



**THE EFFECT OF DIVIDEND ANNOUNCEMENT ON
STOCK RETURN**

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ABSTRACT

This paper measure the effect of dividend announcement on firms' stock return over 20 companies randomly selected from company listed in main board in Malaysia. For this study, I prefer to take companies from each sector. The purpose of this study is to help investor identifying the impact of stock return after 10 days declaration of dividend.

Consistent with previous study, the result show those dividend initiations have significantly positive return on stock return. More interestingly, the reaction of stock return to dividend initiation announcement exhibit apparent heterogeneity. However, my study is focus only after the declaration of dividend.

Secondary data being used are annual dividend of the company and stock price during the initiation of dividend and after 10 days of initiation of dividend. This study by calculating percentage of dividend and their impact to percentage change in stock return. It is concentrated over 20 companies listed in Main Board of Bursa Malaysia. The time period for this study is 2 years that is from 2005-2006. This study is conducted by Regression analysis used to found the finding. Microsoft excels also help to find the changes in stock and market return during the announcement of dividend.