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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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**ANALYSING THE SIGNALING EFFECTS ON ICICI BANK'S SHARE PRICE – EMPIRICAL STUDY**

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**ABSTRACT**

*The purpose of this study is to analyze the signaling effect (stock dividends, Revision of Bank Rate & SLR Rate by RBI) on ICICI's share price and to study whether this information is interpreted independently of other simultaneously published new information. The study analyzed the changes happened in share price and trading volume between pre & post dividend announcement periods (130 working days) and between pre and post revision of bank rate & SLR rate by RBI (60 working days) were considered and analyzed. For this analysis statistical tools are used to find the significant difference between pre and post event announcement. The study found the statistical difference in share price and traded volume in some event.*

**KEYWORDS**

Corporate Event Announcements, Share price Trend, Dividend Declaration, Signaling effect.

**INTRODUCTION**

Dividend is commonly defined as the distribution of firms profit among the shareholders firm in a proportionate to their ownership. Dividend announcement, revision of bank rate and SLR rate has more implication investors, managers, depositors and others stake holders. For investor dividend declaration is a profit of their investment which motivates them to buy and hold a particular share. Similarly revision of bank rate and SLR rate has more implication on investing and lending. Revision of the bank rate and SLR rate is the best tool to attract investor to trade on its share price which leads to significant difference in share price before and after announcements. The study aims to analyze the impact of event announcements on its share price & traded volume.

**REVIEW OF LITERATURE**

**Venkatesh.P.C** (2004) has done his study on "The impact of dividend initiation on the information content of earnings announcements and returns volatility" (Journal of Business, Vol 62 Issue 2). The results indicate that the average price reaction to earnings announcement is generally smaller after the introduction of dividends. The results are stronger when earnings precede dividends; that is, earnings announcements that follow dividends. Dividend initiation has an impact on the characteristics of daily returns and the volatility of daily returns, falls after dividend initiation

**"Asquith, Paul; Mullins Jr., David W** (2004) has done his study on "The impact of initiating dividend payments on shareholders' wealth" (Journal of Business, Vol- 53 Issue 1). The results suggest that subsequent increases of dividend may produce a larger positive impact on shareholders' wealth. The results also indicate that other studies may have underestimated the effect of dividend increases.

**Yilmaz, Mustafa Kemal, Gulay, Guhzan** (1999) has done his study on "Dividend Policies and Price-Volume Reactions to Cash Dividends on the Stock Market" (Emerging Markets Finance & Trade; Vol. 42 Issue 4). The results showed that the trading volume shows a considerable upward shift before the payment date and, interestingly, is stable after. The findings support price-volume reaction discussions on the dividend payment date and the significant effect of cash dividends on the stock market

**Liljeblom, Eva** (2000) has done his study on "The information impact of announcements of stock dividends and stock splits" (Journal of Business Finance & Accounting, Winter89, Vol. 16 Issue 5) The results indicate that the unexpected EPS change as well as the stock dividend/stock split announcement are the most important reasons for significant price reactions following the announcement

**David and Garrison (1989)** examined the impact of common stock repurchasing firms common stock returns. They have many other studies undertaken in the past on the usage of event study methodology to measure the likely impact of buyback announcements on share prices and their returns, however, this was a first study undertaken in Indian scenario.

**OBJECTIVES OF THE STUDY**

1. To analyze the impact of corporate event (dividend) announcements on share price
2. To study the impact of change in Bank rate and SLR rate on share price
3. To analyze the share price & trading volume trends

**HYPOTHESIS****CASE 1: ANALYZE THE IMPACT OF EVENT ANNOUNCEMENT ON SHARE PRICE**

Ho: There is no significant difference between the share price of ICICI Bank before and after corporate event announcements

Ha: There is a significant difference between the share price of ICICI Bank before and after corporate event announcements

**CASE: 2 ANALYZE THE IMPACT OF EVENT ANNOUNCEMENT ON TRADED VOLUME**

Ho: There is no significant difference between the traded volume of ICICI Bank before and after corporate event announcements

Ha: There is a significant difference between the traded volume of ICICI Bank before and after corporate event announcements

**CASE: 3 ANALYZE THE IMPACT OF REVISION OF BANK RATE ON SHARE PRICE**

Ho: There is no significant different between the share price of ICICI Bank before and after revision of bank rate

Ha: There is no significant different between the share price of ICICI Bank before and after revision of bank rate

**CASE 4: ANALYZE THE IMPACT OF REVISION OF SLR RATE ON SHARE PRICE**

Ho: There is no significant different between the share price of ICICI Bank before and after revision of SLR rate

Ha: There is no significant different between the share price of ICICI Bank before and after revision of SLR rate

**METHODOLOGY**

The study intended to analyze impact of the corporate event announcements on company's share price whose stock is listed in National Stock Exchange during the period 01.01.2006 to 31.12.2010 comprising of 6 corporate event announcements and to analyze the impact of change in bank rate and SLR rate on share price during the year 1997 to 2002 comprising of 6 and 5 event announcement respectively.

**SOURCES OF DATA**

The information regarding closing share price, dividend announcements, dates of dividend declaration and values of Bank Index were obtained from website of NSE ([www.nseindia.com](http://www.nseindia.com)) & from India Info line ([www.indiainfo.com](http://www.indiainfo.com)). The revision of bank rate and revision of SLR rate announced by RBI are taken from Reserve Bank of India ([www.rbi.gov.in](http://www.rbi.gov.in)). Other relevant information's are also obtained from books and journals.

**ANALYSIS & INTERPRETATION****TABLE NO. 1: STATISTICAL STUDY OF DIVIDEND ANNOUNCEMENTS 1, 2 & 3**

S.No	Particulars	Event 1		Event 2		Event 3	
1	Dividend Record Date	04/08/2005		06/07/2006		14-06-2007	
2	Period of study	Before Announcement	After Announcement	Before Announcement	After Announcement	Before Announcement	After Announcement
3	Correlation	0.019		-0.73		-0.45	
4	Mean Value (Share Price)	427.78	523.26	558.01	587.41	885.39	918.93
5	Beta	0.14	0.15	0.11	0.12	0.0717	0.105
6	Mean Value (Traded Volume)	716033	1382683	966376	1164949	1358975	2223093
7	Return	38.74	-1.51	-18.54	44.67	6.44	-2.40
8	Standard Deviation (Share Price)	40.58	39.35	56.15	66.42	41.41	46.85

**INTERPRETATION**

From the above table it is cleared that, event 2 & 3 shows a negative correlation between before announcements and after announcements which indicate the movement of share price in the opposite directions. Beta value during the event 1, 2 & 3 are lesser than 1 which indicates the defensive stock. In the entire three events after announcements the traded volume level has gone up and the company showed a highest rate of return during the post declaration period of event 2.

**TABLE NO. 2: STATISTICAL STUDY OF DIVIDEND ANNOUNCEMENTS 4, 5 & 6**

S.No	Particulars	Event 4		Event 5		Event 6	
1	Dividend Record Date	10-07-2008		11-6-2009		10/06/2010	
2	Period of study	Before Announcement	After Announcement	Before Announcement	After Announcement	Before Announcement	After Announcement
3	Correlation	0.71		0.13		-0.80	
4	Mean Value (Share Price)	796.33	624.14	388.22	711.37	913.8	924.58
5	Beta	0.108	0.144	0.023	0.028	0.11	0.09
6	Mean Value (Traded Volume)	4655447	10580574	17050706	9940650	4203435	3563454
7	Return	-18.68	-27.12	36.64	41.03	-10.73	23.94
8	Standard Deviation (Share Price)	100.11	84.80	67.80	59.13	48.22	57.95

**INTERPRETATION**

From the above table it is cleared that, event 6 shows a negative correlation between before announcements and after announcements which indicate the movement of share price in the opposite direction of market movement. Event 4 shows a high level of correlation between before announcements and after announcements which indicate the movement of share price in almost same direction. Beta value during the event 4, 5 & 6 are less than 1 which indicates the defensive stock. In the event 5 & 6 after announcements the traded volume level has decreased slightly. The company showed a highest rate of return during the post declaration period of event 5

**TABLE NO. 3: STATISTICAL STUDY OF REVISION OF BANK RATE – 1, 2 & 3**

S.No	Particulars	Event 1		Event 2		Event 3	
1	Revision date	17-02-1998		02-03-1999		02-04-2000	
2	Revised value	11%		8%		7%	
3	Period of study	Before Announcement	After Announcement	Before Announcement	After Announcement	Before Announcement	After Announcement
4	Correlation	-0.23		-0.69		-0.35	
5	Mean Value (Share Price)	42.76	46.23	24.62	26.05	161.41	215.26
6	Daily average return	-0.24	0.40	-0.03	0.14	2.46	-0.20
7	Standard Deviation (share price)	3.97	4.19	1.83	1.83	54.49	9.97

**INTERPRETATION**

From the above table it is cleared that, the RBI has decreased the bank rate continuously from 1998 which influenced the share price to move drastically, the evidence from negative correlation between the pre and post declaration period confirmed the share price movement. The mean value of share price increased after announcements. The stock price fluctuates highly before announcements during the year 2000 (event 3) which indicated by higher value of standard deviation and higher level of daily average return.



TABLE NO. 4: STATISTICAL STUDY OF REVISION OF BANK RATE – 4, 5 & 6

S.No	Particulars	Event 4		Event 5		Event 6	
1	Revision date	17-02-2001		23-10-2001		30-10-2002	
2	Revised value	7.5%		6.5%		6.25%	
3	Period of study	Before Announcement	After Announcement	Before Announcement	After Announcement	Before Announcement	After Announcement
4	Correlation	-0.35		0.90		0.03	
5	Mean Value (Share Price)	157.74	168.04	98.67	96.55	137.92	135.69
6	Daily average return	0.28	0.003	-0.44	-0.08	-0.10	0.17
7	Standard Deviation (share price)	12.04	14.07	19.38	6.71	4.86	8.96

**INTERPRETATION**

It is clear from the above table, the value of bank rate is decreased over the period and the correlation value during the year 2001 (event 5) showed almost perfect correlation between pre and post announcements. In the event 4 & 6, the volatility of share price after announcements are higher than before announcements which shows in the value of standard deviation.

TABLE NO. 5: STATISTICAL STUDY OF REVISION OF SLR RATE 1, 2 & 3

S.No	Particulars	Event 1		Event 2		Event 3	
1	Revision date	17-01-1998		29-08-1998		20-11-1999	
2	Revised value	10.5%		11%		9%	
3	Period of study	Before Announcement	After Announcement	Before Announcement	After Announcement	Before Announcement	After Announcement
4	Correlation	-0.47		0.12		0.26	
5	Mean Value (Share Price)	36.39	31.43	35.22	86.46	210.74	170.36
6	Daily average return	-0.02	-0.56	0.03	2.93	-0.05	-0.78
7	Standard Deviation (share price)	2.08	5.10	1.42	44.82	6.88	34.34

**INTERPRETATION**

The above table shows that, the RBI has revised decreased the SLR rate since Jan, 1998 which results in the drastic changes in share price after announcements. The evidence from increased value of correlation and increased value of standard deviation confirmed the volatility of share price is high after the announcement.

TABLE NO. 6: STATISTICAL STUDY OF REVISION OF SLR RATE 4 & 5

S.No	Particulars	Event 4		Event 5	
1	Revision date	19-05-2001		01-06-2002	
2	Revised value	7.5%		5%	
3	Period of study	Before Announcement	After Announcement	Before Announcement	After Announcement
4	Correlation	0.29		-0.41	
5	Mean Value (Share Price)	167.78	132.18	126.41	142.67
6	Daily average return	-0.08	-0.35	0.06	0.05
7	Standard Deviation (share price)	14.35	10.96	8.29	6.73

**Interpretation**

From the above table it is cleared that, the event 4 and 5 shows the inverse relationship, In which the correlation for event 4 shows positive relation but in event 5 it is negative relation and the value of share price, standard deviation and daily average return depreciate in the event 4 which is appreciate in event 5.

TABLE NO. 7: CALCULATIONS OF TEST OF SIGNIFICANCE (LARGE SAMPLE)

S.No	Event No	Case 1	Case 2	Case 3	Case 4
		Ho	Ho	Ho	Ho
1	Event 1	Accept	Accept	Accept	Accept
2	Event 2	Accept	Reject	Accept	Accept
3	Event 3	Accept	Accept	Accept	Accept
4	Event 4	Accept	Accept	Accept	Accept
5	Event 5	Accept	Accept	Reject	Accept
6	Event 6	Reject	Accept	Reject	-

Note: Tabulated value for LOS @ 5 % is 1.96

**INTERPRETATION**

From the above table it is cleared that, the dividend announcements has made an impact on share price and traded volume for event 6 & 2 respectively, but the revision of bank rate has made 2 impacts on its share price. There is no evidence to prove the impact of revision of SLR on its share price.

TABLE NO. 8: CALCULATIONS OF HIT RATIO

S.No	Particulars	Ho Accepted		Ho Rejected	
		Count	%	Count	%
1	Case 1	5	83.3	1	16.7
2	Case 2	5	83.3	1	16.7
3	Case 3	4	66.6	2	33.4
4	Case 4	5	100.0	0	0

**INTERPRETATION**

The above table states that, the impact of corporate announcement on share price and traded volume exist only 16.7% and the impact of revision of bank rate on its share price exist 33.4% but there is no impact of revision of SLR rate on its share price.

**FINDINGS**

- The study found that, the existence of impact of dividend announcements on share price and traded volume at a range of 16.7% out of the selected events
- The revision of bank rate has more impact on the bank's share price which has 33.4% impact on the selected events
- When the market outperform, the signaling effect/event announcement has positive effect on the company's share price which reverse when the situation change.

**SUGGESTIONS**

This study suggested that event announcements were mainly aimed at restoring stock prices to a normal range. Many studies done on stock dividend announcements in other markets found that majority of the time markets reacted positively to stock split. In many of the studies, announcements elicited positive results in support of the signaling, market maker and trading range hypotheses. Finally this study suggest that, in an institutional environments where signaling effects exists, announcement excess return have been found to be positive. Conversely, in capital markets where stock dividends are deprived of signaling effects, announcement excess returns are insignificant.

**CONCLUSION**

This study has empirically examined the informational efficiency of ICICI Bank with regards to dividend announcements, revision of bank rate and revision of SLR rate. This study also analyzed the changes in trading volume, share price with such distributions between the pre-post announcement years. The market reactions test showed that the existence of statistically significant adjustment of prices over and beyond what one would expect as a result of the stock dividend.

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