

## The Impact of Final Cash Dividend Announcements in Colombo Stock Exchange

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### Abstract

Dividend is one of the return receive for investing in stocks apart from capital gains, right issues, bonus issues. Generally companies pay dividends in cash or split dividends. Companies use right issue as a tool to raise the capital and most of the times the issue price is lower than the trading price. Companies commence bonus issues by capitalizing its earnings and investors receive new shares the result of bonus issues. Accordingly, cash dividend is the only way to receive cash flow as a return to an investor. Therefore most of the investors consider cash dividend announcements and it impact on stock price due to the significant desire of investor's on cash dividends. The main objective of the current study is to investigate the impact of final cash dividends on stock prices and thereby identify the pattern of announcements and the quarter which gives higher returns to the investors. Study uses standard event study methodology to identify the impact of the dividend and the investigation period is 2009 to 2014 including both years. Results of the study indicated that a positive relationship between stock return and dividend announcements and the dividend announcement in first quarter gives higher returns to the investors.

**Key words:** *Cash Dividend Announcements, Standard Event Study Methodology*