

ANALYSIS OF THE RELATIONSHIP BETWEEN THE ANNOUNCEMENTS OF DIVIDEND PAYOUT DECISIONS OF FOOTBALL CLUBS AND THE RETURNS OF SHARES USING THE EVENT ANALYSIS METHOD

DOI: 10.17261/Pressacademia.2020.1343

PAP- V.12-2020(7)-p.31-34

Mustafa Kevser¹, Mesut Dogan²

¹Bandırma Onyedli Eylul University, Finance, Banking and Insurance, Balıkesir, Turkey.

mkevser@bandirma.edu.tr, ORCID: 0000-0003-0586-1662

²Afyon Kocatepe University, Accounting and Tax Applications Department, Afyon, Turkey.

mesutdogan07@gmail.com, ORCID: 0000-0001-6879-1361

To cite this document

Kevser, M., Dogan, M., (2020). Analysis of the relationship between the announcements of dividend payout decisions of football clubs and the returns of shares using the event analysis method, PressAcademia Procedia (PAP), V.12, p.31-34.

Permanent link to this document: <http://doi.org/10.17261/Pressacademia.2020.1343>

Copyright: Published by PressAcademia and limited licensed re-use rights only.

ABSTRACT

Purpose- Dividend is the share allocated by companies from the profit of the period to payout to their shareholder. The issue of dividend payouts seeks an answer to the question of how much of the profit obtained by companies in the fiscal year will be paid to shareholders. Investors act with two basic expectations when investing in stocks. The first is to earn dividend from the company's profit for the period, the second is to benefit from the increase in stock price and to earn capital gain. Joint stock companies may decide to payout dividends or not. In this context, announcing the decisions to payout or not to payout dividends is important for investors. Referred to as the four major football clubs in Turkey, Besiktas, Fenerbahce, Galatasaray and Trabzonspor's shares are traded on Borsa Istanbul (BIST). Like other BIST companies, clubs have investors and these investors deal with dividend payout decisions. The research aims to bridge the gap in the field. In the study, the relationship between the announcement of the dividend payout decisions of four big clubs operating in BIST and stock returns was examined.

Methodology- In the study, five days before and five days after the clubs' Public Disclosure Platform (PDP) notifications were made, stock returns were analyzed using the event analysis method. 2009-2010 / 2019-2020 season data of the clubs were used in the research.

Findings- According to the results obtained from the research, announcing that dividends will be payout has a significant and positive effect on stock returns, while announcing that no dividends will be payout has a significant and negative effect on stock returns.

Conclusion- Research results are important in terms of revealing the effect of public disclosure announcements on performance. Accordingly, club managers can play a role in increasing financial performance by making the announcements fully, completely and on time within the framework of effective corporate management.

Keywords: Dividend payout, BIST, football, event study, public disclosure platform

JEL Codes: G10, G14, G30

1. INTRODUCTION

Dividend decision of a company is an important area of financial management (Pandey, 1998). According to Miller and Modigliani (1961) dividend payout announcements are the indicators of the change in expectations for the future profitability of the firm. Hence, the dividend policy decision for a firm is very important thus the method that managers attain making dividend policy decisions and whether or not they follow an accurate set of guidelines or precise strategies to make these decisions will impact on the future performance of the firms (Suwanna, 2012). In the scientific literature dividend policies and their impact of stock prices mostly discussed in the context of signalling theory and efficient market hypothesis, however over the last decade researchers have started to investigate if those theories are still relevant and if the other theories such as agency and behavioral theories may be the better theoretical frameworks to explain the movements of stock price (Legenzova et.al, 2017). There are many studies in the previous literature investigating the effect of dividend announcements on stock prices (Borges, 2009; Dasilas and Leventis, 2011; Sulaiman and Migiro, 2015). Even though previous literature regarding stock prices' reaction to dividend announcements is rather broad, there are still few studies analyzing the effect of football club dividend announcements

on stock returns in the context of Turkey. The aim of this paper is to analyze the impact of dividend announcements of football clubs on stock returns for the period of 2009/2010-2019-2020 seasons in Turkey.

2. LITERATURE REVIEW

There are many studies examining the effect of dividend payout decisions on stock performance. However, there are a limited number of studies examining the relationship between dividend payout decisions of football clubs operating in BIST and stock returns. Bayazitli, Kaderli, and Gürel (2006) concluded that dividend payout announcements have an effect on firms' stock returns. Uddin (2008) examine the effect of dividend announcement on shareholders' value: evidence from Saudi Arabian stock exchange during 2001 and 2005. The results showed that dividend payments have no impact on the shareholders' value in the absence of taxes and other market imperfections. Pradhan (2014) investigate the effect of dividend announcement on share price during 2009 to 2011. The results show that there is an increase in the stock price after the announcement. Eraslan and Koç (2017) analyzed the annual financial data of 15 companies whose shares are traded in Borsa Istanbul and operating in the cement sector between 2005 and 2015, using panel data analysis methods, and concluded that dividend payments have a positive effect on earnings per share. Sakarya et. al (2018) stated that the dividend payout announcements affect the stock prices of the companies. Alaeto (2018) stated that dividend announcements do not convey information to investors and also share prices. The results obtained from the researches differs from each other.

3. DATA AND METHODOLOGY

In the study, five days before and five days after the clubs' Public Disclosure Platform (PDP) notifications were made, stock returns were analyzed using the event analysis method. 2009-2010 / 2019-2020 season data of the clubs were used in the research.

4. FINDINGS

In Table 1, the effect of dividend payout notifications on stocks for Fenerbahçe was examined by paired t-test. Fenerbahçe announced that it will payout dividends 8 times between 2009 and 2019. In the analysis, 5 days before and 5 days after the dividend payout notification are compared. According to the results, it was observed that after the dividend payout notification was made, Fenerbahçe's stock prices increased by 1.27%.

Table 1: Effect of Dividend Payout Notifications on Stocks (Fenerbahçe)

		N	Mean	Std. Deviation	t	Sig. (2-tailed)
Stock price	Before Notification	8	24,5588	1,55026	-,721	,473
	After Notification	8	24,8735	2,28622		

Table 2: Effect of Dividend Payout Notifications on Stocks (Galatasaray)

		N	Mean	Std. Deviation	t	Sig. (2-tailed)
Stock price	Before Notification	5	7,7908	2,22389	-,434	,666
	After Notification	5	8,0712	2,34670		

In Table 2, for Galatasaray, the effect of dividend payout notifications on the stock price was analyzed with the paired t-test. Galatasaray announced that it will payout dividends 5 times between 2009 and 2019. In the analysis, 5 days before and 5 days after the dividend payout notification are compared. According to the results, it was observed that after the dividend payout notification was made, Galatasaray's stock prices increased by 3.47%.

Table 3: Effect of Dividend Payout Notifications on Stocks (Trabzonspor)

		N	Mean	Std. Deviation	t	Sig. (2-tailed)
Stock price	Before Notification	10	5,8388	2,14744	,265	,792
	After Notification	10	5,7296	1,97416		

In Table 3, for Trabzonspor, the effect of dividend payout notifications on the stock has been analyzed by paired t-test. Trabzonspor announced that it will payout dividends 10 times between 2009-2019. In the analysis, 5 days before and 5 days after the dividend payout notifications are compared. According to the results, it is understood that Trabzonspor lost 1.91% value in stock prices after the dividend notification was made.

Table 4: The Effect of Not Paying Dividend Notifications on Stocks (Beşiktaş)

		N	Mean	Std. Deviation	t	Sig. (2-tailed)
Stock price	Before Notification	15	3,1484	1,08363	,101	,920
	After Notification	15	3,1307	1,07478		

In Table 4, for Beşiktaş, the effect of not paying out dividends notifications on the stock has been analyzed with the paired t-test. Beşiktaş announced that it would not payout dividends for 15 times between 2009 and 2019, and did not make a dividend payout notification within this period. In the analysis, 5 days before and 5 days after the non-dividend notification stock prices were compared. According to the results obtained from the analysis, it is understood that after the notification of not to payout dividends, there was a 0.57% depreciation in Beşiktaş's stock prices.

Table 5: Effect of Not Paying Dividend Notifications on Stocks (Fenerbahçe)

		N	Mean	Std. Deviation	T	Sig. (2-tailed)
Stock price	Before Notification	16	15,5065	3,67186	-,486	,627
	After Notification	16	15,7818	3,48286		

In Table 5, the effect of notifications of not paying out dividends for Fenerbahçe on the stock was examined by paired t-test. Between 2009 and 2019, Fenerbahçe declared that it would not payout dividends 16 times. In the analysis, 5 days before and 5 days after the non-dividend notification stock prices were compared. As a result of the analysis, it is understood that after the notification of not to payout dividends, Fenerbahçe's stock prices have increased by 1.74%. In other words, despite Fenerbahçe's notifications of not to payout dividends, stock prices did not decrease.

Table 6: Effect of Not Paying Dividend Notifications on Stocks (Galatasaray)

		N	Mean	Std. Deviation	T	Sig. (2-tailed)
Stock price	Before Notification	12	2,5955	1,24547	,344	,731
	After Notification	12	2,5200	1,15374		

In Table 6, the effect of not paying out dividend notifications on stocks for Galatasaray is analyzed by paired t-test. Between 2009 and 2019, Galatasaray notified that it would not payout dividends 12 times. In the analysis, 5 days before and 5 days after the non-dividend notification stock prices were compared. As a result of the analysis, it is understood that Galatasaray's stock prices lost 3% after the notification of not to pay out dividends.

Table 7: Effect of Not Paying Dividend Notifications on Stocks (Trabzonspor)

		N	Mean	Std. Deviation	T	Sig. (2-tailed)
Stock price	Before Notification	14	3,0963	2,22710	,372	,711
	After Notification	14	2,9629	2,01670		

In Table 7, the effect of not paying out dividend notifications on stocks for Trabzonspor was examined by paired t-test. Trabzonspor notified 14 times that it would not payout dividends between 2009-2019. In the analysis, 5 days before and 5 days after the non-dividend notification stock prices were compared. As a result of the analysis, it is understood that Trabzonspor lost 4.5% in its stock prices after the notification not to pay out dividends.

Table 8: Comparison of Dividend Payouts

	Notification of Not Paying Out Dividend	Changes in Stock Prices	Ranking
Beşiktaş	0	0	-
Fenerbahçe	8	+%1,27	2
Galatasaray	5	+%3,47	1
Trabzonspor	10	_%1,91	3

Table 9: Comparison of Not Paying Out Divident

	Notification of Divident Payout	Changes in Stock Prices	Ranking
Beşiktaş	15	-%0,57	2
Fenerbahçe	16	+%1,74	1
Galatasaray	12	-%3,00	3
Trabzonspor	14	-%4,50	4

5. CONCLUSION

The results showed that, dividend payout notifications have an impact on stock prices. According to the results obtained from the analysis, dividend payout notifications have a statistically significant and positive effect on stock prices. In the sample, while the biggest positive effect of dividend payout announcements was observed in Galatasaray stocks (3.47%), Fenerbahçe stocks ranked second with an increase (1.27%). On the other hand, Trabzonspor shares declined by 1.91% after the dividend payout was announced. Beşiktaş did not pay dividends during the period under review.

On the other hand, announcements for not paying out dividends have a statistically significant and negative effect on stock prices. In the analyzed period, after the announcement of not paying out dividends, only Fenerbahçe stocks did not decrease (1.74% increase), whereas Trabzonspor stocks were 4.5%; 3% in Galatasaray stocks; Besiktas stocks, on the other hand, decreased by 0.57%.

Research results are important in terms of revealing the effect of public disclosure announcements on financial performance. Accordingly, club managers can play a role in increasing financial performance by making announcements fully, completely and on time within the framework of effective corporate management.

In future studies, the differences identified in the performance of club stocks and the determinants that make up these differences will be researched to contribute to the literature.

REFERENCES

- Bayazıtlı, E.; Kaderli, Y., Gürel, E. (2006). Kâr payı dağıtma duyurularının firmaların hisse senedi getirilerine etkisi: IMKB'ye kayıtlı taş ve toprağa dayalı sanayide faaliyet gösteren bazı firmalar üzerinde bir olay etüdü çalışması. *Muhasebe ve Denetime Bakış Dergisi*, 26: 1-16.
- Borges, M. R. (2009). The Ex-dividend day stock price behavior: The Case of Portugal. *Atlantic Economy Journal*, 36: 15–30.
- Dasilas, A., Leventis, S. (2011). Stock market reaction to dividend announcements: Evidence from the Greek stock market. *International Review of Economics&Finance*, 20(2): 302-311.
- Eraslan, M., Koç, S. (2017). Kâr payı ödemelerinin hisse başına kâra etkisinin analizi: BIST çimento sektöründe bir uygulama. *Injosos Al-Farabi International Journal On Social Sciences/ Al-Farabi Uluslararası Sosyal Bilimler Dergisi*, 1(2): 158-180.
- Legenzova, R., Jurakovaite, O., Galinskaite, A. (2017). The Analysis of dividend announcements impact on stock prices of Baltic companies. *Central European Business Review*, 6(1): 61-76.
- Miller, M.H., Modigliani, F. (1961). Dividend policy, growth and the valuation of shares. *Journal of Business*, 34: 411-433.
- Pandey, I. M. (1998). *Financial management* (8th ed.). Vikas Publishing House Pvt Ltd.
- Pradhan, S. K. (2014). Impact of dividend announcement on share price: both sector and industry wise analysis, *Samzodhana – Journal of Management*, 3(1): 159-167.
- Sakarya, Ş., Çalış, N., Kayacan, M.A. (2018). Temettü ödeme duyurularının hisse senedi fiyatlarına etkisinin ölçülmesi: Borsa İstanbul'da bir uygulama, *Sakarya İktisat Dergisi*, 7(2): 92-106.
- Sulaiman, L. A., Migiyo, S. O. (2015). Effect of dividend decision on stock price changes: further Nigerian evidence. *Investment Management and Financial Innovations*, 12(1).
- Suwanna, T. (2012). Impacts of Dividend Announcement on Stock Returns, The 2012 International (Spring) Conference on Asia Pacific Business Innovation and Technology Management. *Procedia-Social Behavioral Sciences*, 40: 721-725.
- Uddin, H.(2008). Effect of dividend announcement on shareholders' value: evidence from Saudi arabian stock Exchange. *The International Journal of Business and Finance Research*, 2(1): 87-101.