

Do Dividend Announcements Affect The Stock Prices in The Greek Stock Market?

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Abstract

This paper examines the reaction of the Athens Stock Exchange (ASE) to dividend announcements by a sample of firms listed at the FTSE/ATHEX 20 and FTSE/ATHEX Mid 40 for a fixed period 2004-2008. It also provides analytical information about the Greek Stock Market and the regulations underlying it, which have been taken into account in the present thesis. Moreover, previous studies of important academic scholars are presented and discussed, in order for the reader to attain the appropriate theoretical knowledge about the examined issue. Finally, significant abnormal activity is documented throughout the multiple event-windows that are employed and therefore, the null hypothesis, which supports the irrelevance theory as introduced by Miller and Modigliani (1961), is rejected.

Keywords: Dividend announcements, abnormal activity, signalling effect

JEL classification: G14, G30, G35

1. Introduction

During the last decades, there are numerous researchers that have been concerned in their papers with the impact of the dividend announcements on the stock prices. However, it is a matter of intense debate for the academics, the managers and the shareholders of many companies for several years. The theories that have been introduced by significant academics were essentially unable to terminate the above mentioned debate, as the empirical results of various studies, in the most important stock exchanges globally, concluded to different outcomes, supporting different theories.

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