



**SHARE PRICE REACTION TO DIVIDEND
ANNOUNCEMENTS:
A COMPARISON BETWEEN MALAYSIA AND
UNITED STATES MARKET**

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ABSTRACT

This study aims to compare the theory of dividends by investigating the share price reaction to the changes in dividend announcement between Malaysia and United States market. This study is to see the effect of dividend announcement, which is independent variable, on the share price, which is dependent variable, among 40 companies listed in Bursa Malaysia as compared to 40 companies listed in New York Stock Exchange. It consists of time series of daily closing prices from January 2001 to December 2005, along with the corresponding dividend announcements. This study used event study method in order to examine the behavior of firms' share prices around corporate event, which is the dividend announcement. Hence, average abnormal return (AAR) and cumulative average abnormal return (CAAR) will be calculated to discover any existence of abnormal return before and after the announcement date. Paired sample and independent t-test will be use to test statistical significant of AAR and CAAR of both country. This study found that a significant positive (negative) effect of stock price after the changes of increase (decrease) in dividend announcements in Malaysia. However, there is no significant effect of stock price after the announcement of no change and decrease in dividend in United States. Moreover, in comparing the effect of share price on the dividend announcement between Malaysia and United States, there is a significant different on the price reaction to the announcement day between Malaysia and United States.

LIST OF ABBREVIATIONS

AAR	Average Abnormal Return
AIQ	Artificial Intelligence Quotient
CAAR	Cumulative Average Abnormal Return
EMH	Efficient Market Hypothesis
P/E	Price Earnings
REITs	Real Estate Investment Thrusts
SAR	Standardize Abnormal Return
SC	Securities Commission
TSAR	Total Standardize Abnormal Return