

EFFECT OF DPS ON STOCK MARKET PERFORMANCE OF A COMPANY: A CASE RELATED TO LEADING 3 PRIVATE SECTOR BANKS IN INDIA

¹Ms. SapnaKocchar, ²Mr. AnchitJhamb, ³Ms. Swati Aggarwal

¹Assistant Professor, ²Assistant Professor, ³ Assistant Professor

¹Department of Management

¹Gulzar Group Of Institutes, Khanna.

Abstract : Today equity share market has a special importance as an investment platform for the investors and due to the nature of high risk and high profit equity share market has earned a great investor base and investors also take pleasure by increasing their portfolio value by investing in shares of various companies but for a company it is a major task to handle the satisfaction of the investors by providing them desired returns on their investments but with the Indian investor and specially in context to stock market there are two major problem a) there is a major concept of sheep walk and b) The rise and fall in the index is considered to be the performance of each and every company listed.

Index Terms-EPS, DPS, Stock Market, Share Price, Financial performance, Index, SENSEX

Objective of the Study

To study the impact of DPS on bank's performance

I. INTRODUCTION

Today equity share market has a special importance as an investment platform for the investors and due to the nature of high risk and high profit equity share market has earned a great investor base and investors also take pleasure by increasing their portfolio value by investing in shares of various companies but for a company it is a major task to handle the satisfaction of the investors by providing them desired returns on their investments but with the Indian investor and specially in context to stock market there are two major problem a) there is a major concept of sheep walk and b).

Table-1:AXIS Bank Balance Sheet

AXIS BANK					
Standalone Balance Sheet	----- in Rs. Cr. -----				
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Capital and Liabilities:					
Total Share Capital	513.31	479.01	476.57	474.10	469.84
Equity Share Capital	513.31	479.01	476.57	474.10	469.84
Reserves	62,931.95	55,283.53	52,688.34	44,202.41	37,750.64
Net Worth	63,445.26	55,762.54	53,164.91	44,676.51	38,220.48
Deposits	453,622.72	414,378.79	357,967.56	322,441.94	280,944.56
Borrowings	148,016.14	105,030.87	99,226.38	79,758.27	50,290.94
Total Debt	601,638.86	519,409.66	457,193.94	402,200.21	331,235.50
Other Liabilities & Provisions	26,245.45	26,295.47	15,108.77	15,055.67	13,788.89
Total Liabilities	691,329.57	601,467.67	525,467.62	461,932.39	383,244.87
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Assets					
Cash & Balances with RBI	35,481.06	30,857.94	22,361.15	19,818.84	17,041.32
Balance with Banks, Money at Call	7,973.83	19,398.24	10,964.29	16,280.19	11,197.38
Advances	439,650.30	373,069.35	338,773.72	281,083.03	230,066.76
Investments	153,876.08	128,793.37	122,006.20	132,342.83	113,548.43
Gross Block	3,625.59	3,465.93	3,316.20	2,413.05	2,310.54
Net Block	3,625.59	3,465.93	3,316.20	2,413.05	2,310.54
Capital Work In Progress	346.09	280.96	206.97	101.26	99.67
Other Assets	50,376.62	45,601.87	27,839.08	9,893.19	8,980.79
Total Assets	691,329.57	601,467.66	525,467.61	461,932.39	383,244.89
Contingent Liabilities	776,181.32	745,923.22	668,725.82	640,183.59	611,446.37
Book Value (Rs)	247.20	232.83	223.12	188.47	813.47

The rise and fall in the index is considered to be the performance of each and every company listed and hence these two major issues are very much responsible in either building or rupturing the image of company and companies do understand this thing that is the reason for making the concept of EPS and DPS famous amongst the shareholder to make them at least understand the company's performance apart from stock market index but these two factors have now become a major part for investors to adjudge

the financial performance of the company and these two factors EPS and DPS have some similarities and differences amongst themselves but have a huge impact on the performance of the company

Table-1 A-Dividend Payment by Axis Bank

Announcement Date	Effective Date	Dividend Type	Dividend(%)	Remarks
25/04/2019	04/07/2019	Final	50%	Rs.1.0000 per share(50%)Final Dividend
28/04/2017	06/07/2017	Final	250%	Rs.5.0000 per share(250%)Final Dividend
26/04/2016	07/07/2016	Final	250%	Rs.5.0000 per share(250%)Dividend
29/04/2015	09/07/2015	Final	230%	Rs.4.6000 per share(230%)Dividend
25/04/2014	12/06/2014	Final	200%	Rs.20.0000 per share(200%)Dividend

Table-1 B-AXIS Average Stock Market performance

AXIS Stock Market Performance	
Year	Average Closing
2014	432.184
2015	517.945
2016	491.408
2017	523.333
2018	581.066

Observations for AXIS bank

- 1) There is semi-positive relationship between dividend paid and stock market performance of the AXIS bank
- 2) Increased net worth has also helped the bank to retain the investors
- 3) For AXIS bank it is a semi positive relationship

Table-2 HDFC Bank Balance Sheet

Standalone Balance Sheet	in Rs. Cr.				
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Capital and Liabilities:					
Total Share Capital	519.02	512.51	505.64	501.30	479.81
Equity Share Capital	519.02	512.51	505.64	501.30	479.81
Reserves	105,775.98	88,949.84	72,172.13	61,508.12	42,998.82
Net Worth	106,295.00	89,462.35	72,677.77	62,009.42	43,478.63
Deposits	788,770.64	643,639.66	546,424.19	450,795.64	367,337.48
Borrowings	123,104.97	74,028.87	53,018.47	45,213.56	39,438.99
Total Debt	911,875.61	717,668.53	599,442.66	496,009.20	406,776.47
Other Liabilities & Provisions	45,763.72	56,709.32	36,725.13	32,484.46	41,344.40
Total Liabilities	1,063,934.33	863,840.20	708,845.56	590,503.08	491,599.50
	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
	12 mths	12 mths	12 mths	12 mths	12 mths
Assets					
Cash & Balances with RBI	104,670.47	37,896.88	30,058.31	27,510.45	25,345.63
Balance with Banks, Money at Call	18,244.61	11,055.22	8,860.53	8,821.00	14,238.01
Advances	658,333.09	554,568.20	464,593.96	365,495.03	303,000.27
Investments	242,200.24	214,463.34	163,885.77	166,459.95	120,951.07
Gross Block	3,607.20	3,626.74	3,343.16	3,121.73	2,939.92
Net Block	3,607.20	3,626.74	3,343.16	3,121.73	2,939.92
Other Assets	36,878.70	42,229.82	38,103.84	19,094.91	25,124.60
Total Assets	1,063,934.31	863,840.20	708,845.57	590,503.07	491,599.50
Contingent Liabilities	483,718.75	378,692.15	876,808.11	997,538.88	744,097.98
Book Value (Rs)	409.60	349.12	287.47	247.39	181.23

Table-2A- Dividend Payment by HDFC Bank

Announcement Date	Effective Date	Dividend Type	Dividend (%)	Remarks
22-04-19	20-06-19	Final	750.00	Rs.15.0000 per share(750%)Dividend
23-04-18	31-05-18	Final	650.00	Rs.13.0000 per share(650%)Dividend
24-04-17	29-06-17	Final	550.00	Rs.11.0000 per share(550%)Dividend
22-04-16	29-06-16	Final	475.00	Rs.9.5000 per share(475%)Dividend
23-04-15	02-07-15	Final	400.00	Rs.8.0000 per share(400%)Dividend
22-04-14	05-06-14	Final	342.50	Rs.6.8500 per share(342.5%)Dividend

Table-2B-HDFC Average Stock Market performance

HDFC Stock Market Performance	
Year	Average Closing
2014	908.7125
2015	1058.371
2016	1189.475
2017	1714.521
2018	2037.592

Observations for HDFC Bank

- 1) The increase in dividend paid has positively affected the HDFC's stock market performance
- 2) Impact of increased net worth has also rested the interest of investors in the company
- 3) For HDFC there is a positive relationship between dividend paid and stock market performance

Table-3 ICICI Bank Balance Sheet

SOURCES OF FUNDS :							
Capital	1285.81	1165.11	1163.17	1159.66	1155.04	1153.64	
Reserves Total	103867.56	98779.71	88565.72	79262.26	72051.71	65547.84	
Equity Share Warrants	0.00	0.00	0.00	0.00	0.00	0.00	
Equity Application Money	5.57	6.26	6.70	7.44	6.57	4.48	
Deposits	560975.21	490039.06	448528.09	447495.38	408586.32	361305.08	
Borrowings	182858.62	147556.15	147704.99	86484.70	78086.40	76650.04	
Other Liabilities & Provisions	33666.89	37612.55	37887.43	34374.72	36996.27	32601.85	
TOTAL LIABILITIES	882659.66	775158.84	723856.10	648784.16	596882.31	537262.93	
APPLICATION OF FUNDS :							
Cash & Balances with RBI	33102.38	31702.40	27106.09	25652.91	21821.82	19052.73	
Balances with Banks & money at Call	51067.00	44010.66	32762.65	16651.71	19707.77	22364.79	
Investments	202994.18	161506.55	160411.80	158129.22	177021.82	171393.60	
Advances	512395.29	464232.08	435263.94	387522.07	338702.65	290249.44	
Fixed Assets	7903.51	7805.21	7576.92	4725.52	4678.14	4647.06	
Other Assets	75197.29	65901.94	60734.70	56102.73	34950.11	29555.32	
Miscellaneous Expenditure not written off	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL ASSETS	882659.65	775158.84	723856.10	648784.16	596882.31	537262.94	

Table-3A-Dividend Payment by ICICI Bank

Dividend Declared

Announcement Date	Effective Date	Dividend Type	Dividend (%)	Remarks
07-05-18	24-08-18	Final	75.00	Rs.1.5000 per share(75%)Dividend. (Revised)
04-05-17	20-06-17	Final	125.00	Rs.2.5000 per share(125%)Dividend
29-04-16	16-06-16	Final	250.00	Rs.5.0000 per share(250%)Dividend
27-04-15	04-06-15	Final	250.00	Rs.5.0000 per share(250%)Dividend
25-04-14	05-06-14	Final	230.00	Rs.23.0000 per share(230%)Dividend

Table-3B- ICICI Average Stock Market performance

ICICI Stock Market Performance	
Year	Average closing
2014	291.586
2015	267.624
2016	226.405
2017	291.238
2018	318.679

Observations for ICICI Bank

- 1) The increase in dividend payment has not positively affected the ICICI's stock market performance
- 2) But the increase in net worth has kept the stock market performance in control
- 3) For ICICI there has been no positive relationship between dividend paid and stock market performance

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Abbreviations

EPS-Earnings Per Share

DPS-Dividend Per Share

Annexure

- 1) Table-1- AXIS Bank Balance Sheet
- 2) Table-1A- Dividend Payment by Axis Bank
- 3) Table-1B-Axis Average Stock Market performance
- 4) Table-2- HDFC Bank Balance Sheet
- 5) Table-2A- Dividend Payment by HDFC Bank
- 6) Table-2B-HDFC Average Stock Market performance
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- 8) Table-3A- Dividend Payment by ICICI Bank
- 9) Table-3B-ICICI Average Stock Market Performance