

## Dividend Announcements Impact on Share Price Volatility of Select Banking Companies in Nifty Mid-Cap 150 Index

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### Abstract

*This study investigates the impact of dividend announcements on share price volatility, drawing on dividend signaling theory, which posits that such disclosures convey critical information regarding a firm's prospects and thereby influence stock prices. Focusing on banking sector constituents of the Nifty Mid-Cap 150 Index listed on the National Stock Exchange (NSE), the research employs an event study methodology to analyze abnormal returns around dividend announcements. Using secondary data from the NSE and Money Control for 2024, the study examines seven banks that declared final dividends in April and May. The findings reveal a heterogeneous market response. Federal Bank Ltd. elicited a strong positive reaction on the announcement day ( $t = 2.1533$ ), while AU Small Finance Bank experienced a highly significant positive return three days post-announcement ( $t = 6.033$ ). The significant pre-event reactions were also identified for Indian Bank and Bandhan Bank. Conversely, Bank of India showed a sharp negative reaction one day after the announcement ( $t = -5.0320$ ). Notably, Federal Bank Ltd. was the only entity to sustain positive cumulative abnormal returns throughout the post-announcement period, and on the event day ( $t = 2.1533$ ), whereas IDBI Bank displayed no significant market reaction. Hence, six of the seven banking companies exhibited statistically significant market reactions at various points in the event window, as evidenced by t-statistics exceeding the  $\pm 1.96$  threshold. These results underscore the varied interpretations of dividend signals among investors, influenced by firm-specific factors within the mid-cap banking segment.*

**Keywords:** banking companies, dividend announcements, event study methodology, nifty mid-cap 150 index, share price fluctuations.

**How to Cite:** Dasari, D. S., & Reddy, S. R. (2025). Dividend announcements impact on share price volatility of select banking companies in Nifty Mid-Cap 150 Index. *Journal of Management and Entrepreneurship*, 19(4), 90–100.

**DOI:** 10.70906/20251904090100

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## 1. Introduction

Collaborative events that inform investors about corporate financial health lead to price changes in the shares of affected companies. Academic research by Bhattacharya (1979), later expanded by Miller and Rock (1985), demonstrates that companies provide dividend payments as signals to investors, indicating their financial health and stability. The banking industry faces strict regulations and high capital requirements, which intensify the impact of dividend news releases on stock prices (Aharony and Swary, 1980; Imran et al., 2022).

The Nifty Mid-Cap 150 Index provides an ideal setting to study dividend announcement effects, as it comprises mid-cap firms that typically exhibit higher volatility than large-cap firms (Kumar and Thenmozhi, 2020). The literature indicates that dividend announcements often result in abnormal stock price movements, yet the magnitude of the market reaction depends on multiple factors, including dividend yield and earnings surprises, as well as macroeconomic circumstances (Al-Malkawi et al., 2014; Pandey and Kumari, 2021). Current research on dividend policies remains scarce for banking firms operating in the mid-cap segment, as financial regulations and liquidity requirements potentially shape these decisions, unlike in other industries (Bessler et al., 2021).

This research aims to investigate the impact of dividend announcements on share price fluctuations in banking companies listed in the Nifty Mid-Cap 150 Index. The event study approach in this research evaluates abnormal market returns around dividend declaration days for interim payments and final dividends. Market reactions will be measured in this research to determine whether they depend on the scale of dividend distributions, current interest rates, and broader market conditions.

## 2. Review of Literature

Early studies exploring the relationship between dividend announcements and share prices in Indian markets highlighted varied results. S. Matharu and Ravi Changle (2015) reported that dividend announcements had a significant impact on share prices, implying that investors should consider such corporate actions when making investment decisions. Similarly, Tandon and Walia (2016) sought

to quantify stock price fluctuations following dividend announcements across five market sectors over a five-year period using NSE data, concluding that announcements trigger both positive and negative investor reactions. Further, M. Mayur (2017) found significant differences in share price reactions before and after dividend announcements across selected companies, confirming that such events can influence market behavior.

During the same period, Dr. C. Swarnalatha and K. Babu (2017) observed that the impact of dividend decisions differed across growth stages of firms and noted that after India's liberalization, dividend policy became a key factor affecting stock prices. Their study also identified higher abnormal returns two days prior to and after dividend announcements. Later, Nagendra Marisetty (2018) emphasized the unpredictable nature of stock price behavior, suggesting that market reactions depend on various corporate activities, including dividend declarations. Similarly, Archana HN (2019) found minimal impact of dividend announcements on IT, banking, and pharmaceutical sectors, challenging the dividend signaling theory and suggesting that dividends may not always convey new information to investors.

In the post-2019 period, Bhatia and Gupta (2020) examined stock market volatility during and after the subprime crisis, revealing that leverage effects persisted across most indices, but disappeared for Nifty Bank and Private Sector Bank Indices during COVID-19. Krishnan and Periasamy (2022) further confirmed that Indian stock markets operate efficiently in their semi-strong form, as investors could not earn abnormal returns following Nifty IT index dividend announcements. Around the same time, Rane and Gupta (2022) examined the influence of financial ratios on the stock prices of Nifty Bank-listed companies, offering practical insights for investors and emphasizing the importance of sound financial management to attract investment.

Recent studies have continued to reveal mixed evidence regarding the market response to dividend-related announcements. Pankaj Kumar Mahato (2022) found that bonus share announcements led to positive stock price reactions, particularly among Nifty Midcap 100 companies. Dahal and Das (2023) observed that, during the pre-crisis period, PSU bank stocks were more sensitive to dividend decreases than increases, highlighting asymmetrical investor

responses. Finally, Tazeen Taj Mahat and Trupti Dandin (2024) reported no significant overall impact of dividend announcements on Nifty-listed companies, though a limited number of firms exhibited notable price movements. Collectively, these findings suggest that the effect of dividend announcements on share prices in India remains inconsistent across sectors and time periods, influenced by company-specific factors, market efficiency, and broader economic conditions.

### 3. Statement of the Problem

This study investigates how dividend announcements affect price changes for banking institutions listed on the Nifty Mid-Cap 150 Index. A company's financial condition and market potential come to light through dividend declarations, which affect investor perception as well as market actions. The degree and direction of stock price evolution after dividend disclosure vary according to market factors, investor expectations, and organizational operational performance. The study investigates quick market responses to dividend announcements by examining price variation and abnormal financial market performance. The relationships impact crucial knowledge for investors, decision-makers, and financial analysts when they develop investment strategies and corporate dividend frameworks.

### 4. Objectives of the Study

- To identify the banking companies listed in the Nifty Mid-Cap 150 index of the National Stock Exchange.
- To find out whether the dividend announcements of banking companies in the Nifty Mid-Cap 150 index lead to any significant abnormal returns (whether positive or negative).
- To analyze the effect of dividend announcements on the stock prices of banking companies listed in the Nifty Mid-Cap 150 index.

### 5. Research Methodology

An event study methodology has been used in this research to evaluate the dividend announcements on share price fluctuations in selected banking companies that are listed to the Nifty Mid-Cap 150 Index. This study employs secondary data collected

from official NSE and Money Control websites. The study focuses on stock price changes that happened at their disclosure date. The required stock price data will be obtained from reliable financial databases for subsequent abnormal return computations using the market model. The total event window is set to 21 days. The final dividend announcement day is considered the event day, i.e., 0. The research uses a paired t-test to analyze statistical changes during the event window from -10 to -1 days before the dividend announcement and +10 to +1 days after. The chosen methodology provides an effective means to evaluate market reactions to dividend announcements and to assess banking-sector efficiency among mid-cap firms.

The selection of banks is further justified, as both private and public sector banks are represented in the study. The basis of the mixed-choice design is that the aim of this study is to determine how the announcement of dividends affects the share prices of various banking organizations listed in the Nifty Mid-Cap 150 Index. As these banks have a wide variety of ownership structures, governance models, and investors, their presence allows for a comprehensive picture of how dividend announcements affect market responses across different types of organizations. Furthermore, among the ten banking companies, seven were selected because they declared final dividends in 2024, which qualified them to use the data, which is relevant, timely, and similar for the analysis of market responses to dividend announcements.

**Table 1**

Sample of Banking Companies listed in Nifty Mid-Cap 150 Index

S. No	Company Name	Final Dividend Announcement Date
1	Bandhan Bank Ltd	17-05-2024
2	Bank of India	10-05-2024
3	The Federal Bank Ltd	02-05-2024
4	Indian Bank	06-05-2024
5	AU Small Finance Bank Ltd	24-04-2024
6	IDBI Bank Ltd	06-05-2024
7	Bank of Maharashtra	26-04-2024

Source: <https://www.moneycontrol.com/company-facts/bankindia/dividends>

Abnormal Return (AR)

Abnormal Returns (AR) are those returns that are not expected or usual of a certain stock at a given time, say near a dividend announcement. It is a measure of the share of a stock return that cannot be attributed to broad market trends and is attributed to the occurrence under research. In this study, abnormal returns will be computed to investigate whether dividend announcements elicit statistically significant responses in the prices of the selected banking firms in the Nifty Mid-Cap 150 index.

AR it = Rit – E(Rit)

Where, Rit represents the actual return of stock i on a day t, and E(Rit) denotes the expected return of the same stock on that day.

Cumulative Abnormal Return (CAR)

Cumulative Abnormal Returns (CAR) are the summation of all abnormal returns that are experienced within a given event window around a corporate announcement, like a dividend declaration. It measures the aggregate market response to the occasion by summing the daily variations in actual returns relative to anticipated returns. This paper employs the CAR to analyse the cumulative effects of dividend announcements on the shares of the selected banking corporations listed on the Nifty Mid-Cap 150 Index.

CAR i (T1, T2) =

Where AR it denotes the abnormal return of stock i on day, and T1, T2 represent the starting and ending points of the event window, respectively.

6. Data Analysis

Table 2

Bandhan Bank Ltd Final Dividend Announcement in Year 2024 with ARs, CAR, and T-stat

Pre-Announcement Days	Pre-Announcement		Pre-Announcement		Pre-Announcement		Post-Announcement		Post-Announcement	
	Abnormal Return	Pre-Announcement Abnormal Return	T-Stat	CAR	Days	Abnormal Return	T-Stat	CAR	Abnormal Return	T-Stat
-1	-0.0082	-0.0082	-0.4681	-0.0082	0	-0.0001	-0.0101	-0.0244	-0.0001	-0.0101
-2	0.0056	0.0056	0.3241	-0.0025	1	0.0076	0.4367	-0.0168	0.0076	0.4367
-3	-0.0039	-0.0039	-0.2233	-0.0064	2	0.0062	0.3551	-0.0105	0.0062	0.3551
-4	-0.0070	-0.4021	-0.4021	-0.0134	3	-0.0027	-0.1562	-0.0133	-0.0027	-0.1562
-5	0.0393	2.2471	2.2471	0.0259	4	0.0250	1.4313	0.0117	0.0250	1.4313
-6	0.0151	0.8638	0.8638	0.0410	5	-0.0070	-0.4038	0.0046	-0.0070	-0.4038
-7	0.0037	0.2124	0.2124	0.0447	6	0.0141	0.8080	0.0188	0.0141	0.8080
-8	-0.0052	-0.2989	-0.2989	0.0395	7	0.0201	1.1484	0.0389	0.0201	1.1484

-9	-0.0002	-0.0135	-0.0135	0.0392	8	0.0147	0.8436	0.0537
-10	-0.0635	-3.6267	-3.6267	-0.0242	9	-0.0099	-0.5686	0.0438
0	-0.0001	-0.0101	-0.0101	-0.0244	10	0.0073	0.4185	0.0511

Source: Compiled from NSE data

Table 2 lists the abnormal returns, t-statistics, and cumulative abnormal returns (CAR) for a stock over a 21-day event window, from 10 days before (Day -10) to 10 days after (Day 10) a given event. In particular, we observe a large negative abnormal return of -6.35% with a t-statistic of -3.63 on Day -10, suggesting that investors reacted proactively prior to the event. In contrast, Day -5 shows a large positive abnormal return of 3.93% with a t-statistic of 2.25, suggesting information leakage or market speculation. The CAR is -2.44% on Day 0 and has a negative cumulative market reaction through that day. However, CAR turns positive by Day 4 (1.17%) and reaches 5.11% on Day 10, suggesting that the market has reassessed the news negatively but in a favourable way.

**Table 3**

*Bank of India Final Dividend Announcement in Year 2024 with ARs, CAR and T-stat*

Pre-Announcement Days	Pre-Announcement Abnormal Return	Pre-Announcement Abnormal Return	Pre-Announcement T-Stat	Pre-Announcement CAR	Post-Announcement Days	Post-Announcement Abnormal Return	Post-Announcement T-Stat	Post-Announcement CAR
	Abnormal Return	Abnormal Return	T-Stat	CAR	Days	Abnormal Return	T-Stat	CAR
-1	0.0335	0.0335	1.4637	0.0335	0	-0.0160	-0.7011	-0.0392
-2	-0.0111	-0.0111	-0.4865	0.0224	1	-0.1154	-5.0320	-0.1547
-3	0.0290	0.0290	1.2649	0.0514	2	-0.0278	-1.2159	-0.1826
-4	-0.0077	-0.3399	-0.3399	0.0436	3	0.0003	0.0167	-0.1822
-5	-0.0293	-1.2808	-1.2808	0.0142	4	-0.0378	-1.6479	-0.2200
-6	-0.0082	-0.3595	-0.3595	0.0060	5	-0.0043	-0.1875	-0.2243
-7	-0.0195	-0.8537	-0.8537	-0.0135	6	0.0026	0.1144	-0.2217
-8	-0.0109	-0.4762	-0.4762	-0.0245	7	-0.0149	-0.6495	-0.2366
-9	0.0007	0.0313	0.0313	-0.0237	8	0.0239	1.0427	-0.2127
-10	0.0005	0.0252	0.0252	-0.0232	9	0.0108	0.4742	-0.2018
0	-0.0160	-0.7011	-0.7011	-0.0392	10	0.0055	0.2422	-0.1962

Source: Compiled from NSE data

Table 3 reports the abnormal return (AR) and cumulative abnormal return (CAR) for Bank of India's stock surrounding the announcement of its final 2024 dividend. The mixed ARs and insignificant T-stats (absolute <2) in the days -10 to -1 indicate a lack of market leakage. For day 0 (the

announcement day), the AR of -0.0160 (T-stat: -0.7011) and CAR of -0.0392 indicate a neutral immediate reaction. But the post-announcement (days 1-10) shows significant negative AR of -0.1154 (T-stat: -5.0320) on day 1, and the CAR declines to -0.2243 by day 5. The drop indicates that investors remained dissatisfied, perhaps because the dividend was too skimpy or for some other reason. The strong T-stat on post-announcement day 1 ( $t = -5.0320 > 1.96$ ) underscores the statistical significance of the dividend policy's impact on share price volatility.

**Table 4**

*The Federal Bank Ltd Final Dividend Announcement in Year 2024 with ARs, CAR, and T-stat*

Pre-Announcement Days	Pre-Announcement Abnormal Return	Pre-Announcement Abnormal Return	Pre-Announcement T-Stat	Pre-Announcement CAR	Post-Announcement Days	Post-Announcement Abnormal Return	Post-Announcement T-Stat	Post-Announcement CAR
	Abnormal Return	Abnormal Return	Abnormal Return	Abnormal Return	Abnormal Return	Abnormal Return	Abnormal Return	Abnormal Return
-1	-0.0170	-0.0170	-1.2255	-0.0170	0	0.0300	2.1533	0.0599
-2	0.0039	0.0039	0.2845	-0.0131	1	-0.0086	-0.6190	0.0513
-3	0.0025	0.0025	0.1813	-0.0105	2	-0.0092	-0.6598	0.0421
-4	0.0062	0.4476	0.4476	-0.0043	3	-0.0087	-0.6262	0.0333
-5	-0.0055	-0.3955	-0.3955	-0.0098	4	-0.0191	-1.3703	0.0142
-6	-0.0066	-0.4745	-0.4745	-0.0164	5	0.0134	0.9668	0.0277
-7	0.0127	0.9175	0.9175	-0.0036	6	0.0114	0.8175	0.0391
-8	0.0022	0.1613	0.1613	-0.0014	7	0.0076	0.5503	0.0468
-9	0.0191	1.3758	1.3758	0.0177	8	0.0069	0.4966	0.0537
-10	0.0121	0.8737	0.8737	0.0299	9	-0.0136	-0.9774	0.0401
0	0.0300	2.1533	2.1533	0.0599	10	0.0013	0.0991	0.0415

*Source: Compiled from NSE data*

Table 4 highlights the market response to the Federal Bank Ltd 2024 final dividend announcement. The pre-announcement (days -10 to -1) shows small, statistically insignificant abnormal returns (ARs) (T-stats < 2), except day -9 (AR: 0.0191, T-stat: 1.3758), indicating that there was not much speculative trading prior to the event. On day 0 (the announcement day), the stock has a large positive abnormal return (AR) of 0.0300 (T-stat: 2.1533 > 1.96). Hence, significant impact of dividend announcements on share price volatility. So, the null hypothesis is rejected.

**Table 5**  
*Indian Bank Final Dividend Announcement in Year 2024 with ARs, CAR and T-stat*

Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Post-Announcement	Post-Announcement	Post-Announcement
Days	Abnormal Return	Abnormal Return	Abnormal Return	T-Stat	CAR	Days	Abnormal Return	T-Stat	CAR	
-1	0.0053	0.0053	0.2356	0.0053	0	-0.0191	-0.8400	0.0028		
-2	0.0102	0.0102	0.4481	0.0155	1	-0.0109	-0.4788	-0.0080		
-3	-0.0189	-0.0189	-0.8301	-0.0033	2	0.0235	1.0360	0.0155		
-4	-0.0196	-0.8627	-0.8627	-0.0229	3	-0.0143	-0.6290	0.0012		
-5	0.0288	1.2646	1.2646	0.0058	4	-0.0148	-0.6538	-0.0136		
-6	-0.0081	-0.3594	-0.3594	-0.0023	5	-0.0079	-0.3479	-0.0215		
-7	0.0562	2.4697	2.4697	0.0538	6	-0.0081	-0.3575	-0.0297		
-8	-0.0222	-0.9771	-0.9771	0.0316	7	0.0336	1.4793	0.0039		
-9	-0.0015	-0.0678	-0.0678	0.0300	8	-0.0012	-0.0551	0.0027		
-10	-0.0080	-0.3537	-0.3537	0.0220	9	-0.0092	-0.4044	-0.0064		
0	-0.0191	-0.8400	-0.8400	0.0028	10	-0.0058	-0.2560	-0.0123		

*Source: Compiled from NSE data*

The data in Table 5 reveal the abnormal returns (AR) and cumulative abnormal returns (CAR), along with T-statistics, for Indian Bank during its 2024 final dividend announcement. Indian Bank's stock experienced a notable upsurge in abnormal returns on day -7, with AR equal to 0.0562 and ( $t = 2.4697 > 1.96$ ), thereby indicating potential information disclosure or investor speculation before the formal announcement. Prior to the event, the CAR shows a general upward pattern, indicating that investors felt positively about the stock. Given that the calculated t-statistics for abnormal returns exceeded the 5% critical values across multiple event windows, the null hypothesis is rejected. Therefore, it can be concluded that dividend announcements have a significant impact on share price volatility.

**Table 6**  
*IDBI Bank Ltd Final Dividend Announcement in Year 2024 with ARs, CAR, and T-stat*

Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Post-Announcement	Post-Announcement	Post-Announcement
Days	Abnormal Return	Abnormal Return	T-Stat	CAR	Days	Abnormal Return	T-Stat	CAR
-1	-0.0016	-0.0016	-0.0732	-0.0016	0	0.0015	0.0691	-0.0197

-2	0.0113	0.0113	0.5022	0.0096	1	-0.0073	-0.3271	-0.0271
-3	-0.0021	-0.0021	-0.0950	0.0075	2	-0.0023	-0.1038	-0.0294
-4	-0.0233	-1.0381	-1.0381	-0.0158	3	0.0046	0.2069	-0.0248
-5	0.0065	0.2927	0.2927	-0.0092	4	-0.0164	-0.7316	-0.0412
-6	-0.0078	-0.3477	-0.3477	-0.0170	5	-0.0344	-1.5308	-0.0757
-7	0.0277	1.2350	1.2350	0.0107	6	0.0114	0.5093	-0.0642
-8	-0.0195	-0.8701	-0.8701	-0.0088	7	-0.0145	-0.6478	-0.0788
-9	-2.9880	-0.0013	-0.0013	-0.0089	8	-0.0277	-1.2338	-0.1066
-10	-0.0124	-0.5523	-0.5523	-0.0213	9	-0.0083	-0.3708	-0.1149
0	0.0015	0.0691	0.0691	-0.0197	10	0.0103	0.4600	-0.1046

Source: Compiled from NSE data

IDBI Bank Ltd announcement of final dividends in 2024 resulted in abnormal returns analysis (AR) and cumulative abnormal returns (CAR) analysis as provided in table 6.5 across 21 days. During the pre-announcement period, a minimal change in abnormal returns (ARs) occurred without consistent patterns except for the 0.0277day -7 positive return, which showed insufficient statistical significance ( $T\text{-stat} = 1.2350 < 1.96$ ). The final dividend announcement for IDBI Bank Ltd appears to have elicited minimal market expectation according to CAR results. As the results indicate statistically insignificant abnormal returns across the event window, the study fails to reject the null hypothesis that dividend announcements have no significant impact on share price volatility.

**Table 7**

*Bank of Maharashtra Final Dividend Announcement in Year 2024 with ARs, CAR and T-stat*

Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Pre-Announcement	Post-Announcement	Post-Announcement	Post-Announcement
Days	Abnormal Return	Abnormal Return	Abnormal Return	T-Stat	CAR	Days	Abnormal Return	T-Stat
-1	-0.0103	-0.0103	-0.0103	-0.4836	-0.0103	0	0.0225	1.0483
-2	-0.0095	-0.0095	-0.0095	-0.4442	-0.0199	1	0.0428	1.9955
-3	-0.0057	-0.0057	-0.0057	-0.2680	-0.0256	2	-0.0178	-0.8307
-4	0.0121	0.5639	0.5639	0.5639	-0.0135	3	-0.0121	-0.5676
-5	-0.0078	-0.3653	-0.3653	-0.3653	-0.0214	4	-0.0135	-0.6305
-6	0.0127	0.5960	0.5960	0.5960	-0.0086	5	-0.0150	-0.7020
-7	0.0320	1.4941	1.4941	1.4941	0.0234	6	0.0082	0.3832
								CAR
								0.0184
								0.0613
								0.0434
								0.0312
								0.0177
								0.0026
								0.0109



-8	-0.0168	-0.7843	-0.7843	-0.7843	0.0066	7	0.0042	0.1961	0.0151
-9	-0.0226	-1.0563	-1.0563	-1.0563	-0.0160	8	-0.0044	-0.2080	0.0106
-10	0.0120	0.5605	0.5605	0.5605	-0.0040	9	-0.0123	-0.5736	-0.0016
0	0.0225	1.0483	1.0483	1.0483	0.0184	10	-0.0313	-1.4614	-0.0330

Source: Compiled from NSE data

Table 7 demonstrates that Bank of Maharashtra experienced abnormal returns (AR) following its 2024 final dividend announcement, along with cumulative abnormal returns (CAR) and T-statistic calculations. During the pre-announcement interval, investors displayed weak sentiment as shown by a combination of both positive and negative ARs but weak T-statistics. An optimistic bias emerged regarding the stock value on day -7 as the analysis shows a positive abnormal return of 0.0320 with a T-stat of 1.4941. The stock market shows a statistically non-significant positive reaction, with a t-stat of 1.0483 and an AR of 0.0225 at the announcement on day 0. On day 1 after the dividend announcement, AR reached 0.0428, yielding a nearly significant T-stat of 1.9955 > 1.96, suggesting investors initially favored this news. Consequently, the findings provide sufficient evidence to reject the null hypothesis, confirming that dividend announcements have a significant impact on share price volatility in the selected banking companies.

**Table 8**

*AU Small Finance Bank Final Dividend Announcement in Year 2024 with ARs, CARs, and T-stat*

Pre-Announcement Days	Pre-Announcement Abnormal Return	Pre-Announcement T-Stat	Pre-Announcement CAR	Post-Announcement Days	Post-Announcement Abnormal Return	Post-Announcement T-Stat	Post-Announcement CAR
-1	-0.00358	-0.36513	-0.0035	0	0.012540	1.27634	-0.0482
-2	-0.00440	-0.44883	-0.00799	1	-0.01889	-1.92307	-0.0671
-3	0.000580	0.059059	-0.00741	2	-0.01775	-1.80691	-0.0848
-4	0.005188	0.528090	-0.00222	3	0.05928	6.033551	-0.0255
-5	-0.01085	-1.10451	-0.01308	4	-0.00912	-0.92901	-0.0347
-6	-0.03227	-3.28453	-0.04535	5	0.015824	1.610604	-0.0188
-7	0.010779	1.097096	-0.03457	6	-0.00216	-0.21988	-0.0210
-8	-0.01194	-1.21592	-0.04651	7	-0.01895	-1.92921	-0.0400
-9	-0.01432	-1.45841	-0.06084	8	-0.00613	-0.62461	-0.0461
-10	9.10315E	0.009265	-0.060757	9	-0.01100	-1.12021	-0.0571
0	0.0125403	1.2763464	-0.04821	10	0.004629	0.4712303	-0.0525

Source: Compiled from NSE data

Table 8 provides that the announcement of the final dividend by AU Small Finance Bank in 2024 had a significant positive immediate market reaction, as evidenced by the statistically insignificant abnormal return of 1.25% (t-stat: 1.28) on the announcement day (Day 0). However, this initial positivity was not sustained in the subsequent post-announcement window. The market exhibited a positive trend, with significant positive abnormal returns on post-announcement day 3 ( $t = 6.033 > 1.96$ ). Hence, significant impact of dividend announcements on share price volatility. So, the null hypothesis is rejected.

## 7. Results and Discussion

This research analyzed the results and found that the seven banking companies that announced final dividends in April and May 2024, six of which exhibited statistically significant market reactions at various points in the event window, as indicated by t-statistics exceeding the critical value of  $\pm 1.96$ . The analysis revealed a mixed pattern of both positive and negative significant abnormal returns. A notably strong positive reaction occurred on the announcement day for Federal Bank Ltd. ( $t = 2.1533$ ), while AU Small Finance Bank registered a highly significant positive return in post-announcement day 3 ( $t = 6.033$ ). The significant pre-announcement reactions were detected for Indian Bank (day -7,  $t = 2.4697$ ) and Bandhan Bank (days -5 and -6,  $t = 2.2471$  and  $-3.6267$ , respectively). Conversely, significant negative reactions were observed for Bank of India one day post-announcement ( $t = -5.0320$ ) and a positive reaction for Bank of Maharashtra on the same day ( $t = 1.995$ ). Notably, Federal Bank Ltd. was the only entity to sustain positive cumulative abnormal returns throughout the post-announcement period. In contrast, IDBI Bank was the only institution that did not exhibit a statistically significant market reaction during the entire study period.

## 8. Conclusion

In conclusion, the event study of final dividend announcements reveals that the market's response in the Indian banking sector is markedly heterogeneous and not uniformly positive. The findings indicate that while most banks (six out of seven) experienced statistically significant price reactions, these were

isolated to specific days within the event window and exhibited no consistent pattern in direction or timing. The significant positive abnormal returns for Federal Bank on the announcement day and for AU Small Finance Bank three days later suggest that certain announcements were perceived as value-enhancing, potentially due to bank-specific factors signaling strong financial health. Conversely, the significant negative reactions, such as that of the Bank of India post-announcement, imply that dividends can also be interpreted negatively, perhaps as a reduction in future growth opportunities. For investors seeking short-term opportunities, the significant abnormal returns observed around the dividend announcements of Bandhan Bank, Bank of India, Federal Bank, Indian Bank, Bank of Maharashtra, and AU Small Finance Bank suggest a potential for higher returns, albeit accompanied by greater volatility and risk. Conversely, the absence of a significant market reaction to IDBI Bank's announcement suggests a more stable, less volatile stock price in the long term.

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