A STUDY ON IMPACT OF SENSITIVE COMPANY ANNOUNCEMENTS ON PRICES OF STOCKS LISTED AT NSE

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Abstract
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. This relationship between supply and demand is tied into the type of news reports that are issued at any particular moment. But it's difficult, if not impossible, to capitalize on news. The impact of new information on a stock depends on how unexpected the news is. This is because the market is always building future expectations into prices. Thus, its unexpected news - and not just any news - that helps drive prices. The present study hence attempts to prove the evidence of reaction in stock price due to announcements from the company. This study endeavours to study the impact of sensitive information on prices of stock listed at National Stock Exchange.

Keywords: New Announcements, Share Price, Stock Markets, NSE.

1. INTRODUCTION
The last three decades of finance research have produced a large number of papers examining the effect of news announcements on financial markets. One difficulty in finding these effects comes from the fact that it is hard to measure the component of the statistical release relevant for stock prices. According to efficient market hypotheses, stock prices already incorporate all existing and expected public information and should only respond to new information. Thus, to capture new information in the economic releases, previous papers calculated economic surprises of the releases, measured by the difference between the release and financial market participants' previous expectations of the release, as revealed by surveys. This difference would then represent unanticipated, new information about economic conditions and, if different from zero, should lead to a change in stock prices.

News is an important factor that affects the share price. When there is positive news about a particular stock or company, people try to invest all their money in that particular stock or market. This leads to increase in the interest of buying the stock. But there are many circumstances where news could also bring a negative effect where it could ruin the prospect of the particular stock. So it is very important to know the overall news of a stock or company where you can invest your money so that it grows within a very short period of time.

News from the specific company and other domestic and global events also play a large role in the direction of the share price and stock market. Some examples of these are interest rates of major economies, monetary policies and export policies, oil prices, inflation, and terrorist attacks and so on. Every analyst and trader has a different perception of what that stock price should be now and where it might be in the future, and trading decisions are made accordingly.

In any country, capital market is considered to be a very attractive field for any investment. In case of Indian capital market, investment is very important and significant for the development and market capitalization of domestic industry, trade and commerce. However, 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.

Many people have always wondered how news or different factor has an effect on stock prices. Essentially, it has two parts:
First – The type of News or factor
Second – Its nature, i.e. positive or negative

One has to be smart enough to decode the news and take the position quickly in the stock. People who are adroit in this do make good short term gains even if we leave the insiders or fund houses that generally have.

Positive news will normally cause individuals to buy stocks. Good earnings reports, increased corporate governance, new products and acquisitions, as well as positive overall economic and political indicators, translate into buying pressure and an increase in stock price.

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Negative news will normally cause individuals to sell stocks. Bad earnings reports, poor corporate governance, economic and political uncertainty, and unexpected, unfortunate occurrences will translate to selling pressure and a decrease in stock price.

Below are different types of news that affect stock price.

Table 1.1, Announcements affecting prices of stocks

S.No.	Company Announcements
1	Company Results
2	Stock Manipulations
3	Mergers
4	Bonus
5	Acquisitions
6	Money Markets
7	New Orders
8	Buy Back
9	Split
10	Change in stock Group
11	Inclusion in an Index
12	Short and Long Positions
13	Spinoff of arms
14	Change in Demand
15	Change in Supply
16	Dividend
17	Listing of companies in Nasdaq,Nyseetc And their
18	Taking Over of competitors business
19	Strikes
20	Demand for products of the company
21	Raw Materials
22	Management Changes
23	New projects or contracts got by companies
24	Rights Issue
25	Joint Ventures
26	Business Expansion
27	New Invention
28	Layoffs

S.No.	Government Actions
1	Inflation
2	GDP
3	Industrial Growth
4	Employment and Unemployment
5	Government/Politics
6	Federal Policies
7	Interest Rates
8	Monetary Policies
9	Tax Benefits
10	Lawsuits (win or loss)
11	Budget
12	Favorable industrial policies from government
13	Income tax raid

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S.No.	Uncontrolled variables
1	Crude Prices
2	Draught/Monsoon
3	Global Cues
4	FII activities
5	Consumer confidence
6	Loss of customer
7	War
8	Terrorist Attacks
9	Rumors
10	Natural disaster
11	Bank crisis
12	Credit Rating News
13	Fall in other nations Index

2. REVIEW OF LITERATURE

Vieru, Jukka and Hannu(2005),they examined whether post-earnings-announcement drift and whether it is associated with the trading activity of non-institutional trading around interim earnings announcements.Through their study they suggests that the net trading of non-institutional investors' trading activity on the announcement event does not predict subsequent returns.

Leemakdej (2006) used a new approach called EVARCH that can uncover the event window from the data. In addition, it takes the possible impact of stock split on stock's systematic risk and variance into account. His study found that the corporate might use stock split as a 'signal' of future capital increase to alleviate negative impact.

Gene and John (2008) have a different approach of measuring real sector macroeconomic news to better estimate its effect on stock returns. Their findings indicate that news on GDP and unemployment does affect stock returns.

Tetlock (2007) quantitatively measured the interactions between the media and the stock market using daily content from a popular Wall Street Journal column. He found that high media Pessimism predicts downward pressure on market prices followed by a reversion to Fundamentals, and unusually high or low pessimism predicts high market trading volume.

Fracassi (2008) documented that the positive stock price response to dividend increases is due primarily to the signaling of higher future earnings, to the managers catering to the time-varying premium assigned by the market to dividend paying stocks, and partially to the reduction of agency problems. The paper shows that the positive price response to dividend increases is primarily due to the signaling of higher future earnings and only partially due to the reduction of agency problems.

Michael, Paul, and YeQing (2010), analyzed the impact of earnings announcements and earnings forecast revisions on stock returns across markets with different levels of maturity. They analyzed financial markets in both the U.S. and China in order to see how the level of market maturity and differences in information availability and actual or perceived reliability affect this relationship. They found that forward-looking analyst forecast information plays a significantly larger role in the security pricing process in the more mature U.S. financial market. In the less mature Chinese financial market, we find the opposite relationship as backward-looking earnings announcement information plays a larger role.

A few studies have been carried out in recent years to test the announcement effect of bonus issue in the Indian stock market. Ramachandran (1985) found mixed evidence for semistrong form efficiency of Indian stock market. Obaidullah (1992) and Rao (1994) found positive stock market reaction to equity bonus announcements. Rao and Geetha (1996) documented that one could not make excess money in the stock market by studying that patterns of abnormal returns of announcements made earlier. Srinivasan (2002) found extremely large positive abnormal returns on ex-bonus and ex-rights dates for equity stocks.Mishra (2005) found significant positive abnormal returns for a five-day period prior to bonus announcement. Similar study by Budhraja*et al* (2004) suggests that abnormal returns in stock prices around the bonus announcement date over a

three day trading period starting one day before the announcement date is significant at 95% confidence limit. It also says that much of the information in the bonus announcement gets impounded into stocks by the time of announcement'.

3. METHODS OF ANALYSIS
3.1 Problem Statement
At this juncture, the present study captioned "A study on impact of sensitive company announcements 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. Does the market fluctuate or react differently before and after the release of particular information?
2. To which type of information does the market react more?
3. Which media is mostly preferred by the investors to receive the company announcement?
4. What type of announcement do the investors prefer to gain their expected return on their investment?

3.2 Objective
General Objective
- To study the impact of sensitive information on prices of stock listed at National Stock Exchange.

Specific Objectives
1. To study the market fluctuations before and after the release of particular information
2. To examine whether capitalizing on company announcements is reasonable
3. To assess the investors' opinion on the company announcement and their expectation towards it.

3.3 Sources of Data: The study has depended on both secondary and primary sources of data. The secondary data were collected from the standard text books and leading journal, magazines and financial websites.

3.4 Questionnaire: Primary data were collected by administering a well conceived questionnaire to the sample investors.

3.5 Scaling Techniques: The scaling techniques used in the present study are Likert scale, Rank order scaling, paired comparison, bipolar scale, and constant sum rating scaling, etc.

3.6 Statistical Tools
Relevant statistical tools such as Percentage analysis, mean, Standard deviation, weighted average, Mean score analysis, Chi-Square, Paired t-test, ANOVA – Randomized Block design, Run test, Fishbein's scale, Garrett ranking were used in the study. And Advanced interdependent type of multivariate statistical tools like Factor analysisis used for the analysis and interpretation of survey data.

Statistical Packages: Statistical packages like Microsoft Excel and SPSS IBM 19 were used in the present study.

3.7 Sampling Design for Sampling Investors
 (a) Sampling frame   : 1850 Investors
 (b) Sampling size   : 220 Investors
 (c) Sample method   : Simple random sampling

3.8 Sampling Design for Sampling Companies
 (a) Sampling frame   : 1,250 Companies listed at NSE
 (b) Sampling size   : 25 Companies listed at NSE
 (c) Sample method   : Judgment sampling

4. RESULTS AND DISCUSSION
Inferential statistics are used to draw conclusions and make predictions based on the descriptions of data. Inferential statistics deal with making predictions about the properties of a population based on information obtained from a sample. Inferential statistics are frequently used to answer cause-and-effect questions and make predictions. They are also used to investigate differences between and among groups.

4.1 Test of Research Hypothesis using Chi square
Chi-square test - Case 1
The Investors' age wise classification and the type of media they prefer were cross-tabulated from 220 respondents. A cross tabulation with a Chi-squared test was requested from the computer package.

Testing of Hypothesis
Null Hypothesis H_0: There is no significant association between investors' age and their preference for the type of media.
Alternative Hypothesis H_1: There is a significant association between investors' age and their preference for the type of media.
The output table 4.2 below shows results of Chi-square test.

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Table 4.1,Chi-Square Tests for Age of Investors Vs Type of Media

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.677	16	.004
Likelihood Ratio	35.184	16	.004
Linear-by-Linear Association	2.369	1	.124
N of Valid Cases	220		

Source : Results computed through SPSS package

The 'p' value, that is, Pearson Chi-squared test reads a significant level of 0.004 at 5% level of significance. This value of 0.004 being less than the significance level of 0.05, *the null hypothesis is rejected*. Thus at 95% of confidence level, we accept the alternative hypothesis, that is, Age of investor and their preference for type of media are associated significantly with each other.

Chi-square test – Case 2
Testing of Hypothesis
Null HypothesisH_0: There is no significant difference between type of investors and expectation of company announcement.
Alternative HypothesisH_1: There is a significant association between type of investors and expectation of company announcement.
The output result of Chi-square test is shown below in table 4.4.

Table 4.2, Chi-Square Tests for Type of Investor and Expectation of Announcement

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	92.823[a]	8	.000
Likelihood Ratio	102.171	8	.000
Linear-by-Linear ssociation	27.083	1	.000
N of Valid Cases	220		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is 3.72.
Source: Results computed through SPSS

The 'p' value, that is, Pearson Chi-squared test reads a significant level of 0.000 at 5% level of significance. This value of 0.000 being less than the significance level of 0.05, *the null hypothesis is rejected*. Thus at 95% of confidence level, we accept the alternative hypothesis, that is, type of investors and expectation of company announcement are associated significantly with each other.

4.2 ANOVA – RANDOMIZED BLOCK DESIGN
In the present study, the type of media through which company announcements released could influence the rating given to the five categories of company announcements by the investors. This technique helps to remove the effect of the media preferred by investors, by 'blocking' its effect, or treating the block separately. If the researcher does not block variable, its effect gets included with the error (residual) term. This may lead to wrong conclusions about the relationship between the independent and dependent variables. In that sense, a randomized block design is more 'powerful' than a simple one-way ANOVA, if the block effect is significantly influencing the relationship.

Null Hypotheses
H_{01}: There is no significant difference in investor's mean ratings of five categories of the company announcements.
H_{02}: There is no significant effect of the 'block' used, that is, type of media on the mean rating given to the company announcements by the investors.

Input data
The randomly selected 100 respondents were given as input data in SPSS. The descriptive data for the input data are given below in table 4.5.

Output: The SPSS output for the given input data using randomized block design is shown in table 4.3

Table 4.3,Tests of Significance For Rating Using Randomized Block Design					
Dependent Variable: Expectation about the company announcements					
Source	**Type III Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Corrected Model	37.899[a]	17	2.229	3.333	.000
announcement	10.538	4	2.635	3.939	.006
media	6.209	4	1.552	2.320	.064
annou * media	11.562	9	1.285	1.920	.060
Error	54.851	82	.669		
Total	1499.000	100			
Corrected Total	92.750	99			

a. R Squared = .409 (Adjusted R Squared = .286)
Source: Results computed through SPSS

Inference
The results computed show that the significance level of F for company announcement 0.006 is less than 0.05. Hence, *the null hypothesis (H_{01}) is rejected.* It is 0.064 for the type of media, which is greater than 0.05 and hence, *the null hypothesis (H_{02}) is accepted.*

Thus, it is concluded that there is significant difference between investor's mean ratings of the five categories of company announcements and type of media has no significant effect on the mean rating given to the company announcements by the investors.

4.3 FACTOR ANALYSIS
Type of media that the investors prefer to receive the company announcements

Details of Input Data and Variables
As the first step, sample investors 220 in number were requested to state to what an extent they agree or disagree with the 14 statements. To measure the degree of preference of the media with each of these 14 statements, Likert type 5 point numerical scale was used. Strongly agree carrying score 5, agree the score of 4, neither agree nor disagree carrying the score 3, disagree the score of 2, and strongly disagree the score of 1.

Details of Statistical Calculation and Decisions
Extraction of Factor: Principal Component Analysis (PCA)
There are two main stages in factor analysis. As the first stage, Principal Component Analysis was used for the initial extraction of the factors. PCA is a technique for forming a set of new variables that are linear combinations of the original ser of variables. The new variables are called 'principal components' or factors.

Table 6.9 exhibits the rotated factor loadings for the 14 statements (variables) indicating the factors influencing investors preference for the type of media. It is clear from the table 6.9 that all the 14 statements have been reduced to seven factors, namely, F1, F2, F3, F4, F5, F6 and F7. These seven factors with suitable names are given below.
F1 – Financial Advisers
F2 – Periodicals received
F3 – Company outlets
F4 – Speedy Information
F5 – Personal Service
F6 – Well wishers
F7 – Knowledge with luck

The factors and variables within those factors are presented in the following tables (4.8 – 4.15).

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Table 4.4, Factor 1: Financial Advisers

S.No.	Variables	Factor loading	Eigen value	Percentage Variance
1	Share Brokers try to promote investor interest.	.899	1.891	13.504
2	Certified Professionals provide detailed report on any announcements.	.897		

Source: Results computed through SPSS.

F1 is ranked as first important factor and is named as **Financial Advisers.**

Table 4.5, Factor 2: Periodicals as Guides

S.No.	Variables	Factor loading	Eigen value	Percentage Variance
1	Many people have the habit of reading Magazines to any new information.	.854	1.496	10.689
2	News Paper gives information in a brief manner.	.759		

Source: Results computed through SPSS.

F2 is named as **Periodicals as guides.**

Table 4.6, Factor 3: Company's Information Outlets

S.No.	Variables	Factor loading	Eigen value	Percentage Variance
1	Reliable information is provided only through Company Websites.	0.758	1.452	10.373
2	Company Brouchers contain valid information.	0.790		

Source: Results computed through SPSS.

F3 is named as **Company's information Outlets.**

Table 4.7, Factor 4: Speedy Information

S.No.	Variables	Factor loading	Eigen value	Percentage Variance
1	Announcements through News Channels are very faster comparatively	.837	1.366	9.754
2	Other financial websites also provide the related news	.789		

Source: Results computed through SPSS.

F4 is named as **Speedy Information.**

Table 4.8, Factor 5: Personalised Service

S.No.	Variables	Factor loading	Eigen value	Percentage Variance
1	Recommendations through SMS alert are easier source of getting information.	0.876	1.325	9.467
2	Financial recommendations through Email provide more personalized service.	0.670		

Source: Results computed through SPSS.

F5 is named as **Personalized Service**

Table 4.9, Factor 6: Well Wishers

S.No.	Variables	Factor loading	Eigen value	Percentage Variance
1	Friends inform any announcement immediately ones he gets it.	0.683	1.317	9.408
2	Information through Family members is given with true care.	0.796		

Source: Results computed through SPSS.

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F6 is named as **Well Wishers.**

Table 4.10, Factor 7: Use Of Own Knowledge

S.No.	Variables	Factor loading	Eigen value	Percentage Variance
1	Investment decision by Own knowledge is best.	0.871	1.303	9.304
2	Word of mouth leads to bad investment many a time.	0.568		

Source: Results computed through SPSS.

F7 is named as **Use of own Knowledge.**

Table 4.11, Variables with High Loading in the Factors Influencing Investors Preference for Type +of Media in Receiving Company Announcements

Factor	Name of extracted factor	Selected statement (Variable)	Factor Loading
F1	Financial Advisers	Share Brokers try to promote investor interest.	0.899
F2	Periodicals as guides	Many people have the habit of reading Magazines to any new information.	0.854
F3	Company's information outlets	Company websites Reliable information's are provided only through Company Websites.	0.790
F4	Speedy Information	Announcement through News Channels are very faster comparatively.	0.837
F5	Personalized Service	Recommendations through SMS alert are easier source of getting information.	0.876
F6	Well wishers	Information through Family members are given with true care.	0.796
F7	Use of own Knowledge	Investment decision by Own knowledge is best for better return.	0.871

Source: Results computed

It is evident from the table 4.15 that the statement, Share Brokers try to promote investor interest with factor loading of 0.899, Many people have the habit of reading Magazines to any new information with factor loading of 0.854, Reliable information is provided only through Company Websites with factor loading of 0.790, Announcements through News Channels are very faster comparatively with factor loading of 0.837, Recommendations through SMS alert are easier sources of getting information with factor loading of 0.876, Information through Family members is given with true care with factor loading of 0.796 and Investment decision by Own knowledge is best for better return with factor loading of 0.871, are the statements with the higher loading factors of F1,F2, F3, F4, F5, F6 and F7 respectively. Therefore, these are the identified seven variables, which carry greater influence over the relative factors that the investors prefer in selecting the type of media to receive the company announcements.

5. CONCLUSION
News is an important factor that affects the share price. The company announcements considered in the present study has a serious effect on the prices of stocks. This promoted the present researcher to undertake the study on impact of sensitive company information on prices of stocks listed at NSE. The present study has bought to sharp focus that the choice of media to receive the announcements is the vital energy for the success of any investor. Thus, the most robust finding in the present study is that conclusive relationship exists between company announcements and prices of stocks.

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