

Dividend Announcements, Firm Size and Dividend Growth in the Sri Lankan Stock Market

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Abstract: This paper investigates the informational content of dividend announcements and analyzes the impact of dividend announcements by firm size and dividend growth using a sample from the emerging market of Sri Lanka. Consistent with prior evidence from developed stock markets, we find that dividends have a significant information content in the Sri Lankan stock market. On average, market reacts positively to dividend announcements. The information content is stronger for the smaller firms and for firms announcing high dividend growth. We also find a considerable anticipatory effect for smaller firms, the largest firms and for firms announcing lowest dividend growth. The market takes considerable time to fully incorporate information contained in dividend announcements by the smallest firms, the largest firms, and by firms announcing the highest dividend growth. Overall, the results are inconsistent with an informationally efficient stock market.
