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STOCK RETURNS AND MARKET EFFICIENCY: AN EMPIRICAL STUDY ON INDIAN STOCK MARKET**KOUSTUBH KANTI RAY****ASSISTANT PROFESSOR IN FINANCIAL MANAGEMENT
INDIAN INSTITUTE OF FOREST MANAGEMENT (I.I.F.M.)****NEHRU NAGAR
BHOPAL - 462 003****ABSTRACT**

Many research studies have found that corporate events have numerous effects on the stock market. In this regard the aim of this paper is to test the semi-strong form of efficiency in Indian equity market following event study approach. The events considered in this paper are bonus issues and rights issues that have taken place in the market from 1996 to 2009. The two events are also been tested for abnormal returns and liquidity. The data selected is free from the impact of confounding events. Minus 30 to plus 30 days investigation window is taken for all the events to test abnormal returns and to test the change in liquidity. The results suggest that the Indian market is efficient in its semi-strong form with respect to bonus issue announcements only. In case of change in liquidity, bonus issues show a significant change in liquidity from pre to post event period at 5 percent level of significance. But in case of rights issue, there is no change in liquidity in both the periods.

KEY WORDS

Efficient Market, Event Study, Confounding Events, Abnormal Return

INTRODUCTION

This section is logically divided into three parts. First part describes the efficient market hypothesis (EMH) in detail. Second part comprises the basic understanding of the Indian equity market. Whereas, the third part explains the theoretical background of two events (bonus issue and rights issue) considered in the study. The general discussion of abnormal returns, confounding events and liquidity is encompassed in the last part of the section.

EFFICIENT MARKET HYPOTHESIS (EMH)

Efficient Market Hypothesis (EMH) signifies that all appropriate information is quickly and fully assimilated in a security's market price; thereby guessing that an investor will obtain an equilibrium rate of return. In other words, an investor in the market should not anticipate an abnormal return. There has been a large body of academic community, mainly economists and statisticians, who subscribe to the hypothesis of random walks in the stock market prices. Random-walk theorists generally start from the premise that the major security exchanges are good instances of efficient markets. A market where consecutive price changes in individual securities are independent is, by definition, called a random-walk market (Fama, 1965). The random walk theory affirms that all information is replicated in the current stock prices. Therefore any new information would also take little time to be completely incorporated in the prices, and market players, thus, would have little time to exploit this new information to realize above normal profits.

Fama (1970) recognized three forms of market efficiency explicitly; the weak, semi-strong and strong form. Weak form of market efficiency says that current stock prices fully reflect all past information. Hence, any attempt to forecast prices based on historical prices or information is completely futile, as the prices follow random walk process. Semi-strong form expands the idea of efficiency a little further and describes that current stock prices replicate all publicly available information. It also believed that prices adjust to such information very quick, so above normal returns on a consistent basis cannot be earned. The strong form explicates the situation where all pertinent information, whether it is within the public domain or private domain, will be reflected in the stock market price.

In event studies, it is measured how quickly stock prices respond to different pieces of news, such as corporate earnings or dividend announcement, news of a merger and takeover, or macroeconomic news. Normally, the exploration of semi-strong form market efficiency has been limited to the study of well-developed stock markets in the world. The aim of this research is to observe the stock price reaction to information release on bonus issues and rights issues with a view of examining whether the Indian stock market is efficient in its semi-strong form or not. Over the past half century, event studies have been employed in much research studies across the globe and their superiority has been greatly improved by Dolley (1933), Fama et al. (1969) and Brown and Warner (1985). The similar methodology has been used to contribute additional confirmation on the efficiency features of the Indian stock market.

INDIAN EQUITY MARKET

Many stock market studies have been apprehensive with market efficiency. However the majority of the markets under examination have been mature markets such as the New York Stock Exchange and London Stock Exchange (Bris et al. (2004); Schwert (2002)). This present study tries to consider the market efficiency of an emerging stock market like India. The Indian equity market has been portrayed as an emerging market (Raju and Ghosh (2004); Mahfuzul et al. (2004); Yartey (2008)) and in the subsequent pages the author attempts to study whether the Indian market is efficient in its semi-strong form or not through an event study methodology. Indian equity market is mainly executed on the basis of two major stock indices, National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). The benchmark indices in these two exchanges are Sensex (30 stocks) and Nifty (50 stocks) respectively. In both these stock exchanges trading is being carried on in a dematerialized form. However there are about 22 stock exchanges in India which regulate the market trends of different stocks in the economy. Securities and Exchange Board of India (SEBI) is the regulatory authority and it controls the functioning of the all stock markets in India.

With the liberalization of Indian economy in early 1990s, it was inescapable to boost the Indian stock market trading system on parity with the international standards. In the past few years with the help of online stock trading facility, it has been extremely convenient for investors to trade in Indian stock markets. Hence over the years Indian equity market became a lucrative destination for both domestic and foreign investors. Foreign investment in general enjoys a mainstream share in the Indian equity market.

THEORETICAL BACKGROUND OF EVENTS

The semi-strong form of market efficiency guides the security prices to react instantly to any new information. The researches on event studies are enormous in number, and the literature continues to grow further in recent times. Event studies commonly examine the behavior of firms' stock prices around the corporate announcements.

The first event for the present study is bonus issue; which is basically the distribution of additional stocks to existing shareholders in proportion of their current holding. A company can issue bonus shares by utilizing retained earnings or accumulated capital reserves. Only correction caused by bonus issue is that the numbers of outstanding stocks are adjusted by the bonus issue ratio. Thus the price of the stocks' decline on the basis of the same ratio (number of bonus stocks in the issue/number of existing stocks applicable for the bonus issue) and the value of the stocks held by an individual investor remain unaffected. Miller and Modigliani (1961) explained theoretically that bonus issues, along with other types of dividends declared by companies, do not amend stockholders' wealth. Likewise, Sloan (1987) presented Australian evidence that bonus issues do not influence stockholders' wealth. However, many empirical researchers have revealed that the market normally reacts positively to the company announcement of a bonus issue or stock dividend (see, Fama et al. (1969); Foster & Vickrey (1978); Woolridge (1983); Eades et al. (1984); McNichols & Dravid (1990); Anderson et al (2001); Obaidullah (1992) and Rao (1994)).

The second event undertaken in the study is the rights issue. It is the issue when a listed company proposes to issue new securities only to its existing shareholders at a price. The rights are typically offered in a particular ratio to the number of securities held by the shareholders prior to the issue. As a result each shareholder gets to acquire a certain number of shares, based on his current holding. Rights issues are not free shares of the company, but the shareholders get complete right to own those shares at a price. The amount per right share is generally less than the current stock price. Given this the shareholders will exercise their right and the number of shares will increase thus reducing the earning per share. This route is appropriate for companies who would like to mobilize capital without diluting stake of its existing shareholders.

ABNORMAL RETURNS, CONFOUNDING EVENTS AND LIQUIDITY

Abnormal returns are impartial estimates of changes in the market value of the firm during the event period, which replicate the price reaction to the event. It is the return that an investor gets over and above the normal returns. There are several common alternatives for estimating normal return for instance, market model and mean-adjusted normal return model. In the present study market model is used to estimate normal returns. Normal returns are the returns an investor gains due to his standard course of trading. Means the period during which any event, that can influence his returns has not occurred. Now once some event transpires, it may contaminate the usual course and results an abnormal return. The process of calculating normal and abnormal return is discussed in the subsequent methodology section.

To study the impact of particular event on share prices, the event study methodology followed by researchers isolates events from each other. To execute the procedure appropriately, all confounding events around the event window, a period prior and subsequent to the event date, need to be controlled for. Confounding events comprise movements in the overall market and/or firm- specific events like acquisitions or divestitures or bonus announcement or stock split or rights issue. If the bonus announcement or other major firm- specific events takes place within the event window, the firm is usually removed from the sample. This is because to confirm the abnormal return calculated is due to bonus announcement or any other firm-specific event declared on the same day. However, if all the events are kept, the researcher exercises some other approach to control for the influence of the confounding event on the study's results (see, Lijleblom, 1989). But in the present study the author has removed the firms which witnessed some confounding events.

Market liquidity is a significant factor which affects market efficiency. It is an indicator of market depth and demonstrates the absorption power of risk premium. The market liquidity can be considered as one of the factors influencing the price discovery function. Over the years many researchers demonstrated the relation between corporate events and its impact on liquidity. Miller and Modigliani (1961), in their influential work formally developed the dividend irrelevance hypothesis. They described that in perfect capital markets populated by rational investors; a firm's value is solely a function of its investment opportunities and is independent of the firm's payout policy. On the contrary other existing literature argues that stock market liquidity influences the valuation of firms both in the cross-section and through time (See, for example, Amihud (2002), Brennan and Subrahmanyam (1996), Brennan et al. (1998)). Lakonishok and Lev (1987) studied liquidity hypothesis, which suggests that stock dividend messages are intended to improve liquidity, as the floatation of additional stocks should lead to an improve in trading and greater ownership dispersion in a firm.

LITERATURE REVIEW

Event studies have a long history, comprising the original stock split event study by Fama et al. (1969). Peterson (1971) suggested that an increase in stock price following an event can occur because the announcement of a bonus issue may have beneficial information content. In the similar line Foster and Vickrey (1978) observe the signaling hypothesis using daily return data and information content of 82 stock dividend announcements. They found that there is a considerable positive abnormal return around the announcement dates. Woolridge (1983) found a positive average abnormal ex-date return of 0.98 percent for a sample of 317 stock dividends and propose that the ex-date effect could arise from market flaws such as taxes and odd- lot transaction costs. Grinblatt et al. (1984) considered the 1967 to 1976 ex-dates of stock dividends distributed and found an average abnormal return of 1.1 percent. This finding is also interpreted as a confirmation of signaling hypothesis. Lijleblom (1989) investigated the signaling hypothesis by considering stock market price response to bonus issues for the firms that also concurrently release other contaminating information, for instance release of past earnings. His findings indicate that there is a greater positive stock price reaction for the bonus issue-paying group than for the control group. This finding is interpreted as a support of signaling hypothesis in the existence of other contaminating announcements. McNichols and Dravid (1990) find a positive relationship between the bonus issue announcement and related abnormal return. Their result provides fact, which is consistent with a signaling explanation for stock dividends. A Canadian study by Masse et al. (1997), exploring the impact of stock dividend announcements on the value of the firms listed in Toronto Stock Exchange, establish significant and affirmative abnormal returns around the announcement date.

Managers use financial decisions such as stock split and bonus issues to convey a favourable private information about the current value of the firm as suggested by Ross (1977) and Leland and Pyle (1977). Eades et al. (1984) found that there is a significant positive ex-date return by companies listed on the New York Stock Exchange during the period between 1962 to 1980 for a sample of 2110 stock dividends and stock splits. Their results were accounted not just for the ex-day, but also for the five days either side of it. However it was found that ex-day itself exhibited the largest average abnormal return and indicated that positive abnormal returns were also significant on the day prior to it and on the two days subsequent to it. In the similar line Lakonishok and Vermalen (1986) reported a substantial positive abnormal return for a sample of 2558 stock dividends and stock splits. They considered each of the five days prior to the ex-day, the ex-day itself and the two days subsequent to it and found that the largest abnormal return is explained on the ex-day itself.

Several studies in market efficiency do not distinguish between stock split and stock dividend. But the researchers like Wulff (2002) and Rankine and Stice (1997) found that the announcement effect is more pronounced for stock dividend than for stock split. In the similar line Grinblatt et al. (1984) propose that stock dividend signal has greater future earnings expectations than stock split. Eisemann and Moses (1978) and Baker and Gallagher (1980) surveyed manager's views regarding stock dividends and stock splits respectively. They described that firms' issue stock split with an intention of keeping stock price in an optimal range whereas the stock dividend is related to preserve cash and to convey confidence in the firm and to enlarge the number of shareholders.

Kothare (1997) and Bae and Jo (1999) carried out their study particularly in US market (NASDAQ and NYSE respectively) on rights issues and volatility in the market. Kothare finds that there is no change in volatility in the stock price after rights issue announcement whereas, Bae and Jo find decreasing volatility following rights issues. A probable explanation for the different finding can be that Bae and Jo used shorter pre- and post-issue periods. In the same framework some researchers argue that there is a small increase in the number of shareholders following rights issues for the Norwegian and Finnish stock exchanges (Bohren et al. (1997); Hansson (1999)).

Other studies on rights issues have accounted negative announcement period returns (see Burton et al. (2000); Suzuki (2000) for UK; Singh (1997) for US; Marsden (2000) for New Zealand; Kabir and Roosenboom (2003) for Netherlands). Conversely, positive announcement period abnormal returns immediate to rights issues are reported by Tsangarakis (1996) for Greece market, Bohren et al. (1997) for Norway market and Kang and Stulz (1996) for Japanese market rights issue announcements.

There are few researchers investigated the semi-strong form of market efficiency in India. Ramachandran (1985) studied the impact of bonus issue announcements on Indian equity stock prices. He found a varied evidence of semi-strong form efficiency in the Indian stock market. Obaidullah (1992) accounted a positive stock market reaction to bonus issue announcements and supported the semi-strong form of market efficiency. Rao (1994) suggested that the Indian equity market responds in an expected direction to firm announcements and supported the semi-strong form of efficient market in India. He projected a cumulative abnormal return of 6.3 percent around the three days of bonus issue announcement. Srinivasan (1993) in his study established enormously large positive abnormal returns on ex-bonus and ex-rights dates for Indian stocks. Mishra (2005) found that there is a significant positive abnormal return for a five-day period prior to bonus announcements.

RESEARCH METHODOLOGY AND DATA

From the above literature it is evident that lot of work has been done on event study in the developed and emerging markets (including India) considering a single event. In the present paper the author considered two events (i.e. bonus issues and rights issue) to find the market reaction during the same period. In order to carry out an event study, the author determine the investigation window as $t=-30$ to $t=+30$ relative to the event day $t=0$ (date of announcement of bonus issue /rights issue).

This section is divided into two logical parts. The first part outlines the data source and hypothesis and the methodology followed to proof the hypothesis is enumerated in the second part.

DATA SOURCE AND HYPOTHESIS:

The stock market data for the analysis is taken from Prowess database published by Centre for Monitoring India Economy (CMIE). The stock data includes the stocks which have been listed in National Stock Exchange (NSE) and declared bonus issues and rights issues from April 1996 to March 2009. The daily adjusted share price data of the sample companies has been collected for two events. It is revealed that there are 521 and 177 companies went for bonus issues and rights issues respectively during the period April 1996 to March 2009 in Indian market. The sample companies are taken after removing the confounding events of the respective companies.

For the purpose of the study, a null hypothesis is constructed for abnormal returns. The null hypothesis (H_0) is that the Indian market is efficient in its semi-strong form and there is no significant average abnormal return around the event dates for two events (bonus issues and rights issues) and the alternative hypothesis (H_1) being the Indian market is not efficient in semi-strong form and there is a significant average abnormal return around the event dates. The change in liquidity is also tested for all the events considering the same $t=-30$ to $t=+30$ days window. Here the null hypothesis (H_0) being there is no significant change in liquidity of stocks for any of the two events (bonus issue and rights issue). Whereas alternative hypothesis (H_1) being there is a significant change in liquidity of stocks for the events considered.

METHODOLOGY ADOPTED:

To devise an event study, the event, event window, estimation window, investigation window and the estimation model should be determined. An event is what the investigators would like to study, and it conveys the information that potentially influences the stock market prices. An event window is the period in which an event occurs in the market. The event window in this research is combined with the day of announcement of the event and the days preceding and succeeding the announcement day, which are numerically expressed as -1 , 0 and $+1$. The period of data used for estimation of parameters is known as an estimation window. The estimation window in this study is identified from -230 days to -31 days before the announcement date i.e. "0" day. The investigation window is an extension of the event windows, from -30 days through $+30$ days for both the corporate events.

For any Time series data analysis, all data series must be stationary. To study the stationarity of data series the author carried out unit root test, which shows whether the data series is stationary or not. The Stationarity condition has been tested using Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) tests. [Dickey and Fuller (1979), Gujarati (2004), Phillips and Perron (1988)]. Preliminary, Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) tests failed to reject stationarity in case of all the individual stock returns and market return variables.

Brown and Warner (1980) reported that 'a simple methodology based on the market model is well-specified and relatively powerful under a wide variety of conditions. Following Brown and Warner, the market model is employed to compute the abnormal returns that are derived from the following equation:

$$R_{jt} = \alpha_j + \beta_j R_{mt} + e_{jt}$$

Where, $R_{j,t}$ = the daily return security j at day t

R_{mt} = the daily return on Indian stock market at day t

α_j and β_j = OLS intercept and slope coefficient estimators, respectively

e_{jt} = the error term for security j at day t

The NSE market index (Nifty) is taken here the proxy for computing the market return. To compute daily market return logarithm method has been followed.

$$R_{mt} = \text{Log}(I_t/I_{t-1})$$

The daily return for individual security "j" is:

$$R_{jt} = \text{Log} (R_t/R_{t-1})$$

α_j and β_j are derived from the market model over 200 days prior to the event month and assumed to be constant for the event window considered in the study (t-30 to t+30). The expected returns for security j at day t are defined as,

$$ER_{jt} = \alpha_j + \beta_j R_{mt}$$

Where α_j , β_j are OLS estimators of (α_j, β_j) .

The daily abnormal return is calculated as $AR_{jt} = R_{jt} - ER_{jt}$. For each event date t, the cross sectional average abnormal returns for all firms are defined as:

$$AAR_t = \frac{1}{n} \sum_{j=1}^n e_{jt}$$

t = -30 to +30

n = 521 for bonus issues and 177 for rights issues

To test the statistical significance of results pertaining to abnormal returns obtained, the t-test recommended by Brown and Warner (1985) in the presence of event clustering of cross-sectional correlation is conducted.

In order to see if the events affect liquidity of the security, a simple paired t-test is used in the study. Total volume traded in the market is taken as the proxy for liquidity of the stock. The author has also made an attempt to see whether there is any significant difference in the total traded volume in the pre and post event dates of these two events (bonus issues and rights issues) for the event window t=-30 to t=+30 days.

RESULT ANALYSIS

This result analysis section is presented in two sub-sections. First deals with the results obtained for testing efficiency of the market with respect to two events and the second enumerates the findings of liquidity in pre and post of these events.

MARKET EFFICIENCY

In the study the author considered the event window of 61 days consisting of t₋₃₀ to t₊₃₀ relative to event day t₀. Event date is the date of announcement of bonus or rights issue.

The objective of the study being exploring semi-strong form of market efficiency characteristics of the Indian stock market, it is attempted to investigate, whether the Average Daily Abnormal Returns (AAR) are indicating any pattern or not. In addition to this whether any sample company delivers abnormal returns on and around announcement date is also investigated in the research.

The results obtained with respect to bonus issues are presented in Table 1. It is found that on the announcement date, there is a negative average abnormal return of 1.3%. But it is not statistically significant at 5% level. The results concerning rights issues are depicted in Table 2. It is revealed that on announcement date, there is a positive average abnormal return of 1% for rights issues. This return is also statistically significant at 5% level. This shows that, there is a strong impact of rights issues than bonus issues on stock prices in Indian market. Table 3 recapitulates the impact of bonus issues and rights issues on share price performance. It is found that 24% of sample companies have positive returns during the event window in respect of bonus issues whereas that is 60% for rights issues. On announcement date, only 15% of sample companies reported positive return in case of bonus issues compared to 55% for rights issues. Thus it is evident that reaction of market players to rights issue announcements are more pronounced than that to bonus issues. It is also observed from Table 1 that in case of bonus issues, there are only 11 days out of 61 days reported statistically significant return. Where, it is 17 days out of 61 days (Table 2) for rights issues reported statistically significant return excluding the event date. During the post 30 days from the event announcement date, there are 14 days reported statistically significant return in respect of rights issue. Which is much higher in compared to bonus issues significant return of 7 days. In case of rights issue there are positive average abnormal returns (AAR) repeatedly for six days after the event date. But these returns are not statistically significant. Whereas, the return of one day before the event date i.e. t₋₁ is statistically significant. These results suggest that chances are more to earn abnormal return during the rights issue announcements than bonus issue announcement. This is also been supported by earlier researchers like Hansson (1999), Kothare (1997), Tsangarakis (1996) for Greece market, Bohren et al. (1997) for Norway market and Kang and Stulz (1996) for Japanese market. Majority of these studies concluded that, there is a positive reaction of investors in the market following the rights issue announcements. But findings are contrary to researchers like Wulff (2002), Rankine and Stice (1997) and Grinblatt et al. (1984) who found that the announcement effect is more pronounced for stock dividend than any other types of event. On Indian market, the research studies like Obaidullah (1992), Rao (1994) and Mishra (2005) suggested that the Indian equity market responds in an expected direction to firm announcements and supported the semi-strong form of efficient market. However this present research supports the earlier studies in respect of bonus issues announcements but failed to admit the Indian market efficiency under rights issue announcement.

LIQUIDITY RESULTS

Table 4 shows the results achieved as part of testing the change in liquidity in pre and post events in respect of bonus issues and rights issues. It is found that the null hypothesis of no significant difference in liquidity pre and post event date is rejected at 5% level of confidence for bonus issues. This shows that there is a significant difference in liquidity concerning the bonus issue announcements. The outcomes found with respect to rights issue shows that the "t" statistics is -0.275 and the corresponding probability of around 0.74. Therefore the possibility of committing a type 1 error if the null is rejected is 74%, which is not satisfactory. It is thus no evidence to reject the null hypothesis. As a result it can be concluded that there is no change in liquidity pre and post rights issue in the Indian market.

FINDING AND CONCLUSION

This paper examines the announcement effects of bonus issues and rights issues on the Indian stock market during the period April 1996 to March 2009. An event study is conducted using a 61-day event window. The study rejects the null hypothesis for rights issues but it fails to reject the null hypothesis in case of bonus issues. This study proves that Indian market is efficient in its semi-strong form only for bonus issues but not true in case of rights issue. The study finds a positive AAR of 1% in respect of rights issues on event announcement date. Whereas in respect of bonus issues AAR is -1.3% on the announcement date, which is again not statistically significant. But rights issues returns are statistically significant at 5% level on the announcement date. Moreover it is found that 24% of sample companies have positive returns during the event window in respect of bonus issues whereas that is 60% for rights issues. Thus it is evident that reaction of market players to rights

issue announcements are more pronounced than that to bonus issues. These findings are in line with the earlier studies by Bohren et al. (1997), Hansson (1999), Kothare (1997), Tsangarakis (1996), Bohren et al. (1997) and Kang and Stulz (1996).

In case of liquidity it is found that the null hypothesis of no change in liquidity is rejected in case of bonus issues. One possible reason may be quoted here that the number of shareholdings increases due to bonus issues, which may attract the investors for more trading. But for rights issues there is no evidence found to reject the null hypothesis of no difference of liquidity in pre and post event. In the overall study it can be concluded that under bonus issue announcements Indian market is efficient but the efficient market hypothesis is failed to prove that Indian market is efficient around rights issues announcements where investors still can make abnormal returns.

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TABLES

TABLE 1, EVENT- BONUS ISSUE

Days	Mean Abnormal Return	t-Statistics	Days	Mean Abnormal Return	t-Statistics
-30	-0.0066	-0.5894	1	-0.0047	-0.8733
-29	0.0026	0.7385	2	-0.0047	-0.3909
-28	-0.0036	-1.0737	3	-0.0022	-2.4132*
-27	0.0098	2.2551*	4	0.0008	0.3738
-26	-0.0232	-2.3479*	5	-0.0033	-0.6481
-25	-0.0035	-1.1355	6	-0.0055	-1.6271
-24	-0.0049	-1.2282	7	-0.0005	-0.2494
-23	-0.0017	-0.8367	8	-0.0075	-2.8164*
-22	-0.0025	-2.2812*	9	-0.0019	-0.6380
-21	0.0015	0.6705	10	-0.0006	-2.2540*
-20	-0.0034	-1.1555	11	-0.0019	-0.7897
-19	-0.0013	-0.5604	12	-0.0007	-0.3602
-18	-0.0006	-0.2516	13	-0.0028	-0.8241
-17	0.0042	1.2270	14	-0.0026	-0.9881
-16	-0.0032	-1.4767	15	0.0013	0.3888
-15	-0.0015	-0.2376	16	-0.0012	-2.4919*
-14	-0.0041	-1.4876	17	-0.0072	-1.8462
-13	0.0009	0.3629	18	-0.0024	-1.8291
-12	0.0066	0.6061	19	-0.0065	-0.801
-11	-0.0056	-0.6214	20	0.0028	2.8288*
-10	0.0054	2.1924*	21	-0.0233	-1.7151
-9	0.0048	1.7340	22	-0.0044	-2.0772*
-8	0.0059	2.3994*	23	-0.0046	-2.2117*
-7	-0.0006	-0.2356	24	-0.0029	-1.07
-6	0.0047	1.1100	25	-0.0048	-1.239
-5	0.0027	0.6361	26	-0.0012	-0.4292
-4	0.0039	1.4946	27	-0.0044	-1.8518
-3	0.0054	1.9496	28	0.0028	0.6341
-2	-0.0034	-0.8878	29	-0.0036	-0.7787
-1	-0.0039	-1.3787	30	-0.0019	-0.8864
0	-0.0129	-0.4592			

Note- (*) indicates statistically Significant at 5% level.

TABLE 2, EVENT- RIGHTS ISSUE

Days	Mean Abnormal Return	t-Statistics	Days	Mean Abnormal Return	t-Statistics
-30	0.0067	1.5080	1	0.0029	0.8108
-29	0.0073	1.3353	2	0.0074	0.8909
-28	0.0036	0.5754	3	0.0060	2.7586*
-27	-0.0038	-0.8431	4	0.0087	0.2019
-26	0.0060	1.0566	5	0.0071	2.7804*
-25	0.0053	1.7496	6	0.0018	0.7972
-24	0.0073	1.2322	7	-0.0131	-3.6352*
-23	-0.0043	-0.7925	8	0.00006	2.0069*
-22	-0.0072	-1.2201	9	0.00002	2.1047*
-21	-0.0060	-0.8915	10	-0.0109	-3.3846*
-20	-0.0054	-0.5692	11	0.00064	0.2706
-19	0.0019	0.3812	12	0.000022	2.0103*
-18	-0.0053	-2.1658*	13	-0.0033	-0.6579
-17	0.0132	2.5069*	14	-0.0024	-2.4986*
-16	-0.0067	-0.9780	15	0.0019	2.5386*
-15	0.0071	0.9101	16	-0.0056	-2.7395*
-14	0.0052	0.8574	17	0.0037	0.2903
-13	-0.0067	-1.7739	18	0.0045	2.6519*
-12	-0.0092	-1.8894	19	-0.0056	-2.4468*
-11	0.0037	0.2773	20	0.0012	2.0763*
-10	-0.0091	-1.2764	21	0.0076	1.7956
-9	0.0082	0.9605	22	0.0079	1.8648
-8	-0.0029	-0.7826	23	-0.0056	-2.8966*
-7	-0.0039	-0.7298	24	-0.0012	-0.3408
-6	0.0174	0.6691	25	-0.0016	-0.2344
-5	0.0081	1.6806	26	0.0086	1.9808
-4	0.0098	0.8819	27	-0.00018	-0.0548
-3	0.0348	1.5569	28	0.0015	0.4374
-2	0.0045	0.9415	29	-0.0074	-1.9749
-1	-0.0022	-2.5950*	30	-0.0092	-1.3536
0	0.0102	3.1083*			

Note- (*) indicates statistically Significant at 5% level.

Table-3 Impact of Event (Bonus Issues and Rights Issues) Announcement on Share Price Performance

Particulars	Bonus Issues		Rights Issues	
	No. of Companies	Percentage	No. of Companies	Percentage
Companies having positive mean return during event window	124	23.8%	107	60%
Companies having negative mean return during event window	397	76.2%	70	40%
Companies having positive return on announcement date	79	15%	98	55%
Companies having negative return on announcement date	442	85%	79	45%
Total	521	100%	177	100%

Table 4- Liquidity Test

Events	t-statistics	Probability
Bonus Issues	3.436*	0.0308
Rights Issues	-0.275	.7487

Note- (*) indicates statistically Significant at 5% level.

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At the very outset, International Journal of Research in Commerce and Management (IJRCM) appreciates your efforts in showing interest in our present issue under your kind perusal.

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Hoping an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator