
Dividend Decisions with Reference to SMC Global Securities Limited

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ABSTRACT

The Dividend Decision, in corporate finance, is a decision made by the directors of a company. It relates to the amount and timing of any cash payments made to the company's stockholders. The decision is an important one for the firm as it may influence its capital structure and stock price. In addition, the decision may determine the amount of taxation that stockholders pay.

There are three main factors that may influence a firm's dividend decision:

- Free-cash flow
- Dividend clientele
- Information signaling

The free cash flow theory of dividends theory, the dividend decision is very simple. The firm simply pays out, as dividends, any cash that is surplus after it invests in all available positive net present value projects. **Dividend clientele** is a particular pattern of dividend payments may suit one type of stock holder more than another. A retiree may prefer to invest in a firm that provides a consistently high dividend yield, whereas a person with a high income from employment may prefer to avoid dividends due to their high marginal tax rate on income. If clientele exist for particular patterns of dividend payments, a firm may be able to maximize its stock price and minimize its cost of capital by catering to a particular clientele. This model may help to explain the relatively consistent dividend policies followed by most listed companies.

Key words: Dividend, EPS, Earnings per share, Price earning, Networth

INTRODUCTION

The term Dividend refers to that part of the profits of a company which is distributed amongst its shareholders. It may therefore be defined as the return that a shareholder gets from the company, out of its profits, on his share holdings. "According to the Institute of

Chartered Accounts of India” dividend is a “Distribution to shareholder out of profits or reserves available for this purpose”

The Dividend policy has the effect of dividing its net earnings into two Parts: Retained earnings and dividends. The retained earnings provide funds to finance the long-term growth. It is the most significant source of financing a firm’s investment in practice. A firm, which intends to pay dividends and also needs funds to finance its investment opportunities, will have to use external sources of finance. Dividend policy of the firm. Thus has its effect on both the long-term financing and the wealth of shareholders. The moderate view, which asserts that because of the information value of dividends, some dividends should be paid as it may have a favorable effect on the value of the share.

The theory of empirical evidence about the dividend policy does not matter if we assume a real world with perfect capital markets and no taxes. The second theory of dividend policy is that there will definitely be low and high payout clients because of the differential personal taxes. The majority of the holders of this view also show that balance, there will be preponderous low payout clients because of low capital gain taxes. The third view argues that there does exist an optimum dividend policy. An optimum dividend policy is justified in terms of the information in agency costs.

NEED FOR THE STUDY

The principal objective of corporate financial management is to maximize the market value of the equity shares. Hence the key question of interest to us in this study is, “What is the relationship between dividend policy and market price of equity shares?”.

Most of the discussion on dividend of dividend policy and firm value assumes that the investment decision of a firm is independent of its dividend decision. The need for this study arises from the above raised question and the most controversial and unresolved doubts about the relevance of irrelevance of the dividend policy.

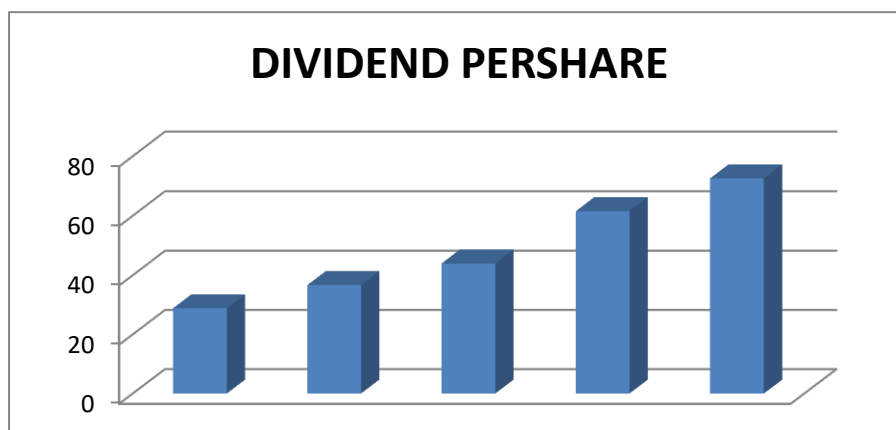
OBJECTIVES OF THE STUDY

1. To understand the theoretical backdrop of the various dividend theories.
2. To compare the various theories of dividend with reference to their assumptions and conclusions.
3. To know whether the dividend decisions have an impact on the market value of the firm’s equity.
4. To see the various dividend policies of the SMC Global Securities Limited.

COMPARISON OF DIVIDEND PER SHARE OF THE SMC GLOBAL SECURITIES LIMITED

YEAR	DIVIDEND PER SHARE
2016-2017	28.83
2017-2018	36.67

2018-2019	43.95
2019-2020	61.53
2020-2021	72.54

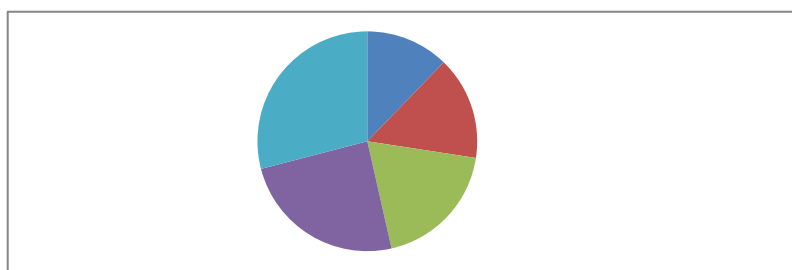


Interpretation:

The dividend Per Share of Smc Global Securities Limited, is Rs 28.83 in the year of 2016-17. The dividend per share for the next two financial years is constant (i.e. Rs 36.67) When it is compared with the year 2016-17 the dividend per share in the year 2017-18 it is increased at the rate of 28.83 % and 72.54 % in the year of 2020-21.

COMPARISION OF EARNING PER SHARE OF THE FIRM FOR THE LAST FIVE YEARS

YEAR	EARNING PER SHARE
2016-2017	36.1
2017-2018	44.73
2018-2019	56.09
2019-2020	72.17
2020-2021	85.61

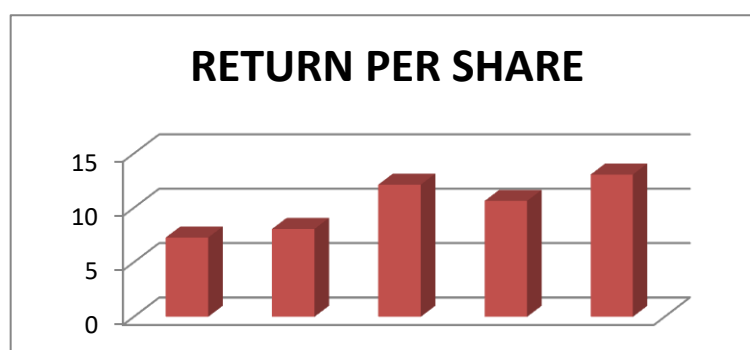


Interpretation:

The Earning per share of the firm is very low in the year 2016-17, but it is doubled in the next to next year. It indicates the increase in the revenue of the profit.

A PROFILE OF RETURN PER SHARE OF THE FIRM

YEAR	RETURN PER SHARE
2016-2017	7.27
2017-2018	8.06
2018-2019	12.14
2019-2020	10.64
2020-2021	13.07



Interpretation:

Return per share of Smc Global Securities Limited is low in the year 2016-17 and in the next year it has increased normally and after next year it is highly decreased. The year of 2020-21 the return per share highly increased that is 13.07.

COMPARISON OF PRICE EARNING OF THE SHAREKHAN CAPITAL

YEAR	PRICE EARNING
2016-2017	4.965612
2017-2018	5.549628
2018-2019	4.620264
2019-2020	6.782895
2020-2021	8.547878



Interpretation:

The Price earning value of the firm’s share is Rs 4.9 in the year 2016-17, it is same in the next year also. It is reported high during the financial years 2018-19, and 2019-20, However the price earning rate is high i.e. 8.54 in the year of 2020-2021.

COMPARISION OF PROFIT AFTER TAX OF THE SHAREKHAN

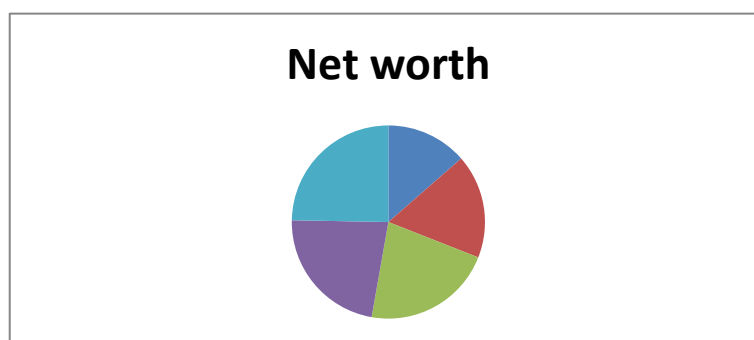
YEAR	PROFIT AFTER TAX (in Rs)
2015-2016	46.3
2016-2017	47.83
2017-2018	52.4
2018-2019	63.64
2019-2020	69.57

Interpretation:

The profit after tax of Smc Global Securities Limited had low at 2015-16 and next year was increased. After decreased at the year of 2019-20 increased highly. That is 69.57. It indicates the probability strength of the firm.

COMPARISION OF NET WORTH OF THE INDIBULLS LIMITED

YEAR	Net worth
2016-2017	402.49
2017-2018	515.13
2018-2019	646.52
2019-2020	667.05
2020-2021	732.13



Interpretation:

There is a gradual increased in the net worth of the firm subject to very high in the financial year 2020-21.

CONCLUSION

Efficient market with no taxes and no transaction costs, the free cash flow model of the dividend decision would prevail and firms would simply pay as a dividend any excess cash available. The observed behaviors' of firm differs markedly from such a pattern. Most firms pay a dividend that is relatively constant over time. This pattern of behavior is likely explained by the existence of clienteles for certain dividend policies and the information effects of announcements of changes to dividends.

The result for most firms tends to be a payment that steadily increases over time, as opposed to varying wildly with year-to-year changes in free cash flow.

- Investors in aggregate cannot be shown to uniformly prefer either high or low dividends
- *Individual investors*, however, have strong dividend preferences and will tend to invest in companies whose dividend policies match their preferences

Regardless of the payout ratio, investors prefer a stable, predictable dividend policy

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