

INTER-SECTORAL COMPARISON OF IMPACT OF DIVIDEND ANNOUNCEMENTS ON THE BASIS OF ABNORMAL STOCK RETURNS IN THE PRE AND POST ANNOUNCEMENT PERIOD

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ABSTRACT

Purpose: The purpose of this research paper is to analyse and compare the effect of dividend announcements on normal and abnormal stock returns of companies in sectoral form.

Design/Methodology: Based on sample of 25 companies belonging to different sectors mean closing prices, 20 days pre and 20 days post dividend announcements were compared using event window study. The significance of difference between pre and post (NR and AR) and between NR and AR was also measured using paired/dependent t-test, levene's test and independent t-test.

Findings: The results of research showed that pre announcement NR and AR were found to be significantly different on very few instances and events. Moreover it was found that individuality and history of dividend declaration matters most rather than the sector to which company is associated.

Practical implications: The dividend announcements and its signalling power has always been a puzzle. The results will help in better understanding the impact of dividend announcements on stock returns of companies in sectoral manner. The findings of the study have implications for directors, managers, investors and other participants in stock markets.

Originality/Value: The area of dividend announcement effects has been extensively and intensively researched. One of its kinds, this study will be helpful in abridging the literature gap in exploration of dividend announcement effect in elaborative and sector wise comparison.

KEYWORDS: Normal return, abnormal return, Dividend announcements, Variability, NSE, Sector, India.