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Dividend Practices in Selected It Sector Company in India, A Study

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Abstract

Dividend policy is a idiosyncratic cogitation that morphs heeding essence, dream and other attributes explicit to a company. Dilemma triggers an exigent financial decision for a firm grappled with the adjudication of the proportion of retained earnings and the disbursements in the mould of dividend to discharge the future exigencies of a company. Docility of IT industry has assumed primeval essence in a developing country like India due to its major-domos towards the growth of economy. IT companies, therefore, mundanely explore means to redo the biz to ameliorate performance. This study is an attempt to evaluate the dividend practices of Infosys Ltd., a leading IT sector company in India. The major findings of the study reveal that the selected company has followed consistent pattern of dividend payments and the association between dividend per share and earnings per share is strong positive followed by dividend per share and current ratio, and then dividend per share and capital employed. Spearman's Coefficient of rank correlation also exhibits that almost all the accounting variables have significant associations between them. Despite a complicated area on the subject of divided policy in corporate management, the study provides vital information for the IT company specifically those taken for the study and also for their potential investors thereon.

Keywords Dividend policy, Earnings per Share, Dividend per share, Capital employed, Current ratio

1. Introduction

Dividend policy is anindispensable determinant driving and maintaining the investment levels in the corporate world and shapes the linchpin of corporate policy. This policy connotes the regulations and logical decisions taken by the management of a company to decide pay-out for the shareholders in proportion to the shares held by them. Dividend policy of a firm can be operated as an indicator of firm's future prospects for investors (Al-Malkawi et al., 2010). However, actual determinants of dividend policy in any company develop from more pragmatic considerations than theoretical difference between the rate of return and cost of capital. Due to the existence of uncertainty, individual shareholders always prefer current dividend to future uncertain capital gain which bucks low payout ratio. Thus, firm value and dividend payout are inter-related (Amidu, 2007). Of course, management needs to contemplate fund for the growth and expansion of company which will certainly put a ceiling to dividend payout ratio. Dividend policy can affect the value of firm's share and ultimately breeds shareholders' wealth maximization (Barker et al., 2001).Working out an appropriate mix between the dividend pay-out and the retention of the profits for the company is a big challenge. Stability in dividend rate also has worth on share market. Of course, working capital position of a company, expectation of its earnings, liquidity, profitability, capital structure, financial leverage, etc. beseem to influence the determination of dividend policy and, therefore, a number of accounting variables are considered important in this context.

Besides, in a complex corporate environment, there have been metamorphosis in all aspects and decision areas of financial management resulting a profound change also in the dividend policy pursued by Indian companies ensuing globalization of the Indian economy. IT or Information Technology is an illustrious developed sector of India which seldom has endorsed ebbs in eons. Success of this sector has distinguished the returnto its equity holders as the most gripping theme of the research. Hence, the present research is passionate to scanning into the relevance of the dividend policy of the IT sector company specifically following an illustration of Infosys Ltd. which has clutched a positive trend and is likely to have a rosy future in decades to enter.

2. Infosys –An introduction

Infosys Limited, an Indian Information Technology Company(ITC)headquartered in Bengaluru, Karnataka, India was established in 1981 with an initial investment of US $250. It imparts all-embracing management consultant and infotech facilities. Infosys serves about 45 countries by way of devising and implementing multiple computerized techniques, and rejuvenates different establishments to attain dexterity. This worldwide appreciated corporate provides superb business solutions utilizing technology extricated by distinguished people. FICO score (credit score) of Infosys is A-(rating by Standard and Poor).Infosys' leading position captioned as an Asian invasion in the rankings (Forbes India Magazine,2020) and graded 3rd in the world among the best companies,2019 based on its solidity, honesty, etiquette, justness to its employees and the accomplishment of its products and services which instantiates the company’s culinary masterpiece, the veneration it enkindles amongst its stakeholders and also illuminates the commitment of universal technological services (Forbes American Business Magazine,2020). Besides capital growth, Infosys is popular among its investors due to its regular and attractive dividend policy with incremental frequency.

3. Dividend-concept

Dividend is the distribution of profit after all expenses and after retaining the amount required for future growth of a company among shareholders in proportion to the shares held by them. Section 2 (35) of the Companies Act, 2013 defines dividend as the profit of a company which is not retained in the business and is distributed among the shareholders in proportion to the amount paid-up on the shares held by them. Hence, companies having surplus and running efficiently disburse the residual amount to their investors as a reward for providing funds to them. Dividend decision is an inalienable part of company’s strategic financial decision and is a compensation payable to shareholders relative to degree of risk taken (Lipson et al., 1998). Dividend decision is an important crux in finance (Brealey and Myers, 2002). Management should develop such a dividend policy in an optimal way to achieve the objective of maximizing shareholders’ wealth. There must be optimum dividend policy if dividend policy is relevant and if not relevant then any dividend policy is satisfactory.

4. Theories Elucidating Dividend Policy

Dividend policy is contemplated as a key financial decision and is swayed by manifold deliberations in its dispositions. Contrasting theories attempting to define the uniqueness of investors towards dividend policy betone the impact of this policy on firm’s financial position. Few important theories are:

(i)Dividend Irrelevance Theory: Modigliani and Miller (M&M) opined that dividend policy of a company is impertinent with the price of its shares and hence shareholders’ wealth. Rather, firm value is affected only by the profits actualized and the risks to which firm’s assets or investments could be divulged. This theory expounds that investors persuade return on stock disregarding stock’s dividend. However, their proposition has become practically irrelevant apropos its very restrictive assumptions concerning market conditions, company’s investment policy, tax considerations, etc.

(ii)Bird-in-the-Hand Theory: Birds-in-the-hand theory states that dividends are unlikely to blemish than capital gains. Typically, investors prefer dividends to extremely uncertain capital gains because dividends have lesser risk than capital gains (Amidu, 2007).

Investors prefer dividend above capital gains as to stocks. Investors favor profits since profits are more resolute than future capital gains (Gordon, 1963 and Lintner, 1956). Amidst tax negatives, management yet addresses to requite it to greenlight if investors have panic of dubiety. Investors adopt a certain revenue over the expectation of a higher, but slighter certain future gain (Hussainey et al.,2011).

(iii)Signaling Theory: Signaling theory exclaims that dividend policy would be contemplated as a technique to transit information about company's future expectation to investors. Providing dividend in cash accords material information to stockholders as they lack sufficient information about subsequent proceeds of company comparing to management. This fashion abates information incoherence. Therefore, investors can exercise this information to appraise share value of company.

(iv)Agency Theory: Based on this theory, investors intend to enhance their cash gains by the disbursement of a better cut of profits while management favors increase the segment of retained earnings to assure adequate funds for investment fostering agency conflict. Management gravitates to choose the dividend policy which yields its narcissism as against to designate those which boost the value of stockholders (DeAngelo, DeAngelo, & Stulz, 2006). Uprightly, management outlines in its own interest that results in agency cost. Agency cost developing from discordance between ownership and control illuminate dividend policy (Easterbrook, 1984).

(v)**Clientele Effect Theory:** Clientele effects theory demonstrates that dividend policy decisions carried out by firm affect investor distinctly. Some investors prefer companies providing substantial profits appearing as dividends whilst other sections espouse companies with high retained profits. Distinct tax on dividends and capital gains is cardinal for the investors behaviors towards dividends and capital gains (Kajola et al., 2015).

(vi)**Tax Preference Theory:** Based on this theory, investors favor to retain profits akin to profits unallocated over allocation of cash dividends if capital gains concerning sale of shares are exempt from tax or if tax on these profits is below tax on cash dividends. Smaller the percentage of cash dividends at the cost of unallocated profits, higher the shareholders' wealth with other factors remaining untouched. Investors, therefore, claim copious cash dividends than they obtain from other firms. Thus, firms distribute cash dividends for adjusting taxes investors will provide.

(vii)Residual Theory: This theory implies that dividends are irrelevant; shareholders are indifferent between dividends and retentions.

(viii)Walter, James E. Model (1963): This model asserts that dividend policy preponderantly affects the value of firm. Only when the return on investment earned by a company is equal to its cost of capital does the market price of its shares become inconsiderate to its dividend policy.

(ix)Myron J. Gordon's Model (1963): This model also accepts that dividend policy has definite relevance to value of shares. Actually, dividend policy is relevant or not is still an issue of debate.

5. Literature review

Kolawole, E. et al. (2018) in their study on the effect of dividend policy on the performance of listed oil and gas firms in Nigeria found that retention ratios and dividend policy are positively correlated with the EPS of a company. Thirumagal and Vasantha (2018) in their research paper on impact of dividend payout on shareholders wealth in Indian industries observed negative correlation between the declaration of dividend policy and the price of the shares which effectuates large swings in the shares price between pre-dividend and post-dividend declaration. Kanwal and Hameed (2017) in their research on the relationship between dividend payout and firm financial performance, research in business and management found a positive relationship between the dividend payout and financial performance of a company.

Booth and Zhou (2017) in their research on dividend policy: a selective review of results from around the world found significant positive relationship of the dividend policy with economic performance of an organization and significantly negative relationship with the size of the firm and no significant relation with the liquidity of a firm. Labhane and Mahakud (2016) in their research on determinants of dividend policy of Indian companies: a panel data analysis indicated that determinants like higher maturity, profitability and liquidity yield increased pay-out ratio whereas the companies with higher leverage and opportunities of investment and risk spawn decreased probabilities of dividend pay-out. Khan et al. (2016) in their paper on impact of dividend policy on firm performance: an empirical evidence from Pakistan Stock Exchange found that while return on assets has positive association with the dividend payout ratio but debt-equity ratio and return on equity have negative association with the dividend payout ratio of a company. Sylvester (2015) in the research on the relation between dividend policy and stock returns in the Dar Es Salaam Stock Exchange, Tanzania concluded that dividend declaration has relationship with the share prices and such level of significance is much when dividend dates are announced, and also found that the debt ratio and ageing of the companies carry a significant impact on the dividend policy of the companies registered on NSE. Vandemaele and Vancauteren (2015) in their study on nonfinancial goals, governance, and dividend payout in private family firms found that in cases when the CEO is a family member then dividend payouts are low as in this context retained earnings of the company appear to be stronger than the positions otherwise. Sharma and Pandey (2014**)** in their paper on dividend signalling and market efficiency in an emerging economy: a study of Indian Stock Market found no or nil signalling impact of the dividend increase/decrease on the side of monetary effects declaration at the price of the company's shares. Yegon et al. (2014) found significant positive relationship between dividend policies of organizations and firm's profitability, between dividend policy and investments and between dividend policy and earnings per share. Masum (2014) in the study observed positive association between dividends and stock prices considering earnings per share, return on equity, retention ratio while dividend yield and profit after tax have poor relation with stock prices. Thus, the study indicates that dividend policy has expressive significance on stock prices. Adediran and Alade (2013) in their study on Nigerian companies revealed that divided policy has positive relationship with profitability ratios and, thus, effective dividend policy will facilitate companies to entice investors. Priya et al. (2013) observed eloquent effect of dividend policy ratios on all firm performance ratios except return on investment and return on equity. EPS, P/E and PB have significant correlation with ROA. P/E with ROE while EPS and PB with ROE. Khan and Naz (2013) in their study disclosed that profitability of any firm positively impacts dividend payouts while leverage has inapposite impact on firm dividend payouts. Musa et al. (2020) showed in their study significant positive relationship of dividend per share with return on assets while insignificant positive relationship with return on equity. Dividend pay-out has insignificant negative relationship with return on assets but insignificant positive relationship with return on equity. Hafeez et al. (2018), Wijekoon (2019) and Cyril et al. (2020) detected in their study positive and significant connection between earning per share with firm performance. Narang (2018) discovered no correlation of earning per share, dividend pay-out ratio and price earnings ratio with return on equity and return on asset. Ogbuagu (2020) showed positive significant relationship of independent variable with the dependent variable. Ugwu et al. (2020) found statistically significant relationship of dividend per share with return on equity while statistically insignificant relationship of the variables such as dividend pay-out ratio, earning per share, firm size with return on equity. Khan (2018) observed significant positive relationship between earnings per share and return on equity in the cement sector in Pakistan; however, insignificant relationship between dividend per share and financial leverage with the return on equity. Anandasayanan and Velnampy (2016) revealed significant impact on dividend policy of the firm with corporate profitability. Kajola and Adewumi (2015) observed in their study significant positive relationship between dividend pay-out policy and financial performance of firms. Nduta Caroline (2016) disclosed that the major factors influencing the financial performance are timing of dividend payments and dividend payments while leverage and total assets have no significant impact on the financial performance of a firm. Kanwal (2017) distinguished that dividend payout positively impacts financial performance of firm and also dividend policy concerns financial performance.

EBIRE Kolawole (2018) spotted that retained earnings and dividend payout ratio favorably affect earnings per share while dividend yield substantially but adversely impacts earnings per share. Farrukh Khadija et al. (2017) espied in their research that dividend policy has close correlation with firm's profitability. Enekwe et al. (2015) disclosed that dividend payout ratio has positive relationship and dividend payout ratio has statistically significant with return on asset and return on capital employed while dividend payout ratio has statistically insignificant with return on equity. Velnampy et al. (2014) showed in their study insignificant correlationship of earning per share and dividend pay-out ratio with firm performance such as return on asset and return on equity.

6. Objective of the study

The study has the following prime objectives:

i) To know the dividend policy of the selected company, Infosys Ltd.;

ii) To assess two crucial measures portraying the dividend policy of the selected company, such as DPS (dividend per share) and DPR (dividend payout ratio) and three important parameters influencing dividend policy, such as EPS (earning per share), CR (current ratio) and CE (capital employed);

iii) To test the influence of profitability, liquidity and size of the business or scale of operation of the selected company on its dividend policy;

iv) To discern the correlation, if any, between the selected accounting variables of Infosys Ltd. such as (a)working capital (WC) to net worth (NW) ratio and rate of dividend (RD); (b) current ratio (CR) and dividend payout ratio (DPR); (c) rate of dividend (RD) and market price of shares (MPS); (d) retention ratio (RT) and market price of shares (MPS); (e) profit before interest and tax (PBIT) to net worth (NW) ratio and market price of shares (MPS); (f) profit before tax (PBT) and market price of shares (MPS): and lastly (g) profit after tax (PAT) to net worth (NW) ratio and rate of dividend (RD).

7. Materials and Methods

In an attempt to meet the objective proposed in this study, the author has compiled data from the reports published on corporate website. This study is descriptive in nature and has used mostly secondary data like books, journals, websites, etc. The study confines to the period of 5 years i.e. from 2017-2018 to 2021-2022 as the data beyond this period is not systematically accessible. Hence, the conclusion drawn from the study is also limited to this period. Out of 15 sample companies in India from different sectors, Infosys, a top IT sector company has been selected for the study for its masterpiece in genuine corporate social responsibility(or,CSR) activities and others through sound CG which help the company attain long-term sustainability. Other considerations are that Infosys stood 1st position in the Indian Companies List,2019 based on its performance in four metrics like sales, profits, assets and market (Business World Issue,2020). Stratified random technique tool is exercised for selecting the sample unit. Besides descriptive study, the researcher also conducted survey study with the help of issue of questionnaires, etc. Discussions and personal interviews with the staffs and the concerned authorities of the company were undertaken by the researcher. On-the-spot studies were carried out with the help of well-structured questionnaire. Tentative questionnaires were pre-tested with the staffs and authorities. Although there was found apathy or indifference on the part of executives in supplying information, the author could overcome the same through moral persuasion and intensive pestering. It was made clear to them that the information so collected will be exclusively used for academic purpose and proper secrecy will be maintained. Editing, classification and tabulation of the financial data collected from the above-mentioned source have been done as per the requirement of the study. Moreover, calculations have been made scrupulously. For the purpose of analyzing the data, simple mathematical tools like ratios, percentages, etc. and statistical techniques like measures of central tendency, measures of dispersion, Karl Pearson's simple correlation analysis, etc. have been used. Spearman's coefficient of rank correlation has also been computed for the selected company after making necessary correction or adjustment for tied ranks in appropriate cases.

Students' 't' test has further been applied to test whether the computed value of such correlation coefficient is significant or not. The following formulae have been adopted for our calculations:

(i) Karl Pearson's Coefficient of Correlation: $$r(X, Y) = \frac{\mathrm{Cov}(X, Y)}{\mu X \, \mu Y}$$

where X and Y are two variables and correlation coefficient between these two variables is denoted by r (X, Y).

(ii) Spearmen's Rank Correlation Coefficient :

$$r = 1 - \frac{6\sum d^2}{n(n^2-1)}$$

where d represents the difference of the ranks of an individual in the two characters; n is the number of individuals and r is rank correlation coefficient.

(iii) Student's 't' test :

$$\frac{r}{\sqrt{(1-r^2)}} \times \sqrt{(n-2)}$$

where r is correlation coefficient.

8. Limitations of the study

The study suffers from certain limitations as follows:

- The study based on secondary data has implemented accounting records of sample company. In conclusion, therefore, quality and authenticity of secondary data are important to the study.
- The study covers only one company with explicit study period and, therefore, makes it difficult to draw any definitive conclusion. Although care has been taken in selecting the company, it does not axiomatically epitomize the saturated market.
- The study has identified many other factors pertained to dividend policy that directly or indirectly affect the performance of the company.
- Diverse methodologies can be employed to evaluate the dividend policy of company and to test the relationship between dividends and variables. There is intellection among adepts.

9. Results and Discussions

9.1. Dividend practices of Infosys Ltd.

Infosys Ltd. pays dividend twice a year. An interim dividend is generally declared by the board in October along with the adoption of second quarter results. Besides, board of directors of Infosys Ltd. in their meeting recommends final subject to shareholders' approval in the ensuing Annual General Meeting. As per Indian Income Tax Act, 1961, dividend paid and distributed by a company is taxable in the hands of shareholders. Therefore, the company is required to deduct taxes at source (TDS) at the rates applicable on the amount distributed to the shareholders. Further, as per the Finance Act 2021, section 206AB has been inserted w.e.f. July 01, 2021 wherein higher rate of tax (twice the specified rate) would be applicable on payment made to a 'Specified Person' defined under the provisions of the aforesaid section. Thus, companies paying dividend are required to withhold tax at the applicable tax rates for resident shareholder at 10% with valid Permanent Account Number (PAN) or at 20% without PAN/invalid PAN and for Non-Resident shareholders at the rates prescribed under the Act or Tax Treaty, read with Multilateral Instruments, if applicable.

No withholding of tax is applicable if the dividend payable to resident individual shareholders is up to Rs. 5,000 p.a. within a financial year. The company has enabled a shareholder portal for shareholders to upload the relevant tax documents for purposes of tax deduction at source.

An attempt has been made to present the association between the determinants and adopt correlation test to get the statistical evidence supporting the association to present the evidential findings of this study. For analysis of dividend practices of Infosys Ltd., the two important parameters such as DPS and DPR and three vital determinants such as EPS, CE and CR have been detailed in Table 1. The major findings of the analysis are detailed below:

i) DPS: DPS shows the amount of dividend paid to the ordinary shareholders on a per share basis. Table. 1 shows a fluctuating trend during the period of study. DPS were Rs.43.50 crores, Rs.21.50 crore, Rs.17.50 crores, Rs.27.00 crores and Rs.31.00 crores in the years 2017-2018, 2018-2019, 2019-2020, 2020-2021 and 2021-2022 respectively. On an average, DPS was Rs.28.10 crores. Thus, it varied from Rs.17.50 crores in 2019-2020 to Rs. 43.50 crores in 2017-2018. SD and CV were Rs.8.98 crores and 31.96% showing moderate rate of inconsistency or stability in the dividend payment of the company.

ii) DPR : DPR indicates the extent of the earnings after taxes and preference dividend paid out as dividend to the ordinary shareholders. This ratio measures the relationship between the dividend per equity share and the earnings per equity share. Hence, it shows what proportion of earnings per equity share has been used for paying dividend per equity share. DPR was highest in 2018-2019 which stood 0.94 time or 94% and the lowest was in 0.46 time or 46% in 2017-2018. DPS and EPS were highest in 2017-2018 but the company's DPR was lowest in this year. In 2018-2019, though EPS was lowest an DPS was followed by the lowest but the company's DPR was highest. DPR lower than 100 indicates retention of earnings or ploughing back of profits while a higher than 100 indicates distribution of a part of retained earnings or reserves in the form of dividend. This exhibits the nature of dividend practices followed by the company. Table.1 shows Infosys Ltd. had less than 100% rate in all the years of study implying retention of earnings after dividend payment. On an average also, DPR was less than 100%(0.62 time or 62%). SD and CV were 0.20 time and 32.26% respectively signifying moderate stability in the payment of dividend.

Table.1: Selected Parameters and Selected Determinants of Dividend Policy of Infosys Ltd. under Study

YEAR	DPS (Rs.)	EPS (Rs.)	DPR(Times)	CR(Times)	CE (Rs. in Crore)
2017-2018	43.50	71.28	0.46	3.78	63,502.00
2018-2019	21.50	33.66	0.94	3.00	62,711.00
2019-2020	17.50	36.34	0.61	2.88	62,234.00
2020-2021	27.00	42.37	0.51	2.74	71,531.00
2021-2022	31.00	50.27	0.60	2.10	69,306.00

π	28.10	46.78	0.62	2.90	65856.80
µ	8.98	13.53	0.20	0.54	3812.07
CV(%)	31.96	28.92	32.26	18.62	5.79

iii) EPS: EPS of a company measures earnings available to the equity shareholders on a per share basis. EPS influences market price of equity shares of a company. It is an important measurement of dividend policy of a company. Table.1 shows both DPS and EPS had close association except in the year 2019-2020 where though EPS had increased but DPS had decreased. In the remaining years, with rise and fall of EPS, DPS also rises and falls. Usually, higher the earnings, greater is the dividend and vice versa. EPS in Infosys Ltd. had highest EPS in 2017-2018 (Rs.71.28 crores) and lowest in 2019-2020(Rs.36.34 crores). On an average EPS was Rs.46.78 crores. SD and CV were Rs.13.53 crores and 28.92% respectively indicating moderate stability in EPS of the company.

iv) CR: CR provides an acceptable measure of short-term financial strength or solvency of a company. This ratio shows a company's ability to meet its current obligations or liabilities. Table.1 depicts that CR of Infosys Ltd. varied from 2.10 times in 2021-2022 to 3.78 times in 2017-2018. On an average, CR was 2.90 times. Taking 2:1 as yardstick, CR of the company was found satisfactory. SD and CV of the company were 0.54 time and 18.62% respectively less inconsistency of the company.

v) CE: CE indicates the size of the business or scale of operation of the company. It represents the amount of capital invested in the business. Table.1 reveals that CE of Infosys Ltd. had continuously decreased till 2021-2022. So, overall observation shows decreasing trend. Highest CE was observed in the year 2020-2021(rs.71,531.00 crores) and lowest was in the year 2019-2020(Rs.62,234.00 crores). On an average, CE of Infosys Ltd. was Rs. 65856.80 crores. SD was Rs. 3812.07 crores and CV was 5.79% showing less instability of the company.

9.2. Correlation analysis

An attempt has been made to examine the impact of profitability, liquidity and size of the business on the dividend policy of Infosys, the selected company by computing Karl Pearson's simple correlation coefficients between DPS and each of the selected parameters i.e. EPS, CE and CR. Coefficient correlation also evidences the degree of association between each other. Table.2 shows that correlation coefficient between DPS and EPS during the period of study was 0.971 which was found to be which was found to be highly significant at 5% level of significance. because the calculated 't' value of 7.034 is higher than the table value of 2.57. It signifies that there was a very

Table.2: Correlation Coefficient between the Selected Accounting Variables Affecting Dividend Policy and Dividend Per Share of Infosys Ltd. under Study

Relationship between	Correlation Coefficient (r)	Calculated 't' value of r
DPS & EPS	0.971	7.034
DPS & CE	0.156	0.274
DPS & CR	0.452	0.878

Significant degree of positive relationship between the profitability and the dividend payment policy of the company during the period of study. Accepting the view higher the EPS, higher the DPS and vice versa, the commuted value of correlation coefficient between DPS and EPS conforms with the accepted view.

Correlation coefficient between DPS and CE of Infosys Ltd. for the period under study was 0.156 which also indicates positive correlation between DPS and CE. Again, the study on the inter relationship between the degree of DPS and CR shows positive association in Infosys Ltd. Correlation coefficient between DPS and CR was 0.452 revealing positive association between short-term liquidity and the dividend payment policy of the company during the period of study.

9.3. Coefficient of rank correlation

Spearman’s rank correlation coefficient has also been computed and shown in Table.3. There are

Table.3: Coefficient of Rank Correlation between the Selected Accounting Variables of Infosys Ltd, under study

WC/NW Ratio & Rate of Dividend	CR & Dividend Payout Ratio	Rate of Dividend & Market Price of Share	Retention Ratio & Market Price of Share	PBIT/NW Ratio & Market Price of Share	PBT & Market Price of Share	PAT/NW Ratio & Rate of Dividend
+0.1	-0.1	+0.9	+0.9	-0.1	+0.2	+0.8
(+0.1741)	(-0.1741)	(+3.5762)	(+3.5762)	(-0.1741)	(+0.3536)	(+2.3094)

Figures in parentheses indicate ‘t’ values.

seven ‘r’ values for the seven types of expected relationship investigated. For testing the significance of these ‘r’ values, student’s ‘t’ test is also applied.

The table value of ‘t’ at 5% level of significance for 18 degrees of freedom (d.f.) is 2.10. The computed values of ‘t’ for ‘r’ are given in the parentheses.

The computed ‘r’ values at 5% level of significance were (+)0.1, (-)0.1, (+))0.9, (+))0.9, (-)0.1, (+)0.2 and (+)0.8. The corresponding ‘t’ values were (+)0.1741, (-)0.1741, (+)3.5762, (+)3.5762, (-)0.1741, (+)0.3536 and (+)2.3094 respectively. Thus scanning the ‘r’ values, it is found from Table.3 that all positive values of ‘r’ were significant. The corresponding ‘t’ values are given in parentheses. Table.3 evidences the number of cases in which the coefficients of rank correlation between the ratios accounting variables had been found significant. It is found from Table.3 that out of seven accounting variables, ‘r’ had been found significant in five cases and for the remaining two cases, ‘r’ was insignificant.

Stability of dividend is a desirable objective of management of most companies in practice. Stability of dividend refers to the amounts paid out as dividend regularly. Table1. shows the average rate of dividend and standard deviation of the rates for the selected company for the last five years. Average rate of dividend of Infosys Ltd. was Rs.28.10 and S.D. and C.V. were Rs.8.98 and 31.96% respectively. Objective may be varied although there were exceptions in the years. Besides stability of dividend, a firm’s dividend decision is also affected by certain legal, contractual and internal requirements and commitments.

10. Concluding observations

- Infosys Ltd. had been avowing a sound dividend payout in all the years except in the year 2017-2018 where it was below 50%. Hence, the tendency of the company to follow liberal dividend payment policy was observed during the period of study.

- Accounting variables like DPS, EPS and CR had dropped substantially despite the increase of the size of business or scale of operation (CE) of the company, DPR had increased significantly. This confirms the adoption of a liberal dividend payment policy by the company selected for study during the period under reference.
- Correlation results reveal positive association of all the accounting variables of the company during the period of study.
- Despite the decrease of DPS, EPS and CE and the increase of CE, the company had maintained stability in payment of dividend during the years under reference.
- Coefficient of rank correlation shows that out of seven accounting variables, only relationships in two cases viz. CR and Dividend Payout Ratio and PBIT/NW Ratio & Market Price of Share, 'r' were insignificant. For all other 'r' relationships, 'r' were significant.
- The study does not advance any classic opinion as to which accounting variable had impact on dividend and/or share price. Limitation of this study itself is that only one company has been selected. On the whole, it appears that there is no set pattern displayed by accounting figures. Dividend decision is a micro level decision to be observed more closely for Infosys Ltd., the selected company.

11. Suggestions

The study offers the following suggestions:

- ✓ Dividend policy should be intended to maximize shareholders' returns and quit adequate provisions available for future requirements.
- ✓ Management should essay to boost shareholders' wealth and retain abundance to meet company's futurity.
- ✓ Although shareholders' tax position and their projections, growth stage, capital structure and accession to capital markets have judicious effect on dividends but these can be construed when framing dividend policy. For profitability and dividend practices, tax policy, financial leverage, growth stage and capital structure should be studied apropos modifications in the past dividend patterns.
- ✓ Stock trading and pricing are mostly built on speculation and scheme notice rather than fundamentals; dividend policy should basically be built on earnings capacity and future prospects.
- ✓ For experiencing more effective productivity, Infosys Ltd. should improve the quality of sales growth and also harmonize their responsibilities with welcome dynamics.
- ✓ Besides specific accounting variables, other factors can be regarded. Variables in this study can be used as predictor variables.
- ✓ In the selected IT company, capital is intensive. However, acquisition policy of fixed assets should be well-thought-out to employ the funds swimmingly for dividend distribution policy.

12. Implications of the study

Dividend policy and practice of its disbursement have been one of the most critical aspects of corporate finance. The study will provide key data for the IT company explicitly those accepted for exploration and their budding investors thereon. The paper will befriend the bibliolaters to evolve cogent perceptivity on dividend policy to trivialize their investor turnover ratio and also to execute healthy investment decisions for the investors which is still a sticky wicket in financial management. This study is also significant because an attempt has been made to develop appropriate dividend policy models and will also foster the rationales for further studies to be garnered by the academicians.

13. Future research scope

The study is bloomed on distinct IT sector company. Exploratory study may further be elevated taking myriad companies of IT sector for lots of years ingrained on their dividend strategy to disseminate the conclusion. Future researchers can practise distinctive approaches and can better other sectors as well. Also, other variables must be contemplated besides those exerted in this study. There is no consensus among experts addressing dividend policy.

The researcher adjudges that the prospect in this sphere demands extensive study to consummate more upbeat ending and aches for other better placed for dividend ideology to be emancipated by next research.

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