KCT BUSINESS SCHOOL

**A STUDY ON MARKET REACTION TO BONUS ISSUES AND STOCK SPLITS IN INDIA.**

**By**

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**UNDER THE GUIDANCE OF**

**Dr.V.R.Nedunchezian**

**Professor**

**A PROJECT REPORT**
**Submitted**

**In partial fulfillment of the requirements**
**For the award of the degree**

**Of**

**MASTER OF BUSINESS ADMINISTRATION**

**Kumaraguru College of Technology**
(An autonomous institution affiliated to Anna University, Chennai)
**Coimbatore - 641 049**

**May 2013**

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**BONAFIDE CERTIFICATE**

Certified that this project report titled "**A study on Market reaction to bonus issues and stock splits in India**" is the bonafide work of **Mr.Raja Ramachandran S, Reg no: 1120400066** who carried out the project under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

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**Dr.V.R.Nedunchezian**                             **Dr. Vijila Kennedy**

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Submitted for the project Viva-Voce examination held on _____

Internal Examiner                                  External Examiner

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**DECLARATION**

I affirm that the project work titled " **A study on Market reaction to bonus issues and stock splits in India**" being submitted in partial fulfillment for the award of master of business administration is the original work carried out by me. It has not found the party other project work submitted for award of any degree or diploma, either in this or any other university.

**Raja Ramachandran S**
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I certify that the declaration made above by the candidate is true

**Dr.V.R.Nedunchezian**
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**SYNOPSIS**

Corporate events have numerous effects on the stock market, as found by several research studies in the world. In this regard, the aim of this study is to test whether there is any abnormal return and impact of information in the Indian equity market, due to the announcement of bonus issues and stock splits in India following an event study approach. The events considered in this study are bonus issues and stock splits that took place in the market from 2008 to 2012. These events are tested for abnormal returns and information impact. The data selected is considered for an event window of −10 to +10 days to test the abnormal returns. The result shows that the positive average abnormal return for bonus issues company is 66.66% which is higher than the stock splits companies 59% during the event window period.

**CHAPTER 1**

**INTRODUCTION**

**1.1 ABOUT THE STUDY**

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. However, random walk theorists generally start with the premise that the major security exchanges are good instances of efficient markets. Thus, any new information would also take little time to be completelyincorporated in the prices, and the market players, thus, would have little time to exploit this new information to realize above normal profits. By explaining the event studies, one can measure how quickly stock prices respond to

different pieces of news, such as corporate earnings or dividend announcement, bonus issues, stock splits, news of a merger and takeover, or macroeconomic news. The aim of this project is to observe the stock price reaction to announcement of bonus issues and stock split.

**Indian Equity Market**

The Indian equity market has been portrayed as an emerging market. There are two major markets in India, viz., National Stock Exchange (NSE) andthe Bombay Stock Exchange (BSE). The benchmark indices in these two exchanges are Nifty(50 stocks) and Sensex (30 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 all the stock markets in India.

With the liberalization of Indian economy in the 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 become extremely convenient for investors to trade in Indian stock

markets. Hence, over the years, Indian equity market has become 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 study**

The semi-strong form of market efficiency guides the security prices to react instantly to any new information. Event studies commonly examine the behaviour of firms stock prices around the corporate announcements.

**Bonus issues:**

The first event for the study is bonus issue, Bonus issues is basically the distribution of additional stocks to the existing shareholders in proportion to their current holding. company can issue bonus shares by utilizing retained earnings or accumulated capital reserves. The only correction caused by the bonus issue is that the number of outstanding stocks are adjusted by the bonus issue ratio. Thus, the stock prices decline on the basis of the same ratio (number of bonus stocks in the issue/number of existing stocks applicable for the bonus issue), but the value of the stocks held by an individual investor remains unaffected.

**Stock Split:**

The second event considered in the study is stock split. It is the sub-division of a share of large denomination into shares of smaller denominations. The company declares the split ratio on a particular date called the record date. All the shareholders whose names appear on the company's record on the record date will be entitled for extra shares. The fundamental difference between a bonus issue and a stock split is that, bonus issues are the free additional shares issued by companies, accompanied by a book entry to relocate the retained profits or accumulated reserves into paid-up capital in the shareholders' fund section of the company's balance sheet. Whereas in the case of stock split, the number of shares increases with the division of face value, resulting in no change in the shareholders' fund. Hence, stock split is just a technical modification in the face value of the stock, giving benefit to the investors to buy expensive stocks at a less price.

**Abnormal Returns**

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. Normal returns are the returns an investor gains due to his standard course of trading.

**1.2 INDUSTRY PROFILE**
**INTRODUCTION OF STOCK MARKET**

A stock, also referred to as a share, is commonly a share of ownership in a corporation.  In British English, the word stock has another completely different meaning in finance, referring to a bond. It can also be used more widely to refer to all kinds of marketable securities. Where a share of ownership is meant the word share is usually used in British English

**Ownership**

The owners and financial backers of a company may want additional capital to invest in new projects within the company. If they were to sell the company it would represent a loss of control over the company. Alternatively, by selling shares, they can sell part or all of the company to many part-owners. The purchase of one share entitles the owner of that share to literally share in the ownership of the company, including the right to a fraction of the assets of the company, a fraction of the decision-making power, and potentially a fraction of the profits, which the company may issue as dividends. However, the original owners of the company often still have control of the company, and can use the money paid for the shares to grow the company.

In the common case, where there are thousands of shareholders, it is impractical to have all of them making the daily decisions required in the running of a company. Thus, the shareholders will use their shares as votes in the election of members of the board of directors of the company. However, the choices are usually nominated by insiders or the board of the directors themselves, which over time has led to most of the top executives being on each other's boards. Each

share constitutes one vote (except in a co-operative society where every member gets one vote regardless of the number of shares they hold). Thus, if one shareholder owns more than half the shares, they can out-vote everyone else, and thus have control of the company.

**Shareholder rights**

Although owning 51% of shares does mean that you own 51% of the company and that you have 51% of the votes, the company is considered a legal person, thus it owns all its assets, (buildings, equipment, materials etc) itself. A shareholder has no right to these without the company's permission, even if that shareholder owns almost all the shares. This is important in areas such as insurance, which must be in the name of the company not the main shareholder.

In most countries, including the United States, boards of directors and company managers have a fiduciary responsibility to run the company in the interests of its stockholders. Nonetheless, as Martin Whitman writes:
Even though the board of directors run the company, the shareholder has some impact on the company's policy, as the shareholders elect the board of directors. Each shareholder has a percentage of votes equal to the percentage of shares he owns. So as long as the shareholders agree that the management (agent) are performing poorly they can elect a new board of directors which can then hire a new management team.

Owning shares does not mean responsibility for liabilities. If a company goes broke and has to default on loans, the shareholders are not liable in any way. However, all money obtained by converting assets into cash will be used to repay loans, so that shareholders cannot receive any money until creditors have been paid.

**Means of financing**

Financing a company through the sale of stock in a company is known as equity financing. It can be through preference shares, bank loans etc. Alternatively debt financing (for example issuing bonds, debentures) can be done to avoid giving up shares of ownership of the company.

**Trading**

Shares of stock are usually traded on a stock exchange, where people and organizations may buy and sell shares in a wide range of companies. A given company will usually only trade its shares in one market, and it is said to be quoted, or listed, on that stock exchange.
However, some large, multinational corporations are listed on more than one exchange. They are referred to as inter-listed shares.

**Buying**

There are various methods of buying and financing stocks. The most common means is through a stock broker. Whether they are a full service or discount broker, they are all doing one thing – arranging the transfer of stock from a seller to a buyer. Most of the trades are actually done through brokers listed with a stock exchange such as the New York Stock Exchange.

There are many different stock brokers to choose from such as full service brokers or discount brokers. The full service brokers usually charge more per trade, but give investment advice or more personal service; the discount brokers offer little or no investment advice but charge less for trades. Another type of broker would be a bank or credit union that may have a deal set up with either a full service or discount broker.

There are other ways of buying stock besides through a broker. One way is directly from the company itself. If at least one share is owned, most companies will allow the purchase of shares directly from the company through their investor's relations departments. However, the initial share of stock in the company will have to be obtained through a regular stock broker. Another way to buy stock in companies is through Direct Public Offerings which are usually sold by the company itself. A direct public offering is an initial public offering a company in which the stock is purchased directly from the company, usually without the aid of brokers.

When it comes to financing a purchase of stocks there are two ways: purchasing stock with money that is currently in the buyers ownership or by buying stock on margin. Buying stock on margin means buying stock with money borrowed against the stocks in the same account. These stocks, collateral, guarantee that the buyer can repay the loan; otherwise, the stockbroker has the right to sell the stocks (collateral) to repay the borrowed money. He can sell if the share price drops below the margin requirement, at least 50 percent of the value of the stocks in the account. Buying on margin works the same way as borrowing money to buy a car or a house using the car or house as collateral. Moreover, borrowing is not free; the broker usually charges you 8-10 percent interest.

**Selling**

Selling stock in a company goes through many of the same procedures as buying stock. Generally, the investor wants to buy low and sell high, if not in that order; however, this is not how it always ends up. Sometimes, the investor will cut their losses and claim a loss.

As with buying a stock, there is a transaction fee for the broker's efforts in arranging the transfer of stock from a seller to a buyer. This fee can be high or low depending on if it is a full service or discount broker.

After the transaction has been made, the seller is then entitled to all of the money. An important part of selling is keeping track of the earnings. It is important to remember that upon selling the stock, in jurisdictions that have them, capital gains taxes will have to be paid on the additional proceeds, if any, that are in excess of the cost basis.

**Technology's on Trading**

Stock trading has evolved tremendously. Since the very first Initial Public Offering (IPO) in the 13th century, owning shares of a company has been a very attractive incentive. Even though the origins of stock trading go back to the 13th century, the market as we know it today did not catch on strongly until the late 1800s.

Co-production between technology and society has led the push for effective and efficient ways of trading. Technology has allowed the stock market to grow tremendously, and all the while society has encouraged the growth. Within seconds of an order for a stock, the transaction can now take place. Most of the recent advancements with the trading have been due to the Internet. The Internet has allowed online trading. In contrast to the past where only those who could afford the expensive stock brokers, anyone who wishes to be active in the stock market can now do so at a very low cost per transaction. Trading can even be done through Computer-Mediated Communication (CMC) use of mobile devices such as hand computers and cellular phones. These advances in technology have made day trading possible. The stock market has grown so that some argue that it represents a country's economy. This growth has been enjoyed largely to the credibility and reputation that the stock market has earned.

**Types of shares**

There are several types of shares, including common stock, preferred stock, treasury stock, and dual class shares. Preferred stock, sometimes called preference shares, have priority over common stock in the distribution of dividends and assets, and sometime have enhanced voting rights such as the ability to veto mergers or acquisition or the right of first refusal when new shares are issued (i.e. the holder of the preferred stock can buy as much as they want before the stock is offered to others). A dual class equity structure has several classes of shares (for example Class A, Class B, and Class C) each with its own advantages and disadvantages. Treasury stock are shares that have been bought back from the public.

**Derivatives**

A stock option is the right (or obligation) to buy or sell stock in the future at a fixed price. Stock options are often part of the package of executive compensation offered to key executives. Some companies extend stock options to all (or nearly all) of their employees. This was especially true during the dot-com boom of the mid- to late- 1990s, in which the major compensation of many

employees was in the increase in value of the stock options they held, rather than their wages or salary. Some employees at dot-com companies became millionaires on their stock options. This is still a major method of compensation for CEOs.

The theory behind granting stock options to executives and employees of a corporation is that, since their financial fortunes are tied to the stock price of the company, they will be motivated to increase the value of the stock over time.

The Indian retail brokerage industry consists of companies that primarily act as agents for the buying and selling of securities (e.g. stocks, shares, and similar financial instruments) on a commission or transaction fee or Brokerage basis.

An agent that charges a fee or commission for executing buys and sell orders submitted by an investor. The firm that acts as an agent for a customer, charge the customer the commission for its service. Roles similar to that of a stockbroker include investment advisor, financial advisor and probably many others. A stockbroker may or may not be also an investment advisor.

A **stockbroker** is a regulated professional broker who buys and sells shares and other securities through market makers or Agency Only Firms on behalf of investors.

Typically, a broker who receives an order from a customer will communicate with a company employee located at a particular exchange, who will **execute the order** at the exchange and report details of the transaction to the broker. Customers typically keep their securities in an account with the broker. Brokers charge customers **commissions** for conducting transactions and **fees** for maintaining their accounts.

Some of the main characteristics of the brokerage industry include growth in e-broking, decline in brokerage fees and growing derivative market and many more.

There are several national as well as local players in stock trading services which are providing various services to their customers like online trading, portfolio management system, stock broking etc.

They are helping the investors to take decision about where to invest because there is lots of Investment Avenue available with investors. Some of them are as follows working at the national level.

**TYPES OF STOCK BROKING COMPANIES:**

- **5Paisa.com** - Online trading, live stock quotes and market research

- **Integrated enterprises** - Stock broking, portfolio management investment banking services IT return, online trading, live stock quotes, research, insurance etc.

- **Sharekhan** - Stock broking, portfolio management, online trading, live quotes, etc.

- **Stockholding** - Stock broking, portfolio management, online trading, etc.

- **Motilal Oswal Securities** - Online trading, live BSE and NSE quotes

- **Anagram Capital** - Stock broking, portfolio management and investment banking services

- **Angel Broking** -Stock-Broking and Wealth Management services

- **Advani Share Brokers** - Share broking and market research services

- **Anand Rathi Securities** - Portfolio management, corporate finance, equity & fixed income brokerage services

- **Brescon Group** - Advisory and broking services

- **CIL Securities** - Stock broking & merchant banking services

- **CRN India** - Trends of stock market, trading tips, chat etc

- **Churiwala Securities** - Stock trading, quotes and market analysis

- **DSP Merrill Lynch** - Investment banking and brokerage services

- **Dalmia Securities** - Stock broking & depository services

- **Equity Trade** - Stock trading, company news & market research

- **Gandhi Securities** - Stock broking and investment services

- **Gogia Capital Services** - Stock broking and market analysis

- **Hasmukh Lalbhai** - Stock trading services

- **Idafa Investments** - Stock broking services

- **India Info line Securities** - Stock broking, portfolio management and investment banking services

- **India Market Access** - Offers stock broking, portfolio management and investment banking services

- **Investsmart India** - Personal finance advisory & online brokerage services

- **Kisan Ratilal Choksey Shares** - Stock broking and e-trading services

- **Kotak Securities** - Brokerage services & retail distributor of financial securities

- **Manubhai Mangaldas Securities** - Stock broking and market analysis

- **Moneypore** - Investment and broking services

- **Navia Markets** - Stock broking, IPO and mutual funds services

- **Parag Parikh** - Stock broking and portfolio management

- **Parsoli Corporation** - Investment management & stock trading services

- **Pratibhuti Viniyog** - Stock broking services

- **Prudential** - Investment management services

- **Quantum Securities** - Offers broking and portfolio management services.

- **Religare Enterprises Limited** - Stock broking services and diversified financial services group with in multiple international locations

- **Sivan Securities** - offers services related investment banking & stock broking with a focus on South India.

Lots of brokerage companies are moving towards consolidation with the smaller ones becoming either franchisee for the larger brokers or closing operations. There is an increasing demand for online trading due to consumer's growing preference for Internet as compared to approaching the brokers.

New forms of trading including T+2 settlement system, dematerialization etc. are strengthening the retail brokerage market and attracting foreign companies to enter the Indian industry Various alternative forms of investment including fixed deposits with banks and post offices etc act as substitutes to retail broking products and services.

**Stock exchange**

A **stock exchange** is an entity which provides "trading" facilities for stock brokers and traders, to trade stocks and other securities.

Stock Exchanges are an organized marketplace, either corporation or mutual organization, where members of the organization gather to trade company stocks or other securities.

Stock exchanges also provide facilities for the issue and redemption of securities as well as other financial instruments and capital events including the payment of income and dividends.

The securities traded on a stock exchange include: shares issued by companies, unit trusts, derivatives, pooled investment products and bonds. To be able to trade a security on a certain stock exchange, it has to be listed there. Usually there is a central location at least for recordkeeping, but trade is less and less linked to such a physical place, as modern markets are electronic networks,

which gives them advantages of speed and cost of transactions. Trade on an exchange is by members only. The initial offering of stocks and bonds to investors is by definition done in the primary market and subsequent trading is done in the secondary market.

A stock exchange is often the most important component of a stock market. Supply and demand in stock markets is driven by various factors which, as in all free markets, affect the price of stocks.

There is usually no compulsion to issue stock via the stock exchange itself, nor must stock be subsequently traded on the exchange. Such trading is said to be off exchange or over-the-counter. This is the usual way that derivatives and bonds are traded. Increasingly, stock exchanges are part of a global market for securities.

**MAJOR STOCK EXCHANGES IN INDIA:**

**Two major Stock Exchanges from India, which is –**

1. **Bombay Stock Exchange**
2. **National Stock Exchange**

- **List of Stock Exchanges In India**
  1. Bombay Stock Exchange**(BSE)**
  2. National Stock Exchange**(NSE)**
  3. Regional stock exchange.
     There are many other regional stock exchanges, which are Ahmedabad»Bangalore» Bhubaneswar» Calcutta» Cochin »Coimbatore» Delhi» Guwahati» Hyderabad» Jaipur» Ludhiana» Madhya Pradesh» Madras» Magadha» Mangalore» Meerut» OTC Exchange Of India» Pune» Saurashtra Kutch» Uttar Pradesh» Vadodara etc.

**Bombay Stock Exchange (BSE)**

Established in 1875, BSE Ltd. (formerly known as Bombay Stock Exchange Ltd.), is Asia's first Stock Exchange and one of India's leading exchange groups. Over the past 137 years, BSE has facilitated the growth of the Indian corporate sector by providing it an efficient capital-raising platform. Popularly known as BSE, the bourse was established as **"The Native share & Stock Brokers Association".**

BSE is a corporatized and demutualised entity, with a broad shareholder-base which includes two leading global exchanges, Deutsche Bourse and Singapore Exchange as strategic partners. BSE provides an efficient and transparent market for trading in equity, debt instruments, derivatives, mutual funds. It also has a platform for trading in equities of small-and-medium enterprises (SME). Around 5000 companies are listed on BSE making it world's No. 1 exchange in terms of listed members. The companies listed on BSE Ltd command a total market capitalization of USD Trillion 1.06 as of May 15, 2012. BSE Ltd is world's fifth most active exchange in terms of number of transactions handled through its electronic trading system. It is also one of the world's leading exchanges (5th largest in May 2012) for Index options trading (Source: World Federation of Exchanges).

BSE also provides a host of other services to capital market participants including risk management, clearing, settlement, market data services and education. It has a global reach with customers around the world and a nation-wide presence. BSE systems and processes are designed to safeguard market integrity, drive the growth of the Indian capital market and stimulate innovation and competition across all market segments. BSE is the first exchange in India and second in the world to obtain an ISO 9001:2000 certification. It is also the first Exchange in the country and second in the world to receive Information Security Management System Standard BS 7799-2-2002 certification for its On-Line trading System (BOLT).

It operates one of the most respected capital market educational institutes in the

country (the BSE Institute Ltd.). BSE also provides depository services through its Central Depository Services Ltd.(CDSL) arm.

BSE's popular equity index - the SENSEX - is India's most widely tracked stock market benchmark index. It is traded internationally on the EUREX as well as leading exchanges of the BRCS nations (Brazil, Russia, China and South Africa).

**The BSE On-line Trading (BOLT):**

BSE On-line Trading (BOLT) facilitates on-line screen based trading in securities. BOLT is currently operating in 25,000 Trader Workstations located across over 359 cities in India.

**Heritage**

BSE Ltd, the first ever stock exchange in Asia established in 1875 and the first in the country to be granted permanent recognition under the Securities Contract Regulation Act, 1956, has had an interesting rise to prominence over the past 137 years.

While BSE Ltd is now synonymous with Dalal Street, it was not always so. The first venue of the earliest stock broker meetings in the 1850s was in rather natural environs - under banyan trees - in front of the Town Hall, where Horniman Circle is now situated. A decade later, the brokers moved their venue to another set of foliage, this time under banyan trees at the junction of Meadows Street and what is now called Mahatma Gandhi Road. As the number of brokers increased, they had to shift from place to place, but they always overflowed to the streets. At last, in 1874, the brokers found a permanent place, and one that they could, quite literally, call their own. The new place was, aptly, called Dalal Street (Brokers' Street).

The journey of BSE Ltd. is as eventful and interesting as the history of India's securities market. In fact, as India's biggest bourse in terms of listed companies and market capitalisation, almost every leading corporate in India has sourced BSE Ltd. services in raising capital and is listed with BSE Ltd.

Even in terms of an orderly growth, much before the actual legislations were enacted, BSE Ltd. had formulated a comprehensive set of Rules and Regulations for the securities market. It had also laid down best practices which were adopted subsequently by 23 stock exchanges which were set up after India gained its independence.

BSE Ltd., as a institutional brand, has been and is synonymous with the capital market in India. Its SENSEX is the benchmark equity index that reflects the health of the Indian economy.

**Indices of BSE:**

1. Sensex
2. BSE 100(This covers Banking Sector)
3. BSE 200(This covers Capital goods)
4. BSE 500(This covers Consumer goods)
5. BSE mid-cap index
6. BSE small-cap index

**BSE mid-cap** index covers the FMCG sector and **BSE small-cap** index covers the IT, Metal, Oil & gas, Power industry, PSUs, etc. BSE disseminates information on the Price-Earnings Ratio, the Price to Book Value Ratio and the Dividend Yield Percentage on day-to-day basis of all its major indices.

The values of all BSE indices are updated every 15 seconds during market hours and displayed through the BOLT system, BSE website and news wire agencies.

All BSE Indices are reviewed periodically by the BSE Index Committee. This Committee which comprises eminent independent finance professionals frames the broad policy guidelines for the development and maintenance of all BSE indices. The BSE Index Cell carries out the day-to-day maintenance of all indices and conducts research on development of new indices.

**VISION:**

The vision of the Bombay Stock Exchange is -

**"Emerge as the premier Indian stock exchange with best-in-class global practice in technology, products innovation and customer service."**

**Brand Identity**



Bombay Stock Exchange has now adopted only its initials as the new name (BSE), positioning itself better position as a national multi-asset financial infrastructure institution. BSE's strategic shift in approach, attitude and business focus is reflected in its new tag line- "**Experience the new**".
With renewed zeal and focus on new business opportunities, product and service innovation, upgrades in technology, increased investor and member focus, BSE is always pushing the envelope on all fronts.

The ambition is to continually improve and adopt new and better ways of conducting our business. As the first stock exchange in Asia and the pioneer of securities transaction business, BSE prides itself on being at the forefront of bringing innovations to the Indian capital markets while creating diverse investment opportunities for the investor community in India throughout its long history.
BSE continues to undertake several initiatives to build on its strong brand, legacy and market position to create value for its stakeholders and the financial system.

**Awards & Recognitions:**

As a pioneering financial institution in the Indian capital market, BSE has won several awards and recognitions that acknowledge the work done and progress made.

- The Golden Peacock Global CSR Award for its initiatives in Corporate Social Responsibility
- BSE has won NASSCOM - CNBC-TV18's IT User Awards, 2010 in Financial Services category
- BSE has won Skoch Virtual Corporation 2010 Award in the BSE StAR MF category
- Responsibility Award (CSR), by the World Council of Corporate Governance
- Annual Reports and Accounts of BSE have been awarded the ICAI awards for excellence in financial reporting for four consecutive years from 2006 onwards
- Human Resource Management at BSE has won the Asia - Pacific HRM awards for its efforts in employer branding through talent management at work, health management at work and excellence in HR through technology

**Achievements:**

At par with international standards, BSE Ltd. has been a pioneer in several areas over the decades and has many firsts and key achievements to its credit. BSE is the first exchange in India to

- Launch a special platform for trading in SME securities
- Introduce Equity Derivatives
- Launch a Free Float Index - SENSEX
- Launch Exchange Enabled Internet Trading Platform
- Obtain ISO certification for a stock exchange
- Exclusive facility for financial training – BSE Institute Ltd.
- Launch its website in Hindi and regional languages
- Host the popular opening-bell ceremony in Indian capital markets
- Launch mobile-based trading in India in Sept 2010

- Become securities market infrastructure member of SWIFT in India and provide corporate actions to custodians in ISO 15022 format
- Launched SENSEX Realized Volatility (REALVOL) Index in Nov 2010

Besides the above, BSE has taken large strides in product and service innovation for the benefit of its members and investors, notable ones being

- Launch of a reporting platform for corporate bonds
- Launch of the BSE IPO index and PSU website
- Revamp of its website with wide range of new investor-friendly features
- Launch of trading in SENSEX futures on EUREX and leading exchanges of the BRICS nation bloc
- Launched Smart Order Routing for members and investors
- Introduced SACT (SMS alert & Complaint Tracking system)
- Launched co-location facility at BSE premises in November 2010
- Reduction in membership fees to Rs. 10 lakh for new memberships to promote financial access and inclusion
- Launch of web-based mutual fund trading platform for investors

### BSE Profile

- Address          :- Phiroze Jeejeebhoy Towers, Dalal Street
                        Mumbai-400001, India
- Telephone        :- 91-22-227212334
- Website          :- www.bseindia.com

### National Stock Exchange (NSE)

The National Stock Exchange (NSE) is India's leading stock exchange covering various cities and towns across the country. NSE was set up by leading institutions

to provide a modern, fully automated screen-based trading system with national reach. The Exchange has brought about unparalleled transparency, speed & efficiency, safety and market integrity. It has set up facilities that serve as a model for the securities industry in terms of systems, practices and procedures.

NSE has played a catalytic role in reforming the Indian securities market in terms of microstructure, market practices and trading volumes. The market today uses state-of-art information technology to provide an efficient and transparent trading, clearing and settlement mechanism, and has witnessed several innovations in products & services viz. demutualisation of stock exchange governance, screen based trading, compression of settlement cycles, dematerialisation and electronic transfer of securities, securities lending and borrowing, professionalisation of trading members, fine-tuned risk management systems, emergence of clearing corporations to assume counterparty risks, market of debt and derivative instruments and intensive use of information technology.

### History of N.S.E

Capital market reforms in India and the launch of the Securities and Exchange Board of India (SEBI) accelerated the incorporation of the second Indian stock exchange called the National Stock Exchange (NSE) in 1992. After a few years of operations, the NSE has become the largest stock exchange in India.

Three segments of the NSE trading platform were established one after another. The Wholesale Debt Market (WDM) commenced operations in June 1994 and the Capital Market (CM) segment was opened at the end of 1994. Finally, the Futures and Options segment began operating in 2000. Today the NSE takes the 14th position in the top 40 futures exchanges in the world.

In 1996, the National Stock Exchange of India launched S&P CNX Nifty and CNX Junior Indices that make up 100 most liquid stocks in India. CNX Nifty is a diversified index of 50 stocks from 25 different economy sectors. The Indices are owned and managed by India Index Services and Products Ltd (IISL) that has a consulting and licensing agreement with Standard & Poor's.

In 1998, the National Stock Exchange of India launched its web-site and was the first exchange in India that started trading stock on the Internet in 2000. The NSE has also proved its leadership in the Indian financial market by gaining many awards such as 'Best IT Usage Award' by Computer Society in India (in 1996 and 1997) and CHIP Web Award by CHIP magazine (1999).

### Indices of N.S.E

NSE also set up as index services firm known as India Index Services & Products Limited (IISL) and has launched several stock indices, including:

- S&P CNX Nifty(Standard & Poor's CRISIL NSE Index)
- CNX Nifty Junior
- CNX 100 (= S&P CNX Nifty + CNX Nifty Junior)
- S&P CNX 500 (= CNX 100 + 400 major players across 72 industries)
- CNX Midcap (introduced on 18 July 2005 replacing CNX Midcap 200)

### Purpose:
Committed to improve the financial well-being of people.

### Vision:
To continue to be a leader, establish global presence, facilitate the financial well being of people.

### Values:
NSE is committed to the following core values :

- Integrity
- Customer focussed culture
- Trust, respect and care for the individual
- Passion for excellence
- Teamwork

### Logo:



The logo of the NSE symbolises a single nationwide securities trading facility ensuring equal and fair access to investors, trading members and issuers all over the country. The initials of the Exchange viz., N, S and E have been etched on the logo and are distinctly visible. The logo symbolises use of state of the art information technology and satellite connectivity to bring about the change within the securities industry. The logo symbolises vibrancy and unleashing of creative energy to constantly bring about change through innovation.

### Awards & Recognitions:

**NSCCL Rated "CCR AAA" for fourth consecutive year - 28th Dec 2011.**

For fourth consecutive year CRISIL has assigned its highest corporate credit rating of 'CCR AAA' to the National Securities Clearing Corporation Ltd (NSCCL). 'CCR AAA' rating indicates highest degree of strength with regard to honouring debt obligations. As per CRISIL the rating reflects NSCCL's status as Clearing Corporation for NSE. The rating also factors in NSCCL's rigorous risk management controls and adequate settlement guarantee cover.

CRISIL has further stated that NSCCL's risk management system is comprehensive, and is regularly upgraded to pre-empt market failures. The company addresses risks in clearing and settlement with its stringent norms for selection of members, robust margining system, and risk-based position limits and surveillance mechanism.

**NSE and NSCCL receive Asian Banker awards**

NSE has been awarded 'The Asian Banker Financial Derivative Exchange of the Year Award'' NSCCL has been awarded 'The Asian Banker Clearing House of the Year Award''**NSE awarded 'Derivative Exchange of the Year'**

The award recognizes best practice, quality service and innovation in derivatives and risk management in the Asia-Pacific region. The winning institutions are those that, over the past year, have responded best in the needs of their clients, both on the asset and liability side, along with the end-users that have demonstrated outstanding trading and risk management strategies.

'Asia Risk' is the only publication dedicated solely to the business of financial risk management and the derivatives market in the Asia-Pacific region since 1995

**Products:**

**Equities**
- Equities
- Indices
- Mutual Funds
- Exchange Traded Funds
- Initial Public Offerings
- Security Lending and Borrowing Scheme

**Derivatives**
- Equity Derivatives
- Currency Derivatives
- Interest Rate Futures

**Debt**
- Retail Debt Market
- Wholesale Debt Market
- Corporate Bonds

**Business Growth**
- Capital Market
- Future & options
- Wholesale Debt Segment.
- Retail Debt Segment.

Currently, NSE has the following major segments of the capital market:

- Equity
- Futures and Options
- Retail Debt Market
- Wholesale Debt Market
- Currency futures

NSE became the first stock exchange to get approval for Interest rate futures as recommended by SEBI-RBI committee, on 31 August,2009, a futures contract based on 7% 10 Year GOI bond (NOTIONAL) was launched with quarterly maturities.

**Hours**

NSE's normal trading sessions are conducted from 9:00 am India Time to 3:30 pm India Time on all days of the week except Saturdays, Sundays and Official Holidays declared by the Exchange (or by the Government of India) in advance.

The exchange in association with BSE (Bombay Stock Exchange Ltd.,) thinking to revise its timings from 9.00 am India Time till 5.00 pm India Time.

However, on Dec 17, 2009, after strong protests from brokers, the Exchange decided to postpone the change in trading hours till Jan 04, 2010.

NSE **new market timing** from **Jan 04, 2010** is **9:00 am** till **3:30 pm** India Time.

**Trading Technology:**

Across the globe, developments in information, communication and network technologies have created paradigm shifts in the securities market operations. Technology has enabled organisations to build new sources of competitive advantage, bring about innovations in products and services, and to provide for new business opportunities. Stock exchanges all over the world have realised the potential of IT and have moved over to electronic trading systems, which are cheaper, have wider reach and provide a better mechanism for trade and post trade execution.

NSE believes that technology will continue to provide the necessary impetus for the organisation to retain its competitive edge and ensure timeliness and satisfaction in customer service. In recognition of the fact that technology will continue to redefine the shape of the securities industry, NSE stresses on innovation and sustained investment in technology to remain ahead of competition. NSE's IT set-up is the largest by any company in India. It uses satellite communication technology to energise participation from around 200 cities spread all over the country. In the recent past, capacity enhancement measures were taken up in regard to the trading systems so as to effectively meet the requirements of increased users and associated trading loads. With upgradation of trading hardware, NSE today can handle up to 15 million trades per day in Capital Market segment. In order to capitalise on in-house expertise in technology, NSE set up a separate company, NSE Infotech Services Ltd. which provides a platform for taking up all IT related assignments of NSE.

NEAT is a state-of-the-art client server based application. At the server end, all trading information is stored in an in-memory database to achieve minimum response time and maximum system availability for users. The trading server software runs on OpenVOS based fault tolerant STRATUS main frame computer hosted on the Intel Platform while the client software runs on Microsoft Windows Platform. Between the NEAT client and server there is another layer called the Trading Access Point (TAP). TAP facilitates IT Infrastructure consolidation and routes the orders and trades between Client and Server in an optimized protocol.

Each trading member trades on the NSE with other members through a PC located in the trading member's office. The trading members on the various market segments such as CM, F&O, WDM, Currency Derivatives, SLBM, MF and IPO are linked to the central computer at the NSE through dedicated leased lines and VSAT terminals. The telecommunications network is the backbone of the automated trading system has been upgraded to use the more popular and modern IP Protocol which was using X.25 protocol earlier. NSE is one of the largest interactive VSAT based stock exchanges in the world. Today it supports more than 2500 VSATs and 3000 leased lines across the country. The NSE-network is the largest private wide area network in the country and the first extended C- Band VSAT network in the world. Currently more than 10000 users are trading on the real time-online NSE application.

The Exchange uses powerful UNIX servers, procured from HP for the back office processing. The latest software platforms like ORACLE RDBMS, SQL/ORACLE FORMS Front - Ends, etc. have been used for the Exchange applications. The Exchange currently manages its data centre operations, system and database administration, design and development of in-house systems and design and implementation of telecommunication solutions. There are over 500 server class computer systems which include non-stop fault-tolerant Stratus servers and high end UNIX servers, operational under one roof to support the NSE applications. This coupled with the nationwide VSAT network makes NSE the country's largest Information Technology user.

In an ongoing effort to improve NSE's infrastructure, a corporate network has been implemented, connecting all the offices at Mumbai, Delhi, Calcutta and Chennai. This corporate network enables speedy inter-office communications and data and voice connectivity between offices. NSE has its online presence at www.nseindia.com. The website displays its live stock quotes which are updated online and corporate announcements. The website has been designed to cater to the needs of Investors, Members, Issuers and other market participants.

NSE today allows members to provide internet trading facility to their clients through the use of NOW (NSE on web), a shared web infrastructure.

**More about our Trading Technology**
- Computer to Computer Link (CTCL)
- Internet Trading
- WAP Trading
- **NSE - Corporate Office**
National Stock Exchange of India Ltd.
Exchange Plaza,
Plot no. C/1, G Block,
Bandra-Kurla Complex
Bandra (E)
Mumbai - 400 051.
Tel No: (022) 26598100 - 8114
Fax No: (022) 26598120

**NSE Group:**

- National Securities Clearing Corporation Ltd. (NSCCL)
- National Securities Depository Ltd. (NSDL)
- India Index Services & Products Ltd. (IISL)
- NSE.ITltd.
- DotEx International Limited

**Index:**

An index is a basket of identified stocks, and its value is computed by taking the weighted average of the prices of the constituent stocks of the index. A market index for example consists of a group of top stocks traded in the market and its value changes as the prices of its constituent stocks change. In India, Nifty Index is the most popular stock index and it is based on the top 50 stocks traded in the market.

The S&P CNX Nifty, also called the Nifty 50 or simply the Nifty, is a stock market index and one of several leading indices for large companies which are listed on National Stock Exchange of India. Index based derivatives and index funds. Nifty is owned and managed by India Index Services and Products Ltd. (IISL), which is a joint venture between NSE and CRISIL (Credit Rating and Information Services of India Ltd). (IISL) is India's first specialized company focused upon the index as a core product. IISL has marketing and licensing agreement with Standard & Poor's for co-branding equity indices. 'CNX' in its name stands for 'CRISIL NSE Index'. The S&P CNX Nifty currently consists of 50 major Indian companies. There are many other index such as S&P CNX 500 and sector wise index.

**1.3 ABOUT THE ORGANIZATION**

**SHAREKHAN LIMITED:**

A stockbroker is a regulated professional broker who buys and sells shares and other securities through market makers or Agency Only Firms on behalf of investors.

Typically, a broker who receives an order from a customer will communicate with a company employee located at a particular exchange, who will execute the order at the exchange and report details of the transaction to the broker. Customers typically keep their securities in an account with the broker. Brokers charge customers commissions for conducting transactions and fees for maintaining their accounts.

**HISTORY OF THE ORGANIZATION-SHAREKHAN LTD**

Sharekhan is one of the leading share broking and retail brokerage firms in the country. It is the retail broking arm of the Mumbai-based SSKI Group (Shripal Sevantilal Kantilal Ishwarlal Pvt. Ltd), which has more than 88 years of experience in the stock broking business. SSKI is a veteran equities solutions

company with more than 8 decades of trust and credibility in the Indian stock markets. It helps the customers/people to make informed decisions and simplifies investing in stocks.

Sharekhan brings to you a user- friendly online trading facility, coupled with a wealth of content that will help you stalk the right shares. SSKI named its online division as a Sharekhan and it is into retail broking. The business of the company overhauled 10 years ago on February 8, 2000. It acts as a discount brokerage house to a full service investment solution provider. It has specialized research product for the small investors and day traders.

**About Sharekhan:**
➢ SSKI named its online division as SHAREKHAN and it is into retail broking.
➢ The business of the company overhauled 10 years ago on February 8, 2000.
➢ It acts as a discount brokerage house to a full service investment solutions provider.
➢ It has specialized research product for the small investors and day traders.
➢ Largest chain of 640 shares shops in 280 cities across India.
➢ The site was also launched on February 8, 2000 and named it as www.sharekhan.com.
➢ The Speed Trade account of Sharekhan is the next generation technology product launched on April 17, 2002.
➢ It offers its customers with the trade execution facilities on the NSE and BSE, for cash as well as derivatives, depository services.
➢ Ensures convenience in Trading Experience: Sharekhan's trading services are designed to offer an easy, hassle free trading experience, whether trading is done daily or occasionally. Sharekhan providing the customers with a multi-channel access to the stock markets.
➢ It gives advice based on extensive research to its customers and provides them with relevant and updated information to help him make informed about his investment decisions.

**BRAND NAME:**

The company as a whole in its offline business has named itself as SSKI Securities Private Limited – *Shripal Sevantial Kantilal Ishwarlal Securities Private Limited*. The company has preferred to name themselves under a blanket family name.

But, in its online division started since 1997, the company preferred to name itself as "SHAREKHAN". The Brand name "SHAREKHAN" itself suggests the business in which the company is dealing so that the customer could easily identify the product or service category.

Sharekhan completes 10 years in Retail Broking Business:

Sharekhan Ltd, India's leading online retail broking house with a strong online trading platform, has completed a decade in the business offering services such as portfolio management, trade execution in equities, futures & options, commodities and distribution of mutual funds, insurance and structured products.

**SHAREKHAN'S MISSION & VISION:**

**Mission**
➢ "To educate and empower the retail investor to help him/her take better investment decisions."

**Vision:**
➢ "To be the best retail broking brand in the Indian equities market."

**Growth:**

In a short span of 10 years, the company has scripted a remarkable growth story. Starting from beginnings in 8th February 2000 as an online trading portal, Sharekhan today has a pan-India presence as well as global footprint in UAE and Oman with over 1,529 outlets serving 9,50,0000 customers across 450 cities.
Sales turnover & profit of last year:

According to the Individual - Audited financial statement for the Year of 2011, total net operating revenues increased with 0.32%, from INR 478.56 tens of

millions to INR 480.07 tens of millions. Operating result decreased from INR 173.4 tens of millions to INR 140.67 tens of millions which means -18.88% change. The results of the period increased 32.41% reaching INR 247.29 tens of millions at the end of the period against INR 186.76 tens of millions last year. Return on equity (Net income/Total equity) went from 49.58% to 54.30%, the Return On Asset (Net income / Total Asset) went from 22.93% to 25.61% and the Net Profit Margin (Net Income/Net Sales) went from 39.03% to 51.51% when compared to the same period of last year. The Debt to Equity Ratio (Total Liabilities/Equity) was 212.07% compared to 216.17% of last year. Finally, the Current Ratio (Current Assets/Current Liabilities) went from 2.15 to 2.27 when compared to the previous year.
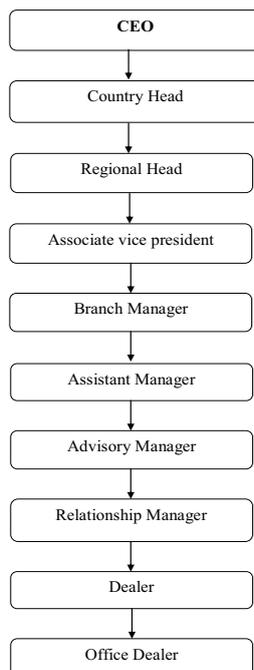
**Awards:**
➤ It was awarded "Top Domestic Brokerage House" Four times by EURO and ASIA money
➤ It was a winner of Best Financial Website
➤ India's most preferred brokers within 5 years "Awaaz customers award 2005"
➤ A wired companies along with Reliance, HII, Infosys , etc by "Business Today" 2004
➤ CNBC Award winner ,2004

**Products offered :**
➤ Depository Services
➤ Internet Trading
➤ Commodity Derivatives
➤ Mutual Fund Distribution
➤ IPO services
➤ Insurance Services

**Future Plan:**

➤ The Sharekhan ltd has planned to expand its branches all around Tamilnadu, at present it has 150 branches in and around the Tamilnadu, they are going to come out with 234 branches in Tamilnadu within a couple of years

➤ They have plan to expand across the Tamilnadu also

## ORGANIZATIONAL STRUCTURE

```
        ┌──────────────┐
        │     CEO      │
        └──────┬───────┘
               ▼
        ┌──────────────┐
        │ Country Head │
        └──────┬───────┘
               ▼
        ┌──────────────┐
        │ Regional Head│
        └──────┬───────┘
               ▼
  ┌────────────────────────┐
  │ Associate vice president│
  └──────────┬─────────────┘
             ▼
     ┌────────────────┐
     │ Branch Manager │
     └───────┬────────┘
             ▼
    ┌──────────────────┐
    │ Assistant Manager│
    └────────┬─────────┘
             ▼
    ┌──────────────────┐
    │ Advisory Manager │
    └────────┬─────────┘
             ▼
  ┌──────────────────────┐
  │ Relationship Manager │
  └──────────┬───────────┘
             ▼
       ┌──────────┐
       │  Dealer  │
       └────┬─────┘
            ▼
     ┌──────────────┐
     │ Office Dealer│
     └──────────────┘
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**1.4 Statement of the problem:**

In a perfect market, the market value of a firm's equity is independent of the number of shares outstanding. Therefore the stock split or bonus issue should simply involve a change in the number of shares outstanding along with a change in the level of the stock price. There should be no change in the distribution of stock returns around announcement date, ex-dates of bonus issue (stock dividends) and stock splits. Previous few researches had found that there are no abnormal stock returns around announcement date & few researches had found that there are abnormal stock returns around announcement date of stock splits or bonus issues.

**1.5 Scope of the study:**

1. The study will be helpful in knowing the information impact in the market due to corporate announcement i.e. bonus and stock splits.
2. The study will be helpful in knowing about the bonus issues and stock splits.
3. The study will be helpful in knowing about the abnormal return.

**Chapter 2**

**Review of literature:**

[1] Lifan Wu and Bob Y. Chan (1997) in their paper titled "On Existence of An Optimal Stock Price: Evidence from Stock Splits and Reverse Stock Splits" analyzes a sample of stock splits and reverse stock splits on the Stock Exchange of Hong Kong (SEHK) over the period 1986 through 1992. Consistent with studies on stock splits and reverse stock splits made in the U.S.capital markets, the analysis shows that stock splits are associated with a positive and significant stock market response while reverse stock splits are associated with a negative but statistically insignificant price effect. The researchers also investigated the "optimal price range" hypothesis, which states that firms choose the split factor (SF) as a device to return the stock price to a "preferred price range."

[2]Patrick Dennis& Deon Strickland (1998) in their paper titled "The effect of stock splits on liquidity: Evidence from shareholder ownership composition"[2] [i]states that the traditional view of stock splits as cosmetic transactions that simply divide the same pie into more slices is inconsistent with the significant wealth effect associated with the announcement of a stock split.

[3] M. L. Barnes and S. Ma (2001), in their paper titled as "Market Efficiency or Not? The Behaviour of China's Stock Prices in Response to the Announcement of Bonus Issues"[3] shows that issues with a high bonus ratio (number of bonus shares in the issue/number of existing shares) usually attract positive returns and the issues with a low bonus ratio are rewarded with negative returns. The A-shares" and B-shares" prices exhibit some similarities in their reactions to bonus issues"

[1]  Lifan Wu and Bob Y. Chan (1997) in their paper titled "On Existence of An Optimal Stock Price: Evidence from Stock Splits and Reverse Stock Splits"
[2] Patrick Dennis& Deon Strickland (1998) in their paper titled "The effect of stock splits on liquidity: Evidence from shareholder ownership composition"
[3] M. L. Barnes and S. Ma (2001), in their paper titled as "Market Efficiency or Not? The Behaviour of China"s Stock Prices in Response to the Announcement of Bonus Issues"

approvals. The hypothesis of semi-strong form market efficiency is rejected only partly for China's stock markets.

[4] Nickolaos Travlos,. & Nikos Vafeas, (2001) in their paper titled "Shareholder Wealth Effects of Dividend Policy Changes in an Emerging Stock Market: The Case of Cyprus" examines the stock market reaction to announcements of cash dividend increases and bonus issues (stock dividends) in the emerging stock market of Cyprus. Both events elicit significantly positive abnormal returns, in line with evidence from developed stock markets.The study contends that special characteristics of the Cyprus stock market delimit applicability of most traditional explanations for cash and stock dividends in favour of an information signaling explanation. The empirical results are generally inconsistent with these contentions (JEL G34).

[5]Yılmaz, Işıl Sevilay & Seza Danışoğlu Rhoades (2003), in their paper titled "An analysis of stock splits in the Istanbul Stock Exchange" [4]tested the validity of the trading range hypothesis as a basis for stock split decisions of Turkish companies. In the first part, the liquidity effects of stock splits on Turkish stocks are examined. Second, the optimal trading ranges for different-sized firms and firms with different investor bases are determined. Finally, the main empirical question of the study is analyzed by testing whether or not Turkish firms whose share prices rise above their optimal trading ranges are more likely to split their stock compared to firms whose share prices are at or below their optimal trading ranges.

[6] latundun Janet Adelegan (2004) in their paper titled "Capital Market Efficiency and the Effects of Dividend Announcements on Share Prices in Nigeria"[5] states that an efficientmarket is one in which prices fully reflect available information. An implication of an Volume:01, Number:05, Sep-2011 Page 194 www.theinternationaljournal.org efficient market is that no excess returns can be made from this information because current prices already reflect the information.

[5]Yılmaz, Işıl Sevilay & Seza Danışoğlu Rhoades (2003), in their paper titled "An analysis of stock splits in the Istanbul Stock Exchange"
[6] latundun Janet Adelegan (2004) in their paper titled "Capital Market Efficiency and the Effects of Dividend Announcements on Share Prices in Nigeria"

[7] Yoon Chung Sin, Mohd Ariff (2005) in the paper "Corporate Spin-offs and the Determinantsof Stock Price Changes in Malaysia"[6], the study appraises the impact of Spin off decisions in addition to the determinants of share price movement for Malaysian listed companies between 1986 to 2002. The empirical evidence from a sample of 85 Spin-offs shows positive and affirmative announcement effects on stock prices. The parent of the Spin- off companies encounters positive abnormal returns for the two days before and after the announcement day while the Spin-off companies experience comparable effect after the listing date. The analysis is done over a period of 100 days prior and 50 days subsequent to the announcement day. The findings reveal that only Market Capitalization and Age factors are significant to the market price variation. The Cumulative Abnormal Returns surrounding the spin-off announcement day is positively correlated to the Market Capitalization but negatively correlated to the Age. In conclusion, this study validates that the impact of the returns is determined by the size and conventional age of the companies.

[8]Jorge Farinha & Nuno Filipe Basílio, Universidade do Porto8 (2006) in their research paper titled "Stock Splits: Real Effects or Just a Question of Maths? An Empirical Analysis of the Portuguese Case" [7]states that Stock splits are conceptually a very simple corporate event that consists in the division of each share into a higher number of shares of smaller par value.

[9]Mark Norton (2008), in the paper "Market Reaction to Announcements of Dividend Increases: Is it Weakening With Time?"[8], tried to examine the market"s reaction to announcements of dividend increases. The objective is to find whether the market reaction to dividend increases has weakened with the passage of time and whether market conditions affect the reaction. Eventually, this study is

[7]  Yoon Chung Sin, Mohd Ariff (2005) in the paper "Corporate Spin-offs and the Determinants of Stock Price Changes in Malaysia"

[8]Jorge Farinha & Nuno Filipe Basílio, Universidade do Porto8 (2006) in their research paper titled "Stock Splits: Real Effects or Just a Question of Maths? An Empirical Analysis of the Portuguese Case"
[9]Mark Norton (2008), in the paper "Market Reaction to Announcements of Dividend Increases: Is it Weakening With Time?"

expected to reveal whether dividends continue to be important to investors. In addition, this study explores the theoretical factors that may affect dividend valuation.

[10] Cahit Adaoglu & M. Ameziane Lasfer, (2008) in the paper titled "The Market Valuation of Bonus Issues in an Inflationary Environment"[9] shows that assesses the market valuation of an unusual form of free stock distributions called bonus issues which are mainly financed by the revaluations of assets equity reserve in an inflationary economic setting.

[11]The paper "The Impact of Stock Splits on Price and Liquidity on the Stock Exchange of Thailand" by Pantisa Pavabutr, & Kulpatra Sirodom,(2008)[10] explores the impact of stock splits on stock price and various aspects of liquidity using daily and intraday data from the Stock Exchange of Thailand between 2002-2004. We provide evidence that reductions in trade frictions and increases in split-adjusted price levels are associated with the size of split factors and post-split trading range. Stocks with high split factors have better post-split adjusted price performance and lower trade bid-ask spreads and price impact. The empirical findings lend support to the trading range hypothesis of stock splits.

[12] Man Ana-Maria in the paper titled "Stock Dividend Impact on Stock Prices An Event Study on the Romanian Capital Market"(2009)[11] states that at a first glance, it is usually asserted that stock dividends, just like stock splits are only cosmetic events. This paper examines the effects of stock dividend announcements on the Romanian stock market using evidence on Volume:01, Number:05, Sep-2011 Page 195 www.theinternationaljournal.org listed companies on the RSE during 1998 – 2008 and the results obtained are consistent with previous studies conducted on emerging markets and not only, stating that there is

[10] Cahit Adaoglu & M. Ameziane Lasfer, (2008) in the paper titled "The Market Valuation of Bonus Issues in an Inflationary Environment"[9]

[11]The paper "The Impact of Stock Splits on Price and Liquidity on the Stock Exchange of Thailand" by Pantisa Pavabutr, & Kulpatra Sirodom,(2008)

[12] Man Ana-Maria in the paper titled "Stock Dividend Impact on Stock Prices An Event Study on the Romanian Capital Market"(2009)

significant non-zero cumulated abnormal return clustered closely around the event day.

[13]Grace M. LIAO, Chilin LU, Y.W. CHEN (2009) in their paper titled "Market reaction to announcement of share based payment" [12]states that Taiwan"s Financial Accounting Standard does not align regulations with International Accounting Standards (IAS) in treatment of stock bonus paid to employees before 2008.

[14]Humera Shahid, Xia Xinping, Faiq Mahmood, Muhammad Usman (2010), in the paper titled "Announcement Effects of Seasoned Equity Offerings in China "[13] states that by taking a longer period (1998-2008) this study examines the stock price reaction to the announcement of different equity issues in China. Initially, the study documents the announcement effects of Right issues and Public Offerings (SEOs).

[15]Dr. Josiah Omollo Aduda & Chemarum Caroline S.C 15 (2010) in the paper "Market Reactions to Stock Splits: Empirical Evidence from the Nairobi Stock Exchange" [14]states that there are several theories that have been advanced to explain why companies split their stock. The most common ones are to achieve an optimal price range for liquidity, to achieve an optimal tick size and to signal managements" confidence in the future stock price.

[16]Mohamed Ariff and Frank J. Finn16(2010) in the paper "Announcement effects and market efficiency in a thin market[15]: An empirical application to the Singapore equity market" states that studies of share price responses to public announcements have assumed that there is no serious thinness in trading. The

[13]Grace M. LIAO, Chilin LU, Y.W. CHEN (2009) in their paper titled "Market reaction to announcement of share based payment"

[14]Humera Shahid, Xia Xinping, Faiq Mahmood, Muhammad Usman (2010), in the paper titled "Announcement Effects of Seasoned Equity Offerings in China "
[15]Dr. Josiah Omollo Aduda & Chemarum Caroline S.C 15 (2010) in the paper "Market Reactions to Stock Splits: Empirical Evidence from the Nairobi Stock Exchange"
[16]Mohamed Ariff and Frank J. Finn16(2010) in the paper "Announcement effects and market efficiency in a thin market

paper reports the findings of a study of price responses of thinly-traded shares in the Singapore equity market. Studies conducted India:

[17]Vijaya B. Marisetty, Alastair Marsden & Madhu Veeraraghavan 17 (2007) undertook a study titled "Price reaction to rights issues in the Indian capital market", [16]to examine securities price reaction to announcements of rights issues by listed Indian firms during the period 1997–2005. The result shows a positive but statistically insignificant price reaction to such announcements. The price reaction is significantly more negative for firms with a family group affiliation compared to firms with no family group affiliation. The notable differential price reaction between firms with and without a family group affiliation can be explained by the "tunneling hypothesis." For firms affiliated with a family group, we surmise that investors perceive that the proceeds of the rights issue may be misused for the benefit of the controlling shareholder.

[18]Madhuri Malhotra, M. Thenmozhi, G Arun Kumar 18 (2007), in their paper titled "Stock Market Reaction and Liquidity Changes Around Bonus Issue Announcement: Evidence from India"[17] by (2007), examines share price reaction to the announcement of bonus issue for a sample of Indian companies. Standard event study methodology has been used for the purpose of studying the Bonus issue announcement reaction. Bonus issue announcement yields negative abnormal returns around the announcement date. There is a negative reaction after the bonus issue announcement conveying that the market under reacts after the announcement. It is also observed that there is no information leakage prior to the announcementVolume:01, Number:05, Sep-2011 Page 196 www.theinternationaljournal.org The paper "Dilemma of Corporate Action: Empirical Evidences of Bonus Issue vs. Stock Split "by Srinivas Shirur,

[17]Vijaya B. Marisetty, Alastair Marsden & Madhu Veeraraghavan 17 (2007) undertook a study titled "Price reaction to rights issues in the Indian capital market",
[18]Madhuri Malhotra, M. Thenmozhi, G Arun Kumar 18 (2007), in their paper titled "Stock Market Reaction and Liquidity Changes Around Bonus Issue Announcement: Evidence from India"

[19] Mihi Dash & Amaresh Gouda (2008) in the paper titled "A Study on the liquidity effects of stock splits in India Stock Market" [18]states that Stock splits are a relatively new phenomenon in Indian markets, especially since early 2005 with the bull phase in Indian stock markets, with many companies" stock prices shooting far beyond the normal trading range. The objective of the study is to analyze the overall impact of stock splits on returns. To do so, the returns in the period prior to the announcement are compared with the returns after the execution of the split, in terms of mean returns and variance of returns. The results of the study indicate strong evidence for an increase in the liquidity of the stock after the split.

[20] The paper titled "Market Reaction Around the Stock Splits and Bonus Issues: Some Indian Evidence" by Dr. Satyajit Dhar, & Ms. Sweta Chhaochharia, 21 (2009), [19]states that it is often argued that stock splits and bonus issues are purely cosmetic events. This paper examines the effects of these two types of events for the Indian stock market. The abnormal returns are calculated using the Capital Asset Pricing Model and then t-tests are conducted to test the significance. Consistent with the existence literatures, the two events are associated with significantly positive announcement effect. For bonus issues, the abnormal returns were about 1.8% and for stock splits, it was about 0.8%. On a whole, the paper finds evidence of semi-strong form efficiency in the Indian stock market. In the paper "Testing the Semi-Strong form Efficiency of Indian Stock Market with Respect to Information Content of Stock Split Announcement – A study in IT Industry" by M.Raja,

[21] The paper titled "Market Reaction Around the Stock Splits and Bonus Issues: Some Indian Evidence" by Dr. Satyajit Dhar, & Ms. Sweta Chhaochharia, 21 (2009), [20]states that An efficient market as a market in which price fully reflect all information. This means that no possibility exists of making sustainable excess returns and the prices follow a random walk. The paper titled "Testing Semi-Strong

[19]Mihi Dash & Amaresh Gouda (2008) in the paper titled "A Study on the liquidity effects ofstock splits in India Stock Market"

[20] The paper titled "Market Reaction Around the Stock Splits and Bonus Issues: Some Indian Evidence" by Dr. Satyajit Dhar, & Ms. Sweta Chhaochharia, 21 (2009),
[21] The paper titled "Market Reaction Around the Stock Splits and Bonus Issues: Some Indian Evidence" by Dr. Satyajit Dhar, & Ms. Sweta Chhaochharia, 21 (2009),

Form of Efficient Market Hypothesis in Relation to the Impact of Foreign Institutional Investors" (FII"s) Investments on Indian Capital Market" by Prof. A.Q Khan and Sana Ikram

[22] The paper "Effect of Stock Splits on Price and Return of the Stock" by Sumit Kumar Singh (2010)[21] states that Stock Splits essentially serve the purpose of rationalizing the share price and fundamentally have no relation with company"s performance. Stock splits reduce the share price by split factor and increase the outstanding shares by the same. Hence, the performance of the stock in terms of price, liquidity and volume should have no relation with stock split.

[22] The paper "Effect of Stock Splits on Price and Return of the Stock" by Sumit Kumar Singh (2010)

**Chapter-3**

**RESEARCH METHODOLOGY**

**3.1 Type of research**

    The study is primarily analytical in nature.

**3.2 Objectives of the study**

    **Primary objective**

        1. To study the impact of bonus and stock split announcement on the market price of the share.

    **Secondary objective**

        1.To study the effect of bonus issues on equity (stock) prices and return of the companies.

        2. To study the effect of stock splits on equity (stock) prices and return of the companies.

        3. To study whether there is any abnormal return around the announcement date of bonus issues.

        4. To study whether there is any abnormal return around the announcement date of bonus issues.

**3.3 Data and sources of data**

    The Data used for this study is secondary data.

Data collected was collected from the websites of

    ➤ NSE(www.nseindia.com)

    ➤ Money control(www.moneycontrol.com)

    ➤ Trade tiger (sharekhan trading software)

**3.4 Time Period:**

    The period of study is for 5 years (2008-2012). The study has been done for the period of January 2008 to December 2012 of bonus and stock split announcement of all companies listed in S&P CNX 500 (NSE).

**3.5 Statistical Tools Used:**

1)Simple average

2)spss (t-test)

**3.6 Formula used:**

**ARi, t = R i, t – R m, t**

Where,

ARi, t denotes to abnormal return for stock i on day t,

R i, t denotes to the change of the stock i on day.

It is calculated as: **R i, t = (P i, t - P i, t-1) /Pi, t -1**

 P i, t is the market closing price of stock i on day t

 And Pi, t-1 is the market closing price of stock i on day t-1

R m, t denotes to the change in the index  on day t.

It is calculated as: **R m,t= (K t - K t-1) /K t -1**

Where, K t is the market index of on day t

 Ki, t-1 is the market closing price of stock i on day t-1

**3.7 Limitations of the study:**

    ➤ Data has been collected for 5 year only.

    ➤ Only few samples have been taken for calculation from  every year data.

**CHAPTER-4**

**ANALYSIS AND INTERPRETATION**

**4.1 Analysis for bonus issues.**

**TABLE 4.1.1 Calculation of ARR & t-values for  bonus issues**

| Event window days (2012) | AAR | t-statistics |
|---|---|---|
| -9 | -0.004276177 | -1.110 |
| -8 | -0.003607948 | -.485 |
| -7 | 0.003256042 | 1.007 |
| -6 | -0.002834746 | -.255 |
| -5 | -0.010483764 | -1.437 |
| -4 | -0.004130966 | -1.057 |
| -3 | 0.009354208 | 1.804 |
| -2 | 0.006780318 | 1.180 |
| -1 | -0.001447741 | -.415 |
| 0 | 0.014949326 | 1.276 |
| 1 | 0.007809947 | 1.009 |
| 2 | 0.000527976 | .054 |
| 3 | 0.010432127 | .730 |
| 4 | -0.00245923 | -.379 |
| 5 | -0.001674296 | -.285 |
| 6 | 0.004952412 | .805 |
| 7 | 0.002089804 | .218 |
| 8 | -0.000586064 | -.081 |
| 9 | -0.001971428 | -.451 |

**Interpretation:**

    It is found that on the announcement date there is positive average abnormal return of 1.5%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (9th,8th,6th,5th,4th,1st) after announcement (4th,5th,8th,9th)days.The following days in the event window have positive average abnormal return, i.e before announcement (7,3,2)days & after announcement (1,2,3,6,7)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.1.2 Calculation of ARR & t-values for  bonus issues**

| Event window days (2011) | AAR | t-statistics |
|---|---|---|
| -9 | 0.035005113 | 1.571 |
| -8 | 0.000550377 | .212 |
| -7 | -0.003274086 | -.673 |
| -6 | 0.00067361 | .084 |
| -5 | 0.005254095 | .780 |
| -4 | 0.005626574 | 1.853 |
| -3 | -0.002169269 | -.272 |
| -2 | 0.018503667 | 3.358 |
| -1 | 0.003241097 | .794 |
| 0 | -0.001904213 | -.199 |
| 1 | 0.028594762 | 1.001 |
| 2 | 0.027720221 | 1.016 |
| 3 | 0.014098259 | 1.111 |
| 4 | 0.000403533 | .049 |
| 5 | -0.020557611 | -2.044 |
| 6 | -0.011295277 | -2.351 |
| 7 | 0.001772384 | .329 |
| 8 | -0.003034182 | -.415 |
| 9 | -0.013186902 | -1.578 |

**Interpretation:**

    It is found that on the announcement date there is negative average abnormal return of 0.19%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (7,3) after announcement (5,6,8,9)days.The following days in the event window have positive average abnormal return, i.e before announcement (9,8,6,5,4,2,1)days & after announcement (1,2,3,4,7)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.1.3 Calculation of ARR & t-values for bonus issues**

| Event window days (2010) | AAR | t-statistics |
|---|---|---|
| -9 | 0.013453714 | 1.432 |
| -8 | 0.012979289 | 2.346 |
| -7 | 0.014423354 | 1.356 |
| -6 | -0.010271834 | -1.137 |
| -5 | 0.003021154 | .423 |
| -4 | 0.00522223 | .536 |
| -3 | 0.006747278 | 1.121 |
| -2 | 0.0125646 | 2.024 |
| -1 | 0.010186343 | 1.083 |
| 0 | -0.00317058 | -.489 |
| 1 | 0.002293237 | .141 |
| 2 | 0.005875259 | .513 |
| 3 | 0.006301147 | .816 |
| 4 | 0.0074219 | .888 |
| 5 | 0.005305574 | .687 |
| 6 | -0.003690463 | -1.335 |
| 7 | -0.007614018 | -1.580 |
| 8 | -0.00057698 | -.079 |
| 9 | -0.003767126 | -.566 |

**Interpretation:**

It is found that on the announcement date there is negative average abnormal return of 0.3%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (6) after announcement (6,7,8,9)days.The following days in the event window have positive average abnormal return, i.e before announcement (1,2,3,4,5,7,8,9)days & after announcement (1,2,3,4,5)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.1.4 Calculation of ARR & t-values for bonus issues**

| Event window days (2009) | AAR | t-statistics |
|---|---|---|
| -9 | 0.009792374 | 1.425 |
| -8 | 0.001893275 | .193 |
| -7 | 0.002610291 | .349 |
| -6 | 0.005880655 | .784 |
| -5 | 0.011863328 | 1.092 |
| -4 | 0.013470601 | 1.067 |
| -3 | 0.005769406 | .517 |
| -2 | -0.008925867 | -.754 |
| -1 | 0.002948903 | .391 |
| 0 | -0.004384964 | -.365 |
| 1 | 0.008857788 | .652 |
| 2 | 0.015792073 | 1.270 |
| 3 | -0.006930901 | -.662 |
| 4 | 0.001892631 | .178 |
| 5 | 0.017699434 | 2.908 |
| 6 | 0.000531813 | .052 |
| 7 | -0.004828899 | -.810 |
| 8 | -0.014065304 | -1.459 |
| 9 | 0.011035615 | .973 |

**Interpretation:**

It is found that on the announcement date there is negative average abnormal return of 0.4%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (2) after announcement (3,7,8)days.The following days in the event window have positive average abnormal return, i.e before announcement (9,8,7,6,5,4,3,1)days & after announcement (1,2,4,5,6,9)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.1.5 Calculation of ARR & t-values for bonus issues**

| EVENTWINDOW DAYS (2008) | AAR | t-statistics |
|---|---|---|
| -8 | 0.004116835 | .468 |
| -7 | -0.009388535 | -.982 |
| -6 | -0.0049995 | -1.043 |
| -5 | 0.001011201 | .155 |
| -4 | 0.003195374 | .217 |
| -3 | -0.00488325 | -.727 |
| -2 | -0.00264971 | -.760 |
| -1 | 0.011714064 | 1.855 |
| 0 | 0.008408063 | .965 |
| 1 | 0.034522946 | 1.524 |
| 2 | -0.012634136 | -1.192 |
| 3 | -0.033619671 | -1.439 |
| 4 | -0.00261312 | -.417 |
| 5 | 0.0026035 | .302 |
| 6 | -0.001725213 | -.258 |
| 7 | 0.010263008 | 1.692 |
| 8 | -0.013139169 | -1.580 |
| 9 | -0.005159658 | -.359 |

**Interpretation:**

It is found that on the announcement date there is positive average abnormal return of 0.8%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (7,6,3,2) after announcement (2,3,4,6,8,9)days.The following days in the event window have positive average abnormal return, i.e before announcement (9,8,5,4,1)days & after announcement (1,5,7)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**4.2 Analysis for stock splits.**

**TABLE 4.2.1 Calculation of ARR & t-values for stock splits**

| EVENT WINDOW DAYS (2012) | AAR | t-statistics |
|---|---|---|
| -9 | -0.005684151 | -1.460 |
| -8 | 0.003495266 | .695 |
| -7 | 0.001898648 | .282 |
| -6 | 0.010111242 | 1.044 |
| -5 | 0.015371256 | 1.555 |
| -4 | 0.012267033 | 1.583 |
| -3 | -0.003260951 | -.242 |
| -2 | -0.015263073 | -1.698 |
| -1 | 0.006105667 | .672 |
| 0 | 0.006379816 | .377 |
| 1 | -0.020878472 | -3.460 |
| 2 | 0.009922997 | .922 |
| 3 | -0.021039227 | -3.709 |
| 4 | -0.009585783 | -1.277 |
| 5 | 0.009261779 | 1.426 |
| 6 | 0.014875124 | .994 |
| 7 | -0.005993268 | -1.663 |
| 8 | 0.000190124 | .015 |
| 9 | 0.013315383 | 1.154 |
| 10 | -0.002549381 | -.890 |

**Interpretation:**

It is found that on the announcement date there is positive average abnormal return of 0.6%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (9,3,2) after announcement (1,3,4,7,10)days.The following days in the event window have positive average abnormal return, i.e before announcement (8,7,6,5,4,1)days & after announcement (2,5,6,8,9)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.2.2 Calculation of ARR & t-values for stock splits**

| EVENT WINDOW DAYS (2011) | AAR | t-statistics |
|---|---|---|
| -9 | -0.003370556 | -.497 |
| -8 | -0.001706872 | -.582 |
| -7 | 0.014808815 | 2.629 |
| -6 | 0.017816101 | 1.334 |
| -5 | 0.004779715 | .533 |
| -4 | 0.008490069 | 1.412 |
| -3 | 0.014888399 | 2.517 |
| -2 | -0.002984684 | -.325 |
| -1 | 0.004161027 | .967 |
| 0 | -0.012864901 | -.932 |
| 1 | 0.025630494 | 1.627 |
| 2 | -0.006821071 | -.613 |
| 3 | -0.001882314 | -.261 |
| 4 | -0.006991505 | -2.047 |
| 5 | -0.018989327 | -3.687 |
| 6 | -0.000201108 | -.045 |
| 7 | -0.001921414 | -.262 |
| 8 | 0.000353801 | .034 |
| 9 | 0.008885872 | .611 |
| 10 | -0.002326042 | -.258 |

**Interpretation:**

It is found that on the announcement date there is negative average abnormal return of 1.2%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (9,8,2) after announcement (2,3,4,5,6,7,10)days.The following days in the event window have positive average abnormal return, i.e before announcement (7,6,5,4,3,1)days & after announcement (1,8,9)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.2.3 Calculation of ARR & t-values for stock splits**

| EVENT WINDOW DAYS (2010) | AAR | t-statistics |
|---|---|---|
| -9 | 0.002557154 | .513 |
| -8 | 0.011340885 | 1.274 |
| -7 | -0.001665297 | -.159 |
| -6 | 0.004794615 | .735 |
| -5 | -0.006653041 | -1.221 |
| -4 | 0.010793198 | 1.716 |
| -3 | 0.002177672 | .511 |
| -2 | 0.003989479 | .508 |
| -1 | 0.000220419 | .038 |
| 0 | -0.00020682 | -.085 |
| 1 | 0.006306349 | .835 |
| 2 | 0.02647644 | 1.168 |
| 3 | -0.004347904 | -.947 |
| 4 | -0.000763333 | -.063 |
| 5 | -0.016684096 | -1.911 |
| 6 | -0.00047317 | -.118 |
| 7 | -0.008636817 | -1.308 |
| 8 | -0.004578037 | -.703 |
| 9 | -0.001223446 | -.239 |

**Interpretation:**

It is found that on the announcement date there is negative average abnormal return of 0.02%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (7,5) after announcement (3,4,5,6,7,8,9)days.The following days in the event window have positive average abnormal return, i.e before announcement (8,6,4,3,2,1)days & after announcement (1,2)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.2.4 Calculation of ARR & t-values for stock splits**

| EVENT WINDOW DAYS (2009) | AAR | t-statistics |
|---|---|---|
| -9 | -0.009697268 | -2.013 |
| -8 | 0.004727766 | .674 |
| -7 | 0.000463502 | .036 |
| -6 | 0.00528292 | .446 |
| -5 | 0.000186053 | .013 |
| -4 | 0.019054427 | 5.168 |
| -3 | 0.002631071 | .279 |
| -2 | -0.010377153 | -.826 |
| -1 | -0.002225293 | -.219 |
| 0 | 0.010612228 | .629 |
| 1 | 0.00996086 | .826 |
| 2 | 0.010113383 | 1.684 |
| 3 | -0.001738339 | -.146 |
| 4 | -0.021472355 | -3.113 |
| 5 | -0.000850711 | -.060 |
| 6 | -0.016756474 | -2.380 |
| 7 | -0.020160176 | -1.419 |
| 8 | -0.020697108 | -1.379 |
| 9 | 0.004898521 | .343 |

**Interpretation:**

It is found that on the announcement date there is positive average abnormal return of 1.06%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (9,2,1) after announcement (3,4,5,6,7,8)days.The following days in the event window have positive average abnormal return, i.e before announcement (8,7,6,5,4,3)days & after announcement (1,2,9)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.2.5 Calculation of ARR & t-values for stock splits**

| EVENT WINDOW DAYS (2008) | AAR | t-statistics |
|---|---|---|
| -9 | 0.018117274 | .663 |
| -8 | -0.019525981 | -1.826 |
| -7 | 0.001452094 | .178 |
| -6 | -0.004332527 | -.279 |
| -5 | 0.021209573 | 1.102 |
| -4 | 0.001262429 | .068 |
| -3 | 0.011698707 | 1.155 |
| -2 | 0.002410573 | .350 |
| -1 | 0.000460064 | .016 |
| 0 | -0.0229885 | -.872 |
| 1 | -0.016772782 | -1.013 |
| 2 | 0.03981119 | 2.234 |
| 3 | -0.02023302 | -1.245 |
| 4 | 0.01566941 | .827 |
| 5 | -0.0084633 | -.815 |
| 6 | -0.019462462 | -1.589 |
| 7 | -0.02708337 | -2.005 |
| 8 | -0.024182063 | -1.835 |
| 9 | -0.00380602 | -.138 |

**Interpretation:**

It is found that on the announcement date there is negative average abnormal return of 2.2%.But it is not statistically significant at 5% level. The following days in the event window have negative average abnormal return, i.e before announcement (8,6) after announcement (1,3,5,6,7,8,9)days.The following days in the event window have positive average abnormal return, i.e before announcement (9,7,5,4,3,2,1)days & after announcement (2,4)days. The company return have outperformed the market return when there is positive return. The company return have underperformed the market return when there is negative return.

**TABLE 4.3 Percentage analysis of bonus issue companies.**

| IMPACT OF EVENT(BONUS ISSUES) ANNOUNCEMENT ON SHARE PRICE PERFORMANCE | | |
|---|---|---|
| Particulars | Bonus Issues | |
| | Number of companies | % |
| Companies having positive return during event window | 24 | 66.666 % |
| Companies having negative return during event window | 12 | 33.333 % |
| Companies having positive return on announcement date | 21 | 58.333 % |
| Companies having negative return on announcement date | 15 | 41.666 % |
| Total | 36 | 100 |

**Interpretation:**

Table shows the impact of bonus issues on the share price performance. It is found that 66% of the sample companies have positive mean return during event window in respect of bonus issues. It is also found that 33% of the sample companies have negative return during the event window in respect of bonus issues. It is also found that 58% of the sample companies have positive return on announcement date in respect of bonus issues. It is also found that 41% of the sample companies have negative return on announcement date in respect of bonus issues.

**TABLE 4.4 Percentage analysis of stock split companies.**

| IMPACT OF EVENT(SHARE SPLITS) ANNOUNCEMENT ON SHARE PRICE PERFORMANCE | | |
|---|---|---|
| Particulars | SHARE SPLITS | |
| | Number of companies | % |
| Companies having positive return during event window | 19 | 59.375 % |
| Companies having negative return during event window | 13 | 40.625 % |
| Companies having positive return on announcement date | 13 | 59.375 % |
| Companies having negative return on announcement date | 19 | 40.625 % |
| Total | 32 | 100 |

**Interpretation:**

Table shows the impact of share splits on the share price performance. It is found that 59% of the sample companies have positive mean return during event window in respect of share splits. It is also found that 40% of the sample companies have negative return during the event window in respect of share splits. It is also found that 59% of the sample companies have positive return on announcement date in respect of share splits. It is also found that 40% of the sample companies have negative return on announcement date in respect of share splits.

**CHAPTER 5**

**FINDINGS, SUGGESTIONS AND CONCLUSIONS**

**5.1 Findings:**

**Bonus issues:**

1. It is found that on the announcement date (2012) there is positive average abnormal return of 1.5%. The 10 days in the event window have negative average abnormal return, The 8 days in the event window have positive average abnormal return.
2. It is found that on the announcement date (2011) there is negative average abnormal return of 0.19%. The 6 days in the event window have negative average abnormal return, The 12 days in the event window have positive average abnormal return.
3. It is found that on the announcement date (2010) there is negative average abnormal return of 0.3%. The 5 days in the event window have negative average abnormal return, The 13 days in the event window have positive average abnormal return.
4. It is found that on the announcement date (2009) there is negative average abnormal return of 0.4%. The 4 days in the event window have negative average abnormal return, The 14 days in the event window have positive average abnormal return.
5. It is found that on the announcement date (2008) there is positive average abnormal return of 0.8%. The 10 days in the event window have negative average abnormal return, The 8 days in the event window have positive average abnormal return.

**Stock splits:**

1. It is found that on the announcement date (2012) there is positive average abnormal return of 0.6%. The 8 days in the event window have negative average abnormal return, The 11 days in the event window have positive average abnormal return.
2. It is found that on the announcement date (2011) there is negative average abnormal return of 1.2%. The 10 days in the event window have negative average abnormal return, The 9 days in the event window have positive average abnormal return.
3. It is found that on the announcement date (2010) there is negative average abnormal return of 0.02%. The 9 days in the event window have negative average abnormal return, The 8 days in the event window have positive average abnormal return.
4. It is found that on the announcement date (2009) there is positive average abnormal return of 1.06%. The 9 days in the event window have negative average abnormal return, The 9 days in the event window have positive average abnormal return.
5. It is found that on the announcement date (2008) there is negative average abnormal return of 2.2%. The 9 days in the event window have negative average abnormal return, The 9 days in the event window have positive average abnormal return.

➢ It is found that 66% of the sample companies have positive mean return during event window in respect of bonus issues. It is also found that 33% of the sample companies have negative return during the event window in respect of bonus issues. It is also found that 58% of the sample companies have positive return on announcement date in respect of bonus issues. It is also found that 41% of the sample companies have negative return on announcement date in respect of bonus issues.

- It is found that 59% of the sample companies have positive mean return during event window in respect of share splits. It is also found that 40% of the sample companies have negative return during the event window in respect of share splits. It is also found that 59% of the sample companies have positive return on announcement date in respect of share splits. It is also found that 40% of the sample companies have negative return on announcement date in respect of share splits.

**5.2 Suggestions:**

- To enhance the frequency and volume of small traders in the Indian stock market stock splits announcement can be used.
- To increase the affordability level of Indian investors stock split announcements can be used.
- To make small investors buy expensive stock at less-price, stock split announcement should be increased in the Indian stock market.
- The bonus issues can be done to preserve cash and to convey confidence in the firm and increase the number of shareholders.

**5.3 Conclusion:**

The study examined the announcement effects of bonus issues and stock splits on the Indian market. A event study is conducted using a 20 day event window.it is evident from the analysis that the reation of market players to bonus issues announcement is more pronounced than that of stock split announcement. One important source of information the investors can make use of, for valuation of securities is corporate event announcement information. Corporate event announcement information and stock market efficiency are of greater interest to the investors. The finding of the study will be of useful to the fund managers, analyst, market regulators, researchers, the government and the public in general.

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