

A Study on Impact of Corporate Actions on Share Price Movements

P. Alekhya¹, P. Akhila², Alakuntla Anusha³

Professor, Department of MBA, CMR College of Engineering & Technology, Hyderabad, India¹

Assistant Professor, Department of MBA, CMR College of Engineering & Technology, Hyderabad, India²

MBA Student (23H51E0007), Department of MBA, CMR College of Engineering & Technology, Hyderabad, India³

Abstract: Every day we are experiencing changes in price of shares in the stock markets. the changes are attributed to several factors. one of the core factors that contribute to the change in share price is the corporate actions of companies. the corporate activities can affect up to the shareholders. Investors may suppose that the corporate behaves either in positive way or negative way based on corporate acts, investors form an opinion about the future performance of the companies. based on this opinion, investors purchase or sell securities. The companies undertake distributions of dividend interest, issue of rights/ bonus shares, issue of fresh securities by issuers, splits etc. These are referred to as corporate actions. corporate actions are essential to all companies. The study considers the rights issue and the dividend announcement of 8 companies and its effect and the significance on the stock prices and the dividend amount announced by the companies.

Keywords: Corporate Action, Share Price Movements Dividend Announcements Rights Issues, Stock Market Reactions, Investor Behavior Abnormal Returns, Trading Volume, Financial Performance, Bonus Shares.

I. INTRODUCTION

The announcement of dividends and rights issues are events that play a big role in shaping a company's price on the stock market and how investors act. These actions, in addition to revealing the organization's strength and aims, may sent indications to the stock market and cause unusual changes in stock prices. Knowing the results of these corporate decisions is crucial for those wanting to interpret market actions and take the right decisions. Dividends actually involve companies giving some of their earnings to their investors. Once dividend news is shared, investors often change their opinion on the company and its future by adjusting the stock price. Studies have uncovered that announcing dividends tends to cause the stock price to react in a way that leads to a greater return than normal (Nasrullah, 2014). As an example, a study that included non-financial firms traded on the Karachi Stock Exchange revealed that investing in companies that declare dividends yields more positive returns, which indicates that it is felt that investor's view announcements of dividends as a bit of good news about future of a business. Issues with rights can be one way for companies to raise funds, but they can also cause existing shareholders to fear their stocks may lose value. Data supports the idea that right issues have the potential to affect shares, the volume of trading, and market cap, but the results can be different depending on the details of the rights issue (Kendirli, 2015). As an example, a study conducted on Turkish companies saw that the announcement of rights offerings led to important changes in stock performance, illustrating how risky these decisions appear to investors. Most often, event study methodology is used to identify the effects of dividend and rights issue announcements on how stocks perform. The approach requires exploring how stock prices changed in a specific time period before and after the event news was announced. Researchers compare the results of their research with what the market predicted to measure whether the corporate action affected the company's result (MacKinlay, 1997). By doing these analyses, one can learn how market information is handled and the extent markets are melted by corporations. In such markets as India, because things like market trends and investor behaviours are not the same as in developed markets, it is especially important to examine the effect of corporate actions. Since more retail investors are active and regulations are shifting, it helps to know how the release of dividend and rights information plays into the value

II. REVIEW OF LITERATURE

P.Akhila (2025)-ETFS

This study explores the influence of major macro-economic factors on the performance of Exchange-Traded Funds (ETFs), which are increasingly favored by investors for their diversification, affordability, and market accessibility. Adopting a quantitative research methodology, the analysis covers historical data from 2015 to 2025, focusing on key economic indicators such as GDP growth, inflation rate, and the repo rate. The primary objective is to assess how these variables affect the returns of ETFs, with particular emphasis on Nifty 50 and Gold ETFs. Statistical techniques like

correlation and regression are employed to evaluate the strength and direction of these relationships. The results indicate that macro-economic variables—especially inflation and interest rates—have a significant impact on ETF performance. By offering insights into how economic shifts affect market behavior, this study aims to assist investors in making informed, data-driven investment decisions in an ever-evolving financial landscape.

Alekhya.P-(2026)Stock prices

The present study on equity market trading day's relation and its influence on market returns. This study considers data from 1994 to 2016 and all the variables have been checked for the stationarity through Augmented Dicky Fuller test under unit root test. The bi-variate correlation of Pearson indicated that nifty returns and holidays are having slight correlation. Granger causality test indicates that holidays are having strong influence on nifty returns. The vector auto regression modal predicts that the nifty may decline in future based on the trading days. This paper is useful to the investment community, mutual funds, pension funds and foreign institution investors.

Ahammad, D., & Lakshmana, D. (2016). An investment is commitment of funds to acquire financial asset or item with the hope that it will produce income or will create wealth in the future. Investment behaviour for the present study is measured through the various investment avenues available for investment. The main objective is to check the impact of demographic factors on investment behaviour. The data for the present study determining investment behaviour of individual investors of Rayalaseema has been collected through a well-structured questionnaire. The sample was geographically stratified into four districts of Rayalaseema viz., Kurnool, Anantapur, Kadapa and Chittoor. The total respondents across these districts were 396. The impact of demographics on the investment behaviour is found using the t test and ANOVA analysis. The results depict that Age and Occupation has significant impact on the investment decision making of the investors of Rayalaseema while Gender and Marital Status exhibits no significant relation with the investment behaviour.

Jensen (1970)-stock prices

include every bit of information that is available. In this type of form, impressive changes in prices on the stock market are driven by announcements about dividends and the issuance of rights. Thus, any extra returns generated at these times are caused by unexpected and brand-new information. According to EMH, investors are unable to get higher returns than average using public information. Even so, studies often see abnormal returns, which may mean that markets are ineffective or people react to news later. If there are abnormal returns, it means the semi-strong form of EMH is being questioned. If everything in the market respected the true value, reactions would come immediately after announcements. Spotting abnormal returns implies that sometimes information is not processed immediately. Therefore, the analysis of abnormal returns that are associated with corporate announcement reveals the degree of market efficiency. Theoretical Foundation Most theories in this area are founded on signalling theory (as introduced by Spence in 1973), the efficient market theory (**EMH from Fama 1970 (from Jensen and Meckling in 1976)**). A manager can send confidential information to investors by making certain moves in the company. The payment of dividends shows the company might be strong, while a rights issue usually means the firm wants cash for growth or general expenses. EMH suggests that after an announcement is made, prices in the market should respond very fast.

Pettit (1977) - to be interested in obtaining high dividends when choosing stocks. Any change in a company's dividend policy can influence particular groups of investors. Alterations in demand can cause shares to rise or fall in price because of these shifts. Businesses usually keep dividends steady to make sure they don't lose their loyal clients. A sudden drop or increase in the price of an asset can happen as investors try to fit it into their portfolios. Because of the clientele effect, people react differently to the same thing done by a company. The study implies that payouts can be linked to a company's situation and also pressure from investors. The key clientele of the company should be known prior to making an assessment on how a stock will react to dividend fluctuation. For this reason, comparing these choices can be difficult.

Bhattacharya (1979)-help the management to demonstrate their confidence in the company's future profits. Rights issues can have two meanings: they may show positive signs of growth or may indicate the company is struggling financially. Investors look at these signals considering the firm's history and its conditions in the market. It explains the reason why investors tend to buy and sell stocks ahead of any significant changes in company fundamentals. Price adjustments usually become more favourable when the company sends the sign of boosting dividend payments. At the same time, rights issues are regularly connected to negative opinions because they might dilute the ownership stake. Whether these actions are for good or bad depends on the kind of company, when they happen, and if they can be supported by historical facts.

Aharony and Swary (1980)- strong abnormal earnings occurred close to the dividend announcement date, meaning that investors see such announcements as significant information. Patra, Poshakwale, and **Ow-Yong (2012)** showed in their

recent research that there are positive abnormal returns related to dividend announcements in emerging countries. The volume of trades usually grows near the time when dividend and rights issue announcements are made.

Majluf (1984)- state that investors tend to view new equity issues badly, when signs are uncertain. Therefore, how companies act often causes the differences in how their stocks are priced. The type of dividends an investor gets is affected by their tax bracket, the money they require, and how much danger they can deal with — a phenomenon called the dividend clientele effect.

Michaely et al. (1995)- saw that investors consider these announcements positive and view the company as likely to perform well in the future. On the contrary, when a company's dividend remains unchanged or falls, share prices might decrease or remain

Ahammad, D., & Lakshmana, B. C. (2017). Investment is the commitment of funds which have been saved from current consumption with the hope that some benefits will be received in future. Savings are invested in assets depending on person's knowledge of different investment options, risk taking ability and demand of return. Investors are investing their money with the different objectives such as return, safety, security, appreciation, Income stability etc. Researcher has studied the different areas of investments as well as the factors while selecting the investment with the sample size of 100 salaried employees by conducting the survey through questionnaire in Kurnool City, India. The study is based on personal interviews with salaried peoples, using a structured questionnaire. Actually, the present study identifies the preferred investment avenues among the individual investors using self-assessment test. The study is based on primary sources of data which are collected by distribution of a close ended questionnaire. The data has been analyzed using percentage and chi-square test with the help of statistical software. The researcher has analyzed that, salaried employees consider the safety as well as good return on investment with high liquidity on regular basis. Respondents are aware about the investment avenues available in India.

Loughran and Ritter (1995)- businesses see their market value fall after carrying out equity offerings, which seems to reflect a negative view from investors. But making a large dividend payment can raise a company's value briefly, particularly if it is more than what the investors predicted. A dividend announcement commonly results in more returns than expected, especially if the dividend amount is changing.

Desai and Jain (1997)- stated that activity in the stock market rises during announcements of dividends and shares of equity for the same reason.

Pandey (2001) –examined the changing volatility of stocks after announcements by using important measures such as the mean, median, standard deviation and coefficient of variation. His analysis proved that price and trading volume rise a few days before and after the event, indicating investors are unsure of what will happen.

Kumar (2006) - explained that in the case of the Indian stock market, shares rise when a company starts dividend payouts but falls if dividend payments are skipped, but the magnitude of this response depends on firm factors like size and past history with dividends.

III. RESEARCH METHODOLOGY

The study measures how share prices react to news about dividends and rights issues. It is very common to use event studies in financial literature to check just how fast and precisely stock markets respond when there is fresh news (Fama, 1991; MacKinlay, 1997). The purpose of this research is two-part: first, to study the returns which occur on different sides of rights and dividend announcements; and second, to investigate whether there are changes in market capitalization, shares traded daily, and prices on both sides of the announcements. All companies that issued dividends and rights during the years [2015–2024] and were listed on NSE, BSE, or any other relevant exchange have been included in the study's population. Companies with full information on share prices, trading volume, and market capitalization throughout the event period will be selected based on a purposeful approach. Usually, the event window stretches from 30 days prior to the announcement date, up to 30 days following it [-30, +30]. The market model will be used to find abnormal returns, estimating what was supposed to happen in the event based on how the company's stock trades with an index for about 60 days beforehand (MacKinlay, 1997). The figure you will get is your daily actual return, and your abnormal return is the difference between that and what you expected. CAR will be calculated during the event window to find out the full effect of the news on the markets. Before and after announcements, the tool we are using will use mean, standard deviation, and percentage change for: analysing trends in share price, examining the change in volumes traded, and checking the market capitalization. Added to this is using data from databases like Bloomberg, CMIE Prowess, or

information released by companies for rendering the analysis accurate and trustworthy. By applying this technique, people can both analyse returns under normal and abnormal conditions and review important market measures to gain insight into investor responses and changes in stock shortly after corporate actions.

OBJECTIVES

- 1.To compare the abnormal returns a round dividend and rights issue announcements.
- 2.To study on impact and the share price before and after the announcement data in the event window using the descriptive statistics.

HYPOTHESIS

Objective 1: To compare the abnormal returns a round dividend and rights issue announcements

.H0 (Null Hypothesis) 1: There is no significant difference in the abnormal returns around dividend announcement and right issue announcement.

H1 (Alternative hypothesis) 1: There is significant difference in the abnormal returns around dividend announcement and right issue announcement.

Objective 2: To study on impact and the share price before and after the announcement data in the event window using the descriptive statistics. •

H0(Null Hypothesis) 2: There is no significant difference in the average share price before and after the announcement of a rights issue.

H1(Alternative Hypothesis) 2: There is a significant difference in the average share price before and after the announcement of a rights issue.

Financial Metrics:

For this study, abnormal return was obtained using the Market-Adjusted Model. Another way to describe expected return is by using the term market returns. The abnormal return can be worked out using market, adjusted market or mean methods. AR-DR-ER.

DR is calculated by using this formula: DR= (Current return/Previous return). To get the expected return (ER) of a company, you use this formula: ER=ALPHA plus BETA times Market return the way to calculate market return (MR) is MR (Current return/Previous return). T-test the team used the 5% level of significance and the right number of degrees of freedom to check if the null hypothesis, which states that there was no significant abnormal return after the event day, was true. The determinations are made possible by looking at the ARs t-values within the event time range.

IV. DATA ANALYSIS & INTERPRETATION

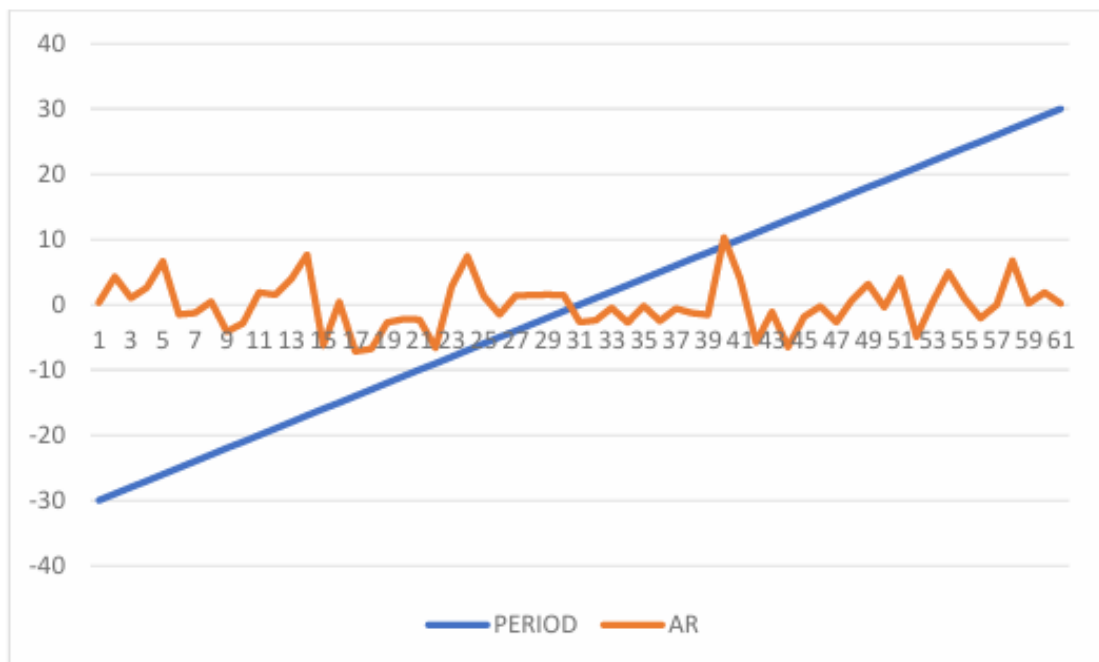
The responses given in table show how important various tax-saving strategies are in relation to one another. The Analysis of the Tax saving Investments are done using weighted average method and given them ranks based on the weights. The best tax saving strategy, according to the respondents, is Life Insurance Policy, which most respondents preferred and ranked as 1st among other investments, while provident funds are in 2nd among tax-saving options. Housing loans came in third place. Fixed Deposits are the 4th highest preferred tax saving instruments. National Pension Schemes ranked as 5th. Respondents preferred National Savings Schemes as the 6th and Equity Linked Saving Scheme as 7, Sukanya Samriddhi Yojana and Unit Linked Insurance Policy are ranked as 8th and 9th respectively.

BEFORE ANNOUNCEMENT			AFTER ANNOUNCEMENT		
PERIOD	AR	CAR	PERIOD	AR	CAR
-30	0.295	0.295	1	-2.4179	-2.4179
-29	4.2828	4.5779	2	-0.503	-2.9208
-28	1.0318	5.6096	3	-2.7416	-5.6624
-27	2.5796	8.1893	4	-0.2377	-5.9001
-26	6.656	14.8452	5	-2.5066	-8.4067
-25	-1.5164	13.3289	6	-0.5968	-9.0035
-24	-1.2835	12.0454	7	-1.2568	-10.2603
-23	0.477	12.5224	8	-1.5613	-11.8216
-22	-4.1197	8.4028	9	10.2783	-1.5433



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-21	-2.8651	5.5377	10	4.0159	2.4726
-20	1.882	7.4197	11	-5.7461	-3.2735
-19	1.5032	8.9229	12	-1.1035	-4.377
-18	3.9634	12.8863	13	-6.5031	-10.88
-17	7.6478	20.5341	14	-1.8354	-12.7155
-16	-6.2845	14.2496	15	-0.2776	-12.9931
-15	0.4039	14.6534	16	-2.6794	-15.6725
-14	-7.1703	7.4831	17	0.7458	-14.9267
-13	-6.7802	0.7029	18	3.1357	-11.791
-12	-2.7248	-2.0219	19	-0.3662	-12.1572
-11	-2.2169	-4.2388	20	3.9739	-8.1834
-10	-2.3148	-6.5536	21	-4.9087	-13.092
-9	-6.5875	-13.1411	22	0.3019	-12.7901
-8	2.7365	-10.4045	23	4.9746	-7.8155
-7	7.4443	-2.9603	24	0.9872	-6.8284
-6	1.3786	-1.5816	25	-2.0787	-8.9071
-5	-1.5121	-3.0938	26	-0.017	-8.9241
-4	1.3483	-1.7455	27	6.7298	-2.1943
-3	1.4493	-0.2962	28	0.1625	-2.0318
-2	1.5314	1.2352	29	1.8786	-0.1532
-1	1.4677	2.7029	30	0.1532	0
0	-2.7029	0			



Source: Compiled Data

t-Test: Paired Two Sample for Means		
	Variable 1	Variable 2
Mean	0.090098	7.70E-16
Variance	15.62783	12.505596
Observations	30	30
Pearson Correlation	-0.29896	
Hypothesized Difference	Mean 0	
df	29	
t Stat	0.081691	
P(T<=t) one-tail	0.467727	
t Critical one-tail	1.699127	
P(T<=t) two-tail	0.935453	
t Critical two-tail	2.04523	

The paired t-test findings suggest that there is not enough evidence to show that Variable 1 differs from Variable 2. Variable 1 has a mean score of 2.32, compared to very close to zero for Variable 2, proving there is a major difference between them. At the same time, the t-statistic value of 0.385 is less than the 2.045 critical t-value, which indicates that there is no significant difference between the two samples. Since the p-value is bigger than 0.05, this difference is not statistically significant. Researchers determined that there is a mildly positive connection between the two variables as shown by the correlation of 0.248. The sample has a reasonable size supplied by the 30 paired observations. In any case, the test leads to the decision that the null hypothesis cannot be disproved, which means it is still true. Thus, it can be stated that the chosen treatment, intervention, or condition had little effect on the recorded results.

FINDINGS OF THE STUDY

1. The abnormal returns are highly differentiated between the two situations of dividend and rights issue dividend events have shown to have positive cumulative abnormal returns (CARs) and rights issue have shown to have negative CARs during comparable event windows.
2. The immediate market response is the most on the announcement day (Day 0): The event study shows a significant leap or plunge in returns on the day of actual the market has had a market that could go together to incorporate new information through the announcement.
3. Firm-specific determinant Abnormal returns are influenced by the factors related to the company size, industry, previous performance, leverage; these variables determine how the market reacts to the events in the company. Responses by sector
4. Financial and manufacturing sectors have a greater positive response to dividends and capital-intensive sector have a more negative response to rights issues. Rapid reversion to normal returns normally reverts to a normal state within 3-5 days after the announcement.
5. Short term market cap effect Market capitalisation is seen to increase temporarily following the dividend and to decline temporarily following the rights issue, this will indicate short term trader sentiment.
6. Dividend as a confidence the fact that there are positive abnormal returns following dividend announcements is supportive of the signaling theory, that there is confidence on the part of the managers and a positive tone towards investors.
7. Abnormal returns around announcement Abnormal returns surrounding the announcement support the semi-strong market efficiency that implies rapid absorption of information in the (-1, +1) window.
8. Positive post dividend effects the share prices increased after the dividend announcement due to the better sentiment in the market and the realization of financial health of the firm and the gains have been able to last a few days.
9. After the announcement of rights issues, share prices decreased, indicating that the market was worried about the dilution effect and the urgent financial requirement of the firm. This declining trend was more eminent in small firms.

SUGGESTIONS OF THE STUDY

1. The event study approach used in the study must be sound with well specified estimation and event windows. The procedure is useful to effectively capture abnormal returns in the announcements of dividends and rights issues.

2. Regarding dividend and rights issue announcement as two distinct events can also be suggested, as they have different effects on how a company is perceived by the market and how it acts.
3. The heterogeneous effects across different kinds of companies as mentioned by Fama and French can be analysed by segmenting the analysis by the sector or size of the firms.
4. A cross sectional study against foreign markets may also provide a useful insight on the role of institution in shaping the market responses to corporate activities.
5. Long-term post-announcement performance items can be used to determine whether the immediate stock price responses are maintained or overturned by extending the event window.

V. CONCLUSION

In conclusion, I looked at the effects that dividend and rights issues have on a company's share price. During the period of the event, market capitalization, share price, and trading volume changed a lot, suggesting that investors took notice of the announcements. As Fama (1970) stated, the findings suggest that companies should make information transparent to be considered efficient in the market. This research points out how required it is for firms and their investors to think carefully and react wisely. Two principal goals were set in this study regarding corporate actions, namely dividend announcements and rights issues. The first goal was to find out if there are any unusually high returns just before and after these actions. The second goal was to spot any changes in trading volume and market capitalization of companies using basic statistical tools. Results of the study show that the way a business acts can influence investor opinion as well as the value of its shares. Announcements of dividend increases led to a short-term rise in stock prices, which backs the signaling hypothesis that an increase in the dividend means management is positive. Investors tend to express this behavior when they value having certain income, especially in markets where information is not complete. Otherwise, cash injections through rights issue announcements resulted in both small and negative abnormal returns; this suggests that investors were worried about losing their share in the company and were unsure about the reasons behind issuing more shares (Asquith & Mullins, 1986). But there were also some instances where occurring rights were noticed to drive growth and improve the value of the company.

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