INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS AND MANAGEMENT

CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	LACK OF INFRASTRUCTURE AND VISION 2020 IN NIGERIA *OLOWE, OLUSEGUN*	1
2.	IMPACT OF SELECTED ISSUES ON WORK-FAMILY BALANCE: EMPIRICAL EVIDENCE FROM PRIVATE COMMERCIAL BANKS OF BANGLADESH *AYESHA TABASSUM, JASMINE JAIM & TASNUVA RAHMAN*	5
3.	A STUDY ON TOTAL QUALITY MANAGEMENT & DEVELOPING A COMPREHENSIVE MODEL FOR QUALITY IN HIGHER EDUCATION *HARINI METHUKU & HATIM R HUSSEIN*	9
4.	FISCAL POLICY AND ECONOMIC GROWTH IN PAKISTAN *ZEESHAN AHMED*	14
5.	A NON-PARAMETRIC APPROACH TO FINANCIAL INCLUSION ANALYSIS THROUGH POSTAL NETWORK IN INDIA *NITIN KUMAR*	19
6.	SECURITIZATION AND ITS RELATIONSHIP WITH REAL ESTATE GROWTH – AN ANALYSIS *VIVEK JOSHI*	25
7.	EXPLORING HRM PRACTICES IN SMEs *PUJA BHATT & DR. S. CHINNAM REDDY*	32
8.	ELECTRICITY EXCHANGE IN INDIA: A STUDY OF INDIAN ENERGY EXCHANGE *DR. Y. M. DALVADI & SUNIL S TRIVEDI*	42
9.	SMALL SCALE INDUSTRIAL UNITS: PAST AND PRESENT PROBLEMS AND PROSPECTS *DR. K. VETRIVEL & DR. S. IYYAMPILLAI*	48
10.	'MEDICAL TOURISM' – THE NEW TREND OF REVENUE GENERATION: IMPACTS ON INDIAN ECONOMY AND THE GLOBAL MARKET RESPONSE *DR. S. P. RATH, DR. BISWAJIT DAS, HEMANT GOKHALE & RUSHAD KAVINA*	61
11.	A STUDY ON DECIDING FACTORS OF WOMEN ENTREPRENEURSHIP IN VIRUDHUNAGAR DISTRICT *C. MANOHARAN & DR. M. JEYAKUMARAN*	70
12.	EARNINGS ANNOUNCEMENTS: DO THEY LEAD TO EFFICIENCY? *SANTOSH KUMAR, TAVISHI & DR. RAJU. G*	74
13.	CLIMATE CHANGE, ADAPTATION AND MITIGATION EFFORTS IN THE TRIBAL AREAS OF INDIA *DR. S.THIRUNAVUKKARASU*	78
14.	A STUDY ON THE DETERMINANTS OF EXPORT DEMAND OF INDIA AND KERALA *DR. L. ANITHA*	82
15.	INDIA'S FUTURE CONSUMPTION OF COAL RESOURCES & INDONESIA AS A POTENTIAL PROCUREMENT DESTINATION *DR. CH. VENKATAIAH & SANTHOSH B. S.*	87
16.	AN EMPIRICAL INVESTIGATION OF THE TRADE-OFF AND PECKING ORDER HYPOTHESES ON INDIAN AUTOMOBILE FIRMS *DR. A. VIJAYAKUMAR*	94
17.	SHG - BANK LINKAGE – A HELPING HAND TO THE NEEDY POOR *DR. A. S. SHIRALASHETTI & D. D. KULKARNI*	101
18.	ANALYSING SOCIO DEMOGRAPHIC EFFECT ON CONSUMER'S POST PURCHASE BEHAVIOUR: A STUDY ABOUT HOME APPALIANCES *DR. DHARMENDRA KUMAR*	105
19.	ETHICAL HUMAN RESOURCES WITH SUSTAINABLE RESPONSIBLE BUSINESS LEADING TO EMPLOYEE ENGAGEMENT *R. MANJU SHREE*	110
20.	JUDGING THE SHORT TERM SOLVENCY OF SELECTED INDIAN AUTOMOBILE SECTOR COMPANIES *BHAVIK M. PANCHASARA, KUMARGAURAV GHELA, SAGAR GHETIA & ASHISH CHUDASAMA*	114
21.	INSOLVENCY RISK OF SELECTED INDIAN COMMERCIAL BANKS: A COMPARATIVE ANALYSIS *SANTI GOPAL MAJI, SOMA DEY & ARVIND KR. JHA*	120
22.	SOCIAL RESPONSIBILITY OF ENTERPRISES IN A GLOBALISED INDIAN ECONOMY - AN ANALYSIS *DR. KUMUDHA RATHNA*	125
23.	CSR PRACTICES AND RATINGS IN INDIAN BANKING SECTOR *JAYASHREE PATIL-DAKE & NEETA AURANGABADKAR-POLE*	129
24.	POVERTY, INEQUALITY AND INCLUSIVE GROWTH IN RURAL INDIA: AN ANALYSIS *DR. JAMIL AHMAD*	134
25.	EMPOWERMENT OF WOMEN THROUGH MICRO FINANCE IN THE UNION TERRITORY OF PUDUCHERRY *B. ELUMALAI & P. MUTHUMURUGAN*	139
	REQUEST FOR FEEDBACK	143

CHIEF PATRON

PROF. K. K. AGGARWAL
Chancellor, Lingaya's University, Delhi
Founder Vice-Chancellor, Guru Gobind Singh Indraprastha University, Delhi
Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

PATRON

SH. RAM BHAJAN AGGARWAL
Ex. State Minister for Home & Tourism, Government of Haryana
Vice-President, Dadri Education Society, Charkhi Dadri
President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

DR. BHAVET
Faculty, M. M. Institute of Management, Maharishi Markandeshwar University, Mullana, Ambala, Haryana

ADVISORS

PROF. M. S. SENAM RAJU
Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi
PROF. M. N. SHARMA
Chairman, M.B.A., Haryana College of Technology & Management, Kaithal
PROF. S. L. MAHANDRU
Principal (Retd.), Maharaja Agrasen College, Jagadhri

EDITOR

PROF. R. K. SHARMA
Dean (Academics), Tecnia Institute of Advanced Studies, Delhi

CO-EDITOR

DR. SAMBHAV GARG
Faculty, M. M. Institute of Management, Maharishi Markandeshwar University, Mullana, Ambala, Haryana

EDITORIAL ADVISORY BOARD

DR. AMBIKA ZUTSHI
Faculty, School of Management & Marketing, Deakin University, Australia
DR. VIVEK NATRAJAN
Faculty, Lomar University, U.S.A.
DR. RAJESH MODI
Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia
PROF. SIKANDER KUMAR
Chairman, Department of Economics, Himachal Pradesh University, Shimla, Himachal Pradesh
PROF. SANJIV MITTAL
University School of Management Studies, Guru Gobind Singh I. P. University, Delhi
PROF. RAJENDER GUPTA
Convener, Board of Studies in Economics, University of Jammu, Jammu

PROF. NAWAB ALI KHAN
Department of Commerce, Aligarh Muslim University, Aligarh, U.P.
PROF. S. P. TIWARI
Department of Economics & Rural Development, Dr. Ram Manohar Lohia Avadh University, Faizabad
DR. ASHOK KUMAR CHAUHAN
Reader, Department of Economics, Kurukshetra University, Kurukshetra
DR. SAMBHAVNA
Faculty, I.I.T.M., Delhi
DR. MOHENDER KUMAR GUPTA
Associate Professor, P. J. L. N. Government College, Faridabad
DR. VIVEK CHAWLA
Associate Professor, Kurukshetra University, Kurukshetra
DR. SHIVAKUMAR DEENE
Asst. Professor, Government F. G. College Chitguppa, Bidar, Karnataka

ASSOCIATE EDITORS

PROF. ABHAY BANSAL
Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida
PARVEEN KHURANA
Associate Professor, Mukand Lal National College, Yamuna Nagar
SHASHI KHURANA
Associate Professor, S. M. S. Khalsa Lubana Girls College, Barara, Ambala
SUNIL KUMAR KARWASRA
Vice-Principal, Defence College of Education, Tohana, Fatehabad
DR. VIKAS CHOUDHARY
Asst. Professor, N.I.T. (University), Kurukshetra

TECHNICAL ADVISORS

AMITA
Faculty, E.C.C., Safidon, Jind
MOHITA
Faculty, Yamuna Institute of Engineering & Technology, Village Gadholi, P. O. Gadhola, Yamunanagar

FINANCIAL ADVISORS

DICKIN GOYAL
Advocate & Tax Adviser, Panchkula
NEENA
Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL
Advocate, Punjab & Haryana High Court, Chandigarh U.T.
CHANDER BHUSHAN SHARMA
Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT

SURENDER KUMAR POONIA

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Business Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email addresses, infoijrcm@gmail.com or info@ijrcm.org.in.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR

IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF ______________________________________.**

(e.g. Computer/IT/Finance/Marketing/HRM/General Management/other, please specify).

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for possible publication in your journal.

I hereby affirm that the contents of this manuscript are original. Furthermore it has neither been published elsewhere in any language fully or partly, nor is it under review for publication anywhere.

I affirm that all author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if our/my manuscript is accepted, I/We agree to comply with the formalities as given on the website of journal & you are free to publish our contribution to any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:

Affiliation with full address & Pin Code:

Residential address with Pin Code:

Mobile Number (s):

Landline Number (s):

E-mail Address:

Alternate E-mail Address:

2. **INTRODUCTION**: Manuscript must be in British English prepared on a standard A4 size paper setting. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of the every page.
3. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.
4. **AUTHOR NAME(S) & AFFILIATIONS**: The author (s) full name, designation, affiliation (s), address, mobile/landline numbers, and email/alternate email address should be in italic & 11-point Calibri Font. It must be centered underneath the title.
5. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para.
6. **KEYWORDS**: Abstract must be followed by list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT**: The main text should be in a 8 point Calibri Font, single spaced and justified.
10. **FIGURES &TABLES**: These should be simple, centered, separately numbered & self explained, and titles must be above the tables/figures. Sources of data should be mentioned below the table/figure. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS**: These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES**: The list of all references should be alphabetically arranged. It must be single spaced, and at the end of the manuscript. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio," Ohio State University.

CONTRIBUTIONS TO BOOKS

- 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.

JOURNAL AND OTHER ARTICLES

- 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.

CONFERENCE PAPERS

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

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITE

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Economic and Political Weekly, Viewed on July 05, 2011 http://epw.in/user/viewabstract.jsp

EARNINGS ANNOUNCEMENTS: DO THEY LEAD TO EFFICIENCY?

SANTOSH KUMAR
LECTURER
DEPARTMENT OF FINANCE AND ACCOUNTS
AMITY BUSINESS SCHOOL
NOIDA

TAVISHI
LECTURER
DEPARTMENT OF ECONOMICS
AMITY BUSINESS SCHOOL
NOIDA

DR. RAJU. G
PROFESSOR
DEPARTMENT OF MANAGEMENT
GALGOTIA INSTITUTE
GREATER NOIDA

ABSTRACT
Frequent earnings announcements and consequent changes in the share price is a regular phenomenon in behavioural finance to formulate suitable trading strategies on regular basis. The earnings are considered to show the status of cash flows and profitability to finance future expansion of the firms. This paper investigates signaling effect of the earnings announcements before and after the event day. Further it also tests the evidence of average abnormal return around the earnings announcement date. The analysis uses data of 32 firms in the BSE 500 index, which have announced earnings during the period 2009-2010. An examination of share price behavior around earnings announcements proves the signaling effect of these announcements. These results strongly support that the share prices drift negatively in the case of earnings announcements and the market particularly reacts more unfavorably to earnings announcements.

KEYWORDS
Earnings Announcements, CAR, AAR.

JEL CLASSIFICATION
G14, G15, M 40

INTRODUCTION
Various studies on earnings announcement documented that stocks return in India continue to drift in the direction of earnings signal for several days after the announcement. Proponents of rationality argue that the post earnings announcement drift is a consequence of bahavioural anomaly. Thus pricing of stock and formulation of apt trading strategies in view of frequent earnings announcement is an upcoming dimension for the fund managers and investors. Shivkumar (2006) observes the impact of expected and unexpected cash flows on the stock price and find that unexpected cash flows are more positively related to future returns, than are unexpected accruals. He argues that cash flow component of earnings play a better role than accrual in the determination of the share price. Thus decomposition of earnings can outperform the strategies normally.

Conroy et.al. (2000) studies the pricing effects of earnings announcements in Japan and is of the view that share price reactions are significant in case of earnings surprises especially the management forecast of next year's earnings. Further Cornell et.al. (1989) defends the argument differently putting more emphasis on fourth quarter earnings announcements than that of interim announcements.Victoravich (2010) investigates the difference in unsophisticated and sophisticated investors' affective reactions to a firm's positive earnings announcement. He concludes that the unsophisticated investors interpret a positive earnings announcement as more favorable than do sophisticated investors. The affective reaction to the earnings announcements is more influential on the stock price judgments of unsophisticated investors when compared to the stock price judgments made by sophisticated investors. Thus it has a far reaching significance for sophisticated investors who rely more on financial information important for standard setters and regulators. Gift et. al. (2010) examines the impact of earnings announcements and earnings forecast revisions on stock returns across market with different level of maturity. The basis objects are backward looking earnings announcements and forward looking earning forecast information on the price of equity shares. They analyze the situation in both the markets U.S and China to see how the level of market maturity and differences in information availability and actual and perceived reliability affect the relationship. They find that forward looking analyst forecast information plays a significant larger role in the security pricing process in the more mature U.S. financial market. In the less mature Chinese market, they find the opposite relationship as backward looking earnings announcement information plays a larger role. Aboody (2010) documents that stock with the strongest prior 12-month returns experience a significant average market-adjusted return of 1.58% during the five trading days before their earnings announcements and a significant average market-adjusted return of −1.86% in the five trading days afterward. Thus trading decisions of individual investors are at least partly responsible for the return pattern that they observe. Cready and Gurun (2010) identify a distinct immediate announcement period negative relation between earnings announcement surprises and aggregate market return and it persists even beyond announcement period suggesting that market participants don't immediately fully impound these future market return implications of aggregate earnings news. Thus the overall indication is that market participants use earnings information in forming expectations about expected aggregate discount rate and, especially the good earnings news is associated with a positive shock to required returns. Shivkumar (2010) documents the positive announcement of increases in corporate profits tended to have an immediate negative influence on overall stock prices which may be attributed to investors' perception of a likely increase in interest rates in the future. Rees and Thomas (2010) measure changes in the dispersion of individual analysts' forecasts around earnings announcements and further conclude that the 3 day market response to earnings announcements is negatively associated with changes in dispersion, consistent with the cost of capital hypothesis. They give new insights to the investment implications for retail investors. Cordia et.al. (2010) explores the long standing anomaly pertaining to market efficiency in the case of post earnings announcement drift. He finds that the post-earnings-announcement drift occurs mainly in highly illiquid stocks. A trading strategy that goes long high-earnings-surprise stocks and short low-earnings-surprise stocks provides a monthly value-weighted return of 0.04 percent

in the most liquid stocks and 2.43 percent in the most illiquid stocks. The illiquid stocks have high trading costs and high market impact costs. The transaction costs account for 70--100 percent of the paper profits from a long--short strategy designed to exploit the earnings momentum anomaly. Ball and Shivakumar (2009) also stress on the importance of new information released in the earnings announcements. Dellavigna and Pollet (2009) find that the Friday announcements have a 15 % lower immediate response and 70% higher delayed response. A portfolio investing in differential Friday drifts earns substantial abnormal returns and trading volume is 8% lower around Friday announcements owing to under reaction to information caused by limited attention. Berkman and Truong (2009) find that proportion of after hours earnings announcement has increased to more than 40%. Das et. al. (2008) concludes that share price drift up with reference to good news announcement using event study methodology.

OBJECTIVES AND HYPOTHESIS

The objective of our study is to analyze whether the market recognizes any differences between stock return before and after the event day if earnings are announced and further to explore the correlation between the return before and after the event day. This leads to the following hypothesis:
H0: Earnings announcement has no significant impact on stock price movement in the Indian stock Market.
H1: Earnings announcement has significant impact on stock price movement in the Indian stock Market.

DATA AND METHODOLOGY

The sample consists of quarterly earnings announcements obtained from the on line database of Bombay Stock Exchange between 1 January 2010 and 1 February 2010. Similarly, a number of quarterly announcements are reported, of which 32 are taken in the final sample. The study is limited only to 32 firms because these companies have announced surprised results in the market.

TABLE 1: LIST OF COMPANIES WITH EARNINGS ANNOUNCEMENTS

Name of Company	Announcement	Date of announcement
EXIDE	Exide Inds Q3 net profit up 132% yoy	11 JAN 2010
BAJAJ AUTO	Bajaj Auto Finance Q3 PAT at Rs273mn	12 JAN 2010
SINTEX IND.	Sintex Inds Q3 net profit dips 11% yoy	13 JAN 2010
JINDAL SAW	Jindal SAW Limited Q4 PAT up 96%	15 JAN 2010
NIIT TECH	NIIT Tech Q3 cons net profit at Rs353mn	15 JAN 2010
TCS	TCS Q3 Cons net profit up 33.9% YoY	15 JAN 2010
BALAJI TELEFILMS	Balaji Telefilms posts operating loss of 37% at quarter end	16 JAN 2010
ULTRATECH CEMENT	UltraTech Cement Q3 PAT at Rs1.96bn	16 JAN 2010
JAYPEE ASSO.	Jaiprakash Associates Q3 net profit dips 39%	18 JAN 2010
WIPRO	Wipro Q3 Cons net profit rises 21% YoY	20 JAN 2010
INDIA INFOLINE	India Infoline Q3 net profit doubles	20 JAN 2010
TVS MOTORS	TVS Motor Q3 revenue up 25.4% yoy	20 JAN 2010
RAYMONDS	Raymond Q3 net profit at Rs430mn	21 JAN 2010
MADRAS CEMENT	Madras Cements Q3 net profit at Rs160.10 mn	29 JAN 2010
ONGC	ONGC Q3 net profit up 23.4% yoy	22 JAN 2010
UNITED SPIRIT	United Spirits Q3 net profit at Rs968.50mn	22 JAN 2010
VOLTAS	Voltas' Q3 PAT up 86% yoy	25 JAN 2010
HCL TECH	HCL Tech Q2 net profit dips by 35% yoy	25 JAN 2010
CEAT	CEAT posts Q3 net profit at Rs240mn	23 JAN 2010
MARUTI SUZUKI	Maruti Suzuki Q3 net profit up 221% yoy	23 JAN 2010
RELIANCE IND.	Reliance Industries net profit at Rs115.26bn during April-Dec'09	22 JAN 2010
ITC LTD.	ITC Q3 PAT up 27% yoy	22 JAN 2010
M&M	M&M Q3 standalone PAT zooms 849% yoy	25 JAN 2010
HERO HONDA	Hero Honda Q3 net profit up 78% yoy	25 JAN 2010
JET AIRWAYS	Jet Airways Q3 PAT at Rs1.06bn	25 JAN 2010
TATA TELE.	Tata Teleservices Q3 cons net loss at Rs1032.90 mn	25 JAN 2010
SAIL	SAIL Q3 PAT jumps 99% yoy	27 JAN 2010
DLF	DLF Q3 net profit up 26%DLF Q3 net profit up 26%	28 JAN 2010
TECH MAHINDRA	Tech Mahindra Q3 net profit at Rs1.72bn	22 JAN 2010
INDIA INFOLINE	India Infoline Q3 net profit doubles	20 JAN 2010
TVS MOTORS	TVS Motor Q3 revenue up 25.4% yoy	20 JAN 2010
ESSAR OIL	Essar Oil Q3 net loss of Rs. 2260 mn	23 JAN 2010

The Stock prices and the values of index are obtained from BSE database. The details of companies which declared earnings are taken from Money Control.Com. In addition, the data is free of day-of-the-week skew as the announcements are evenly spread across all four trading days.
The study of the announcements effect has been made by using the 32 earnings announcements of 32 companies in the BSE 500 index, which have announced earnings during the period last quarter of January 2010. 'Event study' methodology using daily returns along with the market model are used for the purpose of analyzing the earnings announcements effect. This method was originally introduced by Ball and Brown (1968) and Fama et al. (1969) and subsequently modified by Brown and Warner (1985); Campbell et al. (1997); and MacKinlay (1997) to determine abnormal return, average abnormal return and cumulative average abnormal return (hereafter will be referred as MacKinlay model (1997). The dates on which announcements are released are defined as the event dates (t=0), provided the stocks have been traded on that date. In the eventuality of announcement during non-trading days, the trading day immediately following the announcement has been assigned as event date. This has been done in order to investigate the announcement effect immediately after the announcement. The effects of announcements on equity share prices have been examined by taking daily-adjusted market price data. The 8 days surrounding the announcement of earnings (i.e., t = –4 to t = +4) is assigned as the 'event period'. For each announcement, the 4 trading day prior to the event window is used to determine the parameters for the market model, technically known as 'estimation window' (t = -4 to t = +4).
The first step in the analysis of the impact of actual stock repurchase on the level of abnormal returns requires computing the market adjusted Cumulative Abnormal Returns (CAR) for the sample of total 32 firms over a five-day trading period starting on the announcement date. By examining this shorter interval, the analysis investigates whether the abnormal returns just after the announcement ultimately impact the subsequent levels of repurchases. (The announcement date is included since the publication date will be normally a trading date and investors have the opportunity to respond to such announcements on the same date.) Standard event-study procedures as used by Comment and Jarrell (1991) and Stephens and Weisbach (1998) are used to calculate the

abnormal returns. The abnormal return in any given period is the market model residual, which is the difference between the stock's actual return and the predicted return based on the market return for that period. Hence the market adjusted abnormal returns are calculated as:

ARij= RTij- RM...equation (1)

Where ARij is the abnormal return for firm j on day i.

RTij is the actual return for firm j on day i.

The total percentage return to shareholders (RTt) on day t is given by the expression:

(RTt) = [(Pt - Pt -1) (100)]/(Pt –1)..equation (2)

And RMi is the return on the BSE 500 Index on day i.

The market adjusted abnormal returns are calculated as in Equation (1) above. The five-day cumulative abnormal returns for each firm are calculated as:

5-Day CARij =∑ARij , for days i = 0, 1, 2, 3, 4............................equation(3)

Where, the announcement day is day 0

Cumulative abnormal returns (CARj)are then averaged over the five-day period starting on the announcement date to obtain the five-day cumulative average abnormal returns (CAAR) as:

5-Day AAR = (∑CARj)/n for all firms j = 1,2,…..n..........................equation (4)

The average abnormal returns (AAR) are then compared for statistical difference between the means at different days in estimation window. Statistical significance in the difference in the means would indicate that abnormal return is related to the level of repurchases undertaken during the estimation window.The next step is to compute the daily cross sectional average abnormal returns (***AAR,***) for a specific day. It is computed by summing the daily abnormal returns for each observation across companies and dividing this figure with the total observations on that day. This is done for the whole estimation window.

In order to find out the impact the announcements have on the stocks, we calculate the average of the Abnormal Returns (AAR) using the period of -4, +4, which implies that particular change. Where ARit is the abnormal return for the ith firm on day t and n is the length of the estimation period. According to the theory, when abnormal performance is spread in a period, that is, not clustered, the best way to calculate AAR is CAR. Cumulative Abnormal Return (CAR) is the sum of AARt of the firms during the estimation period –4, +4.

The t statistic of the CAR is used to test the hypothesis whether the AAR on the exact day of the announcement and the CAR during the estimation period are both zero. Since the event dates spread into periods, we can assume cross sectional independence of the data. Further we also use paired t test to observe the effect of announcement before and after the announcement. The mean of different days CAR is also tested with ANOVA. Although this study provides significant insight into the effectiveness of earnings announcement, it is not without its limitations. Companies for this purpose are selected on the bases of random sampling. Abnormal returns in stocks are due to concerned announcements (earnings) and assuming other factors as constant and they do not influence share prices. This study concerns only a particular period and hence business cycle influence is not adjusted according to the exposure of the company, but according to the market movement.

IMPACT OF EARNINGS ON THE STOCK PRICE AND RETURN

Table 2 presents the descriptive statistics of 5 day CAR before and after the earnings announcements. Further table 3 and table 4 depict the correlation between the two and the paired t test statistics respectively. It is evident from the descriptive statistics that 5 day CAR before the announcement is 1.24 where as the 5 day CAR after the announcement is -2.01. Results indicate that announcement of earnings have different sort of implications resulting into sharp decline in the 5 day CAR after the announcement. In general negative value of 5 day CAR after the announcement refers to the negative signaling effect. It may be due to poor performance of the firm in the recession period where the investors have taken negative signal resulting into negative CAR. The paired sampled statistics between pre CAR and post CAR is very low (0.08) and insignificant (Table 3) reflecting the neutral role of earnings announcement in the fluctuation of stock price and return. Thus the announcement of earnings can't confirm the direction of stock return before and after the event resulting into limited predictive ability. On the other hand the results of paired t test (Table 4) confirm that the stock returns are significantly different before and after the announcements. Thus we reject the null hypothesis H0 that there is no impact of earnings announcement on the stock return. Table 5 depicts the CAR and AAR surrounding earnings announcements in different periods centered on the announcement day (announcement day = 0). We find majority of the CAR and AAR at different days (1 to 4) are insignificant independently attributing to unknown sentiment driven fluctuations in the stock market but the direction of movements in the price is almost negative after the announcement. We further observe that CAR at different days is also insignificant (Table 6: ANOVA Results) leaving negligible scope for arbitrage. It further indicates that the information is quickly absorbed by the stock price probably due to larger firm size in our samples.

TABLE2: PRE AND POST 5 DAY CAR (EARNINGS ANNOUNCEMENTS)

Paired Samples Statistics (Pre and Post CAR in earnings announcements)					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	precar	1.243	32	5.22	.923
	postcar	-2.01	32	5.40	.955

TABLE 3: PAIRED SAMPLES CORRELATIONS (PRE AND POST CAR IN EARNINGS ANNOUNCEMENTS)

Between Pre and Post 5 day CAR				
Pair 1	precar & postcar	N	Correlation	Sig.
		32	.086	.640

TABLE 4: RESULTS OF PAIRED T TEST BETWEEN PRE AND POST CAR IN EARNINGS ANNOUNCEMENTS

Pair 1	precar - postcar	Paired Differences					
					95% Confidence Interval of the Difference		
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	Sig. (2-tailed)
		3.26	7.18	1.27	.669	5.852	.015

TABLE 5: RESULTS OF T TEST ON AAR AT DIFFERENT DAYS ON EARNINGS ANNOUNCEMENT

Days	AAR	t TEST	CAR	t stats
4	-0.04358	-0.05121	-1.21088	-0.62286
3	-0.38983	-0.45809	-1.1673	-0.69501
2	-0.70718	-0.831	-0.77747	-0.5724
1	-1.31423	-1.54435	-0.07029	-0.0542
0	0.143834	0.169018	1.243944	1.004768
-1	0.003237	0.003804	1.100111	1.00435
-2	0.356523	0.418948	1.096874	1.113653
-3	0.288408	0.338906	0.740351	0.819678
-4	0.451944	0.531077	0.451944	0.531077

TABLE 6: RESULTS OF ANOVA ON CAR OF FOUR DIFFERENT DAYS IN EARNINGS ANNOUNCEMENTS)

ANOVA					
CAR					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.954	3	1.651	.060	.981
Within Groups	3504.956	128	27.382		
Total	3509.910	131			

CONCLUSION

This paper makes significant contributions to the growing literature in behavioural finance. The results support that the share prices drift negatively in the case of earning announcements in Indian stock market. The reason for such an observation could be large firms in our samples only. Large firms are subjected to greater attention by the market participants and therefore, fundamental information is quickly incorporated in prices, leaving no scope for earning superior returns. The study indicates that stock earnings announcements primarily serve as a signaling mechanism of firm's performance. This is in consistent with the findings of Cready and Gurun (2010) who identify a negative relation between earnings announcement surprises and aggregate market return. Thus in case of earnings announcements the markets immediately signaled a downward swing in the share price movement. But this negative signaling existed only for a day after the announcements, after which the extent of negativism of shares is almost insignificant. It may be due to faster absorption of information in larger firms. Thus the correction of price happens in a very short span of time leading to higher efficiency.

REFERENCES

Aboody, David; Lehavy, Reuven; Trueman, Brett (2010), Limited Attention and the earnings announcement returns of past stock market winners. *Review of Accounting Studies*, Vol. 15 Issue 2, p317-344, 28p.

Ball, Ray; Shivakumar, Lakshmanan (2009). How Much New Information is There in Earnings, *CFA Digest*, Vol. 39 Issue 2, p46-47, 2p.

Berkman, Henk; Truong, Cameron (2009). Event Day ? After Hours Earnings Announcements**.** *Journal of Accounting Research*, Vol. 47 Issue 1, p71-103, 33p.

Conroy, Robert M.; Eades, Kenneth M.; Harris, Robert S.(2000). A Test of Relative Pricing Effects of Dividends and Earnings: Evidence from Simultaneous Announcements in Japan *Journal of Finance*, Vol. 55 Issue 3, p1199-1227, 29p.

Chordia, Tarun; Goyal, Amit; Sadka, Gil; Sadka, Ronnie; Shivakumar, Lakshmanan (2009).Liquidity and Post Earnings Announcement Drift, *Financial Analysts Journal*, Vol. 65 Issue 4, p18-32, 15p.

Cornell, Bradford; Landsman, Wayne R(1989).. Security Price Response to Quarterly Earnings Announcement and Analysts' Forecast Revisions, *Accounting Review*, Vol. 64 Issue 4, p680, 13p.

Cready, William M.; Gurun, Umit G. (2010).Aggregate Market Reaction to Earnings Announcements, *Journal of Accounting Research*, Vol. 48 Issue 2, p289-334, 46p.

Das, Santu; Pattanayak, J. K.; Pathak, Pramod *(2008),* The Effect of Quarterly Earnings Announcements on Sensex: A Case with Clustering of Events. *ICFAI Journal of Applied Finance*, Vol. 14 Issue 11, p5-19, 15p.

Das, Santu; Pattanayak, J. K.; Pathak, Pramod (2008). The Effect of Quarterly *Earnings Announcements* on Sensex: A Case with Clustering of Events. *ICFAI Journal of Accounting Research*, Oct2008, Vol. 7 Issue 4, p64-78, 15p.

Dellavigna, Stefano; Pollet, Joshua M. (2009).Investor Attention and Friday Earnings Announcements, *Journal of Finance*, Vol. 64 Issue 2, p709-749, 41p.

Gift, Michael J.; Gift, Paul; YeQing Yang (2010). Financial Market Reactions to Earnings Announcements and Earnings Forecast Revisions: Evidence form the US and China, *International Journal of Business & Finance Research (IJBFR)*, Vol. 4 Issue 2, p85-96, 12p.

Rees, Lynn; Thomas, Wayne (2010). The Stock Price Effects of changes in dispersion of investors' beliefs during earnings announcements, *Review of Accounting Studies*, Vol. 15 Issue 1, p1-31, 31p.

Shivakumar, Lakshmanan (2006). Accruals, Cash Flows and the Post-Earnings Announcement Drift, *Journal of Business Finance & Accounting*, Vol. 33 Issue 1/2, p1-25, 25p.

Shivakumar, Lakshmanan(2010) .*Discussion of* Aggregate Market Reaction to Earnings Announcements, *Journal of Accounting Research*, Vol. 48 Issue 2, p335-342, 8p.

Victoravich, Lisa M. (2010).Overly Optimistic? Investor Sophistication and the Role of Affective Reactions to Financial Information in Investor's Stock Price, *Journal of Behavioral Finance*, Vol. 11 Issue 1, p1-10, 10p

REQUEST FOR FEEDBACK

Dear Readers

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

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mails i.e. **infoijrcm@gmail.com** or **info@ijrcm.org.in** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

IJRCM