Stock Price Reaction to Dividend Announcement on select Banking Stocks

Dr. C. Swarnalatha*; K. S. Karthik Babu**

*Professor and Head/Dean,
Department of Management Studies,
Anna University, Regional Centre,
Madurai, India.
**Associate Professor,
Michael Institute of Management,
Madurai, India.

Abstract

Dividend decision is one of the important financial decisions of a company. Depending upon the growth stages the dividend decision differs. After the liberalization, the Indian stock market has gained momentum and dividend is one of the trend setters in influencing the stock prices. The random walk theory which states that the share prices are random was tested in select banking stocks from 2005 to 2014. The internal factor i.e. dividend was taken as a variable and tested using Autocorrelation and Variance ratio test. The Jarque-Bera test confirms that random walk is not justified for the entire period (10 years). Little to significant impact was observed during the event. Higher positive and negative abnormal returns were observed during 2 days prior to and after the event.

Keywords: Dividend, Random Walk, Abnormal returns, Autocorrelation, Variance ratio.

References

Books


**Journals**


Modigliani and Miller Approach, Theories of Dividends.


