DIVIDEND CHANGE AND LONGTERM PERFORMANCE OF UTILITIES

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ABSTRACT

This study investigates dividend change of utility firms and its impact on their long term performance. It is shown that utility firms that decrease dividends improve performance after the dividend change period. This result holds regardless of measures of return performance used: raw returns, market adjusted returns and Fama-French three factor model to measure abnormal performance. However, the future return performance of dividend increasing utility firms is various depending on the measures of return performance.

Keywords: *Dividend Change, Signaling, Utility Firms*