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Market reaction to corporate earnings announcements – Evidence from the Bombay Stock Exchange

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Abstract--This study examines the impact of earnings announcements on stock performance in the Indian equity market, specifically across large-cap, mid-cap, and small-cap firms listed on the S&P BSE 500. It further evaluates whether the market aligns with the semi-strong form of the Efficient Market Hypothesis (EMH). Utilizing the BSE 500 as a market benchmark, the research employs an event study methodology, leveraging secondary data from the BSE and other financial sources to assess market reactions. The findings reveal a significant influence of quarterly earnings releases on stock returns across all market capitalization segments. Notably, the study identifies a post-announcement price drift, suggesting that stock prices in the Indian market may not immediately and fully absorb earnings information. This delayed response indicates potential inefficiencies, creating opportunities for investors to capitalize on mispricing. Additionally, the presence of abnormal returns during the event window challenges the assumptions of EMH, raising critical questions about the extent of market efficiency in India. By providing a granular analysis of stock price behavior across different firm sizes, this research contributes to the ongoing discourse on market efficiency and price discovery in emerging economies.

Keywords---Quarterly Earnings, Event Study, Abnormal Return, Market efficiency, BSE 500.

JEL Classification: C58, D53, E44, F65, G14

1.0 Introduction

The question of how efficiently stock markets assimilate new information has long occupied a central position in financial economics. According to the Efficient Market Hypothesis (EMH) proposed by Fama (1969, 1970), financial markets are efficient when asset prices fully and instantaneously reflect all available information, leaving no scope for investors to consistently earn abnormal returns. EMH is typically examined in three forms — weak, semi-strong, and strong with the semi-strong form asserting that stock prices adjust rapidly to all publicly available information, including financial disclosures and corporate announcements. Among various categories of corporate information, earnings announcements are regarded as one of the most influential triggers of stock price movements, as they provide direct insights into a firm's financial health, operational performance, and future prospects. Ball and Brown's (1968) pioneering study demonstrated that stock prices react to the release of earnings information, establishing a foundation for the application of event study methodology in assessing informational efficiency. Subsequent empirical investigations confirmed that markets often exhibit abnormal returns around earnings announcement dates, with some studies reporting persistent price drifts even after the disclosure, thereby challenging the notion of complete efficiency (Watts, 1978; Foster et al., 1984; Bernard, 1993). In India, the debate surrounding market efficiency intensified following the economic liberalization of the early 1990s. Historically, Indian firms adhered to conservative disclosure practices, typically releasing financial information on an annual basis, limiting the timeliness and frequency of relevant data for investors (Belgaumi, 1995). The situation improved considerably when the Securities and Exchange Board of India (SEBI) mandated quarterly earnings disclosures in 2001, a policy shift that enhanced market transparency and provided a new dimension for empirical research on market efficiency (Sharma & Chander, 2009). Since then, a series of studies have examined the Indian market's response to various corporate announcements. While some researchers (Obaidullah, 1990; Rao, 1994; Srinivasan, 1997) reported evidence of semi-strong efficiency, others (Belgaumi, 1995; Chaturvedi, 2000, 2001; Mallikarjunappa, 2004) documented delayed market reactions and opportunities for abnormal returns following earnings disclosures. More recent work has identified persistent post-earnings announcement drifts (PEAD) and asymmetric market reactions, especially in response to negative earnings surprises (Gupta, 2006; Dahal & Das, 2021). Building on this evolving research landscape, this study aims to assess the informational efficiency of the Indian stock market concerning earnings announcements. Specifically, it seeks to determine how swiftly earnings information is incorporated into stock prices, shedding light on the market's ability to process new information effectively.

2.0 Review of Literature

The relationship between corporate announcements and stock price behavior has been extensively examined under the framework of the Efficient Market Hypothesis (EMH), first conceptualized by Fama (1969, 1970). EMH posits that security prices fully and instantaneously reflect all available information, negating opportunities for abnormal returns. Specifically, in the semi-strong form, markets

are expected to efficiently incorporate all publicly available information, including corporate disclosures like earnings announcements. Early empirical investigations in developed markets confirmed semi-strong efficiency to varying degrees. Fama et al. (1969) demonstrated rapid market adjustments to stock split announcements in the United States, while Jordan (1973) reported similar patterns around quarterly earnings disclosures. Ball and Brown's (1968) seminal study established that stock prices react promptly to annual earnings announcements, setting the foundation for subsequent event study methodologies (Brown & Warner, 1985; MacKinlay, 1997). However, exceptions emerged as well. Watts (1978) and Foster et al. (1984) documented post-announcement abnormal returns, indicating delayed market reactions, thus questioning semi-strong efficiency even in mature markets. The anomaly of post-earnings announcement drift (PEAD) and delayed adjustments has been observed globally. c identified persistent lags between earnings announcements and stock price corrections. Further evidence from emerging and less efficient markets accentuated these deviations. Martikainen (1998) found that profitable news significantly influenced stock returns in Finland, while Odabasi (1998) reported statistically significant abnormal returns around earnings announcements on the Istanbul Stock Exchange. Kong and Majid (2006) noted inefficiencies in the Chinese stock market, and Sponholtz (2008) observed significant abnormal returns following earnings disclosures in Denmark, highlighting persistent inefficiencies even in developed economies. In the Indian context, empirical findings on semi-strong market efficiency have been mixed and inconclusive. Early works by Obaidullah (1990) and Rao (1994) provided evidence supporting semi-strong efficiency in response to rights and dividend announcements. However, Belgaumi (1995) and Chaturvedi (2000, 2001) challenged this notion, documenting abnormal returns both before and after earnings announcements, indicating inefficiencies. Srinivasan (1997) claimed semi-strong efficiency based on selected corporate events, while Manickaraja (2004) found efficient market responses to quarterly earnings disclosures. Contrarily, Manickaraja (2004a, 2004b) highlighted delayed adjustments and abnormal profits following earnings announcements, suggesting that Indian markets do not consistently display semi-strong efficiency. More recent studies, such as Gupta (2006), emphasized asymmetrical market reactions, with significant responses to negative earnings surprises but muted reactions to positive ones. Raja et al. (2009) observed efficient price adjustments to stock split announcements but persistent inefficiencies during earnings events. Anwar et al. (2017) and Dahal & Das (2021) further identified abnormal returns following corporate disclosures, pointing toward partial efficiency and information asymmetry in Indian equity markets. Despite this growing body of research, limited attention has been paid to the differential reactions across firm categories based on market capitalization. The behavior of large-cap, mid-cap, and small-cap firms in response to earnings announcements remains underexplored, particularly within a unified analytical framework employing a consistent event window and methodology. Given the distinct trading volumes, liquidity, and information dissemination patterns across these categories, examining them separately offers valuable insights into the nature of information processing and market efficiency. This study aims to fill this critical gap by investigating the influence of earnings announcements on stock returns across large-cap, mid-cap, and small-cap companies listed on the S&P BSE 500, while also assessing the semi-strong form efficiency of the Indian stock market. By applying an event

study methodology to a 10-year dataset, this research contributes to the ongoing discourse on informational efficiency in emerging markets and adds granularity to the understanding of price discovery processes in India's capital markets.

2.1 Objectives of the Study

1. To examine the influence of earnings announcements on stock returns on large Cap, Mid Cap and Small Cap companies.
2. To determine if the Semi-strong form efficiency characterizes the Indian stock market.

2.2 Hypotheses of the Study

H_0 = Average Abnormal Return tends to be insignificant around the announcement of earnings announcements.

H_0 = Cumulative Average Abnormal Return tends to be insignificant around the announcement of the earnings announcements.

3.0 Data and Methodology

This study examines the impact of quarterly earnings announcements on stock returns for companies listed on the S&P BSE 500 from 2015 to 2024, with a particular focus on fourth-quarter earnings releases, as they play a crucial role in shaping investor behavior and market movements. Since the Indian fiscal year concludes in March, earnings disclosures in April and May are significant, incorporating both annual and fourth-quarter results along with tax management considerations (Sharma & Chander, 2009). The research evaluates market efficiency using an event study methodology based on the market model, analyzing abnormal returns around earnings announcement dates, which are defined as the date of the board meeting. The dataset comprises daily closing prices sourced from the BSE India website, supplemented with financial and firm-specific data from CMIE's Prowess database, company websites, and other financial websites. The final sample from BSE 500 consists of 43 large-cap, 27 mid-cap, and 39 small-cap companies, each with a continuous 10-year listing history without any suspension or delisting in the BSE 500. To ensure robustness, the sample selection criteria include companies that remained consistently listed on the BSE 500 throughout the study period, had publicly accessible quarterly financial statements, and were not affected by major price-sensitive news events aside from earnings disclosures.

4.0 Data Analysis and Interpretation

Table 1: Daily AAR & CAAR Surrounding the Announcement Day of Large-Cap Companies (10-Year Period)

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
-10	0.000449	1.648	0.000449	0.525
-9	0.000256	0.941	0.000705	0.825
-8	-0.000459	-1.684	0.000247	0.288
-7	0.001039	3.815*	0.001286	1.504
-6	0.001217	4.467*	0.002503	2.927*
-5	0.000570	2.092*	0.003073	3.593*

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
-4	-0.000519	-1.905	0.002554	2.986*
-3	0.000220	0.808	0.002774	3.244*
-2	-0.000793	-2.912*	0.001980	2.316*
-1	0.001445	5.304*	0.003425	4.006*
0	0.001154	4.235*	0.004579	5.355*
1	-0.001973	-7.243*	0.002606	3.047*
2	0.000376	1.382	0.002982	3.487*
3	0.000432	1.587	0.003415	3.993*
4	0.000799	2.934*	0.004214	4.928*
5	-0.000043	-0.156	0.004171	4.878*
6	0.000191	0.700	0.004362	5.101*
7	-0.000749	-2.748*	0.003614	4.226*
8	-0.000161	-0.589	0.003453	4.038*
9	0.000160	0.586	0.003613	4.225*
10	0.000110	0.402	0.003722	4.353*

Source: Author's Calculation

Significant at 5% level (± 2.018)

Abnormal Returns around the Announcement Day

Table 1 presents the daily Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) for large-cap companies during a 21-day event window ranging from day -10 to day +10 surrounding the earnings announcement date ($t = 0$). The results are evaluated at a 5 per cent level of significance, with the critical t-value of ± 2.018 . The analysis of AARs indicates that in the pre-announcement period, stock returns display a mixed trend. Notably, significant positive abnormal returns are observed on day -7 (0.001039, $t = 3.815$), day -6 (0.001217, $t = 4.467$), and day -5 (0.000570, $t = 2.092$). These results suggest that the market begins to exhibit positive reactions several days prior to the actual announcement, potentially reflecting information leakage or anticipatory trading activity. Conversely, a significant negative abnormal return is reported on day -2 (-0.000793, $t = -2.912$), suggesting some market correction or speculative adjustments ahead of the event. On the announcement day ($t = 0$) itself, the AAR is significantly positive at 0.001154 ($t = 4.235$), indicating that large-cap firms experience a statistically significant positive price reaction to earnings announcements. This finding is consistent with the signaling hypothesis, which suggests that positive news, such as strong earnings, results in favorable market reactions. However, the post-announcement period reveals a mixed pattern. A sharp significant negative abnormal return is observed on day +1 (-0.001973, $t = -7.243$), implying profit booking by investors immediately following the announcement. This pattern of post-event reversal aligns with the phenomenon of initial overreaction followed by market correction. In the subsequent days, significant positive abnormal returns are again recorded on day +4 (0.000799, $t = 2.934$), suggesting continued market adjustment to the earnings information.

Cumulative Average Abnormal Returns (CAAR) Analysis

The CAAR results provide cumulative insights into the market's overall reaction throughout the event window. During the pre-announcement period, CAAR

gradually increases and reaches 0.003425 ($t = 4.006$) on day -1, indicating sustained positive abnormal returns leading up to the announcement. On the announcement day, the CAAR further rises to 0.004579 ($t = 5.355$), confirming the statistically significant cumulative market reaction to the earnings disclosure. In the post-announcement period, although the CAAR declines slightly due to the sharp negative abnormal return on day +1, it remains statistically significant across subsequent days. For instance, CAAR is 0.004214 ($t = 4.928$) on day +4 and 0.003722 ($t = 4.353$) by day +10, reflecting a sustained cumulative gain in stock prices despite intermittent corrections.

Table 2: Daily AAR & CAAR Surrounding the Announcement Day of Mid-Cap Companies (10-Year Period)

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
-10	0.001714	5.676*	0.001714	1.311
-9	0.000101	0.335	0.001815	1.388
-8	0.001141	3.778*	0.002956	2.261*
-7	0.000139	0.460	0.003095	2.367*
-6	0.00132	4.371*	0.004414	3.377*
-5	0.000941	3.118*	0.005356	4.097*
-4	0.001238	4.101*	0.006594	5.045*
-3	0.000428	1.419	0.007023	5.372*
-2	0.000764	2.530*	0.007786	5.957*
-1	0.000661	2.189*	0.008447	6.462*
0	0.000125	0.413	0.008572	6.558*
1	-0.00334	-11.047*	0.005236	4.006*
2	-0.00082	-2.704*	0.00442	3.381*
3	0.000857	2.837*	0.005277	4.037*
4	0.000292	0.968	0.005569	4.260*
5	-0.0007	-2.314*	0.00487	3.726*
6	-0.00032	-1.046	0.004555	3.484*
7	0.000514	1.703	0.005069	3.878*
8	-0.0022	-7.296*	0.002866	2.192*
9	-0.0006	-1.980	0.002268	1.735
10	0.000541	1.791	0.002809	2.149*

Source: Author's Calculation

Significant at 5% level (± 2.056)

Abnormal Returns around the Announcement Day

Table 2 presents the daily Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) for Mid-Cap companies over a 21-day event window (from day -10 to day +10) surrounding the earnings announcement date ($t = 0$). The results are statistically evaluated at a 5 per cent significance level, with a critical t-value of ± 2.056 . In the pre-announcement period, a predominantly positive trend in AARs is observed. Statistically significant positive abnormal returns are reported on several days, notably on day -10 (0.001714, $t = 5.676$), day -8 (0.001141, $t = 3.778$), day -6 (0.00132, $t = 4.371$), day -5 (0.000941, $t = 3.118$), day -4 (0.001238, $t = 4.101$), day -2 (0.000764, $t = 2.530$), and day -1 (0.000661, $t = 2.189$). These findings indicate that, similar to large-cap

stocks, Mid-Cap firms experience a significant build-up of abnormal returns leading up to the earnings announcement, suggesting anticipatory trading or information leakage in the market. Interestingly, on the announcement day ($t = 0$), the AAR is positive (0.000125) but statistically insignificant ($t = 0.413$). This suggests that the market had possibly pre-empted the earnings news for Mid-Cap companies in the days preceding the announcement, leaving little room for a strong reaction on the event day itself. In the post-announcement period, sharp corrections are observed, particularly on day +1 (-0.00334, $t = -11.047$) and day +2 (-0.00082, $t = -2.704$), both of which are statistically significant. This immediate reversal hints at short-term profit booking by traders who had accumulated positions in anticipation of positive announcements. Subsequent to this, positive abnormal returns are seen on day +3 (0.000857, $t = 2.837$) and day +7 (0.000514, $t = 1.703$), although the latter is marginally insignificant at the 5 per cent level. A notable sharp negative abnormal return is recorded again on day +8 (-0.0022, $t = -7.296$), indicating continued volatility in the post-announcement adjustment phase for Mid-Cap stocks.

Cumulative Average Abnormal Returns (CAAR) Analysis

The CAAR values present a clear cumulative perspective of the market's response to earnings announcements for Mid-Cap firms. In the pre-announcement period, CAAR increases progressively from 0.001714 ($t = 1.311$) on day -10 to 0.008447 ($t = 6.462$) by day -1, suggesting sustained positive cumulative returns in anticipation of earnings disclosures. Interestingly, unlike large-cap firms, the CAAR on the announcement day (0.008572, $t = 6.558$) shows a modest incremental gain, but without a corresponding significant AAR. This indicates that much of the price adjustment had already occurred in the run-up to the announcement. Post-announcement, a sharp decline in CAAR is noted on day +1 (0.005236, $t = 4.006$), reflecting the significant negative AAR recorded on the same day. Despite this dip, CAAR maintains a positive trajectory, closing at 0.002809 ($t = 2.149$) by day +10, confirming that cumulative returns remain favorable, albeit reduced due to post-announcement corrections.

Table 3: Daily AAR & CAAR Surrounding the Announcement Day of Small-Cap Companies (10-Year Period)

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
-10	0.00171	5.097*	0.00171	1.335
-9	0.00083	2.483*	0.00254	1.986
-8	0.00043	1.281	0.00297	2.321
-7	-0.00328	-9.765*	-0.00030	-0.237
-6	0.00048	1.429	0.00018	0.137
-5	0.00057	1.708	0.00075	0.585
-4	0.00060	1.796	0.00135	1.055
-3	0.00073	2.166*	0.00208	1.623
-2	0.00335	9.989*	0.00543	4.239*
-1	0.00017	0.504	0.00560	4.372*
0	0.00182	5.437*	0.00742	5.796*
1	-0.00173	-5.154*	0.00569	4.446*
2	0.00001	0.036	0.00570	4.455*

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
3	-0.00012	-0.347	0.00559	4.364*
4	-0.00254	-7.586*	0.00304	2.377*
5	0.00246	7.338*	0.00550	4.299*
6	0.00089	2.641*	0.00639	4.991*
7	0.00042	1.247	0.00681	5.318*
8	0.00046	1.357	0.00726	5.673*
9	0.00210	6.258*	0.00936	7.312*
10	0.00179	5.343*	0.01115	8.712*

Source: Author's Calculation

Significant at 5% level (± 2.024)

Abnormal Returns around the Announcement Day

Table 3 presents the daily Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) for Small-Cap companies over a 21-day event window (day -10 to day +10) surrounding the earnings announcement date ($t = 0$). The results are statistically evaluated at a 5 per cent significance level, with a critical t-value of ± 2.024 . In the pre-announcement period, abnormal returns exhibit a fluctuating pattern. Significant positive abnormal returns are recorded on day -10 (0.00171, $t = 5.097$), day -9 (0.00083, $t = 2.483$), and especially on day -2 (0.00335, $t = 9.989$), indicating that the market begins reacting positively to anticipated earnings disclosures well before the event. However, the period is also marked by sharp reversals, with a notable significant negative abnormal return on day -7 (-0.00328, $t = -9.765$), suggesting heightened volatility and speculative movements typically associated with Small-Cap stocks. On the announcement day ($t = 0$), the AAR is significantly positive at 0.00182 ($t = 5.437$), implying that earnings announcements of Small-Cap firms are met with a statistically significant favorable market response. This finding confirms the informational value of earnings releases for this category of firms. The post-announcement period reveals mixed behavior. A significant negative abnormal return is observed immediately on day +1 (-0.00173, $t = -5.154$), reflecting possible short-term profit booking. Yet, unlike Mid-Cap companies, Small-Cap stocks recover quickly, posting significant positive abnormal returns on day +5 (0.00246, $t = 7.338$), day +6 (0.00089, $t = 2.641$), day +9 (0.00210, $t = 6.258$), and day +10 (0.00179, $t = 5.343$). This suggests a delayed and sustained post-announcement market adjustment in response to earnings disclosures in this segment.

Cumulative Average Abnormal Returns (CAAR) Analysis

The CAAR values provide a cumulative picture of the market's reaction to earnings announcements for Small-Cap companies. In the pre-announcement period, CAAR steadily increases from 0.00171 ($t = 1.335$) on day -10 to 0.00560 ($t = 4.372$) by day -1, indicating consistent cumulative abnormal returns leading up to the announcement. On the announcement day, the CAAR rises to 0.00742 ($t = 5.796$), reflecting a significant cumulative market reaction to the earnings announcement. Interestingly, in the post-announcement period, despite a dip on day +1 (0.00569, $t = 4.446$) due to the negative AAR, the CAAR for Small-Cap stocks recovers sharply and increases consistently over the following days. By day +10, CAAR reaches 0.01115 ($t = 8.712$), the highest cumulative gain observed across all three firm categories. This sustained post-event positive adjustment

indicates that Small-Cap companies tend to experience prolonged positive abnormal returns in the aftermath of earnings announcements, possibly due to delayed market assimilation of information or lower trading efficiency in this segment.

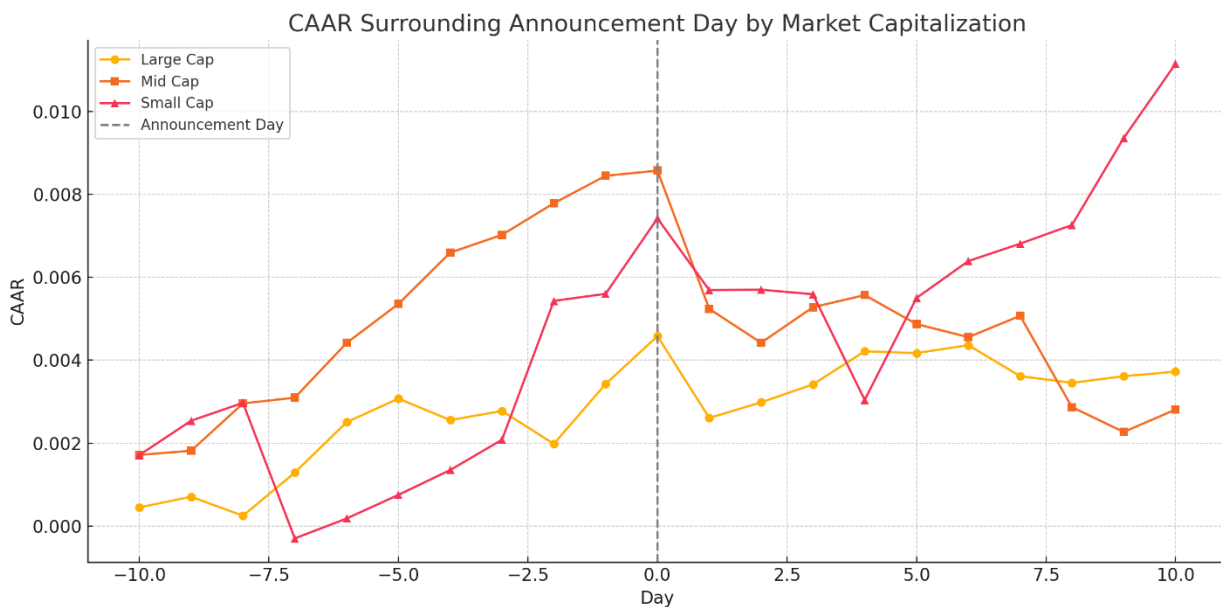


Figure 1. CAAR-line during the event window of large Cap, Mid cap and Small Cap Companies

Source: Author's Calculation

The CAAR graph vividly illustrates the differentiated market responses to earnings announcements across large-cap, mid-cap, and small-cap firms, underscoring disparities in informational efficiency. Large-cap stocks exhibit a smooth and anticipatory rise in cumulative abnormal returns before the announcement, peaking at the event and maintaining steady gains thereafter—signaling strong investor confidence and swift market assimilation of information. In contrast, mid-cap firms show a pre-event buildup but a muted reaction on the announcement day, followed by erratic post-event behavior, suggesting that these stocks experience premature price adjustments and greater volatility. Most notably, small-cap companies display a delayed yet pronounced surge in CAAR after the announcement, ultimately achieving the highest cumulative gains among all segments. This prolonged adjustment implies a slower information absorption process, likely driven by limited coverage and heightened speculation. Collectively, the graph supports the conclusion that the Indian stock market operates with varying degrees of efficiency across capitalization tiers, with large-cap stocks aligning more closely with semi-strong form efficiency, while mid- and small-cap firms reflect behavioral and structural inefficiencies that investors may exploit.

5.0 Results and Conclusion

This study examines the impact of announcements on stock prices across large-cap, mid-cap, and small-cap companies using Average of Average Abnormal Return (AAR) and Cumulative Average of Average Abnormal Return (CAAR). The findings highlight significant differences in market anticipation, immediate reaction, and post-event behavior across these categories. 1. Large-cap companies exhibit strong pre-event anticipation, with a consistent upward trend in AAR and a significant Day 0 reaction. This suggests that investors price in the news early, likely due to greater market attention and institutional investor participation. While there is a brief correction post-event, the CAAR remains positive and stable, confirming a lasting impact. 2. Mid-cap companies demonstrate a weaker immediate reaction, indicating that the market adjusts prices before the announcement. However, these stocks experience higher post-event volatility, with a sharp correction on Day +1 and fluctuating CAAR values. This suggests that mid-cap stocks face higher uncertainty, making their market behavior less predictable than large-cap stocks. 3. Small-cap companies show mixed pre-event signals, reflecting investor uncertainty before the announcement. However, they react strongly on Day 0, similar to large-cap stocks, suggesting that the event has a meaningful impact. Post-announcement, a correction occurs, but a gradual recovery follows, leading to a moderate sustained impact on CAAR.

Overall, large-cap stocks exhibit high predictability, making them well-suited for long-term investment strategies with relatively lower risk. In contrast, mid-cap stocks experience greater price fluctuations, requiring careful risk management, particularly for short-term traders navigating market volatility. Small-cap stocks, driven by higher information asymmetry, present speculative opportunities but also carry increased uncertainty, leading to unpredictable price reactions and heightened investment risk.

The significant AAR and CAAR around earnings announcements indicate that the market does not fully adjust to new information instantly, contradicting the null hypothesis of insignificance. Since stock prices react to earnings announcements, the Indian stock market does not exhibit perfect semi-strong form efficiency, at least not uniformly across all market segments. Both null hypotheses (H_0) are rejected as AAR and CAAR show significant deviations around the event window. The market appears to be partially efficient, with large-cap stocks displaying higher efficiency than mid-cap and small-cap stocks. The findings suggest the presence of information asymmetry, creating possible trading opportunities for investors who act quickly on new information.

6.0 Limitation of the Study

This study focuses on S&P BSE 500 companies, potentially overlooking smaller or unlisted firms. It examines the semi-strong form of EMH but does not consider behavioral factors like investor sentiment. While excluding firms with major price-sensitive news ensures data accuracy, it may miss real-world complexities. The event study methodology relies on publicly available financial data and predefined event windows, which may not fully capture delayed market reactions.

Additionally, by analyzing firms with a continuous 10-year listing history, the study may not reflect the behavior of newly listed companies.

7.0 Scope for Future Research

Future research can explore earnings announcement effects on a broader range of companies, including small-cap and newly listed firms, to assess market efficiency variations. Incorporating behavioral finance aspects like investor sentiment and media influence could provide deeper insights beyond the traditional EMH. Studies with alternative event windows and extended post-announcement periods may better capture delayed market reactions. Comparative analyses across NSE and global markets can offer a broader perspective on efficiency. Additionally, integrating machine learning techniques could enhance predictive models for stock price reactions, benefiting investors and policymakers.

8.0 Implications for Theory and Practice

This study provides valuable insights for investors, policymakers, and market regulators. For investors, the identification of post-announcement price drifts and abnormal returns suggests potential trading opportunities. The findings help refine investment strategies across large-cap, mid-cap, and small-cap firms. Policymakers and regulators can use this evidence to enhance market transparency and improve the timely dissemination of financial information. Corporate managers can optimize earnings disclosures to manage investor expectations effectively. Lastly, researchers can build on this study to further investigate market inefficiencies and refine models of informational efficiency in emerging markets.

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