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BONUS ANNOUNCEMENTS HAVE IMPACT ON SHARE RETURN- A MYTH OR REALITY.

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Abstract

Efficient market emerges when new information is quickly incorporated into the price. Earnings announcements provide a yardstick that can be utilized by the market to assess the wealth and profitability of a firm. In other words the current market price should reflect all publically available information. Information always acts as an important tool to analyze the value and worth of share and company respectively. Under such conditions the current market price in any financial market could be the best unbiased estimate of the value of the investment. The AARs (Average Abnormal Returns) and CAARs (Cumulative Average Abnormal Returns) were analyzed to ascertain whether an opportunity (golden chance) was available to make above abnormal returns during the price adjustment period. The present study is an attempt to test the informational efficiency of the Indian Stock Market in the semi-strong form of efficient market hypothesis with respect to the information content of the event bonus issue announced by companies listed in BSE 500 during the study period. The study also reveals that the investors have not been able to earn abnormal returns in the studied companies.

Keywords

Efficient Market, Informational efficiency, Event based Study, Semi Strong form of Market, Bonus Issue, AARs and CAAR.