EMPIRICAL ANALYSIS OF STOCK SPLIT AND BONUS ISSUE ON EQUITY PRICES IN INDIAN MARKETS

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ABSTRACT

Stock splits and bonus issues (stock dividends) continue to generate interest as none of them have any direct valuation implications. These events are sometimes described as ‘cosmetic’ events as they simply represent a change in the number of outstanding shares. The reason for the interest is therefore to understand why managers would undertake such. However, hardly any contemporary study has investigated the comparative information content of the stock split and stock dividend (bonus issue) announcements in Indian context. This deficiency provided the primary impetus for this study. Hence a study is done to analyze the information impact of the announcement of stock split and bonus issue for stocks listed on Bombay Stock Exchange (BSE).

KEYWORDS: Bonus Issue, Stock Split, stock dividends.