

Dividend Announcements and Stock Market Reaction

Mohamad Jais
Universiti Malaysia Sarawak

Bakri Abdul Karim
Universiti Malaysia Sarawak

Kenta Funaoka
Japan Securities Research Institute

Azlan Zainol Abidin
Universiti Utara Malaysia

Abstract

This paper examines the effect of dividend Announcements on stock market reaction in Kuala Lumpur Stock Exchange. Using an event study approach, the evidence shows that dividend increase announcements are greeted positively by investors, while there are some evidences suggesting investors react negatively prior to dividend decrease announcements. The observations are then separated into the magnitude of dividend change and income change. This paper also separates the observations into government linked companies (GLCs) and non-GLCs.

Key Words: Dividend announcement; market reaction; KLSE

Correspondence author: Mohamad Jais, Faculty of Economics and Business, Universiti Malaysia Sarawak (UNIMAS), 94300, Kota Samarahan, Sarawak. E-mail: j mohamad@feb.unimas.my; Tel : +6-082-582429; Fax : +6-082-671794