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**THE EFFECT OF PERCEPTION OF ORGANIZATIONAL SUPPORT, JOB CHARACTERISTICS, ORGANIZATIONAL JUSTICE ON EMPLOYEE ENGAGEMENT AND PERFORMANCE
(STUDY ON EMPLOYEES OF 4-STAR HOTEL IN PALEMBANG)**

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ABSTRACT

This study proposes perceptions of organizational support, job characteristics and perceptions of career development as antecedent variables of employee engagement and their relationship to employee performance. The method used in this research is a quantitative approach. For this study, employees of 4-star hotels in Palembang were used as the research population. The sampling technique used in this research is purposive sampling. Purposive sampling is the selection of respondents based on the characteristics and those who have the best information about the topic being researched. The Structural Equation Model (SEM) was developed in this study to test the conceptual model and measure the relationship between the constructs. The relationship between perceived organizational support and employee involvement did not get a strong enough support in this study, meaning that there was a positive and insignificant effect between perceived organizational support and employee engagement. The relationship between job characteristics and employee involvement received strong support in this study, meaning that there was a positive and significant influence between job characteristics and employee engagement. The relationship between organizational justice and employee involvement has a fairly strong support in this study, meaning that there is a positive and significant influence between organizational justice and

employee engagement. The relationship between employee engagement and employee performance has strong support in this study, meaning that there is a positive and significant influence between employee engagement and employee performance.

KEYWORDS

organizational support, job characteristics, organizational justice, employee involvement, employee performance.

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INTRODUCTION

Organizational support refers to employees' perceptions of the extent to which an organization values their contributions and cares about their well-being (Eisenberger et al., 1986). This perception is formed based on the organization's readiness to recognize employees' work efforts and fulfill their socio-emotional needs (Farh et al., 2007). Organizations that are very active in providing organizational support have employees with a strong level of motivation to care about the welfare of the organization (Kurtessis et al., 2017). The positive influence of organizational support is also manifested in high levels of affective commitment (Rhoades and Eisenberger, 2002), stronger relational bonds between employees and the company (Kurtessis et al., 2017), and employee engagement (Saks, 2006). The working relationship between employees and the organization has been described as an exchange relationship (Rousseau, 1995). Although many potential exchange relationships exist within organizations, the relationship between individuals and organizations is one of the seemingly superior relationships that all employees have in the workplace (Masterson et al., 2000).

Having the right personality is often inadequate, because employee well-being also depends on a variety of motivational job characteristics that are important to be proven empirically (Saks, 2006). In particular, task significance better reflects the diversity of the nature of the job characteristics models functioning in the hospitality industry (Ferreira et al., 2017). The results of Lee-Ross's (1998) study, conducted among a sample of seasonal hotel workers in the UK, showed that task significance was highly correlated with all three affective outcomes, namely internal work motivation, general satisfaction and growth satisfaction. Unfortunately, very little research on job characteristics has been conducted in the context of the hospitality industry (Ozturk et al., 2014). Moreover, given the fact that success in hospitality is often perceived as routine with low status and poor working conditions (Kusluvan, 2003a), many employees perform their jobs with a low level of significance and lower perceptions of influencing the lives of others (Ferreira et al., 2017).

The issue of justice in the workplace has attracted researchers to study more deeply. Several studies have shown that increasing sense of fairness among employees can have a positive impact on various aspects of organizational behavior, such as job satisfaction (McCain et al., 2010), organizational commitment (Wang et al., 2010; Crow et al., 2012; Suliman and Kathairi, 2013), organizational trust (Saunders and Thornhill, 2003; McLean, 2009) and employee performance (Wang et al., 2010; Suliman and Kathairi, 2013). Therefore, understanding how people make judgments about fairness in their organizations and how they respond to perceptions of fairness or injustice is a key issue, especially for developing an understanding of organizational behavior (Maleki and Taheri, 2012).

Employee engagement is the level of commitment and involvement of employees to the organization and its values. When an employee is involved, he/she realizes his/her responsibility in business goals and motivates his/her colleagues for the success of the organization's goals. An employee's positive attitude to the workplace and its value system is referred to as an employee's positive emotional connection to his or her job. Engaged employees go beyond the call of duty to perform their role of excellence. Employee engagement is influenced by other psychological and social exchange aspects of work design such as organizational support and customer focus.

Employee performance is basically the results achieved and achievements made in the workplace. Performance refers to sticking to plans while aiming for results. Although performance evaluation is at the heart of performance management (Cardy, 2004), individual or organizational performance is highly dependent on all organizational policies, practices, and organizational design features. This integrative perspective represents a configuration approach to strategic human resource management which argues that a pattern of HR activities, as opposed to a single activity, is necessary to achieve organizational goals (Delery and Doty, 1996). Employee engagement is one of the drivers for high levels of employee performance (Macey et al., 2009; Mone and London, 2010). Various studies have been conducted to explore the antecedent of employee engagement and the significant relationship between employee engagement and outcomes (Saks, 2006; Cole et al., 2012). However, studies on the antecedents of employee engagement, especially in developing countries, are still very limited. The existence of this research gap encourages this study to be carried out to investigate and empirically examine the relationship of the antecedent of employee engagement with the construct of employee performance. This study proposes perceptions of organizational support, job characteristics and perceptions of career development as antecedent variables of employee engagement and their relationship to employee performance.

STUDY OBJECTIVES

The aim of this research is to determine whether job characteristics and career development perception affect employee involvement in an organisation; to test empirically if organisation justice affects employee involvement in achieving their job; and to see the effect of employee involvement in an organisation on employee performance

LITERATURE REVIEW

Sarmiento et al., (2007) argue that employee performance is often the result of at least two aspects: an employee's abilities and skills, and the motivation to use them to do a better job. In addition, a number of researchers believe that employees can help improve business performance through their ability to generate ideas and use them as capabilities to produce better products, services, and work processes. On the other hand, many practitioners and researchers support the view that employee innovation helps achieve organizational success (Unsworth and Parker, 2003; Holman et al., 2004). Past research has shown that employees' innovative behavior depends on their interactions with others at work (Anderson et al., 2004). Some researchers argue that spirituality, desire for meaningful work, and employee job satisfaction are important elements for future organizational life and social change in society (Karakas, 2009). Komala and Ganesh (2007) explain that there is a positive relationship between individual spirituality variables and job satisfaction. Furthermore, some experts explain that employees in organizations that embrace and foster spirituality will experience increased productivity (Garcia-Zamor, 2003), increased job satisfaction (Miles et al., 2005), and better performance, as well as being more tolerant and less vulnerable to stress (Marques, 2005).

Schaufeli et al., (2002) define engagement as a positive, satisfying, work-related working condition characterized by enthusiasm, dedication, and absorption (p.74). Excitement refers to feelings of physical energy, emotional strength, willingness to invest effort, and endurance in the face of adversity. Dedication involves feelings of enthusiasm, inspiration, pride, and challenge. Absorption refers to the state of a person who is fully concentrated and enjoys doing work so much that time seems to pass quickly (Schaufeli et al., 2002). Therefore, engaged employees can be described as individuals who are very passionate and tenacious in doing their jobs; put their heart into their work with persistence and a willingness to put in the effort; demonstrate strong work engagement along with experiencing feelings of importance, enthusiasm, passion, inspiration, pride, joy, and challenge from their work; and concentrate fully and immerse themselves in their work without realizing that time is passing (Bakker and Demerouti, 2008).

Perception of organizational support is the extent to which employees perceive that their contribution is valued by their organization and that the company cares about their well-being (Eisenberger et al., 1986: 501). Eisenberger and colleagues developed the concept of POS in an attempt to represent the relationship work described by social exchange theory (Blau, 1964). Basically, social exchange theory applied in the work context argues that employees are willing to exchange their effort and time for various rewards offered by the organization (Blau, 1964). However, social exchange differs from *quid pro quo economic* exchange in that the parties involved are willing to act now with the expectation of an unspecified recompense in the future (Gouldner, 1960).

In addition, the economic exchange theory developed by Rousseau and Parks (1993) argues that employees are willing to exchange their job performance for wages, social exchange theory states that employees are willing to exchange work performance for additional fewer tangible factors (feeling appreciated and supported). However, there are inconsistent findings regarding the performance of the POS relationship. In particular, while some studies have found a positive relationship (Eisenberger et al., 1990; Rhoades and Eisenberger, 2002), others have found leader-member exchange (LMX), but not POS which is related to performance (Wayne et al., 2002). Rhoades and Eisenberger (2002) seem to have clarified the relationship in their meta-analysis, finding the relationship of POS to role and extra-role behavior to be significant and homogeneous in terms of moderate effect levels. However, they did not consider the potential relationship that exists between these outcome variables, resulting in the possibility of an incomplete POS and performance model.

Job characteristics relate to how a job is done and the range and nature of the tasks associated with a particular job. The characteristics of job motivation that were most commonly investigated were autonomy, task variety, task significance, task identity and feedback (Hackman & Oldham, 1980). Recent research seems to indicate that autonomy reflects the degree to which a job allows employees freedom, independence, and discretion to schedule work, make decisions, and choose the methods used to perform tasks. Thus, autonomy includes three dimensions that focus on freedom in decision-making, work scheduling, and work methods (Morgeson & Humphrey, 2006).

Task variation reflects the degree to which the job requires workers to perform various tasks on the job. Task significance refers to the degree to which a job affects the lives or work of others, both internal and external to the organization. Workers in jobs that have significant results on the physical or psychological well-being of others tend to experience greater satisfaction in their jobs. Task identity reflects the degree to which a job involves the entire body of work, the results of which are easily identifiable. Jobs that provide a full-service unit or that unify entire products are always more interesting to do than jobs that focus on only a small part of the task (Morgeson & Humphrey, 2006). Job characteristics lead to positive psychological conditions, such as meaningfulness and responsibility which in turn can lead to higher organizational citizenship behaviors (Banai & Reisel, 2007).

Fairness is a core value in organizations that relates to promotion decisions, or assignment of assignments, or allocation of rewards, or other types of social exchange (Coetsee, 2005). The terms justice has been used interchangeably in the literature (Moorman, 1991). Every event, action, or decision is judged as fair or unfair based on the individual's beliefs about the decision and his/her normative value or system, associated with those beliefs (Bies, 1987). People are social beings and organizations must therefore create arrangements in which employees can interact socially (Coetsee, 2005). Previous studies have explored various types of transactions that occur between people in the workplace, and fairness is inevitable (Suliman and Kathairi, 2013).

Organizational justice, a term coined by Wendell French (1964), is commonly used by organizational psychologists to refer to a fair, just and ethical way in which organizations treat their employees based on perceptions of fairness (Adams, 1965). In organizational settings, justice is about the social rules and norms that govern how outcomes (rewards and punishments) should be distributed, what procedures are used to make such distribution decisions, and how people are treated interpersonally (Bies and Tripp, 1995). Organizational fairness is concerned with the ways in which employees determine whether they have been treated fairly in their jobs and the ways in which these determinations influence other work-related variables (Moorman, 1991, p. 845). It affects the attitudes and behavior of employees and consequently their performance and organizational success (Coetsee, 2005). Organizational justice has been extensively researched and has experienced ongoing conflicts about the various dimensions and if these dimensions can be distinguished from one another (Johnson, 2007). Various contemporary theorists argue that justice can range from one dimension to four dimensions (Colquitt et al., 2005). Research on the four-factor model of justice which includes distributive justice, procedural justice and the two classes of interactional justice (i.e. interpersonal and informational justice), shows that these four dimensions are distinct constructs that can, and ideally should, be empirically distinguished from one another (Colquitt et al., 2001).

METHODS

The method used in this study is a quantitative approach to causality, which allows researchers to examine the relationship between the independent and the dependent variable (Field, 2013). When using correlational research, researchers use measurements and observations to determine the relationship between variables without intervention from the researcher (Ingham-Broomfield, 2014). Quantitative methods allow for an analytical approach (McCusker and Gunaydin, 2015). The quantitative methodology helped to determine whether there was a pattern in the relationship between perceived organizational support, job characteristics, organizational fairness, employee engagement and employee performance. For this study, 338 employees from 4-star hotels in Palembang, namely Aston Hotel, Horison Ultima Hotel, and Novotel Hotel were used as the research population. Based on the total population, 200 employees were taken as research samples. The sampling technique used in this research is *purposive sampling*. *Purposive sampling* is the selection of respondents based on the characteristics and those who have the best information about the topic being studied (Elo et al., 2014).

Data analysis was conducted to determine data accuracy, *outliers*, normality, *missing value* and *multi-collinearity* of all the variables studied. Confirmatory factor analysis (CFA) was conducted to determine the psychometric characteristics of the scale used by testing convergent and discriminant validity using AMOS 22. Reliability test using Cronbach, composite reliability (CR) and extracted mean variance (AVE) of the constructs. Each item must be greater than 0.6 so that it meets the criteria of convergent validity. Discriminant validity was carried out by comparing the square root of the AVE of each construct with its corresponding correlation. The Cronbach value for all constructs must be greater than 0.6 and the CR value must be greater than 0.70 (Hair et al., 2009). The AVE value of each construct must be greater than the accepted value of 0.50 (Hair et al., 2009). The Structural Equation Model (SEM) was developed in this study to test the conceptual model and measure the relationship between the constructs. To assess the fit of the model, estimates include the 2 statistic, *goodness of fit index* (GFI), root of approximate squared error (RMSEA), comparative fit index (CFI), and normed fit index (NFI). Hair et al., (2009) suggest an acceptable value is >0.9 for GFI, and NFI. Hair et al., (2009) suggest an acceptable value is <0.95 for CFI. RMSEA value less than 0.08 indicates an acceptable range Hair et al., (2009).

RESULTS AND DISCUSSION

Respondents in this study varied, both from gender, different ages, education levels and length of work. In this study, questionnaires were made based on references from previous studies and distributed to employees of five-star hotels in Palembang. The distribution of the questionnaires was carried out for 1 (one) month, namely in July 2020 with a total of 200 questionnaires distributed. The results of the research on the characteristics of the respondents in terms of gender, age, education level and length of work concluded that the travel agency employees were dominated by women. As many as 112 respondents out of 200, age range 20-25 years as many as 92 respondents with the latest education of SMA (senior high school) and S1 (undergraduate degree) with a total of 79 respondents and 65 respondents, respectively. Furthermore, majority of the respondents (110 respondents) have worked for less than three years.

The results of the validity and reliability test indicate that all measurement indicators of the variables used in the study, namely perceptions of organizational support, job characteristics, organizational justice, employee involvement and employee performance are stated valid and reliable. It is said to be valid since all measurement indicators of each variable have a *factor loading* > 0.45 (Hair et al., 2010) and have a *Cronbach alpha* > 0.6. Overall indicators of perceived organizational support variables, job characteristics, organizational justice, employee involvement and employee performance validity test results found that all items the statement of *factor loadings* is more than 0.45 which means it is valid (*Hair's Factor loadings* for 200 respondents).

Measurement of research variables using *structural equation modeling* with the AMOS 22.0 program. Based on the results of the model fit test (*fit-model*) shown in Figure 4.8, it is known that all structural models are declared *fit*, because they meet the test index based on *rule of the thumb* required that is, the model can be empirically tested (there is agreement with the data) used in this study.

TABLE 1: GOODNESS OF FIT INDICES RESEARCH MODEL

Criteria	Cut-off Value	Analysis Result	Description
Probability	> 0.05	0.037	Good fit
RMSEA	< 0.08	0,033	Good fit
GFI	> 0.90	0,934	Good fit
IFI	> 0.90	0,988	Good fit
CMIN/DF	< 2.00	1.215	Good fit
TLI	≥ 0.95	0.977	Good fit
CFI	> 0.95	0.988	Good fit

Source: processed data, 2022

Testing whether the proposed hypothesis is acceptable or not is done by comparing the probability value (p) with a significant level of 0.05. If the probability value (p) is less than the value of (0.05), then the hypothesis can be accepted. Vice versa, if the probability value (p) is greater than the value of (0.05), then the hypothesis is not accepted.

If the estimated *goodness of fit* criteria can be met, then the next step is the analysis of the *structural* model relationship (hypothesis testing) as shown in Figure 4.8. The relationship between constructs in the hypothesis is shown by the value of *regression weights* (Hair et al, 1998). To analyze more clearly the effect of employee engagement on employee performance through organizational commitment and job satisfaction as mediating variable, details on Table 2 can be seen.

TABLE 2: COMPLETE RESEARCH MODEL MEASUREMENT RESULTS

Variables	Path Coefficient	C.R	Prob	Status
Organizational support → Employee involvement	0.107	0.934	0.350	Insignificant
Job characteristics → Employee involvement	0.363	2.366	0.018	Sig
Organisational justice → Employee involvement	0.516	2.600	0.009	Sig
Employee involvement → Employee performance	0.687	9.211	0.000	Sig

Source: processed data, 2022

The relationship between perceived organizational support on employee involvement is found to be insignificant with a CR value of 0.934 ($p = 0.350$ 0.05), therefore H_0 was accepted and H_a was rejected. This indicates that there is a positive and insignificant effect between perceptions of organizational support and employee involvement. Thus, Hypothesis H_1 is rejected. This means that the higher the employee's perception of organizational support for employees, the higher the employee's involvement to be active in work activities at the hotel. This study is different from the research of Eisenberger et al., (2001); Kurtessis et al., (2015); Lee and Ok (2016) who stated that organizational support was positively and significantly related to employee engagement.

The relationship between job characteristics and employee involvement received strong support in this study, indicated by the suitability of the direction of the relationship with the direction of the hypothesized relationship and the effect was significant with a CR value of 2.366 ($p = 0.018$ 0.05), meaning that there was positive and significant influence between job characteristics and employee engagement. The finding shows that the clearer the job characteristics in hotel activities, the more employee engagement will be. This study supports the research of Xanthopoulou et al., (2009); Bakker and Bal (2010); Janjhua (2011); Ram and Prabhakar (2011); Slatten and Mehmetoglu (2011) which states that job characteristics are positively and significantly related to employee engagement.

The relationship between organizational justice and employee involvement has a fairly strong support in this study, indicated by the suitability of the direction of the relationship with the direction of the hypothesized relationship and the effect is significant with a CR value of 2.600 ($p = 0.009$ 0.05), meaning that there is positive and significant influence between organizational justice and employee engagement. This shows that the better the justice given by the hotel manager, the higher the work involvement of an employee in hotel activities. This study supports the research of Cropanzano and Mitchell (2005); Bhatnagar and Biswas (2010); Biswas et al., (2013); Bakker and Demerouti (2007) which states that organizational justice can increase employee engagement.

The relationship between employee engagement and employee performance received strong support in this study, indicated by the suitability of the direction of the hypothesized relationship and the significant effect with the CR value of 9.211 ($p = 0.000$ 0.05), meaning that there was a significant relationship between employee engagement and employee performance. This means that the higher the involvement of employees in carrying out work at the hotel and it will improve employee performance. This study supports the research of Stanton and Nankervis (2011); Rich et al., 2010); Bakker and Schaufeli (2008) stated that organizational commitment is positively and significantly related to employee performance.

CONCLUSION

Based on research on employee involvement, organizational commitment, job satisfaction and employee performance, the following conclusions were obtained: The relationship between perceived organizational support and employee involvement did not receive strong enough support in this study, meaning that there was a positive and insignificant influence between perceptions organizational support and employee engagement. The relationship between job characteristics and employee involvement received strong support in this study, meaning that there was a positive and significant influence between job characteristics and employee engagement. The relationship between organizational justice and employee involvement has a fairly strong support in this study, meaning that there is a positive and significant influence between organizational justice and employee engagement. The relationship between employee engagement and employee performance has strong support in this study, meaning that there is a positive and significant influence between employee engagement and employee performance.

Based on the conclusions obtained in this study, some suggestions are given as input to the research results as follows: Hotel managers must be able to provide opportunities and attention to all employees to be able to actively participate in work so that it will foster a commitment to remain loyal. The hotel management must also be able to provide a sense of comfort to all employees so that they can work optimally and can contribute actively. This research still has various limitations, and it is hoped that improvements can be made for future research. The limitation is that the number of research respondents for hotel employees is very limited and cannot fully describe the real conditions of all hotel employees in South Sumatra, so this research is still relatively limited in generalizing the results of the study.

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THE IMPACT OF QUARTERLY EARNINGS ANNOUNCEMENTS ON STOCK RETURNS: AN EVENT STUDY APPROACH

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ABSTRACT

This study aimed to know the impact of quarterly earnings on stock returns and investor's wealth. For the purpose of the study researcher used event study methodology which is most sophisticated model to examine the impact of a particular event. 4 companies selected as sample from IT Index of BSE. 8 quarters of each 4 companies considered for the analysis. All the data of companies and Information Technology Index collected from official website of BSE. Study found out that quarterly earnings announcements do affect stock returns and investor's wealth. Investors gained notably for Tata Consultancy Services, Infosys Ltd. and Tech Mahindra and Investors of HCL Technology lost their wealth after the quarterly earnings announcements.

KEYWORDS

quarterly earnings announcements, event study methodology, average abnormal returns, investor's wealth, information technology index.

JEL CODES

D53, G14, M41.

1. INTRODUCTION

It is generally accepted that stock markets are most efficient in information reflection in the market. When any information arrives in the market, the stock prices reflect that particular information very quickly. It is known as efficient market hypothesis. So, fundamental or technical analysis of the stock prices cannot help investors to gain returns that are higher than any random investment in the stock market. (Fama, 1970)

There are mainly three forms that describes efficient market hypothesis. Weak form of market efficiency, semi-strong form of market efficiency and strong form of market efficiency. (Fama et al., 1969) Weak form of market efficiency means reflection of historical information in the market. It will not be useful to earn more than average returns as historical information is available to all. Researches shows that investors cannot earn returns over and above simple buy and hold strategy with predictions based on past data of the stock prices.

Semi-strong form of market efficiency depicts that market reflects all the available information in public. Information like announcement of dividends, quarterly earnings, bonus shares, etc. reflects immediately in the stock prices. Strong form of market efficiency depicts that market reflects to all the obtainable information from any source. That can be illegal too! (Fama, 1970)

The efficient market theory indicates a market where all the information immediately reflects in the stock prices when its available. There is no any fixed formula to evaluate this impact as it is largely depending upon the expectations of investors. (Grayson, n.d.)

There are various studies available that are based on information of earnings announcements. Basic purpose of earnings disclosure is to make aware the stakeholders of the companies about its performance, financial health, stability, etc. Investors will invest only if they are expecting some return on their investment. Earnings announcements will brief them about the overall position of the company. So, expectations of investors are highly influenced by the earnings announcements. (Landsman & Maydew, 2002)

Event study methodology is most used model to analyse the impact of particular market event on share prices of the companies. It can be particular event in more than one company and can be any market event in a company at different times. In short, event studies examine stock price reactions to the particular market event for a short time horizon around that particular event.

Event study methodology is most sophisticated model to measure abnormal price changes around different events. It is well developed technique and widely used to analyse particular events. (Brown & Warner, 1980).

2. REVIEW OF LITERATURE

Dsouza & Mallikarjunappa (2016) analysed the quarterly results declaration news and Indian stock market reactions. S&P BSE 500 index was base of the study. Event study methodology was used to measure the impact on stock prices. Run and sign test were also used for the analysis. They concluded that investors can predict stock returns on the basis of new information and markets are not able to reflect properly on publicly available information.

Jagłiński (2020) tried to examine reaction of investors to quarterly results announcements and to know if irregularities is there on the Warsaw stock exchange. The event study methodology used for the analysis of data from 2017 to 2019. At the end researcher concluded that there is no significant impact of quarterly results on stock prices. There were some significant changes but that was due to other reasons.

MOHAMED (2007) attempted to investigate the effect of earnings announcements on the stock prices of Nairobi stock exchange. Data was collected from 2004-2008 for the study. SPSS software used for the data analysis and critical t-value and table value compared for the results. Researcher concluded that there were negative abnormal returns around the event dates for most of the stocks.

Kundu & Banerjee (2021) examined the stock price reactions to the earnings information of the companies. Data of 67 large-cap entities were collected from 2010 to 2018 and covered 33 quarters. Panel data estimation used for the analysis of the data. This study found out that the firms who declares better earnings results in higher abnormal returns. It also indicated that market can predict whether the firms will declare better results or not. The firms whose earnings are below expectations, stock prices showed negative returns.

3. OBJECTIVES

1. To analyse the impact of quarterly results on share price before and after announcement of quarterly results.
2. To know whether the investors wealth increased or not after the quarterly results announcements.

4. RESEARCH DESIGN

4.1 HYPOTHESIS

H₀: There is no significant impact of quarterly earnings announcements on stock performance of the sample companies.

H₁: There is significant impact of quarterly earnings announcements on stock performance of the sample companies.

4.2 SAMPLING DESIGN

4 sample units has been selected by the researcher for the study which are top 4 companies on the day of 05-04-2022 in the Information Technology index of BSE in terms of volumes traded.

Sample Units

Samples considered for the study are:

1. Tata Consultancy Services
2. Infosys
3. Tech Mahindra
4. HCL Technologies

4.3 PERIOD OF THE STUDY

Present study covers the period of total 8 quarters of 2020 and 2021.

4.4 DATA COLLECTION

All the necessary data for the study is secondary in nature and collected from the official website of BSE. Sample size is 4 companies which are top 4 companies on the day of 05-04-2022 in the Information Technology index of BSE in terms of volumes traded. As this study uses Event Study Approach for the analysis, data of Information Technology index is also collected.

5. EVENT STUDY METHODOLOGY

The researcher has used most sophisticated model for analysis of a particular event, which is event study methodology. Study covers the quarterly earnings announcements of 8 quarters of each of the sample units. In the present study quarterly results declaration is an event which is to be studied. So, the quarterly results announcement dates are considered as event dates. The researcher has defined the event window of 21 days. It includes event date itself which is denoted by '0', 10 days prior to event date and 10 days after the event dates.

So, for all the sample firms, '0' indicates quarterly results announcement dates, 10 days before the event day taken as pre-announcement period and 10 days after the event day taken as post announcement period. Also, for the analysis estimation period of 90 days used. From the estimated period expected returns found out and with the comparison of actual and expected returns researcher has calculated abnormal returns of the stocks.

TABLE 1

Estimation Period (90 days)	-100	Window of 90 days before the event window (-10 th to -100 th day from the event)
Pre-Announcement Period (10 days)	-10	Window of 10 days before announcement (0 to -10 th day)
Event Day	0	Date of quarterly earnings announcement
Post Announcement Period (10 days)	+10	Window of 10 days after announcement (0 to 10 th day)

Steps for the analysis of data followed by researcher:

1. Daily stock returns and market returns:

a. Stock Returns

$$R_{it} = \frac{(P_{it} - P_{it-1})}{P_{it-1}}$$

Where,

R_{it} = time 't' return on stock 'i'

P_{it} = closing price of stock 'i' on day 't'

P_{it-1} = closing price of stock 'i' on day 't-1'

OR

$$\text{Stock Returns} = \frac{\text{closing price of stock} - \text{closing price of stock on previous close}}{\text{closing price of stock on previous close}}$$

b. Market Returns

$$R_{mt} = \frac{(I_t - I_{t-1})}{I_{t-1}}$$

Where,

R_{mt} = time 't' return of Market Index

I_t = closing price of Market index on day 't'

I_{t-1} = closing price of Market index on day 't-1'

OR

$$\text{Market Returns} = \frac{\text{closing price of Market Index} - \text{closing price of Marekt Index on previous close}}{\text{closing price of Market Index on previous close}}$$

2. Calculation of Expected Returns (from the estimation period)

$$E(R_{it}) = a_i + b_i R_{m,t}$$

Where,

E(R_{it}) = Expected returns

a_i and b_i = market model parameters

R_{m,t} = Return on Market index on day 't'

3. Calculation of Abnormal Returns

Abnormal returns are basically actual returns less expected returns.

$$AR_{it} = R_{it} - E(R_{i,t}), \quad t=(-10,-09.....10),$$

Where,

AR_{it} = Abnormal returns of stock 'i' on day t

R_{it} = Actual Return on stock 'i' on day t

E(R_{i,t}) = Expected Returns on stock 'i' on day t

4. Calculation of Average Abnormal Returns

The Abnormal Returns are then averaged across the sample of companies using the formula:

$$\text{Average Abnormal Returns} = (1/k) \sum \text{AR}_{it}$$

Where,

k = Number of quarterly earnings announcements

5. Calculation of Cumulative Average Abnormal Returns

CAAR (cumulative average abnormal returns) calculated to know the cumulative effect of quarterly earnings announcements.

$$\text{CAAR}_t = \sum \text{AAR}_t$$

6. Calculation of t statistics

At the end, t-statistics calculated-

$$t \text{ statistic} = \frac{\text{Average Abnormal Returns}}{\text{Standard Error}}$$

6. PRESENTATION OF DATA AND ANALYSIS

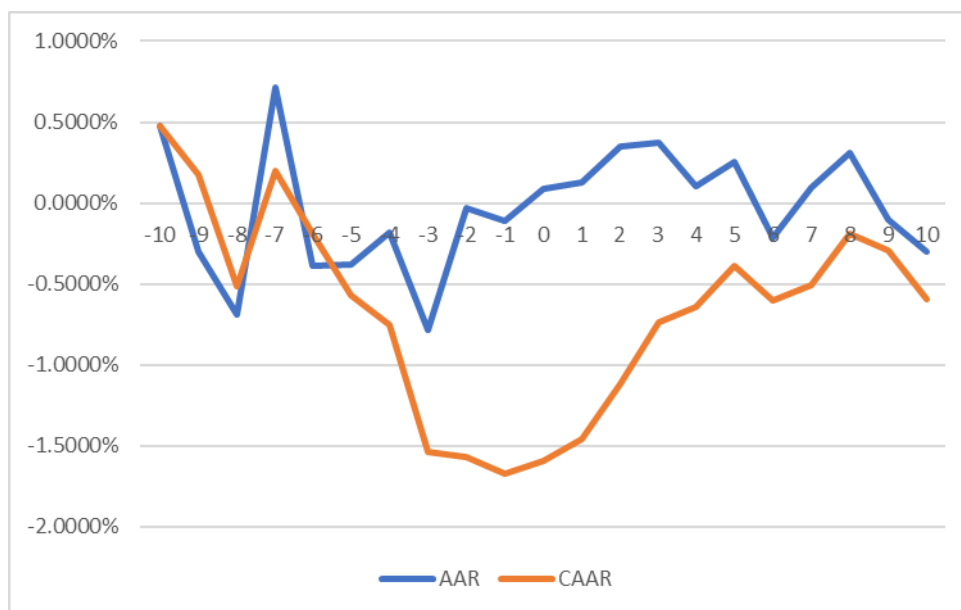
6.1 TATA CONSULTANCY SERVICES (TCS)

TABLE 1: AVERAGE ABNORMAL RETURNS, CUMULATIVE AVERAGE ABNORMAL RETURNS & T-STATISTICS FOR EVENT WINDOW OF TATA CONSULTANCY SERVICES

Days	Average Abnormal Returns (AARs)	Cumulative Average Abnormal Returns (CAARs)	t statistic (AARs/ Standard Error)	Hypothesis Selected (Level of Significance at 5%)
-10	0.4788%	0.4788%	1.51589763	Null Hypothesis
-9	-0.3010%	0.1779%	-0.95280483	Null Hypothesis
-8	-0.6928%	-0.5150%	-2.19331246	Alternative Hypothesis
-7	0.7152%	0.2003%	2.26416485	Alternative Hypothesis
-6	-0.3896%	-0.1893%	-1.23321965	Null Hypothesis
-5	-0.3818%	-0.5711%	-1.20852413	Null Hypothesis
-4	-0.1811%	-0.7522%	-0.57343699	Null Hypothesis
-3	-0.7869%	-1.5391%	-2.49101684	Alternative Hypothesis
-2	-0.0289%	-1.5679%	-0.09139305	Null Hypothesis
-1	-0.1073%	-1.6752%	-0.33971152	Null Hypothesis
0	0.0850%	-1.5902%	0.26910575	Null Hypothesis
1	0.1299%	-1.4603%	0.41119877	Null Hypothesis
2	0.3467%	-1.1137%	1.09740871	Null Hypothesis
3	0.3740%	-0.7396%	1.18413317	Null Hypothesis
4	0.1010%	-0.6387%	0.31960282	Null Hypothesis
5	0.2539%	-0.3847%	0.80392641	Null Hypothesis
6	-0.2157%	-0.6005%	-0.68294359	Null Hypothesis
7	0.0954%	-0.5051%	0.30202894	Null Hypothesis
8	0.3133%	-0.1918%	0.99167057	Null Hypothesis
9	-0.1022%	-0.2940%	-0.32339955	Null Hypothesis
10	-0.2984%	-0.5924%	-0.94460573	Null Hypothesis

*R Square of the model is 0.6935 which indicates model is better fitted.

FIGURE 1: AVERAGE ABNORMAL RETURNS AND CUMULATIVE AVERAGE ABNORMAL RETURNS OF TATA CONSULTANCY SERVICES FOR EVENT WINDOW



AARs are positive for only 2 days before announcement of quarterly announcement, rest of the days it remained negative. In which on day -8 and -3 showed significantly negative abnormal results and day -7 showed significantly positive abnormal returns. After the event date there is only 2 days where returns are negative. It is clearly seen that investors are getting abnormal returns after the result announcement. Although there is no any statistically significant returns after the event date.

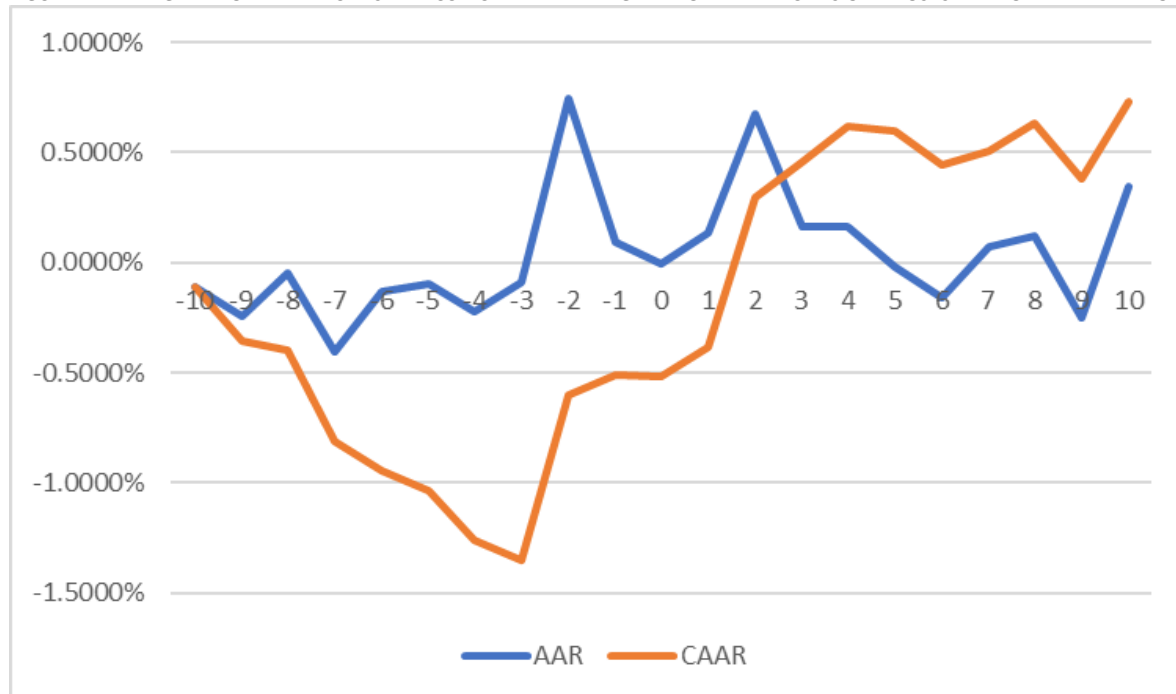
From the figure it is seen from the CAARs that investors were continuously getting negative returns but after the event date CAARs recovered gradually. It can be concluded that CAARs also indicating that results announcements affect investors returns.

TABLE 2: AVERAGE ABNORMAL RETURNS, CUMULATIVE AVERAGE ABNORMAL RETURNS AND T-STATISTICS FOR EVENT WINDOW OF INFOSYS LTD.

Days	Average Abnormal Returns (AARs)	Cumulative Average Abnormal Returns (CAARs)	t statistic (AARs/ Standard Error)	Hypothesis Selected (Level of Significance at 5%)
-10	-0.1104%	-0.1104%	-0.48486881	Null Hypothesis
-9	-0.2440%	-0.3544%	-1.07109668	Null Hypothesis
-8	-0.0462%	-0.4006%	-0.20285674	Null Hypothesis
-7	-0.4075%	-0.8081%	-1.78904438	Null Hypothesis
-6	-0.1341%	-0.9422%	-0.58878533	Null Hypothesis
-5	-0.0934%	-1.0356%	-0.40992595	Null Hypothesis
-4	-0.2233%	-1.2588%	-0.98021031	Null Hypothesis
-3	-0.0895%	-1.3484%	-0.39309284	Null Hypothesis
-2	0.7458%	-0.6025%	3.27458857	Alternative Hypothesis
-1	0.0932%	-0.5093%	0.40931849	Null Hypothesis
0	-0.0041%	-0.5134%	-0.01799165	Null Hypothesis
1	0.1324%	-0.3810%	0.58112526	Null Hypothesis
2	0.6763%	0.2953%	2.96932886	Alternative Hypothesis
3	0.1608%	0.4561%	0.70615641	Null Hypothesis
4	0.1641%	0.6202%	0.72025914	Null Hypothesis
5	-0.0214%	0.5988%	-0.09375598	Null Hypothesis
6	-0.1582%	0.4406%	-0.69460862	Null Hypothesis
7	0.0692%	0.5098%	0.30366269	Null Hypothesis
8	0.1210%	0.6308%	0.53114596	Null Hypothesis
9	-0.2477%	0.3830%	-1.08762069	Null Hypothesis
10	0.3449%	0.7279%	1.51414279	Null Hypothesis

*R Square of the model is 0.8460 which indicates model is better fitted.

FIGURE 2: AVERAGE ABNORMAL RETURNS AND CUMULATIVE AVERAGE ABNORMAL RETURNS OF INFOSYS LTD. FOR EVENT WINDOW



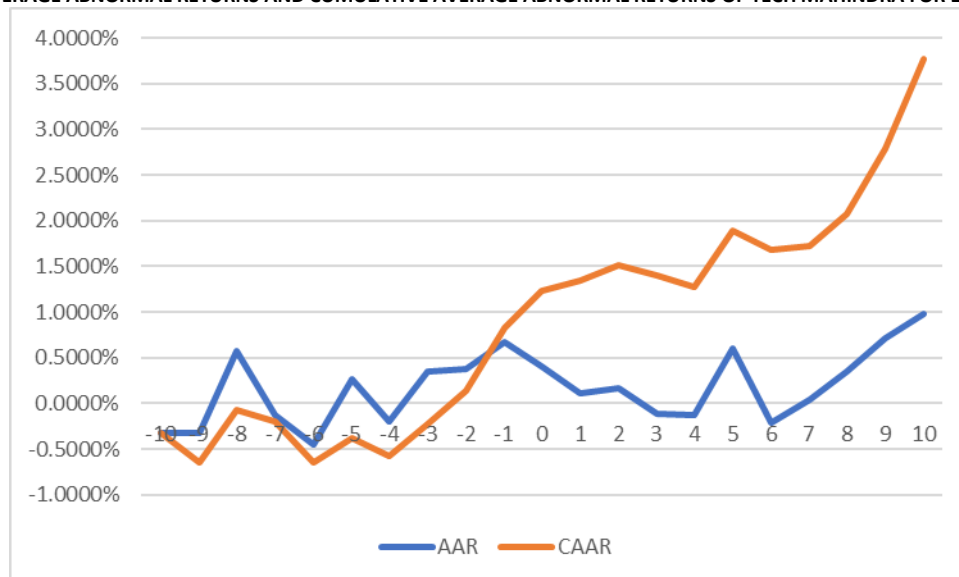
Investors are getting negative average abnormal returns almost on each day before the event date. Day -2 and -1 showed positive AARs in which -2 day shows statistically significant returns. It may indicate the expectations of investors towards results. After the event date 7 out of 10 days shows positive abnormal returns in which returns of day 2 are statistically significant. It can be analysed from AARs that there is overall positive impact of earnings announcement on stock returns. From figure 2 it can be easily seen that till the event date CAARs indicating continuously negative returns but after the event date it is turned positive. It depicts that investor were highly gained after the earnings announcement.

TABLE 3: AVERAGE ABNORMAL RETURNS, CUMULATIVE AVERAGE ABNORMAL RETURNS AND T-STATISTICS FOR EVENT WINDOW OF TECH MAHINDRA

Days	Average Abnormal Returns (AARs)	Cumulative Average Abnormal Returns (CAARs)	t statistic (AARs/ Standard Error)	Hypothesis Selected (Level of Significance at 5%)
-10	-0.3269%	-0.3269%	-0.63157653	Null Hypothesis
-9	-0.3220%	-0.6489%	-0.62212379	Null Hypothesis
-8	0.5733%	-0.0756%	1.10767962	Null Hypothesis
-7	-0.1273%	-0.2029%	-0.24595805	Null Hypothesis
-6	-0.4479%	-0.6508%	-0.86545932	Null Hypothesis
-5	0.2710%	-0.3798%	0.52364624	Null Hypothesis
-4	-0.1978%	-0.5776%	-0.38211979	Null Hypothesis
-3	0.3521%	-0.2255%	0.68028588	Null Hypothesis
-2	0.3714%	0.1459%	0.71748733	Null Hypothesis
-1	0.6768%	0.8227%	1.30771071	Null Hypothesis
0	0.4110%	1.2337%	0.79411494	Null Hypothesis
1	0.1145%	1.3483%	0.22124411	Null Hypothesis
2	0.1659%	1.5142%	0.32053730	Null Hypothesis
3	-0.1080%	1.4061%	-0.20869846	Null Hypothesis
4	-0.1259%	1.2802%	-0.24330797	Null Hypothesis
5	0.6088%	1.8890%	1.17615475	Null Hypothesis
6	-0.2072%	1.6818%	-0.40031340	Null Hypothesis
7	0.0413%	1.7231%	0.07981967	Null Hypothesis
8	0.3468%	2.0699%	0.67003750	Null Hypothesis
9	0.7163%	2.7862%	1.38390567	Null Hypothesis
10	0.9805%	3.7667%	1.89444752	Null Hypothesis

*R Square of the model is 0.5487 which indicates model is better fitted.

FIGURE 3: AVERAGE ABNORMAL RETURNS AND CUMULATIVE AVERAGE ABNORMAL RETURNS OF TECH MAHINDRA FOR EVENT WINDOW



AARs are negative for 5 days and positive for 5 days before the announcement date in which there is no statistically significant positive or negative returns. After the event date there are 7 positive and 3 negative AARs and again there is no any statistically significant returns. So, it can be said that AARs is like 'random walk', there is no clear evidence about the effect of earnings announcement.

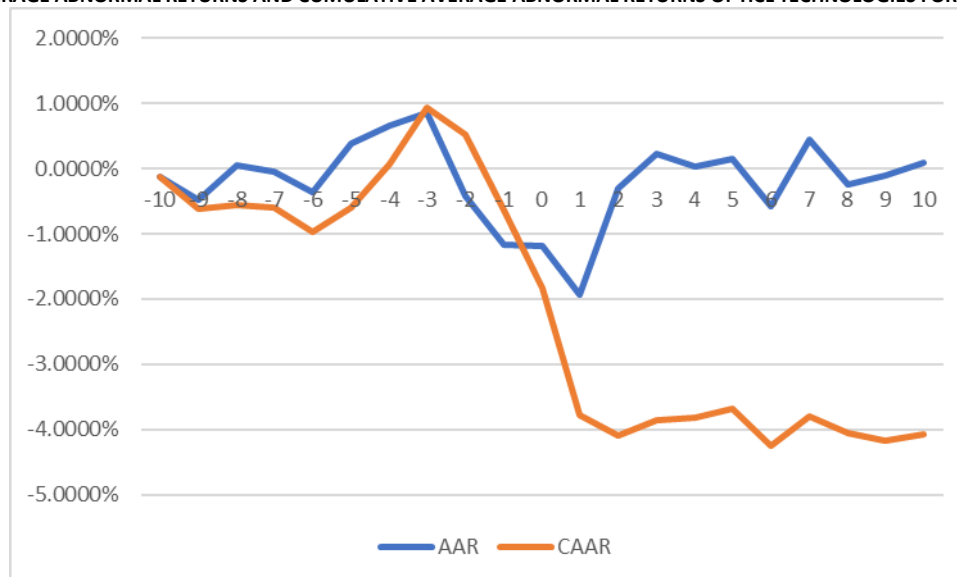
If we analyse CAARs from the figure 3 there is clear evidence that investors highly gained after the event date. CAARs were negative before the earnings announcement but after that it shows constant growth in the cumulative returns. To conclude, CAARs indicates that there is effect of earnings announcement on stock returns.

TABLE 4: AVERAGE ABNORMAL RETURNS, CUMULATIVE AVERAGE ABNORMAL RETURNS AND T-STATISTICS FOR EVENT WINDOW OF HCL TECHNOLOGIES

Days	Average Abnormal Returns (AARs)	Cumulative Average Abnormal Returns (CAARs)	t statistic (AARs/ Standard Error)	Hypothesis Selected (Level of Significance at 5%)
-10	-0.1241%	-0.1241%	-0.30747004	Null Hypothesis
-9	-0.4847%	-0.6088%	-1.20083587	Null Hypothesis
-8	0.0483%	-0.5604%	0.11969259	Null Hypothesis
-7	-0.0441%	-0.6045%	-0.10923977	Null Hypothesis
-6	-0.3669%	-0.9715%	-0.90909409	Null Hypothesis
-5	0.3777%	-0.5938%	0.93576777	Null Hypothesis
-4	0.6647%	0.0709%	1.64679227	Null Hypothesis
-3	0.8645%	0.9354%	2.14188725	Alternative Hypothesis
-2	-0.4115%	0.5238%	-1.01962939	Null Hypothesis
-1	-1.1685%	-0.6446%	-2.89505877	Alternative Hypothesis
0	-1.1897%	-1.8343%	-2.94769558	Alternative Hypothesis
1	-1.9426%	-3.7770%	-4.81320645	Alternative Hypothesis
2	-0.3073%	-4.0843%	-0.76138552	Null Hypothesis
3	0.2250%	-3.8592%	0.55756773	Null Hypothesis
4	0.0351%	-3.8241%	0.08703773	Null Hypothesis
5	0.1517%	-3.6724%	0.37592842	Null Hypothesis
6	-0.5723%	-4.2446%	-1.41790765	Null Hypothesis
7	0.4367%	-3.8079%	1.08205355	Null Hypothesis
8	-0.2383%	-4.0462%	-0.59033349	Null Hypothesis
9	-0.1166%	-4.1627%	-0.28878772	Null Hypothesis
10	0.0812%	-4.0815%	0.20129050	Null Hypothesis

*R Square of the model is 0.61992 which indicates model is better fitted.

FIGURE 4: AVERAGE ABNORMAL RETURNS AND CUMULATIVE AVERAGE ABNORMAL RETURNS OF HCL TECHNOLOGIES FOR EVENT WINDOW



There are 6 negative AARs and 4 positive AARs before the event date in which day -3 and day -1 indicates statistically significant returns. Event day itself shows significant negative returns. After the event date there are 5 negative and 5 positive AARs and day 1 showed significant negative returns. It is seen that near to event date returns are significant and negative. This may happen because of investor expectations of bad results from the company. From the figure 4 it is clearly shown that CAARs turned negative from the event date. Till the last day of event window, it remained negative. It can be concluded that investors lost their wealth after the earnings announcement.

7. CONCLUSION

Present study aimed to know whether the quarterly earnings announcements influence the stock prices of the company or not, and whether the investor’s wealth affected or not. From the empirical one can conclude that quarterly results announcements do affect the stock returns and investors wealth too. Although, it can be also stated that there are no immediate statistically significant returns around the earnings announcements but cumulative returns increase or decreases gradually over the event window period. From the 4 companies only in case of HCL Technologies it is seen that investors are losing their wealth. Investors of Tata Consultancy Services, Infosys Ltd. and Tech Mahindra gained some returns after the earnings announcement.

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