

IMPACT OF DIVIDEND ON MARKET VALUE OF EQUITY SHARE FOR SELECTED AUTOMOBILE COMPANY

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Abstract

A crucial component of the finance field is dividends. In order to create value for their shareholders, the field of financial management often deals with financing, allocating, and appropriately managing finances. India is currently the world's second-largest maker of two-wheelers, and by 2030, its vehicle sector is predicted to rank third globally. A study has been conducted to look into and assess how a company's dividend policy affects total volume, number of trades, turnover, and other factors, as well as the effect it has on share price. The present study was conducted using adequate research equipment. The top three businesses that consistently rank first each year are taken into consideration for the study. It is discovered that the trading of the company's average shares is unaffected both before and after a month of the dividend announcement.

Keywords: *Dividend, Market value, Automobile industry*

1. Introduction

Companies offer dividends to their shareholders as a thank you for their investment. Businesses can offer a variety of dividends, and they are often distributed quarterly or annually. The many forms of dividends and their mechanisms will be examined and discussed in this article. We'll also examine some of each type's benefits and drawbacks. Making an informed choice about stock

investment can be aided by being aware of the many kinds of dividends that are available. So let's get started and examine the various dividend formats.

The kinds of dividends that are handed out determine how they affect share values. Since investors receive an instant return on their investment, cash dividends typically have a favorable impact on share prices. Depending on the company's future performance and if the new shares will be worth more than the initial purchase price, stock dividends can also raise the value of shares. Depending on their market value at the time of payout, dividends from properties and scrip may also be affected. Since all remaining assets are sold off and shareholders are left with no chance of future profits, liquidating dividends typically results in a drop in share values.

The automotive industry can be divided into four groups. The first segment is two-wheelers, which includes electric two-wheelers, scooters, motorcycles, and mopeds/scottys, among others. Second, we can classify them as passenger vehicles, which includes multipurpose vehicles, utility vehicles, and passenger cars. Thirdly, there are commercial vehicles, which are further split into light, medium, and heavy commercial vehicles. Finally, there are three-wheelers, which comprise both passenger and cargo carriers.

2. Review of Literature

Dr. N. Sumathy & Dr. D. Rajasekaran (2019) In order to understand the nature of the link between certain variables and the dividend policy of the Indian automobile industry, as well as to investigate the elements that influence this policy, this article will discuss the determinants of dividend policy in Indian automobile companies. Methods of Research: Companies that paid dividends consistently between 2008 and 2009 and 2017 and 2018 were chosen for the study using judgment sampling. Regression and correlation analysis have been used to examine the gathered data.

Laljani J. (2021), Impact of Dividend Policy on the Company's Market Value This research paper offers a regression analysis of a selection of 1) 20 Russian company systems and 2) the top 5 oil and gas businesses from 2013 to 2019. Only when the policy is founded on the residual principle do dividends have a beneficial impact on capitalization, according to the regression results. The work's conclusions, which include suggestions and a statistical evaluation of reliance, can be used practically to ascertain an organization's dividend policy and forecast shifts in company capitalization.

Sabari Rajan Dr G B (2024) Examining the Effect of Dividend Policies on the Value of Listed firms: Indian Perspectives The aim of this research is to contribute to the body of literature by examining how dividend policies affect the value of listed firms in India. 596 firms that were listed on the NSE Stock Exchange between 2021 and 2024 make up the data used in this study. The empirical results, which were obtained using the Fixed Effects Model (FEM), verify that there is a positive correlation between the listed company's valuation and the dividend payout ratio. According to this research, investors would rather obtain cash dividends than future capital gains, which is consistent with the bird-in-hand argument. Furthermore, cash

distributions actually have a beneficial impact on the listed company's worth. The data supports the signaling theory, showing that a company's decision to distribute dividends in cash is a positive indication.

3. Research Methodology

Objective of Study

The objective of this research is:

1. To quantify the impact of dividend announcements on share price.
2. To assess how a company's dividend policy announcement affects overall volume, transactions, turnover, etc.
3. To investigate how the investing community views and feels while they are choosing an investment.

Sampling Design

The main objective of the research is to investigate the dividend policies that Indian companies have implemented, particularly those that operate in the automotive industry. Researchers must sort the businesses that will be regarded as the actual representatives of the population in order to achieve this goal. The analysis of secondary data is the foundation of the investigation.

Sampling Technique

The study used multi-stage sampling technique for the three selected Automobile companies in India.

Tools Used For Analysis

Regression modeling is utilized to determine the link between the variables that were chosen for this study, and descriptive statistics and correlation coefficient are employed to do so. The dependent variable is the Market Price Per Share (MPS). The following independent variables were used: Price Earnings Ratio (PERATIO), Dividend Per Share (DPS), Return on Equity (ROE), and Earnings Per Share (EPS).

4. Data Analysis & Interpretation

Table 1: Mahindra & Mahindra

Year	Date			Share Price (Rs.)		
	Before	Dividend Announce Date	After	Before	Dividend Announce Date	After
2024	06-Jun-24	06-Jul-24	31-Jul-24	278.15	302.8	303.25
2023	15-Jun-23	15-Jul-23	04-Aug-23	294.10	319.75	290.15
2022	16-Jun-22	16-Jul-22	05-Aug-22	171.30	204	195.5
2021	17-Jun-21	17-Jul-21	06-Aug-21	162.75	156.85	155.7
2020	18-Jun-20	18-Jul-20	07-Aug-20	168.35	229.6	135.35
2019	20-Jun-19	20-Jul-19	07-Aug-19	402.85	358.25	295.85

Change in Share Price (Rs.)		Change Share Price (%)		Volume Of Share		
Change Before	Change After	Change Before	Change after	Before	Dividend Announce Date	After
-24.65	0.45	-8.140686922	0.148612946	2532207260	577991766.1	131692607.5
-25.65	-29.6	-8.021892103	-9.257232213	652088564.4	878463967.8	1072452741
-32.70	-8.5	-16.02941176	-4.166666667	385006945.1	1250368254	918216701.9
5.90	-1.15	3.761555626	-0.733184571	2340779036	766463026	536911049.5
-61.25	-94.25	-26.67682927	-41.04965157	1661964428	28215479877	1382383305
44.60	-62.4	12.44940684	-17.41800419			

Year	Mean
2024	-24.425
2023	-40.45
2022	-36.95
2021	5.325
2020	-108.375
2019	13.4

Source: Computed Data

According to the mean values displayed in Table 1, Mahindra & Mahindra's performance from 2019 to 2024 demonstrates a trend of fluctuation and primarily decline. The business had a lucrative year in 2019 with a positive mean of 13.4. Following this, there was a significant decline in 2020, when the mean fell precipitously to -108.375, most possibly as a result of further financial failures or the COVID-19 pandemic's economic effects. With a positive mean of 5.325 in 2021, there were indications of recovery

and partial stabilization. The means for 2022, 2023, and 2024 were all negative—36.95, -40.45, and -24.425, respectively—so this was only temporary. These numbers show ongoing difficulties with profitability or rising costs, which could be brought on by problems with operations or the market. Only two of the six years had positive mean values, indicating that Mahindra & Mahindra has likely been under a lot of financial strain recently.

Table 2: Maruti Suzuki India Limited

Year	Date			Share Price (Rs.)		
	Before	Dividend Announce Date	After	Before	Dividend Announce Date	After
2024	03-Jul-24	03-Aug-24	27-Aug-24	12123.65	12027.65	12496.90
2023	04-Jul-23	04-Aug-23	29-Aug-23	9647.40	9470.40	9621.25
2022	05-Jul-22	05-Aug-22	31-Aug-22	8348.70	8841.20	9082.25
2021	07-Jul-21	07-Aug-21	24-Aug-21	7449.40	7081.75	6803.20
2020	15-Jul-20	15-Aug-20	26-Aug-20	5801.30	6768.40	7008.65

Change in Share Price (Rs.)		Change Share Price (%)		Volume Of Share		
Change Before	Change After	Change Before	Change after	Before	Dividend Announce Date	After
96.00	469.25	0.80	3.90	5640983697.50	13871976740.75	5931500002.45
177.00	150.85	1.87	1.59	2390379578.15	5149396866.95	3051937365.65
-492.50	241.05	-5.57	2.73	5134060750.70	4953833386.95	9215403526.40
367.65	-278.55	5.19	-3.93	2959823179.85	1877758454.30	4399264639.15
-967.10	240.25	-14.29	3.55	7252996208.35	6894690547.40	7005514681.50

Year	Mean
2024	330.625
2023	252.425
2022	-371.975
2021	228.375
2020	-846.975

Source: Computed Data

Table 2 shows that the financial performance of Maruti Suzuki India Ltd. from 2020 to 2024 shows a volatile trend based on the mean values presented. In 2020, the company experienced a significant loss with a mean of -846.975, indicating a challenging year likely influenced by external factors such as the pandemic. However, the company rebounded in 2021, achieving a positive mean of 228.375, showcasing a recovery phase. This upward momentum faltered in 2022, where the mean dropped again to -371.975, signalling another financial setback. Despite this, the company bounced back in 2023 with a mean of 252.425, and further strengthened its performance in 2024, reaching a high mean of 330.625. Even though Maruti Suzuki had a lot of ups and downs over the course of these five years, the

company has shown a strong recovery and increasing financial stability in recent years.

Based on the mean numbers displayed, Table 3 demonstrates that Hero MotoCorp Ltd.'s performance from 2020 to 2024 demonstrates a generally positive and lucrative tendency. The business recorded a robust mean of 178.3 in 2020, which suggests good profitability. Even though this performance fell to 94.325 in 2021, it was still very much in the positive range. With a mean of -1.75 in 2022, there was a modest decline, indicating a little financial hardship. Hero MotoCorp, on the other hand, recovered swiftly, recording a significant increase in 2023 with a mean of 400.17 and carrying on this pace into 2024 with a mean of 311.725. With the exception of a minor decline in 2022, the business has generally shown strong

and steady profitability, particularly in the most recent years, underscoring its sound financial performance and health.

Table 3: Hero MotoCorp Limited

Year	Date			Share Price (Rs.)		
	Before	Dividend Announce Date	After	Before	Dividend Announce Date	After
2024	02-Jul-24	02-Aug-24	12-Aug-24	5567.10	5274.20	5311.85
2023	28-Jun-23	28-Jul-23	09-Aug-23	2828.75	3172.50	3059.66
2022	29-Jun-22	29-Jul-22	09-Aug-22	2752.4	2775.45	2818.05
2021	24-Jun-21	24-Jul-21	04-Aug-21	2906.95	2810.25	2805.5
2020	03-Jul-20	03-Aug-20	12-Aug-20	2738.25	2631.3	2774

Change in Share Price (Rs.)		Change Share Price (%)		Volume Of Share		
Change Before	Change After	Change Before	Change after	Before	Dividend Announce Date	After
292.90	37.65	5.55	0.71	3859601547.05	2133547987.80	2994164097.00
-343.75	-112.84	-10.84	-3.56	2205010154.04	1406263594.15	1667619425.65
-23.05	42.60	-0.83	1.53	1805174091	1130196413	2474511745
96.70	-4.75	3.44	-0.17	2457606304	883933386.8	867741853.9
106.95	142.70	4.06	5.42	7169904939	6134527451	4958331984

Year	Mean
2024	311.725
2023	-400.17
2022	-1.75
2021	94.325
2020	178.3

Source: Computed Data

5. Findings

According to the research, Maruti Suzuki saw the greatest increase in share value as a result of dividends. The researcher has found that Maruti Suzuki showed the highest positive impact of dividends on share value. Hero MotoCorp's performance was inconsistent and mediocre. The influence of Mahindra & Mahindra was primarily negative. Although they take into account other aspects like management, growth, and brand, investors want steady dividends that are relatively high. Decisions about investments are not solely based on dividends.

6. Conclusion

Through secondary data analysis and the collection of company financial data, researchers were able to comprehend the elements of these influences on the market value of firms' shares. The researchers came to the conclusion that dividends had an effect on the market value of equity shares for automakers.

7. Limitation of Studies

The study only looks at the automobile industry by design. Other industries may have different customs, traditions, norms, and requirements. The survey excludes smaller businesses because it is based on the ET 500 Top Performing Indian Automobile Companies.

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