders should understand the behavior of dividend in multi dimension aspect before taking optimal investment decision. This research tries to path break the significance of dividend relevance theory and semi-strong form efficiency theory for Indian context. The ultimate goal of this research is to provide a comprehensive framework to assists firm manager, Investors and stakeholders about the impact of dividend in the capital market.

Corporate Managers must outlook the dividend decision as imperative and significant in all the financial management activity. Ever financial managers must set out principle and dividend policy according to their firm specific level, which helps to know and identified the benchmark of their competitor payout policy which supports to remove clientele effect. Financial managers must examine various internal variables according to the different period of time along with the level of earning position. Profits and sales occupy major contribution to determine the value of dividend but manager want to focus on other key variables such as EPS, retain earnings, influence in decision to determine the value of optimal dividend polices for the firms. Manager should keep an eye on the amount of dividend distributed during the previous year is a significant factor governing the dividend distribution of the current year.
Dividend relevance theory is most suitable for Indian banking sectors by remarkable point of dividend and investment had interlink in determining the market value of the firm. Model clearly depicts that cost and return on the investment will determine the value of the firm in the market. If the market value wants to increase the firms manager should identified higher return projects with acceptable cost to increase investment return to their shareholders. This environment should force the manager to work for investor benefit and helps to avoid the agency problem in the firms. It is observed that market response positively to the announcement of increasing the return on shareholders.

Investors consider the announcement of dividend as signaling tools always come with the pack of new bunch of information towards the firms’ performance. Dividend payment could be superior disseminate the information about its predictable earnings growth of the firms. Most of the investor preferred to receive the dividend in the form of cash, so firms want to maintain adequate cash position by minimum the external debt which supported to increase the firm current profit for providing the high value of dividend.

Present information will resolute the trend of the market and attitude of investor. The market reacts more strongly to increase in regular dividend by designed labeled of positive performance of firm. It is understood that investors highly prefer increase in dividend value which signaling the present condition of earning capabilities of the firm. Management should keen on floating the present information in market often lively, helps to increase or stabilize the market value. It shows fair evident that presently semi strong form efficiency theory plays significant role in determining the dividend and present information will not influence for long period of time it adjusted immediately.
5.5 FUTURE RESEARCH AND THINKING

All the research work left out certain limitations which act as seed for future research. The research works provide many links that can be selected from in corporate finance more specifically in the research area of ‘Dividend’.

This research has primarily focused on empirically testing the validity of dividend relevance and semi strong form information in banking sectors. This research also analysis the various factors influencing determinant of dividend along with investor attitude towards the dividend policy.

This research work focus on announcement of cash dividend, present research study has a future possibility to extension the research in examine the

- Impact of market movement in various sectors due to various corporate announcements such as for e.g stock dividend, earning, etc.,
- Determinant of dividend factors in various sectors and compare with foreign companies.
- Comparative study between dividend policy determinants of banking sectors with others sector.
- Dividend determinants using various statistical test.
- Analysis the Lintner dividend model using pooled, panel and dynamic panel data models.
- Dividend policy and linkage with investors’ attitude and behaviour with sector comparison
- Post announcement stock return based on dividend announcement and profitability.