

STOCK PRICE REACTION TO ANNUAL EARNINGS ANNOUNCEMENT IN BOMBAY STOCK EXCHANGE

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ABSTRACT

Semi strong capital market efficiency with reference to the annual earnings announcement has been studied in this paper. This study is based on the secondary market price data of the Bombay Stock Exchange, India. The data for the calendar years 2009 to 2013 was analysed and searched for the 30 companies included in the Sensex to identify the stock price reaction to annual results announcements. The sample size was 150 annual results announcements of the companies in BSE Sensex. Event study methodology was followed for the data analysis. For event study methodology, announcement window (AD-15 to AD+15) was used. Non parametric theta test was applied to the test the significance of the companies showing positive abnormal price changes in the market. Also, the data collected was analysed sector wise to understand the market efficiency of the concerned sectors. The analysis has shown that the BSE and the sectors analysed have reflected semi strong efficiency.

KEYWORDS: Event Study Methodology, Bombay Stock Exchange, Annual Earnings Announcement, Semi Strong Capital Market Efficiency