Dividend Announcement Effect and Informational Efficiency of Indian Capital Market – With Reference to Public Sector Banks

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Abstract
This study attempted to investigate capital market efficiency and share price behavior in the context of dividend distribution to the shareholders during the period of 10 years from 2013 to 2024. The sample is made up of 12 Public Sector Banks (PSBs) listed on the National Stock Exchange (NSE) and their 58 final dividend announcements. The NSE official website and Money Control provided all of the dividend announcement data. To calculate the residual, the NSE Nifty 50 index is utilized as a market proxy. The anomalous returns were computed using the market model and standard event study technique, and the statistical significance was tested using the t-test. According to the study, AAR is favorable for 48% of the 21-day period and only for 4 days (-4 to -7), with none of the days being significant before the announcement. After the event day, the AAR reacted adversely for 5 days and positive for 5 days and is insignificant for all days except day 6 found significant at 5% level. Furthermore, the AAR after announcement surrounding day is negative (except day +1 to +3 and +5). This indicates that the market overreacted earlier and then corrected itself in subsequent days, highlighting the efficiency of the market.
Keywords: Market efficiency, event study, market model, dividend.
JEL Classification: G10, G14

Introduction
We are living in fascinating times, where financial market innovation and globalization are happening at an accelerating rate. In order to adapt to the shifting demands of market players, the financial markets and institutions have seen substantial adjustments. An efficient capital market facilitates capital formation for the economy by bringing together corporates/trustsseek into mobilize resources to finance productive and social activities and investors seeking investment opportunities. Besides, infrastructure financing is imperative in India's journey towards being an influential force in the global economy. While the edifice of Indian capital markets is built on disclosure- based and investor protection regime, SEBI regularly reviews and fine-tunes its regulatory frameworks so as to adapt it to new business models and other dynamic changes. In 2022–2023 the Indian capital markets enabled the mobilization of resources of 9.8 lakh crore,

an increase of 4.6 percent over 2021–2022. The table 1 and 2 shows the funds raised and size wise raised in stock markets by Indian listed companies through various modes.

Table1: Resource Mobilization through Public and Rights Issues

Particulars	2021-22		2022-23		%Share in Total Amount Raised	
	No.	Amount	No.	Amount	2021-22	2022-23
1) PublicIssues,*of which*	121	1,12,567	165	59,072	81.0	89.7
A)IPOs *of which*	120	1,12,552	164	54,772	81.0	83.2
a) OFS*Component	14	21,573	11	29,046	15.5	44.1
b) FreshIssues	64	6,963	114	3,700	5.0	5.6
c) Both(OFS+FreshIssues)	42	84,017	39	22,027	60.5	33.5
BreakupofBoth(OFS+Fresh Issue)						
OFS	-	49,479	-	9,264	35.6	14.1
Fresh	-	34,538	-	12,763	24.9	19.4
B)FPOs	1	15	1	4,300	0.0	6.5
2) Rights Issues	43	26,327	73	6,751	19.0	10.3
Total (1+2)	**164**	**1,38,894**	**238**	**65,823**	**100.0**	**100.0**

Source:BSEand NSE, **(₹in crore)**

Table2: Size-wise Resource Mobilization

Issue Size	2021-22		2022-23		%Share in Total Amount Raised	
	No.	Amount	No.	Amount	2021-22	2022-23
< `5 crore	32	111	22	75	0.1	0.1
≥`5crore&<`10crore	18	136	37	280	0.1	0.4

≥`10crore&<`50crore	49	1,316	117	3,087	1.0	4.7
≥`50crore&<`100crore	4	271	15	956	0.2	1.5
≥`100crore&<`500crore	13	3,172	20	6,114	2.3	9.3
≥`500crore	48	1,33,889	27	55,310	96.4	84.0
Total	**164**	**1,38,894**	**238**	**65,823**	**100.0**	**100.0**

Source:BSEand NSE, ₹(in crore)

Dividend

Dividends are paid to equity owners as a reward for their investment in the company. Dividends are the portion of a corporation's net earnings delivered to its stockholders. Stocks, cash payments, or any other kind of payment can be used to distribute dividends. The dividend is decided by a corporation's board of directors and needs shareholder approval. The current study aims to examine the Dividend Announcement Effect and Informational Efficiency of Indian Capital Market in order to determine how such corporate announcements affect share price and shareholder wealth.

Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) postulates that an investor will get an equilibrium rate of return because it holds that every relevant data is completely and immediately reflected in a security's market price. In other words, an investor shouldn't depend on realizing an unusual return. Three types of market efficiency were distinguished by Fama et al. (1969): weak, semi-strong, and strong.

Weak form

Market data, which includes all historical price (and value) information, is one of the most common forms of information used to evaluate security prices. The Efficient Market Hypothesis (EMH) in its weak form postulates that stock prices reflect all information that may have been there in the stock price's historical data.

Semi – strong form

A more comprehensive description of market efficiency takes into consideration not just publicly available information about profitability, dividends, stock splits, bonuses, and statements about new product development, but also challenges with financing and accounting adjustments. Semi-strong form efficiency is demonstrated by a market that promptly integrates all available information into pricing. Tests of the semi-strong Efficient Market Hypothesis (EMH) measure how quickly the stock price responds to news of new information. Thus, if the present price accurately reflects all available information, a market is considered to be "efficient in the semi-strong sense." Be aware that the market data, which is semi-strong in terms of efficiency, is a subset of the total amount of publicly accessible data.

Strong form

The strong type of efficiency is the strictest, stating that strong pricing accurately represented all available information, both public and private. By studying efficient market theory, one may push the concept of market efficiency to its furthest limit. According to this structure, all information is thought to be represented in stock prices, meaning that no investor may profit excessively from any knowledge, whether or not it is made publicly available. This encompasses both publicly available information and confidential or insider knowledge.

Review of literature

Fama, Fisher, Jensen and Richard Roll (1969) examined the reaction of common share prices to implicit information in stock splits, if any. Only common securities that are listed on the New York Stock Exchange are included in the data. 940 stock splits were made between January 1927 and December 1959 in order to gather data for this study. During these 33 years, time series and least squares have been used to estimate the 622 securities in the sample of 940 splits. The study data suggests that the unusually large positive average residuals in the three or four months preceding the split could only be the consequence of a variable delay in the market's assimilation of split information from one split to the next. The outcomes of the investigation verify that the stock market is "efficient" in the sense that it reacts quickly to fresh information in terms of stock prices.

Adaoglu and Lasfer (2001) made an effort to investigate market response on the ex-dividend day and the announcement date, as well as to assess the behavior of trading volume around the ex-day on the Istanbul Stock Exchange (ISE). A sample of 129 dividend distributions made between 1995 and 2001 was included in the study.The primary findings of the study show that the anomalous return associated with the announcement dates is positive and statistically significant, and that this anomalous return is strongly connected with the size of the bonus issues. The results indicate that there was no substantial excess return on the ex-day and a significant positive excess return on the declaration day. The study adds to the conflicting findings of studies on the liquidity effect of stock distribution.

Vandana Gupta (2001) analyzed the effect of bonus issues on equity share prices and assess the semi-strong form efficiency of the Indian stock market during a six-year period, from January 1995 to December 2000. Using the event study methodology, a sample of 145 bonus issues announcements were evaluated. The results showed that the AAR and CAAR behavior patterns for each of the three sub-periods were quite similar. As a result, the Indian capital market's semi-strong efficiency was ascertained.

Meena (2002) in her study to evaluate the effectiveness and examine the effects of industry-specific events on share prices and the effects of these events on the relevant industrial sector and how share prices respond to external stimuli between January 2000 and March 2003. A total of 36 stock shares from 8 different industrial sectors made up the sample size. The event study analysis had been applied. The findings showed that, out of the eight industries, five had a greater impact on the market index since the index's reactions were constant as long as the industry responded. The study concludes that semi strong form of Indian capital market is efficient.

Apostolos Dasilas (2004) examined the market's reaction to cash dividend announcements during the 2000–2004 period using data from the Athens Stock Exchange (ASE). This study especially examines how trading volume and stock price respond to dividend distribution announcements.Data of daily closing prices and trading volume was gathered from listed businesses on the Athens Stock Exchange between January 1, 2000, and December 31, 2004. A positive stock price reaction of 0.324% and statistical significance at the 10% level (t=1.66) was seen on the day of the dividend announcement (day 0). In

comparison to the market model, the mean-adjusted return model estimates a little greater anomalous return on day 0 (0.432%). The findings show that the market's statistically significant response to the dividend announcement day, supporting the dividend signaling hypothesis.

Vimala (2004) investigated how share price react to dividend and quarterly earnings announcements, as well as the risk-return relationship in the Indian securities market. This study was conducted over a five-year period, from April 1999 to June 2004, using secondary data from the Bombay stock market (BSE100) and (BSE30) indexes using event study methods. The study discovered that the majority of the samples' beats fell between 0.60 and 1.20. As a result, market returns effectively explain individual security returns, with dividend announcements having less of an impact than profit announcements. The study discovered that the price reactions were identical in both circumstances. Finally, the study believes that Indian investors attach nearly equal importance on earnings and dividend announcements.

Iqbal and Mallikarjunappa (2007) explored if the semi-strong version of EMH holds in the Indian stock market and how stock prices react to quarterly earnings releases, using the quarterly earnings announcement from September 2001 as an example. They picked 149 organizations based on foreign holdings criteria and employed event research methods to assess the semi-strong form of efficiency, as well as the t-test, runs-test, and sign-test. The study found that during the 61-day event period, the AAR is positive the majority of the time and the CAAR is positive on all days using the market model with raw and log returns. The results demonstrate that all three portfolios under market model runs were non-significant at the 5% level and it may be inferred that the Indian stock market is inefficient in its semi-strong form.

Cheng and Shamsher (2008) explored the influence of firm size on stock prices during dividend distribution. The findings reveal that the association between business size and standardized unexpected earnings is significant and negative, with no additional information content beyond earnings other than the fact that the effect is negative. The research suggests that large enterprises' share prices were valued at least 8 to 10 percent lower than smaller firms', while the differences were not statistically significant.

Lazar and Pramod (2010) conducted a study on the effect of corporate actions on share prices of selected National Stock Exchange (NSE) companies. The study included 80 businesses from various industries and 12 different types of corporate actions from 2002 to 2007. They discovered that while events like increases in production capacity, the introduction of new products, and board of director meetings had a minor impact on share prices, corporate actions like bonuses, mergers & acquisitions, and net profit announcements had a significant impact on share prices. Finally, they argue that corporate actions play an essential influence in setting share prices based on their findings.

Selvam, Babu, Indhumathi, and Kogila (2010) conducted a study to evaluate Indian stock market behavior in response to dividend announcements. The samples were drawn from BSE-500 listed companies, of which only 35 declared dividends during the study period. The data was analyzed using the Capital Asset Pricing Model (CAPM), Market Model, and the t-test. They discovered that a strong reaction was detected most of the days prior to the event, and that the market reacts extremely slowly afterward. As a result, the study suggests that earnings announcements had a favorable influence on the share prices of the sample companies.

Babu and Kasilingam (2013) attempted to test the efficiency and equity price behavior of the Indian capital market in response to the issue of bonus shares. For this study, a sample of 36 companies that were listed on the BSE 100 were selected. The abnormal returns were computed using the market model and standard event study methodology was applied. On event day "0," the investigation discovered a positive AAR of 1.789, which is extremely high and noteworthy. The equities had provided positive returns for the

entire ten days before to the event. Information leaks could be the cause of this. But the data, which showed a negative return in the days that followed the announcement, suggest that the information regarding bonus issue was over reacted by shareholders.

Objectives of the study

The objectives of the study are;

- To test the efficiency of Indian capital market around announcement of dividend.
- To measure the equity price response of Indian stock market towards distribution of dividend.

Data and Methodology

The study's data derived from secondary sources. The sample is made up of 58 final dividend announcements made during a ten-year period, from 2013 to 2024, by 12 Public Sector Banks (PSBs) listed on the National Stock Exchange (NSE). The NSE website and Money Control provided all of the dividend announcement data. To calculate the residual, the NSE Nifty 50 index is utilized as a market proxy.Using event study methodology, the announcement effect of dividend distribution on equity share prices during the study period has been investigated. The standard technique was first applied by Informational Efficiency and Share Price Behavior surrounding Bonus Announcement Dolley (1933). According to research, the event methodology is standard for assessing how share prices respond to news releases (Dolley, 1933; Fama et al., 1969; Brown and Warner, 1980, 1985).

The event, event window, estimate window, and investigation window must all be identified in order to build an event study. The dividend announcement date was used as the event day in this study. This study's event window, represented numerically as -1, 0 and +1, consists of the days that before and follow the event day, including the day of announcement. The study also examined the impact of dividend announcements on equity share prices across a 21-day investigation window that was centered on the day of the event. The window period is set to begin on the day of the event and end on the following days: +1, +2, +3, +10 days after the event, and 10, -9, -8, … -1 days before the event. The market model was also employed in the study to calculate the sample firms' predicted returns. The estimation window for the model's parameters spans more than 150 days, from -160 to -10 days before to the event day. For both the "event window" and the "estimation window", the daily returns for each sample firm are calculated as follows:

$R_{it} = (P_{it} - P_{it-1}) / P_{it-1}$

Where

P_{it} and P_{it-1} represent company i daily pricing at time t and time t-1, respectively. Likewise, the market's real returns are calculated as follows:

$R_{mt} = (I_t - I_{t-1}) / I_{t-1}$

Where

I_t and I_{t-1} represent the daily index values at time t and t-1.

The expected return has been subtracted from the actual return to get the "abnormal" return for each of the sample firms throughout the window period. The ordinary least square approach has been used to estimate the anticipated returns on the sample stocks for the market model represented by the following equation:

$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$

Where,

R_{it} is the observed daily return for the share of a company i at time t,

R_{mt} is the observed daily returns for the market index at time t,

α_i is the estimate of the intercept for company i,

β_i is the estimate for beta of share of company i, and

ε_{it} is the independently and identically distributed residual error term.

The following is the computation of the anomalous returns for firm i on day t:

The abnormal returns for company i on day t have been calculated as:

$$AR_{it} = R_{it} - \alpha_i - \beta_i R_{mt}$$

Typically, a company looks at each firm's average impact on share prices when an event is announced. This is due to the fact that other events are taking place, and averaging over all companies should reduce the impact of these other events, enabling a more comprehensive examination of the event that is study. As a result, by dividing the total abnormal returns for all sample companies on day t by the sample size N, the average abnormal return (AARt) has been calculated:

$$(AAR_t) = \sum_{i=1}^{N} AR_{it}/N$$

Next, the particular day's abnormal return from the beginning (or from any day) of the period has then been added to a predetermined duration to calculate the cumulative average abnormal returns (CAARs) for different periods. For example, the total of the average daily abnormal returns for days -10 to -5 would be the entry for -5, while the sum of the average daily abnormal returns for days -10 to -1 would be the entry for 1. Both AARs and CAARs have had their significance tested using the t-statistic.

Results and Discussion

In order to determine if the Indian stock market is semi-strong efficient or not, the current study looked at the announced impacts of dividend distribution on equity share prices. An anomalous return would typically be expected on the day of the dividend announcement (t=0) in an efficient market, but not on other days. On the days that before the announcement day, however, there have also been some unusual returns recorded.

Table 1: AAR and CAAR of Dividend Announcement

DAY	AAR	T-Test	CAAR	T-Test
-10	-0.003713	-1.06104	-0.003713	-1.06104
-9	-0.002266	-1.19243	-0.005979	-1.50019
-8	-0.002802	-0.95627	-0.008781	-1.93732
-7	0.002236	0.980335	-0.006545	-1.36899
-6	0.000934	0.352535	-0.005611	-1.10597
-5	0.005364	1.597828	-0.000247	-0.03625
-4	0.001100	0.388184	0.000853	0.107062
-3	-0.001428	-0.64296	-0.000575	-0.06939
-2	-0.002489	-0.92288	-0.003065	-0.35991
-1	0.001503	0.521599	-0.001562	-0.16609
0	-0.001720	-0.29273	-0.003282	-0.30587

	AAR	T-Test	CAAR	T-Test
1	-0.006448	-1.16713	-0.009730	-0.85059
2	-0.001576	-0.4369	-0.011306	-0.97559
3	-0.001394	-0.43955	-0.012700	-1.09768
4	0.000546	0.213945	-0.012154	-1.039
5	-0.001289	-0.40573	-0.013444	-1.0974
6	0.005190	2.200745*	-0.008253	-0.62605
7	0.001211	0.362648	-0.007043	-0.50904
8	-0.000346	-0.17264	-0.007388	-0.51632
9	0.000396	0.147179	-0.006993	-0.46733
10	0.002971	0.958898	-0.004022	-0.24147

*Source: Author's calculation *Significant at 5% level (±1.96)*

Table 1 indicates the daily average abnormal return (AAR) and cumulative average abnormal returns (CAAR)for the window period of dividend distribution of 58 (100%) announcements. the AAR is positive for 48 per cent over 21 day's period and before the announcement (-10 to -1) is positive only for 4 days (-4 to -7) and none of the day found significant. After the event day, the AAR reacted negatively for 5 days and positive for 5 days and insignificant for all days except day 6 found significant at 5% level. Interestingly, the AAR after announcement surrounding day is negative (except day +1 to +3 and +5). This indicates that the market has over-reacted earlier and then corrected itself during subsequent days thereby highlighting the efficiency of the market. On the other hand, the CAAR shows 95 per cent negative observation over the 21-day window period and insignificant for all the 21 days. It can be observed that AAR (-0.001720) is negative on the announcement day '0' and very few banks found positive AAR on the day of dividend announcements.

Table 2: AAR and CAAR in different Intervals

DAYS	AAR	T-Test	CAAR	T-Test
3	-0.0061	-0.72551	-0.01457	-0.49302
5	-0.01073	-1.12455	-0.02894	-0.608
7	-0.01355	-1.44119	-0.04222	-0.65176
11	-0.00783	-0.7244	-0.06721	-0.68706
21	-0.00402	0.24147	-0.00973	-0.85059
-10	-	-	-	-

	0.00156	0.16609	0.03522	0.66209
10	-0.00074	-0.05674	-0.09303	-0.7445

Table 2 presents the different class intervals of AAR and CAAR. The AAR found negative and insignificant for all different intervals of dates. It indicates that market anticipates the news before the event and the CAAR also found negative and insignificant for all different intervals.

Figure 1 depicts the AAR and CAAR movements. The AAR and CAAR starts to react positively before announcement after the day of announcement of dividend. The trend shows clearly that, the market anticipated by start reacting positively before the event on day -8 but high in day -5 and even CAAR shows the same type of reaction. It indicates market reacts before event, due to leakage of information. The market anticipated before the earnings declaration and reacted much earlier and it has corrected the overreaction after the announcement day.
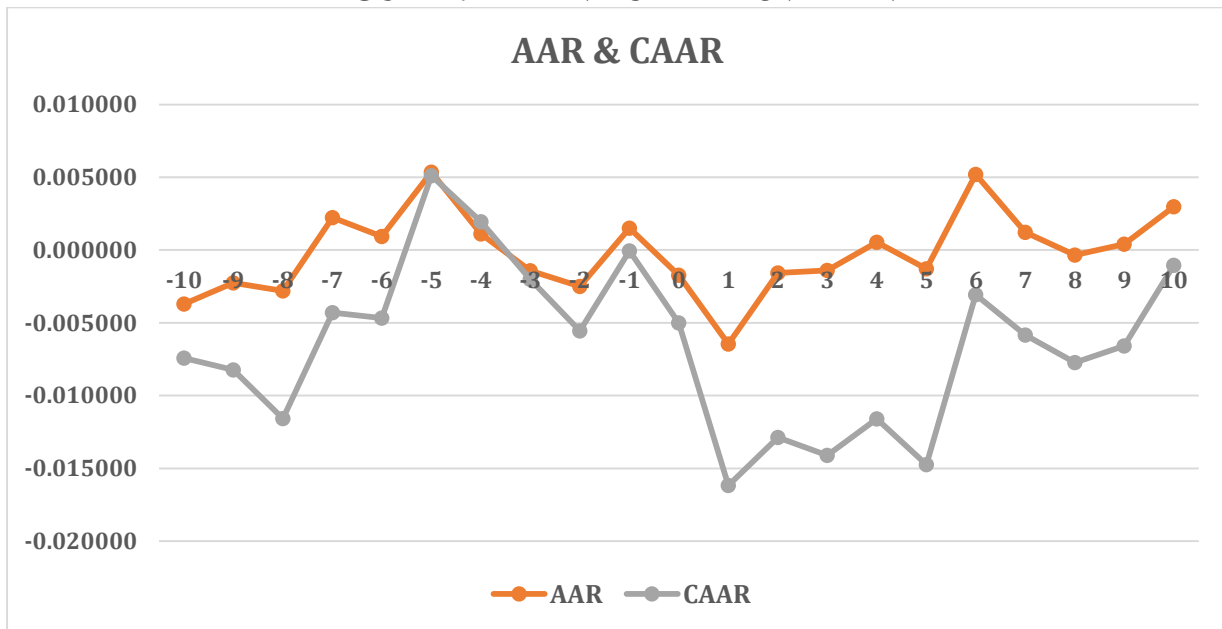
FIGURE1.AAR AND CAAR MOVEMENT

Table 3: Average Abnormal Returns (AAR) IndividualBanks and t-statistics

BANK	DAY	-10	-9	-8	-7	-6	-5	-4
SBI	AAR	-0.0033	0.00138	-0.0034	-0.0021	0.01233	0.00779	0.009
	t-test	-1.301	0.49807	-0.4192	-0.4957	1.74196	1.18097	2.001
BOB	AAR	-0.0097	-0.0038	-0.0005	-0.0073	-0.0058	-0.0071	-0.00
	t-test	1.33649	0.8778	0.10039	1.43524	0.94551	1.20224	0.229
BOI	AAR	0.00386	-0.0075	-0.0182	0.00464	0.00376	0.00202	-0.015
	t-test	0.25047	-0.8051	-1.8408	0.55372	0.46765	0.28509	-2.089
BOM	AAR	-0.0065	-0.0004	0.00702	0.00129	0.00739	0.01874	-0.008
	t-test	-0.5189	-0.0889	1.35197	0.16417	0.61714	1.27447	-1.44
CA	AAR	-0.0095	0.00735	0.01497	0.01065	-0.003	0.00347	0.005

	t-test	-0.7025	0.98896	0.97559	1.31326	-0.3213	0.23238	0.649
CB	AAR	-0.0031	-0.0013	0.00219	0.00621	0.00275	0.00484	-0.006
	t-test	-0.2775	-0.1993	0.88759	8.00062*	0.17051	0.33277	-1.600
IB	AAR	-0.0095	-0.0093	-0.0112	0.00766	0.0043	0.01686	0.006
	t-test	-1.5945	-1.2797	-1.6117	1.1359	0.37011	1.24565	0.504
IOB	AAR	-0.0106	0.01062	-0.0139	-0.0127	-0.0042	-0.0012	0.005
	t-test	-1.3669	0.71169	-1.3141	-1.2699	-0.5989	-0.0968	0.363
PSB	AAR	0.02328	0.00312	-0.0021	-0.0048	-0.0076	0.00569	0.001
	t-test	0.90089	0.91819	-0.2897	-0.9325	-1.5994	0.40263	0.208
PNB	AAR	-0.0014	-0.0107	-0.0116	-0.0004	-0.0065	-0.0006	0.011
	t-test	-1.3845	-1.5412	-1.0475	-0.0301	-0.8837	-0.0899	0.600
UCO	AAR	-0.0021	-0.0024	0.00159	-0.0034	0.02168	0.02269	-0.012
	t-test	-0.5591	-0.249	0.40471	-0.3807	2.14421	1.09986	-1.448
UNI	AAR	-0.0157	-0.0076	-0.0006	0.01602	-0.0089	-0.006	-0.003
	t-test	-3.8799*	-1.3227	-0.0429	1.83877	-1.8797	-1.3222	-0.614

BANK	DAY	0	1	2	3	4	5	6
SBI	AAR	-0.0112	-0.0012	0.00843	0.00149	0.00375	-0.0105	0.000
	t-test	-1.289	-0.1552	1.32872	0.16959	0.92795	-3.2894*	0.226
BOB	AAR	0.03344	0.0132	-0.008	-0.0162	0.00566	-0.0097	-0.006
	t-test	-1.3601	-0.6837	0.68764	3.19222*	-1.1002	1.33952	0.923
BOI	AAR	-0.0303	-0.0154	-0.013	-0.0027	0.0068	-0.0103	0.002
	t-test	-1.2728	-1.8562	-2.6083*	-0.3066	0.82585	-1.3046	0.357
BOM	AAR	0.01694	0.03315	-0.0153	0.00951	-0.0012	-0.0072	-0.005
	t-test	0.62888	1.2503	-1.0385	0.47822	-0.2157	-1.2273	-1.370
CA	AAR	-0.0035	-0.0359	-0.0047	0.00138	-0.0118	-0.0009	0.009
	t-test	-0.2389	-3.0787*	-0.8942	0.2238	-3.2025	-0.1423	1.637
CB	AAR	0.01611	-0.0152	-0.0052	-0.0156	-0.0017	0.00444	-0.009
	t-test	0.89703	-1.3734	-1.8066	-1.9683*	-0.14	0.3606	-2.220
IB	AAR	-0.0056	-0.0167	0.01381	0.01497	0.0026	0.01244	0.009
	t-test	-0.3231	-2.0125*	0.78455	1.6484	0.30129	0.7691	1.422
IOB	AAR	-0.0275	0.0565	-0.0203	-0.0049	-0.0131	-0.0074	-0.00
	t-test	-0.7827	0.89776	-2.5197*	-2.1554*	-1.0873	-1.8149	-2.375
PSB	AAR	0.01141	-0.0289	0.00406	-0.0153	-0.0073	0.00636	0.003
	t-test	0.78836	-2.0421*	0.47565	-2.2715*	-0.8053	0.43137	0.579
PNB	AAR	0.00406	-0.0197	-0.0076	0.02076	-0.0083	0.01296	0.006
	t-test	0.21482	-0.5635	-0.4589	1.10702	-1.3654	1.22272	0.756

UCO	**AAR**	-0.0232	-0.0051	0.00865	-0.0143	0.00242	-0.0034	0.034
	t-test	-1.6565	-0.1874	0.51349	-0.6016	0.58442	-0.3767	1.585
UNI	**AAR**	-0.0111	0.00879	-0.0107	-0.0081	0.01565	-0.0063	0.014
	t-test	-0.3877	0.41581	-0.9717	-1.0825	1.03823	-0.9754	2.340

Table 3 represents the average abnormal return and t-value of individual public sector banks during the 21-day window period. It is observed that majority of the days in the window period AAR found negative and insignificant even the event day of dividend announcement. The study also evidence that the AAR found positive before and after announcement of dividend in most of cases, it indicates that market reacts before the event announcement due to leakage of information and later it corrects its overreaction.

FIGURE1.AAR AND CAAR MOVEMENT OF INDIVIDUAL BANKS

CA

CB

IB

IOB

PSB

PNB

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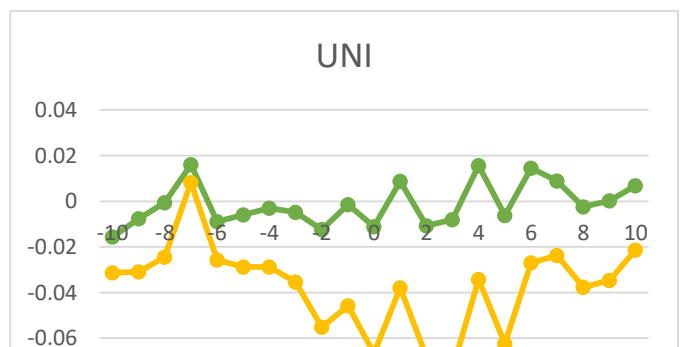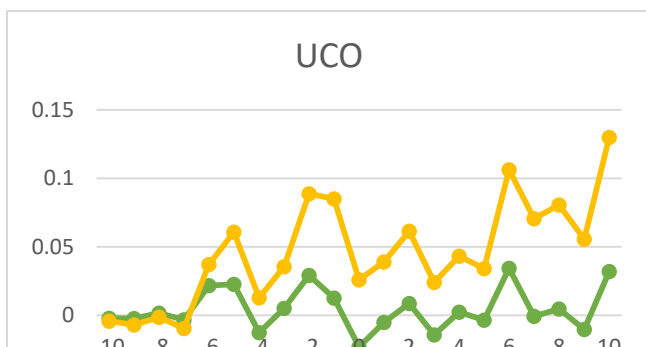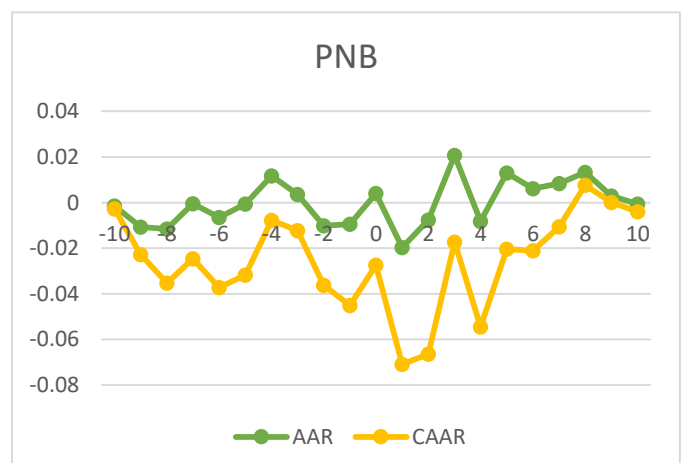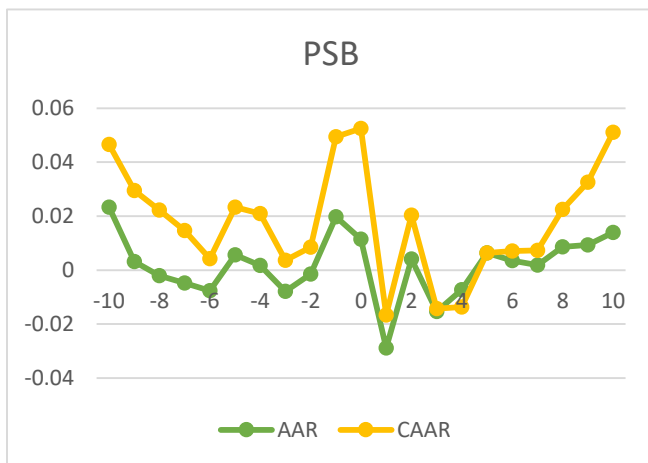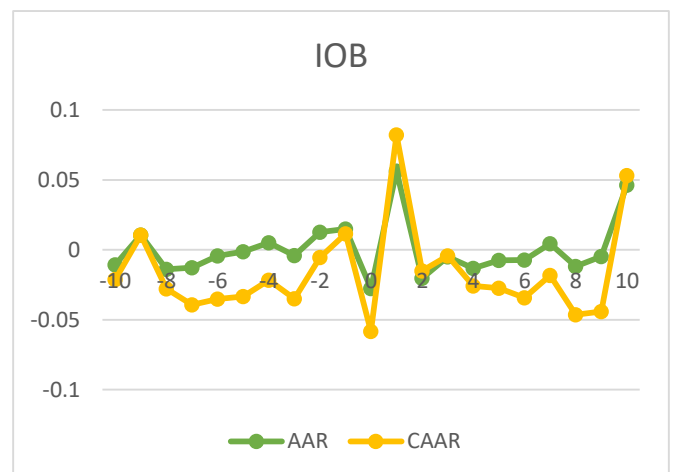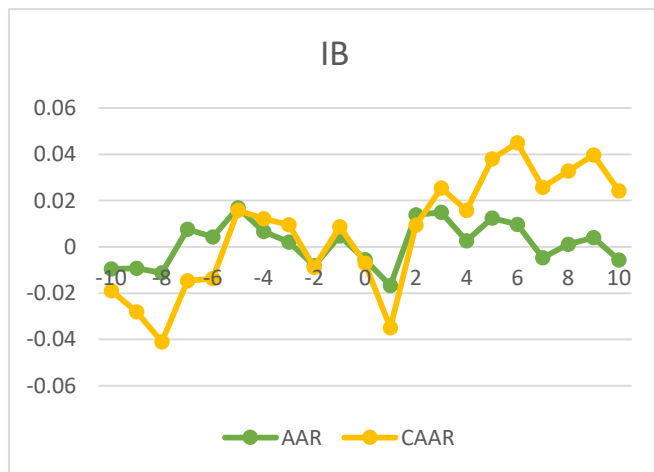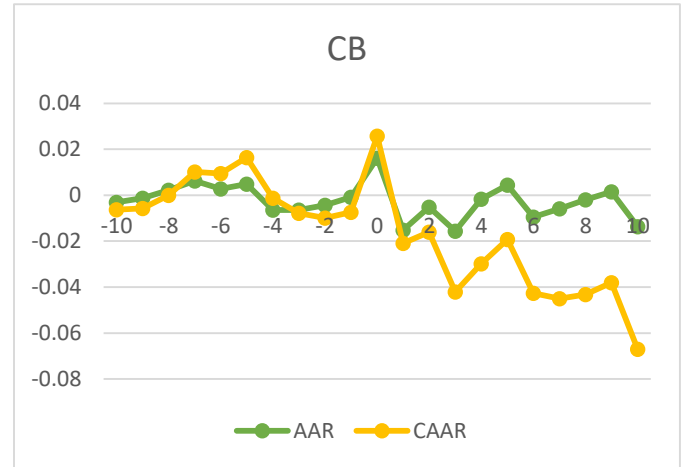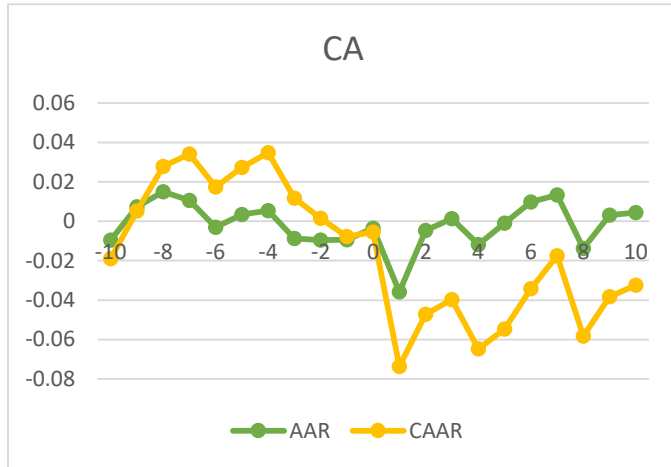
Conclusion

This study attempted to investigate capital market efficiency and share price behavior in the context of dividend distribution to shareholders. It is demonstrated that AAR is positive for 48% over a 21-day period and positive only for 4 days (-4 to -7), with none of the days being significant prior to the announcement. After the event day, the AAR reacted adversely for 5 days and positive for 5 days and is insignificant for all days except day 6 found significant at 5% level. Furthermore, the AAR after announcement surrounding day is negative (except day +1 to +3 and +5). This indicates that the market overreacted earlier and then corrected itself in subsequent days, highlighting the efficiency of the market. On the other hand, the CAAR reveals a 95% negative observation across the 21-day window period and is insignificant for the entire 21 days. The analysis also discovered that AAR and CAAR begin to react positively both before and after the dividend announcement. The chart clearly reveals that the market anticipated the event by beginning to respond positively on day -8 but remaining high on day -5, and even CAAR demonstrates the same type of reaction. It suggests that the market reacts before the event as a result of knowledge leakage. The market expected the dividend announcement and responded significantly early, but it reversed its overreaction after the announcement day.

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