SHARE SPLIT AND STOCK MARKET EFFICIENCY IN INDIA

SETHU KUMAR.M
STUDENT,
SASTRA UNIVERSITY, THANJAVUR,
TAMIL NADU, INDIA.

ABSTRACT
Semi strong capital market efficiency with reference to the share split has been studied in this paper. The study has been based on the secondary market price data of the National Stock Exchange, India. The data for the calendar years 2003 to 2013 was analyzed and searched for the listed companies in CNX 200 to identify the companies which have split their equity shares during this period. The sample size was 56 companies after excluding the companies which have announced bonus issues during the year of share split and the companies for which there was no complete market price data from secondary sources. Event study methodology was followed for data analysis. Non parametric theta test was applied to test the significance of the changes in the number of companies showing positive abnormal return in the market. Also, the data collected was analysed to find out the wealth maximisation effect in the National Stock Exchange and the various sectors. The analysis has shown that the NSE and the sectors analyzed have reflected semi strong market efficiency and there is no wealth maximisation effect in the market.

KEY WORDS: Event study methodology, National Stock Exchange, Share split, Semi strong capital market efficiency.