IMPACT OF DIVIDEND ANNOUNCEMENT ON SHARE PRICE

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Abstract
Dividend declaration is considered as one of the key focus areas of the organisation's financial policy. Dividend policy adopted by a firm has an inference in the practical life of both the manager and the organization's stakeholders. It is similar in case of investors who consider dividend as not only a source of income but also an important determinant for the purpose of firm's valuation. In these aspects, the present study has been taken into account to investigate impact of dividend announcement on share price whether with special reference to select Indian Automobile industries for a period of 10 years from 2008 to 2017. Event Study Approach has been used to analyse the impact of dividend announcement on share price of select Indian Automobile industry.
Key Words: Dividend, Dividend Announcement and Rate of Return.

Introduction
Dividend is an important part of investment and Dividend policy occupies a major role in the financial management of an organization and serves as a mechanism for control of a managerial opportunism. Dividend also acts as the barometer of financial soundness and solvency, management efficiency and overall growth of an organization. At the time of declaration of dividend, two factors namely, the motives behind it and the market reaction after its declaration are given due consideration. Most of the companies consider it as advantageous to declare the dividend, as it will have positive impact on its goodwill and the share prices. The frequency of dividend payment and dividend offering method may vary from company to company. It is one of the motivational factors to retain their shareholders for long period. The announcement of changes in corporate finance variables like dividend in an uncertain economic environment are very often regarded as signals sent by the company management to be interpreted by the outside investors.

Statement of the Problem
Dividend decision is one of the most important and crucial decisions taken by the company. Dividend payout provides a financial signal which has relevance to the share or stock price and the firm's value. Dividend declaration is also considered to be one of the most important criteria for the distribution of value to the shareholders. Shareholders also prefer to receive regular dividends rather than irregular cash payments. Shareholders' wealth maximization objective provides guideline for firm's decision making and also promotes an efficient allocation of resources in the economic system. Resources are generally allocated taking into consideration the expected return and risk associated to a course of action. The market value of stock itself reflects the risk return trade-off associated to any investor in the capital market. The most important decision that is to be considered by the management of the company along with long term financial decision is to satisfy their shareholders and to raise the price of its equity stock in the capital market. Against these background the present is an attempt to analyse the impact of dividend announcement on share price of select Indian Automobile industry.

Review of Literature
Thirumagal and Vasantha (2016) analysed the impact of dividend policy on shareholders' wealth by considering 10 companies listed in NIFTY PHARMA of NSE for a period of 15 years from 2001 to 2015. The Market Price per Share was used to measure Shareholders' wealth and the predictor variables namely Price Earnings Ratio, Dividend Per Share, Earnings Per Share, Total Assets and Cash and Bank Balance by Total Assets were used by representing Dividend, Risk, Earnings, Firm Size and Liquidity of the companies. The Descriptive Statistics and Normality Test (Jarque - Bera) found that the data were normally distributed. Finally, the regression results showed that the dividend, risk and liquidity of the companies had an impact on shareholders' wealth and further, size and earnings of the companies were insignificant with the shareholders' wealth.

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Owen Jakata and Philimon Nyamugure (2015) examined the effects of dividend policy on the share price of a firm in Zimbabwe Stock Exchange from the year 2003 to 2011. The main objective of the study was to determine whether shareholders' value was eroded as dividend policies change and also to determine whether it was still profitable to invest in the stock market. The findings of the study showed that there were no relationship between dividend policy and the share price of a firm and between Earnings Per Share and the share price. The study concluded that dividend policy does not affect share price and that shareholders' value was maintained even though firms have adopted conservative dividend policies. The study also concluded that it was profitable to invest in the Zimbabwe Stock Exchange as the potential for investors to create wealth remains high.

Objective of the Study
➢ To analyse the impact of dividend announcement on shareholders' wealth.

Hypothesis

➢ There is no significant impact of dividend policy on shareholders' wealth.

Research Methodology
In the present study, an attempt has been made to analyse the impact of dividend announcement on share price of select Indian Automobile Companies for a period of ten years from 2008 to 2017. The study is primarily based on secondary data which are collected from PROWESS database of Centre for Monitoring Indian Economy (CMIE). The sample for the study has been chosen from the list of companies listed in National Stock Exchange (NSE) & Bombay Stock Exchange (BSE)**.** The study considers Indian Automobile companies, which are paying dividend continuously for the past 10 years. Accordingly, 5 companies of Automobile Industry constitute the sample set for the study. Average Abnormal Return was performed to test the impact of dividend announcement on share price.

Impact of Dividend Announcement: Average Abnormal Return
The abnormality is an essential measure to validate the impact of corporate announcements and in the present study, dividend announcement is considered under the corporate announcement. The rate of return is an important aspect of every investor and the effectiveness of their investment is measured through the level of abnormality embedded in the expected return. Forty one days data has been collected for ten years from the select five Indian Automobile industries to calculate average abnormal return. The outcome will be either a positive return or a negative return. This section describes the average abnormal return fitted on 3 days, 5 days, 10 days, 15 days and 20 days event window with respect to symmetric, asymmetric pre-event and asymmetric post-event window measures. In symmetric event windows, the event periods namely 3, 5, 10, 15 and 20 days are distributed evenly between pre and post announcement period. Further, in asymmetric pre-event and post-event windows, the event periods namely 3, 5, 10, 15 and 20 days are skewed between pre and post announcement period.

The following Table 5.29 shows the Average Abnormal Return of the select companies in Indian Automobile industry during the study period.

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Table 1, Average Abnormal Return Of Automobile Industry

Average Abnormal Return		3 days %	5 days %	10 days %	15 days %	20 days %
Symmetric Event	Mean	0.30	0.40	0.14	0.06	0.07
	SD	1.61	1.31	0.74	0.40	0.43
	Skewness	2.12	1.84	1.76	1.21	0.90
	Kurtosis	5.60	4.29	2.72	0.94	-0.56
Asymmetric Pre-Event	Mean	-0.27	-0.24	0.09	0.20	0.15
	SD	0.48	0.43	0.51	0.60	0.59
	Skewness	-0.56	-0.69	1.55	1.24	1.00
	Kurtosis	-1.20	-0.41	3.75	1.08	-0.40
Asymmetric Post-Event	Mean	0.27	0.18	0.02	0.02	0.14
	SD	0.54	0.61	0.46	0.41	0.71
	Skewness	-0.04	-0.74	-0.67	0.29	1.49
	Kurtosis	1.00	1.32	1.06	0.57	1.97

Source: Computed from Prowess Database
SD – Standard Deviation

It is observed from the above Table 1 that the Symmetric event result shows an average abnormality returns of 0.30±1.61%, 0.40±1.31%, 0.14±0.74%, 0.06±0.40% and 0.07±0.43% for ±3, ±5, ±10, ±15 and ±20 days respectively. The Asymmetric pre-event result exhibits an average abnormality returns of -0.27±0.48%, -0.24±0.43%, 0.09±0.51%, 0.20±0.60% and 0.15±0.59% for 3, 5, 10, 15 and 20 days respectively. Further, Asymmetric post-event result exhibits an average abnormality returns of 0.27±0.54%, 0.18±0.61%, 0.02±0.46%, 0.02±0.41% and 0.14±0.71% for 3, 5, 10, 15 and 20 days respectively.

Further, the Skewness value of symmetric event window pointed out that all the event windows are positively skewed which indicates that most of the values are concentrated on the left of mean with extreme values to the right. Asymmetric pre-event window shows that except 3 days and 5 days pre-event windows, all other pre-event windows are positively skewed. Similarly, Asymmetric post-event window exhibits that except 15 days and 20 days post-event windows, all other post- event windows are negatively skewed. The Kurtosis analysis states that except ± 20 days event window all other symmetric event-window values represent leptokurtic pattern. Asymmetric pre-event window shows that 3, 5 and 20 days window represent platykurtic pattern and all other windows represent leptokurtic pattern. Similarly, Asymmetric post-event window exhibits that all the windows represent leptokurtic pattern.

The key finding states that symmetric event measure (0.40%) is showing the best performance in ±5 days window, asymmetric pre-event measure (0.20%) is showing the best performance at 15 days window and asymmetric post-event measure (0.27%) is showing the best performance at 3 days window in the Automobile industry. The Kurtosis value of symmetric event window indicates that there is a high peak during ±3 days and ±5 days event windows, asymmetric pre-event window shows that there is a high peak only during 10 days pre-event window and asymmetric post-event window result exhibits that there is a less peak in all the post-event windows.

Suggestion
The result of asymmetric post-event window of Average Abnormal Return industries indicates that the dividend announcement had an impact on share prices during 3 days event window. Hence, the investors can involve in trading decisions based on the fluctuation in the share prices after the dividend announcements.

Conclusion
The present study is an attempt to analyse the impact of dividend announcement on share price of select Indian Automobile industry. The Average Abnormal Return measure is used to analyse the impact of dividend announcement on share prices and the result indicates that Symmetric event measure (0.40%) shows the best performance in ±5 days window, asymmetric pre-event measure (0.20%) shows the best performance at 15 days window and asymmetric post-event measure (0.27%) shows the best performance at 3 days window in the Automobile industry.

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