CHAPTER - 9

CONCLUSIONS
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This chapter deals with conclusions subsequent to statistical findings. It is an effort of wrapping up the researcher’s exercise with the most vital commentary part of research. Conclusions are the outcome of the findings in the light of researcher’s academic experience.

There are countless factors affecting the price of a company's stock. Some of these are directly controlled by the company or reflect the perception of shareholders on the strength of the business itself. Other factors are external factors that the company has no control over those factors and it has to accept. Each influencing factor is considered as event. They may be internal events or external events. In the present study researcher has taken corporate announcements occurring as internal events. Conceptually an efficient market should reflect all information such as past/historical, new information release and the information which is not yet released (such as insider information).

**Semi-strong Form Efficiency**

Event studies under semi-strong form of capital market look at stock price response to new information released to the public. In an efficient market, immediately prices respond to material and new information and fully reflect that information. Over-reaction and under-reaction (delayed response) to new information implies a violation of the semi-strong form Efficient Market Hypothesis and thus markets are inefficient. One has to keep in mind that the weak form is subset of semi-strong form which is again subset of Strong form of capital market efficiency. The present study concentrates the semi-strong form of capital market efficiency. It means that the security prices reflect the historical as well as new information release.

**BONUS ANNOUNCEMENT**

Bonus equity shares announcement increases the participation of traders and also liquidity. Though the number of shares increased the profits remain the same. Thus Earnings Per Share (EPS) will decline. Conceptually, When EPS declines, proportionately the security price should also decrease. The present study is to evaluate the impact of bonus shares announcement on
security prices. To test the event influence on security price 16 companies and 5 companies are selected from BSE and NSE respectively.

In all the sample events of BSE listed companies Null hypothesis is accepted and thus the security prices of almost all the companies does not fully reflect bonus shares announcement except Diamond power infrastructure ltd. Remaining 15 listed companies do not react much in their stock returns with the happening of bonus shares announcement. Insignificant difference in the returns of almost all securities of bonus issuing companies and BSE SENSEX is concluded.

In all the sample firms of NSE the null hypothesis is accepted. The security price of five sample companies’ null hypothesis is accepted and they do not fully reflect the bonus shares announcement. Insignificant difference in the returns of NSE NIFTY and the security returns of bonus issuing companies is concluded.

**DIVIDEND ANNOUNCEMENT**

In general, all companies declare almost a stable dividend every year on the face value of the stock. So, the dividend values are already known to the shareholders. Thus, security returns because of this did not get a drastic changeover at the stock exchanges. But the amount of profit of the business and retained earnings after declaring the dividend do affect the stock prices. However it is remarkable that insiders, brokers and the exchange employees are the speculators of the market and as these knowledgeable speculators play their role in the market for short-term gain that causes dividend information unproductive. As a result announcement of dividend issue generates no significant impact on the movement of stock prices. In this study, it has been attempted to demonstrate the effect of dividend announcement on the share price of the company when their management declared dividends and samples have been taken from two of the biggest security markets of India –BSE and NSE.

Almost all the sample listed firms of BSE Null hypothesis is accepted that the stock prices of these companies does not fully reflect the new information of dividend announcement except Gas Authority India ltd. Remaining 24 sample companies do not react much in their stock returns with the happening of dividend announcement. Insignificant difference in the returns of almost all securities of acquiring companies and BSE SENSEX is concluded.
The selected sample 5 companies listed in NSE bonus shares announcement is not statistically significant and the stock prices of these companies does not fully reflect the new information of dividend announcement. Insignificant difference in the returns of NSE NIFTY and the security returns of acquiring companies is concluded.

MERGERS & ACQUISITIONS ANNOUNCEMENT

Mergers and Acquisitions concept is one of the important business decisions that have philosophical effect on stock prices. When a firm acquires another firm, there usually is a predictable short-term effect on the stock price of both companies. Generally, the acquiring company's stock price will decrease while the target company's stock price will increase. The acquiring company usually has to pay a premium for the acquisition. So, the target company's security prices will increase. Whereas acquiring company's security prices will fall because it must pay more than Target Company is currently paying. Another reason is acquisition involved number of uncertainties.

In the present study all the sample firms of BSE listed companies are acquiring firms. For all the acquiring firms Null hypothesis is accepted that the stock prices of these companies does not fully reflect the new information of merger or acquisition announcement. Insignificant difference in the returns of BSE SENSEX and the security returns of acquiring companies is concluded.

The sample companies of NSE listed are acquiring firms. For all 5 sample acquiring firms Null hypothesis is accepted that the stock prices of these companies does not fully reflect the new information of merger or acquisition announcement. Insignificant difference in the returns of NSE NIFTY and the security returns of acquiring companies is concluded.

RIGHTS ISSUE ANNOUNCEMENT

Rights issue gives the shareholders the right to purchase additional shares at a discount to the market price. Usually, troubled companies use rights issues to pay down debt, especially when they are unable to borrow additional money. But not all companies that pursue rights offerings are in trouble. Some with clean balance sheets use them to fund corporate restructuring. After the rights issue is offered price of that particular stock falls in the stock market. It happens because the number of outstanding shares of that firm increases in the market. If the number of the right
issue is relatively higher than the paid-up capital the price falls. In addition, the dividend yield and the PE ratio of that particular stock also fall after the rights offered. Hypothetically the right issue does not give considerable profit to the shareholders in spite of the fact that they get the stock in lesser price. But in practice the shareholders always find the right issue an attractive option to buy the shares of the firm. This is because the presume that the company is going to utilize the additional fund from the right issue for further development and expansion of the business that will ultimately strengthen the financial position of the firm.

To evaluate the impact of Rights issue the sample firms of BSE listed 9 companies are selected. For all the sample firms except ZEE media corporation ltd Null hypothesis is accepted that the stock prices of these companies does not fully reflect the new information of Rights issue announcement. Insignificant difference in the returns of BSE SENSEX and the security returns of Right issuing companies is concluded.

Announcement of Right issue in selected companies of NSE is statistically not significant except ZEE Media Corporation. Insignificant difference in the returns of NSE NIFTY and the security returns of Rights issuing companies is concluded.

The analysis reveal that the information release of bonus issue, dividend, merger & acquisition and Right issue do not influence the security returns in any significant manner. From the study of four important corporate event information it is clear that announcement of internal event do not have any significant effect on security price and volume traded when the market is stable on an average. So the investor cannot earn abnormal returns upon the release of new corporate information, irrespective of the nature of such information. As regards the informational efficiency of the market, the results of the study suggest that the Indian capital market tends to indicate semi- strong form of efficiency.

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