EXAMINING THE MARKET REACTION TO DIVIDEND ANNOUNCEMENTS: IMPLICATIONS FOR INVESTOR STRATEGIES

AUTHOR : Dr.M. SATYA SHIVALINI

MANAGER

CO-OPERATIVE CENTRAL BANK LTD ADILABAD DISTRICT, TELANAGANA, INDIA.

Abstract

Dividend announcements play a pivotal role in shaping investor perceptions and influencing market behavior. This study examines the immediate and long-term market reactions to dividend announcements, aiming to understand the strategic implications for investors. Using a dataset of firms listed on major stock exchanges, the research investigates how dividend policy changes impact stock prices, trading volumes, and investor sentiment. The study explores the signaling theory, which suggests that changes in dividend payouts communicate important information about a company's financial health and future prospects. Furthermore, it delves into the investor's response, focusing on how these announcements guide investment decisions, portfolio adjustments, and market expectations. By analyzing abnormal stock returns surrounding dividend declaration dates, the paper identifies patterns of overreaction and underreaction, offering insights into market inefficiencies. The findings highlight the role of dividend announcements in risk management, portfolio optimization, and investment timing. This study contributes to the broader understanding of how dividend policies can be used as a strategic tool for investors to maximize returns and minimize risk exposure. It also offers practical implications for both individual and institutional investors in making informed investment decisions based on dividend announcements. The literature on investors' behavior toward dividend announcements indicates that while dividend announcements are not typically used by investors as indicators for short-term investments, they provide valuable information regarding the timing of stock investments. This article examines investors' awareness of dividend announcements and analyzes their reaction to these announcements in relation to investment decisions. The results of responses from a sample of retail investors, analyzed using SMART-PLS 4, reveal that dividend announcements significantly influence investment decisions. It highlights the importance of dividend announcements as a crucial tool for strategic portfolio planning and wealth maximization. This study underscores the

need for investors to closely monitor dividend announcements, as they play a key role in refining investment strategies and achieving optimal investment outcomes.

Keywords:

Dividend announcement, investors' behaviour, investors' reaction, investment decisions.

1.0   Introduction

Dividend policy seems to be one of the most fascinating subjects in both theoretical and empirical finance. A company's long-term strategy may be affected by its dividend policy, which has the potential to influence the stock prices and the shareholder wealth. As a company's announces dividends, it results into increase in the share prices. Investors, shareholders, and potential investors generally consider dividend announcements to predict the profitability position of a company. Gordon (1959) was of the view that dividends declared do affect the market price of shares and the value of firms. He opined that investors always prefer current return in the form of dividends rather than future returns in the form of capital appreciation. Miller (1961), however, challenged this view, proposing that dividends, under the perfect market conditions, are irrelevant; and payout policies of the firms do not affect the value of firms. A company's dividend policy is a significant aspect in investment decisions because dividends have an impact on stock prices, market sentiment, and portfolios. India has witnessed a notable shift in stock market investment trends. Not only are residents of major cities increasingly investing in stocks, but there has also been a significant rise in participation from people living in smaller cities and towns. This change reflects wider demographics increasing financial awareness and literacy. According to National Stock Exchange (NSE) of India Limited, individual investors' portion of the overall turnover on the stock exchange is increasing constantly. This pattern is encouraging for Indian economy since it shows that the number of local investors is growing, which will assist fund the country's needs and maintain its current growth trajectory. Dividends signal financial stability, reduce risk, and attract investors, especially those prioritizing returns and capital growth. Companies with consistent dividends are seen as less risky, and dividend announcements often lead investors to adjust their portfolios. Dividend history, along with key ratios like EPS (Earnings per share) and DPS (Dividends per share), is a critical factor in investment evaluation. Dividend announcements is a critical factor for shareholders in the stock market. Investors aiming for abnormal returns focus on the post- announcement period for the best opportunities

Dr.Naveen Prasadula (2024). Dividend announcements provide investors with returns based on their investments and can signal changes in share prices depending on various factors. The market's reaction to these changes often depends on the overall market conditions at the time. In recent years, high uncertainty and negative macroeconomic factors have made investors hesitant to invest in stock markets. To attract investors, companies are increasingly using dividend announcements, a recurring trend in Indian financial markets. Over time, companies' dividend policies have evolved significantly. Although, share prices fluctuate based on market microstructure, tax regime, and control contexts, majority of companies argue that declaring dividends is beneficial since it will increase their goodwill and share values. Kim. (2012) observed that dividend announcements of a corporation convey a positive signal to its shareholders. Mark (2010) noted that dividend announcements positively impact share prices when they meet shareholder expectations, but if expectations are not met, the market reacts with a bearish trend. According to Richard et al. (2014) offering dividends on stocks is an important aspect of investment decisions, as dividends help increase the net worth of investors. Investors view dividends as signals of a company's prospects, and dividend declarations boost confidence by reducing uncertainty. Most companies consider the clientele effect when making dividend decisions, influencing investor perception.

2.0   Literature Review

Dividends are a crucial aspect of corporate financing decisions, drawing extensive interest from scholars seeking to understand their underlying motivations and impacts. Despite the wealth of research, the reasons for dividend distribution and their effects remain somewhat ambiguous, particularly regarding how markets respond to dividend announcements. Dividends play a vital role in investor decision-making, with many investors gravitating toward stocks that offer regular dividend payouts (Baker and Wurgler, 2004). In view of Lintner (1956), managers prioritize establishing a dividend policy before making announcements, adjusting dividend levels only as necessary. This suggests that dividend decisions significantly influence other cash-related choices within firms. Dong et al. (2003), in a study "why individual investors tend to favour dividends", revealed that lower transaction costs associated with cashing in dividends are a significant factor compared to selling shares. However, Shefrin and Statman's (1984) behavioural finance theory does not support cash dividends and remains relevant for stock dividends. This raises questions about individual investors' priorities, as they typically do not consume a significant portion of their dividends, suggesting that tax incentives for dividends

may not effectively stimulate the economy. Aharony and Swarky (1980) analysed the impact of quarterly dividends and earnings announcements on stockholders returns using daily stock prices of 149 firms. Their findings, alongside other studies, such as, Dasilas and Leventis (2011) and Gurgul et. al. (2003) indicate that higher dividend announcements positively affect stock prices and trading volume. On the contrary, Allen and Michaely (1995) and Frankfurter and Wood (2002) argue that if investors prefer capital gains over dividends due to tax considerations, higher dividends could lead to a decline in equity demand and falling stock prices. Graham and Dodd (1962) argued that typical investors prefer to receive dividends now rather than forgo them for future profits, indicating that withholding dividends to maximize future profits rarely results in higher stock prices. But, Modigliani (1961) supported the dividend irrelevance theory, positing that dividend policy does not influence the market value of shares. Fama (1970) also asserted that in a perfect capital market, dividend policy does not affect a firm's value. Research has explored the strategic implications of dividend decisions on shareholder value. Lotto (2023) states that announcing dividends often increases firm share prices, leading investors to assess a company's profitability based on these announcements. Aditya and Ashok (2017) observed significant stock price reactions to stock dividend announcements, while the study of Stefe (2021) show that the dividend announcements impact stock prices significantly, resulting in abnormal returns. Chanchal et al. (2021) found that while cash dividend announcements generate temporary abnormal stock returns in the Indian market, prices eventually return to normal. Berezinets et al. (2015) and Brain (2017) found that increased dividends positively impacted markets, while decreased dividends led to negative reactions. Rane and Guntur (2017) reported varying sector-specific responses, with industries like Banking, IT, and Healthcare showing significant reactions to announcements, while sectors like Realty exhibited no notable responses. Robiyanto and Yunitaria (2022) studied the effects of dividend announcements during the COVID-19 pandemic in Indonesia. They observed a weak market response in 2019 and a negative abnormal return in 2020, indicating a pessimistic market outlook despite dividend increasements. Dewri et. al (2015) discovered that investors exhibit a strong preference for regular dividends. Aroni at. el., (2014), in the context of Kenya found that consistent dividend payouts significantly influence investment decisions among Kenyan investors. This insight prompted the researchers to recommend policy measures aimed at regular dividend distribution to bolster investors' confidence. This highlights the multifaceted nature of investor decision-making in emerging markets, where personal and cultural elements

intertwine with financial motives. Turning to the dynamics of larger firms, Jory et.al., (2017) pointed out that organizations with pressure- sensitive investors tend to favour higher dividend payouts. The investors, who maintain business ties with the firms, have specific expectations that shape corporate dividend policies. Abor and Bokpin (2010) added another layer to this narrative by linking profitability with higher dividend payouts. Their findings indicated that while profitable firms are more likely to reward shareholders with generous dividends, well-established firms might opt for lower payouts, choosing instead to reinvest profits into growth opportunities. The overarching sentiments regarding dividends was poignantly captured by Palmer (1994) and Lintner (1956)

who argued that dividends are perceived as a safe and reliable source of income. This perception not only affects the value of shares but also plays a crucial role in maintaining investor confidence. Despite extensive research on dividend policies, there exists a significant gap in literature, particularly regarding demographic and cultural influences on investors' preferences in emerging economies. Further, behavioural biases, like overconfidence and risk aversion, have not been thoroughly examined in the literature. Additionally, responses of emerging industries to dividends and the long-term impacts of announcements on shareholders' value need exploration. The influence of tax policies, corporate governance, and the balance between dividend payouts and innovation require further exploration. This article attempts to examine investors' awareness about dividend announcements and analyse the impact of investors' reaction for dividend announcements on their investment decisions. It attempts to evaluate investors' response to dividend announcements and establishes when, why and how dividend announcements affect the investor's investment decisions.

3.0   Research Design and Methodology

The study considers both primary and secondary sources. Secondary sources include theoretical foundation on dividend policies and announcements, while primary data is collected through a questionnaire developed after thorough review of existing literature and own understanding. The questionnaire was executed to 350 respondents (investors, experts from industry and academia) from Delhi-NCR region. Despite several efforts, the researchers could gather complete information from 264 respondents. The analysis, based on responses of 264 respondents, proceeds with demographic profile of respondents and Structural Equation Modelling (SEM) employed to assess investors' awareness about dividend announcements and their reactions on investment decisions. SEM is a comprehensive, linear, and cross-sectional statistical technique (Kumar et al., 2016); it encompasses factor analysis, path analysis, and regression, making it a robust quantitative method (Gowri and Saravanan, 2016). SEM utilizes boxes to represent observed data and arrows to denote causal relationships, allowing for both testing and estimating causal links based on statistical data and qualitative assumptions. The null hypotheses (Ho) framed are as follows.

1. There is no significant relationship between investors' awareness of dividend announcements and their behaviour/ attitude towards investment.

2. There is no significant relationship between investors' awareness of dividend announcements and their investment decisions.

3. There is no significant relationship between investors' awareness of dividend announcements and the hurdles they face in making investment decisions.

4. There is no significant relationship between the hurdles investors face and their behaviour/attitude towards investment.

Table – 1 indicating the demographic profile of respondents reveals a diverse representation across categories. In terms of age, a majority of the respondents (62.1%) fall in the 20–30 years age group, followed by 30–40 years (16.7%) and 40–50 years (14.4%). Gender distribution shows that males make up the largest portion, accounting for 68.2%, while females represent 33.3%. A majority of respondents (61.4%) hold postgraduate or professional degrees, followed by graduates (32.6%), secondary education (3.8%), and only a small percentage (2.3%) of respondents have secondary education certificates. Of the total respondents, 56% have 3 years or less experience, 22% have 3-6 years' experience, 15.9% have 6-9 years' experience, and a few (5.3%) have more than 9 years of experience.

Table -1: Demographic Profile

Characteristic	Category	No.	%	Characteristic	Category	No.	%
Age	20 -30	164	62.1	Experience	≤ 3 Years	148	56.0
	30-40	44	16.7		3 – 6 Years	60	22.0
	40-50	38	14.4		6 – 9 Years	42	15.9
	50 or above	18	6.8		> 9 Years	14	5.3
Gender	Male	180	68.2	Annual Income (Rs.)	≤ 1.5 lakhs	56	21.4
	Female	80	33.3		1.5 – 3 lakhs	42	16.0
	Others	4	1.5		3 – 6 lakhs	88	33.6
					> 6 lakhs	78	29.0
Qualification	Secondary	2	2.3	Sector of Investment	IT	124	47.0
	Sr. Secondary	5	3.8		Energy	104	39.7
	Graduate	43	32.6		Banking	88	33.6
	Post-Graduate & Professional	81	61.4		Automobile	58	22.1
					Metal	22	8.4
					Media	18	6.9
					Finance	98	37.4
					Healthcare	44	16.8
					Others	32	12.2

Looking at annual income, 21.4% of the respondents earn less than or equal to Rs. 1.5 lakhs, 16% fall within the range of Rs.1.5-–3 lakh, 33.6% earn between Rs. 3–6 lakhs, and 29% earn more than Rs. 6 lakhs annually. The respondents belong to a variety of sectors, with the highest representation from the IT sector (47%), followed by Energy (39.7%), Finance (37.4%), Banking (33.6%), automobile (22.1%) and others. Data indicates that investors are

predominantly focusing their investments on IT (47%) and Energy sector (39.7%). This trend aligns with the annual income distribution, because a significant proportion of respondents having investments in these sectors, reported higher income. This suggests a robust investment climate in these sectors.

4.0 Variables

The descriptions of dimensions and subdimensions considered in the industry are as follows.

4.1 Awareness

- I am aware market news, updates, and the schedule and frequency of dividend announcements by the companies I am interested.

- I know how to find dividend information on companies' websites or financial platforms.

- I am aware of the importance of the ex-dividend, dividend record, dividend declaration and payment dates.

- I am aware of the tax implications associated with dividend income.

- I believe and am aware that dividend announcements directly influence the movement in share prices.

- I am aware of how dividend policy changes can signal shifts in a company's strategy.

- I Understand dividend patterns and market fluctuations, which helps me make better investment decisions.

- I am aware of the potential long-term effects of dividend payments on a company's growth and share price stability

- I am aware of the concept of Dividend Reinvestment Plans (DRIPs).

4.2 Investors' Behaviour/Attitude

- I do technical analysis methodologies (e.g., price trends, chart patterns) before taking investment decisions.

- I do fundamental analysis (analysis of the macroeconomic indicators, industry analysis, and performance analysis of the company before making investment.

- I consider research reports, and recommendations of financial analysts and brokers in my investment process.

- I rely on the recommendations of friends, family, and peers before making investments.

- I prefer high dividend yield stocks over companies that reinvest profits for growth.

- I prefer investing in companies with a stable and regular dividend policy.

- I consider my risk tolerance while making investment in dividend-paying stocks.

- Investors are more likely to buy stocks after a positive dividend announcement.

- I generally retain my existing stocks and wait for the dividend announcement before revising my portfolio.

4.3   Investors' Investment Decision

- I believe that both past dividend payouts and current dividend announcements have a direct impact on company's share price.

- I compare dividend announcements across different companies before making investment decisions.

- I focus on specific industries or sectors known for paying consistent dividends before making investment.

- I invest in companies with an irregular dividend, if other factors (profitability, liquidity, firm size, and investment opportunity) are favourable.

- The timing of dividend announcements affects my trading strategy.

- I believe that investing in higher dividend-paying stocks after an earnings announcement will yield higher future earnings.

- I believe that higher dividend-yielding companies pose lower investment risks.

- I consider dividend announcements as a key factor in my overall investment strategy.

- I believe, dividend announcements influence my investment decisions more than other corporate actions.

- Before a dividend announcement, I typically try to purchase more shares in the anticipation of a positive outcome.

- I agree that after earnings announcements, investment in higher dividend paying stocks will generate high earnings in future.

4.4   Investors' Hurdles

- My investment decisions are often influenced by emotional or psychological biases, which can lead to trouble.

- Risks related with changes in government regulations and policies are hard to predict.

- I sometimes face difficulty in buying or selling shares due to low market liquidity.

- Valuing companies accurately is a big challenge, especially in fast-evolving sectors, unexpected corporate events (such as such as mergers or leadership changes) and for newer

firms.

• I sometimes find it hard to keep up with technological advancements and their impact on a companies' future, as well as understanding the effect of global trade policies and geopolitical tensions on my investments.

• The plethora of information makes it difficult for me to filter out relevant data, leading to fear, poor decisions, and sometimes trusting the wrong sources for advice.

• I find it challenging to effectively balance the risks and returns in buying and selling financial assets based on projected price fluctuations for both short-term and long-term horizons.

• I find it challenging to define my financial goals clearly and ensure portfolio efficiency without the help of financial experts.

5.0   Data analysis and findings

To ensure suitability of collected data for further analysis, two key aspects are examined. First, the missing values, and second, the issue of normality for applying Partial Least Squares Structural Equation Modelling (PLS-SEM). The basic descriptives, mean and standard deviation (indicators of central tendency and variability), skewness and kurtosis (indicators of the shape and asymmetry of data distribution) presented in table 2 show skewness and kurtosis values close to zero, meaning that the data is approximately normally distributed.

An item's total involvement in its designated construct is determined by its outer loading, and outer loading of every factor must be greater than 0.705 (Hair et al., 2011). Hence, to check the reliability of each item, outer loading model used. The results of convergent validity and reliability (table 2) indicate that in every case, the values lie within accepted range. As per table, the values of Cronbach's Alpha and CR for investor's awareness (IA) construct are very high (well above the recommended threshold of 0.7), so, reliable with high internal consistency.

Table 2: Test of Normality, Convergent Validity and Reliability

Test of Normality					Convergent Validity and Reliability				
Construct	Mean	SD	kurtosis	Skewness	FL	α	CR	AVE	VIF
Investor's Awareness						0.937	0.938	0.667	
IA1	3.545	1.239	-0.325	-0.813	0.768				2.326
IA2	3.470	1.234	-0.330	-0.807	0.837				2.899
IA3	3.417	1.237	-0.472	-0.664	0.782				2.454
IA4	3.545	1.293	-0.493	-0.714	0.814				2.766
IA5	3.576	1.274	-0.310	-0.801	0.788				2.620
IA6	3.500	1.282	-0.394	-0.802	0.845				3.463

IA7	3.606	1.236	-0.256	-0.791	0.859				3.560
IA8	3.568	1.207	-0.064	-0.862	0.827				4.125
IA9	3.295	1.319	-0.799	-0.538	0.771				2.346
Investor's Behavior						0.923	0.928	0.623	
IB1	3.485	1.294	-0.624	-0.642	0.663				1.929
IB2	3.500	1.258	-0.471	-0.711	0.782				2.572
IB3	3.402	1.290	-0.548	-0.696	0.805				2.459
IB4	3.205	1.301	-0.883	-0.364	0.733				2.081
IB5	3.303	1.243	-0.611	-0.544	0.831				3.049
IB6	3.462	1.311	-0.521	-0.759	0.864				3.689
IB7	3.538	1.264	-0.336	-0.799	0.826				2.800
IB8	3.341	1.290	-0.661	-0.571	0.822				3.162
IB9	3.227	1.346	-1.009	-0.308	0.757				2.473
Investor's Investment Decisions						0.943	0.948	0.640	
ID1	3.598	1.248	-0.270	-0.778	0.825				2.633
ID2	3.318	1.195	-0.408	-0.661	0.824				3.024
ID3	3.394	1.223	-0.439	-0.639	0.770				2.437
ID4	3.417	1.155	-0.202	-0.656	0.850				2.988
ID5	3.311	1.309	-0.826	-0.529	0.827				2.878
ID6	3.303	1.224	-0.477	-0.646	0.709				1.965
ID7	3.242	1.309	-0.790	-0.477	0.798				1.977
ID8	3.265	1.186	-0.586	-0.499	0.820				3.147
ID9	3.098	1.342	-1.074	-0.275	0.805				2.988
ID10	3.144	1.360	-1.084	-0.317	0.854				3.198
ID11	3.341	1.236	-0.544	-0.551	0.799				3.192
Investor's Hurdle's						0.899	0.914	0.591	
IH1	3.227	1.277	-0.827	-0.455	0.575				1.373
IH2	3.508	1.151	0.061	-0.872	0.784				2.066
IH3	3.265	1.290	-0.761	-0.590	0.658				1.585
IH4	3.439	1.281	-0.649	-0.604	0.822				2.564
IH5	3.485	1.069	-0.015	-0.764	0.806				2.436
IH6	3.417	1.142	-0.125	-0.715	0.858				2.995
IH7	3.364	1.195	-0.383	-0.732	0.815				2.197
IH8	3.265	1.290	-0.836	-0.419	0.788				2.375

Note: FL: factor loadings; α: Cronbach's alpha coefficient; CR: composite reliability; AVE: average variance extracted; VIF: variance inflation factor

Source: Own calculations

The AVE value of 0.667 suggests that 66.7% of the variance in the items is captured by the construct, meeting the threshold of 0.5. The construct shows robust psychometric properties, and no modifications required for this construct. The loadings for each individual item (IA1–IA9) above 0.7 further support the validity of the construct. Like investor's awareness, the construct for investor's behaviour also has high internal consistency (α and CR more than 0.9) and good convergent validity. The AVE (0.623) indicates that 62.3% of the variance is

explained by the construct. Factor loading of item IB4 (0.733) is slightly lower (still above 0.7, but the factor loading of IB1 is extremely low (0.663). The construct also demonstrates high reliability and validity in investment decisions, as indicated by a Cronbach's Alpha (0.943) and CR (0.948). AVE of all the items of investor's investment decisions (0.640) is above the recommended threshold, confirms good convergent validity. Most of the factor loadings (ID1–ID11) are strong, ranging from 0.709 to 0.854. Item ID6 has a factor loading of 0.709, which is slightly lower than the other items, but acceptable. The construct of investor's hurdles ($\alpha = 0.899$ and CR = 0.914) is also reliable and valid. The AVE of 0.591 indicates that 59.1% of the variance is explained by the construct. Individual factor loadings for this construct ranging from 0.758 to 0.858 are also satisfactory. However, IH3 has a factor loading of 0.658, which is lower than other items, and H1 is very weak. All the VIF values of construct lie between 1 and 4, hence the construct performs well. James, Witten, Hastie, and Tibshirani in the book titled "An Introduction to Statistical Learning: with Applications in R", mentioned that a VIF threshold of 10 indicates severe multicollinearity. To verify that a reflective construct exhibits stronger relationships with its own indicators than with those of any other construct in the PLS path model, it is necessary to conduct discriminant validity assessment (Hair et al., 2022). To assess whether different constructs in the present analysis are distinct enough from each other, the researchers used Fornell-Larcker Criterion. According to this criterion, the square root of the average variance extract (AVE) of each construct should be greater than its correlation with any other construct in the model. It ensures that each construct measures a unique concept and is not simply capturing variance from another construct.

Table 3: Discriminant Validity (Fornell-Larcker Criterion)

	IA	IB	ID	IH
IA	**0.817**			
IB	0.709	**0.789**		
ID	0.591	0.696	**0.800**	
IH	0.539	0.655	0.652	**0.768**

Note: Bold values are the square root of relevant AVE.
Source: Own calculations

The results of discriminant validity analysis are presented in table 3. In the table, diagonal values (in bold) represent the square root of the average variance extracted (AVE) for each construct, i.e., investor's awareness related to dividend announcements (0.817), investor's behaviour towards dividend announcements (0.789), investment decisions (0.800), and

investor's hurdles (0.768). Each of these values is greater than their respective inter-construct correlations, confirming that the studied scales meet the reliability and convergent validity criteria. Furthermore, the correlation values between constructs are below the threshold of 0.85, reinforcing the presence of discriminant validity.

5.1   Model Estimation

The three models, viz., Investor Hurdles (IH), Investor Investment Decisions (ID), and Investor Behaviour (IB) demonstrate varying levels of explanatory power, as indicated by their R-squared (R^2) and adjusted R-squared values. R-squared measures how well independent variables explain the dependent variable's variance, while adjusted R-squared adjusts for the number of predictors, preventing overfitting. In multiple regression models, adjusted R-squared is preferred because it provides a more reliable measure of model fit (Wooldridge, 2016). The IH model, with an R-squared value of 0.290 and an adjusted R-squared of 0.288, explains that 29% of the variance in investment hurdles are affected by investors' awareness. It indicates a limited ability to capture the challenges investors face. The small difference between R-squared and adjusted R-squared confirms that the model is not overfitted. The ID model, with an R-squared of 0.349 and an adjusted R-squared of 0.346, explains 34.9% of the variance in investment decisions are caused by investors' awareness and investment hurdles. A meagre difference between the value of R-squared and adjusted R-squared indicates that the model is well-fitted and stable. The IB model, with an R-squared value of 0.503 and an adjusted R-squared of 0.501, also tells us that 50.3% of the variance in investors' behaviour also are caused by investors' awareness and investment hurdles. These models indicate that the identified factors significantly influence investors' behaviour with a robust and well-fitted structure.

5.2   Hypotheses Testing

In the proposed hypothesis testing, the path coefficients measure the correlation among all variables. A p-value of ≤ 0.05 indicates statistical significance, whereas a p-value greater than 0.05 suggests that the path coefficient is neither valid nor significant (Hair et al., 2014). Table 4 presents β-value, t-statistics, and p-values of each hypothesis, which determine the direct effect of paths. In the PLS, the path coefficient and standardized β coefficient of regression analysis are equivalent. The β-value represents the strength of the effect on endogenous variables, with higher values indicating a stronger impact. The significance of β is confirmed through the t-statistics, where the threshold is 't' ≥ 1.96, and significance is established at p <

0.05. The hypothesis is evaluated using PLS bootstrapping methods, where β values reflect how variations in independent constructs influence dependent constructs. The outcome of direct hypothesis testing for the relationships between variables presented in table 4 shows that the β value for the path from investors' awareness related with dividend announcement to investor's behavior towards dividend announcement **(**Ho1) is 0.709. Its 't' statistic (8.681) and probability value (0.000) signify a statistically significant positive relation between IA and IB. Similarly, for the path from investors' awareness related with dividend announcements to their investment decisions (Ho2) the β value (0.309), 't' statistic (5.490), and associated probability (0.000) highlight a moderate, but significant positive relationship between IA and ID.

Table 4: Hypotheses Testing

| Hypothesis	β	't' Value ('P' Sign.)	Result/ Path
Ho1: There is no significant relationship between investors' awareness of dividend announcements and their behavior/ attitude towards investment.	0.709	8.681 (0.000)	Rejected IA→IB
Ho2: There is no significant relationship between investors' awareness of dividend announcements and their investment decisions.	0.309	5.490 (0.000)	Rejected IA→ID
Ho3: There is no significant relationship between investors' awareness of dividend announcements and the hurdles they face in making investment decisions.	0.290	10.948 (0.000)	Rejected IA→IH
Ho4: There is no significant relationship between the hurdles investors face and their behavior/ attitude towards investment.	0.392	6.432 (0.000)	Rejected IH→IB
Ho5: There is no significant relationship between the hurdles investors face and their investment decisions.	0.478	8.429 (0.000)	Rejected IH→ID

Note: Hypotheses are tested at 5% level of significance.
Source: Own calculations

For third path, from investors' awareness related with dividend announcement to hurdles they face (Ho3), the β value (0.290), 't' statistic (10.948), and associated probability (0.000) points to a low degree significant positive relationship between IA and IH. The fourth and fifth path from hurdles investors face to their behavior towards investment (Ho4), and investment decisions (Ho5), the β value is 0.392 and 0.478 respectively. Their 't' statistics (6.432 and 8.429) with probability 0.000 clearly indicate a moderate degree relationship of hurdles investors with hurdles investors investment behaviour and investment decisions. This underscores the substantial impact of investment hurdles on investors' behaviour and

investment decisions.

Figure 2: Model Estimation – Partial Least Squares (PLS-SEM) Algorithm
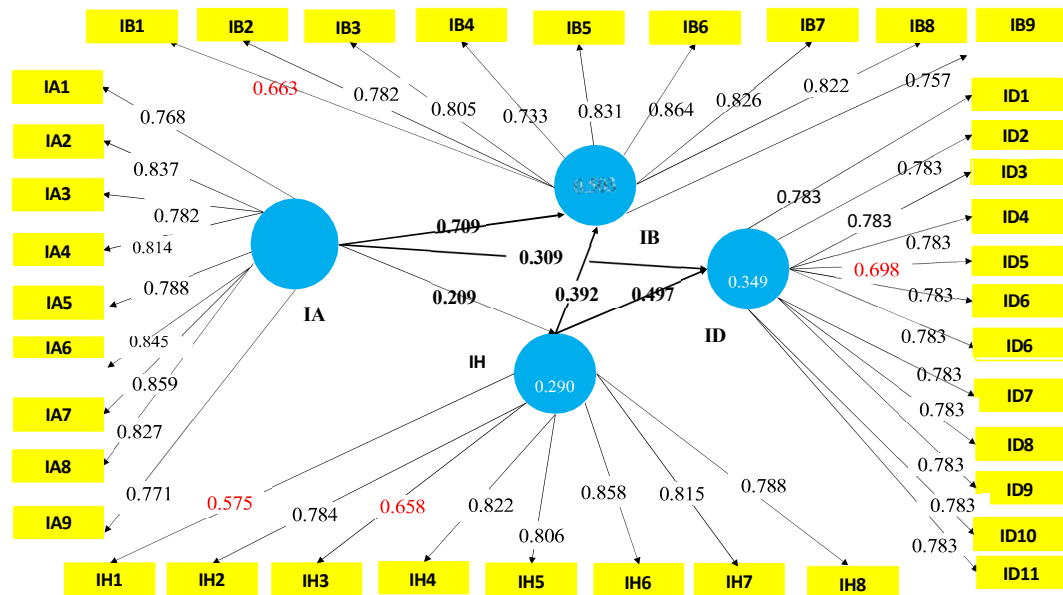
6.0   Conclusion

This article examines investors' awareness of dividend announcements and their impact on investment decisions. The findings indicate that most investors are well-educated and experienced, primarily investing in the IT and Energy sectors. Investors' awareness about dividend announcements significantly influences long-term investment strategies, particularly for those favouring stable dividend-paying companies. While these announcements do not trigger immediate actions, they serve as key financial signals. However, challenges such as emotional biases, low market liquidity, and information overload affect investor decision-making. Fear of missing out (FOMO) and loss aversion often lead to irrational choices, while liquidity constraints limit flexibility. Investors also struggle to filter relevant data, impacting valuation accuracy and investment outcomes. To address these issues, the study recommends enhancing financial literacy, promoting informed decision-making, and encouraging companies to align and communicate dividend policies transparently. Investors should adopt structured investment criteria, manage emotional biases, and utilize analytical tools. Market platforms can further support investors by providing better investment management tools. Implementing these strategies can improve investor behaviour and long-term financial outcomes.

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