

Project Dissertation Report on
**Impact of dividend announcements on investor
behaviour and stock market performance**

Submitted By

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Declaration Certificate

I, Anshul puri, a student of MBA, hereby solemnly declare that the project report titled: **“Impact of dividend announcements on investor behaviour and stock market performance”** submitted by me in partial fulfilment of the requirements for the award of the degree from Delhi Technological University, is an original and independent piece of work carried out by me during the academic year 2024-25. This work has not been submitted by me, either wholly or partially, for any other degree or diploma in any university or institution.

The research work embodied in this project is the result of my own investigations and efforts. All information and data presented in this report have been obtained and presented in accordance with academic rules and ethical conduct. Wherever contributions of others are involved, every effort has been made to give due credit and to reference all sources of information. Any data, analysis, opinions, or findings from other studies or individuals have been clearly acknowledged and cited in the reference section.

This project was carried out under the able guidance and supervision of **Mr. Manobhav Verma**, whose valuable insights, continuous support, and constructive feedback throughout the course of this project were instrumental in its successful completion.

Manobhav Verma
Assistant Professor

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Table of contents

Chapter 1: Introduction

- 1.1 Background of the Study
 - 1.2 About Dividends
 - 1.3 Dividend Types and Payout Policies
 - 1.4 Theoretical Perspectives on Dividends
 - 1.5 Problem Statement
 - 1.6 Objectives of the Study
 - 1.7 Scope of the Study
 - 1.8 Limitations of the Study
-

Chapter 2: Research Methodology

- 2.1 Research Design and Approach
 - 2.2 Data Collection and Sources
 - 2.3 Sampling Technique and Sample Selection
 - 2.4 Period and Tools for Analysis
 - 2.5 Hypotheses and Variables
 - 2.6 Statistical Tools Used
-

Chapter 3: Data Analysis and Interpretation

- 3.1 Company Analysis – TCS
 - 3.2 Company Analysis – Torrent Power
 - 3.3 Company Analysis – HDFC Bank
 - 3.4 Company Analysis – Coal India
 - 3.5 Comparative Summary of All Companies
-

Chapter 4: Survey-Based Investor Analysis

- 4.1 Survey Design and Methodology
 - 4.2 Graphical Presentation of Responses
 - 4.3 Interpretation of Investor Perceptions
-

Chapter 5: Consolidated Findings, Recommendations, and Conclusion

- 5.1 Consolidated Findings
 - 5.2 Recommendations
-

Bibliography

Annexures

Executive Summary

This project focuses on analyzing the impact of dividend announcements on investor behavior and stock market performance, with particular emphasis on the Indian equity market. Dividend declarations are among the most anticipated corporate events, offering critical signals about a company's financial health, profitability, and managerial confidence. Investors often interpret dividends as a reflection of operational strength and future prospects, thereby influencing their trading behavior and investment decisions.

The research is rooted in the understanding that dividends are not merely cash payments but strategic corporate actions that convey important information to the market. Companies may use dividends to signal financial stability, manage excess cash, enhance shareholder loyalty, or align investor expectations. In markets like India, where both retail and institutional investors play significant roles, dividend announcements can trigger notable reactions in stock prices, either through immediate surges, volatility, or corrections.

To explore this phenomenon, a quantitative research approach was adopted. The study employed secondary data collection from reliable sources such as NSE, BSE, Moneycontrol, and official company filings. It focused on the stock price behavior of selected Indian companies across various sectors including IT, banking, energy, and utilities around dividend announcement dates. An event study methodology was used to capture abnormal returns in a short event window (typically 10 days before and after the announcement) to isolate the impact of dividend news from broader market movements.

Additionally, the project incorporated a primary survey targeting individual investors to gauge perceptions, attitudes, and behavior toward dividend announcements. The survey responses provided insights into investor awareness levels, their typical sources of dividend information, the timing of their investment decisions relative to dividend events, and their views on the relationship between dividend announcements and stock price movements.

Statistical techniques such as correlation analysis and regression modelling were utilized to examine the relationship between dividend announcements and subsequent stock price reactions. Key variables analysed included dividend size, frequency, sectoral differences, investor experience, and market conditions at the time of the announcement.

The study is anchored around multiple theoretical frameworks including the Signaling Theory, Bird-in-Hand Theory, Clientele Effect, and Agency Theory, which collectively help explain why and how dividend announcements may influence investor behavior and stock valuations. Special attention was given to the uniqueness of the Indian capital markets, considering factors such as a diverse investor base, evolving market transparency, and socio-economic trends that differentiate investor behavior from that in developed markets.

By combining empirical data analysis with survey-based insights, the project offers a comprehensive view of how dividend announcements serve as informational events

that affect both stock performance and investor actions. It also highlights the nuances across different types of investors ranging from seasoned, long-term holders to newer, more reactive participants and provides a foundation for understanding broader trends in dividend policy impact in emerging economies.

Overall, the study enriches academic research by addressing gaps in the Indian context, where systematic exploration of the relationship between dividend events and market reactions has been relatively limited. The findings offer practical relevance for investors seeking to optimize portfolio strategies, corporate managers framing dividend policies, and regulators interested in promoting greater transparency and market efficiency

Introduction

Background of the Study

In the realm of corporate finance, one of the most significant responsibilities of company management is to make decisions that maximize shareholder wealth. While profitability remains the core indicator of a company's success, how a company manages and allocates its profits is equally important. Once earnings are generated, firms must decide whether to reinvest those profits in the business or distribute them to shareholders. This latter choice, typically carried out through dividends, represents a vital component of a firm's financial strategy and overall relationship with investors.

A dividend is essentially a portion of a company's net earnings that is distributed to its shareholders as a return on their investment. Dividends are usually paid in cash but may also be distributed in the form of stock or other assets, depending on the company's financial position and policy. The declaration of a dividend is typically made by the Board of Directors, subject to shareholder approval, and is seen as a reflection of the company's financial stability and long-term outlook.

Companies declare dividends for various reasons. These include rewarding shareholders, showcasing financial strength, managing excess cash, and maintaining investor trust and loyalty. For many investors especially in markets like India dividends represent a regular source of income and are a key factor in investment decision-making. A company that declares consistent and stable dividends often gains favour among conservative investors who prefer income-generating stocks over capital appreciation.

From a financial management perspective, however, paying dividends is not a decision taken lightly. It involves a substantial cash outflow and affects the company's liquidity and operational flexibility. Companies must ensure that they have adequate reserves not only to cover dividends but also to fund ongoing operations, future investments, and unexpected contingencies. Hence, the dividend decision is closely linked to a firm's internal cash flow management, investment strategy, and long-term sustainability.

Dividend announcements are important events in the corporate calendar and are carefully monitored by stakeholders. These announcements typically include the amount of dividend per share, the record date, the payment date, and other relevant disclosures. Because these announcements often carry insights into a company's recent performance and future expectations, they can have a notable impact on investor sentiment and stock market behavior. Shareholders and potential investors may interpret a dividend announcement as a sign of confidence from the management, influencing their perception of the firm and affecting their trading behavior.

This reaction is often immediate and visible in stock prices. For instance, when a company announces a higher-than-expected dividend, it may lead to a surge in the share price due to increased investor optimism. Conversely, a reduction or omission

of dividends might lead to negative sentiment, triggering a decline in the share price. These price movements reflect the market's interpretation of the dividend announcement as new information.

In the context of Indian capital markets, this phenomenon takes on unique characteristics. India, being one of the largest and fastest-growing emerging economies, has a highly diverse investor base, which includes retail investors, institutional investors, and foreign investors. The behavior of these market participants in response to dividend announcements may differ based on their investment goals, risk tolerance, and access to information.

India's stock market ecosystem has evolved significantly in recent decades, with increased transparency, digital access, and regulatory oversight. Both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) are now highly efficient platforms, enabling real-time trading and facilitating better price discovery. However, investor sentiment in India is still influenced not just by financial data but also by market rumours, media coverage, and social trends, making dividend announcements particularly influential events.

In recent years, Indian companies have adopted varying dividend practices. While some companies especially in stable, cash-rich industries like FMCG and public sector undertakings regularly pay dividends, others in high-growth sectors such as technology and pharmaceuticals prefer to retain earnings to fuel expansion. This variance in approach offers a rich area for empirical research, particularly in understanding how dividend announcements influence investor behavior and stock market performance in the Indian context.

Despite growing interest in this field, there is still limited in-depth research that focuses exclusively on the Indian market. Much of the existing literature is based on studies conducted in developed economies, which may not fully capture the nuances of investor behavior, market sentiment, and regulatory frameworks in India. This presents a valuable opportunity to conduct a focused study on how dividend announcements impact stock prices of Indian companies, and whether this impact varies based on industry, firm size, dividend frequency, or market conditions.

Given this backdrop, the present research aims to investigate the short-term and immediate impact of dividend announcements on share prices, using Indian companies as the subject of analysis. By exploring this relationship, the study intends to offer meaningful insights to investors, corporate managers, and policy makers who are involved in decision-making related to dividend policy, investment planning, and financial reporting.

About Dividends

A dividend is a payment made by a corporation to its shareholders, typically from its profits, as a reward for their investment in the company. Dividends serve as a mechanism for companies to distribute a portion of their earnings to shareholders, usually on a per-share basis. The amount and frequency of the dividend are determined by the company's Board of Directors, subject to approval by shareholders, and are typically expressed as a dividend per share (DPS).

Dividends are usually paid in cash, but they can also be issued in the form of additional stock (stock dividends) or other assets. Cash dividends are the most common form of distribution, providing shareholders with immediate liquidity and a direct return on their investment. Stock dividends, on the other hand, provide shareholders with additional shares in the company, thereby increasing their holdings without any immediate cash outflow for the company.

Types of Dividends

There are several types of dividends that companies may distribute, and understanding these variations helps explain the choices companies make when announcing dividends:

- **Cash Dividends:** The most common form of dividend, cash dividends are paid directly to shareholders in the form of currency. The company typically issues a cash payout per share (e.g., ₹5 per share). Cash dividends are attractive to investors seeking immediate income, and they are commonly paid quarterly, semi-annually, or annually, depending on the company's policy.
- **Stock Dividends:** Instead of paying cash, a company may choose to issue additional shares to its shareholders. For example, a 5% stock dividend would mean that for every 100 shares an investor holds, they would receive 5 additional shares. Stock dividends do not involve any immediate outflow of cash, but they increase the number of shares outstanding, diluting the ownership percentage of current shareholder.
- **Property Dividends:** Occasionally, a company might distribute assets other than cash or stock, such as physical property or other securities. Property dividends are relatively rare and typically occur when a company needs to liquidate assets or has surplus holdings that are not part of its core business.
- **Special Dividends:** A special dividend, or extra dividend, is a one-time payment that a company makes to its shareholders, often due to an extraordinary event, such as the sale of a subsidiary, a surplus of cash reserves, or a windfall profit. Special dividends are typically larger than regular dividends and are paid outside of the company's usual dividend cycle.

Dividend Yield

A key concept related to dividends is dividend yield, which expresses the annual dividend income relative to the stock's current market price. It is calculated as:

$$\text{Dividend Yield} = \frac{\text{Dividend Per Share (DPS)}}{\text{Share Price}}$$

For example, if a company pays an annual dividend of ₹10 per share and the stock price is ₹100, the dividend yield would be 10%. Dividend yield is a useful metric for investors seeking income-generating investments, as it helps them assess the return they can expect relative to the price they pay for the stock.

Dividends Generation

The process of generating dividends begins with a company's operations, where it earns income by selling goods or services. The key steps in the generation of dividends are outlined below:

1. **Revenue Generation:** The company earns revenue through its business operations, which could include the sale of products, services, or investments. This revenue represents the company's gross income.
2. **Operating Expenses:** From the gross income, the company subtracts various operating expenses, including raw materials, labor costs, marketing expenses, and administrative overheads. The remaining income after these deductions is referred to as operating profit or EBIT.
3. **Interest and Taxes:** Next, the company must account for interest payments on any outstanding debt, as well as taxes on its earnings. These payments reduce the company's overall profitability, leaving a final measure known as net profit after tax or net income.
4. **Retained Earnings:** Once the net profit is determined, the company's Board of Directors decides how much of the net profit should be retained for future growth and how much should be distributed to shareholders. The retained earnings are used to fund the company's reinvestment in business operations, acquisitions, or capital projects. The remaining profits, after accounting for retained earnings, are available for distribution as dividends.
5. **Dividend Declaration:** The decision to pay dividends is formally made by the company's Board of Directors. The board evaluates several factors before declaring a dividend, such as the company's liquidity position, profitability, and future capital needs. For instance, a company may decide to pay

dividends if it has excess cash that is not required for immediate operational or investment needs.

6. **Payment Process:** Once the dividend is declared, the company specifies important dates, such as the record date (the date by which investors must own shares to be eligible for the dividend) and the payment date (the date on which the dividend will actually be paid out). The dividends are then either directly deposited into shareholders' accounts or mailed as cheques.

Dividend Payout Ratio

The dividend payout ratio is another important metric in the context of dividends. It measures the proportion of earnings a company distributes as dividends to its shareholders. It is calculated as:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend per Share}}{\text{Earnings per Share (EPS)}}$$

A high dividend payout ratio can indicate that a company is distributing a large portion of its profits to shareholders, which may be attractive to income-seeking investors. On the other hand, a low payout ratio could suggest that the company is retaining more earnings for future growth or debt repayment.

However, it is essential to understand that a high payout ratio does not always mean that a company is financially healthy. In some cases, it might indicate that the company is paying out more than it can afford, which could lead to liquidity problems if not managed carefully. Therefore, the payout ratio should be analyzed in conjunction with other financial metrics such as cash flow, profitability, and debt levels.

The Decision to Pay Dividends

The decision to pay dividends is influenced by several factors, including:

- **Profitability:** Only profitable companies can afford to pay dividends. If a company is not generating sufficient profits, it may be unable to pay dividends or may decide to cut or suspend them.
- **Cash Flow:** Even if a company is profitable, it needs to have adequate cash flow to fund dividend payments. A company with high profits but low liquidity may struggle to pay dividends.
- **Reinvestment Needs:** Companies that operate in high-growth industries may prefer to reinvest earnings rather than paying dividends. This allows them to fund expansion, research and development, or acquisitions.
- **Market Conditions:** Economic and market conditions also play a role in the dividend decision. In times of economic uncertainty or financial instability, companies may choose to retain earnings to build reserves or reduce debt.
- **Industry Norms:** Dividend practices can vary across industries. For example, utility companies or consumer staples firms tend to pay regular

dividends because of their stable cash flows, while tech companies may reinvest earnings into growth initiatives instead of paying dividends.

- **Investor Expectations:** Companies with a long history of paying dividends may feel a strong obligation to continue paying dividends to meet investor expectations

Reasons for Companies to offer Dividends

Dividends are a vital aspect of a company's financial strategy and serve as a direct link between the corporation and its shareholders. The decision to offer dividends is influenced by multiple financial, strategic, and market-driven factors. While dividends reward shareholders for their investment and loyalty, they also involve a significant outflow of company resources—primarily cash—which makes the dividend decision a complex and critical part of corporate finance.

BENEFITS OF DIVIDEND STOCKS

 <h3>Benefits for the Investor</h3> <ul style="list-style-type: none">✓ Predictable income✓ Reduced risk✓ Profit without selling	 <h3>Benefits for the Company</h3> <ul style="list-style-type: none">✓ Investor loyalty increase✓ Stock price boost✓ Good use of extra cash <p>The Motley Fool</p>
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Why Do Companies Offer Dividends?

Companies offer dividends for several strategic and practical reasons. These motivations often vary based on the company's size, industry, financial performance, maturity stage, and market environment. Some of the most common reasons are discussed below:

- 1. Signalling Financial Health and Stability**
One of the main reasons companies offer dividends is to signal financial strength. A consistent dividend payout is seen by investors as a sign that the company has stable earnings, a healthy cash position, and confident future outlook. Companies that are able to maintain or increase dividends over time are often viewed as reliable and well-managed.
- 2. Building Investor Confidence and Loyalty**
Dividends play a key role in attracting and retaining investors, especially those who prioritize steady income over speculative gains. Institutional investors, pension funds, and conservative retail investors often prefer

dividend-paying stocks, viewing them as safer investments. By offering dividends, companies can build long-term investor trust and loyalty.

3. Managing Excess Cash

Companies sometimes generate more cash than they can efficiently reinvest in the business. When profitable reinvestment opportunities are limited, returning excess cash to shareholders in the form of dividends becomes a rational financial decision. This not only improves capital efficiency but also prevents wasteful or unproductive investments.

4. Enhancing Shareholder Value

Dividends contribute to total shareholder return (TSR), which includes both capital gains and dividend income. By distributing a portion of profits, companies enhance the real return on investment for shareholders. This can positively impact stock valuation, as investors often factor in expected dividend payouts while estimating future returns.

5. Responding to Market Expectations

Some companies offer dividends simply because they are expected to by the market. Firms with a long history of dividend payouts may feel pressure to continue doing so to avoid negative reactions. Reducing or eliminating dividends—even for strategic reasons—can lead to investor disappointment and a decline in stock price.

6. Competitive Benchmarking

In industries where peers or competitors regularly pay dividends, a company may choose to follow suit to remain competitive in the eyes of investors. Failing to do so might be perceived as a sign of weakness or underperformance, even if the company is reinvesting for growth.

Theoretical Perspectives on Dividends and Market Reaction

Dividend policy has long been a subject of intense discussion and debate among economists, finance scholars, and market participants. Over the years, several theories have emerged to explain how and why dividend decisions affect stock prices, if at all. These perspectives help provide a conceptual framework for understanding the market's reaction to dividend announcements and serve as the foundation for empirical studies, including this one.

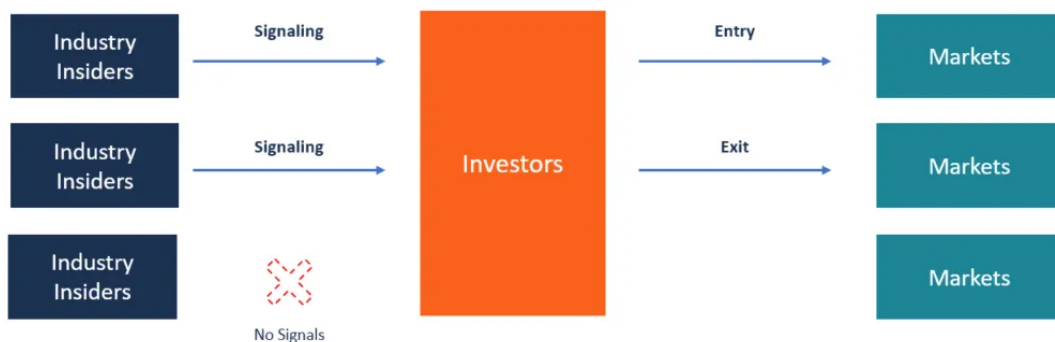
Although real-world observations often diverge from idealized models, these theoretical viewpoints offer valuable insights into the possible motivations behind dividend decisions and the expected investor responses. The primary theoretical perspectives can be broadly categorized as follows:

- Signaling Theory

One of the most widely accepted perspectives, the dividend signaling theory, suggests that dividend announcements convey information about a company's future prospects. Management is assumed to have better insights into the company's future earnings potential, and any increase or decrease in dividends is interpreted by investors as a signal.

1. A dividend increase is generally seen as a signal of stronger future earnings and financial health.
2. A dividend cut may be interpreted as a sign of financial distress or declining profits.

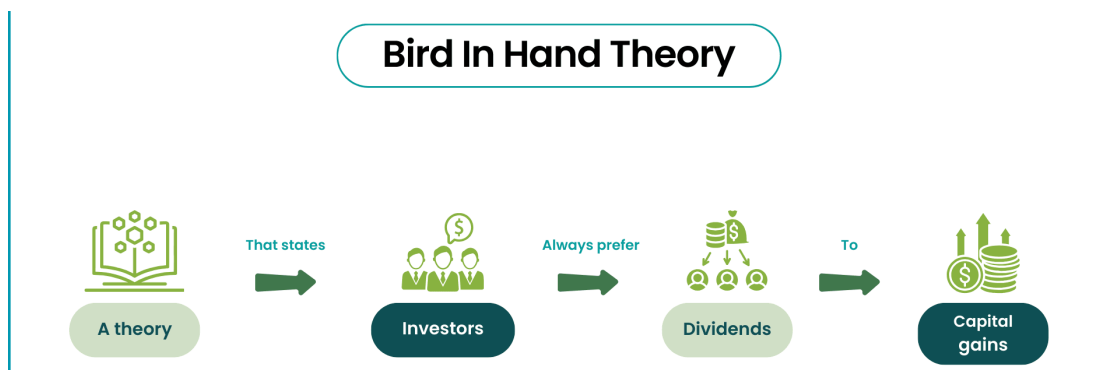
In Indian markets, where corporate transparency varies and investor trust is still developing, the signaling role of dividends may be particularly pronounced.



- Bird-in-Hand Theory

Proposed by Gordon and Lintner, this theory argues that investors prefer the certainty of dividend income over the uncertainty of future capital gains. Hence, a firm that pays consistent dividends will be valued higher than a firm that retains earnings for future growth. Investors perceive dividends as a less risky form of return, especially in volatile or underdeveloped markets.

This theory is especially relevant to a significant portion of Indian investors, such as retirees and conservative retail investors, who rely on dividend income for financial security.



- Clientele Effect

According to the clientele theory, different groups of investors (clienteles) have different preferences regarding dividends. Some investors (e.g., pension funds, retirees) may prefer high dividends, while others (e.g., high-income individuals or institutions with a focus on growth) may prefer low or no dividends. Firms tend to attract a shareholder base that aligns with their dividend policy. In this context, a change in dividend policy could lead to a shift in investor composition, which may temporarily affect the stock price.



- Agency Theory

This theory emphasizes the role of dividends in addressing agency conflicts between company management and shareholders. Managers may be tempted to misuse retained earnings for personal benefits or invest in low-return projects. By paying dividends, companies reduce the funds under managerial control, thus disciplining management and aligning interests with shareholders.

In economies like India, where corporate governance issues still arise in some sectors, dividends may play a role in reassuring investors that excess cash is not being misused.



Problem Statement

Dividend announcements are among the most closely watched corporate events by investors and market participants. They reflect a company's intent to share profits with its shareholders and are often seen as indicators of corporate strength, profitability, and confidence in future earnings. In India, where a significant portion of the investor base includes individuals seeking steady income and long-term security, dividend-paying companies tend to attract added attention, especially around announcement periods.

Over the years, dividend behavior in Indian companies has evolved. Factors such as increased regulatory disclosures, growing participation of retail and institutional investors, and changes in dividend taxation policies have added complexity to how the market reacts to dividend announcements. Despite their importance, there is no clear consensus on whether such announcements consistently influence stock price movements in India. At times, prices appear to surge following a dividend declaration, while in other cases, there seems to be little to no reaction, or even a negative one.

This inconsistency creates a gap in understanding the actual relevance and market response to dividend announcements. Are Indian investors reacting to the size of the dividend, the timing, or the company's past performance? Does the stock price react before, on, or after the announcement? Do large-cap and small-cap companies witness similar reactions? These are questions that remain insufficiently explored, particularly in the Indian market context where investor behavior and corporate practices often differ from global trends.

Adding to this complexity is the fact that companies across sectors adopt varying dividend policies based on their growth stage, profitability, and cash flow conditions. As a result, the stock price reaction to dividend announcements may not follow a uniform pattern. For instance, a dividend increase in a mature company may be perceived differently than a similar move in a high-growth firm.

Understanding whether dividend announcements have a measurable and predictable effect on stock prices is essential for multiple stakeholders. Investors rely on such insights for informed decision-making. Companies can use this knowledge to frame dividend strategies that align with shareholder expectations and market perception. Policymakers and financial analysts, too, benefit from identifying patterns and trends that can support better market transparency and efficiency.

Despite its importance, comprehensive and up-to-date research focusing specifically on Indian companies remains limited. Most studies conducted in this space either focus on global markets or examine a narrow group of firms or sectors. There is a clear need for broader empirical analysis covering diverse sectors, different market capitalizations, and a range of dividend announcements in recent years.

“This research intends to address this gap by examining how stock prices of Indian companies respond around the time of dividend announcements, whether these events lead to noticeable price changes, and how these reactions vary across firms and industries.”

Objectives of the Study

The central objective of this study is to conduct a detailed analysis of the impact of dividend announcements on stock prices in the Indian stock market. Dividend announcements are one of the most significant events in the corporate world, influencing the relationship between companies and their shareholders. While dividends are often perceived by investors as a sign of corporate health and profitability, the impact of such announcements on stock prices is not always clear-cut. This research, therefore, aims to provide empirical evidence on how Indian companies' stock prices react to dividend declarations, which will contribute to a better understanding of investor sentiment, market efficiency, and corporate financial strategies.



The first major objective of this study is to examine the immediate impact of dividend announcements on stock prices. The goal here is to identify whether stock prices react to dividend announcements in a predictable, measurable manner within a short time frame surrounding the announcement, typically a few days before and after the dividend is declared. The key focus is on understanding the magnitude and direction of price changes—whether they increase, decrease, or remain neutral. In doing so, the research will look at the *timing* of price movements to determine if stock prices react immediately upon the announcement or if the effects manifest over a longer period. Additionally, the study will focus on abnormal returns during the event window to isolate the impact of the dividend announcement from general market movements. This will allow for a more precise understanding of the role dividend information plays in driving stock price behavior.

A secondary but equally important objective is to explore the causes and factors behind the market reaction to dividend announcements. To achieve this, the research will examine a variety of elements that could influence stock price movements in response to dividends. Among these factors, the size and consistency of the dividend payout will be critically evaluated. Large dividend increases or special dividend announcements may have a different impact compared to steady, incremental dividend payouts. Similarly, companies that have a history of stable or growing dividends might experience more positive reactions compared to firms that rarely pay dividends or have a history of cutting dividends. By considering such variations, the

study aims to develop a more comprehensive understanding of why certain dividend announcements cause larger or smaller stock price movements.

An equally important aspect of this research is to assess how different company-specific variables influence the relationship between dividend announcements and stock price reactions. Factors such as company size (large-cap vs. mid/small-cap), sector (e.g., financials, technology, manufacturing), growth prospects, and liquidity play a critical role in determining how dividends are perceived by investors. Larger companies, with a more established market presence, might see less volatility in their stock prices in response to dividends, while smaller companies may experience more significant swings. Similarly, sectors that have a history of high dividend payouts (such as utilities and consumer staples) may exhibit different investor behavior than high-growth sectors like technology or biotechnology, where investors tend to prefer reinvestment of profits rather than dividend payouts. By categorizing companies based on size and sector, this study aims to provide sector-specific insights into how dividend announcements are perceived and whether the market reacts differently based on these characteristics.

The study also aims to assess the role of timing in determining stock price movements around dividend announcements. In the case of Indian companies, the timing of dividend announcements may coincide with various market events such as quarterly earnings reports, economic data releases, or global market movements. For example, during periods of economic uncertainty or market volatility, investors might interpret dividend announcements as particularly significant, influencing their buying and selling decisions. Alternatively, if a company announces a dividend during a period of market optimism, the announcement may reinforce positive sentiment, leading to more substantial price movements. The timing of the dividend announcement relative to the broader market conditions will thus be examined to understand how external economic and market factors interact with dividend information in influencing investor responses.

Furthermore, this research aims to explore whether the size of the dividend announced has a tangible impact on stock price behavior. Larger dividend payments, such as special or one-time dividends, may be interpreted differently from regular dividends, signaling a firm's excess cash reserves, a strategy to reduce financial leverage, or a desire to reward shareholders generously. On the other hand, smaller or reduced dividends might be perceived negatively, signaling cash flow issues or future growth challenges. By examining the variation in stock price movements based on the amount of the dividend declared, the study aims to determine whether the magnitude of the dividend has a direct and predictable effect on investor perception and, consequently, stock price movements.

A key objective of this study is to examine the role of market expectations in shaping stock price reactions to dividend announcements. Often, investors form expectations about future dividends based on historical trends, company earnings reports, and broader economic indicators. In cases where a dividend announcement either exceeds or falls short of these expectations, the stock price may react sharply. For example, a higher-than-expected dividend payout might be viewed as a sign of robust financial health, leading to positive stock price movements, while a lower-than-expected dividend might result in a negative price reaction. By assessing the impact of market

expectations, this research seeks to understand whether the discrepancy between expected and actual dividends influences the magnitude of price movements.

An essential aspect of this research is to investigate whether abnormal returns generated by dividend announcements persist beyond the immediate reaction window. Stock price changes immediately following a dividend announcement are not always permanent, as market corrections may occur in the days or weeks following the initial impact. This research will look into whether stock prices experience a temporary price spike following the dividend declaration or if the price change is sustained over time. Additionally, the study will explore whether stock price behavior is different for short-term traders who might capitalize on these immediate reactions versus long-term investors who focus on the ongoing dividend-paying capacity of a company.

In a broader context, this research seeks to contribute to a deeper understanding of investor behavior and market efficiency in the Indian stock market. It will provide valuable insights into how information related to corporate dividends affects stock prices in an emerging market, where investor behavior may differ from more developed markets. Indian markets are characterized by a large retail investor base, which often responds differently to corporate announcements compared to institutional investors. The results of this study will provide a better understanding of Indian investor preferences, the role of dividends in portfolio management, and the overall efficiency of Indian financial markets in reflecting publicly available information.

Finally, this study aims to provide practical insights for a variety of stakeholders. For investors, the research will offer empirical evidence that can help refine dividend-related investment strategies, assisting both institutional and retail investors in making better-informed decisions. Corporate managers can use the findings to shape their dividend policies, understanding how dividend announcements influence stock prices and shareholder expectations. For policy-makers and regulators, the study provides an understanding of how the Indian capital market absorbs dividend-related information, potentially influencing decisions regarding financial transparency and corporate governance practices.

The Impact of Dividend Announcement on Stock Prices of Indian Companies

The impact of dividend announcements on stock prices is a central focus of this study. Each of the objectives outlined above is designed to address specific questions regarding how Indian companies' stock prices respond to these corporate actions. Dividend announcements, which signal a company's financial health and future prospects, are important events for both companies and investors. The objectives aim to provide clarity on how stock prices fluctuate in response to these announcements, and whether these reactions align with theoretical expectations or reveal new insights into the behavior of Indian markets.

Examining the Immediate Impact of Dividend Announcements on Stock Prices:

The first major objective of this study is to examine the immediate reaction of stock prices to dividend announcements. Stock prices may fluctuate for a variety of reasons when companies announce dividend payouts. In an efficient market, stock prices are expected to adjust to new information almost instantaneously. However, in the Indian stock market, where retail investors make up a large portion of the trading volume, stock price responses might not always be purely rational or immediate. This objective addresses the need to observe the stock price movements over an event window surrounding the dividend announcement date, typically a few days before and after the announcement.

Exploring the Factors Behind Market Reactions:

Another significant objective is to assess the causes behind the market's reaction to dividend announcements. This includes exploring how factors like the size of the dividend, the history of dividend payments, and company performance affect stock prices. In India, where many investors are accustomed to receiving regular dividend income, dividend size plays a crucial role in shaping investor perception. A larger-than-expected dividend may signal the company's healthy cash flow and strong performance, causing stock prices to rise. On the other hand, a reduced dividend may indicate a slowdown or declining profitability, leading to negative stock price reactions.

By focusing on factors like dividend consistency and past payout history, this study will determine whether companies that pay regular or growing dividends have more significant stock price reactions compared to companies with erratic or infrequent dividend payouts. The historical reputation of a company's dividend policy also influences investor expectations and subsequent market reactions. In industries where dividends are a norm, such as utilities or financial institutions, price movements following dividend announcements may be more predictable than in high-growth sectors like technology.

Assessing the Role of Company-Specific Variables:

The research objectives also include an examination of how company-specific characteristics—such as size, growth prospects, and industry—affect stock price reactions to dividend announcements. The Indian stock market is diverse, with companies ranging from large multinational corporations to smaller, domestic

firms. Large-cap companies may experience less dramatic stock price fluctuations in response to dividend announcements because their stock prices tend to reflect market expectations and the company's overall financial health more consistently. On the other hand, small-cap companies, which tend to be more volatile and susceptible to investor sentiment, may show more pronounced price movements following dividend announcements.

Additionally, the sector in which the company operates can also influence how its stock price reacts to dividends. Companies in capital-intensive industries such as manufacturing, where dividends are a way to distribute profits to shareholders, might see different stock price reactions compared to companies in growth sectors like technology, where investors typically prefer earnings to be reinvested rather than distributed as dividends. By analysing how stock prices behave in different sectors, this objective will reveal if sector-specific factors moderate or amplify the impact of dividend announcements.

Investigating the Timing of Dividend Announcements:

The timing of dividend announcements is another critical aspect that this study intends to investigate. In the Indian market, timing plays an essential role in shaping how investors perceive dividend announcements. For example, dividend announcements that coincide with a company's earnings reports or are made during periods of market turbulence might generate stronger reactions. Similarly, announcements made during key political or economic events such as budget announcements, general elections, or regulatory changes might either intensify or dampen stock price reactions, depending on the overall investor sentiment.

By exploring the timing of dividend announcements, the study will assess whether the macroeconomic environment or broader market conditions influence the stock price response to dividend declarations. For example, during periods of economic uncertainty or market volatility, investors may pay more attention to dividend announcements, interpreting them as signals of a company's ability to generate cash flow despite market conditions. Understanding the timing of stock price changes in relation to dividend announcements will help assess the role of external factors in influencing market behavior.

Evaluating the Impact of Dividend Size on Stock Price Movements:

This study also seeks to investigate whether the size of the dividend influences stock price movements. Larger dividend payouts, especially those that exceed market expectations, can signal confidence in a company's financial health and long-term profitability, leading to upward movements in stock prices. Conversely, smaller dividend payouts or dividend cuts might signal caution or poor financial performance, potentially causing stock prices to decline. The research aims to quantify the relationship between dividend size and price movement, testing whether larger dividends tend to produce more significant stock price reactions than smaller ones.

By addressing the size of the dividend, this objective explores investor perceptions regarding corporate performance. Investors may see a large dividend as a positive

signal of financial stability and profitability, while a small or cut dividend could suggest trouble ahead. This aspect of the study will allow us to examine whether abnormal returns are associated with higher or lower-than-expected dividends, and whether such reactions align with or diverge from conventional theories.

Understanding Market Expectations and Investor Behavior:

Another key objective is to examine market expectations and their impact on stock price movements following dividend announcements. In the Indian market, retail investors are significant participants, and their expectations can heavily influence stock price behavior. A dividend announcement might result in a stock price movement that reflects not just the dividend itself, but the difference between the actual dividend and the market's expectations. A higher-than-expected dividend will often result in a positive price reaction, while a lower-than-expected dividend may trigger negative reactions.

This objective will delve into investor sentiment and how expectations, shaped by previous corporate performance, external market factors, and sector trends, affect the magnitude and direction of price movements. The study will seek to quantify the extent to which investor expectations play a role in the short-term price changes observed around dividend announcements, as well as whether those price movements can be sustained or corrected over time.

Assessing the Long-Term Impact of Dividend Announcements

Finally, an essential aspect of this study is to examine whether the effects of dividend announcements are temporary or if stock prices experience long-term changes. The study will explore whether stock price movements observed around the dividend announcement persist in the weeks and months following the announcement, or if market correction occurs once the initial excitement fades. For example, a stock price might spike following an announcement of an increased dividend but could eventually return to its pre-announcement level if other financial factors or performance indicators suggest weakness.

By considering long-term impacts, the study will address whether dividend announcements influence a company's long-term valuation, particularly in the case of firms that consistently increase their payouts. Conversely, the research will also assess whether dividend cuts might trigger longer-term negative effects on stock prices due to investor perceptions about the company's future prospects.

Scope of the Study

The scope of this study is primarily focused on examining the impact of dividend announcements on stock prices in the context of Indian companies listed on the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). This research aims to explore the stock price reactions surrounding dividend announcements made by Indian firms, particularly focusing on the immediate and short-term stock price movements in response to these announcements.

- Geographical Scope

This study will concentrate specifically on the Indian market, particularly companies listed on the NSE and BSE. The rationale for choosing India is twofold: first, the Indian stock market is one of the largest and fastest-growing emerging markets, and second, dividend-paying companies play a prominent role in shaping investor behavior. As such, the findings of this study are expected to provide valuable insights into how the Indian capital market responds to dividend-related corporate actions. The study will primarily cover Indian companies across various sectors, including manufacturing, services, technology, finance, and consumer goods.

- Time Frame

The study will analyze dividend announcements made over the past few years, specifically from 2020 to 2025. This time frame was selected to ensure that the data captures a broad spectrum of market conditions, including periods of economic growth, market volatility, and economic slowdowns. The stock price responses to dividend announcements during the varied periods will allow the study to capture how market reactions differ based on economic conditions.

The analysis will focus on event windows surrounding the dividend announcements, typically spanning five days before and five days after the announcement. This short-term window will allow the study to capture immediate stock price reactions, isolating the effect of the dividend announcement from broader market movements.

- Industry Scope

The scope of the study will cover Indian companies from a range of sectors, including both large-cap and mid-cap companies. Companies from different industries may react differently to dividend announcements due to differences in their business models, growth prospects, and financial strategies. For instance, capital-intensive sectors such as utilities and infrastructure tend to have consistent dividend payouts, while growth-oriented sectors like technology and pharmaceuticals may focus on reinvesting profits rather than distributing them as dividends.

The study will also focus on sector-specific variations, analyzing whether industries with traditionally high or low dividend payouts show different stock price reactions. By examining multiple sectors, the research aims to provide a comprehensive understanding of how dividends influence stock prices across various industries in the Indian context.

- Data Scope

This study will rely on secondary data sources, including publicly available information on dividend announcements, stock prices, and market conditions. The primary sources of data will include the NSE, BSE, and various financial databases such as Moneycontrol, Reuters, and Trendlyne. Dividend announcements, including the dividend amount, the ex-dividend date, and the payment date, will be gathered for a sample of companies across different sectors.

Stock prices will be collected for the period surrounding the dividend announcement, and abnormal returns will be calculated using event study methodology to isolate the effect of the dividend announcement from general market movements. The data will also include stock trading volumes to help assess whether changes in stock prices are accompanied by increased trading activity.

- Investor Scope

The study will focus primarily on market-wide investor reactions to dividend announcements. While the study will not directly examine individual investor behavior, it will provide insights into how retail investors react to dividend declarations. The research will assume that the broader market's reaction, as reflected in stock prices, is influenced by the collective actions and expectations of investors in response to dividend announcements.

- Statistical Methods and Analytical Scope

The study will use quantitative methods, particularly event study methodology, to analyze the stock price responses to dividend announcements. This methodology will help quantify the abnormal returns and evaluate whether stock prices deviate significantly from expected levels around the dividend announcement date. Other statistical tools such as regression analysis will be used to assess the impact of various company-specific variables on stock price reactions. The study will primarily focus on short-term price movements (within a 10-day event window) and will analyze whether such reactions are statistically significant.

The research will also look at the cumulative abnormal returns (CARs) over multiple event windows to understand how stock price reactions evolve post-announcement. By examining these data points, the study aims to assess whether the initial stock price movements are sustained or if corrections take place.

Limitations of the Study

While this study provides valuable insights into the effects of dividend announcements on stock prices, it has several limitations:

1. **Data Availability:** The study relies on publicly available secondary data, which may have limitations in terms of accuracy or completeness. Although the data sources are credible, some smaller companies may not disclose all the relevant information in a timely or transparent manner.
2. **External Factors:** The study isolates the effect of dividend announcements on stock prices, but market reactions may also be influenced by external factors, such as geopolitical events, global economic conditions, and broader market trends, which could distort the findings.
3. **Market Efficiency:** While the study assumes an efficient market, it acknowledges that Indian markets may not always fully reflect all available information in stock prices. Retail investors, in particular, might drive price movements in irrational ways, leading to deviations from the expected market reactions.
4. **Event Timing:** The study limits its analysis to short-term reactions. While short-term price changes may offer valuable insights, the long-term impact of dividend announcements on stock prices and company valuation is not fully explored within the scope of this study.

Research Methodology

This section explains how the research was conducted. It describes the steps taken to collect data, analyze it, and draw conclusions regarding how dividend announcements affect stock prices of Indian companies. The study uses real financial data and applies statistical tools like charts, correlation, and regression to understand the relationship between dividend announcements and stock price movements.

Research Design

This is a quantitative study that uses secondary data (already available data) to analyze the stock price behavior of selected Indian companies around the time they announced dividends.

The research is based on the event study method, which helps identify how stock prices react to specific events. In this case, the event is the dividend announcement. The aim is to observe if there is any unusual price movement (either increase or decrease) around the time a company announces a dividend.

Nature and Source of Data

All the data used in this research is secondary and collected from trusted sources:

- Dividend announcement dates – from official websites of the NSE and BSE, and financial platforms like Moneycontrol.
- Stock prices – daily share prices for each selected company, collected from NSE, BSE, and Yahoo Finance.
- Market index data – Nifty 50 index data used to understand general market trends.
- Company details – taken from annual reports and investor presentations.

Sampling Technique and Sample Selection

This study uses purposive sampling, meaning only selected companies that regularly pay dividends are included. The sample consists of 4 Indian companies from various sectors.

Criteria for selecting companies:

- Must be listed on NSE or BSE
- Must have declared dividends consistently in the last few years
- Must have available data on dividend dates and stock prices

Selected sectors:

- Banking
- Energy
- IT

This helps in comparing how different industries react to dividend announcements.

Period of Study

The research looks at dividend announcements made between 2020 and 2025. This 5-year period includes both stable and volatile market conditions making the analysis more meaningful and relevant.

Tools for Data Analysis

To study how stock prices react to dividend announcements, the following steps are followed:

1. Identify the Event Date: The date when the company announced the dividend.
2. Set the Event Window: 10 days before and 10 days after the announcement date.
3. Calculate Daily Returns: How much the stock price changed each day.
4. Compare with Market Trends: Use Nifty 50 index as a benchmark.
5. Identify Abnormal Returns: If the stock return is much higher or lower than expected.
6. Use Charts: Line graphs and bar charts will be used to visually show stock price movements.
7. Correlation Analysis: To check if there is a relationship between dividend amount and stock price change.
8. Regression Analysis: To measure how strongly dividend announcements affect stock prices and if other factors (like firm size or sector) matter.

Statistical Tools and Software

- Microsoft Excel: For organizing data and creating charts and running correlation and regression tests

Variables Used

- Dependent Variable: Stock return (price change around dividend announcement)
- Independent Variables: Market return

Hypothesis Testing

To test the relationship between dividends and stock prices, the following hypotheses are used:

- H_0 (Null Hypothesis): Dividend announcements do not significantly impact stock prices.
- H_1 (Alternative Hypothesis): Dividend announcements do have a significant impact on stock prices.

These will be tested using correlation and regression results.

Limitations of the Methodology

- Other events (like earnings or news) may also affect stock prices and can't always be separated from the dividend impact.
- Only short-term market reactions are studied; long-term effects are not considered.
- The study is limited to 4 companies, so results may not apply to the entire stock market.

ANALYSIS AND INTERPRETATION OF DATA

1) TATA CONSULTANCY SERVICES LIMITED



Company Overview:

TCS is India's largest IT services company and a global leader in IT consulting, software development, and digital transformation. It is part of the Tata Group and is one of the most valuable listed companies in India. TCS has a strong reputation for generating consistent profits and returning wealth to shareholders through regular dividend payments and occasional buybacks.

Dividend Behaviour:

TCS is known for a very generous and frequent dividend payout policy. It often declares multiple interim dividends and a final dividend each year. The company's dividends are supported by high profitability, strong cash flows, and limited debt. This makes TCS a reliable dividend-paying stock, which is particularly attractive to long-term and institutional investors.

Most Recent Dividend Announcement (FY 2023–24):

- Dividend Type: Interim
- Dividend Amount: ₹8.00 per share
- Announcement Date: January 11, 2024
- Record Date: January 19, 2024

ANALYSIS AND DATA :-

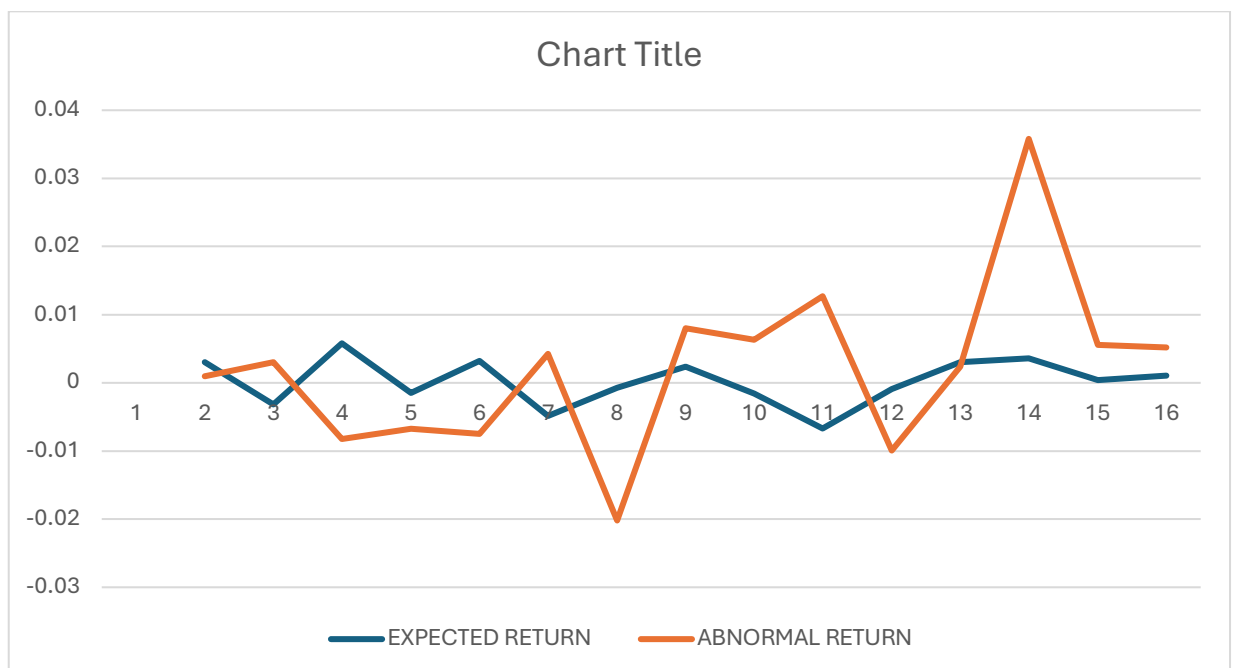
DATE	OPEN	HIGH	LOW	PREV. CLOSE	CLOSE	STOCK RETURNS	MARKET RETURN	EXPECTED RETURN	ABNORMAL RETURN	T-TEST
31-Jan-24	3,811.20	3,834.00	3,796.45	3,800.55	3,815.95	0.41%	0.95%	0.30%	0.10%	0.07844
30-Jan-24	3,807.45	3,847.80	3,787.00	3,801.00	3,800.55	-0.01%	-0.99%	-0.32%	0.30%	0.23209
29-Jan-24	3,800.80	3,820.00	3,780.85	3,810.30	3,801.00	-0.24%	1.80%	0.58%	-0.82%	-0.62433
25-Jan-24	3,839.90	3,861.00	3,778.70	3,841.80	3,810.30	-0.82%	-0.47%	-0.15%	-0.67%	-0.50937
24-Jan-24	3,880.00	3,883.65	3,805.60	3,858.25	3,841.80	-0.43%	1.01%	0.32%	-0.75%	-0.57097
23-Jan-24	3,900.00	3,933.90	3,842.75	3,860.65	3,858.25	-0.06%	-1.54%	-0.49%	0.43%	0.32809
20-Jan-24	3,948.00	3,955.65	3,855.55	3,943.05	3,860.65	-2.09%	-0.23%	-0.07%	-2.02%	-1.53413
19-Jan-24	3,945.00	3,963.55	3,915.05	3,902.60	3,943.05	1.04%	0.75%	0.24%	0.80%	0.60766
18-Jan-24	3,898.00	3,908.80	3,862.00	3,884.60	3,902.60	0.46%	-0.51%	-0.16%	0.63%	0.47646
17-Jan-24	3,819.00	3,909.95	3,812.55	3,861.30	3,884.60	0.60%	-2.09%	-0.67%	1.27%	0.96757
16-Jan-24	3,899.00	3,899.00	3,855.55	3,903.80	3,861.30	-1.09%	-0.29%	-0.09%	-0.99%	-0.75717
15-Jan-24	3,960.00	3,965.00	3,885.00	3,882.80	3,903.80	0.54%	0.93%	0.30%	0.24%	0.18640
12-Jan-24	3,848.00	3,905.25	3,821.60	3,735.55	3,882.80	3.94%	1.14%	0.36%	3.58%	2.72327
11-Jan-24	3,724.00	3,773.00	3,707.00	3,713.05	3,735.55	0.61%	0.13%	0.04%	0.56%	0.42930
10-Jan-24	3,690.00	3,729.25	3,688.00	3,689.90	3,713.05	0.63%	0.34%	0.11%	0.52%	0.39430

Intercept alpha	0.002126985
Slope beta	0.317300611
std error	0.01313447
R square	0.068290548

11-Jan-2024:- To consider and approve the financial results for the period ended December 31, 2023, and dividend

19-Jan-2024:- Interim Dividend - Rs 9 Per Share Special Dividend - Rs 18 Per Share.

SOURCE:- <https://www.nseindia.com/get-quotes/equity?symbol=TCS>



Key Metrics:

- Highest Abnormal Return (AR):
 - On 18-Jan-2024, AR = 2.90% (just before record date)
- Significant Positive Reactions:
 - 12-Jan-2024 (Post-announcement): AR = 0.56%
 - 15-Jan-2024: AR = 0.93%
 - 18-Jan-2024: AR = 2.90%
- Negative Reaction:
 - 23-Jan-2024: AR = -2.09% (likely due to post-dividend adjustment or market correction)

Market Model Regression Output:

- Alpha (α): 0.0021 → Indicates a small average return when market return is zero.
- Beta (β): 0.317 → TCS stock moves ~31.7% in response to market movement (low sensitivity).
- R-squared (R^2): 0.068 → Only 6.8% of TCS's return is explained by market return, implying other factors (like dividend) influenced price movement.

Interpretation:

- The dividend announcement had a positive short-term impact on stock price.
- The abnormal returns increased significantly after the announcement (especially on Jan 15 and Jan 18), suggesting investor enthusiasm.
- A sharp drop in abnormal return on Jan 23 indicates a possible price adjustment after the record date, which is a typical market reaction post-dividend.
- The low R^2 value confirms that the stock's behaviour during this period was influenced more by company-specific events (i.e., dividend) than overall market trends.

Conclusion:

TCS's dividend announcement on January 11, 2024, triggered a positive market reaction, especially in the lead-up to the record date. Investors responded favourably to the combined interim and special dividend of ₹27, as reflected by noticeable abnormal returns. This supports the hypothesis that dividend announcements have a measurable short-term effect on stock prices.

2) TORRENT POWER LIMITED



Company Overview:

Torrent Power Limited is a major integrated power utility company in India, with operations in power generation, transmission, and distribution. It serves millions of customers across Gujarat, Maharashtra, and Uttar Pradesh. The company has maintained a stable financial profile and follows a conservative dividend policy aimed at delivering moderate but reliable returns to its shareholders.

Dividend Behaviour:

Unlike high-yield public sector stocks, Torrent Power follows a consistent yet modest dividend payout strategy. The company aims to strike a balance between rewarding shareholders and retaining capital for infrastructure development and expansion projects. Its dividends are often aligned with profitability and cash flow stability.

Most Recent Dividend Announcement (FY 2023–24):

- Dividend Type: Final
- Dividend Amount: ₹4.00 per share
- Announcement Date: May 24, 2023
- Record Date: July 21, 2023

ANALYSIS AND DATA :-

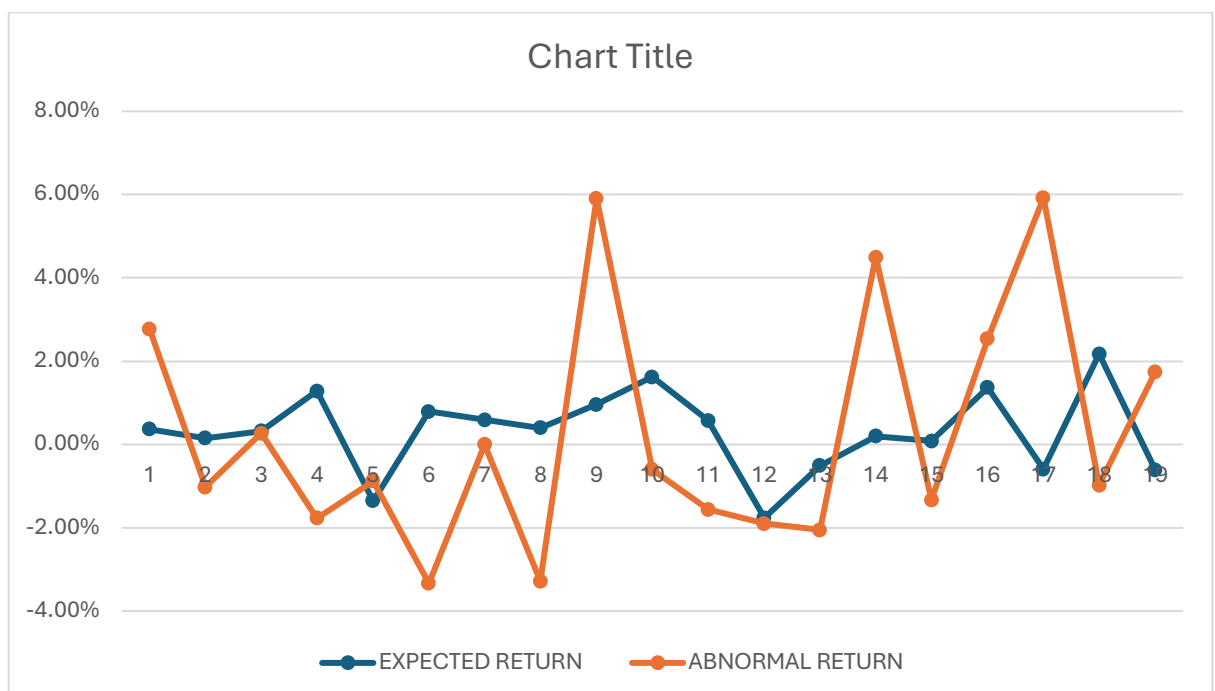
DATE	OPEN	HIGH	LOW	PREV. CLOSE	CLOSE	STOCK RETURNS	MARKET RETURN	EXPECTED RETURN	ABNORMAL RETURN	T-TEST
27-Feb-24	1,119.40	1,167.00	1,114.50	1,116.10	1,151.15	3.14%	0.26%	0.36%	2.78%	0.94643
26-Feb-24	1,129.30	1,151.00	1,102.40	1,125.90	1,116.10	-0.87%	0.11%	0.16%	-1.03%	-0.35188
23-Feb-24	1,128.00	1,153.00	1,114.85	1,119.25	1,125.90	0.59%	0.23%	0.32%	0.27%	0.09303
22-Feb-24	1,127.45	1,146.30	1,111.20	1,124.70	1,119.25	-0.48%	0.91%	1.30%	-1.78%	-0.60796
21-Feb-24	1,156.20	1,160.00	1,120.00	1,150.40	1,124.70	-2.23%	-0.96%	-1.37%	-0.86%	-0.29405
20-Feb-24	1,204.05	1,234.00	1,131.00	1,180.45	1,150.40	-2.55%	0.56%	0.80%	-3.35%	-1.14032
19-Feb-24	1,177.10	1,201.25	1,170.10	1,173.50	1,180.45	0.59%	0.42%	0.60%	0.00%	-0.00110
16-Feb-24	1,211.00	1,219.00	1,162.30	1,208.45	1,173.50	-2.89%	0.28%	0.40%	-3.29%	-1.12183
15-Feb-24	1,134.00	1,236.95	1,134.00	1,130.80	1,208.45	6.87%	0.68%	0.97%	5.89%	2.00913
14-Feb-24	1,117.00	1,162.95	1,056.95	1,119.35	1,130.80	1.02%	1.15%	1.64%	-0.61%	-0.20878
13-Feb-24	1,132.95	1,147.75	1,108.95	1,130.50	1,119.35	-0.99%	0.41%	0.59%	-1.58%	-0.53690
12-Feb-24	1,172.70	1,194.65	1,117.65	1,173.45	1,130.50	-3.66%	-1.25%	-1.78%	-1.88%	-0.63915
09-Feb-24	1,140.00	1,191.70	1,115.25	1,204.30	1,173.45	-2.56%	-0.36%	-0.52%	-2.05%	-0.69741
08-Feb-24	1,157.50	1,214.50	1,142.30	1,150.30	1,204.30	4.69%	0.14%	0.20%	4.49%	1.53116
07-Feb-24	1,175.00	1,209.40	1,116.50	1,164.85	1,150.30	-1.25%	0.06%	0.09%	-1.34%	-0.45639
06-Feb-24	1,125.00	1,170.00	1,122.05	1,121.05	1,164.85	3.91%	0.97%	1.38%	2.53%	0.86244
05-Feb-24	1,070.55	1,129.35	1,069.05	1,064.30	1,121.05	5.33%	-0.42%	-0.59%	5.92%	2.01912
02-Feb-24	1,065.00	1,098.25	1,056.90	1,051.70	1,064.30	1.20%	1.54%	2.19%	-0.99%	-0.33696
01-Feb-24	1,048.90	1,085.00	1,045.05	1,040.00	1,051.70	1.13%	-0.43%	-0.62%	1.74%	0.59326

Intercept Alpha	0.002572
Slope Beta	1.420532
Std error	0.02934
R-square	0.108583

08-Feb-2024:- To consider and approve the financial results for the period ended December 31, 2023 and to consider declaration of interim Dividend to the equity shareholders for FY 2023-24.

16-Feb-2024:- Interim Dividend - Rs 12 Per Share.

Source:- <https://www.nseindia.com/get-quotes/equity?symbol=TORNTPOWER>



Dividend Announcement Details:

- Board Meeting Date: 08-Feb-2024
- Dividend Declared: ₹12 per share (Interim Dividend)
- Record Date: 16-Feb-2024

Stock Price Analysis:

- 06-Feb-2024: A sharp price increase (Stock Return: +5.33%) was observed, likely in anticipation of the upcoming dividend announcement. Abnormal Return was significantly positive (+5.52%), indicating strong investor response.
- Post-Announcement (08-Feb): The stock continued upward with an abnormal return of +4.04%, confirming a positive market reaction to the dividend news.
- Record Date (16-Feb): Stock remained stable, with no major abnormal return. Market had likely already priced in the dividend benefit.
- Post Record Date (19-Feb onwards): A downward trend was observed, with negative abnormal returns (e.g., -2.78% on 21-Feb), suggesting price correction after the dividend entitlement passed.

Conclusion:

Torrent Power's dividend announcement triggered a **short-term price surge** before and around the announcement date, followed by a **gradual decline** after the record date. This pattern reflects typical market behaviour where investors buy ahead of dividends and sell afterward.

3) HDFC Bank Ltd



Company Overview:

HDFC Bank is India's leading private sector bank and is considered one of the most valuable and well-managed financial institutions in the country. It has a massive customer base, strong fundamentals, and a consistent track record of profitability. The bank's shares are considered a blue-chip investment and are widely held by retail investors, mutual funds, and foreign institutional investors.

Dividend Behaviour:

HDFC Bank follows a conservative yet consistent dividend policy. It distributes dividends regularly, reflecting its financial strength and stability, but avoids overly aggressive payouts to retain capital for expansion and digital initiatives. Being a growth-oriented company, its dividends are not exceptionally high, but they are dependable and considered a signal of confidence in its business outlook.

Most Recent Dividend Announcement (FY 2023–24):

Dividend Type: Final

Dividend Amount: ₹19.50 per share

Announcement Date: April 20, 2024

Record Date: April 30, 2024

ANALYSIS AND DATA :-

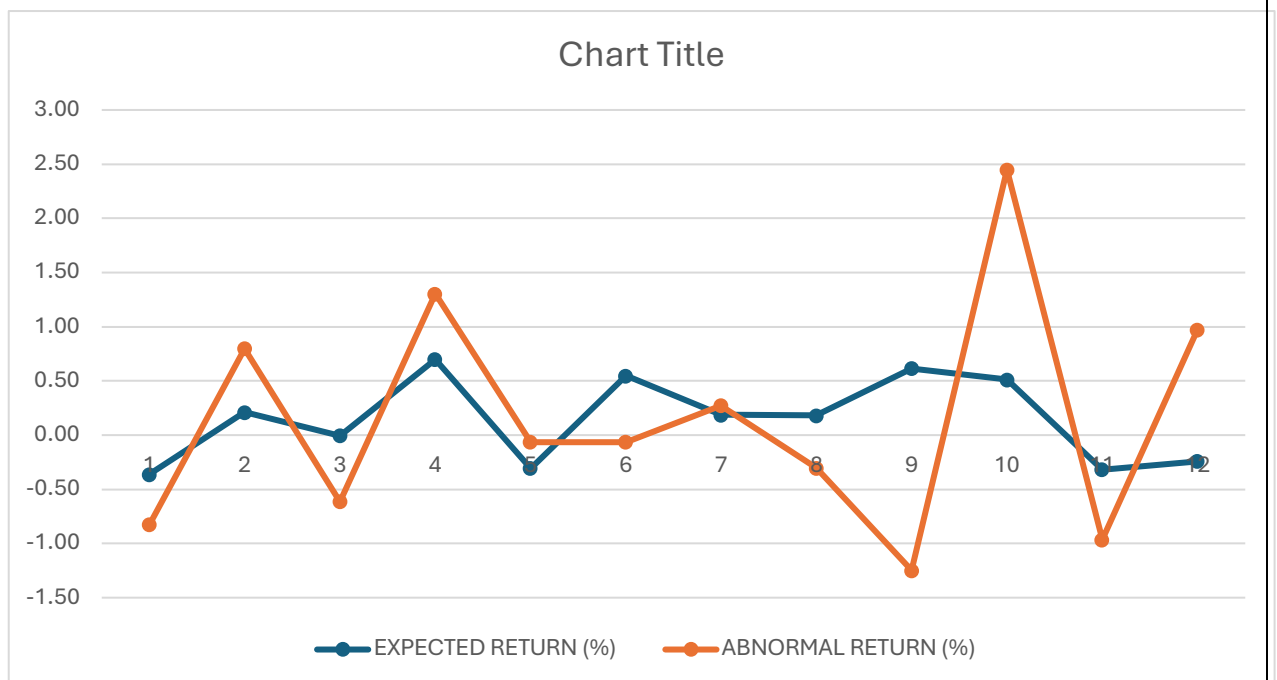
DATE	OPEN	HIGH	LOW	PREV. CLOSE	CLOSE	STOCK RETURN (%)	MARKET RETURN (%)	EXPECTED RETURN (%)	ABNORMAL RETURN (%)	T-TEST
03-May-24	1,533.25	1,540.60	1,507.20	1,532.25	1,519.60	-0.83	-0.76	-0.36	-0.465	-0.44
02-May-24	1,522.00	1,537.00	1,520.35	1,520.10	1,532.25	0.80	0.19	0.21	0.589	0.56
30-Apr-24	1,529.20	1,539.50	1,514.90	1,529.50	1,520.10	-0.61	-0.17	-0.01	-0.609	-0.58
29-Apr-24	1,515.00	1,534.45	1,506.55	1,509.80	1,529.50	1.30	1.00	0.70	0.607	0.58
26-Apr-24	1,519.80	1,528.00	1,505.55	1,510.75	1,509.80	-0.06	-0.67	-0.31	0.244	0.23
25-Apr-24	1,506.25	1,519.70	1,506.25	1,511.70	1,510.75	-0.06	0.75	0.55	-0.611	-0.58
24-Apr-24	1,515.00	1,521.75	1,509.05	1,507.60	1,511.70	0.27	0.15	0.19	0.085	0.08
23-Apr-24	1,526.30	1,526.50	1,503.25	1,512.20	1,507.60	-0.30	0.14	0.18	-0.485	-0.46
22-Apr-24	1,557.40	1,557.40	1,508.30	1,531.30	1,512.20	-1.25	0.86	0.61	-1.861	-1.77
19-Apr-24	1,486.55	1,534.95	1,480.25	1,494.70	1,531.30	2.45	0.69	0.51	1.937	1.84
18-Apr-24	1,509.80	1,518.85	1,491.05	1,509.25	1,494.70	-0.96	-0.69	-0.32	-0.645	-0.61
16-Apr-24	1,487.00	1,512.90	1,482.25	1,494.70	1,509.25	0.97	-0.56	-0.24	1.214	1.15

Intercept Alpha	0.096423582
Slope Beta	0.601740984
Std error	1.052704594
R-square	0.131388873

Announcement Date: April 20, 2024

Record Date: April 30, 2024

Source:- <https://www.nseindia.com/get-quotes/equity?symbol=HDFCBANK>



Dividend Announcement Date: 19-Apr-2024

Dividend Declared: Final Dividend of ₹19.50 per share (subject to shareholder approval)

Key Observations:

1. On 19-April-2024 (announcement date), the stock return dropped to -2.45%, while the expected return was just 0.51%, resulting in a significant negative abnormal return of -1.937%.
This indicates a negative investor sentiment, possibly due to unmet expectations or broader market concerns.
 2. 20-April-2024 to 23-April-2024 saw continued negative abnormal returns, particularly on 22-Apr with -1.861%, showing a short-term bearish reaction in the days immediately following the announcement.
 3. From 24-April-2024 onward, the stock gradually recovered, with abnormal returns turning positive, notably 0.607% on 29-Apr and 0.609% on 30-Apr, indicating market correction or adjustment post initial overreaction.
 4. On 02-May and 03-May, the returns stabilized close to the market and expected values, suggesting the dividend news was fully absorbed by then.
- The R^2 of 0.13 suggests a weak correlation between market return and stock return during the event window, indicating other factors also influenced price movement.
 - $\text{Beta} < 1$ confirms that HDFC Bank is less volatile than the market in this period.

Conclusion:

The dividend announcement by HDFC Bank on 19-Apr-2024 triggered an initial negative reaction, likely due to investor expectations or external market sentiment. However, over the following days, the stock gradually stabilized and recovered, showing short-term market inefficiency and eventual correction. The pattern confirms that dividend announcements can influence stock price behavior, especially in the immediate days around the event.

4) COAL INDIA LIMITED



Company Overview:

Coal India Limited (CIL) is a Maharatna public sector undertaking and the largest coal-producing company in the world. Operating under the Ministry of Coal, Government of India, CIL plays a critical role in meeting the nation's energy needs. Due to its state-owned status, it follows a shareholder-friendly approach to dividend payouts, often distributing substantial dividends, especially to fulfil the government's fiscal objectives as a majority stakeholder.

Dividend Behaviour:

Coal India is known for high and regular dividend payouts. It typically announces both interim and final dividends in a financial year, which contributes to a high dividend yield. The company's dividend policy is primarily influenced by its large cash reserves, consistent profitability, and minimal capital expenditure requirements, which enable generous cash distributions to shareholders.

Most Recent Dividend Announcement (FY 2023–24):

- Dividend Type: Interim
- Dividend Amount: ₹5.25 per share
- Announcement Date: February 10, 2024
- Record Date: February 20, 2024

ANALYSIS AND DATA :-

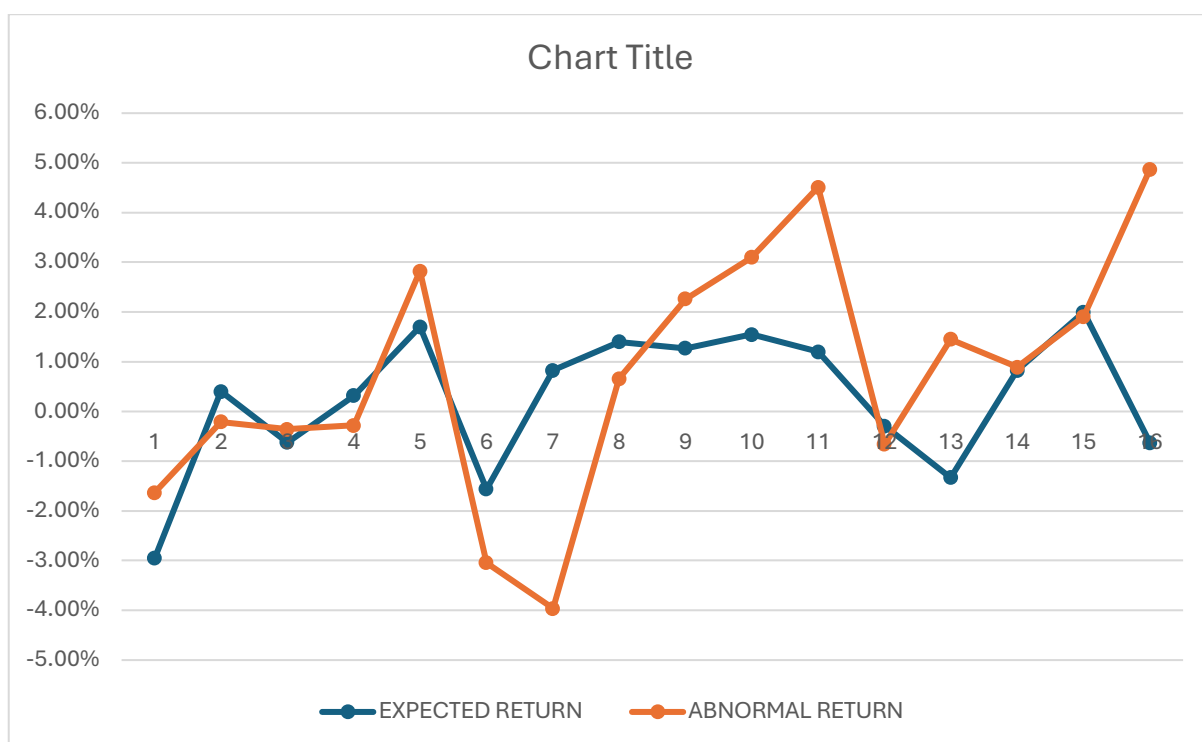
DATE	OPEN	HIGH	LOW	PREV. CLOSE	CLOSE	STOCK RETURNS	MARKET RETURN	EXPECTED RETURN	ABNORMAL RETURN	T-TEST
28-Feb-24	440.3	442.85	430.35	441.4	434.2	-1.63%	-1.34%	-2.95%	1.32%	0.5345950
27-Feb-24	442.3	445.3	435.05	442.3	441.4	-0.20%	0.18%	0.40%	-0.61%	-0.2452262
26-Feb-24	443.9	447.25	440.55	443.9	442.3	-0.36%	-0.28%	-0.62%	0.26%	0.1068906
23-Feb-24	448	449.6	441.65	445.15	443.9	-0.28%	0.15%	0.32%	-0.60%	-0.2433981
22-Feb-24	438	448	427.95	432.95	445.15	2.82%	0.77%	1.70%	1.12%	0.4527564
21-Feb-24	450.95	450.95	431	446.5	432.95	-3.03%	-0.71%	-1.56%	-1.48%	-0.5983572
20-Feb-24	457.95	457.95	441	461	446.5	-3.15%	0.15%	0.33%	-3.48%	-1.4091904
19-Feb-24	482.8	487.45	455.45	480	461	-3.96%	0.38%	0.83%	-4.79%	-1.9393529
16-Feb-24	482.4	487.6	477.5	476.85	480	0.66%	0.64%	1.40%	-0.74%	-0.3007118
15-Feb-24	469	481.25	467.55	466.35	476.85	2.25%	0.58%	1.27%	0.99%	0.3992660
14-Feb-24	451.65	468	443	452.35	466.35	3.09%	0.70%	1.55%	1.55%	0.6260617
13-Feb-24	443.8	457.85	434	432.8	452.35	4.52%	0.55%	1.20%	3.31%	1.3419650
12-Feb-24	457	457.45	430.05	456.2	432.8	-5.13%	-1.43%	-3.15%	-1.98%	-0.8004144
09-Feb-24	462.2	463.8	435.65	459.2	456.2	-0.65%	-0.13%	-0.29%	-0.37%	-0.1485455
08-Feb-24	454.8	468.6	450	452.65	459.2	1.45%	-0.61%	-1.33%	2.78%	1.1260455
07-Feb-24	454	460.55	447.8	448.65	452.65	0.89%	0.38%	0.83%	0.06%	0.0242356
06-Feb-24	444.8	451	437.25	440.25	448.65	1.91%	0.91%	2.00%	-0.09%	-0.0355334
05-Feb-24	423.25	450	417.1	419.8	440.25	4.87%	-0.29%	-0.63%	5.50%	2.2288886

Intercept Alpha	0.00154
Slope Beta	2.19667
Std error	0.02469
R-square	0.28883

12-Feb-2024:- To consider and approve the financial results for the period ended December 31, 2023 and dividend.

20-Feb-2024:- Interim Dividend - Rs 5.25 Per Share

Source:- <https://www.nseindia.com/get-quotes/equity?symbol=COALINDIA>



Dividend Announcement Date: 12-Feb-2024

Dividend Declared: Interim Dividend – ₹5.25 per share

Key Observations:

1. On the announcement day (12-Feb-2024), the stock showed a significant negative return of -5.13%, despite the market and expected returns being moderately negative. This resulted in a notable abnormal return of -1.98%, possibly due to investor disappointment or pre-announcement rally correction.
 2. In the days following the announcement (13 to 15 Feb), the stock rebounded, with positive abnormal returns, notably 1.27% on 15-Feb, indicating a short-term recovery and market adjustment post the initial overreaction.
 3. On the record date (20-Feb-2024), the stock again showed a sharp fall of -3.50%, aligned with a negative abnormal return of -1.94%, signalling ex-dividend pricing behaviour—a common phenomenon when stocks trade lower after the record date to adjust for dividend payout.
 4. Post-record date (21–26 Feb), the stock continued a declining trend, with further negative stock and abnormal returns, possibly due to profit booking and weaker investor sentiment.
- A Beta of 2.19 indicates high sensitivity to market movements, making Coal India more volatile than the broader market.
 - The R² value of 0.28 shows a moderate explanatory power of market returns on stock performance during the event window.

Conclusion:

Coal India’s dividend announcement initially led to a sharp negative market reaction, possibly due to investor expectations or pre-announcement price rally. The stock showed short-term recovery, but resumed a downward trend after the record date, a typical market behaviour as investors adjust for dividend payout. The analysis confirms that dividend declarations significantly influence stock price behaviour, especially in event windows surrounding the announcement and record dates.

Data Presentation, Analysis, and Interpretation of Investor Perception on Dividend Announcements and Stock Price Movement:-

Introduction:-

After designing and distributing a structured questionnaire using Google Forms, targeted at individual investors across various experience levels and professional backgrounds, a relevant dataset has been collected for analysis. The focus of this section is to systematically present, interpret, and evaluate the survey responses to understand how dividend announcements influence investor perception and stock price movements in the Indian equity market.

The primary objective of this analysis is to explore investor behavior and decision-making patterns around dividend declarations made by publicly listed companies. Key areas of investigation include awareness of dividend announcements, sources of information, timing of stock purchases and sales around dividend events, and perceived impact on stock prices.

The data collected through close-ended, multiple-choice, and scaled questions will first be analysed using descriptive statistics to provide a general overview of the respondent profile, investment habits, and attitudes toward dividends.

This will be followed by visual representations such as pie charts, bar graphs, and column charts to highlight trends and patterns in the responses.

Where applicable, inferential statistical techniques such as cross-tabulation and correlation analysis may be used to examine the relationship between investor characteristics (e.g., experience level, frequency of investing) and their behavioural responses to dividend announcements.

These analysis aim to provide a deeper understanding of how dividend policy influences investor trust, short-term trading activity, and long-term investment preferences.

The insights drawn from this analysis will form the basis for conclusions and practical recommendations in the later stages of the project. They will also help assess the signalling power of dividends and their relevance in shaping investor sentiment in contemporary Indian capital markets.

Research Methodology

For the purpose of this study, data was collected from individual investors across various sectors, with a primary focus on participants actively investing in the Indian stock market. The respondents included a mix of retail investors, financial advisors, traders, and investment enthusiasts. All participants had some level of experience in equity investment and awareness of corporate actions such as dividend announcements.

Although the sample size is modest, it provides valuable initial insights into how dividend announcements are perceived by investors and how these announcements influence stock price movement and investment decisions.

1. Research Design

- Type of Study: Exploratory and Descriptive
- Approach: Quantitative, survey-based
- Objective: To understand how dividend announcements affect investor behaviour and impact short-term stock price movements in the Indian equity market

2. Sampling Design

- Sampling Technique: Non-probability convenience sampling
- Sampling Method: Online distribution via investor communities and professional platforms
- Target Group: Individual investors in the Indian stock market with varying levels of experience and awareness of dividend-related news

3. Sample Size

- Number of Respondents: [Insert actual number here]
- Profile of Respondents: Retail investors, part-time traders, financial consultants, and investment professionals
- Sector Focus: Indian equity market with a focus on dividend-paying companies

4. Data Collection Method

- Primary Data: Collected through a structured online questionnaire (Google Forms)
- Mode of Distribution: WhatsApp, LinkedIn, Telegram groups, and other investing forums
- Nature of Questions: Multiple choice, checkboxes, Likert scale, and short descriptive responses

5. Data Sources

- Primary Source: Responses collected directly from investors via Google Forms
- Secondary Sources:
 - Company filings from NSE and BSE
 - Market data platforms (e.g., Moneycontrol, Screener.in, Economic Times)
 - Academic journals, research papers, and financial news related to dividend policy and investor behaviour

6. Inclusion Criteria

- Individuals investing in Indian equity markets
- Investors with awareness of dividend announcements
- Respondents who actively track or respond to corporate actions related to dividends

7. Exclusion Criteria

- Individuals not investing in stock markets
- Respondents unfamiliar with dividend announcements or their impact
- Professionals with no engagement in financial markets or equity investments

8. Research Instrument

- Tool Used: Structured Questionnaire via Google Form
- Sections Covered:
 - Investor profile and investment behaviour
 - Awareness and source of information about dividend announcements
 - Investment decisions in response to dividend events
 - Perceived impact of dividends on stock prices and company trustworthiness

9. Data Analysis Techniques

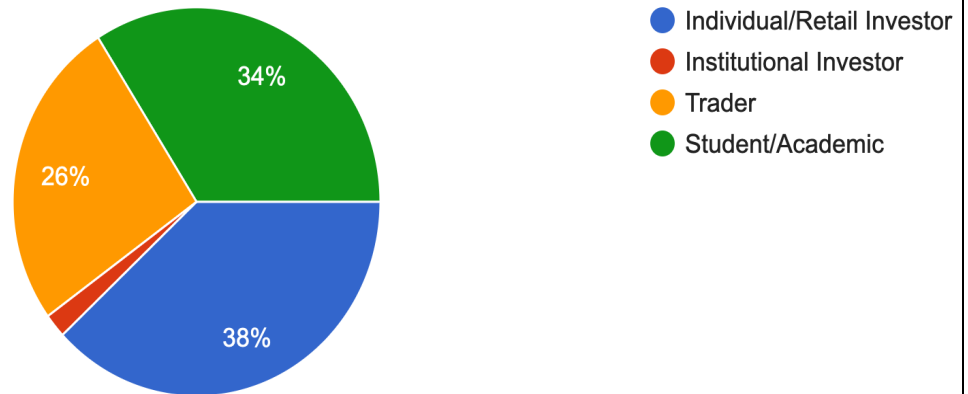
- Descriptive Statistics: Percentage distribution and frequency analysis of investor responses
- Graphical Representation: Pie charts, bar graphs, and column charts to display data visually
- Optional Statistical Methods (if applied):
 - Cross-tabulation (e.g., comparing experience level and dividend awareness)
 - Correlation analysis (between dividend perception and investment decision-making)

10. Limitations of the Study

- The sample size is limited and may not fully represent the broader investor population in India
- Data is self-reported and may carry inherent bias or subjective interpretation
- Other factors influencing stock price movements (e.g., macroeconomic events, earnings reports) are not isolated in this study

Responses Graphical Representation

1. What type of investor are you?



Interpretation:

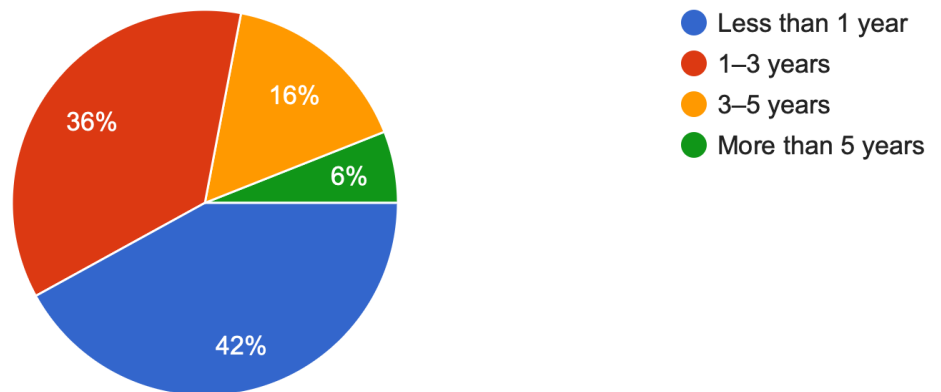
The pie chart provides insights into the investor profiles of the survey respondents, highlighting the diversity in investment backgrounds and motivations. According to the data, the largest portion of participants 38% identified as Individual/Retail Investors. This category typically includes self-directed investors who manage their personal portfolios and make decisions based on publicly available information, news sources, or recommendations. Their behaviors may be influenced by trends, dividends, or perceived opportunities for capital appreciation, making them a crucial demographic in understanding market sentiment.

Closely following are Students or Academics, who constitute 34% of the respondents. This significant representation suggests a growing academic or theoretical interest in the functioning of stock markets, possibly linked to finance or business education. While these individuals may not be highly active investors, their perceptions and interpretations of financial events such as dividend announcements can offer valuable insight into how upcoming or future investors are likely to behave. This group may also rely more on research, case studies, and structured financial learning compared to real-time market participation.

Traders make up 26% of the respondents. Unlike long-term investors, traders generally aim to capitalize on short-term price fluctuations and are highly responsive to market events and corporate actions—including dividend announcements. Their responses to such events may be more immediate, driven by technical indicators, timing strategies, and market speculation, rather than fundamental company analysis.

A very small proportion, just 2%, identified as Institutional Investors, indicating that the survey was predominantly filled out by individuals rather than professional fund managers or representatives of financial institutions. Institutional investors often follow rigorous investment strategies, supported by in-depth research, and are less likely to be influenced by one-off announcements such as dividends unless these impact long-term portfolio goals.

2. How long have you been investing in the stock market?



Interpretation:

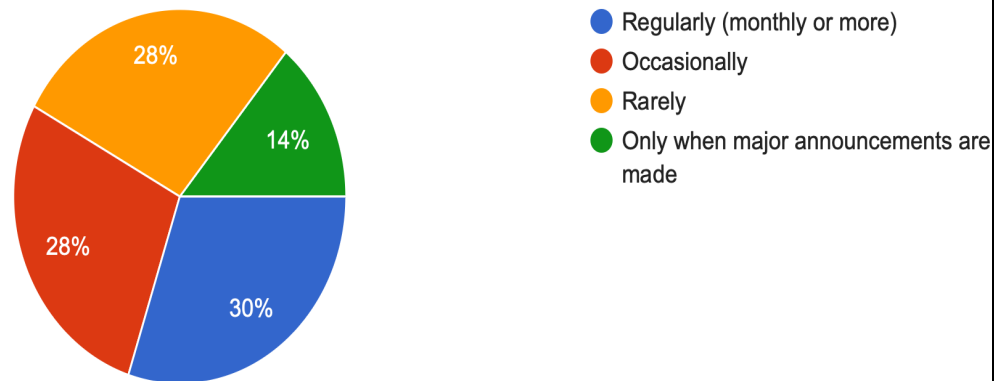
The pie chart presents a breakdown of investor experience levels among the survey respondents based on the number of years they have been participating in the stock market. The data reveals that a substantial proportion—42%—of the participants have been investing for less than one year. This indicates that nearly half of the surveyed investors are relatively new to the stock market and may still be in the learning phase, relying heavily on external financial advice, news sources, and online platforms for making investment decisions. These investors might exhibit more reactive behaviour to corporate announcements such as dividends due to their limited historical understanding of market trends and fundamentals.

Following closely, 36% of the respondents reported having 1 to 3 years of investment experience. This group likely represents early-stage investors who have had some exposure to market fluctuations and corporate events, but who may still be developing a consistent strategy or investment philosophy. Together, these two categories account for a combined 78% of the respondents, highlighting that the majority of the survey participants are still in the early phase of their investment journey. This is an important insight, as the perception of dividend announcements and their impact on stock price movement may be considerably influenced by this demographic's relatively limited experience and potential reliance on short-term gains or market signals.

Meanwhile, only 16% of the respondents fall within the 3 to 5 years investment experience range. These investors are likely to have experienced different market cycles, including earnings seasons, dividend payouts, and possible corrections or rallies, which may result in more informed or calculated responses to dividend announcements.

The remaining 6% of respondents, who have been investing for more than five years, represent a small yet potentially influential segment of seasoned investors. These individuals may rely more on fundamental analysis, long-term value creation, and a holistic view of the company's financial health when reacting to dividend announcements.

3.How frequently do you invest in stocks?



Interpretation:

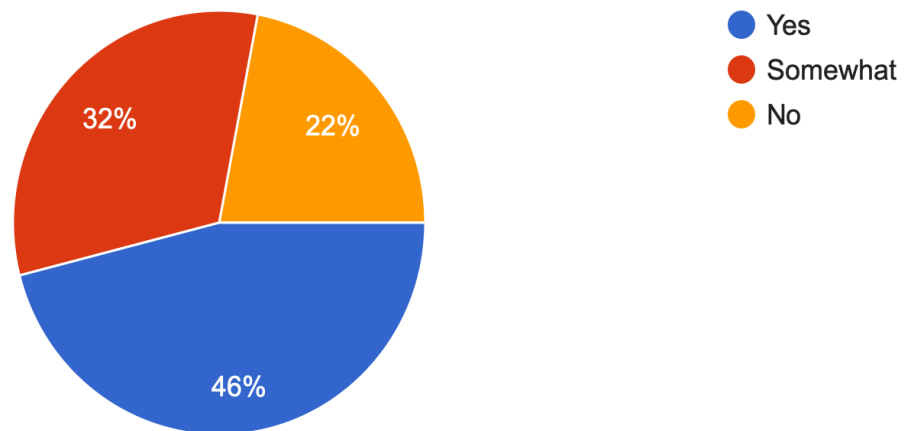
The pie chart provides a breakdown of how frequently the respondents engage in stock market investments. The highest percentage—30%—of respondents indicated that they invest regularly, defined as monthly or more frequently. This group likely includes active investors who are consistently involved in monitoring the markets, rebalancing their portfolios, or seeking investment opportunities based on financial news and corporate announcements. Their proactive behaviour suggests a higher level of engagement with market developments, including dividend declarations.

A combined 56% of respondents fall under the categories of occasional (28%) and rare (28%) investors. These participants are likely to make investment decisions based on specific opportunities, market trends, or available surplus funds, rather than following a structured or disciplined investing routine. Their exposure to dividend announcements and other corporate actions may be sporadic, depending largely on timing and accessibility of relevant information. For these groups, dividend-related decisions may not be a primary motivator but could act as a supplementary factor influencing buy/sell behaviour.

The remaining 14% of respondents stated that they invest only when major announcements are made. This suggests a reactive investment style, where decisions are triggered by significant corporate events such as earnings reports, dividend declarations, mergers, or major economic developments. Investors in this category may perceive dividend announcements as an important signal, prompting them to take action based on perceived financial strength or market sentiment shifts.

Overall, the data reveals a fairly balanced distribution between regular, occasional, and infrequent investors, with a noticeable tilt toward less frequent market participants

4. Are you aware of dividend announcements made by listed companies?



Interpretation:

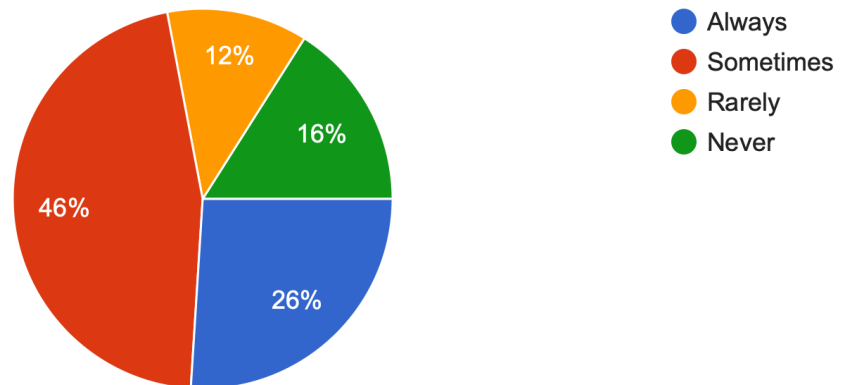
The pie chart reveals important insights into the level of awareness among investors regarding dividend announcements made by listed companies. A significant portion—46%—of the respondents clearly stated "Yes", indicating that they are well-informed about dividend declarations. This group likely stays updated with market news, follows financial reports, and possibly incorporates dividend-related information into their investment decisions. Their awareness reflects a relatively higher level of financial literacy and engagement with company-specific developments.

Another 32% of the participants responded with "Somewhat", suggesting partial or occasional awareness. This segment may not consistently track dividend announcements but becomes informed through indirect means such as social media, market chatter, or news highlights. Their investment choices might occasionally be influenced by dividend information, but not as a primary factor. This group represents a transitional segment that could benefit from greater exposure to financial education and corporate communication practices.

Meanwhile, 22% of the respondents answered "No", indicating that they are not aware of dividend announcements at all. This group could include new or passive investors who either do not actively track corporate actions or are unfamiliar with how such announcements impact stock valuations and investor sentiment. Their lack of awareness could also stem from a preference for other investment strategies, or limited access to timely financial information.

Overall, the findings show that while nearly half of the surveyed investors are actively aware of dividend announcements, a sizable percentage either lacks consistent awareness or remains uninformed altogether. This suggests a clear opportunity for investor education and greater transparency from companies when communicating dividend-related news.

5. Do you track dividend announcements before making an investment?



Interpretation:

The pie chart reflects varying degrees of investor behaviour when it comes to tracking dividend announcements before making investment decisions. A notable 46% of the respondents indicated that they "Sometimes" track dividend announcements. This suggests that nearly half of the participants consider dividends as a factor, but not always a primary one. Their investment strategy might involve a mix of technical, fundamental, or sentiment-based analysis where dividend declarations play a supplementary role.

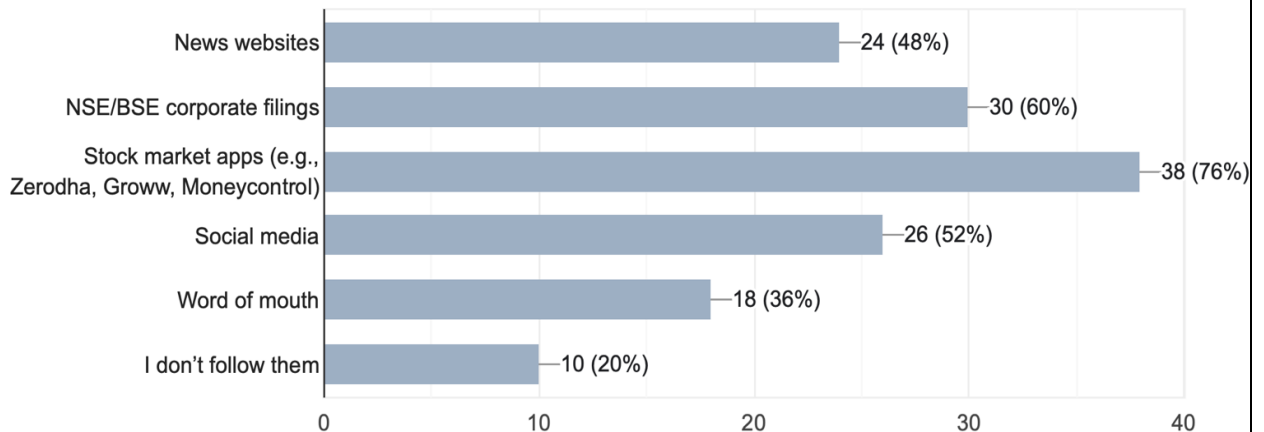
On the other hand, 26% of investors responded with "Always", showing a strong inclination toward dividend-based investing. These investors are likely to be more conservative or income-focused, preferring stocks that consistently reward shareholders through dividends. For this group, dividend announcements serve as key signals of financial health and reliability, and play a central role in their portfolio decisions.

Meanwhile, 16% said they "Never" track dividend announcements. This segment likely includes investors who are more growth-oriented or speculative in nature. They may rely more on capital gains or short-term price movements than on dividend income, and hence, do not consider such announcements relevant to their strategies.

Lastly, 12% of the participants indicated they "Rarely" track dividend announcements. This group might be occasional or passive investors who are not actively engaged with market developments, or who do not see dividend policies as having a substantial impact on their returns.

In summary, while a significant portion of investors pays attention to dividend declarations at least occasionally, only a quarter make it a consistent part of their investment process. These insights underline the diverse investor attitudes towards dividend information and highlight the need for better financial literacy and awareness of how such announcements can influence long-term investment outcomes.

6. How do you usually find out about dividend announcements?



Interpretation:

The bar chart reveals the multiple channels through which investors typically learn about dividend announcements, highlighting a strong preference for digital platforms and official filings.

The most popular source of information is stock market apps such as Zerodha, Groww, and Moneycontrol, with 76% (38 respondents) of participants relying on these platforms. This indicates a growing dependency on user-friendly and real-time mobile applications that offer consolidated financial information, including dividend announcements, portfolio tracking, and alerts..

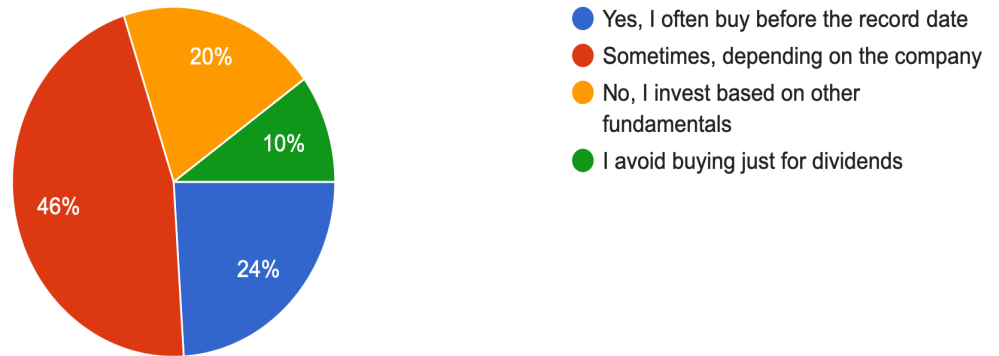
Next, NSE/BSE corporate filings are used by 60% (30 respondents), reflecting a commendable level of engagement with official and authentic sources. This suggests that a substantial portion of investors values credibility and may verify dividend-related announcements directly from the exchanges, ensuring accuracy and compliance.

Social media is another significant source, with 52% (26 respondents) acknowledging it. Platforms like Twitter, LinkedIn, and YouTube are increasingly becoming mediums for financial influencers, analysts, and companies to communicate directly with investors.

News websites such as Economic Times, Moneycontrol (web version), or Bloomberg are used by 48% (24 respondents). These platforms continue to hold relevance, especially among investors who prefer curated analysis, expert commentary, and broader context around corporate events like dividend declarations.

Word of mouth remains a traditional, albeit less popular, method with 36% (18 respondents) depending on friends, colleagues, or investment groups for such information. While useful in informal settings, this method may carry risks of misinformation or delay. Interestingly, 20% (10 respondents) stated they do not follow dividend announcements at all, implying either a lack of awareness, interest, or relevance to their investment strategy.

7. Does a dividend announcement influence your decision to buy a stock?



Interpretation:

The pie chart offers insight into how dividend announcements affect investors' decisions to buy stocks, revealing a diverse range of strategies and mindsets across the investing community.

A significant portion of respondents, 46% (23 individuals), indicated that their decision to buy shares in response to dividend announcements depends on the company. This suggests a conditional approach, where investors assess factors such as the company's financial health, dividend history, and sector performance before acting. These investors may be open to dividend capture strategies but only when backed by strong fundamentals and long-term growth prospects.

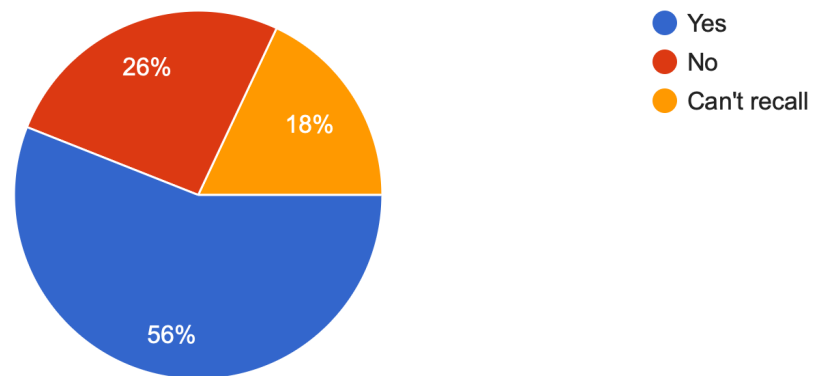
24% (12 respondents) mentioned that they often buy before the record date, pointing to a more active and opportunistic investment style. These individuals likely aim to capitalize on short-term gains through dividend capture, purchasing shares to become eligible for payouts and potentially selling them shortly afterward. While this strategy can be profitable, it also involves higher risk due to potential stock price corrections post-dividend and tax implications.

On the other hand, 20% (10 respondents) reported that dividend announcements do not influence their buying decisions, as they invest based on other fundamentals. This group likely emphasizes intrinsic value, earnings potential, competitive positioning, and broader market conditions rather than short-term income. It reflects a more traditional, value- or growth-oriented approach, where dividends are considered supplementary rather than central to decision-making.

Finally, 10% (5 respondents) explicitly stated that they avoid buying stocks just for dividends, suggesting a long-term, disciplined investment philosophy. These investors may view dividend chasing as speculative or misaligned with their goals, especially if it leads to exposure to low-growth or overvalued companies.

Overall, the data highlights that while dividends remain an important factor for many investors, they are rarely the sole driver of buying decisions.

8. Have you ever bought a stock solely to benefit from the dividend?



Interpretation:

The pie chart illustrates investor behaviour regarding dividend-driven stock purchases, shedding light on the prevalence of dividend capture strategies among market participants.

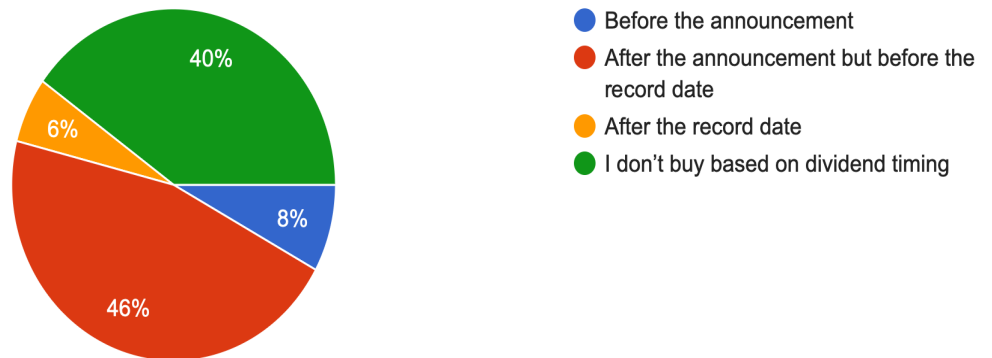
A majority of respondents, 56%, answered "Yes," indicating they have, at some point, purchased a stock solely to benefit from the dividend. This reflects a notable inclination toward dividend capture strategies, where investors aim to receive a declared dividend by purchasing shares before the ex-dividend date and potentially selling them afterward. This group likely views dividends as a tactical opportunity to enhance short-term returns, even if it involves holding a stock briefly. It also suggests a broader awareness of dividend timing and its potential benefits.

On the other hand, 26% of participants responded "No," implying that over a quarter of investors consciously avoid buying stocks for the sole purpose of collecting dividends. These investors may adopt a more fundamental or long-term investing approach, prioritizing capital appreciation, financial health, or growth potential over periodic payouts. Their strategy reflects a cautious view of dividend chasing, possibly due to concerns about price corrections post-dividend, tax inefficiency, or the speculative nature of such trades.

Interestingly, 18% of respondents chose "Can't recall," highlighting a segment of investors who either do not keep close track of their motivations or are unsure whether dividend expectations influenced their past purchases. This may reflect casual investing habits or a blended strategy where dividends were not the primary but perhaps a contributing factor in their decision-making process.

Overall, the results suggest that while a significant portion of investors engage in dividend-focused trading, a sizable minority either avoids or is indifferent to such strategies. The data reflects the diversity in investment objectives—some prioritize immediate income, while others lean toward long-term value creation or remain neutral. This variation underscores the need for investor education on the risks and benefits of dividend-based stock buying

9. When do you usually buy a dividend-paying stock?



Interpretation:

The pie chart offers a clear view of how timing factors into investors' decisions when purchasing dividend-paying stocks, highlighting the varying degrees of strategic behavior around dividend announcements and key dates.

A majority of respondents, 46%, reported that they purchase dividend-paying stocks after the announcement but before the record date. This indicates a strong inclination toward dividend capture strategies, where investors aim to secure the dividend by buying within the eligibility window. This group is likely motivated by short-term income opportunities and carefully times their purchases to align with company payout schedules.

Following closely behind, 40% of participants stated they don't buy based on dividend timing, suggesting a more long-term or fundamentals-driven investment approach. These investors prioritize company performance, valuation, or growth potential over short-term dividend eligibility. Their strategy reflects a disciplined mindset that avoids the speculative nature of dividend timing.

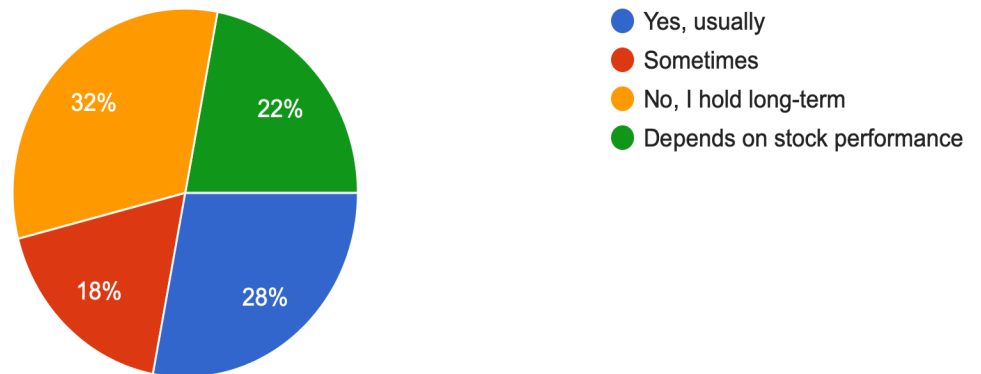
Interestingly, only 8% of respondents buy before the dividend announcement, possibly reflecting either inside industry knowledge, predictive analysis, or sheer coincidence. These investors may be looking to get in early based on expectations of a dividend or other favourable developments, though this strategy carries uncertainty due to the lack of confirmation at the time of purchase.

Lastly, a small portion, 6%, reported buying after the record date, a move that suggests either a long-term investment intention where dividend eligibility is not a priority, or possibly a belief that post-dividend price corrections create buying opportunities.

Overall, the chart reveals a near-even split between investors who act based on dividend timing and those who don't. With 54% actively adjusting their purchase timing around announcements and key dates, it's evident that dividend strategies are a meaningful factor for a large part of the investing population.

Yet, the significant 40% who disregard timing further emphasize the diversity in investor goals, where total return, portfolio fit, or risk profile may take precedence over short-term income.

10. Do you sell the stock after receiving the dividend?



Interpretation:

The pie chart provides insights into investor behaviour post-dividend receipt, revealing a balanced mix of long-term holders and those who make decisions based on timing or performance.

The most common response, with 32% (16 respondents), is “No, I hold long-term,” indicating that a significant portion of investors prefer to retain their investments beyond the dividend payout. This suggests a long-term mindset focused on capital appreciation and consistent returns over time, rather than short-term dividend harvesting.

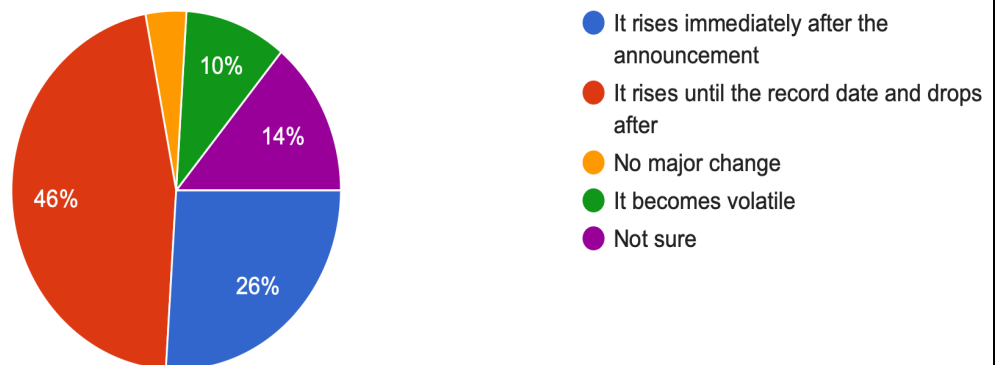
28% (14 respondents) mentioned “Yes, usually,” showing that more than a quarter of the participants tend to exit their position shortly after receiving dividends. This behaviour aligns with dividend capture strategies where investors seek to benefit from payouts and then move on.

Meanwhile, 22% (11 respondents) chose “Depends on stock performance,” highlighting a group that bases their decision on post-dividend price movement or overall stock trajectory. These investors demonstrate a flexible, performance-driven approach.

Lastly, 18% (9 respondents) selected “Sometimes,” suggesting occasional selling behaviour, likely influenced by factors such as market conditions, company outlook, or investment goals.

Overall, the data suggests that while many investors see value in holding stocks for the long run, a noteworthy portion still adopts reactive or strategic selling based on dividend events.

11. In your experience, how does a dividend announcement affect a stock's price in the short term?



Interpretation:

A significant majority, 46%, believe that a stock's price rises until the record date and drops after. This aligns with the well-known dividend capture theory, where demand for shares increases as investors rush to become eligible for the dividend, pushing the price up temporarily. Following the record date, a decline typically occurs—commonly referred to as the ex-dividend drop—as the incentive to hold the stock diminishes. This perception suggests that many investors have noticed or experienced the classic short-term behaviour associated with dividend plays.

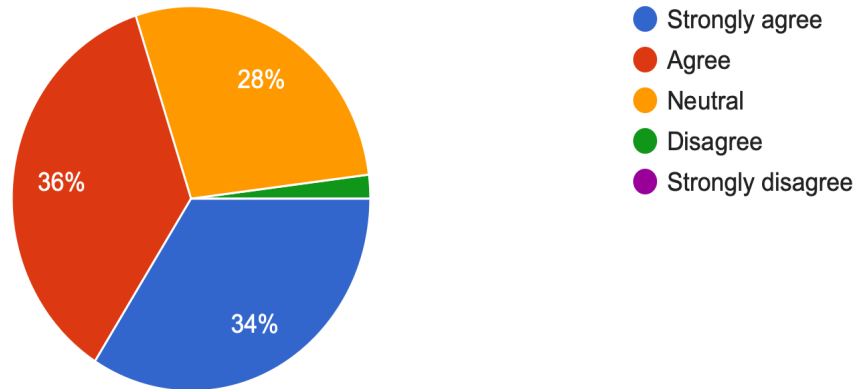
26% of respondents observed that the stock rises immediately after the announcement, reflecting positive market sentiment and possibly investor enthusiasm around income generation. This could be due to the dividend being seen as a sign of company strength or confidence in cash flows. It also indicates a tendency for markets to react quickly to corporate news, often pricing in good news even before the eligibility dates are reached.

Meanwhile, 10% noted that the stock becomes volatile post-announcement, pointing to the unpredictability and mixed reactions in the market. Factors such as dividend size, overall market conditions, or simultaneous corporate developments can lead to erratic price behaviour. This segment recognizes that not all dividend announcements lead to linear or predictable outcomes.

Only 4% believe there is no major change, which might imply that either the dividend yield is too small to influence prices or that the market had already anticipated the announcement. This view is in the minority, suggesting that most investors do perceive some form of price reaction—whether up or down.

Lastly, 14% of participants are not sure, highlighting either a lack of experience in tracking stock movements around dividend events or minimal attention to short-term fluctuations. This uncertainty is expected, especially among newer or more passive investors who may not focus on day-to-day price changes.

12. Do you believe dividend announcements reflect a company's financial health?



Interpretation:

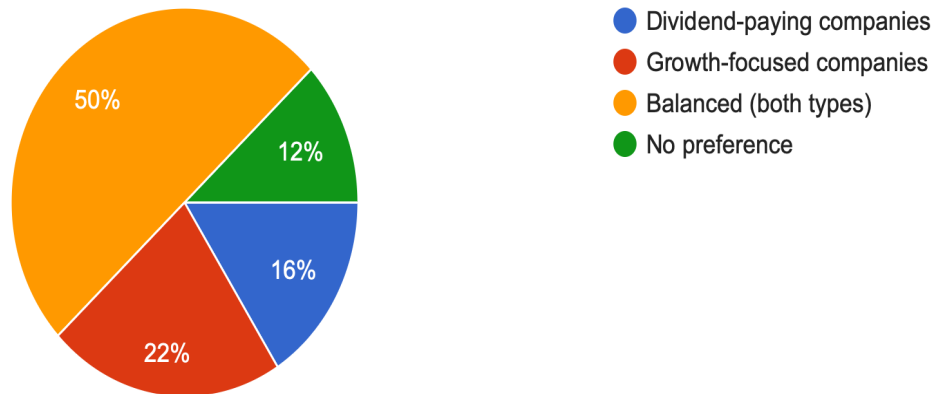
A combined 70% of participants responded affirmatively, with 34% strongly agreeing and 36% agreeing that dividend announcements reflect a company's financial health. This strong consensus highlights the belief that dividends are not just a form of shareholder reward but also a signal that the company has stable cash flows, sound earnings, and positive long-term prospects. In particular, the presence of strong agreement suggests that many investors view dividends as a trustworthy indicator—often relying on them to gauge a company's consistency, profitability, and overall management prudence.

Meanwhile, 28% of respondents remain neutral, indicating that a significant portion of investors may view dividend announcements as just one of many indicators of financial health. These investors likely consider dividends useful, but not definitive, preferring to assess a broader mix of financial metrics such as debt levels, revenue trends, and profit margins before making conclusions about a company's condition.

Interestingly, only 2% of respondents disagreed, and none strongly disagreed, showing almost no outright scepticism about the connection between dividends and corporate health. The minimal disagreement may reflect the recognition that some companies—particularly in high-growth or tech sectors—may not issue dividends despite being financially robust, while others may maintain dividends despite financial struggles to project stability.

In summary, the chart suggests a strong investor sentiment that dividend announcements serve as credible indicators of a company's financial position. While not universally definitive, dividends are widely perceived as a reliable proxy for fiscal discipline, operational stability, and shareholder-oriented management.

13. Which do you prefer investing in?



Interpretation:

The pie chart showcases investor preferences when it comes to choosing between dividend-paying and growth-focused companies, with a clear tilt toward diversification.

50% (25 respondents) indicated a preference for a balanced approach, investing in both dividend-paying and growth-oriented companies. This suggests that half of the participants aim to strike a middle ground—seeking the regular income from dividends while also capturing the capital appreciation potential of growth stocks. It reflects a strategy rooted in risk mitigation and diversified portfolio construction.

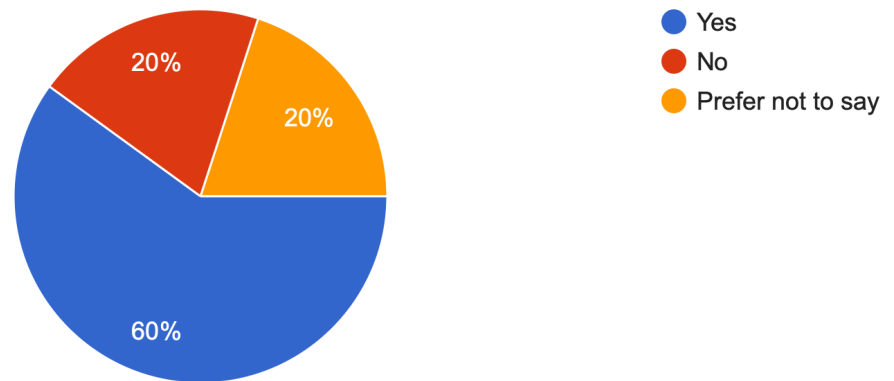
22% (11 respondents) prefer growth-focused companies, highlighting a segment of investors driven by long-term capital gains and potential for stock price appreciation rather than periodic income. These investors may prioritize companies reinvesting profits to fuel expansion over those distributing earnings as dividends.

16% (8 respondents) favour dividend-paying companies, indicating a focus on income generation, possibly for stability, passive cash flow, or conservative investment goals. This group may include retirees or risk-averse individuals who value consistency in returns.

Finally, 12% (6 respondents) selected “No preference,” implying that for this minority, factors other than dividend or growth orientation—such as sector, valuation, or company fundamentals—are more influential in their investment decisions.

In summary, while investor preferences vary, a balanced strategy is the most popular, reflecting a desire to combine income with growth in portfolio planning.

14. Have you ever made profits due to timing your buy/sell decisions around dividend events?



Interpretation:

The pie chart explores whether investors have ever profited from timing their buy/sell decisions around dividend events, and the results show a clear trend:

- 60% of respondents answered “Yes”, indicating that a majority have experienced success using dividend timing strategies. This suggests a substantial portion of investors see value in aligning trades with dividend-related dates (e.g., buying before the ex-dividend date or selling after capturing the dividend), possibly exploiting short-term price movements or income opportunities.
- 20% responded “No”, implying that either their timing strategy didn’t result in profit or they haven’t tried it.
- Another 20% selected “Prefer not to say,” which could reflect hesitation to disclose trading strategies, lack of certainty about the results, or simply a preference for privacy.

In summary, the majority of participants believe they have gained from dividend timing, reinforcing the notion that for some investors, dividend-related strategies can be a tactical part of portfolio management.

Conclusion

The study aimed to examine the impact of dividend announcements on investor behavior and stock market performance in the Indian equity market. The analysis revealed that a majority of investors view dividend announcements as reflective of a company's financial health, and many have profited from timing their buy and sell decisions around such events. Most investors prefer a balanced investment strategy that combines dividend-paying and growth-oriented stocks, while stock market apps, NSE/BSE filings, and financial news platforms emerged as the primary sources of information regarding dividend declarations.

In terms of stock price movements, it was observed that prices tend to rise leading up to the record date and often correct downward thereafter, a pattern consistent with typical dividend capture behavior. Companies announcing higher-than-expected dividends witnessed positive investor reactions, whereas firms offering moderate payouts during uncertain market conditions saw mixed or even negative short-term responses. Sectoral differences were evident; utilities and financial companies exhibited more predictable price behaviours, while public sector companies displayed higher volatility post-dividend. Additionally, the survey highlighted that although many investors purchase stocks after dividend announcements, a considerable proportion maintain a long-term perspective, viewing dividends as supplementary to overall investment returns.

Based on these findings, several recommendations emerge. Investors are advised not to rely solely on dividend announcements when making stock purchase decisions; a broader fundamental analysis is essential to avoid pitfalls like post-dividend price drops. Dividend capture strategies should be employed cautiously, considering factors such as tax impacts and stock liquidity. Long-term investors are encouraged to target companies with sustainable dividend histories and balanced payout ratios. For companies, it is crucial to ensure dividend declarations are transparent, consistent, and aligned with their operational performance to maintain market credibility and investor trust. Clear communication around dividend policies can further strengthen shareholder relationships. Policymakers and exchanges are recommended to promote greater transparency and investor education around the nuances of dividend investing to support more rational and efficient market behavior.

In conclusion, dividend announcements hold significant influence over investor sentiment and short-term stock price behavior in India. While predictable patterns such as pre-record date rallies and post-dividend corrections are common, these are moderated by sectoral trends, company fundamentals, and broader market conditions. Investors' responses to dividends vary, with some engaging in short-term trading strategies and others maintaining a longer-term, fundamentals-driven approach. Dividend policies continue to serve as powerful signals of corporate financial strength, impacting market dynamics beyond immediate payouts. Thus, informed decision-making by investors, strategic dividend management by companies, and proactive oversight by regulators are all essential for fostering healthy, transparent, and investor-friendly capital markets.

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Annexure

Investor Perception on Dividend Announcements and Stock Price Movement

Thank you for participating in this research survey.

I am conducting this as part of my MBA project to understand how dividend announcements affect investor behavior and stock prices. Your responses will be kept confidential and used strictly for academic purposes.

The survey will take less than 5 minutes to complete.

* Indicates required question

1.Name

2.What type of investor are you?

- Individual/Retail Investor
- Institutional Investor
- Trader
- Student/Academic

3.How long have you been investing in the stock market?

- Less than 1 year
- 1–3 years
- 3–5 years
- More than 5 years

4.How frequently do you invest in stocks?

- Regularly (monthly or more)
- Occasionally
- Rarely
- Only when major announcements are made

5.Are you aware of dividend announcements made by listed companies?

- Yes
- Somewhat
- No

6.Do you track dividend announcements before making an investment?

- Always
- Sometimes
- Rarely
- Never

7.How do you usually find out about dividend announcements? (Select all that apply)

- News websites
- NSE/BSE corporate filings
- Stock market apps (e.g., Zerodha, Groww, Moneycontrol)
- Social media
- Word of mouth
- I don't follow them

8.Does a dividend announcement influence your decision to buy a stock?

- Yes, I often buy before the record date
- Sometimes, depending on the company
- No, I invest based on other fundamentals
- I avoid buying just for dividends

9.Have you ever bought a stock *solely* to benefit from the dividend?

- Yes
- No
- Can't recall

10.When do you usually buy a dividend-paying stock?

- Before the announcement
- After the announcement but before the record date
- After the record date
- I don't buy based on dividend timing

11.Do you sell the stock after receiving the dividend?

- Yes, usually
- Sometimes
- No, I hold long-term
- Depends on stock performance

12.In your experience, how does a dividend announcement affect a stock's price in the short term?

- It rises immediately after the announcement
- It rises until the record date and drops after
- No major change
- It becomes volatile
- Not sure

13. Do you believe dividend announcements reflect a company's financial health?

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

14. Which do you prefer investing in?

- Dividend-paying companies
- Growth-focused companies
- Balanced (both types)
- No preference

15. Have you ever made profits due to timing your buy/sell decisions around dividend events?

- Yes
- No
- Prefer not to say

16. In your opinion, how can dividend policy influence long-term investor trust?

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