

Internship Report

On

"Effect of Dividend on Stock Price in Emerging Stock"





Topic: Effect of Dividend on Stock Price in Emerging Stock Market

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Submitted To:

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Letter of Transmittal

Date: 5th May, 2019

Mohammad Musa, PhD (MMs)
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Subject: Submission of Internship Report

Dear Sir,

It is my great pleasure to submit my internship report on “Effect of Dividend on Stock Price in Emerging Stock Market: An Event Study on the publicly Listed Power & Fuel and Non-banking financial institutions in Dhaka Stock Exchange (DSE)” as a requirement of BBA program. I have made sincere effort to make this report. In this report I have presented the empirical study about the effect of Dividend on Stock Price in Emerging Stock Market. In order to get the results, I have done event studies on dividend.

I have tried my level best to make this report as much informative as possible. I am thankful to you for your kind support and supervision, and sincerely believe and hope that this report will cover your expectations. Yet, if any shortcomings arise, it will be my pleasure to answer any clarification and suggestions regarding this report.

Sincerely yours

.....

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Acknowledgement

Before starting, I want to show my gratitude to the almighty Allah as without his mercy the report would not have been possible to take place. Secondly, I want to thank my supervisor Professor **Mohammad Musa, PhD (MMs), School of Business and Economics**, United International University for helping to fruitful end of the report since he has provided me significant guidance throughout the entire journey of making this report.

I must show my gratitude to my supervisor **Mr. Ferdaus Hussain, Head of Finance & Accounts** at Unicap Securities Ltd, who willingly took my responsibility and gave me lot of time and shared his working experiences with me. I believe that his guidance had showed me a way not only to understand the office culture but also how to deal with all the co-workers of the organization and meet the client demands with great team-work. Moreover, I would also like to express high level of appreciation towards the officials of the different branches of Unicap Securities Limited for their valuable input and cooperation.

Finally, I would like to thank all the concerned personnel and respected teachers of BBA program of UIU for their assistance and cooperation during my entire BBA program.

Executive Summary

This report covers an empirical study on Effect of Dividend on Stock Price in Emerging Stock Market: An Event Study on the Power & Fuel and Non-banking financial institutions (NBFIs) in Dhaka Stock Exchange (DSE), and description about market efficiency. The main goal of this research is to analyze and investigate the reactions of stock prices due to the announcements of dividend with positive and negative events in Bangladesh Power & Fuel and NBFIs. Here an Event studies have done to sense of the study period 2013 to 2017, the event window tested in this study was in span of 61 days. Where, before the record date (RD + 30) of 30 days and after the record date (RD-30) of 30 days. After analyzing, the results showed that the negative events cumulative average abnormal return (CAAR) was -0.03866 or about (-4%) and positive events cumulative average abnormal return (CAAR) was -0.0104 or around (-1%). AARs during pre and post-announcement periods of record date were statistically insignificant. So, the announcement of the dividend recorded had no impact on the abnormal return of power & fuel and NBFIs stock in the Dhaka Stock Exchange. However, if positive and symmetrical information prevails in the market and the company stopped spreading information about the dividend before the record date, the announcement of the dividend would have affected the stock price.

Contents

Letter of Transmittal	iii
Acknowledgement	iv
Executive Summary	v
Chapter 1	1
1.1 Origin of the Report	1
1.2 Objectives of the report:.....	1
1.3 Scope of study	1
1.4 Methodology:	2
1.5 Limitations of the Study:.....	2
CHAPTER 2	3
Organizational overview of Unicap Securities limited	3
2.1 Company overview:	3
2.2 Core values:	3
2.3 Mission:.....	3
2.4 Philosophy:	4
2.5 Internship experience	5
CHAPTER 3	7
3.1 Introduction.....	7
3.2 Research Purpose	8
3.3 Data Collection	8
3.4 Event Window	9
3.5 Methodological Framework:.....	10
CHAPTER 4	13
4.1 Empirical results	13
4.2 Negative events:.....	13
4.3 Positive events:	16
CHAPTER 5	20
5.1 Conclusion:	20
References:.....	21

Chapter 1

1.1 Origin of the Report

This internship report had prepared to satisfy the requirement for fulfillment of Bachelor of Business Administration, (BBA) degree from United International University. In addition to this in must say that the whole internship period had given me the real-life experience of the activities of Unicap Securities Limited.

The topic of the report was "Effect of Dividend on Stock Price in Emerging Stock Market: A Study on the publicly Listed Power & Fuel and Non-banking financial institution in DSE", which was the outcome of three-months period works conducted at Unicap Securities Limited. I hope the report will be helpful to give a clear insight about the activities and roles of Unicap Securities Limited.

1.2 Objectives of the report:

- To present an overview of Unicap Securities Limited;
- Apprising the Effect of Dividend on Stock Price of Power & Fuel and Non-banking financial institution industry in Bangladesh;
- To apprise Market efficiency and investment opportunities;
- To examine and compare the relationship between dividend announcements and cumulative abnormal returns (CARs) of equity;
- To dig out some findings and provide suitable recommendations.

1.3 Scope of study

This report covers an empirical study of Effect of Dividend on Stock Price in Emerging Stock Market: A Study on the Power & Fuel and Non-banking financial institutions in DSE. and description about market efficiency. It also highlights the empirical results and investment opportunities to the investors. The financial time period of the study was 2013 to 2017.

1.4 Methodology:

The research accomplishes its objective by testing two major hypotheses:

1. The influence of increased Dividend announcements on the cumulative average abnormal returns (CAARs) of Power & fuel and NBFIs firms.
2. The impact of decreased dividend announcements on the cumulative average abnormal returns (CAARs) of Power & fuel and NBFIs firms.

1.5 Limitations of the Study:

I have found some limitations while preparing this report. The limitations are given below-

- **Information availability:** As the report is based on secondary data, so there was a limitation regarding appropriate information.
- **Lake of past research:** I was assigned to Finance & Accounts department, where research work was not that encouraged and there was not much history of research about market efficiency in the past.
- **Time constraint:** Due to the time limitations, many of the topic could not be discussed in the present report.
- **Confidentiality:** Since data of a brokerage organization is definitely highly classified, I faced some difficulties to explore some of required information.
- **Lack of expertise:** as I am a student and I am still learning, so there might be some lack of expertise on my end, which I intend to recover and improve over time.

CHAPTER 2

Organizational overview of Unicap Securities limited

2.1 Company overview:

Uncap Securities Limited (UCSL) (formerly SES Company Limited) is a pioneer in the capital market, which was established on October 9, 1995. UCSL inherited the legacy of Peregrine Capital Limited, a specialized brokerage firm which rooted from Hong Kong. However, in 1998 it was hired by Peregrine Capital Limited and began working independently under some prominent Bangladeshi entrepreneur and corporate house ownership and management.



Uncap Securities Limited (UCSL) is the holder of TREC on both the Dhaka Stock Exchange and the Chittagong Stock Exchange. It also has full-Service Depository Participant DP of CDBL (Central Depository Bangladesh Limited).

The company reorganized into a new management team in 2014/15 and became a leading securities brokerage company. UCSL maintained a stable 7/8 ranking on the Dhaka Stock Exchange's 250-stock brokers.

2.2 Core values:

- Understanding of Local Markets
- Experienced Management
- Professional Team
- Strong Research Team
- Block Sourcing
- Ethics & Integrity

2.3 Mission:

- To become a leading and sustainable financial institution.
- Increase customer base by continuously improving the quality of service and developing a customer-centric organization through innovative leadership and operational excellence.

- To bring trading at your fingertips by leveraging state of the art information technology to the fullest extent.
- To convert every single penny spent on commissions into tangible value to investors.
- To help clients manage risk efficiently and make rational decisions by exploiting our knowledge base
- To become the most preferred broker to international clients by generating authentic, actionable and accurate investment ideas through fundamental and technical research.

2.4 Philosophy:

2.4.1 Free Ride on their Ideas:

Customers of UCSL will always have free access to their best ideas. They have a team that can produce investment ideas based on technical and fundamental analysis. UCSL is committed to providing their customers with free up-to-date information.



2.4.2 Fiduciary Duty:

They put the interests of their clients first, which allows them to accurately and objectively assess risks.

2.4.3 Efficiency:

Effective delegation at all levels of the organization is ensured to make the service less bureaucratic.

2.4.4 Professionalism:

Whether it's a retailer or an international customer, they claim that the professional standards will be the same.

2.4.5 Knowledge Based Investing:

UCSL will build a team of competent people to guide the company and the customers

2.5 Internship experience

2.5.1 My Contribution in Unicap Securities limited

I was assigned in Unicap Securities Limited by Finance and Accounts department. This department works as supportive department of sales. I was assigned in several tasks in this department like customer payment receive, vendor payment, Vat and Tax payment and return submission etc. My internship period was of short term in nature, a total of **four months** containing three months primarily contract and an extension of another one month. Interestingly, Unicap securities Limited had provided me with a position of a permanent employee as an executive in the earlier mentioned department. My work under Finance and Accounts department are given below-

2.5.2 Training Session

I had joined Unicap Securities Limited on 1st October, 2018. As I didn't have much knowledge about their product and services, so they arranged a different types of training sessions for me about their products and services, capital market, investment and how to express myself in the corporate sector. Since my initial tasks were related to data entry, hence I had to learn about using their software, computer framework, necessary portals and so on.

2.5.3 Mentionable tasks

As per completion of the training, I had started to work individually. In that time my supervisor assigned me to handle customer receipts and payments, CNS entries, and all kinds of vouchers including debit, credit and journal vouchers.

Additional to that I had tried to complete my works in hand as much as efficiently I could do. My supervisor Mr. Ferdous Hussain was also satisfied on my work and he had begun to put more responsibilities on me like bank reconciliation, Vat and Tax payment and return submission, and credit rating document preparation and so on.

2.5.4 Learnings

In my temporary job period, I have learned numerous things. Those are-

- How to communicate more efficiently in the corporate set-up.
- Learning about the capital market structure of Bangladesh
- Knowledge about how open a beneficiary owners (BO) account and how to manage it.
- Obtaining opportunity to know different types of Tax benefits that was provided by our government, if anyone invest into the capital market.

2.5.5 Observation

Unicap Securities Limited is a really good place to work at, and an easy example of which would be mentioning that they treat interns as employees. They give the flexibility and freedom on choosing the types of works which interns prefers themselves. Advisors assign few responsibilities and regular work activities to interns, which helps them to shape up themselves to be more responsible and delicate toward work, organizational postures, and even in personal life. I can say from my personal experience that they were really helpful when I need help regarding anything.

2.5.6 Recommendation

My recommendation to Unicap securities at large would be to make more interdepartmental communications, alignment and collaboration so that no brain Darien can occur in serving clients which will boost overall service quality as well.

CHAPTER 3

3.1 Introduction

Dividend facilities have been a subject of recent interest significantly for researchers, academicians and concerned stakeholders of power & fuel and non-banking finance sectors. The subject has drawn a noticeable controversy, that the increased and decreased dividend payment policies are seen in many power & Fuel and non-banking firms. This study would determine whether the positive or negative events can generate abnormal return from Power & Fuel and NBFIs. It uses the event studies to evaluate the abnormal returns of power & fuel and NBFIs for the time period of 2013-2017, in terms of the influence of both increased dividend announcements and decreased dividend announcements on the cumulative average abnormal returns (CARs). There were indications that the increased dividend announcements and decreased dividend announcements were gradually positive and negative.

Capital markets play an important role in the economy as a source of long-term financing. Fair, efficient and transparent capital markets are essential for a country of industrialization and economic development. The development of capital markets is important for capital accumulation, efficient placement of trainees and promotion of economic growth. The financial market acts as an opportunity between surplus and deficit of the economy, and facilitates the investment prospects. Investors are worried about many things before investing their money in various securities such as stocks, turnover, market value, dividends, etc. The most important thing among them partially depending on dividend announcement in the stock market is return from investment in securities. This study is to identify and compare the effects of the exclusion information on the stock price of the listed non-banking financial institutions and power & fuel organization in the DSE dedicated to Bangladesh.

The potential of a company's dividend policy is influenced by the value of its equity and it is a topic of interest to the researchers, since Modigliani and Miller (1961) demonstrated that dividend policy was not relevant under efficient market conditions. Researchers analyzed the relevance of dividends theoretically and empirically (Ross, 1977, Bhattacharya, 1979, Litzenberger and Ramaswamy, 1979, Brennan and Thakor, 1990). In general, the empirical literature on dividends provides overwhelming evidence of a significant positive relationship between a company's dividends and its stock returns (Friend & Puckett, 1964, Elton and Gruber, 1970, Eades, Hess & Kim, 1984). Kothari &Shanken, 1992; DeAngelo, DeAngelo & Skinner, 2000; Docking & Koch, 2005.

Although the issue of dividend relevance has been widely discussed in the overall picture, dividend research in the power & fuel and non-banking sectors has been relatively overlooked. Sheel (1998),

Borde, Byrd and Atkinson (1999) and Canina, Advani, Greenman and Palimeri (2001) are pioneering studies of dividends that documented.

Relationship between the value of the company and the dividend policy in the power & fuel and non-banking sectors. The uniqueness of the sector-specific value-dividend report for the mentioned sectors, however, has not yet been addressed by the researchers. This research is an attempt to address this gap in the existing literature on power & fuel and non-bank financing. The results of this study should help researchers and practitioners by improving their understanding of the unique relationship of dividend value in power & fuel and NBFIs.

3.2 Research Purpose

The main goal of this research is to analyze and compare the shareholder relationship between dividend announcements and cumulative abnormal returns (CARs) of equity in the public sector of Bangladesh Power & Fuel and NBFIs with negative and negative events.

3.3 Data Collection

Data were retrieved from Dhaka Stock Exchange, DSE website of Dividend Achievers, LankBangla finance's Annual Dividend Records, and Financial statement Information. The data set covered a period between 2013 to 2017. DSE codes BARKAPOW, BDWELDING, CVOPRL, DESCO, DOREENPWR, EASTRNLUB, GBBPOWER, JAMUNAOIL, KPCL, LINDEBD, MJLBD, MPETROLEUM, PADMAOIL, POWERGRID, SPCL, SUMITPOWER, TITASGAS and UPGDCL were used for the power and fuel industry. DSE code BAYLEASING, BDFINANCE, BIFC, DBH, FAREASTFIN, FASFIN, FIRSTFIN, GSPFINANCE, ICB, IDLC, ILFSL, IPDC, ISLAMICFIN, LANKABAFIN, MIDASFIN, NHFIL, PHOENIXFIN, PLFSL, PREMIERLEA, PRIMEFIN, UNIONCAP, UNITEDFIN, UTTARAFIN were used for non-banking firms. Initially, 42 firms (19 power and fuel and 23 NBFi firms) were retrieved from Dhaka Stock Exchange (DSE). However, a final comparison with LankBangla finance's annual dividend records and others source of dividend achievers.

3.4 Event Window

In the event study, an event window is a period during which event information is available on the market and affect the share price of the potentially relevant company. Specific changes in the price of equity are not easy to match with certain events. The event window is longer, it is possible that new information about the event is published. However, the exchange window for a long event may contain words and information from other events. As a result, the effect of the relevant event can be difficult to isolate and the returns of unusual shares related to a particular event may be biased. Based on the program windows in the existing dividend documentation, the event window tested in this study was in span of 61 days. Where, before the record date (RD + 30) of 30 days and after the record date (RD-30) of 30 days. The length of the event window is linear with such an estimate to the preference market efficiency.

3.5 Methodological Framework:

After analyzing the impact of the annuity on stock dividends, this paper analyzed the stock price behavior of the selected Power & Fuel and NBFIs surrounding 61 days of the date of dividend recorded of Dhaka Stock Exchange (DSE). In this respect, the methodology of the event study was used. The study methodology of events is well accepted and is used in the various surveys, especially for the volume of the exchanges on the yield scales (Beaver, 1968, Patell, 1976, Campbell and Wasley, 1996). The studies should also serve as an important objective in capital market studies as a tester of market efficiency. The abnormally systematic and non-null security returns that persist after the type of corporate event are inconsistent with the efficiency of the markets. As a result, horizon-based event studies have long been described as such. (Brown and Warner, 1980).

The following necessary steps, which must be followed sequentially to study the impact of the recorded date of announcement of the dividend on the share price in the methodology of study of the events:

Step-1: Specify the Event Window: When conducting the study of the event, it is important to identify the period during which the prices of the relevant financial instruments will be examined. This period is called the "event window" (Mackinley, 1997). For the purposes of this study, an event window is defined around the dividend announcement date. The date of the dividend announcement was considered as the recorded date of the dividend announcement by the respective board of directors. The date of dividend announcement is defined as $t = 0$

Step-2: Measuring Stock Returns (X_{it}): Returns for each trading day for each share (X_{it}) has to be computed. The daily stock returns of security i , X_{it} calculated as,

$$X_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

Where,

X_{it} = Returns on stock i for day t

P_{it} = Prices of stock i for day t

P_{it-1} = Prices of stock i for day $t - 1$

Step-3: Measuring Market Returns Y_{it} : Market Return Rate indicates the return of the market index. For which the price index data of all DSE shares are used. Return rate on the market calculated for each trading day using the following formula,

$$Y_{it} = \frac{I_t - I_{t-1}}{I_{t-1}}$$

Where,

Y_{it} = Returns on stock i for day t

I_t = Prices of stock i for day t

I_{t-1} = Prices of stock i for day $t - 1$

Step-4: Measuring beta (β) as the slope: β is calculated by regressing Market Return Rate (Y) on Stock Return Rate (X). Therefore, the regression line is: $Y = \alpha + \beta X$

Step-5: Computing Daily Abnormal Return (AR): After measuring the beta, abnormal returns can be calculated for each of the 61 trading days for each share as follows:

$$ER = Y_{it} - \beta X_{it}$$

AR is calculated over a period starting from -30 days to +30 days relative to the recorded date of dividend announcement day.

Step-6: Measuring Average AR (AAR): After calculation Abnormal Return of all the stocks the Average Abnormal Returns (AAR) are computed during event period (-30 to +30). AAR of all stocks is summed up across the trading day-wise by the number of securities (N) i.e. 42. Therefore, calculating AER_t cross-sectional and time-series aggregation is done.

AER_t are estimated as below,

$$AER_t = \frac{1}{N} \sum_{i=1}^N ER_{it}$$

Step-7: Computing Standard Error (σ): The standard error can be calculated with the following formula, where N is the number of stocks,

$$\sigma = \sqrt{\frac{\sum_{i=1}^N (ER_{it} - AER_{it})^2}{N}}$$

Step-8: Find t-statistics: t-statistics is calculated across-sectionally by the MAAR standard deviation of the stock portfolio of the dividend paying banks stocks.

$$t = \frac{AER_{it}}{\sigma}$$

This study was only conducted for some listed power & fuel and NBF. As a result, we cannot guarantee that the same results will be posted for all companies listed on the Dhaka Stock Exchange (DSE).

CHAPTER 4

4.1 Empirical results

4.2 Negative events:

The results of this study were shown in the following table. The absolute value of cumulative average abnormal return (CAAR) was -0.03866 or about (-4%) for power & fuel NBFIs sectors, which is statistically significant. However, it was also found from the results that AARs during pre-announcement periods and post-announcement periods were statistically insignificant. This study supports the Dividend Irrelevance Proposition.

Table:1

DAYS	AAR	CAAR	SD	SE	T-s
-30	-0.00267	-0.00267	0.010416	0.002526	-1.05792
-29	0.003142	0.00047	0.015671	0.003801	0.826747
-28	-0.00034	0.000133	0.017295	0.004195	-0.08021
-27	0.004109	0.004242	0.027421	0.006651	0.617849
-26	0.000527	0.00477	0.016605	0.004027	0.130957
-25	0.001461	0.006231	0.02068	0.005016	0.291345
-24	-0.00384	0.002392	0.025868	0.006274	-0.61184
-23	0.002391	0.004784	0.032238	0.007819	0.305844
-22	-0.0008	0.003987	0.020764	0.005036	-0.15814
-21	-0.0048	-0.00081	0.015665	0.003799	-1.26399
-20	-0.00338	-0.00419	0.015855	0.003845	-0.87867
-19	-0.00192	-0.00611	0.02638	0.006398	-0.29968
-18	0.005356	-0.00076	0.027548	0.006681	0.801603
-17	0.002439	0.001683	0.017939	0.004351	0.560503
-16	-0.01088	-0.0092	0.014173	0.003438	-3.16574
-15	4.79E-05	-0.00915	0.021206	0.005143	0.009316
-14	-0.00131	-0.01046	0.020387	0.004945	-0.26484
-13	-0.00738	-0.01784	0.018962	0.004599	-1.60473
-12	-0.00326	-0.0211	0.017593	0.004267	-0.76444
-11	0.00943	-0.01167	0.020504	0.004973	1.8962
-10	-0.00091	-0.01258	0.025906	0.006283	-0.14426
-9	0.004061	-0.00852	0.027373	0.006639	0.611711
-8	0.000251	-0.00827	0.025706	0.006235	0.040239
-7	0.00285	-0.00542	0.032951	0.007992	0.356582
-6	-0.00389	-0.00931	0.027763	0.006734	-0.57767
-5	-0.00765	-0.01696	0.012783	0.0031	-2.46731
-4	0.004967	-0.01199	0.021762	0.005278	0.940974
-3	0.011315	-0.00068	0.024618	0.005971	1.895033

-2	0.00134	0.000665	0.021725	0.005269	0.254343
-1	-0.0073	-0.00663	0.016222	0.003934	-1.85471
0	0.016975	0.010343	0.029667	0.007195	2.359197
1	-0.01672	-0.00638	0.043639	0.010584	-1.57955
2	-0.00238	-0.00875	0.015714	0.003811	-0.62324
3	-0.00451	-0.01326	0.014131	0.003427	-1.3165
4	0.009655	-0.00361	0.024787	0.006012	1.60603
5	-0.0034	-0.007	0.018855	0.004573	-0.74286
6	-0.00406	-0.01107	0.020267	0.004916	-0.82631
7	-0.00647	-0.01754	0.010498	0.002546	-2.5422
8	-0.00026	-0.0178	0.022081	0.005356	-0.04854
9	-0.00286	-0.02066	0.011051	0.00268	-1.06852
10	-0.00291	-0.02358	0.015006	0.00364	-0.80018
11	-0.00133	-0.0249	0.012646	0.003067	-0.43305
12	-0.00259	-0.02749	0.018922	0.004589	-0.56382
13	-0.00598	-0.03347	0.023738	0.005757	-1.03852
14	-0.006	-0.03947	0.022103	0.005361	-1.11925
15	0.001767	-0.0377	0.022309	0.005411	0.326638
16	-0.00239	-0.04009	0.013122	0.003183	-0.75037
17	-0.0037	-0.0438	0.011947	0.002898	-1.2784
18	-0.00716	-0.05095	0.010485	0.002543	-2.81525
19	0.008639	-0.04231	0.022118	0.005364	1.610473
20	0.000786	-0.04153	0.012359	0.002997	0.262206
21	-0.00029	-0.04182	0.021123	0.005123	-0.05696
22	-0.00325	-0.04507	0.017481	0.00424	-0.76644
23	-0.00849	-0.05356	0.012689	0.003078	-2.75803
24	-0.00376	-0.05731	0.014332	0.003476	-1.08036
25	0.005959	-0.05135	0.017331	0.004203	1.417769
26	0.008947	-0.04241	0.022839	0.005539	1.615197
27	0.004057	-0.03835	0.014754	0.003578	1.133707
28	0.00276	-0.03559	0.021351	0.005178	0.533061
29	-0.00077	-0.03636	0.013808	0.003349	-0.22888
30	-0.0023	-0.03866	0.011242	0.002727	-0.84511

Source: Editors calculations using Microsoft Excel

Announcement of Dividend where negative events exist at DSE: Scenario and Price Impact

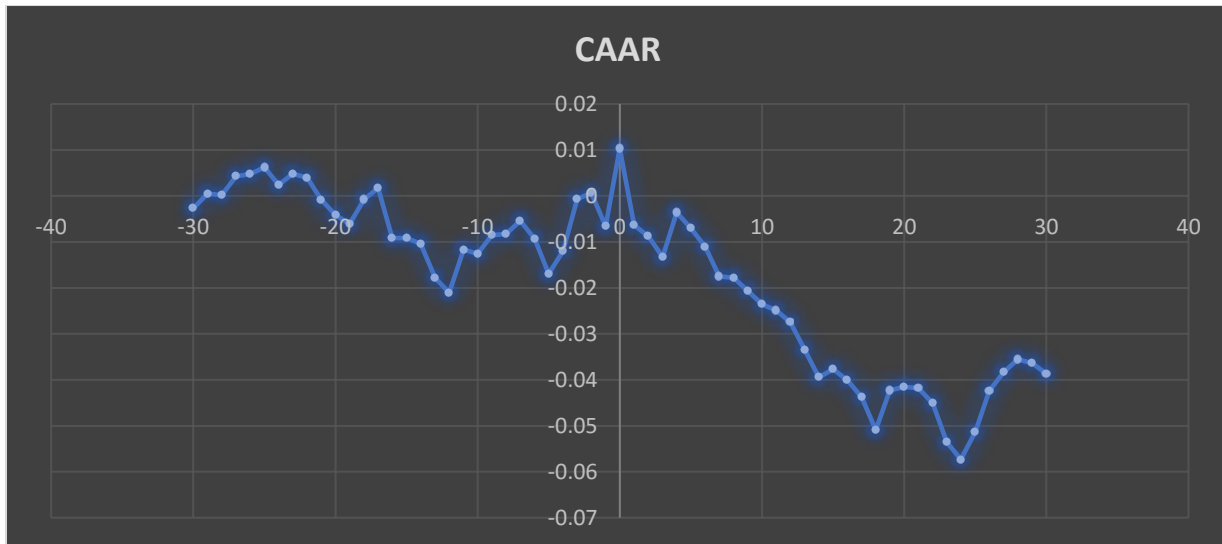


FIGURE 1

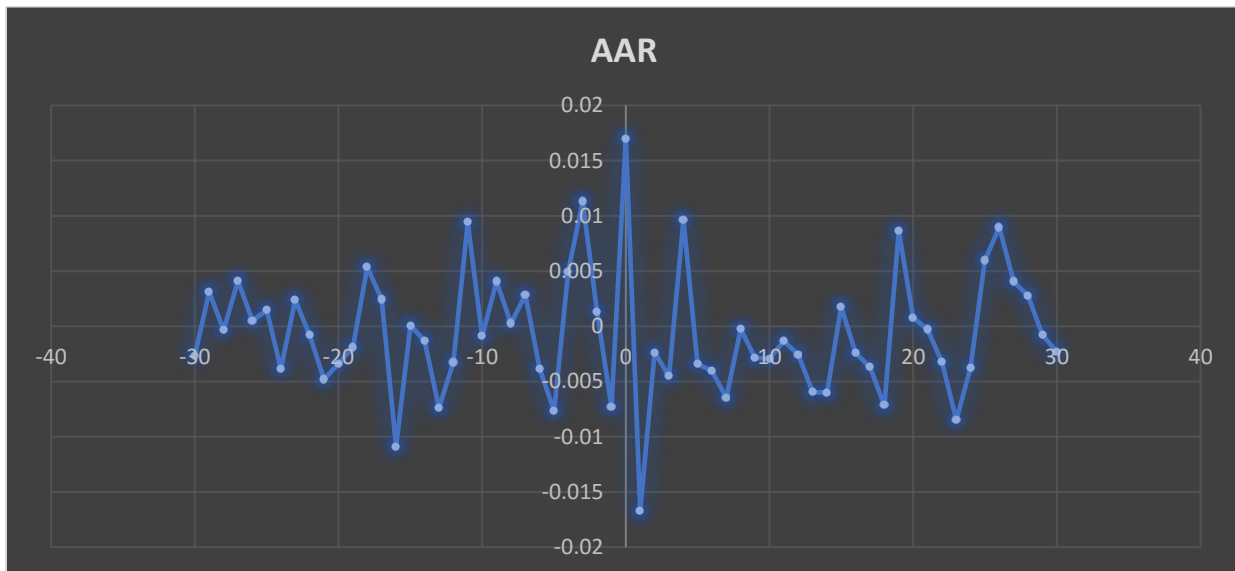


FIGURE 2

Cumulative average abnormal return (CAAR) and Average Abnormal Returns (AARs) on Listed Power & Fuel and NBFIs where negative events exist:

Table 1, demonstrates the results of comprehensive analysis in negative events of Power & Fuel and NBFIs. It had shown average abnormal returns (AARs) and cumulative average abnormal returns (CAARs) during estimation window from (-30 to +30). It had also shown t-statistics to test

whether average abnormal returns and average cumulative abnormal returns were significant or not. In result the cumulative average abnormal return (CAAR) was -0.03866 or about (-4%) which was statistically significant, but the rest were insignificant. So, it was not sufficient to prove insufficiency. Moreover, we can see in Figure1 the cumulative average abnormal return line is declining with the negative event. Though Figure2 for average abnormal return would be more or less flat.

4.3 Positive events:

The results of this study were shown in the following table. The absolute value of positive events cumulative average abnormal return (CAAR) was -0.0104 or around (-1%), which is statistically insignificant. From the results it is also found that AARs during pre-announcement periods and post-announcement periods were statistically insignificant. This study supports the Dividend Irrelevance Proposition.

Table:2

DAYS	AAR	CAAR	SD	SE	T-s
-30	-0.0041	-0.0041	0.01636	0.00357	-1.14775
-29	-0.00668	-0.01078	0.016323	0.003562	-1.87595
-28	-0.00171	-0.01249	0.01387	0.003027	-0.56396
-27	-0.00603	-0.01852	0.015788	0.003445	-1.75104
-26	0.000929	-0.01759	0.018341	0.004002	0.232046
-25	-0.00204	-0.01963	0.017989	0.003925	-0.51933
-24	-0.00558	-0.02521	0.019181	0.004186	-1.33345
-23	-0.00421	-0.02942	0.019721	0.004303	-0.97717
-22	0.008566	-0.02085	0.023409	0.005108	1.676872
-21	-0.00158	-0.02243	0.018546	0.004047	-0.39022
-20	0.002014	-0.02041	0.020047	0.004375	0.460322
-19	-0.00214	-0.02255	0.017154	0.003743	-0.57141
-18	0.000801	-0.02175	0.021252	0.004638	0.172728
-17	0.005165	-0.01659	0.013029	0.002843	1.816574
-16	-0.01189	-0.02848	0.027794	0.006065	-1.96063
-15	-0.00062	-0.0291	0.018755	0.004093	-0.15166
-14	-0.00234	-0.03144	0.032806	0.007159	-0.32682
-13	0.004687	-0.02675	0.026973	0.005886	0.796335
-12	0.0034	-0.02335	0.018712	0.004083	0.832575
-11	0.010664	-0.01269	0.021322	0.004653	2.291905
-10	0.003609	-0.00908	0.027094	0.005912	0.610393

-9	-0.00026	-0.00934	0.015859	0.003461	-0.07439
-8	-0.00391	-0.01325	0.019256	0.004202	-0.93079
-7	0.012707	-0.00054	0.033009	0.007203	1.76409
-6	-0.00924	-0.00978	0.036251	0.007911	-1.1679
-5	-0.00114	-0.01092	0.030378	0.006629	-0.17169
-4	0.004184	-0.00673	0.029265	0.006386	0.655193
-3	5.99E-05	-0.00667	0.027985	0.006107	0.009804
-2	-0.00738	-0.01406	0.021673	0.004729	-1.56085
-1	-0.001	-0.01506	0.013627	0.002974	-0.33728
0	0.027783	0.012724	0.049903	0.01089	2.551313
1	-0.0288	-0.01608	0.048734	0.010635	-2.70853
2	-0.01218	-0.02826	0.02671	0.005829	-2.0901
3	0.005406	-0.02286	0.028937	0.006315	0.856148
4	0.004358	-0.0185	0.02414	0.005268	0.827205
5	-0.00277	-0.02127	0.017748	0.003873	-0.71587
6	0.00185	-0.01942	0.014448	0.003153	0.586814
7	0.007375	-0.01205	0.019034	0.004154	1.775665
8	-0.00813	-0.02018	0.009805	0.00214	-3.7992
9	0.000642	-0.01953	0.01996	0.004356	0.147481
10	0.004148	-0.01538	0.018489	0.004035	1.028078
11	0.004143	-0.01124	0.012776	0.002788	1.486035
12	0.001329	-0.00991	0.026228	0.005723	0.232146
13	-0.00189	-0.0118	0.021173	0.00462	-0.40878
14	-0.00207	-0.01387	0.01123	0.00245	-0.84397
15	0.001391	-0.01248	0.018073	0.003944	0.352768
16	0.005644	-0.00683	0.013624	0.002973	1.898552
17	0.00155	-0.00528	0.016704	0.003645	0.425293
18	0.008402	0.003118	0.022321	0.004871	1.725025
19	-0.00102	0.0021	0.023946	0.005226	-0.19479
20	-0.00097	0.001132	0.015018	0.003277	-0.2956
21	-0.00247	-0.00134	0.010911	0.002381	-1.03635
22	-0.00385	-0.00519	0.010328	0.002254	-1.70916
23	0.00079	-0.0044	0.015328	0.003345	0.236272
24	0.005974	0.001576	0.022198	0.004844	1.233189
25	-0.00363	-0.00205	0.013567	0.002961	-1.22521
26	0.00347	0.001418	0.014061	0.003068	1.130854
27	-0.00767	-0.00625	0.01056	0.002304	-3.32935
28	-0.00382	-0.01007	0.013995	0.003054	-1.25011
29	-0.00306	-0.01313	0.015026	0.003279	-0.93321
30	0.002731	-0.0104	0.012013	0.002622	1.04187

Source: Editors calculations using Microsoft Excel

Announcement of Dividend where positive events exist at DSE: Scenario and Price Impact

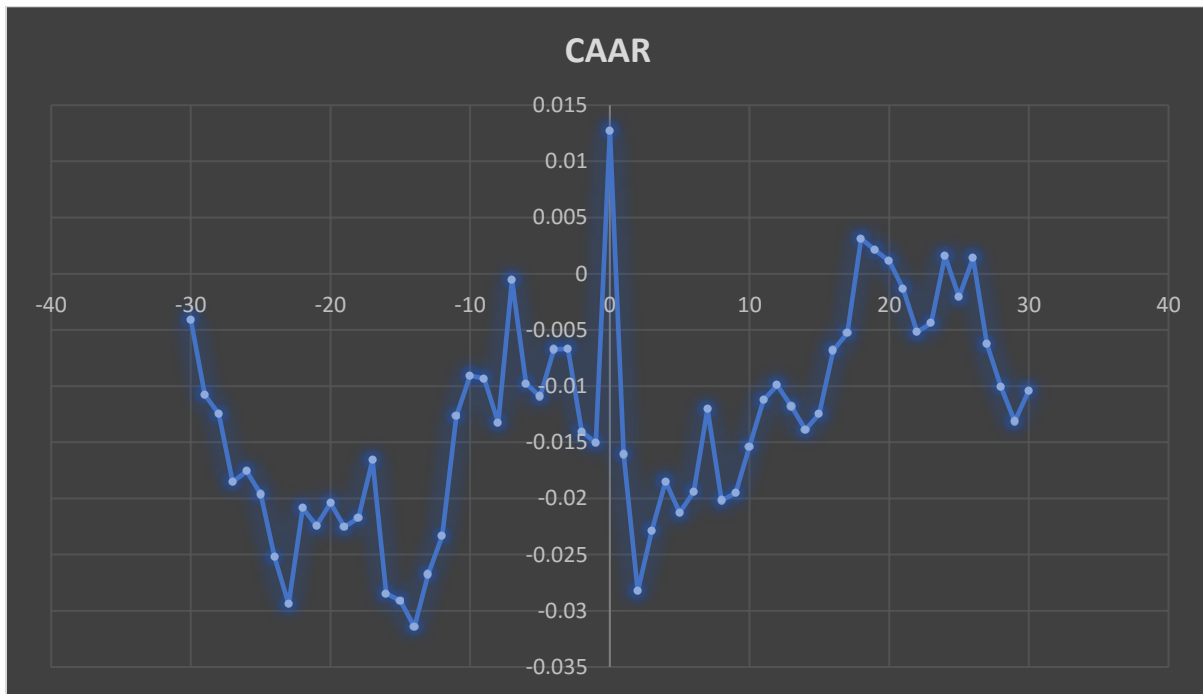


FIGURE 3

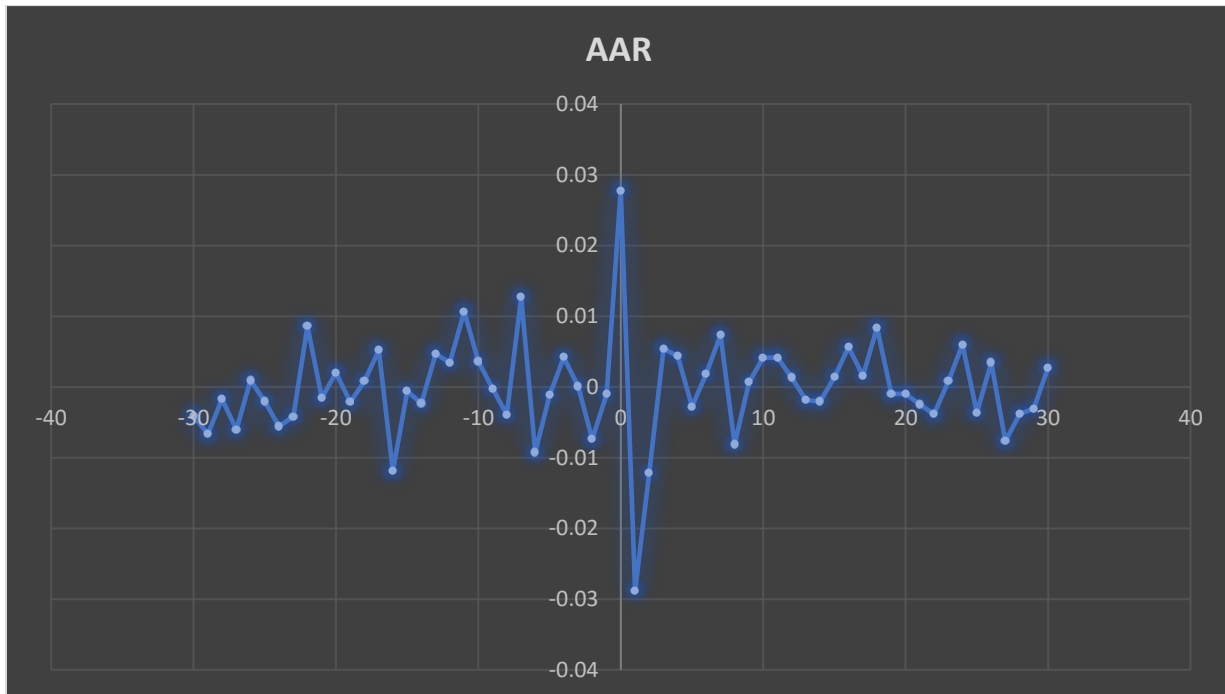


FIGURE 4

Cumulative average abnormal return (CAAR) and Average Abnormal Returns (AARs) on Listed Power & Fuel and NBFIs where positive events exit:

Here, Table 2, also demonstrated the results of comprehensive analysis in positive events of Power & Fuel and NBFIs. It also stated average abnormal returns (AARs) and cumulative average abnormal returns (CAARs) during estimation window from (-30 to +30) and t-statistics to test whether average abnormal returns and average cumulative abnormal returns were significant or not. Then, the results had shown that in Figure3 the cumulative average abnormal returns (CAARs) was -0.0104 or around (-1%), which was statistically insignificant and the average cumulative abnormal returns had negative trend with the positive events; where the positive events could have to influence cumulative average abnormal return line. Besides, the average abnormal return line was also flat and statistically insignificant, which we can see in Figure4. So, in this case it is enough to prove insufficiency.

CHAPTER 5

5.1 Conclusion:

This study had examined the effect of dividend announcement on stock prices based on the listed power & fuel and NBFIs in Dhaka stock Exchange (DSE). The methodology of the study of events was used in this sense and the study period was 2013-2017. On the day of the dividend recorded cumulative average abnormal returns (CAARs) was -0.03866 or about (-4%) for power and fuel NBFIs sectors where negative event occurred and for positive events cumulative average abnormal returns (CAARs) was -0.0104 or around (-1%), which were statistically insignificant (according to the t-statistic). It wasn't only the CAAR amount on the day of the dividend, but all AAR values were statistically insignificant in the period beginning 30 days before the recorded dividend and 30 days after the recorded dividend. The result had shown that the announcement of the dividend recorded has no impact on the abnormal return of power and fuel shares and on the NBFIs in the Dhaka Stock Exchange. However, if positive and symmetrical information prevails in the market and the company stops spreading information about the dividend before the record date, the announcement of the dividend may affect the stock price.

Although, information about dividend payments along with the recent capital market conditions that made potential investors reluctant, are often spreading in the market a few days before the listing date, hence, the announcement of the dividend does not generally relate to the market. In addition, asymmetric information prevails in the market due to the use of inside information. As insiders have confidential information, third parties prefer to follow the path taken by internal people to buy and sell shares. As a result, shareholders are still disoriented because of asymmetric information and therefore, positive dividend information also became an unsuccessful instrument in the market. With speculation and manipulation prevailing on the market, speculators have their role to play in the short-term market. However, it is understandable that insiders, brokers and investment dealers are the main speculators in the market and are seeking a short-term gain in the marketplace that results in an ineffective dividend declaration. Dividend announcements, in the end, do not have a significant impact on the movements of share prices.

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