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THE ADJUSTMENT OF STOCK PRICES TO DIVIDEND ANNOUNCEMENTS IN INDIA

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ABSTRACT

The stock price response to corporate dividend announcement is attracted the attention of market traders and academicians. Dividend announcements usually are considered as the positive signal to the shareholders and its positive impact on the share prices is also expected. A standard event study methodology is adopted in this paper to examine the price reactions of 50 listed companies in the NSE Nifty covering 9 days event window. Now event study methodology is widely used in the stock market in order to know the impact of a specific corporate action. Calculation of stock return and index return will help to compute

abnormal return for a stock. While preparing chart by incorporating stock return, index return and abnormal return, the trader may find the path for earning extra returns for the particular stock.

KEYWORDS: *Dividend announcements, semi-strong form of Efficient Market Hypothesis, Event Studies, Abnormal returns, Pre and Post announcement periods, chart analysis.*