Examination of event-related price reaction of equity securities listed at Dar es Salaam stock exchange

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From the efficient market hypothesis, a market is deemed efficient if security prices at all times fully and correctly reflect all available information that is relevant for the share pricing. The market efficient hypothesis holds a tool for examining the event-relate price reaction for equity security listed in a stock exchange. The objective of the study was to assess the security price reaction around the ex-dividend day at the Dar es Salaam Stock Exchange (DSE). The study used the daily share prices of the six equity securities at DSE covering 1st January, 2000 to October, 2004. The percentage change of share prices to dividend was computed. The data were analysed using the descriptive statistic and Chow test. The chow test was used to examine the presence of structural break around the ex-dividend date. Primary data was used with the intention of corroborating evidence from secondary data. The study reveals that most of the share price showed the percentage change of share price to dividend is higher than fifty per cent. Furthermore , the market found to be efficient with the presence of structural break of share price around the ex-dividend date. Moreover, the dealers revealed that the share price tend to react whenever there is information releases. The few securities were used during conducting this study. This is because in DSE few securities have been listed. It was thus difficult to make a concrete conclusion about the share price behaviour during the ex-dividend date. Since one of the government policies is encouragement of locals to develop indigenous ownership through development of the capital and stock market, then the government should find an easier way to increase the number of security at DSE