

The effect of right issue announcement on share prices of companies listed at KSE

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Abstract

A rights issue is a way by which a listed company can raise additional capital. However, instead of going to the public, the company gives its existing shareholders the right to subscribe to newly issued shares in proportion to their existing and market capitalization. The study sought to determine whether a rights issue announcement has any effect on the share prices for companies listed at the Karachi Stock Exchange. This topic helps us to enhance the knowledge regarding the stock market and the share prices. Data were collected from 32 companies, with the help of secondary data from the KSE capturing stock prices, market index, and announcement dates being collected. After collecting the data, data were analyzed through chow test to determine whether there is any significant impact of share prices on right issue announcement, the price of share is increasing or decreasing. The study found out that mostly share prices change after announcement of right issues in stock market, the research concluded that our alternative hypothesis is valid which means that there is a significant effect of rights issue announcement on share price of companies listed at the KSE. Additionally, managers of the companies sought rights issues to encourage investors to purchase their stock which appeared cheaper. There were positive mean returns with respect to rights issue announcement. This implies that the null hypothesis was not accepted and instead, the alternative was as therein deed was a relationship between rights issue announcement and share prices.

Keywords: Rights Issue of Shares, Share Prices, Listed Companies, KSE

1. Introduction

Firms need fund to work effectively and an association can embrace different techniques with the end goal of financing its business. The procuring of account decision relies on upon a few components, for example, the firm attributes, benefit prospects, and time and existing capital structure. Firms can use value financing, obligation financing or use a blend of both. Both include diverse costs and points of interest. On the off chance that the firm chooses to raise additional value money markets can be utilized as a source. At the point when a firm wishes to raise new capital, it can do as such in a mixture of ways. A standout amongst the most essential approach decisions standing up to directors is settling on what sort of security to issue. In spite of the fact that there is no brought together hypothesis accessible to clarify the corporate financing choice, there have been substantial changes in the cutting edge hypothesis of capital structure.

Organizations recorded on a stock trade by and large get outside value fund either from current shareholders or from innovative financial experts. They depict introductory one as rights issue and consider this technique for levitating capital as astoundingly celebrated in worldwide capital markets. Right issues as the choice demonstrated by the relationship to its present shareholders to buy the shares of the association. In a rights issue, organizations willing to get additional quality capital give certain rights to existing shareholders on an expert rata premise. These rights license them to purchase a particular

number of new gives proportionate to their present shareholdings at a pre-specified cost. New grants offered to present shareholders at foreordained participation esteem that is ordinarily not precisely what the offering expense to the general populace will be. It engages the present shareholders to secure their fair proprietorship in the association when the new issues are made, called preemptive right. Rights issues give the decision to the present shareholders to assemble their degree in the association. The inspiration driving this study is to see the right issue may have any quality creation impact for shareholders through any variances in offer cost. The offer cost may expand or diminish because of this data and influence the shareholders riches. Analysts have reported various regularities with respect to the security-value execution and income conduct around prepared value issues (see Eckbo and Masulis, 1995 and Ritter, 2003 for point by point overviews on security issue). Greater part of these outcomes are from created nations and can be ordered into three noteworthy heads, viz., declaration impacts, long-run operating performance, and long-run security-value execution.

2. Rights Issues

A rights issue is an issue of rights to buy additional securities in an association made to the association's present shareholders. Exactly when the rights are for value securities, for instance, offers, in an open association, it is a way to deal with increase capital under prepared value offerings. Current

shareholders with issued rights have the lead to acquire a predefined number of new securities from the organization at a foreordained expense inside a foreordained time. In an open organization, a rights issue is a type of open offering (special in connection to most diverse sorts of open offering, where stocks are delivered to the general public).

A right offering is especially valuable for closed end organizations, which can't hold profit, in light of the fact that they convey basically the greater part of their acknowledged wage and capital increases every year; in this way, they raise extra capital through rights offerings. As value issues are for the most part desirable over obligation issues from the organization's perspective, organizations normally pick a rights issue when they have issues raising value capital from the overall population and decide to request that their current shareholders purchase more imparts.

According to (Lambrechts & Mostert, 1980), offering rights offer current investors the option of getting new stocks, usually issued at a rebate to the leading business segment value to support interest in the capital bringing over acquiring imparts up in the business sector.

According to Shahid *et al.* (2010) basically current investors of the organization advantage from a preemptive right to join in the novel issue in degree to their investing, giving the possibility of avoiding a debilitating in their balanced *proprietorship* in the association. This opportunity is especially material in the case of a critical rebate on the new imparts being issued, as existing shareholders would some way or another be not able to alleviate the negative impact of such an issue. The concentration of our study will be precisely on rights issues and its change on share price but for the literature review purpose this will include alternate types or forms of new shares examined, discussed with terminology being utilized conversely.

3. Share Prices

The development in the price of share at money markets the greater part of the times has been an issue of concern to market players. The change in the cost of share of quotes firms are said to be because of progress in certain key variables, this incorporate the financial performance (measured by profit/dividend paid by the firm, the procuring made by the firm and so forth) and the macroeconomic variables (such as interest rate, expansion rate and so on) but, experience in the capital business sector have demonstrated that there are different components or variables that are in charge of the change in offer value however are not caught in these variables, such variable is the business commotion this may emerged as consequence of famous assessment on the stock yet such conclusion can be spurious on occasion, it can be unjustified once in a while additionally it can be a computed endeavor by certain intrigued people, budgetary examiner of notoriety or because of certain insider data that may not yet been known in the business sector.

4. Effect of rights issue on share price

At the point when an open exchanged firm issues trade activity data by some network of correspondence, it is propelling a procedure that will pass on genuine variation to its share. By accepting these particular sorts of methods and their belongings, a financial specialist can have a stronger depiction of what a commercial activity shows around an organization's

budgetary undertakings and how that activity will impact the organization's offer cost and execution.

This information, thus, will help the speculator in figuring out if to purchase, offer or hold the stock being referred to. Corporate activities are commonly settled upon by an organization's governing body and approved by the shareholders and educated to the shareholders every now and then.

Experimental confirmation shows that share price drops with the declaration of SEO, because of negative data about the possibility of the delivering company. To reinforce this data impact, Myers and Mali (1984) proposed the theory, which recommended that in an awry data world where supervisors have unrivaled data about the estimation of their firm, they have a motivator to offer new value when their company is exaggerated. The major portion of studies on the impacts of SEO issue in the United States built on open offerings. These research reported predictable negative unusual profits for value esteem when open offerings are declared (Smith, 1977; Myers & Majluf, 1984; Masulis & Korwar, 1986; Asquith & Mullins, 1986; Mikkelsen & Partch, 1986; and Jung *et al.*, 1996) ^[10, 1, 9]. Then again, a few research additionally stated the confirmation on share value conduct of right offerings. A share value deterioration has been seen by Hansen (1989) and Eckbo and Masulis (1992) in US.

5. Impact on shareholders

Irrespective of even if the proprietorship visibility vary as a result of proprietorship infusion or differently, deserving payoff will require a 'value' infusion on a per share footing. Instantly ensuing the rights, the numeral of stocks prominent increment yet the organization's asset, money flow and other functioning principals go on constant. In essence, monetary worth on per stock substratum will be infused right after ensuing incipient share affair. This monetary infusion is to be predicted. If the genuine infusion in a share's monetary worth post deserving affairs equals the predicted infusion, so that there will be no transmutation in stockholder's revenue.

6. Karachi Stock Exchange

As per (Ogum, Beer & Nouyrigat, 2006), a securities exchange is a vital foundation in a nation and is of incredible concern to speculators, partners and the legislature. Securities exchange, particularly in little economies, assumes an imperative part in preparing financial assets inside and from outside the economy to accomplish reasonable development and advancement. It serves as a critical channel through which subsidizes stream from people and corporate bodies over the globe to financial specialists dwelling in a specific economy.

KSE was formed in 1947 as an organization of stock brokers. KSE is a market place where shares and bonds are traded. It is now one of the most active capital markets and a model for the emerging markets in views of its high returns on investment and a well-developed market structure.

7. Scope of Research Study

The purpose of this research is to show the effect of right issues on stock costs and thus testing instructive productivity in Pakistani market. In this association the investigation joins an example of KSE – 100 stocks yet for constrained time we take just 32 organizations from KSE- 100 record which issue right shares in the middle of 2007 to 2015. (Appendix A).

S.N	Company name	Dated B/A/D	Before Announcement			After Announcement		
			1st	2nd	3rd	1st	2nd	3rd
1	Silk bank	26/8/2014	1.93	2.36	2.05	2.2	1.9	1.5(f.P)
2	Quice Foods	28/11/2014	7.76	6.55	5.44	7.39	7.50 (f.P)	6.5(f.P)
3	Summit bank	6/2/2014	3.61	2.21	1.89	2.91	3.45	3.5(F.P)
4	Fauji cement company	20/06/2011	4.5	4.15	5.29	3.46	3.32	2.98
5	Gul ahmed	1/11/2013	20.45	22.84	21.93	20.9	26.49	25.50
6	bank islami	9/9/2014	9.7	10.45	9.6	10.53	9.02	8.56
7	samba bank	14/12/2013	4.39	2.78	3.04	5.1	7.1	6.8
8	stile	21/12/2014	11	13	12.34	10.29	9.6	10.8(F.P)
9	js bank	3-Jul-10	2.84	4.06	5.19	2.32	2.35	2.8
10	nishat mills limited	13/05/2010	21.1	22.23	23.2	27	19.38	17.7
11	orix leasing company	16/07/2007	35.95	24.15	24.5	31.8	28.4	28.6
12	Ghani Automobile	07/05/2013	5.26	3.72	3.01	5.01	4.27	6.2
13	udpl	31/03/2013	14.65	8.9	7.8	15.5	14.18	20.25
14	standard chartered bank	26/10/2012	11.57	11.6	12.79	12.27	14.02	17.7
15	Pervez Ahmed securiti	28/11/2012	3.25	2.54	2.11	3.14	3.23	3.4
16	apna microfinance ban	12/6/2014	6.49	9.49	9.7	6.69	5.5	5.3
17	NIB bank	17/08/2011	1.38	1.65	2.68	1.34	2.82	2.08
18	Engro corporation	15/10/2013	85.35	141	185.85	166.5	214.8	185.85
19	SNGPL	1-Feb-10	24.8	27	32.25	35.49	28	30.79
20	First National Equities	June 12, 20	6.65	2.56	4.3	4.65	3.65	3.14
21	D.G. Khan Cement C	29/03/2011	23.8	30.14	24.61	22.75	20.25	19
22	Atlas Insurance Limite	8-Mar-12	34.6	33.41	32.3	41.2	49.7	54.9
23	singer pak company	30/08/2012	21.99	23.43	19.27	17.01	21.25	17.6
24	k-electric	29/09/2011	1.85	2.13	2.08	1.54	3.7	3.11
25	International Knitwear	10/10/2014	15.99	14.56	14.25	11.5	12.35	12.5(f.P)
26	Meezan bank	19/08/2009	23.8	17.15	11.98	15.8	16.3	17.96
27	soneri bank	28-Jun-11	5.92	7.55	6.3	4.5	3.7	7.49
28	Bank of khyber	3/6/2011	3.16	4.15	4.15	4.35	4.21	6.18
29	First paramount modar	22/02/2013	13.5	15	13.5	13.5	13.3	16.25
30	Engro fertilizer	13/10/2013	27.12	28.65	31.14	87.58	63.6	54
31	Treet	14/10/2013	59.9	129	110.48	113.5	126.75	120
32	Pakistan International	13/05/2010	54.75	60.85	66.8	103.97	99.97	135.91

8. Problem Statement

Rights issues have been the subject of much research by academics and practitioners for over two decades (Bayless & Jay, 2008). Many studies have been done to see the impact of right issue announcement on share prices; a scholar pooja maglini has proved that share price is increase after announcement of right issue in stock market. Another scholar Mr. Abhay raja said that investors get excess return around the time of right issues.

9. Research Objectives

The main objective of this research study is:

- To evaluate the impact of rights issue announcement on the share price of companies listed at the KSE

10. Research Hypothesis

Following is the hypothesis of the study.

a) Null Hypothesis

There is no significant effect of rights issue announcement on share price of companies listed at the KSE.

b) Alternate Hypothesis

There is a significant effect of rights issue announcement on share price of companies listed at the KSE.

11. Literature Review

There is significant role of literature review in a research study. Literature review is considered very important for a research study because it support the findings and analysis of the study. It does not only help in developing the ideas about the scope of the work but it also provides a deep insight about the research study. Literature review is considered as the base for a research study.

According to Mr. Abhya raja (2012) he has conducted the research on Right issue he wants to see the impact of right issue after or before the price behavior of stock price. Mr. abhya take the sample from BSE -100 Stocks. But the sample contains 49 companies but he took 8 companies during his research period, and when he completed his research he observed that the price of

Loderer and Zimmermann (1988) and, Hou and Meyers (2002) discover unimportant normal unusual returns, which demonstrate that there are no declaration impacts. The explanation behind this paper is to see whether the theorist can get or lose an above run of the mill benefit by depending for open data appropriated in a rights issue declaration. Using risk adjusted event study strategy, this research tests where there is over the top peculiar return occurs in the midst of event window of statement. Rights declaration test perceptions S&P

Nifty INDEX were broke down utilizing standard danger balanced occasion study procedure. The event study framework was used in the purpose of the effects of the rights. Peculiar revenues were figured by use of the plan of action and t-tests are directed to test the centrality. We find the no affirmation of vicinity of basic positive bizarre benefits for AD 0. The event has described negative ARR of - 0.048 and it is truly insignificant. It is moreover watched that there is no basic change in return capacity for the observations stocks in the midst of event window. The research assumes that the Indian business reacts unfavorably to the issue of rights revelation.

12. Research Methodology

12.1 Population

There are 581 companies that were listed in KSE. The population of relevance was companies that had announced a rights issue mostly from 2007 to 2015.

12.2 Sample

13.2 Interpretation

1. Silk Bank

Date	Before Announcement			After Announcement		
26/08/2014	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	1.93	2.36	2.05	2.2	1.9	1.5

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
7.759	7.709	4.95%	FALSE	

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share price of silk bank after its announcement. The price of rights issue has shown that the stability is negative which means that

Sample size of this research study contains 32 listed companies that did rights issues mostly from 2010 to 2015. (Appendix A)

13. Analysis and Findings

13.1 Chow Test

The Chow test is a factual and econometric test of whether the coefficients in two direct relapses on diverse information sets are equivalent. The Chow test was designed by business analyst Gregory Chow in 1960. In econometrics, the Chow test is most regularly utilized as a part of time arrangement investigation to test for the vicinity of a basic break. In project assessment, the Chow test is regularly used to figure out if the autonomous variables have diverse effects on distinctive subgroups of the populace.

A Chow test is just a test of whether the coefficients evaluated more than one gathering of the information are equivalent to the coefficients assessed over another. Having set up the invalid theory, we compute the likelihood of getting the watched information test if the invalid speculation were valid. This likelihood is known as the p-value.

our alternate hypothesis is valid. Hence there is a disturbance on the share prices and intercepts don't form a straight line.

2. Quice Foods

Date	Before Announcement			After Announcement		
28/11/2014	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	7.76	6.55	5.44	7.39	7.50	6.5

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
67.693	7.709	0.12%	FALSE	

Here we can also see that the stability is false, means that that there is an impact on the effects of rights issue on the share price of quice foods after its announcement. The price of rights

issue has shown the stability negative which means that our alternate hypothesis is valid. P-value is very less which lead to the false stability.

3. Summit Bank

Date	Before Announcement			After Announcement		
6/2/2014	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	3.61	2.21	1.89	2.91	3.45	3.5

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
72.055	7.709	0.11%	FALSE	

Above gather data and chow test shows that the stability is false. It means that that there is a significant impact on the effects of rights issue on summit bank after its announcement.

The three quarter before the announcement and the three quarter after the announcement have shown the stability is negative which means that our alternative hypothesis is valid.

4. Fauji Cement Company

Date	Before Announcement			After Announcement		
20/06/2011	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	4.5	4.15	5.29	3.46	3.32	2.98

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
13.906	7.709	2.03%	FALSE	

share price after right issue. This chow test gives us clear results that tell us that whether the price after announcement had any impact on share prices or not.

Here's another company which shows false stability, means that our alternative hypothesis is right and its effects on the

5. Gul Ahmed

Date	Before Announcement			After Announcement		
1/11/2013	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	20.45	22.84	21.93	20.9	26.49	25.50

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
1.687	7.709	73.62%	TRUE	

announcement. The three quarter after the announcement have shown the stability is positive which means that our null hypothesis is valid. The slope intercepts forms a straight line as there is no significant impact on share prices.

Above gather data of Gul Ahmed and chow test shows that the stability is true. It means that there is no significant impact on the effects of rights issue on the share price after its

6. Bank Islami

Date	Before Announcement			After Announcement		
9/9/2014	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	9.7	10.45	9.6	10.53	9.02	8.56

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
8.002	7.709	4.74%	FALSE	

Price of bank Islami before and after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

7. Samba Bank

Date	Before Announcement			After Announcement		
14/12/2013	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	4.39	2.78	3.04	10.29	9.6	10.8

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
13.015	7.709	2.26%	FALSE	

price of Samba bank before and after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

8. Stile

Date	Before Announcement			After Announcement		
21/12/2014	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	11	13	12.34	10.29	9.6	10.8

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
8.656	7.709	4.23%	FALSE	

Another company shows false stability means that our alternate hypothesis is valid.

9. Js Bank

Date	Before Announcement			After Announcement		
3-07-10	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	2.84	4.06	5.19	2.32	2.35	2.8

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
711.971	7.709	0.00%	FALSE	

of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share price of JS bank before and after its announcement. The price

10. Nishat Mills Limited

Date	Before Announcement			After Announcement		
13/05/2010	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	21.1	22.23	23.2	27	19.38	17.7

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
26.979	7.709	0.65%	FALSE	

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

price of ofnshat mills limited after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

11. Orix Leasing Company

Date	Before Announcement			After Announcement		
16/07/2007	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	35.95	24.15	24.5	31.8	28.4	28.6

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
10.406	7.709	3.21%	FALSE	

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

price of Orix leasing company before and after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

12. Ghani Automobile

Date	Before Announcement			After Announcement		
07/05/2013	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	5.26	3.72	3.01	5.01	4.27	6.2

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
13.119	7.709	2.23%	FALSE	

Above gather data and chow test shows that the stability is

False, which means that alternative hypothesis is valid. There is an impact on share prices after right issue.

13. Udpl

Date	Before Announcement			After Announcement		
31/03/2013	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	14.65	8.9	7.8	15.5	14.18	20.25

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
17.104	7.709	1.44%	FALSE	

Above gather data and chow test shows that the stability is

False. It means that that there is a significant impact on the effects of rights issue on Udpl after its announcement.

14. Standard Chartered Bank

Date	Before Announcement			After Announcement		
26/10/2012	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	11.57	11.6	12.79	12.27	14.02	17.7

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
29.639	7.709	0.55%	FALSE	

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

price of standard chartered bank after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

15. Pervez Ahmed Securities Ltd

Date	Before Announcement			After Announcement		
28/11/2012	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	3.25	2.54	2.11	3.14	3.23	3.4

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
298.491	7.709	0.01%	FALSE	

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

price after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

16. Apna Microfinance Bank Limited

Date	Before Announcement			After Announcement		
12/6/2014	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	6.49	9.49	9.7	6.69	5.5	5.3

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
30.230	7.709	0.53%	FALSE	

Above gather data and chow test shows that the stability is false, means that our alternative hypothesis is valid.

17. Nib Bank

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
17/08/2011	1.38	1.65	2.68	1.34	2.82	2.08

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
3.079	7.709	15.42%	TRUE	

effects of rights issue on NIB bank before and after its announcement. The three quarter before the announcement and the three quarter after the announcement have shown the stability positive which means that our null hypothesis is valid.

Above gather data and chow test shows that the stability is true. It means that that there is no significant impact on the

18. Engro Corporation

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
15/10/2013	85.35	141	185.85	166.5	214.8	185.85

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
8.472	7.709	4.37%	FALSE	

The chow test shows that the stability is false, means that that our alternative hypothesis is valid.

19. Sngpl

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
1-02-10	24.8	27	32.25	25.49	28	30.79

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
7.833	7.709	4.89%	FALSE	

price of SNGPL before and after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

20. First National Equities Limited Fnel

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
12.06.2013	6.65	2.56	4.3	4.65	3.65	3.14

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
1.293	7.709	68.09%	TRUE	

effects of rights issue on First National Equities Limited FNE Lafter its announcement. After the announcement of right issue there is no impact on share prices which means that our null hypothesis is valid.

Above gather data and chow test shows that the stability is true. It means that that there is no significant impact on the

21. D.G. Khan Cement Company Limited

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
29/03/2011	23.8	30.14	24.61	22.75	20.25	19

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
1.509	7.709	71.34%	TRUE	

true. It means that that there is no significant impact on the effects of rights issue on D.G. Khan Cement Company limited after its announcement.

Above gather data and chow test shows that the stability is

22. Atlas Insurance Limited

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
8-03-12	34.6	33.41	32.3	41.2	49.7	54.9

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
173.992	7.709	0.02%	FALSE	

The chow test shows that the stability is false. It means that

That there is an impact on the effects of rights issue on the share price of Atlas insurance limited.

23. Singer Pak Company

Date	Before Announcement			After Announcement		
30/08/2012	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	21.99	23.43	19.27	17.01	21.25	17.6

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
0.861	7.709	59.41%	TRUE	

True. It means that that there is no significant impact on the effects of rights issue on singer Pak Company.

Above gather data and chow test shows that the stability is

24. K-Electric

Date	Before Announcement			After Announcement		
29/09/2011	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	1.85	2.13	2.08	1.54	3.7	3.11

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
1.774	7.709	74.62%	TRUE	

True. It means that that there is no significant impact on the effects of rights issue on K-electric.

Above gather data and chow test shows that the stability is

25. International Knitwear Limited

Date	Before Announcement			After Announcement		
10/10/2014	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	15.99	14.56	14.25	11.5	12.35	12.5

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
49.952	7.709	0.21%	FALSE	

price after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

26. Meezan Bank

Date	Before Announcement			After Announcement		
19/08/2009	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	23.8	17.15	11.98	15.8	16.3	17.96

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
423.650	7.709	0.00%	FALSE	

price after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

27. Soneri Bank

Date	Before Announcement			After Announcement		
28-06-11	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	5.92	7.55	6.3	4.5	3.7	7.49

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
5.627	7.709	7.66%	TRUE	

announcement. The three quarter after the announcement have shown the stability is positive which means that our null hypothesis is valid. The slope intercepts forms a straight line as there is no significant impact on share prices.

Above gather data of soneri bank and chow test shows that the stability is true. It means that there is no significant impact on the effects of rights issue on the share price after its

28. Bank of Khyber

Date	Before Announcement			After Announcement		
3/6/2011	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
	3.16	4.15	4.15	4.35	4.21	6.18

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
2.360	7.709	19.93%	TRUE	

Above gather data shows that the stability is true, means that there is no significant impact on the effects of rights issue on the share price after its announcement. The slope intercepts

forms a straight line as there is no significant impact on share prices.

29. First Paramount Modaraba

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
22/02/2013	13.5	15	13.5	13.5	13.3	16.25

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
3.673	7.709	2.78%	FALSE	

That there is a significant impact on the effects of rights issue on the share price after its announcement.

30. Engro Fertilizer

Above gather data shows that the stability is false. It means

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
13/10/2013	27.12	28.65	31.14	87.58	633.6	54

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
191.134	7.709	0.02%	FALSE	

price after its announcement. The price of rights issue has shown the stability negative which means that our alternate hypothesis is valid.

The chow test shows that the stability is false. It means that that there is an impact on the effects of rights issue on the share

31. Treet

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
14/10/2013	59.9	129	110.48	113.5	126.75	120

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
1.960	7.709	76.59%	TRUE	

Stability is true; there is no impact on share price after right issue.

Above gather data of treet and chow test shows that the

32. Pakistan International Bulk Terminal Ltd

Date	Before Announcement			After Announcement		
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	5 th quarter	6 th quarter
13/05/2010	54.75	60.85	66.8	103.97	99.97	135.91

Regression stability test (Chow test)				
Score	C.V.	P-Value	Stable?	5.0%
3.448	7.709	13.69%	TRUE	

Above gather data shows that the stability is true. It means that there is no significant impact on the effects of rights issue on the share price after its announcement. The result show the stability is positive which means that our null hypothesis is valid.

payout ratio, if a change in this is announces simultaneously with a rights issue, share price might react to the change as well as to the rights issue. Following is the tabular form of the impact of rights issue on share price of companies listed at KSE.

Interpretation

All these companies show that how the rights issue has had the impact on their share prices. The chow test for each company shows that whether the stability is true, means that our null hypothesis is valid which means that there is no impact on share prices or false means that our alternative hypothesis is valid. By looking at findings we can see that out of 32 companies 22 are not stable, their stability is false which means that there is a significant effect on the share prices after right issue and out of 32 companies 10 companies are stable which shows true stability which means that there is no impact on share prices after right issue. These companies which show impact on share prices, it can be possible that the inability of the market to forecast the longer term effects of an issue will result in the immediate ex rights price not fully reflecting these effects. Another reason can be issuing company's dividend

S. No	Company name	True	False
1	Silk bank		
2	Quice Foods		✓
3	Summit bank		✓
4	Fauji cement company		✓
5	Gulahmed	✓	
6	bank islami		✓
7	samba bank		✓
8	Stile		✓
9	js bank		✓
10	nishat mills limited		✓
11	orix leasing company		✓
12	Ghani Automobile		✓
13	Udpl		✓
14	standard chartered bank		✓
15	Pervez Ahmed securities LTD		✓
16	apna microfinance bank limited		✓
17	NIB bank	✓	
18	Engro corporation		✓
19	SNGPL		✓
20	First National Equities Limited (FNEL)	✓	

21	D.G. Khan Cement Company Limited	✓	
22	Atlas Insurance Limited's		✓
23	singer pak company	✓	
24	k-electric	✓	
25	International Knitwear Limited		✓
26	Meezan bank		✓
27	soneri bank	✓	
28	Bank of khyber	✓	
29	First paramount modaraba		✓
30	Engro fertilizer		✓
31	Treet	✓	
32	Pakistan International bulk terminal LTD	✓	
	Total	10	22

Conclusion

This research enhances our knowledge about stock market and how to deal in shares & stock market. While during research we came to know influence of right issues on share price of KSE registered corporation.

A right offering is an issue of rights to buy additional securities in an association made to the association's present security holders. Exactly when the rights are for value securities, for instance, offers, in an open association, it is a way to deal with raise capital under prepared value offerings.

It was a very difficult task to collect data regarding stock market and shares prices of company in limited time period our research is mostly depend on secondary data which we collect from different research journals of szabist Hyderabad online library we get 15 articles from that library from which we collect our data which is related with our research and we also take help from the different website which deal in stock prices. The tool we used to get result of share price, we use regression equation in which we use chow test to get the perfect findings of our research. The main reason to select this topic is to see that when company issue right shares whether there is any change in their price after issuing right shares or not, and we also want to get knowledge regarding stock market.

After analyzing the data our group focused on the tool which we used for to get result of share. After the study we came to know that out of 32 companies 22 companies show that the stability is false which means that there is an impact on share price after right issue and remaining 10 companies remains same, their stability is true which means that there is no impact on share price after right issue.

A scholar pooja maglini has proved that share price is increase after announcement of right issue in stock market.

Mr. Abhay raja said that investors get excess return around the time of right issues.

Many researchers and our group observe that Right issues price not follow any regular point of view that stock price fluctuations are random and do not follow any regular pattern.

Recommendations

In our research we have limited time and resources, we only see the impact of share price after right issues either the price of shares is increase or decrease in future we can also see why the price of shares is increase or decrease and also see the concept behind demand and supply of shares in market and we also want to see that why companies raise fund with the help of right shares why not from any other method.

This research enhances the knowledge of in stock market how the stock market deals with right shares and why the prices of right share increase. This research enhance our knowledge about stock market and how to deal in shares & stock market.

While during research we came to know influence of right issues on share price of KSE registered company. A rights issue is an issue of rights to purchase extra securities in an organization made to the organization's current security holders but we are only limited with the impact of right share after issuance we don't look at the price of right rather it increase or decrease.

In our research we have limited time and resources we only see the impact of share price after right issues, in future we can also see that either the price of shares is increase or decrease or why the price of shares is increase or decrease and also see the concept behind demand and supply of shares in market. This study recommends that further studies be done on the effect of rights issue on financial and share performance of the companies listed at the KSE, and we also want to see that why companies raise fund with the help of right shares why not from any other method.

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