

# Can dividend announcement predict abnormal returns? Tunisia evidence

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**Abstract.** Purpose – The purpose of this paper is to observe whether the announcement of dividend distribution can affect the abnormal return on the Tunisian stock exchange. Design/methodology/approach – The sample includes 24 non-financial listed stocks in Tunisia Stock Exchange during the years 2004-2013. Company decides to announce its dividend payout policy to signal the market that the firm is now processing future prospects, which will result in changing its stock prices. Findings – The findings yield qualitatively consistent with the previous research. After controlling for the effect of the Politic Crisis in Tunisia during 2010-2013, the result shows that the stock prices move upward significantly after dividend announcements. Abnormal return (AR) and cumulative abnormal return (CAR) from the market model are statistically significantly revealed. Moreover, most event windows show that the stock return becomes lower when the investor sentiment for dividend is higher. Research limitations/implications – The result is limited to the absence of an important number of firms listed in TSE from this period. Practical implications – Investors in Tunisia show their preference for dividend to self-control, satisfaction and increase their profit. “This could be the catering incentive of the firm to decide to pay dividends”. Originality/value – This document provides evidence of Baker and Wurgler's (2002) proposed a new dividend theory; *dividend catering theory*, Bulan et al (2004) proposed the timing of dividend initiation, Thanwarat Suwanna (2012) document the impact of dividend announcement on stock returns. Even though the results indicate that Tunisian market react to the announcement of dividend by managers. Moreover, the timing of dividend initiation is affected by the investors' sentiment, measured by the dividend premium. Tunisian investors react positively to the announcement to distribute dividend from firms especially in abnormal economic situation explained by the Tunisian politic crisis.

**Keywords.** Dividend premium, dividend announcement, abnormal returns, market model.

## 1. Introduction

The choice to distribute the wealth created for the advantage of the shareholders may be defined as strategic, the marketplace being touchy to the alternatives that have an effect on this choice, specifically in due to the giant quantities which can be paid every 12 months to shareholders and additionally due to its interweaving and interplay with different funding and financing decisions. For example, a knowledge of distribution regulations pursued with the aid of using managers can assist us higher recognize different economic and funding decisions [2].

Yet, in idea, a employer have to pay dividends to its shareholders simplest if the charge of go back at the funding tasks it undertakes is much less than the weighted common price of capital. However, this technique does now no longer provide an explanation for the conduct of the bulk of enterprise leaders in phrases of dividend coverage. Indeed, if for Modigliani and Miller [27], an employer can't create sustainable cost with the aid of using an easy economic choice (neutrality of the coverage of dividends), different authors assume that there are imperfections of marketplace fiscal, transactional, informational and behavioral which could make the distribution coverage relevant. This discrepancy among idea and exercise is what Black [8] calls "the puzzle of the dividend".

With regard to dividend coverage, Shefrin and Statman [35] gift a framework for explaining buyers' alternatives for dividends as opposed to capital profits primarily based totally at the idea of self-control. Thaler and Shefrin [34] inn to the idea of uncertainty of Kahneman and Tversky [12], suggesting that a few buyers can be required to pay a top class for corporations that pay coins dividends due to mental concerns of self-control, the choice to be positioned in a separate portfolio, and the choice to keep away from or lessen the sensation of remorse. Ghosh [16] gives a proof of the dividend coverage pursued on the premise of remorse idea. This idea means that whilst people are confronted with a volatile desire amongst numerous strategies, they explicit remorse (pleasure) if the end results of the selected motion seem to be inferior (superior) to the consequences related to the omitted strategies. This feeling of remorse or pleasure is perceived simplest with inside the case in which the selected motion represents a deviation from the traditional or general exercise observed. In this context of dividend coverage, Ghosh [16] indicates that the sensation of remorse or pleasure that manifests after the managers' choice implies.

Based on those one-of-a-kind marketplace imperfections, researchers built and examined numerous theoretical and empirical models. However, the inconsistent outcomes obtained, cannot give an explanation for the selection of managers. In truth, theoretical reasons observe one-of-a-kind approaches: the primary method considers dividend coverage as creates fee due to the fact the fee of a dividend is a superb sign of the modern-day and destiny outcomes of the company [28] and the truth that it reduces discretionary flows to be had to managers [13]. The 2d method considers the distribution of the dividend as adverse of the fee; the underlying concept is that of absence of funding initiatives and consequently the presence of sturdy uncertainty on destiny boom prospects. There is consequently no consensus at the maximum applicable determinants of the dividend fee decision.

The various decisions - regarding investment and financing as well as the decision to distribute the dividend - have been fields of application for this external approach to behavioral corporate finance. For this purpose, new theoretical explanations such as market timing theory, the "catering theory of dividend", the influence of the investor's sentiment on the investment decision, etc. have thus appeared, presenting a very interesting explanatory power. The originality of this paper is to show if the dividend premium and dividend yield play an important role on the abnormal return and cumulative abnormal return around dividend announcement in the Tunisian context especially in an abnormal economic situation explained by the politic crisis.

## 2. Literature Review

Satish Kumar [33] locates that assertion of growth in dividend cause growth in inventory costs, at the same time as the dividend lower bulletins are related to lower in inventory costs. Firms that announce no alternate in dividends, enjoy insignificant bad returns across the occasion date. Hamid et al [18] finish that the signaling impact of unique dividends is more potent and businesses with those bulletins are higher performers in recessions than in expansions. Sascha et al [32] they expand a brand-new discrete dividend version that permits for the opportunity of early assertion and guarantees that the drop of the inventory rate on the ex-dividend date equals the dividend. They finish that discrete dividends have an effect on the inventory rate. Aditya et al [1] finish that inventory costs react to inventory dividend bulletins in particular across the occasion date. Anwam et al [3] offer that the volatility of inventory returns multiplied publish coins dividend assertion because of decline in firm's risk. Apostlos et al [4] locate that marketplace react definitely while dividend increases, while a bad inventory rate response while dividend decreases, inventory costs unaltered with dividend constant. They record that the marketplace includes dividend information in a green manner. Saditas and Fan [36] exhibit that inventory rate of dividend payers is more as compared to the ones of nonpayers. They locate additionally that policy-associated monetary uncertainty and the share of companies paying dividends give an explanation for extra than 1/2 of the variant in dividend top rate for assets. Thanwarat Suwanna [37] shows that the inventory costs flow upward appreciably after dividend bulletins. Moreover, they verify that dividend signaling concept because the dividend bulletins have tremendous effect on percentage costs.

Bulan et al. [9] gift proof steady with the concept of dividend management. They discover that the timing of the dividend relies upon on investor sentiment, measured through the dividend top rate. The organization that has the better dividend top rate is much more likely to provoke a dividend than different agencies with a decrease dividend top rate.

Baker and Wurgler [6] showed this hypothesis, called "catering incentives", with inside the United States. Companies pay dividends whilst call for is strong, ie whilst buyers price agencies that pay in a "depressed" or "bearish" marketplace environment. Catering relies upon on managerial horizon [5, 30]. On the only hand, if managers' simplest care approximately long-time period shareholders, they're now no longer involved approximately short-time period charge and consequently will now no longer cater. On the opposite hand, if managers care approximately present short-time period shareholders, in addition they care approximately the short-time period charge and could try to cater. Baker and Wurgler [5, 6] endorse that companies' managers will determine to pay dividend primarily based totally on investor's call for. Firms cater extra whilst the buyers display better call for for dividend through setting top rate on dividend-paying shares and no pay whilst the buyers call for is low or opt for now no longer pay.

Nopphon Tangjitprom [29] concludes that during Thailand, dividends do now no longer disappear and dividend rates are advantageous. Moreover, an advantageous dividend top class displays that traders in Thailand choose dividends. This may be defined that traders in Thailand are extra risk-avoided and conservative. Therefore, they choose dividends due to the fact dividends are positive at the same time as the capability capital profits are unsure despite the fact that dividend earning may be taxed extensively.

Mamunur et al [25] show that dividends in company Malaysia are appreciably influenced with the aid of using marketplace demands, hence developing a dividend catering incentive in Malaysia. The dividend catering incentive creates disequilibrium with inside the marketplace as it ends in the belief that businesses pay dividends now no longer due to the fact they've a reserve of earnings however due to the fact traders need dividends as tangible earnings. Thus, investor sentiment performs a critical function in dividend payout selections in Malaysia. Denis and Osobov [10] observe the dividend coverage on time collection information for 6 monetary markets evolved among 1982 and 2002. They check Baker and Wurgler's [5] catering idea, and display that "Common law" (Canada and United Kingdom) in which the shareholders exert a sturdy strain at the leaders, the idea of the catering is proven however in a completely insignificant way, whereas, with inside the nations of "civil law" (Germany, France and Japan) in which the shareholders exert a vulnerable strain at the leaders, the idea of pride is rejected and unearths no empirical validation.

Neves and Torre [14] publish a discussion paper whose idea is based on predictions of the theory of satisfaction. They examine how investor sentiment exerts a significant influence on dividend policy. In particular, they examine the relationship between the dividend distribution rate and the satisfaction theory. The authors find that euro zone companies satisfy the sentiments of their investors. Li and Lie [23] extended the model of Baker and Wurgler [5] by focusing on increases and reductions in dividend payments by executives. They find that the decision to change the amount of the dividend paid and the size of the change depends on the dividend premium granted by the market. They note in particular that the decision to change the amount of the payments depends on the demand of the investors, and the market premium which results from the payment of dividends. Ferris et al [15] lead to the same results as Denis and Osobov [10] in a sample of twenty-three countries. Leaders respond rationally to investor demand for dividends in

common law countries. On the other hand, in civil law countries, companies do not follow investors' preferences for paying the dividend.

Wurgler [5, 6] gave a new impetus to the behavioral argument by developing the "catering theory of dividend". They show that the variation over time in the propensity of the firms that pay dividends is explained by the investors' existing demand for these companies, the higher the demand, the higher the propensity to pay. They use an "ex ante" measure of mispricing which they call "dividend premium". This is equal to the difference between the logarithms of the average market-to-book ratio of the paying companies and that of the companies that do not pay dividends. To reinforce their results, they constructed a second, posterior measure of price inefficiency that consists of observing future returns on securities. They find that as the dividend initiation rate rises, the future returns of dividend paying companies are lower compared to those that have not paid dividends. This is consistent with the idea that firms initiate the distribution of a dividend when existing paying securities are overvalued.

Jing and al [20] of their paper examine the empirical determinants of dividend payout coverage amongst companies working in 18 specific countries, amalgamated into 9 fundamental economic markets – Canada, US, Hong Kong, Singapore, Australia, France, Germany, UK and Other European. Using prolonged pattern duration from 1989 to 2011, they finish that the modifications with inside the propensity to pay and check whether or not catering concept can give an explanation for the disappearing dividends puzzle discovered in economic markets. In addition, they discover that catering incentives have a extensively tremendous effect at the modifications with inside the unexpected percentage of dividend payers for companies working in not unusual place regulation countries (Canada, Hong Kong, Singapore, Australia and UK in our pattern).

Maria Cristina Arcuri et al [26] investigate the effects of fake news on the stock returns of targeted firms. Fake news, defined as fabricated information intended to deceive readers while presented as true, is analyzed through the lens of disagreement models. The authors argue that the inability of some investors to distinguish between true and fabricated news can lead to disagreement among investors regarding the true value of the firm, thereby influencing stock prices. In their study, Ziyang Li et al. [38] explore the relationship between top management abnormal turnover and the risk of stock price crashes. They note the increasing attention investors in capital markets have paid to management turnover, particularly abnormal turnover at the top management level. The research findings suggest a positive correlation between top management abnormal turnover and the risk of stock price crashes. Gilberto Loureiro and Sónia Silva [17] investigate whether firms that are cross-delisted from major U.S. stock exchanges experience an increase in crash risk associated with earnings management. They hypothesize that post-cross-delisting, these firms may engage in more aggressive earnings management practices, leading to heightened crash risk. Their analysis reveals that indeed, earnings management has a greater positive impact on stock price crash risk for cross-delisted firms compared to a control group of firms that remain cross-listed.

Hwa Lee et al. [22] addresses the distress risk puzzle, which posits that stocks with high distress risk should yield higher returns, a notion found to be empirically inaccurate. The authors introduce a novel stock-level investor sentiment measure and demonstrate that individual investor behaviors influence the future excess returns of stocks, even in the presence of distress risk. In their study, Jochen Hartmann, Matthias Pelster, and Soenke Sievers [21] examine the discrepancy between abnormal announcement returns (CAARs) and two-year buy-and-hold abnormal returns (BHARs) of activist engagements. They find that activist targets with the highest two-year BHARs yield only slightly higher CAARs than other targets, suggesting that financial markets struggle to consistently differentiate between long-term top-performing engagements and others at the announcement stage.

**Table 1.** Tunisia stock market: an overview 2004–2013 (US\$ billions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>FDI inflows</b>	0.9	0.8	3.3	1.6	2.8	1.7	1.5	1.1	1.6	1.1
<b>Portfolio inflows</b>	9	12	64	29	-39	-88	-25	-43	-15	80
<b>Dividend tax</b>	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Start date</b>	<b>Number of listed companies</b>	<b>Stock market capitalizations (Billion \$)</b>	<b>Stock market Cap/GDP (%)</b>	<b>market Value traded (Billion dollar)</b>	<b>market Turnover ratio (%)</b>					
1969	1998 38	2014 75	1998 2.27	2014 9.67	1998 10.4	2014 21.1	1998 0.52	2014 0.9	1998 1.7	2011 0.9

*Notes: Figures are in US\$ billions at current prices and current exchange rates.*

*Source: UNCTAD database; FDI: Foreign direct investment*

*Source: World Bank, World development indicators database.*

*Source: PKF Worldwide Tax Guide*

### 3. Methodology and Sample

The examiner focuses to analyze the effect of dividend assertion with the aid of using analyzing the response of inventory fee to dividend bulletins the usage of occasion examine method to discover inventory returns across the dividend assertion date. Event examines research the conduct of corporations` inventory fee round company or

monetary activities consisting of dividend bulletins. In the instructional accounting and finance field, occasion research was implemented to lots of organization particular and economies extensive activities.

In maximum applications, the focal point is the impact of an occasion at the fee of a specific magnificence of corporations` share. Some examples as incomes assertion, mergers and acquisitions, troubles of recent fairness or debt and dividend assertion that's the examiner on this paper. According to Brown and Warner [7] an occasion examine describes a way of empirical monetary studies that allows an observer to assess the effect of a specific occasion on a inventory fee like dividend assertion and inventory return.

Moreover, to examine the effect of dividend bulletins, 24 Tunisian agencies in monetary enterprise indexed in The Stock Exchange of Tunisia (SET) in the course of the length 2010-2013 which have fee touchy facts across the date of dividend bulletins are considered for this study. The occasion date is the dividend assertion date, whilst the board of administrators has proposed the dividend proposal, is described as  $t=0$ , the time window is the estimation length and occasion length so restoration the term over which the proportion costs of the corporations are involved. The hobby length is previous and after the occasion date to seize the fee impact of bulletins which arise after inventory marketplace closes at the assertion day [24].

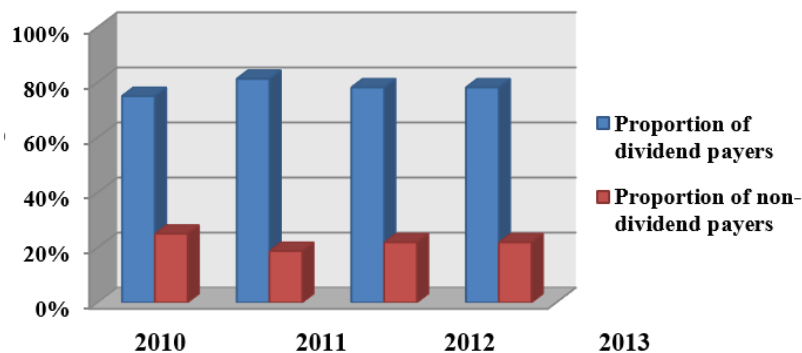


Figure 1. Pourcentage of Dividend payers vs Non-Dividend payers Among Non financial firms

## Variable Measurement

### Dependent Variable

This paper uses a time period of  $-15$  to  $+15$ . For the estimated of return parameters, defines an estimation window period of 31 days. Estimate market model using data  $t = -31$  to  $t = -21$  (where  $t=0$  is dividend announcement date) and use OLS (Ordinary Least Square): Under the CAPM, the expected daily return  $E(R_{it})$  for stock  $i$  on day  $t$  is calculated as follows:

$$E(R_{it}) = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$$

Where  $\alpha_i$  and  $\beta_i$  are ordinary least square (OLS) value estimated from estimation period, and

$R_{mt}$  is the daily market return on day  $t$ . In analyzing the impact of the event "Dividend announcement" to use Event Study Technique suggested by MacKinley (1997) that explore abnormal return of the stock in the event window. Abnormal returns ( $AR_{it}$ ) are calculated as the difference between actual returns and the returns predicted by the market model:

$$AR_{it} = R_{it} - E(R_{it})$$

After obtain abnormal return of each period of the stock then calculated the Cumulative abnormal returns (CAR) are calculated by aggregating daily ARs over time starting from before the day of dividend announcement to after the dividend announcement date. Cumulative average abnormal daily returns for an event period from  $T_1$  to  $T_2$  can compute as follows:

$$CAR_{it} = \sum_{t=T_1}^{T_2} AR_{it}$$

Although, a researcher had found abnormal returns, it must be proved that the results are not gained by unexpectedly or by biased time series. A basic assumption that is the daily abnormal returns are identically and independently distributed. It is also assumed that over a long-time stock price have a tendency to approach the expectation value that mean value. The study investigates the following hypotheses:

There is no Cumulative Abnormal Return or  $\mu CAR = 0$

Also, there is a relationship between abnormal return around dividend announcement and dividend premium.

If the resulting from an event is believed to affect a firm's current and future earnings, its stock price changes as soon as the market studies about the event. To observe whether an event had any impact on the firm's values, pre-event and post event abnormal returns (AR) and cumulative abnormal returns (CAR) are measured. Conclusions are described the test results of statistical significance of abnormal returns (AR) and cumulative abnormal returns (CAR).

### Independent variables

The first independent variable is dividend yield, which is computed using dividend per share divided by stock closing price on announcement date. The second independent variable is dividend premium, which is defined as the proxy for investors' sentiment for dividend-paying stocks. Dividend premium is the difference in natural logarithm of the average market-to-book ratio between dividend payers and non-payers in each year. The average market-to-book ratios are constructed by value-weighting (by book value) across dividend payers and non-dividend payers. The market-to-book ratio is furls market value divided by firms' book value.

### 4. Empirical study results

In order to set up the proof for the catering dividend theory, correlation evaluation is used to study the affiliation among dividend yield, dividend top class and the strange return. The energy of the correlation might be decided with the aid of using inspecting the Pearson correlation coefficient for every window. Pearson correlation coefficient can best take value -1 to +1. The high-quality signal shows that there's a high-quality correlation (because the dividend yield or dividend top class increases, so too the marketplace response). The bad signal shows that there's a bad courting among variables, while the dividend top class decreases, the marketplace response increases. The length of absolutely the value (ignoring the signal) affords a demonstration of the energy of the courting.

**Table 2.** Average Abnormal Returns, Cumulative Average Abnormal Returns and dividend premium

Da ys	Pre-Announcement		Announcement Post Announcement		
	AAR	CAAR	Days	AAR	CAAR
-15	-0,003440878*	-0,003440878*	0	0,003267164*	0,005894331**
-14	-0,004153338**	-0,007594216**	1	0,004291587**	0,010185918**
-13	0,004899347	-0,002694869	2	0,004969806**	0,015155723**
-12	0,009442881*	0,006748012*	3	-0,005695523*	0,0094602*
-11	-0,003859057	0,002888955*	4	-0,006150539**	0,003309662**
-10	-0,004135269***	-0,001246314**	5	-0,004130579**	-0,000820917*
-9	0,003408245***	0,002161932**	6	-0,003264171	-0,004085087
-8	-0,005765714**	-0,003603782**	7	0,002142534	-0,001942553
-7	-0,003577673	0,000138999**	8	0,003972434***	0,002029881**
-6	0,003742782	0,003881781	9	0,002396152***	0,004426033***
-5	-0,007039143**	-0,003157362*	10	-0,00174038***	0,002685652**
-4	-0,004029422**	-0,007186785*	11	-0,001795809	0,000889844
-3	0,003034058*	-0,004152727*	12	-0,002185589*	-0,001295745*
-2	0,004045072**	-0,000107655**	13	-0,003394527	-0,004690272
-1	0,002766122**	0,002658468**	14	0,003952344**	-0,000737928**
0	0,003267164*	0,005925631**	15	0,003888281*	0,003150353*

\*\*\* Statistically significant at 1%, \*\* statistically significant at 5%, \* statistically significant at 10%

Results from the correlation model are summarized in table 2 and 3. This result is estimated for all observations windows: around, before, and after announcement date. For the first independent variable from table 2, dividend yield, it is shown that the lowest and the highest coefficients of correlation with the abnormal return are -0,002 and 0,0068 before the announcement. Likewise, the lowest and highest coefficients of correlation with the cumulative abnormal returns are -0,0004 and 0,006. Around the dividend announcement date, coefficient of correlation with abnormal returns and the cumulative abnormal returns are successively 0,0069 and 0,012. Meanwhile, the lowest coefficient of correlation with abnormal returns after dividend announcement is -0,003 and the highest coefficient of correlation is 0,006. Similarly, the lowest and the highest coefficients of correlation with cumulative abnormal returns are -0,0018 and 0,024. It means that the highest coefficient of correlation for all windows shows a positive statistically significant correlation between dividend yield and abnormal stock return variable. While, the lowest coefficient of correlation for all windows shows that there is also a positive, but statistically insignificant correlation between abnormal stock return and dividend yield, at Windows [-12+12], [-11+11], [-6+6] and [-5, +5].

The second independent variable is the dividend premium. The highest coefficient of correlation with abnormal returns is 0,009 and the lowest coefficient of correlation is -0,0034 before the announcement date. Moreover, the lowest and highest coefficients of correlation with the cumulative abnormal returns are -0,001 and 0,0067. Then, around the dividend announcement date, the coefficient of correlation with abnormal returns is 0,003 and 0,0058 with the cumulative abnormal returns. The highest and the lowest coefficient of correlation with abnormal returns after



announcement date are -0,00174 and 0,0049. Further, the highest and the lowest coefficient of correlation with cumulative abnormal returns after announcement date are -0.0007 and 0.015. From all event windows, the highest coefficient of correlation is statistically significant, meaning that there is a positive, but the lowest is negatively significant relationship between the stock return and the dividend premium. This result is consistent with the hypothesis that there is relationship between stock return and the dividend premium. Meanwhile, given the lowest coefficient of correlation for all three event windows, it shows that there is also negative statistically insignificant association between the stock return and the dividend premium. At windows [-13+13], [-7+7] and [-6, +6], the correlation between dividend premium and stock return is positive and statistically insignificant. Therefore, this result has two outcomes in the relationship between dividend premium and the stock return, but generally it can be stated that mostly there is a negative association between the stock return and dividend premium.

**Table 3. Average Abnormal Returns, Cumulative Average Abnormal Returns and dividend yield**

Days	Pre-Announcement		Announcement Post Announcement		
	AAR	CAAR	Days	AAR	CAAR
-15	-0,00270981*	-0,00270981 *	0	0,005194672**	0,012742656**
-14	0,000208064	-0,002501745	1	0,006334906*	0,019077562*
-13	-0,004466243**	-0,006967989**	2	0,005662106*	0,024739668**
-12	0,003328904	-0,003639085	3	-0,005640767*	0,019098901*
-11	-0,003750849	-0,007389934	4	-0,00755743**	0,011541469*
-10	0,003654021*	-0,003735913*	5	-0,004617731	0,006923738
-9	-0,00465026**	-0,008386173	6	-0,007093893	-0,000170155
-8	0,006351318**	-0,002034855	7	-0,003312612	-0,003482767
-7	-0,003224946**	-0,005259801	8	-0,00627562**	0,009758393**
-6	0,004282401	-0,0009774	9	0,004291587**	0,005466806**
-5	-0,005732225	-0,006709625	10	0,003610213**	0,001856593**
-4	0,006225554*	-0,000484071*	11	0,00401452	0,002157927
-3	0,006867015*	0,006382944*	12	-0,004515219	-0,002357292
-2	-0,007110368*	-0,000727424*	13	0,004989037	0,002631744
-1	0,006483929**	0,005756505**	14	-0,004055589	-0,001423845
0	0,006986151**	0,012742656**	15	0,00343022	0,002006375

\*\*\* Statistically significant at 1%, \*\* statistically significant at 5%, \* statistically significant at 10%

However, in all event windows, the coefficient of correlation for dividend yields and dividend premium variables shows statistically significant relationship. Except for windows [-5, +5],

[-6, +6], [-7, +7], [-11, +11], [-12, +12] and [-13, +13], the results do not show statistically significant relationship between the variables. In general, the abnormal return is lower and statistically significant to the dividend announcement made by the firm with high dividend premium because investors do not really consider the dividend premium made by the firms, and that is also why the dividend premium shows negative relationship to the stock return.

The results show that dividend yield play an important role on market stock price. Moreover, market reacts more positively in the moment of dividend announcement by the firms. Further, the investor can react optimistically and pessimistically on the market decision to distribute dividend. In one hand, some investors consider the dividend policy as value-creating because the payment of a dividend is a good signal on the current and future results of the company [28] and the fact that it reduces the discretionary flows available to managers [13]. In other hand, they consider the distribution of the dividend as destructive of the value, the underlying idea is that of absence of investment projects and therefore the presence of strong uncertainty on future growth prospects.

We discover that bizarre go back round an initiation is undoubtedly associated with the dividend top rate. Related to the catering idea means that supervisor will provoke dividend while buyers placed a better rate on payers and miss dividends while buyers want non-payers. Moreover, their goal is to get the inventory rate top rate related to the traits buyers want. When the dividend paying shares are chosen, investor will bid up the rate reasons an excessive dividend top rate then the managers provoke dividend payment. Likewise, while the dividend-paying inventory isn't always interested in the investor, the managers miss the dividend payment. Furthermore, investor placed greater charges at the inventory of corporations' payers of dividend to inspire managers to keep and boom the quantity of dividend distribution.

The purpose for managers catering to investor's call for dividend is that the inventory rate of the corporations might be tormented by the better dividend top rate and the decrease dividend top rate. If the investor sentiment for dividend is excessive, then the inventory rate response might be better, and if the buyers' sentiment for dividend is low, then the inventory rate response may also be decrease. Moreover, if buyers want for dividends, they have to reply greater favorably to the information of dividend initiations. However, of their empirical studies BW observed no statistically importance courting among the assertion go back and the dividend top rate.

Indeed, the demand for dividends by shareholders is not exclusively a desire to reduce the discretionary space of leaders, but also the desire to receive a portion of the profits of society. Shareholders want income from their investments, either for consumption or to change the composition of their portfolio (diversification). These revenues can

come either from the sale of shares or the payment of dividends. Miller and Modigliani [27] have demonstrated that the payment of dividends consists in reducing the capital of the company and, consequently, in reducing the value of the shares. Besides, the Tunisian investor should increase the premium putted on stock price of firm's payers of dividend to incentive the managers to continue distribute dividend.

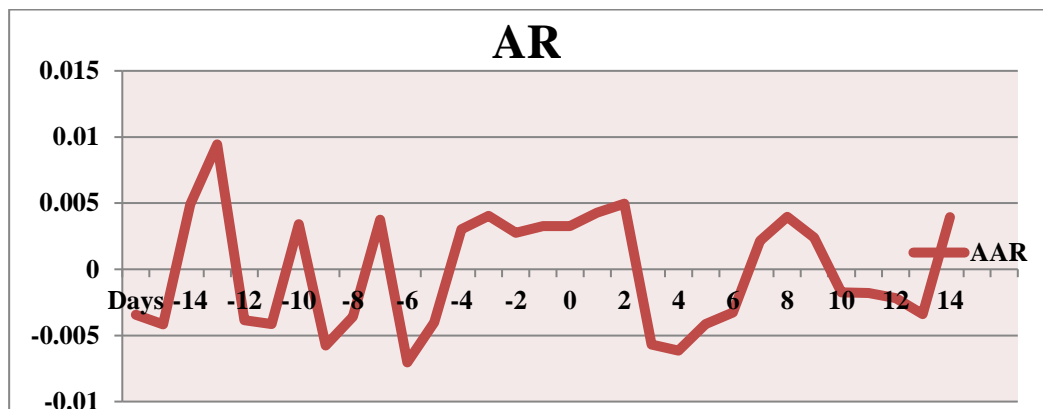


Figure 2: AR for simultaneous dividend Announcement

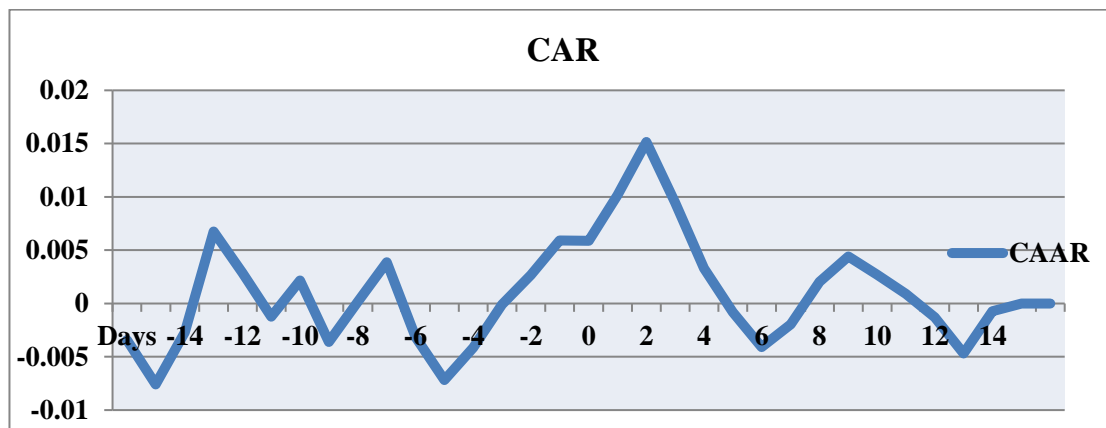


Figure 3: CAR for simultaneous dividend Announcement

## 5. Conclusion

This study investigates the affiliation among marketplace response round dividend declaration and the investor call for dividends through the use of dividend catering concept to be examined inside Tunisian corporations with inside the Tunisia Stock Exchange. Market response is measured through AR and CAR and the investor sentiment for dividend is measured through dividend premium. The end result indicates that there's effective statistically massive correlation among the dividend yield variable and the inventory go back. It manner that inventory go back may be better if the ratio of dividend yield is likewise better seeing that there may be inventory charge will increase observed through the excessive marketplace response. Then, maximum occasion home windows display that the inventory goes back will become decrease while the investor sentiment for dividend is better.

The results of this empirical study indicate that the stock prices move upward significantly after dividend announcements. Abnormal return (AR) and cumulative abnormal return (CAR) from the market model are statistically significantly revealed. The results confirm dividend signaling theory as the dividend announcements have significant impact on share prices.

Tunisian investors must properly exploit the dividend announcement period to benefit from this fund. Above all, in the period of our study describing the abnormal economic and social situation (the Tunisian political crisis) whose market is depressed and the companies are having economic difficulties. Also, Tunisia is an emergent country of civil law characterized by a low governance index and reliable investor protection, so Tunisian investors must increase the dividend premiums placed in the actions of the paying companies to encourage these managers to continue and do not stop the dividend distribution. Finally, in a very financial market can develop, a period of economic and financial destabilization, a weak protection of the shareholders, therefore, the investors must exploit the period of announcement and distribution of dividend to maximize their profit and to realize abnormal returns.

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