

A Study on the Effect of Dividend Announcement Dates on the Stock Prices of Various IT Companies

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Abstract

A research has examined the effects that dividend declarations have on stocks by studying three essential profit distribution dates including declaration date, ex-dividend date and record date. Through dividends companies distribute profits to shareholders and this payment method regulates stock market activity and investor actions. The presented research bases its findings on the analysis of financial data from three IT organizations namely Tata Consultancy Services, Mphasis and Oracle Financial Services Software Limited. Stock price changes demonstrate specific behavior patterns during the period when dividends are announced. Strategic dividend policy assessment remains vital for business stability and shareholder contentment as shown through this research-based findings regarding stock market reactions to dividend announcements.

Keywords: Financial Data, Stock Returns, Declaration Date, Ex-Dividend Date, Record Date, Investor Behaviour, High Dividend Companies

Introduction

Shareholders receive dividends through profit distributions companies make from their earnings which offer two dividend expression types: fiat amount per share or actual stock face value percentage. The majority of businesses decide to go public to have more shareholders while post-listing any individual can buy stock. Throughout each period shareholders automatically get dividend distributions which the company board decides along with establishing ex-dividend dates and payment schedules.

Objectives

1. The influence of dividend dates including declaration date and ex-dividend date and record date will be studied on stock prices.
2. The identification of companies maintaining steady high dividend payouts in relationship to their share price needs to be done.

Significance of the Study

Dividends allow companies to share a portion of their earnings with shareholders, providing a regular income stream. Investors value dividend-paying stocks for this steady cash flow, which can supplement other income and offer stability during market fluctuations. It is significant as it helps investors, companies, and regulators understand the relationship between dividend-related dates and stock price movements. By analysing how stock prices adjust around the declaration, ex-dividend and record the study provides valuable insights for investors to time their trades more effectively and optimize returns.

Research Methodology

This study is based on secondary data.

Historical Data: Collected dividend related data of three companies of the financial year 2023-24 from sites like Yahoo Finance and Money Control.

Results and Discussions

Tata Consultancy Services

Declaration Date: 30-06-2023

Before	Adj close	After	Adj close
20-06-2023	3,150.58	30-06-2023	3,223.35
21-06-2023	3,180.35	03-07-2023	3,194.12
22-06-2023	3,161.12	04-07-2023	3,229.79
23-06-2023	3,139.50	05-07-2023	3,240.63
26-06-2023	3,113.44	06-07-2023	3,243.51
27-06-2023	3,120.96	07-07-2023	3,249.71
28-06-2023	3,138.62	10-07-2023	3,193.77
30-06-2023	3,223.35	11-07-2023	3,194.21

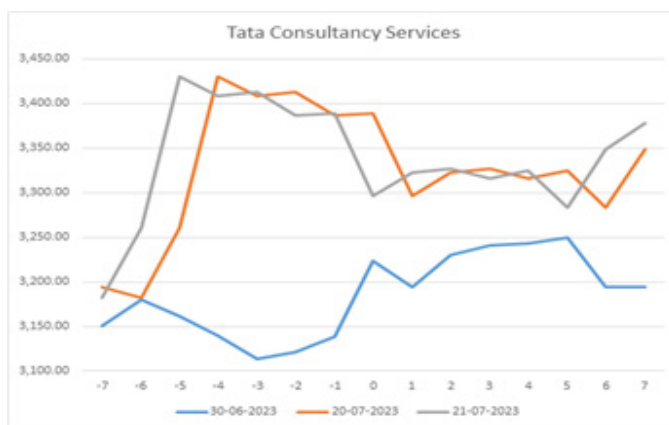
Ex-Dividend Date:20-07-2023

Before	Adj close	After	Adj close
11-07-2023	3,194.21	20-07-2023	3,389.34
12-07-2023	3,182.01	21-07-2023	3,296.37
13-07-2023	3,260.74	24-07-2023	3,322.26
14-07-2023	3,430.68	25-07-2023	3,326.56
17-07-2023	3,408.27	26-07-2023	3,315.94
18-07-2023	3,413.30	27-07-2023	3,324.36
19-07-2023	3,387.14	28-07-2023	3,283.75
20-07-2023	3,389.34	31-07-2023	3,348.39

Record Date: 21-07-2023

Before	Adj close	After	Adj close
12-07-2023	3,182.01	21-07-2023	3,296.37
13-07-2023	3,260.74	24-07-2023	3,322.26

14-07-2023	3,430.68	25-07-2023	3,326.56
17-07-2023	3,408.27	26-07-2023	3,315.94
18-07-2023	3,413.30	27-07-2023	3,324.36
19-07-2023	3,387.14	28-07-2023	3,283.75
20-07-2023	3,389.34	31-07-2023	3,348.39
21-07-2023	3,296.37	01-08-2023	3,378.33



Interpretation

The stock price of Tata Consultancy Services shows an upward trend following the declaration date. Additionally, the stock price continues to rise after the ex-dividend date and remains elevated after the record date.

Dividend Yield: 1.40 %

M Phasis

Declaration Date: 28-04-2023

Before	Adj close	After	Adj close
19-04-2023	1,700.74	28-04-2023	1,729.72
20-04-2023	1,675.90	02-05-2023	1,774.14
21-04-2023	1,677.76	03-05-2023	1,765.89
24-04-2023	1,678.09	04-05-2023	1,758.74
25-04-2023	1,677.62	05-05-2023	1,735.01
26-04-2023	1,677.81	08-05-2023	1,764.37
27-04-2023	1,700.74	09-05-2023	1,773.33
28-04-2023	1,729.72	10-05-2023	1,778.67

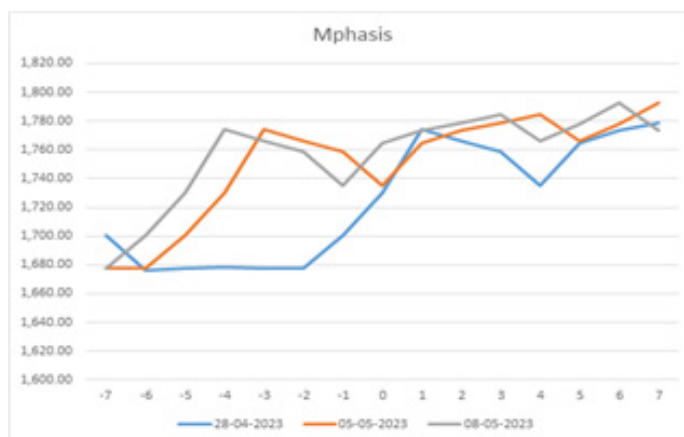
Ex-Dividend Date: 05-05-2023

Before	Adj close	After	Adj close
25-04-2023	1,677.62	05-05-2023	1,735.01
26-04-2023	1,677.81	08-05-2023	1,764.37
27-04-2023	1,700.74	09-05-2023	1,773.33
28-04-2023	1,729.72	10-05-2023	1,778.67

02-05-2023	1,774.14	11-05-2023	1,784.77
03-05-2023	1,765.89	12-05-2023	1,765.85
04-05-2023	1,758.74	15-05-2023	1,777.95
05-05-2023	1,735.01	16-05-2023	1,792.35

Record Date: 08-05-2023

Before	Adj close	After	Adj close
26-04-2023	1,677.81	08-05-2023	1,764.37
27-04-2023	1,700.74	09-05-2023	1,773.33
28-04-2023	1,729.72	10-05-2023	1,778.67
02-05-2023	1,774.14	11-05-2023	1,784.77
03-05-2023	1,765.89	12-05-2023	1,765.85
04-05-2023	1,758.74	15-05-2023	1,777.95
05-05-2023	1,735.01	16-05-2023	1,792.35
08-05-2023	1,764.37	17-05-2023	1,773.76



Interpretation

Following the declaration date, the stock price of Mphasis is increasing. The upward trend continues after the ex-dividend date, and the stock price remains elevated after the record date as well.

Dividend Yield: 1.83 %

Oracle Financial Services Software Limited

Declaration Date: 26-04-2023

Before	Adj close	After	Adj close
17-04-2023	3,082.03	26-04-2023	3,256.84
18-04-2023	3,099.08	27-04-2023	3,287.93
19-04-2023	3,090.20	28-04-2023	3,345.70
20-04-2023	3,096.35	02-05-2023	3,412.67
21-04-2023	3,108.38	03-05-2023	3,425.49
24-04-2023	3,209.96	04-05-2023	3,468.79

25-04-2023	3,211.56	05-05-2023	3,443.43
26-04-2023	3,256.84	08-05-2023	3,482.60

Ex-Dividend Date: 09-05-2023

Before	Adj close	After	Adj close
27-04-2023	3,287.93	09-05-2023	3,437.25
28-04-2023	3,345.70	10-05-2023	3,492.60
02-05-2023	3,412.67	11-05-2023	3,549.85
03-05-2023	3,425.49	12-05-2023	3,551.45
04-05-2023	3,468.79	15-05-2023	3,536.10
05-05-2023	3,443.43	16-05-2023	3,549.65
08-05-2023	3,482.60	17-05-2023	3,560.85
09-05-2023	3,437.25	18-05-2023	3,508.35

Record Date: 10-05-2023

Before	Adj close	After	Adj close
28-04-2023	3,345.70	10-05-2023	3,492.60
02-05-2023	3,412.67	11-05-2023	3,549.85
03-05-2023	3,425.49	12-05-2023	3,551.45
04-05-2023	3,468.79	15-05-2023	3,536.10
05-05-2023	3,443.43	16-05-2023	3,549.65
08-05-2023	3,482.60	17-05-2023	3,560.85
09-05-2023	3,437.25	18-05-2023	3,508.35
10-05-2023	3,492.60	19-05-2023	3,550.10

Interpretation

After the declaration date, the stock price of Oracle Financial Services Software Ltd is on the rise. This upward trend persists following the ex-dividend date, and the stock price continues to increase after the record date as well.

Dividend yield: 2.45 %

Findings

Tata Consultancy Services

1. The stock price of Tata Consultancy Services is slowly rising after Declaration date.
2. After Ex-Dividend date, stock price is rising in Tata Consultancy Services.
3. Tata Consultancy Services stock price continues to increase after the Record date.

Mphasis

1. From the time of Declaration date until now Mphasis stock price has been steadily increasing.
2. The Mphasis stock continues to grow in value following its Ex-Dividend date.
3. The stock value of Mphasis has been increasing since the execution of the record date.

Oracle Financial Services Software Limited

1. After Declaration date, the stock price of Oracle Financial Services Software Ltd is rising.
2. After Ex-Dividend date, the stock price is rising in Oracle Financial Services Software Ltd.
3. The stock price of Oracle Financial Services Software Ltd is rising after Record date.

Suggestions

- Tata Consultancy Services showed sound financial performance and improved profitability according to the stock price growth following its declaration, ex-dividend and record dates. The company exhibits strong faith in its ability to create stable earnings along with shareholder profit distribution. The stock price growth following these scheduled dates possibly demonstrates both good market feelings towards the company and increasing trust from investors. A sustainable growth in stock price must match strong financial performance to keep long-term stability.
- The Mphasis stock market value rose during the period including declaration, ex-dividend and record dates because of the company's solid financial condition and profitability strength. The upward trajectory of Mphasis shares indicates strong decision-making confidence about future sales performance and commitment to dividend payments to stockholders. Market optimism and increased investor focus both show positive patterns that lead to this stock price growth. A thorough examination of long-term market sustainability requires assessment of durable cash flow performance together with solid earnings capacity.
- The stock price of Oracle Financial Services Software Ltd continued to rise following declaration and ex-dividend and record dates because investors showed strong faith in the company's revenue prospects. The increasing stock price shows that the company promises strong financial success along with dedication to share value with investors. The increase post these key dates also reflects positive market sentiment. However, it is essential to assess whether this stock price growth is sustainable in the long term, backed by stable cash flow and earnings.
- Since the stock prices of all the companies on all the three dates – Declaration date, Ex-Dividend date and Record date are rising, we are looking into the dividend yield of these companies in order to suggest to the investors. From that we found out that Oracle Financial Services Software Limited provided comparatively better dividend.

Conclusion

Generally, there is a tendency among public to choose and buy shares based on the dividend given by companies. But the good practice is to buy shares as a long term investment. It should not be done just to get the dividend from the company.

Stock prices doesn't have much influence on the dividend distributed by companies. However, there is a trend to fluctuate the stock prices before and after dividend distribution.

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