

**IMPACT OF BONUS ANNOUNCEMENT ON SHARE PRICE;  
EVIDENCES FROM PAKISTAN EQUITY MARKET**

**By**

**BILAL HAIDER**

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Name: BILAL HAIDER

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## **DEDICATION**

This dissertation is dedicated to my parents who have never forgotten me in their prayers.

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## LIST OF ABBREVIATIONS

$R_i$	Daily company return
$X_i$	Market daily return
$E(R_i)$	Expected return
ABR	Average abnormal return
AABR	Average abnormal return
CAABR	Cumulative average abnormal return
$t_{AABR}$	Test statistics for Average abnormal return
$t_{CAABR}$	Test statistics for cumulative average abnormal return

## **Abstract**

The main objective of this study is to examine the effect of scrip stock announcement on the stock price for the stocks of the seven sectors which announce bonus share among the stocks listed in PSX 100 index during the year 2009 to 2014. In this study single index model or market adjusted model is used. These sectors are Sugar, Coke & Refined Petroleum, Motor Vehicles, Manufacturing, Chemical & Pharmaceutical, Food and Textiles. Average abnormal return (AABR) and Cumulative average abnormal return (CAABR) were computed for selected period before and after announcement date to examine the response of share market place to the declaration of bonus shares. The outcomes of the full section of 128 scrip announces from 7 diverse segments in Pakistan Stock Exchange depicts positive and negative trend prior to the declaration of bonus shares and subsequent to the declaration of bonus shares. Prior to the declaration of bonus shares, a steady trend of positive and significant abnormal daily returns is witnessed. The average abnormal returns subsequent to the declaration of bonus shares remain generally effective at 5% level of significance for all the days supporting the insider trading and signaling theory. These significant extraordinary returns prior to the declaration of bonus shares and subsequent to the declaration of bonus shares entails that the stockholders would have expected information of the declaration of bonus shares or the stockholders have approached to confidential information. Main result of present study reveals that food sector carried out the highest Average Abnormal Returns (AABR) of 0.0024%, however Sugar sector has the lowermost Average Abnormal Returns of -0.0242% for the period of analysis. The average abnormal return for the whole time period is -0.0031%. Textile sector displays highest volatility while Coke and Petroleum sector has a low volatility.