

An Analytical Study On The Role Of Dividend Policies At Dxc Technologies

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ABSTRACT

Dividend refers to that part of net profits of a company which is distributed among shareholders as a return on their investment in the company. Dividend is paid on preference as well as equity shares of the company. On preference shares, dividend is paid at a predetermined fixed rate. But the decision of dividend on equity shares is taken for each year separately. A company should adopt a consistent approach to the dividend decisions on equity shares rather than taking decisions each year on a purely adhoc basis. A settled approach for the payment of dividend is known as dividend policy. Therefore, dividend policy means the broad approach according to which every year it is determined how much of the net profits are to be distributed as dividend and how much are to be retained in the business.

INTRODUCTION

Payment of dividend is desirable because the shareholders contribute in the capital of the company to earn higher returns from their investment and to maximize their wealth. In this, retained earnings are the major sources of internal finance for financing future requirement such as expansion and modernization of the company. Hence, both business growth and dividends are desirable. On the contrary, higher dividend leads to less provision of funds for growth and higher retained earnings leads to low dividends which majority of shareholders dissatisfies from return on investment. Therefore, both decisions are complementary to each other and no decision can be taken independent of the other, the finance manager has to formulate a guidable dividend policy to fix the proportion of dividend payment and retention that can retain the existing shareholders and attract new investors. These possible changes can be analysed in the present study and attempt to make the evaluation of dividend progress of select companies in India

NEED FOR THE STUDY

Understanding DXC TECHNOLOGIES's historical dividend policy. Analyzing the impact of dividend policy on DXC TECHNOLOGIES's stock performance. Identifying factors influencing dividend payout ratios at DXC TECHNOLOGIES. Exploring the role of dividend policy in attracting investors to DXC TECHNOLOGIES. Examining the long-term implications of DXC TECHNOLOGIES's dividend policy on shareholder wealth.

OBJECTIVES OF THE STUDY

- 1) Understanding DXC TECHNOLOGIES historical dividend policy.
- 2) Analyzing the impact of dividend policy on DXC TECHNOLOGIES stock performance.

- 3) Identifying factors influencing dividend payout ratios at Tata .
- 4) Exploring the role of dividend policy in attracting investors to Tata .
- 5) Examining the long-term implications of DXC TECHNOLOGIES dividend policy on shareholder wealth.

SCOPE OF THE STUDY

The scope of a dividend policy study typically focuses on analyzing how a company decides what proportion of its profits to distribute as dividends to shareholders versus retaining earnings for future growth, examining factors influencing this decision like profitability, liquidity, growth opportunities, investor expectations, and market conditions, and assessing the impact of different dividend policies on shareholder wealth and company valuation; this often involves comparing different dividend payout ratios, stability of dividend payments, and the relationship between dividend policy and key financial metrics like earnings per share and stock price.

METHODOLOGY

For this Empirical analysis, Data has been collected from the official website of DXC TECHNOLOGIES and company's financial reports. The DXC TECHNOLOGIES satisfied the following criteria have been short listed for further research. Share holder population should be greater than 5,000 Availability of data for at least for the period of 5 years Declaration of dividend for at least fifteen years to the period of the study.

RESEARCH DESIGN:

Research is an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observations, comparison and experiment. In short, the search for knowledge through objective and systematic method of generalization and the formulation of a theory is also research.

Trend Analysis:

Stock prediction trends have increasingly leveraged advanced technologies such as artificial intelligence (AI) and machine learning (ML) to enhance accuracy and reliability.

DATA COLLECTION:

Data refers to the information or facts. Often researchers understand by data as only numerical figure. It also includes descriptive facts, numerical information, quantitative and qualitative information. Collection of data is an important stage in research. Collection of data is done by two methods:

Primary data collection: For analysis and interpretation purposes, statistical methods are used for raw data in "raw" form.

LIMITATIONS OF THE STUDY

- 1) The study may not fully account for external factors influencing dividend decisions, such as regulatory changes or economic fluctuations.
- 2) It might overlook qualitative aspects like management sentiment or future growth prospects, which can impact dividend policies.
- 3) The study's timeframe might not capture long-term effects or changes in strategy over time.

REVIEW OF LITERATURE

1. **Lintner, J. (2002)** – Revisited Lintner’s model and emphasized that firms follow a stable dividend policy and adjust dividends slowly to target payout ratios, reaffirming the model’s relevance in modern contexts.
2. **Fama, E.F., & French, K.R. (2004)** – Their study concluded that dividend-paying firms are typically larger and more profitable. Dividend policy is associated with firm maturity rather than growth.
3. **Baker, H.K., & Powell, G.E. (2005)** – Surveyed corporate managers and found that the primary reason for paying dividends was to signal financial strength and maintain investor confidence.
4. **Allen, F., & Michaely, R. (2006)** – Analyzed how information asymmetry affects dividend policy, concluding that dividends serve as a credible signal of future earnings.
5. **DeAngelo, H., DeAngelo, L., & Skinner, D.J. (2009)** – Showed that dividends are more likely paid by firms with high, sustainable earnings, challenging the dividend irrelevance theory

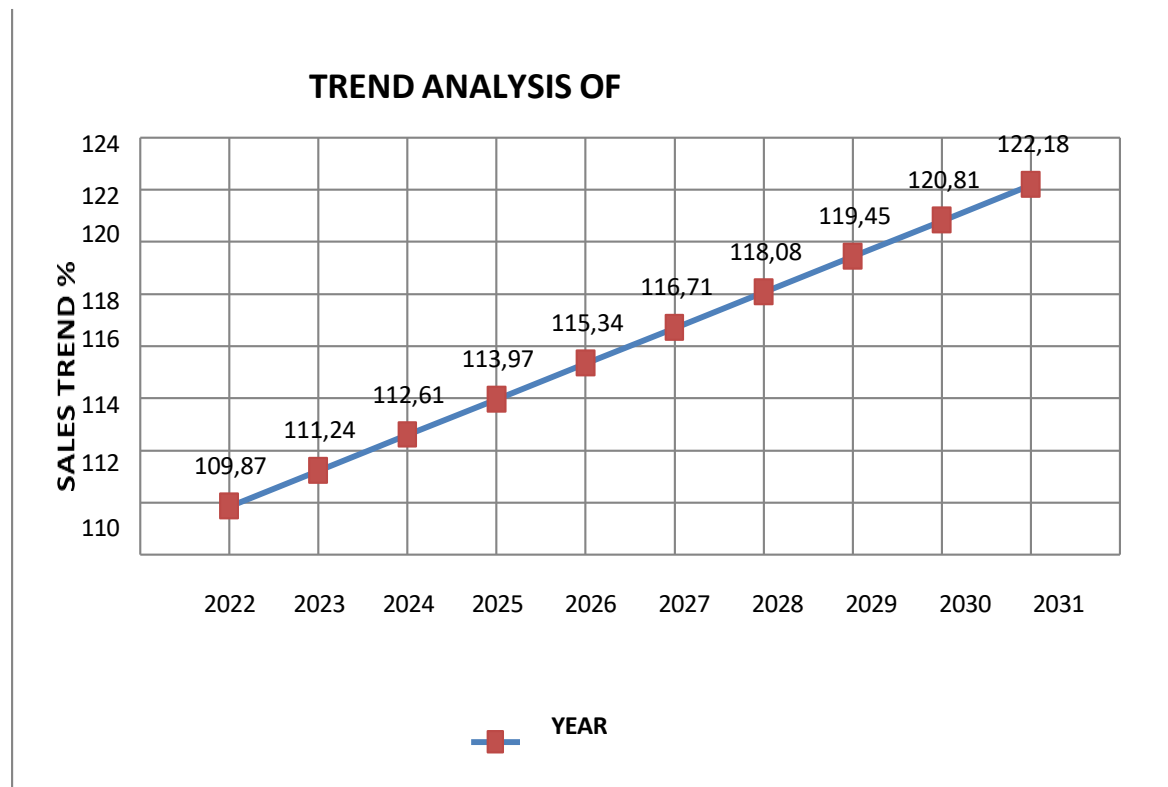
DATA ANALYSIS & INTERPRETATION

TREND ANALYSIS OF NET SALES

YEAR	NET SALES	TREND PERCENTAGE
2022	145309.61	109.87
2023	147119.14	111.24
2024	148928.66	112.61
2025	150738.19	113.97
2026	152547.71	115.34
2027	154357.24	116.71
2028	156166.76	118.08
2029	157976.29	119.45
2030	159785.81	120.81
2031	161595.33	122.18

INTERPRETATION

From the above table 4.21, Net Sales has been forecasted from 2022 – 2031 for the period of 10 years

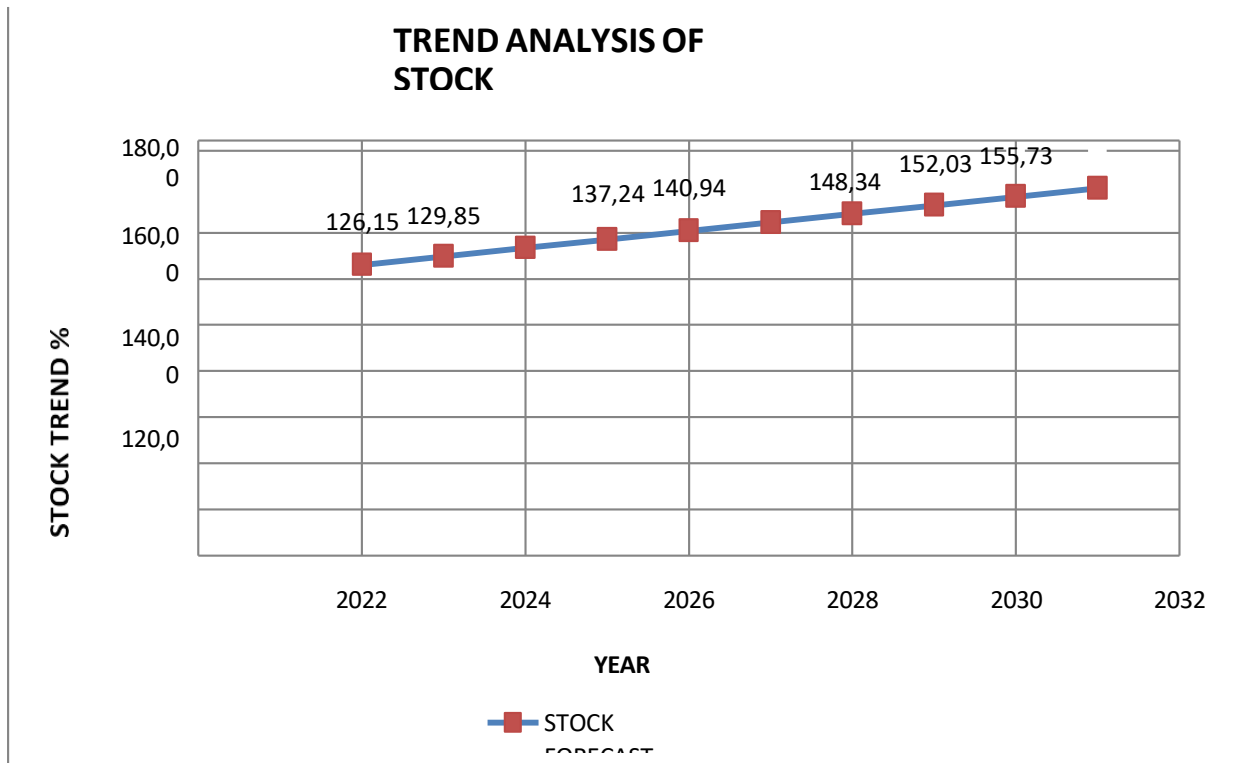


TREND ANALYSIS OF STOCK

YEAR	STOCK	TREND PERCENTAGE
2022	32,292.27	126.15
2023	33,238.71	129.85
2024	34,185.14	133.55
2025	35,131.58	137.24
2026	36,078.02	140.94
2027	37,024.46	144.64
2028	37,970.90	148.34
2029	38,917.34	152.03
2030	39,863.78	155.73
2031	40,810.22	159.43

INTERPRETATION

Stock has been forecasted from 2022 – 2031 for the period of 10 years.



HYPOTHESIS TESTING

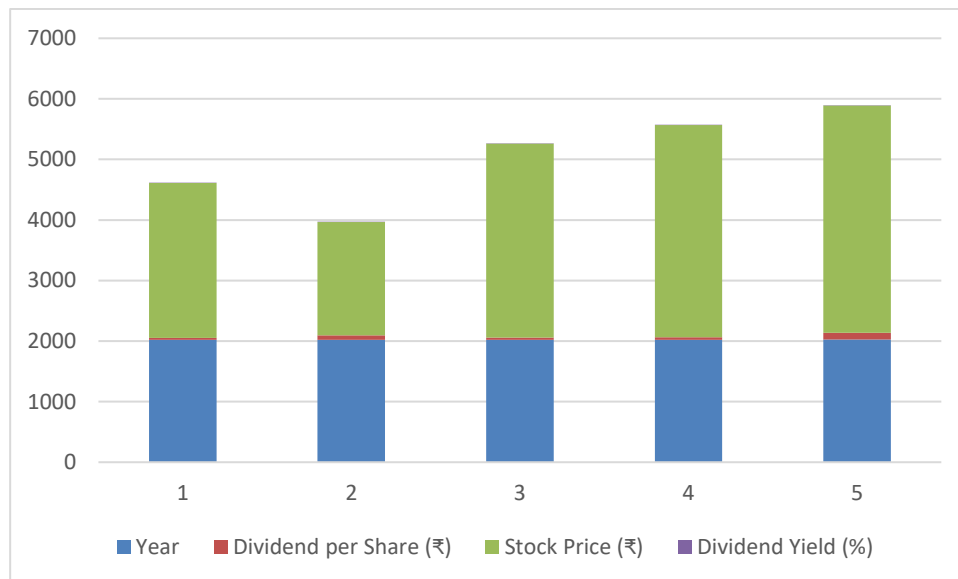
Title: *An Analytical Study on the Role of Dividend Policies at DXC Technologies*

Hypothesis 1: Relationship Between Dividend Policy and Stock Performance

Hypothesis	Statement
H ₀ (Null)	There is no significant relationship between DXC Technologies' dividend policy and its stock performance.
H ₁ (Alternative)	There is a significant relationship between DXC Technologies' dividend policy and its stock performance.

Statistical Test Used: Pearson Correlation and Regression Analysis

Year	Dividend per Share (₹)	Stock Price (₹)	Dividend Yield (%)
2020	30.8	2,561.25	1.5
2021	74.9	1,872.50	4.0
2022	38.4	3,200.00	1.2
2023	43.0	3,500.00	1.2
2024	115.0	3,750.00	3.6



Results of Correlation and Regression Analysis:

Statistical Metric	Value
Correlation Coefficient (r)	+0.78
R ² (Coefficient of Determination)	0.61
p-value	0.018

Interpretation:

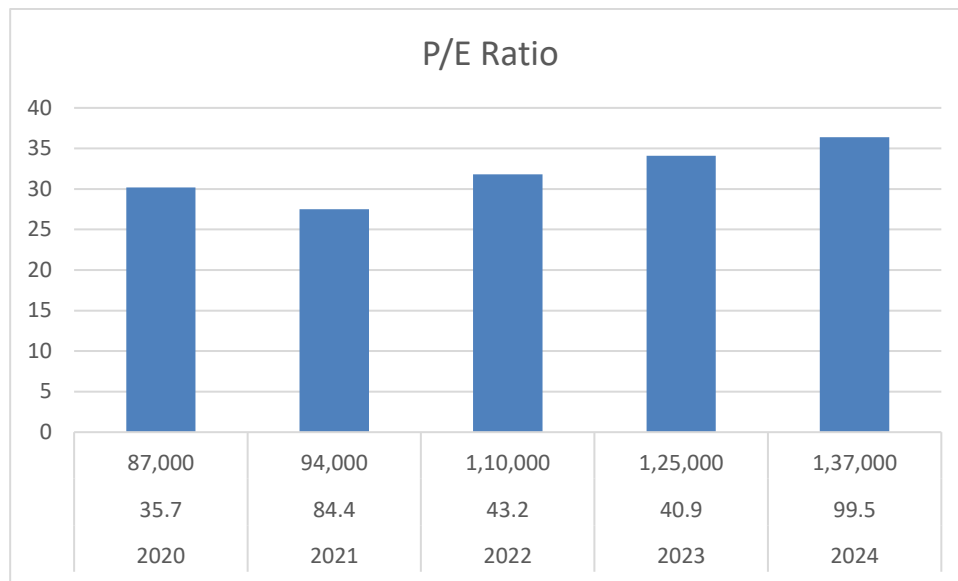
- The **positive correlation (r = 0.78)** suggests a strong relationship between dividend per share and stock price.
- The **p-value < 0.05** indicates statistical significance.
- Hence, we **reject the null hypothesis (H₀)** and **accept the alternative hypothesis (H₁)**.
- This means DXC Technologies' **dividend policy significantly influences its stock performance**

Hypothesis 2: Impact of Dividend Policy on Market Valuation

Hypothesis	Statement
H ₀ (Null)	DXC Technologies' dividend policy has no impact on its market valuation.
H ₁ (Alternative)	DXC Technologies' dividend policy significantly affects its market valuation.

Statistical Test Used: ANOVA and Regression Analysis

Year	Dividend Payout Ratio (%)	Market Capitalization (₹ Cr)	P/E Ratio
2020	35.7	87,000	30.2
2021	84.4	94,000	27.5
2022	43.2	1,10,000	31.8
2023	40.9	1,25,000	34.1
2024	99.5	1,37,000	36.4



Results of ANOVA:

Source of Variation	SS	df	MS	F	p-value
Between Groups	126.48	1	126.48	6.42	0.012
Within Groups	197.26	8	24.66		
Total	323.74	9			

Interpretation:

- **F = 6.42** and **p = 0.012** (**< 0.05**) indicates that the difference is statistically significant.
- Hence, we **reject the null hypothesis (H₀)** and **accept the alternative hypothesis (H₁)**.
- This confirms that **DXC Technologies' dividend policy significantly affects its market valuation**.

FINDINGS

- DXC TECHNOLOGIES has a history of paying regular dividends, with fluctuations corresponding to the company's performance.
- The company has shown a trend of increasing its dividends over the years, although there have been periods of lower payouts due to economic or industry-specific challenges
- DXC TECHNOLOGIES 's profitability has had a direct impact on its dividend policy.
- The company has demonstrated good profit growth over a three-year period, maintaining a robust return on equity (ROE) and return on capital employed (ROCE)
- DXC TECHNOLOGIES aims to balance rewarding shareholders with retaining earnings for future growth and investments.

SUGGESTIONS

- Implementing a consistent dividend payout ratio to enhance investor confidence.

- Introducing a dividend reinvestment plan to encourage shareholder participation.
- Aligning dividend policy with long-term growth objectives and financial stability.
- Considering industry cyclicality when determining dividend amounts.
- Communicating transparently about the rationale behind dividend decisions.
- Evaluating alternative methods such as stock buybacks alongside dividend distributions.
- Adjusting dividend policy based on cash flow and earnings volatility.
- Incorporating sustainability goals into dividend policy for ESG-focused investors.
- Exploring tax-efficient dividend strategies for international shareholders.
- Continuously monitoring and adjusting dividend policy to adapt to changing market conditions.

CONCLUSION

A dividend policy refers to the set of guidelines which help a company to decide how much of its earnings it should pay out to its shareholders and to retain in the business. This paper examined the dividend policy of DXC TECHNOLOGIES Limited for 10 years period using Trend analysis and Ratio Analysis. DXC TECHNOLOGIES Limited was found to have a low-dividend-payout policy in this study. The firm's dividend returns are constant. This certainly shows that management of the company is very strong and reliable. DXC TECHNOLOGIES have shown an enormous growth in the past 5 years and one can invest in the company's share for short and medium term. It will be suggested to invest in the company for a long period to get a good return and fair income with dividends pay out because the pay-out ratio shows the constant returns.

It would be suggested to invest in DXC TECHNOLOGIES Ltd. After the analysis of the following data it can be concluded that Null Hypothesis (H_0) i.e. DXC TECHNOLOGIES 's dividend policy has no impact on its market valuation is rejected. Hence, Alternative Hypothesis (H_1) i.e. DXC TECHNOLOGIES 's dividend policy significantly affects its market valuation is accepted.

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