

**THE IMPACT OF CREDIT RATING ANNOUNCEMENTS:
EVIDENCE FROM THE KARACHI STOCK EXCHANGE**

By

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Dedication

I am dedicating this thesis to my beloved grandfather who meant and continues to mean so much to me. Although he is no longer with us, his memories continue to regulate my life. First and foremost, grandfather **Ahmed Khan** whose love for me knew no bounds and, who taught me the value of hard work. Thank you so much “Dada ji”, I will never forget you. May you find peace and happiness in Paradise!

Next, this thesis is dedicated to my father, who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, who taught me that even the largest task can be accomplished if it is done one step at a time.

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Abstract

The aim of this thesis was to investigate the informational value of the credit rating changes made by the rating agencies during the period 2008-2015 for the Pakistani markets.

The investigation is made to explore the role played by the leading credit rating agencies (Pakistan credit rating agency) by analyzing the link between changes in credit ratings announcements and the efficiency of Karachi Stock Exchange. For this investigation event study is used with the sample of 8 years from 2008-2015 of Karachi stock exchange index, stock prices and credit rating announcement by (PACRA) Pakistan credit rating agency around 15 (-7, 0, +7) days. Along with that t-test is used to check the significance or insignificance.

The analysis results present evidence of statistically insignificant negative abnormal returns with Credit rating announcements and insignificant positive abnormal returns to upgrade announcements. In addition, this thesis finds statistically significant negative abnormal return for both upgrades and downgrades. Moreover! Individual results Bank wise and year wise shows some positive significance but overall it shows the negative significance.

This empirical study collectively has insignificant effect of credit rating on stock return of banking sector listed at Karachi Stock Exchange.

The outcomes and finding of this empirical study might be helpful to debtors, investors, and stake holders of the banks rated by PACRA in a way to understand the credit rating impacts.