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Announcement Effect of Dividend on Share Prices of Indian Automobile Sector: An Event Study Approach

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Abstract
The present attempted to test the efficiency of Indian capital market and share price response with respect to corporate final dividend announcement made by Auto mobile companies. The sample is made up of 49 final dividend announcements made during a ten-year period, from 2013 to 2024, by 6 Auto mobile industries namely Bajaj Auto, Eicher Motors, Hero MotoCorp, Mahindra & Mahindra, Maruti Suzuki and Tata Motors 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. The standard event study methodology has been adapted and statistical significance was tested by using t-test. According to this study, the AAR is positive for 67 per cent over 21 daywindows period. Interestingly, the AAR starts reacts positively before the dividend announcement and continuous positively surrounding days after the dividend announcement (except day +4, +9 and +10). 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 100 per cent positive observation over the 21-day window period and found significant on event day'0' and surrounding days after the dividend announcement. It can be observed that AAR (0.009622) and CAAR (0.023026) found increasing and positive on the announcement day '0'. The significant market reaction of dividend announcement evidenced that market efficiency of dividend signaling hypothesis.

Keywords: Market efficiency, event study, market model, dividend.
JEL Classification: G10, G14

INTRODUCTION

Globalization and innovation in the financial markets are occurring at an accelerated pace in these exciting times. There have been significant changes in the financial markets and institutions to accommodate the changing needs of market participants. By connecting investors looking for investment possibilities with corporations and trusts looking to mobilize resources to finance social and productive activities, an effective capital market helps economies form capital.Besides, infrastructure financing is imperativein India's journey towards being an influential force in the global economy. While the edifice ofIndiancapitalmarketsisbuiltondisclosure- 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, 2 and 3 shows the funds raised and size wise rose in stock markets by Indian listed companies through various modes.

Table1: ResourceMobilizationthroughPublicandRights 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-wiseResourceMobilization

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)**

Table 3: Funds Mobilized by all instruments

Period	**Equity (Public issues)**		**Equity (QIP &Preferential)**		**Debt (Public issues)**		**Debt (Private Placement)**		**REITs/InvITs**		**Total Funds Mobilized**	
	No. of issues	**Amount**	**No. of issues**	**Amount**	**No. of issues**	**Amount**	**No. of issues**	**Amount**	**No. of issues**	**Amount**	**No. of issues**	**Amount**
2013-14	56	12,068	378	69,455	35	42,383	1,924	276,054	-	-	2,393	399,960
2014-15	61	9,434	442	51,264	25	9,713	2,611	404,137	-	-	3,139	474,548
2015-16	84	26,431	391	65,121	20	33,812	2,975	458,073	-	-	3,470	583,437
2016-17	118	32,483	429	52,699	16	29,547	3,377	640,716	-	-	3,940	755,446
2017-18	212	99,765	473	126,784	8	5,173	2,706	599,147	2	7,283	3,401	838,151
2018-19	133	18,235	416	218,837	25	36,679	2,358	610,318	3	14,535	2,935	898,605
2019-20	76	76,965	298	229,275	35	15,068	1,787	674,703	4	10,772	2,200	1,006,784
2020-21	78	110,118	266	119,668	18	10,588	1,995	771,840	6	52,416	2,363	1,064,630
2021-22	164	138,895	378	92,137	28	11,589	1,405	588,038	8	21,562	1,983	852,221
2022-23	238	65,824	464	92,044	34	9,221	1,524	754,467	7	6,360	2,267	927,915
2023-24	340	83,093	750	114,127	45	19,168	1,347	837,756	17	39,024	2,499	1,093,167

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 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 process by which common stock prices adjust to the information (if any) that is implicit in a stock split. The data cover only common stocks listed on the New York Stock Exchange, From January, 1927, through December, 1959, and 940 stock splits to obtain this study. During this 33 year period, time series and least squares have been used to estimate the 622 securities in the sample of 940 splits. The evidence of this study suggests that the extremely large positive average residuals in the three or four months prior to the split merely reflect the fact that, from split to split, there is a variable lag between the time split information reaches the market. The results of the study support to the conclusion that the stock market is "efficient" in the sense that stock prices adjust very rapidly to new information.

Taylor and Vickrey (1978) attempted to test the information content of stock dividend announcements and to produce evidence about the validity of the AICPA conclusion that small stock dividends almost always produce significant amounts of extra value on the ex-date and that large stock dividends fail to generate such ex-date value. The sample considered in this study is composed of all stock dividends which were declared by New York Stock Exchange industrial firms during the years 1972-1974. The study found that the market, in the aggregate, uses stock dividend information in setting equilibrium security prices that much of the market's reaction to such information occurs no later than the declaration date, and that such information tends to produce positive unexpected returns. The results implied that the market is not conditioned to react positively to stock dividends of any size on the ex-date and, consequently, that the AICPA conclusion is valid (invalid) with respect to large (small) stock dividends.

Joseph and Itzhak (1980) examined the impact of quarterly dividend and earnings announcements on shareholder returns. The study analyzed a sample of 149 industrial firms listed on the New York Stock Exchange (NYSE). Using the market model to assess Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR) around the announcement dates, the researchers tested an expectation model to evaluate

market response. The findings revealed that the capital market reacts more strongly to changes in quarterly cash dividends than to earnings announcements, indicating that dividend changes carry significant informational value. The study also supports the semi-strong form of market efficiency, suggesting that the market adjusts promptly and effectively to new dividend information.

Kane, Lee, and Marcus (1984)investigated the relationship between dividend and earnings announcements using a sample of 352 observations covering the period from the fourth quarter of 1979 to the second quarter of 1981. The study employed both a dividend expectation model and an earnings expectation model to analyze the data. By examining Abnormal Returns (AR) and Cumulative Abnormal Returns (CAR), the study found that unexpected dividend and earnings announcements both elicited market reactions. The study concluded that investors interpret dividend and earnings announcements together, reinforcing each other's informational content in the pricing of stocks.

Lonie et al. (1996) analyzed the capital market reaction to dividend and earnings announcements**.** The study focused on 620 dividend announcements made by UK companies during thesix-month period from January to June 1991, event study methodology was applied to analyze the collected data**.** The findings revealed that companies classified as DI-EI (Dividend and Earnings Increased) experienced significant positive abnormal returns**,** indicating a favorable market response to good news. Conversely, companies in the DD-ED (Dividend and Earnings Decreased) group recorded thelargest negative abnormal returns**,** highlighting the market's strong reaction to negative news.

Hamid Uddin (2003) investigated announcement effect of dividend on shareholders' value. The study Identified 137 dividend paying companies listed in Dhaka Stock Exchange (DSE) during 2001 to 2002. Applied Market Adjusted Abnormal Return (MAAR) and found 0.8 percent which was statistically significant on the event day of earrings announcement. The study also evidenced that dividend announcement does not make any signal in terms of information and value of investors, but they lost up to 20 percent of their value over a 30 day period of pre and post period of dividend announcement.

ApostolosDasilas (2004) investigated the market reaction to cash dividend announcements for the period 2000-2004 employing data from the Athens Stock Exchange (ASE). In particular, this paper examines both the stock price and trading volume response to dividend distribution announcements. Daily closing prices as well as trading volume data had been collected from listed companies in Athens Stock Exchange over the period 1 January 2000 to 31 December 2004. The result shows positive stock price reaction on the dividend announcement day (day 0) which is 0.324% and statistically significant at the 10% level (t=1.66). The mean-adjusted return model reports a slightly higher abnormal return on day 0 (0.432%) compared to the market model. The results indicate that statistically significant market reaction on the dividend announcement day, supporting the dividend signaling hypothesis.

Thirumavalavan and Sunita (2005) examined and compared the announcement effect of dividend announcement and buy back of share on stock prices in India. The data comprises 22 companies indexed in BSE 500 companies announced dividend during the period of 2002 – 2004; Standard event study methodology was applied to analyze the collected data. The study found buy back of shares has higher cumulative abnormal return of 3.2 percent around the announcement while dividend announcement found cumulative abnormal return of 2.1 percent. It also evidenced that; the stock market reacts quickly effect with respect to buy back of shares has higher with compare to corporate dividend announcements.

Chen, Nieh, Chen, and Tang (2007) examined the impact of cash dividend announcements on the stock prices of A-share listed companies in China over the period 2000 to 2004. The study employed the standard event study methodology and utilized the market model to compute Abnormal Returns (AR). The empirical findings indicated a positive market reaction to dividend announcements, thereby offering partial support for the dividend signaling hypothesis. Furthermore, a cross-sectional analysis revealed that both the cash dividend yield and the proportion of non-floating shares had significant explanatory power in relation to changes in cash dividends, suggesting these variables influence investor responses to dividend news.

Selvam, Babu, Indhumathi and Kogila (2010) the aim of their study to investigate the Indian Stock Market behavior in response to dividend announcement during the one year period starting from 1st January 2007 to 31st December 2007. The samples were collected from of listed companies of BSE-500 and only 35 companies were declared dividend in the study period. The technical tools of Capital Asset Pricing Model (CAPM), Market Model and t-test used to analyze the data. They found, significant reaction was observed most of the days before the event and after the event the market reacts very slowly. Therefore,

the study concludes the dividend announcement made appositive impact of shares 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 was 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.

Subhendu and Kasilingam(2015) his study investigated the announcement effect of corporate actions on shareholders wealth and investment decision taken by the investors. Corporate events such as cash dividend, stock dividend, stock split, right issue and buy back shares were announced by companies listed in S&P BSE 500 index during the study period 2000-2013. The study reveals that, corporate actions have been found significant impact on stock prices and investor's investment decision to buy, sell and hold due to the announcement of different corporate actions by the company.

Objectives of the study

The objectives of the study are;

- To test the efficiency of Indian capital market around announcement of dividend with respect to Auto mobile industries.
- To analyze the impact of 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 49 final dividend announcements made during a ten-year period, from 2013 to 2024, by 6 Auto mobile industries namely Bajaj Auto, Eicher Motors, Hero MotoCorp, Mahindra & Mahindra, Maruti Suzuki and Tata Motors 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 centred 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 4: AAR and CAAR of Dividend Announcement

DAY	AAR	T-Test	CAAR	T-Test
-10	-0.0007	-0.39474	0.001099	0.244581
-9	-0.00087	-0.47369	0.000232	0.046141
-8	0.002479	1.274235	0.002711	0.506873
-7	0.002237	1.116358	0.004948	0.848611
-6	-0.00063	-0.33419	0.004321	0.725588
-5	0.002602	1.228848	0.006922	1.033628
-4	0.0016	0.694832	0.008522	1.195044
-3	0.001562	0.781396	0.010085	1.336614
-2	-0.00046	-0.17486	0.009626	1.337372
-1	0.003778	1.85457	0.013404	1.857385
0	0.009622	3.224479*	0.023026	2.942395*
1	0.00405	0.795427	0.027076	2.890538*
2	0.002162	0.981056	0.029238	3.076117*
3	0.00164	0.628359	0.030878	3.215635*
4	-0.00056	-0.35111	0.03032	3.065734*
5	0.00263	1.623019	0.03295	3.294652*

6	0.001163	0.618226	0.034114	3.438147*
7	0.000396	0.201095	0.034509	3.278026*
8	0.001966	1.216491	0.036475	3.394151*
9	-0.00244	-1.44504	0.034036	3.189323*
10	-0.00078	-0.41387	0.033259	3.107707*

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

Table 4 indicates the daily Average Abnormal Return (AAR) and Cumulative Average Abnormal Return (CAAR)for the window period of dividend distribution of 49 (100%) announcements. the AAR is positive for 67 per cent over 21 day's period and before the announcement (-10 to -1) is positive only for 6 days and negative for 4 days, and found none of the day significant except event day '0' of dividend announcement found significantat 5% level.After the event day, the AAR reacted negatively onlyfor 3 days and positive for 7 days and found insignificant for all the days after the event. Interestingly, the AAR starts reacts positively before the dividend announcement and continuous positively surrounding days after the dividend announcement (except day +4, +9 and +10). 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 100 per cent positive observation over the 21-day window period and found significant on event day'0' and surrounding days after the dividend announcement. It can be observed that AAR (0.009622) and CAAR (0.023026) found increasing and positive on the announcement day '0'. The significant market reaction of dividend announcement evidenced that market efficiency of dividend signaling hypothesis.

Table 5: AAR and CAAR in different Intervals

DAYS	AAR	T-Test	CAAR	T-Test
3	0.017449	2.735704*	0.063506	2.7602*
5	0.019154	2.798748*	0.102371	2.671926*
7	0.022356	3.078221*	0.143334	2.672832*
9	0.023398	2.967193*	0.182176	2.656215*
11	0.028629	3.421745*	0.222049	2.665273*
21	0.031456	3.291341*	0.407753	2.684129*
-10	0.011601	2.108007*	0.061871	1.069784
10	0.010233	1.416461	0.322856	3.282102*

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

Table 5 presents the different class intervals of AAR and CAAR. The AAR found positive for all different interval days and significant for all different intervals of days (except +10 days). It indicates that investors react positively to corporate dividend announcement and the market responds quickly to the information content in the share prices. In the pre-event window (Day -10), a positive AAR of 0.011601 and found significant at 5 percent level, indicates the possibility of leakage of information before the official announcement of dividend. Furthermore, CAAR also found positive and found significant all interval days (except-10 days) indicates that the positive market impact continues even after the dividend announcement.

Figure 1 AAR and CAAR Movement of Automobile sector

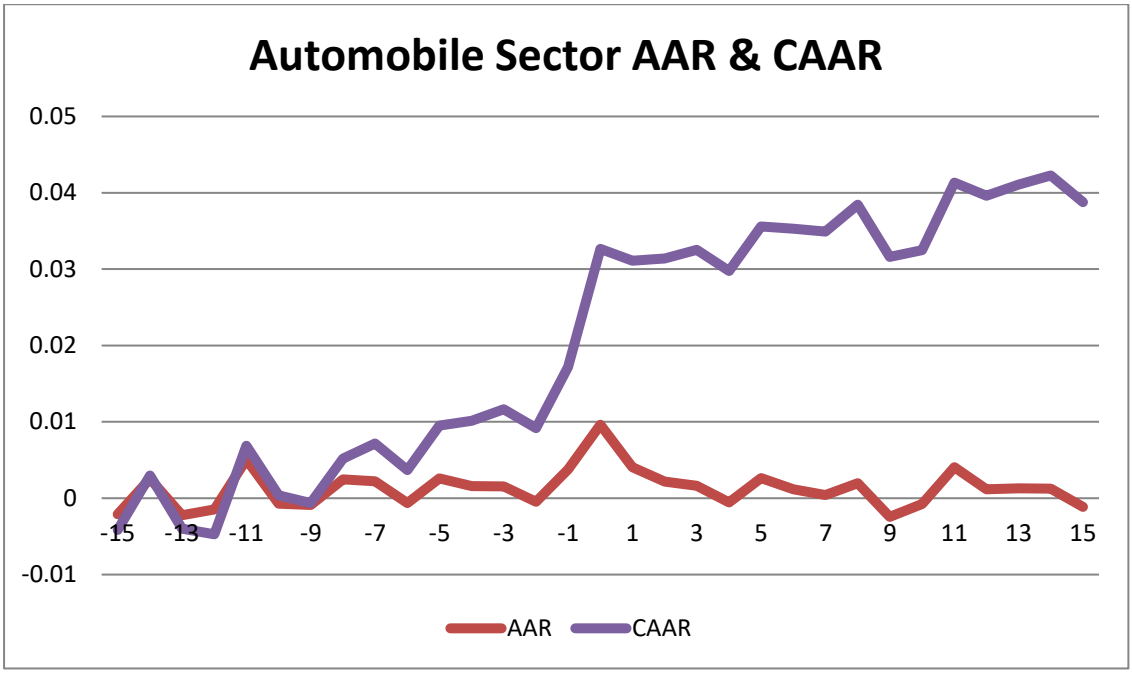

Figure 1 depicts the AAR and CAAR movements. The AAR and CAAR starts to react positively before announcement after the day of announcement of dividend. The AAR trend shows clearly that, the market anticipated by start reacting positively before the event on day -9 but high on event day '0' and even CAAR 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 continued in up trending in the surrounding days after the dividend announcement.

Table 6: Average Abnormal Returns (AAR) and t-statistics of Individual Automobile companies

	Bajaj Auto		Eicher Motors		Hero MotoCorp		Mahindra & Mahindra		Maruti Suzuki		Tata Motors	
Day	AAR	T-Test	AAR	T-Test	AAR	T-Test	AAR	T-Test	AAR	T-Test	AAR	T-Test
-10	0.005287	1.11661	0.002394	1.229446	-0.00049	-0.10913	-0.00111	-0.24046	-0.00786	-2.2781*	-0.00143	-1.0290802
-9	-0.00063	-0.11401	-0.00668	-1.97603*	0.001675	1.007018	0.003968	0.857275	-0.00327	-0.65927	-0.00459	-0.8383069
-8	0.004486	1.056415	-0.0025	-0.42312	0.00582	1.309456	0.002419	0.469085	0.005162	1.601188	-0.01182	-5.8313561*
-7	-0.00693	-1.6542	0.004805	1.156115	0.004861	1.188371	0.000219	0.04326	0.004692	0.974586	0.013549	2.3505039*
-6	0.000052	0.128627	-0.00172	-0.36883	-0.00269	-0.54207	-0.0044	-0.94715	0.004686	1.352398	0.000211	0.0236 4791
-5	0.002851	0.499656	-0.0064	-1.74718	0.003153	0.575758	0.010755	2.001093*	0.001841	0.568473	-0.00362	-1.5080824
-4	0.002889	0.933941	-0.00182	-0.30951	0.002397	0.431421	-0.00257	-0.55914	0.001355	0.203742	0.017762	1.7539 0517

-3	0.002453	0.680364	0.005962	0.975835	0.00406	1.268249	0.00288	0.655181	-0.00149	-0.27387	-0.01391	-1.4834851
-2	0.000496	0.164416	0.006677	1.209601	-0.01212	-2.82607	0.001144	0.201805	0.003257	0.38033	0.001182	0.08497698
-1	0.002803	0.408433	0.012219	4.041031*	0.003435	1.549172	0.001085	0.215006	0.00013	0.031388	0.009283	0.76196474
0	0.011547	1.375473	0.005642	0.855317	0.009474	1.418234	0.018223	2.725997*	-5E-05	-0.00813	0.017196	1.75846978
1	-0.0128	-2.10083*	0.014916	0.891464	-0.00036	-0.03452	0.013002	1.19463	0.006033	0.840541	0.007502	0.14114106
2	0.002253	0.376724	0.005082	1.203608	0.011942	2.158758*	-0.00036	-0.102	-0.00209	-0.46842	-0.01496	-2.0566845*
3	-0.00093	-0.16614	0.011349	1.092549	0.009711	1.471286	-0.00645	-2.64284*	0.000296	0.059682	-0.00876	-1.51745
4	-0.00584	-1.2582	0.003515	1.643175	0.004114	1.3207	4.16E-05	0.01208	-0.00049	-0.14849	-0.01202	-1.7361493
5	0.000338	0.099567	5.31E-05	0.009518	0.00202	0.764315	0.001553	0.35137	0.003997	1.443553	0.016586	2.55861974*
6	-0.00172	-0.36697	-0.00339	-0.63249	-0.00009	-0.45359	0.006174	1.320837	0.005664	1.146603	-0.00044	-0.7180986
7	0.001024	0.156226	-0.00528	-2.93787*	0.000693	0.122542	0.002985	1.047061	0.000661	0.147767	0.001242	0.22893069
8	0.000116	0.028205	0.001794	0.356653	0.006109	1.473887	-0.00207	-0.6939	0.004886	2.170668	-0.00022	-0.2263462
9	-7E-05	-0.02073	-0.00276	-0.44752	-0.00059	-0.13915	-0.00185	-0.73642	-0.00423	-0.96464	-0.01099	-3.3067824*
10	0.005062	0.746737	-0.00871	-1.70481	-0.0015	-0.43063	-0.00331	-1.15878	0.004758	1.692399	-0.00739	-1.8543917

Table 6 represents the Average Abnormal Return (AAR) and t-value of individual Automobile companies namely Bajaj Auto, Eicher Motors, Hero MotoCorp, Mahindra & Mahindra, Maruti Suzuki andTata Motorsduring the 21-day window period. It is observed that majority of the days in the window period AAR found positive and found significant only for few days 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.

Figure 2 AAR andCAAR Movement of Individual Automobile Company

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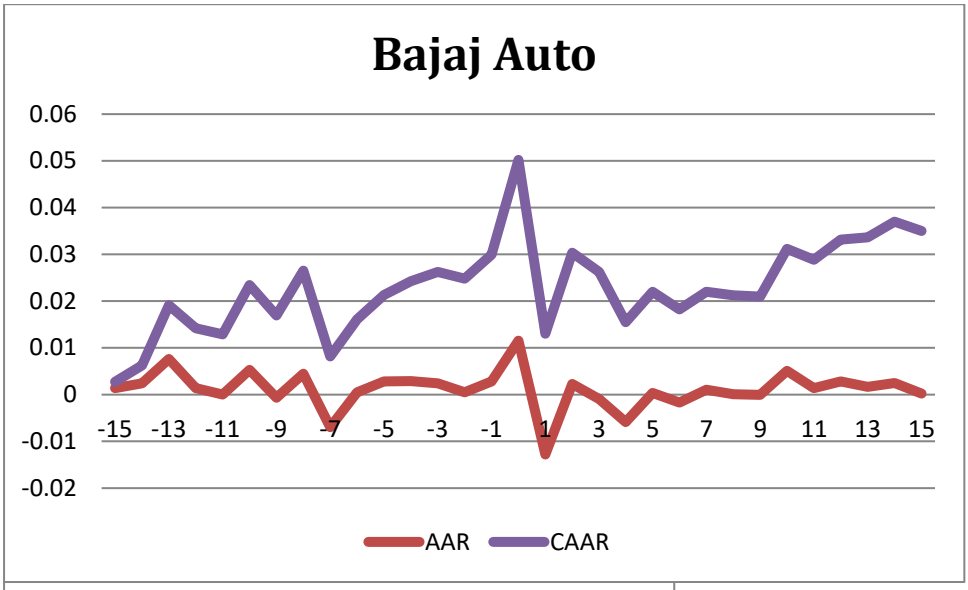
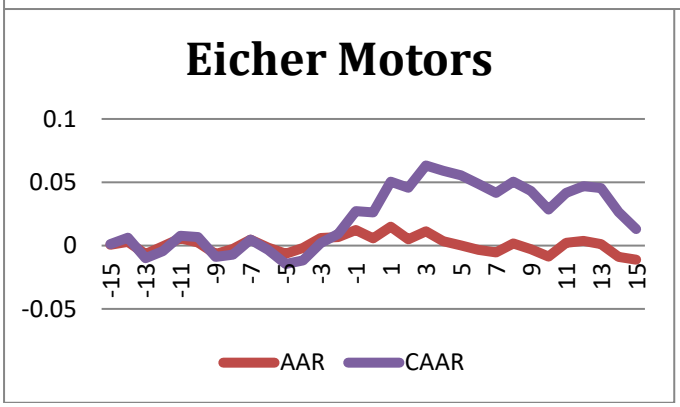
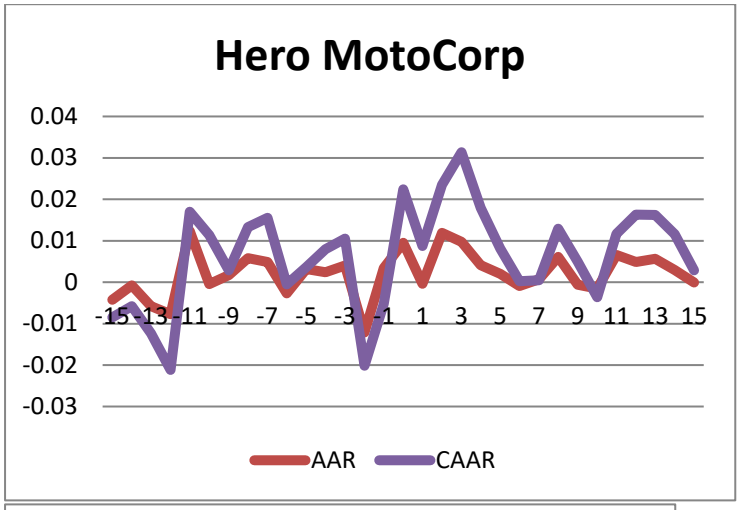
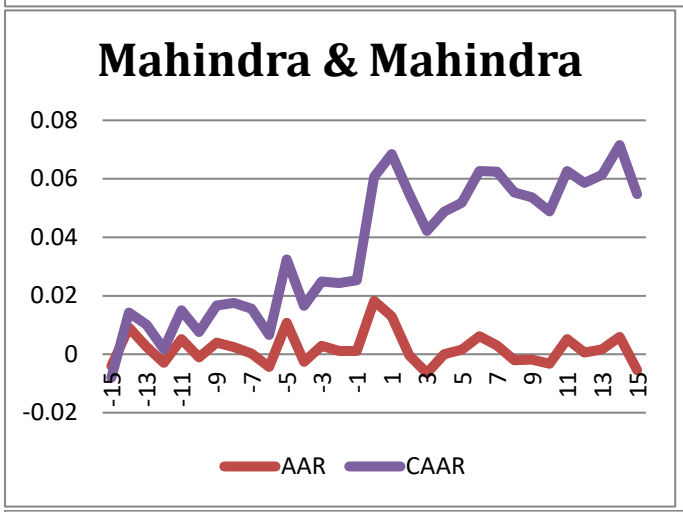
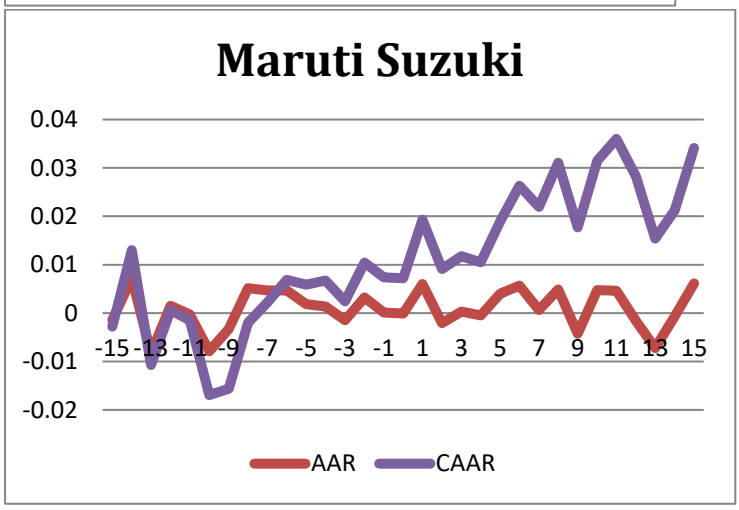
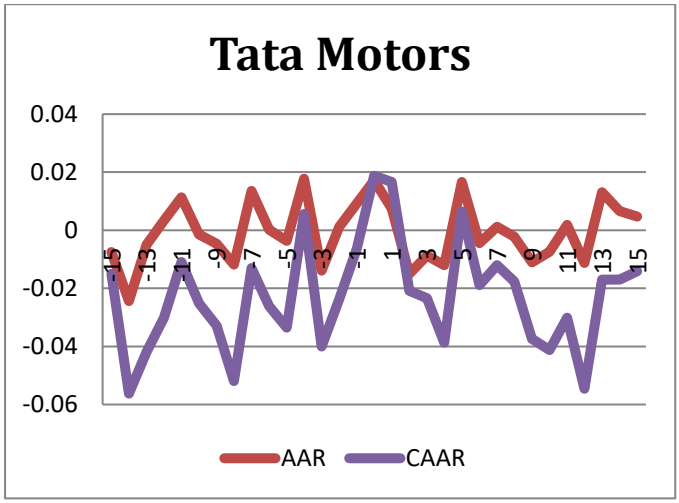





Hero MotoCorp
0.04
0.03
0.02
0.01
0
-0.01
-0.02
-0.03
-15 -13 -11 -9 -7 -5 -3 -1 1 3 5 7 9 11 13 15
AAR
CAAR


Mahindra & Mahindra
0.08
0.06
0.04
0.02
0
-0.02
-15 -13 -11 -9 -7 -5 -3 -1 1 3 5 7 9 11 13 15
AAR
CAAR


Maruti Suzuki
0.04
0.03
0.02
0.01
0
-0.01
-0.02
-15 -13 -11 -9 -7 -5 -3 -1 1 3 5 7 9 11 13 15
AAR
CAAR



CONCLUSION

The present attempted to investigate the informational efficiency of Indian capital market and share price response with respect to corporate final dividend announcement of Auto mobile companies. It is demonstrated that daily Average Abnormal Return (AAR) and Cumulative Average Abnormal Return (CAAR)for the window period of dividend distribution of 49 (100%) announcements. the AAR is positive for 67 per cent over 21 day's period and before the announcement (-10 to -1) is positive only for 6 days and negative for 4 days, and found none of the day significant except event day '0' of dividend announcement found significant at 5% level.After the event day, the AAR reacted negatively onlyfor 3 days and positive for 7 days and found insignificant for all the days after the event. Interestingly, the AAR starts reacts positively before the dividend announcement and continuous positively surrounding days after the dividend announcement (except day +4, +9 and +10). 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 100 per cent positive observation over the 21-day window period and found significant on event day'0' and surrounding days after the dividend announcement. It can be observed that AAR (0.009622) and CAAR (0.023026) found increasing and positive on the announcement day '0'. The significant market reaction of dividend announcement evidenced that market efficiency of dividend signaling hypothesis. Furthermore, the different intervals of AAR found positive for all different interval days and significant for all different intervals of days (except +10 days). It indicates that investors react positively to corporate dividend announcement and the market responds quickly to the information content in the share prices. In the pre-event window (Day -10), a positive AAR of 0.011601 and found significant at 5 percent level, indicates the possibility of leakage of information before the official announcement of dividend. Furthermore, CAAR also found positive and found significant all interval days (except-10 days) indicates that the positive market impact continues even after the dividend announcement.

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