Market Reaction on Dividend Announcement in Oman: An Event Study Methodology

Shireen Rosario[1], Kavita Chavali[2]*

[1]Department of Accounting and Finance, College of Commerce and Business Administration, Dhofar University, Sultanate of Oman, [2]Department of Accounting and Finance, College of Commerce and Business Administration, Dhofar University, Sultanate of Oman. *Email: kchavali@du.edu.om

ABSTRACT

The paper is an empirical study to examine the impact of dividend announcement both cash and stock on the share price performance in Oman. A sample of 21 companies listed in Muscat Securities Market pertaining to different sectors which have made dividend announcement consequently from 2012 to 2015 are taken. The study adopts the event study methodology. A window of 39 days (19 days prior and 19 days post announcement and dividend announcement date) is taken as to examine the market reaction to the dividend announcement. The findings show that there is an increase in the share price and has resulted in positive average abnormal return especially in the post dividend declaration period in Oman context.

Keywords: Dividend Announcement, Market Model, Market Reaction, Share Price, Event Study
JEL Classifications: G32, G35

1. INTRODUCTION

Dividend Announcement is a crucial decision for any company and has always been of interest to researchers. The paradoxical nature of dividends is that it has divergent views: One view holds that it does not matter to shareholders whether a firm pays dividend or not (Miller and Modigliani, 1961) supported by (Black and Scholes, 1974) while the other view advocates that the companies that pay dividends are rewarded by increasing share price and in turn resulting in higher valuations. Black and Fisher (1976) gave it the name "Dividend Puzzle" because of this contradicting views.

There has been numerous research studies on the market reaction to dividend announcements. Nevertheless these studies have been done in different parts of the world which gave contrasting results. This gave the motivation to the researcher to conduct this study for companies listed in Muscat Securities Market (MSM) which made dividend announcements consequently for 2012-2015 years. The objective of this study is to analyse the impact of dividend announcement on the share price of a company.

2. REVIEW OF RESEARCH

Miller and Modigliani (1961) is the first researcher who propounded that dividends are irrelevant and do not affect the firm value under ideal situations of perfect capital markets with no taxation, transaction costs and information asymmetry. This research motivated a lot of researchers to explore the impact of dividend declaration on the share prices of the company. Past studies have shown that share prices has a significant and positive relationship with dividend declaration by companies (Zuguang and Ahmed, 2010; Healy and Palepu, 1988; Asquith and Mullins, 1983; Petit, 1972). Dividends give investors a signal about the company's future earnings as well as its favourable prospects (signalling hypothesis). Lonie et al*.,* 1996; Aharony and Swary, 1980; in their study find a negative abnormal return (AR) for companies which have decreased their dividends over years and a positive AR for companies with increased dividends. The findings of McCluskey et al., (2007) were a little different. The study was conducted in Irish companies and the findings were partly in line with the studies of Lonie et al*.,* 1996; Aharony and Swary, 1980. The author confirms that there is a positive AR for the sample companies where there is an increase in dividend or no change in

Table 1: The sample list of companies which declared dividends from 2012 to 15 listed in Muscat Securities Market

S. No.	Name of the company	Date of dividend declaration				Industry
		2015	2014	2013	2012	
1	Al Anwar Ceramics	8.2.2015	30.1.2014	31.1.2013	25.1.2012	Manufacturing
2	Al Jazeera Services	24.2.2015	23.2.2014	25.2.2013	25.2.2012	Services
3	Al Jazeera Steel	18.2.2015	23.2.2014	17.2.2013	22.2.2012	Manufacturing
4	Bank Dhofar	27.1.2015	29.1.2014	29.1.2013	14.3.2012	Banking
5	Bank Muscat	29.1.2015	29.1.2014	29.1.2013	25.1.2012	Banking
6	Bank Sohar	26.1.2015	30.1.2014	29.1.2013	24.1.2012	Banking
7	Galfar Engineering Company	7.3.2015	6.3.2014	6.3.2013	7.3.2012	Construction
8	Gulf International Chemicals	5.3.2015	2.3.2014	27.2.2013	5.3.2012	Chemicals
9	National Bank of Oman	29.1.2015	22.1.2014	27.1.2013	23.1.2012	Banking
10	Oman Investment Company	23.2.2015	24.2.2014	25.2.2013	27.2.2012	Investment
11	Oman Cement	11.2.2015	17.2.2014	12.2.2013	21.2.2012	Cement
12	Oman Investment and Finance Company	26.5.2015	26.5.2014	29.5.2013	24.5.2012	Services
13	Oman Telecommunications Company	15.2.2015	11.2.2014	12.2.2013	13.2.2012	Telecom
14	Oman United Insurance	18.2.2015	16.2.2014	19.2.2013	20.2.2012	Insurance
15	Port Services Corporation	25.2.2015	18.2.2014	25.2.2013	26.2.2012	Logistics
16	Raysut Cement	25.2.2015	26.2.2014	25.2.2013	23.2.2012	Cement
17	Renissance Holdings	25.2.2015	26.2.2014	26.2.2013	27.2.2012	Services
18	Sharqia	25.2.2015	27.2.2014	27.2.2013	29.2.2012	Investment
19	Taager Finance	5.2.2015	29.1.2014	13.2.2013	24.1.2012	Finance
20	United Finance	27.1.2015	29.1.2014	28.1.2013	25.1.2012	Finance
21	Voltamp	25.2.2015	25.2.2014	24.2.2013	22.2.2012	Manufacturing

MSM: Muscat Securities Market

Table 2: AAR and T statistics for dividend announcements made in 2015

Day, t	N	AAR (%)	t stat	Significance	Null hypothesis test	CAR	CAAR
−19	21	−71.81	−1.5888	-	Can't Reject Ho	−15.0802	−0.0072
−18	21	−20.79	−0.5240	-	Can't Reject Ho	−4.3669	−0.0093
−17	21	−36.56	−1.3098	-	Can't Reject Ho	−7.6771	−0.0057
−16	21	118.47	1.6933	**	Can't Reject Ho	24.8795	0.0082
−15	21	−32.06	−0.7982	-	Can't Reject Ho	−6.7319	0.0086
−14	21	11.04	0.3233	-	Can't Reject Ho	2.3193	−0.0021
−13	21	−7.20	−0.1392	-	Can't Reject Ho	−1.5115	0.0004
−12	21	−26.86	−0.7857	-	Can't Reject Ho	−5.6398	−0.0034
−11	21	−9.71	−0.2838	-	Can't Reject Ho	−2.0399	−0.0037
−10	21	−94.34	−2.1758	**	Can't Reject Ho	−19.8107	−0.0104
−9	21	−54.73	−1.4362	-	Can't Reject Ho	−11.4923	−0.0149
−8	21	9.00	0.2841	-	Can't Reject Ho	1.8892	−0.0046
−7	21	0.06	0.0018	-	Can't Reject Ho	0.0126	0.0009
−6	21	−33.50	−0.9190	-	Can't Reject Ho	−7.0359	−0.0033
−5	21	9.05	0.3061	-	Can't Reject Ho	1.9013	−0.0024
−4	21	51.89	1.9737	**	Can't Reject Ho	10.8960	0.0061
−3	21	1.05	0.0520	-	Can't Reject Ho	0.2210	0.0053
−2	21	25.00	0.7716	-	Can't Reject Ho	5.2496	0.0026
−1	21	−25.91	−0.8855	-	Can't Reject Ho	−5.4406	−0.0001
0	21	−157.33	−1.9189	**	Can't Reject Ho	−33.0392	−0.0183
1	21	−61.28	−1.6219	-	Can't Reject Ho	−12.8697	−0.0219
2	21	1.09	0.0261	-	Can't Reject Ho	0.2290	−0.0060
3	21	19.44	0.4911	-	Can't Reject Ho	4.0814	0.0021
4	21	−29.97	−1.0733	-	Can't Reject Ho	−6.2934	−0.0011
5	21	−21.70	−0.8648	-	Can't Reject Ho	−4.5560	−0.0052
6	21	−1.18	−0.0704	-	Can't Reject Ho	−0.2486	−0.0023
7	21	−48.09	−1.7140	**	Can't Reject Ho	−10.0989	−0.0049
8	21	40.41	1.4613	-	Can't Reject Ho	8.4856	−0.0008
9	21	68.50	1.8701	**	Can't Reject Ho	14.3860	0.0109
10	21	19.88	0.5147	-	Can't Reject Ho	4.1755	0.0088
11	21	4.24	0.1739	-	Can't Reject Ho	0.8909	0.0024
12	21	42.50	1.7582	**	Can't Reject Ho	8.9255	0.0047
13	21	12.35	0.4706	-	Can't Reject Ho	2.5926	0.0055
14	21	25.64	0.6075	-	Can't Reject Ho	5.3843	0.0038
15	21	36.07	0.9289	-	Can't Reject Ho	7.5741	0.0062
16	21	108.56	1.7552	**	Can't Reject Ho	22.7973	0.0145
17	21	82.73	1.9408	**	Can't Reject Ho	17.3723	0.0191
18	21	7.72	0.1750	-	Can't Reject Ho	1.6204	0.0090
19	21	−16.32	−0.3428	-	Can't Reject Ho	−3.4271	−0.0009

**Significance at 0.05 level. AAR: Average abnormal return, CAR: Cumulative abnormal return, CAAR: Cumulative average abnormal return

the dividends. There is a negative AR found where the companies have announced reduced dividends to shareholders.

Al-Yahee et al., (2008) examined the ex-dividend day behaviour of stocks in Muscat Securities market and found that the stock price decreases by less than the dividend amount and it is observed there is a significant positive ex day return. The study also examines the volume around the ex-day and find reduced volume around ex-day.

Travlos et al., (2001) analysed companies using market model. The results of the study reveal positive AR on the day of dividends but found insignificant. Karim (2010) in his study compared New York Stock Exchange and London Stock Exchange to evaluate the impact of dividend declaration on share prices and the market. The study establishes that there is an insignificant relationship between dividend and share prices in New York Stock Exchange and significant one in London Stock Exchange. The market reaction to dividend announcement varies in different markets. This could be because of the differences in taxation in different countries and difference in the efficiency in stock markets.

There is large quantity of literature confirming Miller and Modigliani's study on dividend irrelevance hypothesis like Irum et al., 2012; Khan, 2011; Ali and Chowdhury, 2010; Conroy et al., 2000; Amihud and Murgia, 1997; Impson and Karafaith, 1992. The results revealed that irrespective of changes in dividend there is no significant effect on share price. The market gave greater importance to company's liquidity and earnings rather than dividend policy.

3. METHODOLOGY

The data for the study is taken from MSM. The study is based on secondary data. A sample of 21 companies is selected for this research which have made dividend announcement consecutively from 2012 to 2015. The dividend declaration dates have been taken from MSM. The dividend declaration date (t_0) is the announcement date of the board meeting recommending the dividends for the company. The share price data is collected for a total of 39 days, 19 days prior to dividend declaration (t_{-19}), the event being the dividend declaration date (t_0) and the share

Table 3: AAR and T statistics for dividend announcements made in 2014

Day, t	N	AAR (%)	T stat	Significance	Null hypothesis test	CAR	CAAR
−19	21	59.77	1.1612	-	Can't RejectHo	12.5520	0.0060
−18	21	4.75	0.1853	-	Can't RejectHo	0.9978	0.0065
−17	21	3.88	0.0999	-	Can't Reject Ho	0.8150	0.0009
−16	21	−25.11	−0.6086	-	Can't Reject Ho	−5.2733	−0.0021
−15	21	14.38	0.8378	-	Can't Reject Ho	3.0197	−0.0011
−14	21	−17.13	−0.4944	-	Can't Reject Ho	−3.5967	−0.0003
−13	21	−6.01	−0.2161	-	Can't Reject Ho	−1.2627	−0.0023
−12	21	16.85	0.6158	-	Can't Reject Ho	3.5383	0.0011
−11	21	12.88	0.7187	-	Can't Reject Ho	2.7045	0.0030
−10	21	33.23	1.6900	**	Can't Reject Ho	6.9776	0.0046
−9	21	−71.02	−2.1433	**	Can't Reject Ho	−14.9146	−0.0038
−8	21	−45.40	−2.2018	-	Reject Ho	−9.5339	−0.0116
−7	21	31.36	0.9948	-	Can't Reject Ho	6.5861	−0.0014
−6	21	−15.48	−0.5134	-	Can't Reject Ho	−3.2509	0.0016
−5	21	0.99	0.0463	-	Can't Reject Ho	0.2089	−0.0014
−4	21	−8.98	−0.3646	-	Can't Reject Ho	−1.8865	−0.0008
−3	21	−11.01	−0.4327	-	Can't Reject Ho	−2.3118	−0.0020
−2	21	−2.12	−0.0696	-	Can't Reject Ho	−0.4455	−0.0013
−1	21	21.17	1.0795	-	Can't Reject Ho	4.4448	0.0019
0	21	−48.55	−0.9001	-	Can't Reject Ho	−10.1964	−0.0027
1	21	17.79	0.6749	-	Can't Reject Ho	3.7352	−0.0031
2	21	38.65	2.2626	-	Reject Ho	8.1171	0.0056
3	21	21.28	1.2093	-	Can't Reject Ho	4.4689	0.0060
4	21	−2.40	−0.1104	-	Can't RejectHo	−0.5040	0.0019
5	21	−7.95	−0.4331	-	Can't Reject Ho	−1.6689	−0.0010
6	21	−15.16	−0.6685	-	Can't Reject Ho	−3.1839	−0.0023
7	21	−44.35	−2.6482	**	Can't Reject Ho	−9.3143	−0.0060
8	21	−13.22	−0.4943	-	Can't Reject Ho	−2.7758	−0.0058
9	21	−1.32	−0.0848	-	Can't Reject Ho	−0.2771	−0.0015
10	21	−5.99	−0.3401	-	Can't Reject Ho	−1.2587	−0.0007
11	21	−4.07	−0.1592	-	Can't Reject Ho	−0.8547	−0.0010
12	21	−44.69	−1.9555	**	Can't Reject Ho	−9.3843	−0.0049
13	21	−11.22	−0.5423	-	Can't Reject Ho	−2.3560	−0.0056
14	21	−8.32	−0.4224	-	Can't Reject Ho	−1.7471	−0.0020
15	21	12.57	0.5866	-	Can't Reject Ho	2.6402	0.0004
16	21	7.62	0.3541	-	Can't Reject Ho	1.6000	0.0020
17	21	−14.15	−0.2908	-	Can't Reject Ho	−2.9714	−0.0007
18	21	17.36	0.6514	-	Can't Reject Ho	3.6449	0.0003
19	21	38.92	0.7431	-	Can't Reject Ho	8.1734	0.0056

**Significance at 0.05 level. AAR: Average abnormal return, CAR: Cumulative abnormal return, CAAR: Cumulative average abnormal return

price post the declaration date (t_{+19}). This study assumes that the information about dividend announcement is known to the market on the event day. In this study market model methodology has been used to measure the effect of dividend announcement on the share price. This market model is powerful in detecting the AR and popularly used in studying the effect of any event on the stock prices and Brown and Warner (1985) indicated that market model is a powerful tool which can be used under wide variety of conditions.

The study uses an event window of 39 days, 19 days before the dividend declaration date t_{-19} and 19 days after the dividend declaration date t_{+19} where event date is the dividend declaration date for computing AR, the average AR (AAR) and cumulative AAR (CAAR) for the sample of 21 companies. The list of the sample companies along with the dividend declaration dates are given in Table 1.

The objective of the study is to explore any share price changes resulting in significant positive AR associated with the dividend declaration around the event date and the speediness with which

the information relating to dividend announcements is captivated in the share prices. The study is based on the following hypothesis.

H_0 =There is a significant positive AAR around the dividend declaration date i.e., $1/n\sum AR \geq 0$, where n is the number of companies in the sample selected.

4. EMPIRICAL RESULTS

Tables 2-5 presents results for 39 days to the sample of 21 dividend announcements in 2015, 2014, 2013 and 2012. They report the average daily AR, AAR, CAR and CAAR for days t_{-19} to t_{+19} along with test statistics obtained using MS Excel descriptive analysis tool for testing the null hypothesis. The Table 2 (dividend announcements made in 2015) indicates that there is no consistent pattern of AAR's of companies involved in dividend declaration. On the day of declaration the market seemed to respond slowly. There is a significant positive AAR and CAAR in the post announcement of dividend t_{+2}, t_{+3}, t_{+8}, t_{+9}, t_{+10} to t_{+18} has a positive impact on share price and increase in the returns on stock did

Table 4: AAR and T statistics for dividend announcements made in 2013

Day, t	N	AAR (%)	T stat	Significance	Null hypothesis test	CAR	CAAR
−19	21	−11.47	−0.4882	-	Can't Reject Ho	−2.4089	−0.0011
−18	21	−14.05	−0.4667	-	Can't Reject Ho	−2.9497	−0.0026
−17	21	15.72	0.7103	-	Can't Reject Ho	3.3016	0.0002
−16	21	1.29	0.0640	-	Can't Reject Ho	0.2718	0.0017
−15	21	−0.70	−0.0215	-	Can't Reject Ho	−0.1461	0.0001
−14	21	−33.77	−1.7266	**	Can't Reject Ho	−7.0921	−0.0034
−13	21	−11.92	−0.5036	-	Can't Reject Ho	−2.5038	−0.0046
−12	21	−2.00	−0.0843	-	Can't Reject Ho	−0.4193	−0.0014
−11	21	−0.52	−0.0193	-	Can't Reject Ho	−0.1094	−0.0003
−10	21	42.12	1.3480	-	Can't Reject Ho	8.8453	0.0042
−9	21	14.16	0.7360	-	Can't Reject Ho	2.9727	0.0056
−8	21	6.28	0.1997	-	Can't Reject Ho	1.3198	0.0020
−7	21	20.91	1.1330	-	Can't Reject Ho	4.3904	0.0027
−6	21	31.76	1.5024	-	Can't Reject Ho	6.6690	0.0053
−5	21	5.11	0.2828	-	Can't Reject Ho	1.0732	0.0037
−4	21	−11.53	−0.5254	-	Can't Reject Ho	−2.4218	−0.0006
−3	21	17.68	0.8462	-	Can't Reject Ho	3.7129	0.0006
−2	21	−30.67	−1.0868	-	Can't Reject Ho	−6.4400	−0.0013
−1	21	−6.72	−0.2318	-	Can't Reject Ho	−1.4121	−0.0037
0	21	−98.37	−1.8871	**	Can't Reject Ho	−20.6585	−0.0105
1	21	−58.49	−1.5196	-	Can't Reject Ho	−12.2836	−0.0157
2	21	−20.41	−0.9727	-	Can't Reject Ho	−4.2869	−0.0079
3	21	14.71	0.5653	-	Can't Reject Ho	3.0883	−0.0006
4	21	−10.07	−0.4788	-	Can't Reject Ho	−2.1153	0.0005
5	21	21.26	1.3547	-	Can't Reject Ho	4.4648	0.0011
6	21	19.07	1.3910	-	Can't Reject Ho	4.0055	0.0040
7	21	26.30	1.6167	-	Can't Reject Ho	5.5221	0.0045
8	21	−13.41	−0.7312	-	Can't Reject Ho	−2.8161	0.0013
9	21	−29.50	−1.6247	*	Can't Reject Ho	−6.1960	−0.0043
10	21	5.66	0.2477	-	Can't Reject Ho	1.1892	−0.0024
11	21	1.22	0.0620	-	Can't Reject Ho	0.2554	0.0007
12	21	−17.63	−0.5887	-	Can't Reject Ho	−3.7013	−0.0016
13	21	−37.87	−1.1803	-	Can't Reject Ho	−7.9522	−0.0055
14	21	−1.20	−0.0307	-	Can't Reject Ho	−0.2520	−0.0039
15	21	−5.94	−0.1475	-	Can't Reject Ho	−1.2484	−0.0007
16	21	25.25	0.7150	-	Can't Reject Ho	5.3031	0.0019
17	21	18.68	0.6165	-	Can't Reject Ho	3.9220	0.0044
18	21	−21.80	−0.7031	-	Can't Reject Ho	−4.5781	−0.0003
19	21	173.66	0.8204	-	Can't Reject Ho	36.4688	0.0152

*Significance at 0.10 level, **Significance at 0.05 level. AAR: Average abnormal return, CAR: Cumulative abnormal return, CAAR: Cumulative average abnormal return

Table 5: AAR and T statistics for dividend announcements made in 2012

Day, t	N	AAR (%)	t stat	Significance	Null hypothesis test	CAR	CAAR
−19	21	30.76	1.3126	-	Can't Reject Ho	6.4599	0.0031
−18	21	21.41	0.9807	-	Can't Reject Ho	4.4955	0.0052
−17	21	3.49	0.0878	-	Can't Reject Ho	0.7324	0.0025
−16	21	−29.19	−1.2163	-	Can't Reject Ho	−6.1289	−0.0026
−15	21	−13.94	−0.6077	-	Can't Reject Ho	−2.9272	−0.0043
−14	21	14.66	0.9047	-	Can't Reject Ho	3.0790	0.0001
−13	21	46.19	1.4122	-	Can't Reject Ho	9.6990	0.0061
−12	21	7.08	0.2143	-	Can't Reject Ho	1.4864	0.0053
−11	21	13.62	0.4991	-	Can't Reject Ho	2.8596	0.0021
−10	21	−2.40	−0.0641	-	Can't Reject Ho	−0.5041	0.0011
−9	21	−2.22	−0.0796	-	Can't Reject Ho	−0.4658	−0.0005
−8	21	−16.84	−0.5749	-	Can't Reject Ho	−3.5362	−0.0019
−7	21	5.91	0.1680	-	Can't Reject Ho	1.2404	−0.0011
−6	21	−35.08	−0.9200	-	Can't Reject Ho	−7.3660	−0.0029
−5	21	8.57	0.2233	-	Can't Reject Ho	1.8002	−0.0027
−4	21	−16.96	−0.5387	-	Can't Reject Ho	−3.5626	−0.0008
−3	21	24.98	1.9641	*	Can't Reject Ho	5.2459	0.0008
−2	21	−29.54	−0.7876	-	Can't Reject Ho	−6.2036	−0.0005
−1	21	−66.08	−1.5801	-	Can't Reject Ho	−13.8763	−0.0096
0	21	−171.67	−2.4933	-	Reject Ho	−36.0499	−0.0238
1	21	−94.76	−1.8836	*	Can't Reject Ho	−19.8993	−0.0266
2	21	−39.09	−1.1918	-	Can't Reject Ho	−8.2093	−0.0134
3	21	56.69	1.6114	-	Can't Reject Ho	11.9041	0.0018
4	21	8.68	0.3110	-	Can't Reject Ho	1.8235	0.0065
5	21	4.29	0.1732	-	Can't Reject Ho	0.9008	0.0013
6	21	−16.11	−0.5517	-	Can't Reject Ho	−3.3827	−0.0012
7	21	−18.36	−1.1399	-	Can't Reject Ho	−3.8558	−0.0034
8	21	24.31	0.5996	-	Can't Reject Ho	5.1049	0.0006
9	21	−63.37	−1.3793	-	Can't Reject Ho	−13.3086	−0.0039
10	21	132.99	1.2697	-	Can't Reject Ho	27.9270	0.0070
11	21	54.57	1.4736	-	Can't Reject Ho	11.4603	0.0188
12	21	85.59	2.0110	**	Can't Reject Ho	17.9730	0.0140
13	21	−16.08	−0.4468	-	Can't Reject Ho	−3.3761	0.0070
14	21	−20.18	−0.5436	-	Can't Reject Ho	−4.2377	−0.0036
15	21	31.53	0.7604	-	Can't Reject Ho	6.6208	0.0011
16	21	101.35	0.8755	-	Can't Reject Ho	21.2834	0.0133
17	21	19.09	0.5283	-	Can't Reject Ho	4.0085	0.0120
18	21	−39.85	−1.1190	-	Can't Reject Ho	−8.3679	−0.0021
19	21	4.52	0.1877	-	Can't Reject Ho	0.9501	−0.0035

*Significance at 0.10 level, **Significance at 0.05 level. AAR: Average abnormal return, CAR: Cumulative abnormal return, CAAR: Cumulative average abnormal return

increase for majority of shares in the sample. This positive market reaction can be to signal positive future prospects for the company. The positive AAR is observed from t_{+2} which took a while for the market to respond. This tendency is observed till t_{+18} days.

Table 3 (dividends announcements made in 2014) shows that there is a positive impact on share price but not as much as it is being evident in the year 2015. This could be because the dividends declared in 2014 in general for all the sample 21 companies are less compared to 2013 and 2015. On t_{-8} and t_2 Ho could not be accepted. The positive AAR is observed evidently on t_{-1}, t_{+1}, t_{+2} and t_{+3} days. Table 4 (dividends announcements made in 2013) there is a positive AAR significantly observed in the post announcement period of t_{+5}, t_{+6}, t_{+7}, t_{+10}, t_{+11} to as late as t_{+16}, t_{+18}. Table 5 (dividends announcements made in 2012) indicates that there is a significant AAR on t_{+3}, t_{+4}, t_{+5}, t_{+8}, t_{+10}, t_{+11}, t_{+12} to as late as t_{+17}. Null hypothesis is accepted. It is understood that post dividend announcements, the share price did increase and the returns on the stocks increased for majority of stocks. The overall AAR across the event window increased in the post dividend declaration period i.e., (t_{+1} to t_{+19})

in 2015 is 15.9% which is significant, in 2014 it is −0.09% and not significant, in 2013 it is 4.71% and is significant and in 2012 it is 11.36% and significant. On the dividend declaration day the AAR is negative across all the years i.e., 2012-2015. This signifies that the market took some time to react and eventually has reacted positively just after the dividend declaration day in most of the cases t_{+2}. This confirms that dividends signal a potential future prospects to the shareholders. Though there is an overall positive increase in the stock prices but in general the market is not following a consistent trend in the AAR in the sample selected from Muscat Securities market.

5. DISCUSSION AND CONCLUSION

Dividend decision is considered to be a crucial decision for a company. In Oman, the trend followed by companies to announce dividends only once in a year makes it all the more important. The study reveals that there is an increase in share price on the dividend announcement. The study is done for 21 sample companies which have made dividend announcement consecutively for 4 years 2012-2015.

The empirical results of this study supports the results obtained in the previous studies. The study finds post dividend declaration evidence of a positive AAR which confirms that there is a positive impact on the share prices in the context of Oman. On the dividend declaration day there is no much impact on the share priceof sample companies in MSM as observed in the previous studies. It took t_{+2} days for the market to show a measureable impact of dividend declaration. Dividends may not be the only factor that induces an investor to invest in a company. There may be many other reasons like market conditions, liquidity, future prospects, and earnings to name a few. In conclusion, it can be stated that shareholders and the stock market in Oman react positively to the dividend announcements made by companies.

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