A Study on Impact of Share Prices Between Before and After Declaring Dividend in NSE Stocks

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Abstract - The globalization era share market growth as an indicator of economic development. Growth of manufacturing and service sectors is attracts foreign direct investment to the nation. India is most populated country but also it has most efficient human capital country. India has most effective and productive resources so that foreign investors ready to invest Indian stock market and companies. The risk and return calculations were trying measure the risk involved in the investment of selected shares. Optimum portfolio is giving not trying to maximum return to the share holders. But it try to avoid loss and get expected return to the share holders. The share price volatility is creating the dilemma in the minds of investors. Such kind of confusing situation they are ascertaining beta calculations to measure share price volatility and standard deviation. These are the calculations is helping investors to create optimum portfolio investment. The researcher try to find out there is significant changes between before declaring dividend and after declaring dividend. The most difficult financial decision is making profitable portfolio. Share trading and investment decision is crucial financial management process. The researcher and scholars trying find out reasons for share price volatility. The present study is exploratory in nature. The study is used secondary data for their analyses. It is found that there is no significant change between before declaring dividend and after declaring dividend.

Key words: dividend decisions, risk and return, changes in share prices

I. INTRODUCTION

The globalization era share market growth as an indicator of economic development. Growth of manufacturing and service sectors is attracts foreign direct investment to the nation. India is most populated country but also it has most efficient human capital country. India has most effective and productive resources so that foreign investors ready to invest Indian stock market and companies. Stock market volatility measures taken by the investors whether their share prices fluctuations may give result to profit or loss. Most of the financial analysis like ratio analyses, balance sheet analyses are done based on fear of investors due to market risk. Any rumors and false perception also affects share market and also investors' mindset. The recent day's changes in economy of our country may influence whole business world. Demonetization and implementation of new taxation system called GST in our nation. These are reasons to have great impact on share market prices.

The current political instability and economic slowdown may impact share price volatility and also reasons for heavy loss. Investors are always targeting optimum and profitable portfolio in order to reduce risk and make expected return. An understanding of the market volatility is important from the regulatory policy perspective. An investor aims to maximize the return and minimize the risk (losses) in the stock market. A company's liquidity in the present market can be determined by the dividend announcements made by the company. One of the most meaningful events for research is dividend announcements. In simple terms dividend is the cost of equity capital to equity shareholders[1].

Any announcement of changes in corporate finance variables like dividends in an uncertain economic environment are very often regarded as signals sent by the company management to be interpreted by the outside investors. Numerous models for interpreting such signals have been developed to explain the share price reaction to such announcements.

II. REVIEW OF LITERATURE

Subhendu (2014) found that there is a rise price after result but that rise in price is mainly due to market conditions rather than dividend. The increase or decrease in share price is not reflecting the amount of dividend. The CAR is positive in the long run after dividend announcement[2].

Anjali, Guntur (2016) finds that despite of investors do not gain significant value in the period preceding as well as on

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[1] Amit Balkrishna Joshi (2017) A Study on the Impact of Dividend Announcement on Stock Price, Journal of Advance in Social Science and Humanities,

[2] Pradhan, Subhendu Kumar (2014). "Impact Of Dividend Announcement On Share Price: Both Sector And Industry Wise Analysis." Samzodhana – J O U R N A L O F Ma N A G E Me N T, Vol. 3 Issue 1, 159-167.

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the dividend announcement day, yet they can gain value in the post announcement period. Investors do shift their security positions at the time of dividend announcement, which indicate that in post announcement period there is a possibility of information content in dividend announcement in BSE[3].

Poornima and Swathiga (2017) investigates the study on relationship between risk and return of selected stocks from two different sectors on NSE with the help of Capital Asset Pricing Model (CAPM). This empirical paper has been done by analyzing in selected stocks from sectors such as automobile sector and IT sector. Five stocks in each sector have been taken for the sample. Automobile industry is considered to be one of the fastest growing sectors in any developing and even in a developed country. As global economies are getting integrated, technology companies are finding it an over task to align to the changing realities. In such a scenario, analyzing stocks from the technology sector requires utmost caution and understanding. By analyzing the stocks from two different sectors, investors will find beneficial in which sectors to invest. The risk and return analysis linked with any industry reveals the intricacies involved with the particular industry. A study revealed that automobile sector showing positive return and low risk and IT sector showing negative return and high risk during the study period[4].

Subramanyam, and Nalla Bala Kalyan (2018) give investors a basic idea of investing into the mutual funds and encourage them to invest in those areas where they can maximize the return on their capital. The research provided an interesting insight into awareness about the mutual funds, risk taking abilities of investors and investment options preferred etc. The Indian Capital has been increasing tremendously during the last few years. With reforms of economy, reforms of investing policy, reforms of public sector and reforms of financial sector, the economy has been opened up and many developments have been taking place in the Indian money market and Capital market. In order to help the small investors, mutual fund industry has come to occupy an important place. This study helps us to understand how the companies diversify themselves in different sectors and in different companies to maximize the returns and to minimize the risks involved in it[5].

[3] Rane Anjali And Guntur Anjana Raju (2016), "Impact Of Dividend Announcement On Stockholder's Return – An Empirical Analysis Of Indian Healthcare Sector." Doctoral Research Conference In Business Studies And Social Sciences (DR16 India Conference) Paper ID: DRC610, Pp. 1–15.

[4] Poornima and Swathiga (2017) A study on relationship between risk and return analysis of selected stocks on NSE using capital asset pricing model, International Journal of Applied Research, 3(7): 375-378

[5] Dr. P. Subramanyam, and Dr. Nalla Bala Kalyan. (2018). "A STUDY ON RISK & RETURN ANALYSIS OF SELECTED SECURITIES IN INDIA." International Journal of Engineering Technologies and Management Research, 5(4), 79-86. DOI: 10.5281/zenodo.1244735.

Statement of the problem

The risk and return calculations were trying measure the risk involved in the investment of selected shares. Optimum portfolio is giving not trying to maximum return to the share holders. But it try to avoid loss and get expected return to the share holders. The share price volatility is creating the dilemma in the minds of investors. Such kind of confusing situation they are ascertaining beta calculations to measure share price volatility and standard deviation. These are the calculations is helping investors to create optimum portfolio investment. The researcher try to find out there is significant changes between before declaring dividend and after declaring dividend. The most difficult financial decision is making profitable portfolio. Share trading and investment decision is crucial financial management process. The researcher and scholars trying find out reasons for share price volatility.

Objectives of the study

The following objectives are framed for the present study

1. To measure volatility of share prices of selected share prices during pre-declaration and post declaration of dividend
2. To know the factors influencing share price volatility in selected stocks
3. To offer the suitable suggestions to investors in order to make profitable portfolio

III. Methodology

The present study is analytical in nature. The secondary data were used for the study. The selected share is based on dividend declared during the current year 2018. The study is selected share namely tide water oil, page Industries, Graphite India, Vedanta ltd, and Hindustan Zinc.

IV. Analyses and Interpretations

Impact of dividend declaration

	Share price before dividend declared	Share price after dividend declared	Difference	percent
Tide water oil	5101.2	5483.45	382.25	7.5
Page Industries	28885.05	26940.55	-1944.5	-6.7
Graphite India	965.45	974.1	8.65	0.9
Vedanta ltd	211.2	203.15	-8.05	-3.8
Hindustan Zinc	286.45	264.05	-22.4	-7.8

The above table shows that there is no expected change in the selected share. It is understood that after declare of

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dividend the share price is reduced due to unexpected dividend.

Earnings per share of selected shares

	1/11/2017	1/11/2018	Earnings per share	Percentage
Tide water oil	6469.2	5624.75	-844.45	-13.05
Page industries	19903.1	28642.65	8739.55	43.91
Graphite India	521.7	994.3	472.6	90.58
Vedanta ltd	343.35	212.8	-130.55	-38.02
Hindustan Zinc	324.6	263.6	-61	-18.79

The above table shows that Graphite India company share is giving maximum return from selected companies. Page industries is giving return after Graphite India. Vedanta ltd company share is giving maximum loss from selected companies.

Risk and Return

	1/11/2017	1/11/2018	Standard Deviation	Beta
Tide water oil	6469.2	5624.75	6.09	1.2
Page industries	19903.1	28642.7	9.08	1.14
Graphite India	521.7	994.3	1.18	17.17
Vedanta ltd	343.35	212.8	8.03	0.535
Hindustan Zinc	324.6	263.6	6.65	0.186

The above table shows that Page industries have maximum deviation from share prices. But high risk is calculated in Graphite India company shares. It is found that high return share have high rate of risk.

V. SUGGESTIONS

It is found that share prices in recent years were having impact on volatility due to many reasons. So the researcher suggest that short term investors are requested to think twice before invest in shares. Long investors get expected return.

The belief of dividend declaration was highly impact on share prices that could be disproved. So researcher suggests that investors make optimum portfolio in different sectors and different investment options.

The risk and return value is proved that high return has high volume of risk. It is suggested that investors get advice and suggestions from experts in stock market.

The selected companies gives an average Earning per share but high return companies having high rate of risk.

VI. CONCLUSION

The study risk return investigation helps the investor to pick up the securities based on his choice. Risk and return analysis plays a key role in most individual decision making process. The present paper investigates the study on relationship between risk and return of selected stocks from two different sectors on NSE. However, we cannot say that any one method is sufficient to analyze and interpret the fluctuations but they help the investor to define the trends to some extent.

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[1] Amit Balkrishna Joshi (2017) A Study on the Impact of Dividend Announcement on Stock Price, Journal of Advance in Social Science and Humanities,

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