Impact of Corporate Earnings Announcements on Stock Returns: Evidence from the Indian Equity Market

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Abstract

This study investigates the impact of quarterly earnings announcements on stock returns in the Indian equity market, focusing on firms listed under the S&P BSE 500 index. Using the event study methodology over a 10-year period (2015–2024), the research analyzes abnormal returns surrounding earnings announcements and evaluates the market's adherence to the semi-strong form of the Efficient Market Hypothesis (EMH). A distinct feature of this study is the classification of earnings announcements into Good News and Bad News to examine asymmetry in market reactions. The findings reveal that earnings announcements generate statistically significant abnormal returns across the full sample, with observable post-announcement drift indicating delayed market adjustment. Furthermore, Good News announcements are met with positive abnormal returns, while Bad News announcements elicit stronger and often anticipatory negative reactions. These asymmetric responses highlight the presence of behavioral biases and information asymmetry in the market. Overall, the persistence of significant abnormal returns after the announcement suggests that the Indian equity market does not fully exhibit semi-strong form efficiency. This study contributes to the literature on market efficiency in emerging economies and offers practical insights for investors, policymakers, and corporate managers regarding the flow of information in the market and the adjustment of stock prices to new information.

Keywords: Earnings Announcements, Event Study, Abnormal Return, Market efficiency, BSE 500.

1.0 Introduction

The question of how efficiently stock markets assimilate new information has long occupied a central position in financial economics. The Efficient Market Hypothesis (EMH), as conceptualized by Fama (1969, 1970), posits that asset prices at any given time fully and instantaneously reflect all available information, thereby precluding investors from consistently earning abnormal returns. EMH is typically examined in three forms—weak, semi-strong, and strong—with the semi-strong form asserting that stock prices promptly adjust to all publicly disclosed information, including corporate earnings announcements. Among various categories of corporate disclosures, earnings announcements are widely regarded as one of the most significant informational events capable of influencing stock price movements. These announcements offer direct insights into a firm's financial performance, operational efficiency, and future growth prospects. Ball and Brown's (1968) pioneering empirical work first demonstrated that stock prices systematically react to the release of earnings information, laying the groundwork for the

application of event study methodology in financial research. Subsequent studies have corroborated these findings, revealing statistically significant abnormal returns surrounding earnings announcement dates and, in some cases, persistent post-announcement price drifts (Watts, 1978; Foster et al., 1984; Bernard, 1993). In the Indian capital market context, the discourse on market efficiency intensified following the economic liberalization reforms of the early 1990s. Historically, firms in India followed conservative disclosure practices, predominantly releasing financial statements on an annual basis, thus limiting the availability and timeliness of relevant information for investors (Belgaumi, 1995). A notable shift occurred in 2001 when the Securities and Exchange Board of India (SEBI) mandated quarterly earnings disclosures for listed firms, substantially enhancing the transparency and frequency of corporate reporting (Sharma & Chander, 2009). This regulatory intervention opened new avenues for examining the efficiency of the Indian stock market in processing corporate information. While some empirical investigations (Obaidullah, 1990; Rao, 1994; Srinivasan, 1997) found evidence consistent with semi-strong market efficiency, others (Belgaumi, 1995; Chaturvedi, 2000, 2001; Mallikarjunappa, 2004) documented delayed price adjustments and opportunities for abnormal returns following earnings announcements. More recent studies have highlighted asymmetric market reactions, with stronger and more persistent responses to negative earnings surprises relative to positive ones Gupta, 2006; Dahal & Das, 2021). Empirical evidence suggests that positive earnings surprises—where actual earnings exceed market expectations—are typically associated with statistically significant positive abnormal returns. Conversely, negative earnings surprises, where actual earnings fall below expectations, tend to elicit significant negative abnormal returns (MacKinlay, 1997). These asymmetric reactions underscore the market's sensitivity to new information and its implications for stock valuation. Against this backdrop, the present study aims to examine the stock market's reaction to quarterly earnings announcements for firms listed on the Bombay Stock Exchange (BSE). Employing event study methodology, the research utilizes a comprehensive sample of BSE 500 companies to investigate the presence and magnitude of abnormal returns surrounding earnings announcement dates. Further, the study differentiates between good news and bad news announcements to assess the asymmetry in market response. By doing so, it contributes to the existing body of literature on market efficiency in emerging economies and offers contemporary insights into the informational efficiency and behavioral tendencies of the Indian stock market.

2.0 Review of Literature

The relationship between corporate announcements and stock price behavior has long been a pivotal subject within financial economics, particularly in the context of the Efficient Market Hypothesis (EMH) conceptualized by Fama (1969, 1970). According to EMH, security prices reflect all available information instantaneously, leaving no room for abnormal profits. In its semi-strong form, the hypothesis asserts that markets efficiently incorporate all publicly available information, including corporate disclosures such as earnings announcements. Early empirical investigations in developed markets provided mixed support for this hypothesis. Ball and Brown's (1968) seminal study established that stock prices promptly react to annual earnings disclosures, thereby laying the foundation for event study methodologies (Brown & Warner, 1985; MacKinlay, 1997). Subsequent studies such as Fama et al. (1969) and Jordan (1973) confirmed market reactions to corporate events like stock splits and earnings announcements. However, research also uncovered anomalies like post-earnings announcement drift (PEAD), wherein abnormal returns

persist even after disclosures. Watts (1978), Foster et al. (1984), and Ball (1992) documented delayed market adjustments to earnings information in developed markets, thereby questioning the semi-strong efficiency form of EMH. This phenomenon was further validated in various international contexts: Martikainen (1998) in Finland, Odabasi (1998) in Turkey, Kong and Majid (2006) in China, and Sponholtz (2008) in Denmark, all identified statistically significant abnormal returns surrounding earnings announcements, highlighting persistent inefficiencies even in relatively mature economies. Adding to this body of international evidence, Below and Johnson (1996) demonstrated that investor reactions to information-generating events are asymmetric between bull and bear markets, a finding further corroborated by Docking and Koch (2005) who observed that dividend changes elicit stronger stock price reactions when market directions contradict the nature of the announcement. Similarly, Kothari et al. (2006) argued that aggregate earnings news is inversely related to contemporaneous stock returns as positive earnings surprises often imply riskier future projects, raising required discount rates. In contrast, Choi et al. (2012) and Zaima and Harjoto (2007) found that aggregate earnings news and market rumors also significantly influence market behavior, albeit differently in bull and bear phases. In the Indian context, empirical findings on semi-strong market efficiency have been varied and often inconclusive. Early studies by Obaidullah (1990), Rao (1994), and Srinivasan (1997) reported evidence of semi-strong efficiency for selected corporate events. Conversely, Belgaumi (1995), Chaturvedi (2000, 2001), and Mallikarjunappa (2004) documented delayed market reactions and significant abnormal returns surrounding earnings announcements, suggesting deviations from the EMH. Manickaraja (2004), however, found efficient market responses to quarterly earnings disclosures, aligning with observations from MacKinlay (1997) and Dhareshwar and Bacon (2008) that markets typically react positively to positive earnings surprises and negatively to negative ones. A series of studies focusing specifically on quarterly earnings announcements have yielded mixed outcomes. Das et al. (2007) analyzed earnings announcements from SENSEX firms and found minimal impact on stock returns, while Das et al. (2008a, 2008b) extended this analysis over a longer period but similarly found no significant abnormal returns across full, good news, and bad news samples. These studies also highlighted the methodological challenge of event clustering, where overlapping event windows complicate abnormal return estimations. Saravanakumar et al. (2012) examined 50 Nifty companies and concluded that quarterly earnings announcements lacked substantial information content, as stock price reactions were largely insignificant. More recently, Gupta (2006) and Raja et al. (2009) documented asymmetric reactions in the Indian equity market, where negative earnings surprises elicited stronger responses than positive ones. Anwar et al. (2017) and Dahal & Das (2021) reaffirmed the presence of abnormal returns following corporate disclosures, pointing toward persistent inefficiencies and information asymmetry. Mlonzi et al. (2011) provided corroborative evidence from the Johannesburg Stock Exchange's ALtX market, finding substantial negative stock price reactions to earnings announcements during recessionary periods. In summary, while international literature largely supports the view that earnings announcements have a significant impact on stock prices, empirical findings in the Indian context remain fragmented and inconclusive. This inconsistency points to a crucial research gap, particularly in understanding the asymmetric market reactions to positive (good news) and negative (bad news) earnings announcements within a broader market framework that extends beyond benchmark indices such as the SENSEX or NIFTY. Addressing this gap, the present study investigates the stock market reaction to quarterly earnings

announcements by firms constituting the S&P BSE 500 index, employing the event study methodology. By incorporating a classification of earnings surprises into good news and bad news, the study offers a more granular understanding of investor behavior and market efficiency in India. The findings are intended to contribute to the ongoing discourse on information asymmetry, behavioral responses, and semi-strong form efficiency in emerging equity markets.

2.1 Objectives of the Study

1. To examine the stock market reaction to earnings announcements for BSE 500 companies.
2. To analyze the asymmetric market reaction by categorizing earnings announcements into good news and bad news based on earnings surprises.
3. To determine if the Semi-strong form efficiency characterizes the Indian stock market.

2.2 Hypotheses of the Study

H_0 = Average Abnormal Return tends to be insignificant around the announcement of earnings announcements.

H_0 = Cumulative Average Abnormal Return tends to be insignificant around the announcement of the earnings announcements.

Data and Methodology

This study investigates the impact of quarterly earnings announcements on stock returns of companies listed on the S&P BSE 500 during the period 2015 to 2024. A particular focus is given to fourth-quarter announcements, as they typically combine both annual and final quarter results, making them crucial from an investor perspective. Since India's financial year ends in March, most disclosures in April and May were considered as key announcement events (Sharma & Chander, 2009). The study employs the event study methodology using the market model to estimate expected returns and calculate abnormal returns (AR) around the earnings announcement date (Day 0). The event window spans from Day –10 to Day +10, while the estimation window extends from Day –120 to Day –11 prior to the event. Daily stock prices were collected from the BSE India website, and financial data were sourced from CMIE Prowess, company disclosures, and verified financial news websites. A total of 216 firms were selected from the BSE 500 index, ensuring that they maintained continuous listing throughout the 10-year period and were not affected by other significant price-sensitive events at the time of announcement. To maintain robustness, companies with incomplete records or irregular announcement dates were excluded. Abnormal returns were computed for each firm, then averaged across the sample to obtain Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR). Earnings announcements were also classified into Good News and Bad News based on whether reported earnings exceeded or fell short of market expectations. The Good News portfolio includes firms with a positive percentage change in net profit, while the Bad News portfolio comprises those with a negative percentage change in net profit. Year-wise AAR and CAAR summaries were then computed separately for the full sample, good news, and bad news categories, allowing for an analysis of asymmetric market reactions.

4.0 Data Analysis and Interpretation

Table 1: Daily AAR & CAAR Surrounding the Announcement Day of Full Sample Companies (10-Year Period)

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
-10	0.00069	4.868*	0.00069	0.885
-9	0.00027	1.876	0.00096	1.226
-8	-0.00005	-0.377	0.00090	1.157
-7	-0.00079	-5.581*	0.00011	0.143
-6	0.00039	2.770*	0.00050	0.646
-5	0.00079	5.581*	0.00130	1.661
-4	0.00051	3.565*	0.00180	2.309*
-3	0.00055	3.908*	0.00235	3.019*
-2	0.00110	7.789*	0.00346	4.435*
-1	0.00124	8.749*	0.00470	6.026*
0	0.00146	10.266*	0.00616	7.892*
1	-0.00152	-10.686*	0.00464	5.949*
2	-0.00033	-2.301*	0.00431	5.531*
3	-0.00010	-0.720	0.00421	5.400*
4	-0.00073	-5.143*	0.00348	4.465*
5	-0.00070	-4.911*	0.00279	3.572*
6	-0.00027	-1.901	0.00252	3.227*
7	0.00041	2.918*	0.00293	3.757*
8	-0.00011	-0.746	0.00282	3.622*
9	0.00044	3.071*	0.00326	4.180*
10	0.00058	4.064*	0.00384	4.919*

Source: Author's Calculation
Significant at 5% level (±2.018)

Abnormal Returns around the Announcement Day – Full Sample Companies (10-Year Period)

Table 1 presents the Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) for the full sample of companies (both good and bad news) over the 21-day event window surrounding earnings announcements (day -10 to +10). The results are tested at the 5% significance level (critical t-value ±2.018). In the pre-announcement period, a mix of significant positive and negative AARs is observed. Significant abnormal returns on day -10 (0.00069, t = 4.868), day -6 (0.00039, t = 2.770), and day -5 (0.00079, t = 5.581) suggest possible information leakage or anticipatory trading ahead of the official announcement. Conversely, day -7 shows a significant negative AAR (-0.00079, t = -5.581), reflecting early pessimism among some investors. The CAAR rises gradually during this period, reaching 0.00470 (t = 6.026) by day -1, indicating an overall positive market build-up before announcements. On the announcement day (t = 0), AAR is significantly positive at 0.00146 (t = 10.266), accompanied by a strong CAAR of 0.00616 (t = 7.892). This reflects an immediate favorable market reaction on average, though this result likely represents the net effect of both good and bad news disclosures in the sample. In the post-

announcement period, the reaction is more mixed. Day +1 records a sharp negative AAR (-0.00152, t = -10.686), suggesting a correction effect as the market adjusts to the actual earnings content. Negative returns continue on day +2 (-0.00033, t = -2.301) and day +4 (-0.00073, t = -5.143), showing persistent downward adjustment. However, small positive AARs reappear on days +7 (0.00041, t = 2.918) and +9 (0.00044, t = 3.071), pointing towards short-term recovery.

Cumulative Average Abnormal Returns (CAAR) Analysis
CAAR presents a relatively stable upward trend despite fluctuations in daily AARs. From a pre-event baseline of 0.00069 (day -10), CAAR steadily climbs to 0.00616 on the event day and remains positive throughout the post-announcement window. By day +10, CAAR stands at 0.00384 (t = 4.919), showing that, despite short-term negative adjustments after the event, the overall cumulative market reaction remains positive.

Table 2: Daily AAR & CAAR Surrounding the Announcement Day of Good News Companies (10-Year Period)

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
-10	0.00010	0.774	0.00010	0.210
-9	0.00081	5.963*	0.00091	1.829
-8	-0.00049	-3.592*	0.00043	0.853
-7	-0.00074	-5.475*	-0.00032	-0.633
-6	0.00072	5.303*	0.00040	0.807
-5	0.00076	5.646*	0.00117	2.339*
-4	0.00124	9.164*	0.00241	4.826*
-3	0.00078	5.722*	0.00318	6.379*
-2	0.00171	12.623*	0.00489	9.806*
-1	0.00165	12.164*	0.00654	13.108*
0	0.00366	27.029*	0.01020	20.444*
1	0.00409	30.184*	0.01429	28.637*
2	0.00036	2.635*	0.01465	29.353*
3	0.00025	1.876	0.01490	29.862*
4	-0.00002	-0.173	0.01488	29.815*
5	-0.00136	-10.045*	0.01352	27.088*
6	-0.00095	-6.979*	0.01257	25.194*
7	-0.00044	-3.254*	0.01213	24.311*
8	-0.00041	-3.045*	0.01172	23.484*
9	0.00026	1.926*	0.01198	24.007*
10	0.00009	0.683	0.01207	24.192*

Source: Author's Calculation
Significant at 5% level (±2.018)

Abnormal Returns around the Announcement Day – Good News Portfolio (10-Year Period)

Table 2 presents the daily Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) for companies announcing good news earnings during the 10-year period, observed over a 21-day event window (day -10 to day +10). The results are tested at the 5% significance level, with a critical t-value of ±2.018. In the pre-announcement period, AAR exhibits a mixed pattern with both positive and negative significant values, suggesting signs of information leakage and anticipatory trading. Notably, significant positive AARs appear on day -9 (0.00081, t = 5.963), day -6 (0.00072, t = 5.303), day -5 (0.00076, t = 5.646), and day -4 (0.00124, t = 9.164), indicating that investors were gradually factoring in favorable earnings expectations. However, significant negative AARs on day -8 (-0.00049, t = -3.592) and day -7 (-0.00074, t = -5.475) imply episodes of market uncertainty or speculative corrections before the announcement. On the announcement day (t = 0), the market shows a sharp and highly significant positive reaction, with AAR recorded at 0.00366 (t = 27.029). This confirms that good earnings disclosures were well-received by investors and immediately translated into abnormal stock price gains. The post-announcement period largely sustains the positive reaction, with day +1 recording the highest AAR of 0.00409 (t = 30.184). Although AARs show slight negative corrections on days +5 (-0.00136, t = -10.045), +6 (-0.00095, t = -6.979), +7 (-0.00044, t = -3.254), and +8 (-0.00041, t = -3.045), these are relatively minor compared to the strong positive responses earlier, reflecting a market adjustment phase after the initial optimism.

Cumulative Average Abnormal Returns (CAAR) Analysis
The CAAR values provide a clearer picture of sustained market reaction. From a modest 0.00010 on day -10, CAAR increases steadily through the pre-announcement phase, reaching 0.00654 (t = 13.108) by day -1, which shows that the market had already priced in a portion of the good news. On the announcement day, CAAR jumps to 0.01020 (t = 20.444), and continues rising to 0.01429 (t = 28.637) on day +1, its peak level in the event window. Despite minor declines in subsequent days due to corrective trading, CAAR remains consistently positive and significant throughout the post-announcement window, ending at 0.01207 (t = 24.192) on day +10. This persistent positive trend reinforces the interpretation that the market responded efficiently and optimistically to good earnings news, with the favorable impact sustaining beyond the announcement date.

Table 3: Daily AAR & CAAR Surrounding the Announcement Day of Bad News Companies (10-Year Period)

DAY	AAR	T STATISTICS	CAAR	T STATISTICS
-10	0.000659	4.913*	0.000659	0.727
-9	-0.00093	-6.915*	-0.00027	-0.296
-8	-0.00037	-2.766*	-0.00064	-0.706
-7	-0.00159	-11.870*	-0.00223	-2.462*
-6	-0.00044	-3.317*	-0.00268	-2.953*
-5	0.00041	3.058*	-0.00227	-2.500*
-4	-0.00072	-5.384*	-0.00299	-3.297*
-3	-0.00049	-3.629*	-0.00347	-3.834*
-2	-0.00031	-2.321*	-0.00379	-4.178*
-1	-0.00094	-6.993*	-0.00472	-5.212*

0	-0.00062	-4.588*	-0.00534	-5.891*
1	-0.00766	-57.099*	-0.013	-14.341*
2	-0.00179	-13.344*	-0.01479	-16.316*
3	-0.00151	-11.264*	-0.0163	-17.983*
4	-0.00236	-17.609*	-0.01866	-20.589*
5	-0.00085	-6.369*	-0.01951	-21.531*
6	-0.00033	-2.442*	-0.01984	-21.893*
7	0.000377	2.811*	-0.01946	-21.477*
8	-0.00049	-3.648*	-0.01995	-22.016*
9	-0.00004	-0.316	-0.01999	-22.063*
10	0.000268	1.999	-0.01973	-21.767*

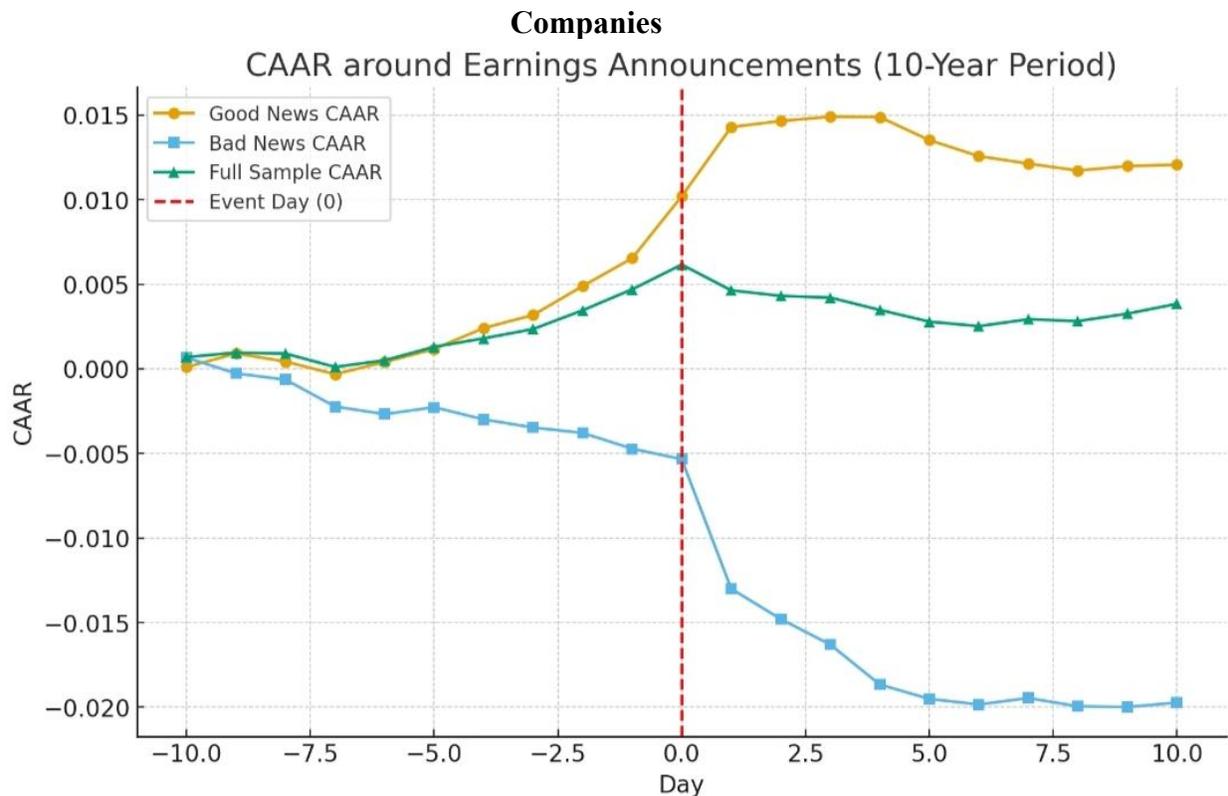*Source: Author's Calculation*
Significant at 5% level (±2.018)

Abnormal Returns around the Announcement Day – Bad News Portfolio (10-Year Period)
Table 1 reports the Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) for companies announcing bad earnings news over a 10-year period, measured across the 21-day event window (day -10 to day +10). The results are tested at the 5% significance level (critical t-value ±2.018). In the pre-announcement window, AAR values show a generally negative trend, with several days recording statistically significant declines. For example, day -9 (-0.00093, t = -6.915), day -7 (-0.00159, t = -11.870), and day -6 (-0.00044, t = -3.317) all report negative and significant abnormal returns, pointing towards possible information leakage and anticipatory selling by investors. Only a few positive returns (such as day -10 and day -5) appear, though their cumulative effect is overshadowed by persistent negative movements. On the announcement day (t = 0), the AAR remains significantly negative at -0.00062 (t = -4.588), confirming that the disclosure of unfavorable earnings was met with an immediate adverse price reaction. In the post-announcement period, the negative impact deepens considerably. Day +1 records the steepest abnormal decline at -0.00766 (t = -57.099), followed by significant negative AARs on day +2 (-0.00179, t = -13.344), day +3 (-0.00151, t = -11.264), and day +4 (-0.00236, t = -17.609). This suggests a strong continuation effect, with markets steadily penalizing firms for their weak earnings announcements.

Cumulative Average Abnormal Returns (CAAR) Analysis
CAAR trends highlight the sustained negative sentiment. From near-zero levels in the pre-event period, CAAR turns significantly negative by day -7 (-0.00223, t = -2.462) and worsens further through the post-event window. On the announcement day, CAAR is already at -0.00534 (t = -5.891), and the decline accelerates afterwards, hitting -0.01866 by day +4 (t = -20.589) and -0.01973 (t = -21.767) by day +10. The persistently negative and statistically significant CAAR values indicate that the market absorbed bad news swiftly and punished firms consistently, with little evidence of recovery even by the end of the 10-day post-event window.

Figure 1. CAAR-line during the event window of Full Sample, Good News and Bad news Companies

Source: Author's Calculation

The graph compares the Cumulative Average Abnormal Returns (CAAR) of good news, bad news, and full sample companies over the 21-day event window. Companies announcing good news show a clear upward trend in CAAR, peaking around the announcement day and sustaining positive values thereafter, reflecting strong investor optimism. In contrast, bad news companies exhibit a sharp and persistent decline in CAAR, indicating negative market sentiment and efficient absorption of unfavorable information. The full sample portfolio displays a moderate reaction, lying between the two extremes, confirming that market responses are strongly driven by the nature of earnings news.

5.0 Results and Conclusion

The present study examines the impact of quarterly earnings announcements on stock returns and associated short-term risk for firms listed under the S&P BSE 500 index during the 2015–2024 period. Using the event study methodology, the analysis covers full sample behavior as well as differentiated responses to good news and bad news earnings surprises. The findings offer valuable insights into the informational efficiency and behavioral patterns of the Indian equity market. The analysis of Average Abnormal Returns (AAR) and Cumulative Average Abnormal Returns (CAAR) for the full sample reveals a consistent pattern of significant positive abnormal returns prior to and on the day of the earnings announcement, followed by a short-lived correction and gradual stabilization. This pattern indicates market anticipation of positive results and confirms that earnings announcements are value-relevant events.

When disaggregated into Good News and Bad News categories, the results demonstrate a clear asymmetry in market reactions. Good news announcements are met with positive and statistically significant AAR and CAAR, both on the event day and the immediate aftermath, suggesting efficient assimilation of favorable information. In contrast, bad news announcements elicit stronger negative reactions, often occurring a day before the actual announcement, indicating possible information leakage or anticipatory behavior. The magnitude and immediacy of responses to bad news further highlight loss aversion tendencies and investor sensitivity to downside risk.

The risk analysis, using pre- and post-event return variance, provides additional evidence of market reassessment. A statistically significant decline in post-announcement mean returns and increased volatility, particularly following bad news, indicates a shift in investor risk perception. The paired sample t-test confirms that the variance structure surrounding announcements is not constant, reinforcing the notion that such events affect both return levels and uncertainty.

Overall, the study finds partial support for the semi-strong form of the Efficient Market Hypothesis (EMH) in the Indian context. While the market responds quickly and significantly to positive earnings news, the anticipatory and stronger reaction to negative surprises suggests the presence of information asymmetry, behavioral biases, and possible structural inefficiencies. These findings offer actionable implications for investors, corporate managers, and policymakers and contribute to the evolving discourse on market efficiency in emerging economies.

6.0 Limitation of the Study

This study is subject to certain limitations. First, the analysis is confined to S&P BSE 500 companies, limiting generalizability to smaller or newly listed firms. Second, while care was taken to isolate earnings announcements, other simultaneous corporate events may have influenced stock returns. Third, the classification of good and bad news was based on reported earnings without access to uniform analyst forecasts, which may affect consistency. Lastly, the study focuses on short-term market reactions and does not capture long-term effects or account for broader macroeconomic influences.

7.0 Scope for Future Research

Future studies can expand the scope by including mid-cap, small-cap, and newly listed firms to explore whether market reactions differ across firm types and maturity levels. Incorporating analyst forecast data could allow for a more precise classification of earnings surprises. Additionally, examining the long-term impact of earnings announcements and integrating macroeconomic variables or investor sentiment indicators would provide deeper insights into market behavior. Cross-sector or cross-country comparative studies could further enrich the understanding of market efficiency and informational asymmetry in emerging markets like India.

8.0 Implications for Theory and Practice

The findings of this study have meaningful implications for both financial theory and market practice. From a theoretical perspective, the evidence of abnormal returns and asymmetric reactions to good and bad news contributes to the ongoing discourse on the semi-strong form of market efficiency, particularly in emerging markets. The presence of post-announcement drift and stronger responses to negative news challenge the assumptions of instantaneous information assimilation and highlight the role of behavioral finance in explaining investor reactions. From a

practical standpoint, the study offers valuable insights for investors and portfolio managers, indicating that earnings announcements serve as important information events that influence both returns and risk. The findings also underline the need for regulators and policymakers to strengthen disclosure standards and minimize information asymmetry. For corporate managers, the results emphasize the importance of transparent and timely communication of financial performance to maintain investor confidence and reduce market uncertainty.

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