DIVIDEND ANNOUNCEMENT EFFECTS ON STOCK RETURNS: A SECTOR WISE COMPARISON OF FREQUENTLY TRADED COMPANIES AT NSE INDIA

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Abstract : *Investors generally resort to investing in stocks of banking, information technology, telecom and retail companies. This is observed if we randomly check the trading frequency of these stocks at stock exchanges. The stock prices react to announcements made over the stock exchanges on daily, monthly, quarterly and yearly basis. The magnitude of variation, however, varies with the type of news, company, industry, stock etc. The present study is focused on the year 2008-09 to find out over all significant change in abnormal stock returns due to announcement of dividends by sample companies which are frequently traded and listed with NSE India. Event study methodology using daily returns along with the constant mean return model has been used. The study strives to empirically investigate the declaration of dividend announcement effect on abnormal stock returns by applying z-test and t-test.*

keywords : Investor Stock returns, dirudid announcement

Introductions :

Investment as a term is related to several closely related meanings from the field of finance, economics and business management associated with savings and consumption. Investing is actively redirecting the resources from being consumed today to creating benefits in future i.e. use of assets to generate income or profit for tomorrow. There are various investment options available which are helpful in developing risk-return trade off. One of the most important forms is equity shares. The two key determinants for the performance of a security/share are risk and return. Return refers to the motivating force inspiring the investor in the form of rewards for undertaking the investment. Returns on investment do not come for free. They are always surrounded by probabilities of losses. This probability of losing possible income from the investment is technically known as risk. If an investor makes investment his income will be of two types: fixed regular income and capital gain. It is generally said that shareholders are not interested in fixed regular income i.e. dividends, rather they are more keen on capital gains. But, empirical studies have proved that dividend announcements have significant impact on share prices. Thus, this paper has incorporated dividend announcement both in pre announcement and post announcement phase as the main variable.

Dividend declaration depends upon the existing rate of growth and rate of return of the particular company. The declaration of dividend by every company undergoes a formal process. There are three important dates involved in the process: declaration date, date of record and payment date. The declaration date signifies the intention of the board of directors of the company to pay dividends to its shareholders. The date of record also referred to as ex-dividend date which refers to record of owner of the share before this date. The dividend will be provided to the shareholder who holds the share before this due date. It means that if the share is sold after ex-dividend date, dividend will still be available with the previous owner of the share. The payment date refers to the date of disbursement or actual payment of the dividend. Thus, ex-dividend date is the real base for studying the impact of dividend declared. The present study focuses upon finding out dividend announcement effects on stock returns of the companies in various segments of the Indian economy. The stocks from four different sectors frequently traded at National Stock Exchange in India have been taken and their respective stock prices are included in the total sample size to find out the impact of dividend announcements on abnormal stock returns.

REVIEW OF LITERATURE

The researchers and academicians in India as well as abroad have made contribution in their researches on dividend policies and announcement effect of dividends on stock prices. Al-Obaidan Abdullah M. (2008) contributed in major a great deal with quantitative and relevant measures of the information content of dividends in banks located in emerging markets. Brown Lawrence D. (2008)

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related the informativeness of earnings and dividend announcements to their timing relative to the fiscal quarter end to which the earnings pertain. Eriotis Nikolaos (2007) discovered that existence of a long term dividend policy stood partly unaffected by the level of current period earnings. Hazak Aaro (2007) presented a theoretical model on dividend policy for distributed profit taxation which is the corporate taxation regime of Estonia. Henry Elaine (2006) examined market reactions to firm's earnings announcements. The study extended the examination to include a broad range of concurrent disclosure contained in earnings press releases, the financial disclosures captured as accounting ratios and verbal components of disclosure which were captured using elementary computer based content analysis. Hochberg Yael V. (2003) examined the effects of venture capital backing on the corporate governance of the firm following the IPO. The study conducted three independent sets of tests which examined effectively how governance and monitoring differed for venture and non-venture backed firms. How Janice C. Y. (2007) observed that in a relatively less litigious environment like Australia it was common to find IPO firms that voluntarily provided forecasts in their prospectus. 158 Australian industrial IPOs listed from 1991 to 1997 were used in the study to examine the impact of the disclosure and accuracy of earnings and dividend forecasts on equity pricing. Hribar Paul (2004) examined how institutional investors respond to accounting restatements. The study showed that transient institutional investors defined as institutions with shorter investment horizons and higher portfolio turnover significantly reduced their holding in a restating firm at least one quarter prior to the quarter of the restatement. Jegadeesh Narasimhan (2002) examined the relation between revenue surprises and future stock returns. The study investigated how analysts updated their earnings forecasts followed by announcements of revenue and earnings surprises. The results indicated that the stock price reaction on the earnings announcement date was significantly related to both revenue surprises and earnings surprises. Kanniainen Juho (2007) examined stochasticity of stock return volatility by questioning the assumption that the conditional expectations of future dividends react to the same new information. The stochastic evolutions of conditional dividend expectations were characterized by extending the information process to dividend paying stocks. Kanwal Anil (2008) observed that profitability has always been considered as a primary indicator of dividend payout ratio. Apart from profitability, numerous other factors like cash flows, corporate tax, sales growth and market to book value ratio were also considered rampant. Koerniadi Hardjo (2008) examined in their study whether managers deliberately used accruals to convey information regarding firm future profitability. The contemporaneous earnings and dividend announcement data was used as research setting as it reduced the possibility of opportunistic income smoothing by managers and hence increased the validity of the inference on the accrual signaling hypothesis. Kumar Praveen (2006) derived a conditional CAPM in a general equilibrium model where investors faced estimation risk on mean returns and learnt from information of uncertain quality or precision. In equilibrium, the loading on market risk augmented the standard beta with the random or information dependent conditional covariance matrix of the unknown mean returns. Minnick Kristina L. (2004) examined the cross sectional determinants of the decision to take write offs. A hand collected dataset on write-offs was used that was much more comprehensive than existing write-off datasets. It was found that quality of governance was positively related to write-off decisions in the cross section. The results also suggested that poor governance companies waited to take write-offs until it became inevitable while well-monitored companies took write-offs sooner. Narayanamoorthy Ganapathi (2003) identified previously undocumented source of predictable cross-sectional variation in Standardized Unexpected Earnings' autocorrelations viz. the sign of the most recent earnings realization and presented evidence that the market ignored this variation (loss effect). It was possible to earn returns higher than from the Bernard and Thomas strategy by incorporating this feature. Padgett Carol (2007) tested the signaling and free cash flow hypotheses of the information content of share repurchases using UK open market share repurchases between January 1999 and December 2004. The five day mean announcement abnormal return of the sample was low at 1.28% but it was statistically significant at the 5% level. Rees Lynn (2001) examined the importance attached to revenue forecasts by firms and the market and whether these forecasts were value-relevant conditional on earnings forecasts. The study was divided into parts. First, it examined whether the capital market reaction to earnings and revenue announcements had an association with revenue forecast errors conditional on earnings forecast errors. Second, it investigated existence of differential valuation effects associated with meeting or exceeding analysts' revenue expectations over and above meeting/exceeding analysts' earnings expectations. Sadka Ronnie (2005) investigated the components of liquidity risk that were important for asset pricing anomalies. Firm-level liquidity was decomposed into variable and fixed price effects and was estimated using intraday data for the period

1983-2001. The unexpected systematic variations of the variable component rather than the fixed component of liquidity were shown to be priced within the context of momentum and post earnings announcement drift portfolio returns. Servaes Henri (2008) studied responses of industry when another firm in the same industry was put to a hostile takeover attempt. The study documented two major responses: first the industry peers cut their capital expenses, free cash flows, cash holdings, increased their leverage and payouts to shareholders. Second, they increased the quality of financial reporting. After the control threat, there was an evidence of less earnings management, more timely loss recognition and more value relevance of accounting earnings. Shu Tao (2008) analyzed the impact of trader composition i.e., the fraction of total trading volume of a stock accounted for by institutional trading on the cross section of stock returns. The study found that trader composition had significant effects on stock returns beyond institutional ownership. Specifically, major stock market anomalies such as return momentum, post earnings-announcement drift, value premium and investment effect were much stronger in stocks with lower fraction of institutional trading volume. Subramani Mani R. (2002) examined the returns to e-commerce events in the period from 1999 to 2000 which employed a set of short time windows (1 day, 5 days, 10 days bracketing the event) as well as a set of long event windows (6 months, 9 months and 1 year from the event). The results reflected little consistency between abnormal returns in short 1 day, 5 days and 10 days event windows. In contrast, the abnormal returns observed in 6, 9 and 12 months windows were reasonably consistent. Zhu PengCheng (2008) examined the short term stock performance of a sample of Indian firms who acquired U.S. firms in the period 1999-2005. The event study showed that Indian stock market reacted positively to the acquisition announcement. Authors found out that the positive abnormal return lasted for only three days after which the returns became negative.

The research work carried so far related to announcement effects has not stressed upon any key sector of the economy. Moreover, significant results as to the relationship between announcements and their impact on stock returns have not been discovered. Dividend announcements in particular have been studied by various eminent scholars; yet they have not brought in a common conclusion in relation to the impact of dividend announcements on stock returns or stock volatility before and after declaration of dividends. Also, sector wise study for dividend announcements has not been carried over in particular till now. Thus, the present study contributes towards the impact of dividend announcements on stock returns vis a vis analysis of stock price variations before and after dividend declaration.

OBJECTIVES OF THE STUDY

1. To investigate the impact of dividend announcements of sample companies frequently traded at NSE India.
2. To analyse significance of dividend announcements on abnormal stock returns in the pre and post period announcement of dividends.
3. To analyse the performance of a company within and among the various sample sectors.

RESEARCH METHODOLOGY

The study has focused on four sectors of the Indian economy; Banking, Information Technology, Telecom and Retail to analyse the performance of stock in these sectors over dividend announcements. Stratified sampling technique has been used for selecting the sample in the study by dividing the whole sample into four subgroups. Each stratum consisted of top 7 companies at random with highest trading volume in the respective sector. In total, 28 companies had been selected on the basis of trading volume, i.e., 7 companies for each stratum.

The hypothesis in the present study assumed that there can be a significant impact of the dividends declared on the abnormal stock returns of the respective companies' stocks. The information about dividends announced reaches the common investors over the stock exchanges. Thus, like other normal and abnormal announcements there can be variations in the investors' expectations on account of announcement of dividends. This is due to the fact that dividends form an important component of investors' earnings from the equity stocks along with capital appreciation. Due to change in investors' confidence and expectations from a particular stock there can be changes in expected returns of the same stock and hence can impact its abnormal stock returns. The hypothesis has been tested in the present study with the help of t-test and z-test.

The present study addresses its objectives and testable hypotheses by using event study methodology. Event study is concerned with measuring the effects of takeovers, restructuring transactions and other events on the firm. An event study is concerned with the impact of a particular firm-specific corporate event on company security prices. This methodology to study the impact of event is extended for the present study. The relevant event here is dividend announcements. This event is taken as the base for conducting an event study to find out the impact of dividend announcements. The

dividends declared by the sample companies in the financial year 2008-09 are taken as the main event to the study.

Event window refers to the total time period revolving around the event which is taken as the main time frame to study the impact of the respective event. The present study has taken an event window of 61 days in total including the event date, i.e., the date on which dividends were announced for the respective sample stocks of the companies. So, the total event window was broken into two parts. First part was composed of stock prices before the dividend was announced and the second part was composed of stock prices after the dividend was announced. The event date, i.e., the date when dividend was announced was termed as t=0, middle of the event window. First part of the event window was composed of 30 days stock prices (-30) and the second part of the event window was also composed of 30 days stock prices (+30). Thus, the total event window was (-30) – t – (+30) where -30 represented pre announcement phase, t represented the event date and +30 represented post announcement phase.

The event study has been used to find out the impact of dividends announcements on the respective stock prices of the sample companies. The present study here has focused on daily stock prices of the sample companies stocks. The daily stock prices of all the 28 companies included in the sample are taken from the NSE website (www.nseindia.com) for further processing. The returns are further calculated in detail with normal, average, abnormal and cumulative returns. The normal returns of all the sample stocks are calculated as:

Rit= (Pt – Pt-1)/Pt-1,

where, Rit= Current Day Normal Return, Pt= Current Day Stock Price, Pt-1= Previous Day Stock Price.

The abnormal returns for all the stocks have been calculated using the constant mean return model.

After obtaining the mean returns for all the sample stocks the abnormal returns had been calculated with the help of following formula:

ARit= Rit - E (Rit),

where, ARit= Current Day Abnormal Return, Rit= Current Day Normal Return, E (Rit)= Expected Return (mean return).

The abnormal returns calculated are further converted into cumulative abnormal returns for application of statistical techniques with the help of constant mean return model. The cumulative abnormal returns are calculated for both before and after the event date. The mean CAR is calculated as:

$$\text{Mean CAR} = \frac{\sum_{1}^{n} CAR_i}{n}$$

where, mean CAR= Mean of Cumulative Abnormal Returns, CARi= Cumulative Abnormal Returns, n= number of days.

The standard deviations for all the stocks had been calculated for pre and post announcement event to find out the magnitudinal change in the stock returns. It is calculated as:

$\sqrt{}$ CAR/n

Where, CAR= Cumulative Abnormal Returns, n= number of days.

STATISTICAL TECHNIQUES USED

In consonance to the objectives of the study and for testing the hypothesis t-test and z-test has been applied. t-test has been applied to test the impact of dividend announcement on abnormal stock returns of the sample companies both in pre announcement and post announcement of dividend. The total event window of 61 days stood 30 days prior to the announcement and 30 days after the announcement of dividends excluding the event date. The t-values are calculated with the formula given below:

$$t = \frac{\overline{CAR}}{\left(\frac{\sigma_{\overline{CAR}}}{\sqrt{N}}\right)}$$

The t-values were further compared with the table values at 1%, 2% and 5% level of significance to test the significance of the results.

z-test has been applied for all the sample companies to analyse the results of the four sectors taken as a sample in the study. The z-values are calculated comprehensively for the total event window of 61 days to study the impact on stock returns among the different sectors in the sample companies. The significance of z-values were tested at 1%, 2% and 5% level of significance.

EMPIRICAL RESULTS

The empirical results for the study were interpreted with the help of mainly 4 tools i.e. mean CAR, Standard Deviation, t-value and z-value. Mean CAR in two periods i.e before and after dividend announcement has been compared with the other sample companies within the sector to find out that which company has maximum mean abnormal returns. Standard Deviations are similarly compared in the same sector to locate the company with maximum variation in abnormal stock returns. The significance of the stocks of the different sample companies i.e. Banking, Information Technology,

Telecom and Retail has further been tested with the help of t-values. The z-values have been computed for the complete event window of each sample company to anaylse the performance of a company within the sector company and to evaluate the companies among the sector companies. The significance of t-values and z-values have been interpreted at 1%, 2% and 5% levels of significance.

BANKING SECTOR

The mean CAR, standard deviation and t-values before and after declaration of the dividend and z-values for the whole window of Banking sector comprising of 4 public sector banks and 3 scheduled commercial banks has been tabulated in Table 1.

Table 1: Banking Sector

Name of the Bank	Punjab National Bank	IDBI Bank	Union Bank of India	State Bank of India	Axis Bank	HDFC Bank	ICICI Bank
Mean CAR Before	- 5.88	- 13.71	- 6.07	8.47	20.15^	8.50	- 9.54
S.D. Before	7.16	8.50	8.51	4.12	10.41^	3.55	8.16
Mean CAR After	- 10.86	- 0.89	- 11.59	- 6.09	14.12^	- 0.01	- 4.38
S.D. After	6.04	9.69	10.21	5.72	6.15	4.10	12.49^
t- value Before	- 4.49	- 8.83	- 3.91	11.24*	10.60*	13.11*	- 6.40
t- value After.	- 9.84	- 0.50	- 6.22	- 5.83	12.57*	- 0.01	- 1.92
z- value	- 9.38	- 5.27	- 7.06	1.07	15.02*	5.85*	- 5.17

Note: 1. *, **, *** significant at 1%, 2% and 5% level of significance.
2. ^ indicates maximum value.

The analysis of Table 1 signifies that the maximum CAR was observed for Axis Bank in both the pre announcement and post announcement period. It may be due to the fact that the private sector banks were offering better returns as compared to public sector banks in the time period of study. The mean CAR value of HDFC Bank and SBI was also observed positive before the announcement of dividends. These two banks have shown better performance as compared to the other sample banks before the announcement of dividends. The mean CAR value of all the other banks except Axis Bank after the announcement of the dividend was observed negative. This indicates that the stockholders of these banks were not satisfied with the abnormal returns after the declaration of dividends. The maximum standard deviation was observed in case of Union Bank of India in the pre announcement period followed by ICICI Bank. In the post period of declaration of dividend high value of standard deviation was observed in case of ICICI Bank. The high value of standard deviation in case of ICICI Bank may be due to its not having good reputation in the market during this period as the bank could had gone for bankruptcy due to the effect of US recession and failure of Lehman Brothers Bank at US. The t-values in case of Axis Bank, HDFC Bank and SBI were found significant at 1% level of significance in the pre-announcement period of dividend, but in the post announcement period of dividend only the Axis Bank was observed significant at 1% level of significance. It is obvious that the CAR value of the Axis Bank was positive and highest in the post announcement period of dividend. The results of the z-values for the complete event window for sample banks shows that only Axis Bank and HDFC Bank were found significant at 1% level of significance. The remaining banks did not show any significance with the exception that the z-value of SBI was positive. This shows that the SBI's performance was better among the public sector banks.

INFORMATION TECHNOLOGY SECTOR

Table 2: Information Technology Sector

Name of the Co.	TCS	WIPRO	Infosys	HCL	Tech M	PCS	MphasiS
Mean CAR Before	- 2.37	1.01	-4.74	6.27^	- 12.84	4.06	- 6.81
S.D. Before	3.53	2.61	6.70	7.24	12.13^	3.19	4.31
Mean CAR After	- 5.54	- 8.34	- 4.97	2.28^	- 19.43	0.04	- 12.01
S.D. After	4.46	6.47	4.71	9.01	9.24^	5.02	5.35
t- value Before	- 3.68	2.12*	- 3.87	4.75*	- 5.80	6.98*	- 8.65
t- value After	- 6.81	- 7.06	- 5.78	1.39	- 11.53	0.04	- 12.28
z- value	- 7.14	- 4.29	- 6.72	4.08*	- 11.31	3.51*	- 13.54

Note: 1. *, **, *** significant at 1%, 2% and 5% level of significance.
2. ^ indicates maximum value.

The analysis of companies in Information Technology sector observed maximum mean CAR for HCL Technologies in both pre announcement and post announcement period. It may be due to announcement of net profit of Rs 373.3 crore for the second quarter ending December 2008, an increase of 12.1% compared with the same quarter in 2007-08 and an increase of 4.8% sequentially. The company's revenues growth y-o-y is better than that of the top three IT companies – TCS, Infosys and Wipro. Patni Computer Systems has also shown mean CAR 4.06. This shows that the performance of the company is better among the analysed companies in Information Technology sector. The standard deviation among all the Information Technology analysed companies was highest for Tech Mahindra in both pre announcement and post announcement period. This could be due to the reason that the stock returns for Tech Mahindra were calculated at a time period when there was an announcement by US agency for stocks which were under pressure in IT sector and this stock was not listed among the top gainers. The standard deviation for the HCL Technologies Ltd. was also observed high showing fluctuations in the stock values. In case of Patni Computer Systems the standard deviation was not showing consistency in stock prices. This indicates that Patni Computer Systems abnormal stock returns had shown consistency as compared to other companies under study. The results for t-values were found significant for WIPRO, HCL Technologies and Patni Computer Systems at 1% level of significance in the pre-announcement period. The significance of t-values in case of HCL Technologies Ltd., Patni Computer Systems and WIPRO have got support from the mean CAR as these values were observed positive. The t-values were not found significant for any company in the post-announcement period. Only HCL Technologies Ltd. and Patni Computer Systems from IT sector have shown positive t-values and the other five companies have shown negative t-values. This depicts that the IT sector has been influenced because of world depression. The z-values were found significant for HCL Technologies and Patni Computer Systems at 1% level of significance. It reflects that only 2 companies depicted significant results for dividend announced over the abnormal stock returns over the entire event window out of 7 companies.

TELECOM SECTOR

Table 3: Telecom Sector

Name of the Co.	Reliance Comm.	Bharti Airtel Ltd.	MTNL	IDEA Cellular Ltd.	Tata Tele.	AVAYA	BPL Ltd.
Mean CAR Before	5.19	- 6.08	5.14	7.63	- 12.30	4. 05	24.55^
S.D. Before	3.96	5.37	1.98	5.05	7.97	12.35^	10.39
Mean CAR After	- 2.20	0.23	- 6.25	5.71	- 1.38	- 0.47	27.33^
S.D. After	11.01	2.39	9.22	18.01^	4.45	7.23	12.07
t- value Before	7.17*	- 6.20	14.18*	8.28*	- 8.46	1.80	12.94*
t- value After	- 1.09	0.52	-3 .71	1.73	- 1.70	- 0.35	12.40*
z- value	1.44	- 4.38	- 0.42	4.03*	- 6.37	1.54	17.98*

Note: 1. *, **, *** significant at 1%, 2% and 5% level of significance.
2. ^ indicates maximum value.

The Telecom sector has been studied and analysed by taking 7 companies being traded frequently. The mean CAR value of abnormal stock returns of Telecom sector reveals maximum mean CAR for BPL Ltd. for both pre announcement and post announcement dividend period. It may be due to the announcement of Deutsche Bank to pick up stake in BPL Ltd. which built up the investor's confidence in this stock to a significant extent. The standard deviation among all the companies was highest for AVAYA Global Connect Ltd. in pre announcement period. This could be due to the reason that the profit before interest and depreciation for this company had fallen more than to a double rate i.e. from 84.05 crore to 34.4 crore, thus decreasing the confidence in this stock. In the post announcement period, the maximum standard deviation was observed for IDEA Cellular Ltd. This could be due to the reason that in this period it had launched new tariff plans for its customers like "per second calling" but these were not very beneficial because the company offered these plans after Airtel and Vodafone. As Airtel and Vodafone had already launched these types of plans, in the absence of competitive strategies and the investors may not be very keen to invest in IDEA Cellular Ltd. The t-value results were found significant at 1% level of significance for Reliance Communications Ltd., MTNL, IDEA Cellular Ltd. and BPL Ltd. in the pre-announcement period. The MTNL had depicted the maximum value, it may be because it is the only company in Telecom sector which is functioning in India right from the beginning and the people have faith in this organization. Moreover, the mean CAR in case of MTNL was positive with very less standard deviation before the announcement of dividend showing consistency in its stock returns. The results also depicted that at this time the Telecom sector had not much influence on its stock prices due to world depression especially in case of existing companies having better performance in service sector. The t-values surprisingly were found significant only for BPL Ltd. at 1% level of significance after the dividend was announced. This shows that although the depression in the world had not much influenced this sector of industry but it forced the stock returns to give a thought to their stocks. The z-values were found significant only for IDEA Cellular Ltd. and BPL Ltd. at 1% level of significance for dividend announced over the abnormal stock returns.

RETAIL SECTOR

Table 4: Retail Sector

Name of the Co.	TRENT	Titan Industries	Raymond	Koutons	Provogue	Pantalon	Zodiac Clothing Co. Ltd.
Mean CAR Before	-6.19	-8.20	2.35	2.26	47.27^	-15.82	1.54
S.D. Before	4.52	4.72	3.79	2.56	29.98^	9.06	5.68
Mean CAR After	-2.09	-3.02	-2.24	-4.38	3.62	-6.79	6.98^
S.D. After	3.62	6.93	2.42	4.49	13.07^	7.45	3.06
t-value Before	-7.50	-9.51	3.39*	4.82*	8.64*	-9.55	1.49
t-value After	-3.18	-2.39	-5.08	-5.34	1.52	-4.99	12.50
z-value	-7.22	-6.94	0.41	-1.67	6.28*	-9.40	6.43*

Note: 1. *, **, *** significant at 1%, 2% and 5% level of significance.
2. ^ indicates maximum value.

In the retail sector, the maximum mean CAR of abnormal stock returns was seen for Provogue Retail (India) Ltd. in the pre announcement dividend period. It may be due to the announcement of expansion plans by this company during this period wherein it mentioned its proposal to open 50 new retail stores in the country. Thus, investors must have taken it as a good announcement and returns went high. In the post announcement period, the mean CAR was highest for Zodiac Clothing Company Ltd. It could be due to that the net profit almost doubled to 510 crore in September 2008 as compared to 279 crore in September 2007. The mean CAR value of only 4 companies i.e. Raymond, Koutons, Provogue Retail (India) Ltd. and Zodiac Clothing Company Ltd. was observed positive and the value of the other 3 companies i.e. TRENT, Titan Industries and Pantaloon Retail (India) Ltd. was negative in the pre announcement period. The standard deviation among all the companies was highest for Provogue Retail (India) Ltd. in both pre announcement and post announcement period. This could be due to the reason that on one hand it announced its expansion plans but at the same time came the news for stock split 5 for 1 which was later on not done. The t-value results of retail sector in the pre-announcement period were found significant for Raymond, Koutons and Provogue Retail (India) Ltd. at 1% level of significance. The t-value in case of Provogue Retail (India) Ltd. was observed highest. The t-value results in the post-announcement period were found significant only for Zodiac Clothing Company Ltd. at 1% level of significance. The 3 companies i.e. Raymond, Koutons and Provogue Retail (India) Ltd. which were significant in the pre announcement dividend period did not turn out to be significant. It is because of the mean CAR value which declined significantly in the post announcement dividend period due to severe competition in this industry. The z-value result was found significant only for Provogue Retail (India) Ltd. and Zodiac Clothing Company Ltd. at 1% level of significance.

While comparing sectors among themselves, the analysis reveals that no single sector can be taken as a complete indicator for dividend announcement impact on abnormal stock returns. In both the cases, before and after announcement sample stocks did not give a concrete conclusion in major to accept the hypothesis. There were cases of significant results in a few sample stocks but they were not sufficient to conclude for all the sample companies. This indicates that the individual company matters in performance as compared to the whole sector.

CONCLUSION

Indian share market offers extensive investment opportunities to its investors. The most popular among these options are shares. Equity shares provide the investor with returns and ownership in the respective company. The returns from equity shares are in the form of dividends and capital appreciation. The latter refers to the increase in the value of a share while the former refers to the time to time distribution of profits by the company to its investors. These dividends are the most awaited item for the shareholders of any company and thus can have an impact on the returns of a particular stock. In line with this logic the present study has been performed. The empirical studies had witnessed that the DPS has a positive significant impact on the determinants of share prices.

It may be interpreted from the results that we cannot generalize that there is impact of dividend announcements on the stock returns on the sector of companies as a whole as few of the sample companies of a sector which got changes in stock returns during dividend announcement phase may be out of chance factor. The core reason for the same could be that all companies in general declare almost a constant dividend every year on the face value of the share. So, the dividend values are in general already known to the shareholders. On account of this, stock returns did not get a drastic changeover at the stock exchanges. But the amount of profit of the company and retained earnings after declaring the dividend do affect the stock prices. Since, the empirical studies have demonstrated that the dividend per share and book value (retained earnings) do have the positive significant correlation with the market price of the share. That is why some of the companies have shown significant t-values. Because of this however some of the stock prices experienced fluctuations due to capital appreciation in them. The swings as observed and depicted graphically already in the stock prices may also be due to change in other factors than the dividend announcements. The analysis also reveals that it cannot be generalized performance of economy on the sector on a whole. The performance of a company matters rather than a sector.

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