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orking capital, that has to be improved further and try to utilise the factoring services. Those who are having turnover less than 25 lakhs, their investment decisions were made the situation warrants not in a regular basis. This shows that the entrepreneurs do not have risk taking attitude towards investment decisions on regular budgeted basis and also turnover and entry competitors.

Findings

From the above results and discussions, the researcher identified the followings:

- Institutions owned by the first generation entrepreneurs are having prior experience on the same area.
- Majority of the investment decisions are medium term.
- Most of the investment decisions are expansion and modernisation.
- Few of them are having habits to take investment decisions are regular budgeted manner.
- 60 per cent of the respondents mode of working capital is own sources.
- Technological changes and entry competitors influences their investment decisions.

Conclusions

Small scale industrial enterprises form the backbone of an economy. They offer good employment opportunities, nurture the locally available entrepreneurial skills, help in balance growth, and improve the overall economic conditions. However it is widely accepted that investment decisions influenced their success or failure of the business due to various factors. This paper examines about the attitudes towards investment decisions. The results evidence on the relationship between the attitude and investment decisions. Though they have confidence on their decisions, many of them were hesitating to provide regular budget for investment decisions due to various reasons,especially attribute in particular.

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Share Price Reaction to Mergers and Acquisitions - A Study on ICICI Bank

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Introduction

The Indian banking system after independence has passed through distinct phases of development. It occupies an important place in our national economy. It plays a pivotal role in the development of the economy of any nation. The Banking Regulation Act, 1949, defines the term banking as " accepting, for the purposes of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise". Earlier the main functions of Indian banks were merely accepting deposits and lending these resources to business houses and individuals. They have now diversified into various financial and other services to suit to the needs of their customers. The services include agency functions, dealings in foreign exchange, insurance, mutual fund, venture capital, merchant banking factoring, leasing, etc,. The Indian banking sector, before nationalization, had gone through series of crises and failures. Consequently its growth was quite slow. But recently the Indian banking sector has recorded rapid progress. This was due to planned economic growth, increase in money supply, and growth of banking habit and control and guidance by Reserve Bank of India.

Mergers in Banking Sector in India

The mergers have been considered as a possible avenue for improving the structure and efficiency of the banking industry. In view of the global phenomenon of consolidation and convergence, the Report of the Committee on Banking Sector Reforms (Shri M. Narasimham Committee) had suggested mergers among strong banks, both in the public and private sectors and even with financial institutions and NBFCs.

It is common phenomenon that there have been mergers in all the categories of banks (private sector & public sector). In the case of public sector banks, the main motive has been to merge with a weak bank. In the case of private sector banks, the motives have been varied. It is important to note that history has been rewritten with the merger of ICICI Bank and Bank of Madura, the two profit making banks. The merger of ICICI Bank with Bank of Madura took place on 11th April 2001.

Significance of the Study

Capital market, being a vital institution instrumental for economic development, many are interested in knowing the efficiency of the capital markets. The investors can be motivated to save and invest in the capital market only if the

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securities in the market are appropriately priced. It is true that information and its dissemination determine the efficiency of the capital market. The information such as annual earnings, half-yearly earnings, quarterly earnings, dividends, announcement of M &A etc announced by the companies are extensively used in valuing the securities. How quickly and correctly these information are disseminated, determines the efficiency of the market. That is, how quickly and correctly the security prices reflect these vital pieces of information show the efficiency of the capital market. The M & A announcements should contain information that can be used to valuing the securities. Thus capital market efficiency and information content of M & A are of great importance to the investors, fund managers, analysts, market regulators, accounting standard setters, policy makers and planners and a host of other parties. The present study is an attempt to test the efficiency of the Indian Capital Market with respect to M & A announced by the companies.

Statement of the Problem

M & A is an area of potential good as well as harm in corporate strategy including banking industry. The mergers are taking place for various motives. Therefore an analysis has to be made to know that investors are benefited. If management pursues policies of shareholders' wealth maximization, then shareholders should not suffer wealth decreases as a result of their company merging with other companies. Therefore an attempt has been made to analyze the reaction of security prices to announcement of Mergers/Acquisitions decision.

Scope of the Study

The proposed study is limited to ICICI Bank, which was involved in merger with Bank of Madura in 2001. It is proposed to investigate the adjustment of stock prices to the announcements of mergers/ acquisitions.

Objectives of the Study

The primary objective of this study is to study the reaction of security prices of ICICI Bank to announcement of mergers/acquisitions decision.

Test of Hypothesis

There is no difference in the security price behaviour of ICICI Bank M & A announcement.

Key Terms used in the Study

a.Market Reaction/ Stock Price Reaction

Market reaction is measured by the changes in the stock prices. If the prices increase, then it is called the positive reaction. On the other hand, if the prices fall, it is called negative reaction. The price changes are measured by way of abnormal returns.

b. Announcement Period

The announcement period is the period surrounding the announcement of M & A by the companies. The period includes 15 days before announcement, the day of announcement and 15 days after the announcement. Thus, the announcement period has 31 days. The period starts from- 15 and ends at 15. The day 0 is the day of announcement; -15 to –1 is the pre announcement period and +1to +15 is the post announcement period.

c. Abnormal Returns

It is calculated as the excess returns earned by a stock over the benchmark portfolio. The benchmark used in the present study is the SENSEX- an index of thirty active stocks listed on the Bombay Stock Exchange. If the stock returns are greater than the sensex returns, it is called positive abnormal returns. If the difference is negative, it is called negative abnormal returns.

d. CAR/ CAAR

Cumulative Average Abnormal Returns is referred to as CAAR as well as CAR. They are used interchangeably.

Need for the Study

There are limited studies undertaken in India to test the reaction of security price towards announcements of M & A in banking sector. Thus, there is a need for conducting a study to empirically test the information content of M & A announced by the companies and to test the reaction of security price towards announcements of M & A. The present study is an attempt to till up the gap in information regarding the response of stock price to the information content of the M & A announcement.

Sources of Data

The share price information and the value of Sensex were obtained from "Prowess", a corporate database complied and published by Centre for Monitoring Indian Economy Private Limited (CMIE). CMIE is a reputed economic research agency in India. The other required data and literature were collected from various journals and websites (www.bseindia.org).

Methodology of the Study

We follow event study methodology to assess the impact of M&A announcements on target firm's (ICICI Bank) stock returns, as attempted in the empirical works done by **Ajay Pandey (2001).** Using risk and market adjusted variant of event study methodology, we first estimate parameters of the following model (α_i and B_i, each stock) by regressing individual daily stock returns on the market index over the estimation period:

$$Ri=\alpha_i+B_i R_m \quad \text{------------------} (1)$$

Where,

R_i= daily returns on i^{th} stock, calculated as natural log of price relative, and

R_m= daily returns on market index

The market index used for the market model is BSE Sensex (30 share value-weighted index of the stock exchange, Mumbai).

$AR_{i,t}$ in turn is a specific stock's excess returns for day t and is given by Equation 2 in case of market model based excess returns test and by Equation 3 in case of market adjusted excess returns test:

$$AR_{i,t}= R_{i,t}- \alpha I-B_i^* R_{m,t} \quad \text{------------------}(2)$$

$$AR_{i,t}= R_{i,t}— R_{m,t} \quad \text{------------------}(3)$$

To observe the behaviour of stock returns surrounding the announcement date, the Cumulative Average Excess Returns (CAR) upto a given day T from day 0, were computed using:

$$CAR_T= \varepsilon_{t=0}^{T} E_t \quad \text{------------------}(4)$$

Abnormal Returns are calculated based on the returns during normal days. Abnormal returns for 15 days before & after event day are calculated from Beta (market risk) during normal days because the inclusion of abnormal days in calculating the market risk will not be real market risk as there will be impact of event (merger).

Table-1 shows the base line results of announcement effect associated with M & A offer with the objectives of change in control. It details the abnormal returns on announcement day (day '0') as well as cumulative abnormal returns -1 day, 2 days, 10 day and 15 days prior to the announcement day.

Table-1

Abnormal Returns and Cumulative Abnormal Returns of ICICI Bank

Day	Abnormal Returns	CAR
-15	-0.0019	-0.0019
-14	-0.0409	-0.0428
-13	0.0163	-0.0265
-12	0.0147	-0.0118
-11	0.0403	0.0285
-10	0.0361	0.0646
-9	0.0200	0.0846
-8	-0.0150	0.0696
-7	-0.0436	0.0260
-6	-0.0599	-0.0339
-5	0.0721	0.0382
-4	-0.0261	0.0121
-3	0.0289	0.0410
-2	-0.0404	0.0006
-1	-0.0277	-0.0271
0	0.0099	-0.0172
1	0.0087	-0.0085
2	0.0062	-0.0023
3	0.0505	0.0482
4	0.0426	0.0908
5	-0.0052	0.0856
6	-0.0027	0.0829
7	-0.0360	0.0469
8	-0.0001	0.0468
9	-0.0324	0.0144
10	-0.0272	-0.0128
11	-0.0224	-0.0352
12	-0.0193	-0.0545
13	-0.0199	-0.0744
14	-0.0336	-0.1080
15	-0.0584	-0.1664

As it is evident, the stock price abnormal returns for ICICI Bank (target bank) on '0' day were 0.0099 which got increased from –0.0019 on –15 days and increased to 0.0584 in +15 days. The results of abnormal returns indicate that price behavior of ICICI bank is significantly positive.

In order to estimate the price reaction to merger event, CAR has been estimated for ICICI bank considering its price behaviour for normal period. It is understood that the CAR on announcement day (0 day) was –0.0172 which got decreased to –0.1644 in + 15 days and increased from –0.0019 in –15 days. The results of CAR clearly indicate that the price reaction is least significant on abnormal returns.

The results of CAR for ICICI bank based on above model are plotted in Figure-I. As is evident, CAR around 30 days (before 15 days and after 15 days) before the announcement of M&A event are in the negative zone from which they start trending upwards. It is significant to note that the share price after the announcement date once again has under performed.

From the analysis, it could be observed that the share price behavior of ICICI Bank has not been affected through merger event with Bank of Madura. Further, the share price fluctuates widely in and around merger event. Hence the hypothesis of this study-**"There is no difference in the security price behavior of ICICI bank around M&A announcement"** is affirmed.

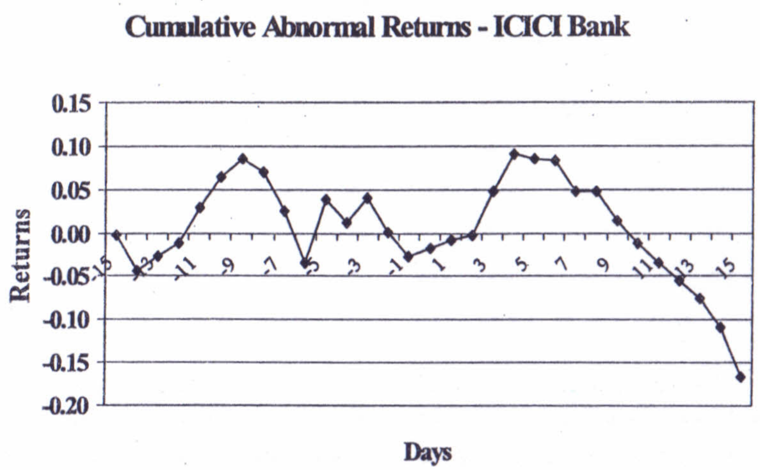

Figure-I : Cumulative Abnormal Returns - ICICI Bank

Conclusion

In order to study the share price reaction of ICICI Bank around M&A event, CAR test was adopted. The results of CAR are found to decrease during the period of merger. More specifically decrease is more prouncesed in ICICI after merger. This study creates scope for further research for application of Security Return Variability (SRV) model etc, comparison with benchmark indices and for extending time period.

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Determinats of Earnings before Interst and Taxation (EBIT) of Aluminium Companies

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Abstract

Profitability and performance of a corporate entity could be measured either internally or externally. Earnings Before Interest and Taxation is the major variable used to measure the internal performance of a business entity. Earnings Before Interest and Taxation (EBIT) could be mainly influenced by internal as well as external variables. External variables of economic and industry are too large and highly dynamic. In this paper an attempt has been made to find out the internal variables, which influence the Earnings Before Interest and Taxation of Aluminium Companies through Multiple Regression. To avoid multi co-linearity problem, correlation test was used to eliminate perfectly correlated internal financial variables. Further to test the homogeneity of the variables among the companies in the same industry ANOVA test was conducted to identify their relationship. Factor Analysis and correlational analysis were also used as confirmation tests . The results were Hindalco's EBIT was mostly influenced by Fixes Assets and Net Worth and Indalco's EBIT was mostly influenced by Cost of Sales and Profits Retained.

Introduction

Profitability and performance of a corporate entity could be measured either internally or externally. Earnings Before Interest and Taxation is the major variable used to measure the internal performance of a business entity. Earnings Before Interest and Taxation (EBIT) could be mainly influenced by internal as well as external variables. External variables of economic and industry are too large and highly dynamic. In this paper an attempt has been made to find out the internal variables, which influence the Earnings Before Interest and Taxation of Aluminium Companies through Multiple Regression. To avoid multi co-linearity problem, correlation test was used to eliminate perfectly correlated internal financial variables. Further efforts were also made to identify the best subset of the independent variables which influence the Earnings Before Interest and Taxation and also homogeneity among them were tested by using analysis of variance.

1.1 Objectives

- To identify the internal variables which determine the EBIT of the Aluminium Companies and to find out the extent of influence of such variables on EBIT.

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