

Abstract

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The Impact of Announcement of Distribution Bonus Shares on Abnormal Returns and Trading Volume in the Egyptian Stock Market

Free shares distribution for maximising owner's wealth is one of the very important scientific studies that raised the concern of scientists and researchers in the field of finance. There are several theories that have been advanced to explain why companies go for stock dividends. In previous studies, it is evidential that abnormal returns and trade volume are significantly affected negatively positively around bonus issue announcement dates. Informed investors market wealth is affected to a greater extent around this event. The purpose of this study is to test whether the investor can gain lose an above normal return by relying on public information impounded in a bonus issue announcement. Using risk adjusted event study methodology, the study followed upon returns and trading related to companies shares traded in Egyptian exchange that made free distribution (free shares) to shareholders, during the period determined by the researcher from (September 2008) to (September 2014). In this study, the researcher aims at measuring the significant effect resulting from free distributions in Egyptian exchange by identifying significant effect an extraordinary returns and extraordinary trading. Based on Wilcoxon Signed Ranks test for difference between abnormal trading arising from declaring free distributions, there are significant differences between abnormal trading from (-13 : +13) at significant level 5% to prove that the market is affected by informational content resulting from declaration of making free distributions to their shareholders. In addition, there are no significant difference between abnormal trading in the researched period (-15 : +15) at significant level 5% which proved that market is not effected by informational content arising from disclosing information of companies declaration of free distributions to shareholders, therefore, these information disclosure had no effect on increasing abnormal returns of these companies shares.