



A Study on Investors' Attitude towards Effect of Corporate Announcements

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Abstract - Stock market indicators rise or fall of share prices on a particular trading day depends on many factors. The success of an investor in the stock market always depends on how well he is able to incorporate all these factors while taking up his investment decisions. Stock market indicators are extremely used by investors across the world while taking various buy or sell decisions in the market. Any indicator which is used to project future financial and economic trends can be called as market indicators. The efficiency of a stock market is principally measured by its information efficiency which is closely related to the information in stock markets. In this perspective, the present paper investigates the impact of five major company announcements like Dividend, Split, Earnings, Rights and Bonus that are considered being most important by the investors in their investment decision making. The present researchers have applied the factor analysis to know the attitude of investors and level of emotional tolerance towards the company announcements and share market.

Keywords: Information efficiency, Investor Attitude, Company announcements.

1. INTRODUCTION

India's capital market witnessed rapid growth since liberalization in 1991. Financial liberalization had positive decades. Indian capital market was hardly existent in the pre-independence times. Agriculture was the main stay of economy but there was hardly any long term lending to agricultural sector. Similarly, the growth of industrial securities market was very much hampered since there were very few companies and the number of securities traded in the stock exchanges was even smaller. Individual investors were very few in numbers and that too were limited to the affluent classes in the urban and rural areas. There were no specialized intermediaries and agencies to mobilize the savings of the public and channelize them to investment. The role and importance of individual investors and their trading behaviour in Indian stock market is also very crucial. These pieces of information are processed by investors to update their

investment strategies. Stock prices move up and down every minute due to fluctuations in supply and demand. If more people want to buy a particular stock, its market price will increase. Conversely, if more people want to sell a stock, its price will fall.

Investors consider several things before they invest their funds in any particular securities. Among them, so far the most important subject matter is return from investment in securities that partly depends on company announcements in the stock market. The present study deals with the five major company announcements like: **Dividend, Bonus, Rights Issue, Splits and Earnings report**. This paper is based on the scholar's Ph.D. thesis

2. STATEMENT OF THE PROBLEM

The effect of sensitive information on market price of stock is the subject matter of the study. At this juncture, the present study captioned "Effect of Company Announcements and Role- of Media on Prices of Stocks Listed at NSE" attempts to answer the following research questions that arise with reference to the selected announcement from the companies listed at National Stock Exchange.

1. Which media is mostly preferred by the investors to receive the company announcement?
2. What types of announcement do the investors prefer to gain their expected return on their investment?

3. OBJECTIVES

- (i) To analyse the impact of investors' attitude on corporate announcements
- (ii) To examine the factors affecting their level of emotional tolerance towards corporate announcements.