The Journal of Sri Krishna Research & Educational Consortium

INTERNATIONAL JOURNAL OF BUSINESS ECONOMICS AND MANAGEMENT RESEARCH

Internationally Indexed & Listed Referred e-Journal

THE IMPACT OF DIVIDEND ANNOUNCEMENT ON STOCK RETURNS: EVIDENCE FROM NSE

S.SARAVANAKUMAR*; DR. A. MAHADEVAN**

*Research Scholar and Assistant Professor,
Department of Management Studies,
JKK Nattraja College of Engineering & Technology,
Komarapalayam – 638183, Namakkal District.
**Assistant Professor,
Department of Management Studies,
Excel Business School, Komarapalayam, Namakkal District.

ABSTRACT

Investors have accomplishedgreater gains from stock markets all around the world during the past two decade. Investors have two ways to make profits with stocks: terminal income in the form of capital appreciation and annual income in the form of dividend. Capital appreciation is possible in bullish trend. But in bearish market, the capital appreciation is not possible; the other way to gain profit is dividend. Investors assumed to consider dividend is more important source when there is no capital appreciation in stocks. Academic framework suggests that dividend payments should have no impact on shareholders' value in the absence of taxes and market imperfections. Literature also suggests that market valuation of stocks depends on the expected future dividends. If a company pays out all of the earnings as dividend, funds for future investment will decrease and dividend may not increase in the future. This study is based on samples of dividend paying companies listed on National Stock Exchange, exhibited that investors do not gain value from dividend announcement. Indeed shareholders earned little value over a period of 15 days prior to the dividend announcement through to 15 days after the announcement. The lower return may be partially compensated because of the current dividend yield. This study also indicates that payment of dividend does not convey any useful information to the investing community, which needs to be further reconnoitered.

KEYWORDS: *Dividend announcements, Abnormal returns, Cumulative Abnormal Returns, Event Window, Pre and Post announcement periods, Chart Analysis.*