Summer Training Project Report

on "Working capital management

at Future Finders "

Submitted to

I.K. GUJRAL PUNJAB TECHNICAL UNIVERSITY KAPURTHALA

(PUNJAB)

Submitted for the partial fulfilment of the degree of Masters of

Business Administration

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Future Finders

MBA DEPARTMENT

CHANDIGARH GROUP OF COLLEGES LANDRAN

2022-24

NATIONAL AWARD WINNER

Future Finders

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Completed his/her training on FINANCE

from 26 JUNE, 2023 to 10 AUG, 2023 during the tenure

of the above training, we have found him/her a hardworking

Training Co-ordinator

ISO 9001:2015

Ministry of MSME, Govt. of India
Reg. no.- CH010009429

Director

Grade - A☐ A+☐ B☐ B+☐ C☐

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STUDENT DECLARATION

I Divyanshu Gupta, hereby declare that I have undergone my summer training at "Future Finders" from 26th June 2023 to 10th august 2023. I have completed a research project tilted "Working capital management " under the guidance of Ms. Harjit Kaur.

Further I hereby confirm that the work presented herein is genuine and original and has not been published elsewhere.

Divyansh Gupta

Roll No: 2217874

(Student name and Signature)

FACULTY DECLARATION

I hereby declare that the student Mr. Divyanshu Gupta MBA (III) has undergone his summer training under my periodic guidance on the Project titled “Working Capital Management "

Further I hereby declare that the student was periodically in touch with me during his training period and the work done by student is genuine & original.

Dr. Baljinder Kaur

(Associate Professor)

(Signature of Supervisor)

Dr. Charu Mehan
(Signature of Head of the Department)

ACKNOWLEDGEMENT

I want to give my great thanks to all those who supported, motivated and helped me whole heartedly, so that I was able to board on this striking journey.

My Internship Supervisor, Ms. Harjit Kaur, the rudder of this journey was the most important person in my internship work. She provided me with all the knowledge and skills that played an important role for the completion of my project report. Her dedication towards our research made me confident to complete this report freely without any worries.

With due respect I'm expressing my thanks to Dr. Baljinder Kaur, my internship mentor for her help and scholarly advice.

I'm highly obliged to Dr. Charu Mehan, HOD, MBA, Chandigarh Business School of Administration, Landran for providing me this opportunity.

Further, I'm immensely thankful to Dr. Deepika, Class Counsellor, for her interest and cooperation in this regard.

A heartfelt thanks to my family and friends by making me smile during all the ups and downs. I'm also very grateful to my department, CBSA for giving me this wonderful opportunity.

Last but not the least, I would like to thank God for being with us and making us strong in this whole journey.

Thank You!

LIST OF CONTENTS

Introduction to the Company

Future Finders is a ground-breaking platform that develops young Indian talent that is motivated to advance and forge successful careers in IT.
We provide a variety of courses to help you launch your career and locate the employer that will assist you as you rise to the top. Our expertise with the latest tools and techniques, and the experience of our professional experts help us deliver high-end services to our esteemed clients. Future Finders educates students and developers about the most recent technologies that are now popular. We are working on distributing informational know-how and offering clients specialized services following global best practices.

At Future Finders, we recognize your unrivalledskilland help you realize your creative ideas. Our sole goal is to provide students with cutting-edge practical skills that will enable them to swiftly and effectively adapt to the constantly evolving technologies found in the business world. At Future Finders, our goal is to raise educational standards via innovation in both quality and practical knowledge.

Vision:

Future Finders' vision is to provide students with cutting-edge practical skills so they can easily handle and swiftly acclimate to the constantlyevolving technology in the corporate world.

Mission:

At Future Finders, our goal is to improve quality and practical skills while raising the bar for education. Future Finders' principal objective is to bridgethe knowledge gap between whatis being taughtin schools and whattheindustryneeds.

1. INTRODUCTION

1.1 MEANING OF WORKING CAPITAL

Working capital (abbreviated **WC**) is a financial metric which represents operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. Net working capital is calculated as current assets minus current liabilities. It is a derivation of working capital that is commonly used in valuation techniques such as DCFs (Discounted cash flows). If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit. A company can be endowed with assets and profitability but short of liquidity if its assets cannot readily be converted into cash. Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. The management of working capital involves managing inventories, accounts receivable and payable, and cash.

Current assets and current liabilities include **three accounts** which are of special importance. These accounts represent the areas of the business where managers have the most direct impact:

- Accounts receivable (current asset)

- inventory (current assets), and

- accounts payable (current liability)

The current portion of debt (payable within 12 months) is critical, because it represents a short-term claim to current assets and is often secured by long term assets. Common types of short-term debt are bank loans and lines of credit. An increase in working capital indicates that the business has either increased current assets (that it has increased its receivables or other current assets) or has decreased current liabilities, **for example** has paid off some short-term creditors.

Implications on M&A: The common commercial definition of working capital for the purpose of a working capital adjustment in an M&A transaction (i.e. for a working capital adjustment mechanism in a sale and purchase agreement) is equal to:

Current Assets – Current Liabilities excluding deferred tax assets/liabilities, excess cash, surplus assets and/or deposit balances.

Cash balance items often attract a one-for-one purchase price adjustment.

Working capital management

Decisions relating to working capital and short term financing are referred to as *working capital management*. These involve managing the relationship between a firm's short-term assets and its short-term liabilities. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses.

A popular measure of working capital management is the cash conversion cycle, that is, the time span between the expenditure for the purchases of raw materials and the collection of sales of finished goods for example, found that the longer the time lag, the larger the investment in working capital. A long cash conversion cycle might increase profitability because it leads to higher sales. However, corporate profitability might decrease with the cash conversion cycle, if the costs of higher investment in working capital rise faster than the benefits of holding more inventories and/or granting more trade credit to customers.

For many firms the current assets account for over half of their total assets. The management of working capital may have both negative and positive impact of the firm's profitability, which in turn, has negative and positive impact on the shareholders' wealth. The present study seeks to explore in detail these effects. Firms may have an optimal level of working capital that maximizes their value. Large inventory and generous trade credit policy may lead to high sales. The larger inventory also reduces the risk of a stock-out. Trade credit may stimulate sales because it allows a firm to access product quality before paying. Another component of working capital is accounts payables. It is believed that delaying payment of accounts payable to suppliers allows firms to access the quality of bough products and can be expensive if a firm is offered a discount for the early payment. By the same token, uncollected accounts receivables can lead to cash inflow problems for the firm.

By definition, working capital management entails short term decisions - generally, relating to the next one year period - which is "reversible". These decisions are therefore not taken on the same basis as Capital Investment Decisions (NPV or related, as above) rather they will be based on cash flows and / or profitability.

• One measure of cash flow is provided by the cash conversion cycle - the net number of days from the outlay of cash for raw material to receiving payment from the customer. As a management tool, this metric makes explicit the inter-relatedness of decisions relating to inventories, accounts receivable and payable, and cash. Because this number effectively corresponds to the time that the firm's cash is tied up in operations and unavailable for other activities, management generally aims at a low net count.

• In this context, the most useful measure of profitability is Return on capital (ROC). The result is shown as a percentage, determined by dividing relevant income for the 12 months by capital employed; Return on equity (ROE) shows this result for the firm's shareholders. Firm value is enhanced when, and if, the return on capital, which results from working capital management, exceeds the cost of capital, which results from capital investment decisions as above. ROC measures are therefore useful as a management tool, in that they link short-term policy with long-term decision making. See Economic value added (EVA).

• Credit policy of the firm: Another factor affecting working capital management is credit policy of the firm. It includes buying of raw material and selling of finished goods either in cash or on credit. This affects the cash conversion cycle.

Management of working capital

Guided by the above criteria, management will use a combination of policies and techniques for the management of working capital. The policies aim at managing the *current assets* (generally cash and cash equivalents, inventories and debtors) and the short term financing, such that cash flows and returns are acceptable.

• **Cash management**. Identify the cash balance which allows for the business to meet day to day expenses, but reduces cash holding costs.

• **Inventory management**. Identify the level of inventory which allows for uninterrupted production but reduces the investment in raw materials - and minimizes reordering costs - and hence increases cash flow. Besides this, the lead times in production should be lowered to reduce Work in Process (WIP) and similarly, the Finished Goods should be kept on as low level as possible to avoid over production - see Supply chain management; Just In Time (JIT); Economic order quantity (EOQ); Economic quantity.

• **Debtors management**. Identify the appropriate credit policy, i.e. credit terms which will attract customers, such that any impact on cash flows and the cash conversion cycle will be offset by increased revenue and hence Return on Capital (or *vice versa*).

• **Short term financing**. Identify the appropriate source of financing, given the cash conversion cycle: the inventory is ideally financed by credit granted by the supplier; however, it may be necessary to utilize a bank loan (or overdraft), or to "convert debtors to cash" through "factoring".

1.2 OBJECTIVE

To study and analyses working capital management at Future finders which includes

1. Inventory management
2. Receivable management
3. Cash management

The aim is to learn how to manage working capital needs of the organization and to learn the different ways through which theoretical learning is applied practically in the organization. The project is aimed to learn and gain knowledge of the day to day working of the organization as to how does the different decision are taken and on what basis. The project will help in gaining the knowledge of different steps of raising the short term funds and their effective management so as to ensure adequate availability of funds. The various analyses will help the management to assess the efficiency of the working capital management of the company.

1.3 SIGNIFICANCE

Financial Analysis *is the process of identifying the financial strengths and weaknesses of the firm by properly* establishing relationships between the items of the balance sheet and the profit & loss account. Financial analysis can be undertaken by management of the firm, viz. Owners, creditors, investors and others. Ratio analysis is a powerful tool of financial analysis. A **ratio** is defined as "the indicated quotient of two mathematical expressions and as "the relationship between two or more things".

Ratios help to summarize large quantities of financial data and to make qualitative judgments about the firm's financial performance. WORKING CAPITAL MANAGEMENT deals with the management of current assets. The management of current assets is similar to that of fixed assets in the sense that in both cases firm analyses their effect on their return and risk profile. The management of fixed assets and current assets, however, differ in three aspects. First, in managing fixed assets, time is a very important factor; consequently, discounting and compounding techniques play a significant role in capital budgeting. Second, the large holding of current assets, especially cash, strengthens the firm's liquidity position (and reduces risk). Third, levels of fixed as well as current assets depend upon expected sales, but it is only current assets that can be adjusted with sales fluctuations in the short run.

Thus with such importance attached, a due diligence should be given to proper management of the working capital.

1.4CONCEPTUALIZATION

There are two concepts of working capital- gross and net.

Gross Working Capital refers to the firm's investment in current assets. Current assets are the assets which can be converted into cash within an accounting year and include cash, short-term securities, debtors, (accounts receivable or book debts) bills receivables and stock (inventory).

Net Working Capital refers to the difference between current assets and current liabilities. Current liabilities are those claims of outsiders which are expected to mature for payment within an accounting year and include creditors (accounts payable), bills payable, and outstanding expenses. Net working capital can be positive or negative. A positive net working capital will arise when current assets exceed current liabilities.

Net Working Capital (+) =Current Assets - Current Liabilities

Also, negative net working capital will arise when current liabilities exceed current assets.

Net Working Capital (-) = Current Liabilities - Current Assets

5. RESEARCH METHODOLOGY

5.1 Meaning

To systematically solve the research problem. it may be understand as a science of studying how research is done in other words, research & methodology in the specification of method of acquiring the formation method to structure or solve the problem at hard.

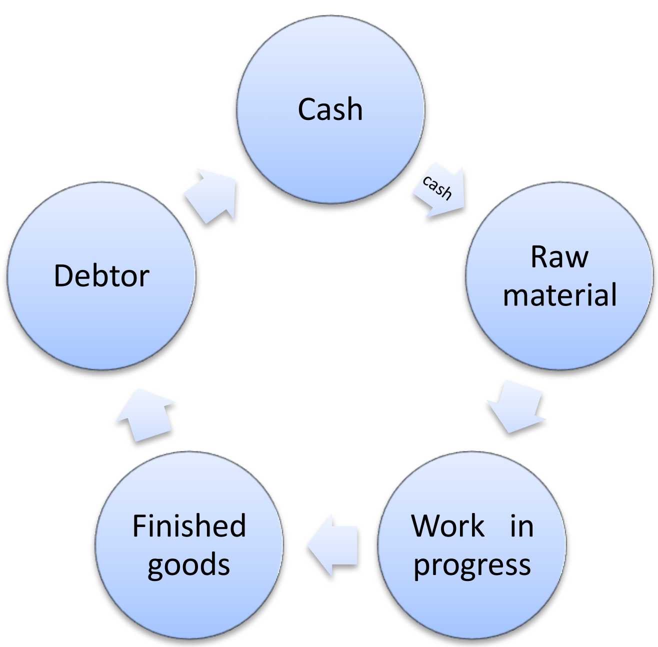
5.2 Techniques

- **Ratio analysis**
- **Operating cycles**

Ratio Analysis

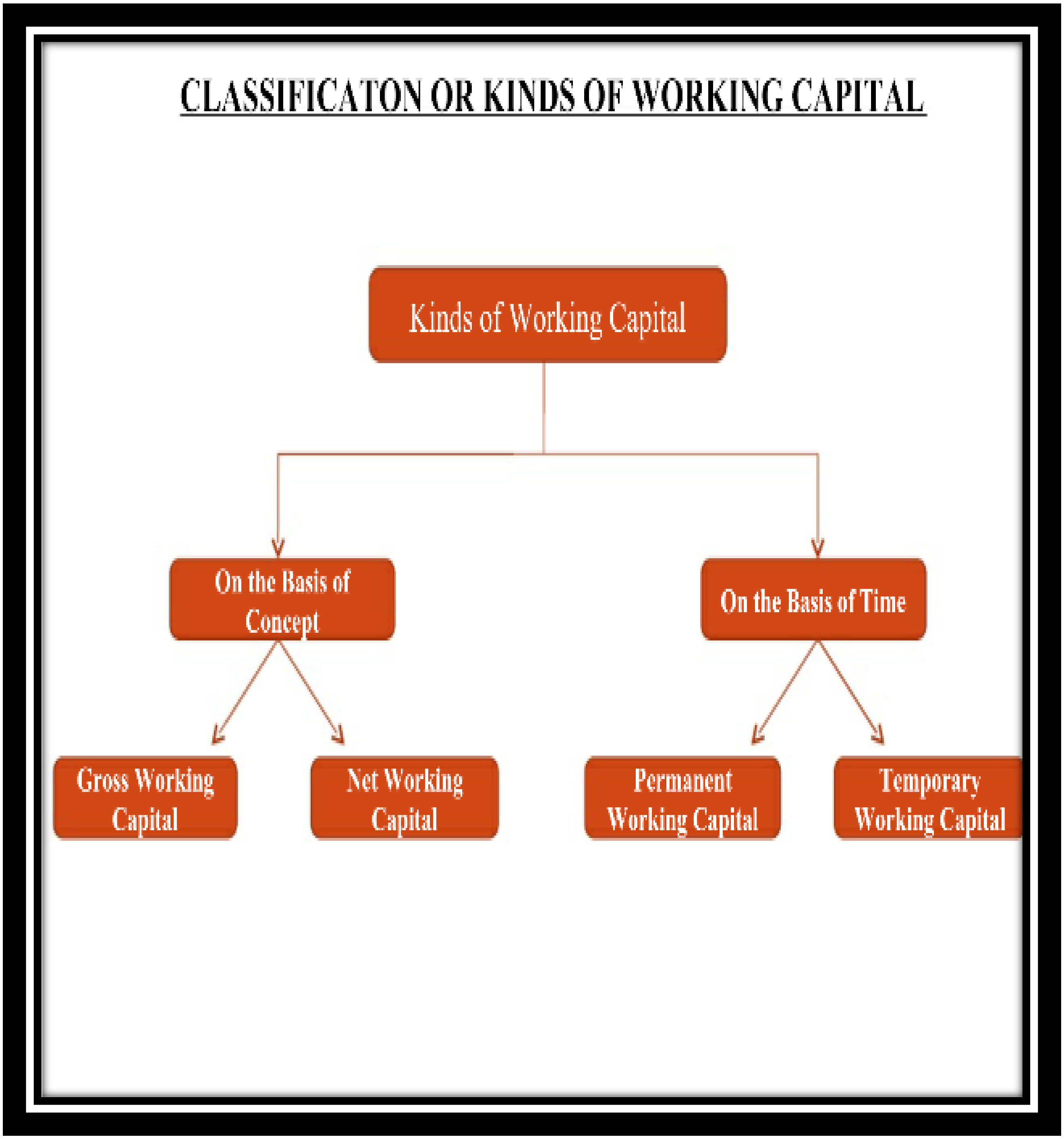
Ratio Analysis is a form of financial statement analysis that is use to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as short – term solvency ratios, debt management ratios , assets management ratios, profitability ratios, market value ratios etc. Ratio Analysis is a tool of possesses several important features. The data , Which are provided by financial statement are readily available. The computation of ratios facilities the comparison of firms which differ in size. It's also help in improving performance.

Operating Cycles



5.3 Types of Research

According of Research topics (Working Capital) it's classified in two categorized**:**



On The Basis Of Concept

1) **Gross Working Capital –** It refers to all current assets. Thus the gross working capital is the capital invested in total current assets of the company.total current assets of the company.
2) **Net Working Capital- Net** Working Capital is the difference between the current assets and the current liabilities.

Net Working Capital = Current assets- current liabilities

On The Basis Of Time

1) Variable working capital can be further divided:
   Seasonal Working Capital, Special Working Capital.

5.4 Research Area

My research area is INDIA.

5.5 Research Design

It is an empirical study and will be an explorative research.

Period of Study

The time period of the proposed study is limited to five years from 2017-18 to 2022-23.

NSE and Nifty

The National Stock Exchange of India Ltd. (NSE), set up in the year 1993, is today the largest stock exchange in India and a preferred exchange for trading in equity, debt and derivative instruments by investors. NSE has set up a sophisticated electronic trading, clearing and settlement platform and its infrastructure serves as a role model for the securities industry. The standard set by NSE in terms of market practices; products and technology have become industry benchmark and are being replicated by many other market participants. It provides a scree-based automated trading system with a high degree of transparency and equal access to investor irrespective of geographical location. The high level of information dissemination through the online system has helped in integrating retail investors across the nation. The exchange has a network in more than 350 cities and its trading members are connected to the central servers of the exchange in Mumbai through as ophisticatedtelecommunication network comprising of over 2500 VSATs. NSE has around 850 trading members and provides trading in over 1000 equityshares and 2500 debt securities. Besides this, NSE provides trading in various derivative products such as index futures, index option, stock futures, stock options and interest rate futures.

5.5 sample size

I have selected fifty NSE Nifty companies and their names are:

ABB Ltd.(Electrical equipment) ,ACC Ltd.(Cement and cement products) ,Ambuja Cements Ltd.(Cement and Cement Products) ,Bajaj Auto Ltd.(Automobiles -2 and 3 Wheelers) ,Bharat Heavy Electricals Ltd.(Electrical Equipment) ,Bharat Petroleum Corporation Ltd.(Refineries) ,Bharti Airtel Ltd.(Telecommunication –Services) ,Cipla Ltd.(Pharmaceuticals),Dr.Reddy'sLaboratoriesLtd.(Pharmaceuticals) ,GAIL (India) Ltd.(Gas) ,Glaxosmithkline Pharmaceuticals Ltd.(Pharmaceuticals) ,Grasim Industries Ltd.

Cement and Cement Products) ,HCL Technologies Ltd.(Computers –Software) ,HDFC Bank Ltd.(Banks) ,Hero Motors Ltd.(Automobiles -2 and 3 Wheelers) ,Hindalco Industries Ltd.(Aluminium) ,Hindustan Petroleum Corporation Ltd.(Refineries) ,Hindustan UnileverLtd.(Diversified) ,Housing Development Finance Corporation Ltd.(Finance–Housing) ,I T C Ltd.(Cigarettes) ,ICICI Bank Ltd.(Banks) , Infosys Technologies Ltd.(Computers –Software) ,Larsen & Toubro Ltd.(Engineering) , Mahanagar Telephone Nigam Ltd.(Telecommunication–Services)

,Mahindra & Mahindra Ltd.(Automobiles-4 wheelers) ,Maruti Udyog Ltd.(Automobiles -4 wheelers) ,NTPC Ltd.(Power) ,National Aluminium Co. Ltd.(Aluminium) ,Oil & Natural Gas Corporation Ltd.(Oil Exploration/Production) ,Punjab National Bank(Banks) ,Ranbaxy Laboratories Ltd.(Pharmaceuticals) ,Reliance Communications Ltd.(Telecommunication –Services) ,Reliance Energy Ltd.(Power) ,Reliance Industries Ltd.(Refineries) ,Reliance Petroleum Ltd.(Refineries) , Satyam Computer Services Ltd.(Computers –Software) ,Siemens Ltd.(Electrical Equipment) , State Bank of India(Banks) ,Steel Authority of India Ltd.(Steel and Steel Products) ,Sterlite Industries (India) Ltd.(Metals) ,Sun Pharmaceutical Industries Ltd.(Pharmaceuticals) ,Suzlon Energy Ltd.(Electrical Equipment) ,Tata Consultancy Services Ltd.(Computers –Software) ,Tata Motors Ltd.(Automobiles -4 Wheelers) ,Tata Power Co. Ltd.(Power) ,Tata Steel Ltd.(Steel and Steel Products) ,Unitech Ltd.(Construction) ,Videsh Sanchar Nigam Ltd.(Telecommunication –Services) ,Wipro Ltd.(Computers –Software) ,Zee Entertainment EnterprisesLtd.(Media & Entertainment),

5.6 Sampling Type

The sampling type is Convenient Sampling.

6. Data collection and analysis & Interpretations

6.1 Data Collection

- Primary Data
- Secondary Data

Primary Data

Data collected by the investigator himself/ herself for a specific purpose. The will be collected through questionnaire and personal interviews with the officers of the selected companies and investors. The questionnaire will contain different question on interim reporting . It will also included the items of information which will be required to be published in the annual report of a company.The main aim of questionnaire will be to know the options of Indian investors views to officers of companies about the disclosure of item of interim report.Direct contact with the prospective & present investors will be established for analysis of 'perceptions of investors'.The questionnaire will printed & distributed among different binvestors across the country to obtain ideal answer for the research questions.

Secondary Data

This will be collected through published financial and annual reports of the selected companies and from the websites of www.nseindia.com, www.sebi.com, www.moneycontrol.com .

The data thus collected will be tabulated, classified & grouped for the purpose of interpretation, analysis and finding conclusions in order to analysis the data. The various financial techniques such as common size analysis, comparative analysis & trend analysis will be used in the purposed study.

6.2 Data Analysis & Interpretations

- Net Working Capital –

  An analysis of the net working capital will be very help full for knowing the operational efficiency of company. The following table provides the data relating to the net working capital.

  Net Working Capital = Current assets – Current liabilities

Years	Current Assets	Current Liabilities	Net Working Capital

- Ratio Analysis –

  Ratio Analysis is a powerful tool of financial analysis. Alexander Hall first presented in 1991 in federal reserve bulletin, Ratio Analysis is a processes of comparison of one figure against other , which makes a ratio and the appraisal of the ratios of the ratio refers to make proper analysis about the strength and weakness of the firms operations. The term ratios refer to the numerical or quantitative relationship between two accounting figures. Ratio Analysis of financial statement stands for the process of determining and presenting the relationship of items and group of items in the statement.

1. Liquidity Ratios
   Liquidity refers to the ability of a firm to meet its current obligation as and when these become due. The short- term obligation is met by realizing amounts from current, circulating assets.
2. Turnover Ratios
   These are the ratios which indicate the speeds with which assets are converted or turned over sales.

6.3 Importance of the study

The study will help to know the real picture of the BSE Sense Companies about interim financial reporting. The importance of study is:-

- The companies will know the requirements of the investors and they will try to satisfy them. That will help to them.
- In the aspect of investors the study is import and also. They will get awareness about the matter and it will improve their ability. For the view of management the study will help in decisions making. The Study is also important for creditors, government and public

7. Conclusions

In this section the major conclusions and suggestions emerging out of the present study conducted on working capital management in industry have been highlighted.

- The companies are not using real professional assistance and are not using scientific analysis effectively. Although they have been emphasizing upon the coordination and joint decisions, in reality decision are made independently. Decision are taken in short term perspective& its viability and the impact in long term for expansion and replacement are not given due consideration.
- Most of the companies study the past trends of different components of working capital and try to make decisions on their basis.
- The companies rely more on bank borrowing and don't try to generate funds from internal sources. Besides this, the cost effectiveness of each source of funds is not analyzed. The cost of different sources of funds is also not compared.
- Cash Planning is not effective and they are finding it difficult to procure from operations leading to overtrading. The companies are not clear in determining cash levels.
- The companies are becoming stricter regarding collection. But the credit terms of the companies are varying. A major portion of current assets are blocked in advances.
- The investment in inventory is reducing showing clearly that the companies are now managing inventory more efficiently than was done during previous year.

9.2 FINDINGS OF THE STUDY

Based on secondary data:

- The empirical results reveal that the dividend payout policies of Dabur India ltd., Infosys and TCS Ltd. are significant and strong positively correlated with leverage. Infosys and Tata consultancy services ltd. are significant and strong positively correlated with provision for Taxation. NTPC ltd, HDFC bank ltd. and TVS motors company ltd. are significant and strong positively correlated with Liquidity.

- Britannia Industries Limited, State Bank of India, TVS Motor Company Limited, Tata Steel Limited, J.K cement Limited, DLF Limited(Delhi Land &Finance),J.M.Financial ltd. are partially correlated with Leverage. Britannia Industries Limited, NTPC Limited, Dr. Reddy's Laboratories Ltd, State Bank of India, Axis Bank, IDFC and JMC Projects (India) Ltd. are partially correlated with Provision for taxation. Cipla Global Limited, Infosys, Axis Bank and Tata Steel Limited are partially correlated with Growth. Dabur India Ltd., Power Grid Corporation of India Limited(POWERGRID), Tata Power and Tata Steel Limited are partially correlated with Liquidity.

- Eicher Motors Limited, Hero Motocorp Ltd. and Mahindra & Mahindra Financial Services Limited are weakly correlated with leverage. Tata Power, Sun Pharmaceutical Industries Limited, Wipro Limited, HDFC Limited, Eicher Motors Limited, JSW Steel Ltd, J.K cement Limited, Ambuja Cements Limited and DLF Limited(Delhi Land &Finance)are weakly correlated with Provision for taxation. Dabur India Ltd., Nestle India Ltd., Tata Power, Dr. Reddy's Laboratories Ltd, Sun Pharmaceutical Industries Limited, Bhushan Steel, J.K cement Limited, Ambuja Cements Limited and IDFC are weakly correlated with Growth. Tata Power, Sun Pharmaceutical Industries Limited, Wipro Limited, State Bank of India, JSW Steel Ltd, ACC Limited, Bhushan Steel, Ambuja Cements Limited, Ambuja Cements Limited, DLF Limited(Delhi Land &Finance)and NBCC are weakly correlated with Liquidity.267

- Nestle India Ltd., NTPC Limited, Power Grid Corporation of India Limited (POWERGRID),NBCC, Tata Power, Dr. Reddy's Laboratories Ltd, Sun Pharmaceutical Industries Limited, Wipro Limited, Axis Bank, HDFC Bank Limited, JSW Steel Ltd, Ambuja Cements Limited, ACC Limited, IDFC and JMC Projects (India) Ltd. Are negatively correlated with leverage. Nestle India Ltd., Power Grid Corporation of India Limited(POWERGRID), Cipla Global Limited, TVS Motor Company Limited, Hero Motocorp Ltd., NBCC, ACC Limited,Bhushan Steel andJ.M.Financial ltd. are negatively correlated with provision for taxation.

- Mahindra & Mahindra Financial Services Limited, Britannia Industries Limited, NTPC, Power Grid Corporation of India Limited(POWERGRID), HDFC Bank Limited, State Bank of India, Eicher Motors Limited, NBCC, Hero Motocorp Ltd., TVS Motor Company Limited, ACC Limited, JMC Projects (India) Ltd. and DLF Limited(DelhiLand &Finance)are negatively correlated with Growth. Nestle India Ltd., Britannia Industries Limited, Cipla Global Limited, Dr. Reddy's Laboratories Ltd, Infosys, Tata Consultancy Services Limited, Axis Bank, Hero Motocorp Ltd., Eicher Motors Limited, J.K cement Limited, Infrastructure Development Finance Company, Mahindra& Mahindra Financial Services Limited, JMC Projects (India) Ltd. And J.M. Financial ltd. is negatively correlated with Liquidity.

- The study reveals that out of four variables (Liquidity, Leverage, for taxation and Growth)Liquidity has least influence on dividend payout in Britannia Industries Limited, Infosys, Tata Consultancy Services Limited, Dr. Reddy's Laboratories Ltd, Infrastructure Development Finance Company,JMC Projects (India) Ltd., Mahindra & Mahindra Financial Services Limited, J.K cement Limited and Hero Motocorp Ltd.. Liquidity is significantly influences to dividend payout in case of Dr. Reddy's Laboratories Ltd, Infrastructure Development Finance Company and JMC Projects (India) Ltd.Dividend payout of Britannia Industries Limited, Infosys, Tata Consultancy Services Limited,Mahindra & Mahindra Financial Services Limited, J.K cement Limited and Hero Motocorp Ltd.are not significantly influenced by liquidity.

- The study reveals that out of four variables(Liquidity, Leverage, Provision for taxation and Growth)Leverage has least influence on dividend payoutin NTPC Limited, Power Grid Corporation of India Limited(POWERGRID), Tata Power Sun Pharmaceutical Industries Limited, Wipro Limited, HDFC Bank Limited, Axis Bank, JSW Steel Ltd and Ambuja Cements Limited. Leverage is significantly influences to dividend payout in case of NTPC Limited and Ambuja CementsLimited. Dividend payout of Power Grid Corporation of India Limited(POWERGRID), Tata Power, Sun Pharmaceutical Industries Limited, Wipro Limited, HDFC Bank Limited, Axis Bank and JSW Steel Ltd are not significantly influenced by leverage.

- The study reveals that out of four variables(Liquidity, Leverage, for taxation and Growth)Provision for taxation has least influence on dividend payout in Nestle India Ltd., Cipla Global Limited, Tata Steel Limited, Bhushan Steel,ACC Limited and,NBCC Provision for taxation is significantly influences to dividend payout in case of Nestle India Ltd. and ACC Limited only. Dividend payout of Cipla Global Limited, Tata Steel Limited, Bhushan Steel and,NBCC are not significantly influenced by provision for taxation.

- The study reveals that out of four variables(Liquidity, Leverage, Provision for taxation and Growth)Size and Growth has least influence on dividend payout in Dabur India Ltd.,Bank of India,Eicher Motors Limited, TVS Motor Company Limited,J.M.Financial Ltd. And DLF Limited(Delhi Land &Finance).And dividend payout of all companies whose least influence variable is Size and Growth are not significantly influenced by Size and Growth.

- The empirical results reveal that Profitability is significantly influenced to dividend payout of Dabur India Ltd., Power Grid Corporation of India Limited(POWERGRID), Tata Power, TVS Motor Company Limited, Tata Steel Limited, Infrastructure Development Finance Company, Ambuja Cements Limited, J.K cement Limited, and NBCC.From the data (Table 7.1, 7.5, 7.6, 7.17, 7.20,7.23, 7.247.25 and 7.29) it can be observed that dividend and profitability are positively related. It means each year a steady increase in earnings has led to steady increase in dividends and Dividend payout of Nestle India Ltd., Britannia Industries Limited, NTPC Limited, Cipla Global Limited, Sun Pharmaceutical Industries Limited, Infosys, Tata Consultancy services Limited, Wipro Limited, HDFC Bank Limited, State Bank of India, AxisBank, Eicher Motors Limited, Hero Motocorp Ltd., JSW Steel Ltd, Bhushan Steel, , Mahindra & Mahindra Financial Services Limited,J.M.Financial, DLF Limited(Delhi Land Finance)and JMC Projects (India) Ltd. are not significantly influenced by profitability.

- As per theory a high profitable companies pay higher dividend but in this study it is observed thateven a higher profitable companies pay lower dividend and a company with low profit pay high dividend. For example, companies like ACC LTD. pay DPY 31% in the year 2017-18 with 24.62% profitability whereas in the year 2021-22 it has paid 53% DPY with profitability of 14.37%. Moreover it is also observed that in case of Axis bank dividend payout ratio has declined in the year 2019-20 and 2020-

21 even though the profitability has increased in the year 2020-21 which depicted that rise in profitability is not always associated with rise in dividend payout. Moreover it is also observed that in Heromoto corp Ltd., Profitability remains stable inspite of drastic increase in dividend payout in the year 2020-21.

- Appendixes shows that the companies selected to have continuous dividend payment record during the selected time period for study purpose and general trend observed is that the dividends have either remained constant or increased; instances of decline in dividends have been very rare.

- Fluctuation in dividend payment is high in case of J. M. Financial Ltd. TVS Motors Ltd., Heromotocorp Ltd. Whereas the companies like NTPC Ltd., Powergrid, Tata power, TCS., HDFC Bank, State bank of India, IDFC, Mahindra and Mahindra Financial Ltd. were manage to pay stable dividend.

- As per theory it is said that company’s dividend policy is affected by the factors like Liquidity, Leverage, Provision for taxation and Size and Growth. But this study reveals that in some of the companies there were higher fluctuations in dividend payout which are not due to these independent variables. It is found by observing annual reports that company’s dividend payout policy is affected by management decisions.

BASED ON PRIMARY DATA

- The empirical result reveals that Age-group is positively and significantly correlated with Dividend decision and negatively correlated with Capital appreciation decision. This shows that with increased age shareholders prefer to invest in those companies which gives stable dividends.

- The study reveals that there is significant impact of Age group on investment purpose of shareholders. It also shows that with increased age, the purpose of shareholders for investment is for receiving stable dividends and not for capital appreciation.

- By observing the responses of shareholders regarding stability of dividend policy, it can be observed that most of the shareholders agreed with the statement that company should maintain stable dividend policy. In which it is also observed that generally housewives, Old age persons and also a service class people are more. The reason behind them is, they believe, for them dividend should become a stable income. It is also observed that persons who are involved in business are not agreed with the statement.

- It can be observed that majority of the respondents agreed with the statement that stock market places more emphasis on dividend than on retained earnings and higher dividend increases the firm value. This can be due to lack of proper knowledge about stock market.

- Most of the shareholders believes that dividend is a safer than retained earnings since they consider dividend as a safer income of source.
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- Regarding effect of current earnings on dividend policy, it can be observed that fifty percent of shareholders are agreed with it whereas fifty percent of them are disagreed. The reason behind is that some of the respondents believe, company can declare the dividend out of the reserves also.

- There is not much difference in opinion regarding dividend announcementfor accessing the value of firms.

- Shareholders did not give their opinion regarding “clientele effect”.

- The study reveals that shareholders prefers to remain invested for long duration in those companies which pay steady, consistent and high dividend and There by shows their loyalty with the companies.

- It is found that shareholders are always interested in making investment only in those companies which pays steady, consistent and high dividends. Because of which, they are satisfied and prefers to remain invested.

- By making an observation regarding views of dividend policies, it can be seen that majority of the shareholders prefer to invest in companies in form of shares according to proportion of their income, they preferred to receive dividend by way of cash and their preferable sector for investment is BANKING sector followed by IT& SOFTWARE. It is also observed that shareholders preferable duration for holding of shares is short-term and medium-term. Regarding consistency of dividend received from the selected companies, majority of shareholders have given their positive views.

9.3 SUGGESSTIONS

- Dividend policy is set largely at the discretion of the management. One of the major important factor management has to consider is shareholders' interest. By observing responses of the shareholders regarding the dividend policy and shareholders' beliefs regarding dividend policy and making comparative analysis of dividend policies of selected companies, following suggestions can be made:

- Every year declaration of dividends is necessary. As shareholders' are the owners of the company and risk is directly associated with the ownership. As shareholders bear the risk, so they expect a fair return in form of dividend.So it is suggested to the companies to provided fair dividends to the shareholders for better investment options and goodwill of the company.

- Since reduction in dividend may create a negative impression in the mind of shareholders which will affect the credit position of the company so it is suggested to the companies that dividend raised should not be reduced.

- Management of each company sets its unique dividend policy which depends on a few "determinants" or factors affecting dividend policy because Dividend policy of a company should depend on various internal firms specific factors hence companies should design internal policies in such a way that best interest of both the shareholders and the company are satisfied

- Dividend policy should be decided keeping in mind the growth needs of the firm. A high dividend payout reduces firm's access to retained earnings, the cheapest source of capital. For that reason management may prefer lower dividend payout ratios, especially in growth firms as the retained funds would be required for expansion purposes.

- It has been found that majority of old age people prefers to invest their income only in those companies which provides fair dividends. However to them, it is suggested that rather than making investment in only dividend paying firms, they should also focus on capital appreciating firms which in turn would result in increasing their overall capital.

- Contrary to above point, it has been found that majority of youngsters prefers to invest their income only in those companies which provides capital appreciation. However to them, it is suggested that rather than making investment in only capital appreciating firms, they should also focus on dividend paying firms which in turn would help them to receive consistent gain.

- Specific corrective actions are suggested to those companies whose dividend payout signals drastic fluctuations.

- It was found that there were certain companies like Britannia Industries Limited, Dr. Reddy's Laboratories Ltd, Infosys, TCS, Hero Motocorp Ltd., J.K cement Limited, Mahindra & Mahindra FinancialServicesLimited,IDFC,JMCProjects(India) Ltd. whose Liquidity is having least correlation with dividend payouts. However suggestion is made to such companies to increase their liquid position by reducing long term investment.

- It was found that there were certain companies like NTPC Limited, Powergrid Ltd, Tata Power, Sun Pharma Industries Ltd, Wipro, HDFC Bank Ltd, Axis Bank, JSW Steel Ltd, Ambuja Cement Ltd etc whose Leverage is having least correlation with dividend payouts. Hence suggestion is made to such companies to reduce their borrowing and thereby they can increase their dividend payouts.

- It was found that there were certain companies likeNestle India Ltd., Cipla Global Limited, Tata Steel Limited, Bhushan steel, ACC Ltd, NBCC Ltd etc whose Provision for Taxation is having least correlation with dividend payouts.Hence suggestion is made to such companies that whenever there is a cut in taxation policy then it should have direct reflection in dividend payouts to the shareholders.

- It was found that there were certain companies like Dabur India Ltd., SBI, Eicher Motors Ltd, TVS Motors Ltd, JM Financial Ltd, DLF etcwhose Size and Growth is having least correlation with dividend payouts. Hence suggestion is made to such growth making companies to provide satisfied dividend payouts to shareholders rather than only focusing on increasing capitals.

10. Bibliography

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