

Abstract of Doctoral Dissertation

Testing Efficiency of Indian Stock Market with respect to Information Content of Corporate Event Announcements—Study on IT Companies¹

M. RAJA*

I. Introduction

THE CAPITAL MARKET is seen as the major vehicle of economic growth of all the countries. It plays a pivotal role in the allocation of economic resources into the productive activities of the economy. This allocation takes place through the appropriate pricing of securities traded in the market. Bachelier (1900) recognized that “past, present and even discounted future events are reflected in market price, but often show no apparent relations to price changes”. A capital market in which stock prices fully reflect the available information can be termed as efficient (Dreman, 1977). Fama (1969) classified the market efficiency into three categories based on the information set such as weak form, semi strong form and strong form. The securities’ prices adjust themselves rapidly to new information as it becomes available and the changes in security prices will reflect the flow of information to the market (Ball and Brown, 1968).

II. Statement of the Problem

Capital market, being a vital institution, facilitates economic development. It is true that so many parties are interested in knowing the efficiency of the capital market. The information content of events and its dissemination determine the efficiency of the capital market. That is, how quickly and correctly the security prices reflect this information indicates the efficiency of the capital market. In the developed countries, lots of research studies have been conducted to test the efficiency of the capital market with respect to information content of events. All these studies have been

1 The Thesis was submitted to Bharathidasan University, Tiruchirapalli, in June 2008, for the award of Ph.D. Degree, awarded in January, 2009, under the supervision of Dr. M. Selvam, Associate Professor & Head, Department of Commerce & Financial Studies, Bharathidasan University, Tamil Nadu, INDIA.

* Assistant Professor & Head, Department of Commerce, Dr. Kalaiangar Arts & Science College, Lalgudi, Tiruchirapalli 621601, Tamil Nadu, INDIA.