

PROCEEDINGS

INTERNATIONAL CONFERENCE ON MULTIDISCIPLINARY RESEARCH (ICMR 2024)



**“Sustainability, Innovation and Transdisciplinary Research
for Tomorrow’s Challenges”**

Jointly organized by the
Eastern University, Sri Lanka,
Tamil Nadu Teachers Education University, India
and
ESN Publications, India

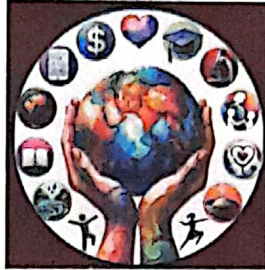


23rd January 2024

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EFFECT OF DIVIDEND ANNOUNCEMENTS ON SHARE PRICES: A STUDY ON LISTED COMPANIES IN COLOMBO STOCK EXCHANGE

M.F. Nusaika^{1*}, D.G.M.L.W. Kumari² and A.M.F. Sajeetha³

ABSTRACT

Companies sell shares to investors to raise capital for business financing and expansion. Investors purchase shares with several goals including risk management (diversification), capital growth, dividends, and tax advantages. Hence, the dividend policy of a firm has been given considerable interest in the field of finance. The company's dividend announcements as well as share prices are considered as the most crucial factors that can influence investors' decision-making between buying and selling shares. This study examines dividend announcements and their effect on the share prices of listed companies on the Colombo Stock Exchange from 2018 through 2022. For this study, twenty randomly chosen CSE-listed companies' final dividend announcements data and share prices were retrieved. The sample consisted of companies in ten randomly chosen industrial sectors. The standard event study methodology is used to examine the share prices response to dividend announcements for the event period of thirty-one days, fifteen days before the announcement date, fifteen days after the announcement date, and the announcement date. The data was analyzed using both event study methods and regression analysis methods to calculate the abnormal return, excess return, cumulative average abnormal return, and t-values surrounding the dividend announcements day. The increase in share prices around the event date is indicated by the positive abnormal return, which suggests that there has been a considerable effect on share prices. The results of this study indicate that dividend announcements significantly affect share prices on the

listed companies in the Colombo Stock Exchange. The study's findings also lend credence to a semi strong form of efficient market hypothesis, according to which share prices reflect all publicly available information and investors view dividend announcements as positive developments. Hence, the study concludes that corporate dividend announcements respond to investor choices and help establish share prices.

KEYWORDS: Dividend Announcements, Stock Prices, Colombo Stock Exchange, Efficient Market Hypothesis.

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