Introduction

The appropriate dividend policy leads to growth of share prices. So, to understand what have been share prices and what have been dividends paid and to check if they both are related.

The very reason to carry out this research is, to help professional investors in their Investment decision making who are investing money in listed software companies in India, also to help selected companies to understand impact of Dividend Distribution on their share prices.

No such research has been done before specifically for Indian Software Companies, other researches done already in the world were based on a random sample from different industries.

There is abundance of tools available (especially technical analysis tools) to common investors, but they all need experience and many calculations to select good companies to invest. That is why researcher is doing this research to find some easy techniques that a man on street will understand, and he also easily selects good companies.

Basically fundamental & technical analysis are complicated for ordinary people, and with conclusions that will have drawn, can be used to pick up good companies and will give clues to select best companies from a big list.

As researcher will study both prices & dividends and some of the factors affecting them from trading this will give a good picture of prospects of investment in Indian software industry for investors.

For the companies, following benefits will be derived from this research

Firstly, companies can understand whether their share prices and dividends are correlated, If yes, companies will become conscious. Companies may adopt suitable
dividend policy which suits to the growth of the company and appreciate the share price as well.

Secondly, companies can understand what Compounded Annual Growth Rate is of dividends and share prices. In some cases, in long run growth of share prices & dividends may research stagnation i.e. after many years prices come back to previous low which is an unfavorable situation for both company & shareholder.

Thirdly, companies can have an empirical relationship between share prices in long run and dividends. This will help them to simulate the various dividends’ alternatives into the equation and see how share prices will react. Both investors and companies can run the trial on equations to see price behavior.

Another interesting fact is ‘simplicity’ of techniques that researcher will show in conclusion, where, a very easily available data on trading screen or web site or in newspapers is “no. of trade per year” and “no. of shares transacted per year”, which is also used in this research to see its the correlation with prices and dividend. Finally, to complete the study from other angles, Sales turnover for Year 2012, and Equity capital will be correlated with both prices & dividends.

Another benefit from this study is, the research design of the study can be used by others to do research on other industries such as Pharmaceutical, Automobile, Banking, Shipping industry.

This research can clarify and throw light on Modigliani-Miller (MM) hypothesis of “irrelevance of dividends” and Gordon’s model, ‘bird-in-hand argument’ and Walter & Gordon believed dividend affects share prices.
Pilot Study: - The researcher has made pilot study & checked the data availability on Bombay Stock Exchange. Pilot study or Exploratory Research Technique were ‘Secondary Data’ & ‘Case Study Method’ were used.