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The Impact Of The Announcement Of Distribution Bonus Shares On Abnormal Returns And Trading Volume In The Egyptian Stock Market

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Abstract:
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 or 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 or 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.

Key words: Trading volume, bonus shares, abnormal returns, Egyptian stock Market.

1. Introduction

Shareholder's wealth at any time equal its share market value – its obligations and any increase in share market value increase its wealth and the company interested in maximising wealth pays distributions regularly. Return earned by ordinary shareholder may be affected by any event the company is exposed to whether occurred from inside or outside the company. A company uses a bonus issue to convert cash reserves into share capital. This process is an accounting procedure used to convert profits which the company has retained into share capital. This is achieved by creating a number of new shares and then giving them to existing shareholders.

Shareholders do not have to pay for these shares because the cash which has been converted into share capital already belongs to shareholders. To give bonus shares to investors, a company builds a reserve by retaining a part of its profit over the years (the part that is not paid as dividend). When these free reserves increase, the company transfers a part of the money into the capital account, from which it issues bonus shares. The purpose of issuing bonus shares is to increase liquidity in the stock and hand out the available distributable net worth in a cash-neutral manner. The effect of a bonus issue is to increase the number of shares in issue and as a result reduce the price per share. Shareholders are alert that, after the bonus issue, companies usually increase

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market before declaring free shares distributions compared to the same after declarations.
3. Evaluating the relationship between informational content resulting from declaring free distributions and abnormal returns of shares of these companies and abnormal trade of their share which may reflect on stock market level.
4. Evaluating the relationship between information content resulting from declaring free distributions and abnormal returns will guide investor to take rational investment decisions under more objective estimations.

Sub-sequent to this section is the theoretical framework of the study, followed by the previous studies. Then, the research methodology is presented in section 4 and followed by the research analysis to assess the effect of free share distribution on both variables the abnormal return and trade volume. Finally, section 6 is devoted for the conclusion and recommendation raised by the study.

2. Theoretical framework of the study

The announcements of financial and accounting results are very valuable since they do not only provide information on the firm itself but they also offer signals for performance of similar firms. This is commonly attained through analysing financial returns from closely competing firms to guide in estimating the future results of a firm. Empirical results show that markets generally react when financial information is available to investors (Aduda and Chemarum, 2010). Aduda and Chemarum (2010) stated that there is always a transformation in the market on announcement of bonus shares and the only difference is the direction such reaction or change takes. Sometimes the reaction is positive which is indicated by a significant increase in the returns or in the volume of shares traded; while at other times it is negative, indicated by a reduction in return and volume of shares traded (Khan and Ikram, 2012; Aduda and Chemarum, 2010).

Masry (2015b) revealed that bonus issue has the effect of alerting the market and therefore indirectly affect investor preference. During the announcement of bonus shares, the signals before the announcement allow for the alteration of the shareholders and other investors. Bonus issue therefore acts as a signal that the firm is flourishing and has the potential to make enormous profit. Dhar and Chhaochharia (2008) proposed that by using the *signaling theory*, managers issue bonus shares, particularly in understated firms, in order to show confidence in a firm future and lead to an increase in the number of shareholders in the firm. In this manner, the announcement of a bonus share is a signal total dividend payout. This, sequentially, specifies the confidence of management in the company's future.

Theoretically, the bonus issue date is an anticipated event that is known well in advance from a company's past experience of bonus issuance and hence the issue date does not contain any new information and is not expected to influence the abnormal return and trade volume significantly when announced (Mishra, 2005). On the contrary, bonus announcement is an indicator of a company's good health and indicates that the company is able to service a larger number of equity shares by generating increased profits (Amuthan and Ayyappan, 2011). This is true unless the bonus issue is prompted by debt covenants or company law restrictions that inhibit a company from issuing cash dividends thereby giving false signals to investors about the company's future cash flow prospects (Crawford et al, 2005 ; Masry,2015a). The view that a bonus announcement is well known in advance and therefore ought not affect a company's the abnormal return and trade volume and the alternative view that bonus issue gives a good signal to the market about the company are contradicting views which render a fertile ground for research which became the motivation for the study. Past studies on event study have focused on cash dividend payment and stock split news as the events to be studied but have not covered bonus or stock dividend issuance news event which creates a gap that is the motivation behind the research.

The current study complements the previous ones through issues not discussed by previous studies to the best of the researcher's knowledge, like identifying significant effect resulting from some Egyptian exchange registered companies following policy of distributing free shares to shareholders an extraordinary returns and extraordinary shares trade. The researcher studies prices of shares of companies that declared distributing free shares on shareholder and such shares were traded within a reasonable period of time before and after declaring free shares distribution, as the study discusses a new aspect other than previous studied ones to identify this event phenomena.

Thus, the objectives of this research can be summarised in the following points

1. Verifying a significant difference between abnormal returns of shares registered in Egyptian capital market before declaring free shares distributions compared to the same after declaration.
2. Verifying a significant difference between abnormal trading for shares registered in Egyptian financial

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correspondingly sustained this with Australian evidence that bonus issue do not impact the shareholder's wealth.

In conclusion, the theoretical foundation of bonus shares and its impact on liquidity and trade volume is contradicting, i.e. there is no consent on the type and the direction of this relation. However, based on the aforementioned debate in the literature, the research hypotheses are formulated as follow:

1. There is significant difference between abnormal returns of shares registered in Egyptian financial market before declaring free shares distributions compared to the same after this declaration.

2. There is no significant difference between abnormal trading of shares registered in Egyptian financial market before declaring free shares distributions compared to the same after this declaration.

3. Previous studies

It is important to study and analyse policy of distributing free shares and reaching challenges, obstacles and ideas towards this policy despite lack of studies and researches which discussed this subject and its impact on abnormal returns and trade volume to the researcher's best knowledge, this study hypotheses were formulated depending on the theoretical framework in addition to selecting companies registered in Egyptian stock exchange that distributed free shares on shareholders for the researched period, This section is classified as follow:

- Study discussed effect of distribution information content.
- Study discussed distributions effect.

3.1 Study Discussed Effect of Distribution Informational Content:

Study of Taylor (1979) conformed that distribution informational content depends on personal expectation model of information user and function of target concerned by investor, previous information and investor efficiency in interpreting message they receive and how to analyse through analysing relationship between distribution informational content and share price response in financial market to such distributions. Taylor indicated that under assuming that declaring distributions is the only message received at T and information published by the organisation through reports may create a certain expectation for investor according to its target function (share expected price, expected return) also concurrence in indicators related to different reports or organisations and distributions on creating a common expectation, resulting from information transferred through different indicators as an amended to the success of a firm and consequently an attractive investment to shareholders. Mishra (2005) indicated that the announcement of bonus shares is a signaling effect since it reflects the good standing of a firm. In this regard, Mishra stated that there are significant positive abnormal returns for a five-day period prior to the announcement of a bonus issue.

Fama (1997) detected that over time, the theoretical value of a common stock would change as a result of new information that was, anticipated or actual changes in any variable that affected the prospects of the firm which would include the announcement of bonus shares. If there are dependencies in the process generating new information, this in itself would tend to create dependence in successive price changes of the security. If there were many sophisticated traders in the market, however, they would eventually learn that it was profitable for them to attempt to interpret both the price effects of future information and of new information inferred by the dependence in the information generating process. In this way the actions of these traders would tend to make price changes independent.

On the other hand, however the interpretation of the evidence that bonus shares announcements initiate a strong share market reaction has been questioned (Bamber, Christensen, and Gaver, 2000). They further assert that most bonus shares announcements are not associated with unusual share price reactions. This is because annual financial disclosures are largely prevented by more timely sources of information such as the business news, interim accounts about a specific firm and financial results of closely competing firms thus the announcement of bonus shares has no or very little impact on share trade volume of the firm (Ball and Brown, 1968).

This school of thought deliberates bonus shares as a financial deception since it does not affect any cash inflow or outflow, and it does not improve the wealth of shareholders. It only issues additional stocks to existing stockholders according to their existing investment. Therefore, bonus shares have no tangible economic significance. It is very clear from the theoretical point of view that the issue of bonus stocks will merely increase the number of equity shares outstanding, without any impact on the stockholder's proportional ownership holding of stocks. By means of there is no change on the proportional ownership of stockholders, one cannot anticipate any major price responses on the announcement of bonus stocks. Miller and Modigliani (1961) have verified that bonus issues, accompanied by other types of dividends stated do not alter the shareholders wealth. Sloan (1987) has

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Moreover, Study of (Fama et.al 2003) inferred market efficiency from independence observed by successive prices changes agreeing with market efficiency, market interacts rapidly with new information the main anxiety source of this research is studying process that controlled information common shares prices (if any) that takes place in share distribution as the study suggested a new methodological case to measure results of safe price, successive prices changes agree with market efficiency, in other words market is modified quickly for nee information.

Study of Yousef (1991) aimed at identifying if there is an effect for media content or not when declaring profits distributions and this content effect on the organization value, as the researcher subdivided the sample companies, 35 companies registered in Kuwait exchange from 1988-1990 to 4 groups as per very company's size and how far it is successful or failing depending on capital nominal value and average return on property right: (big size successful companies, small size successful companies, small size failing companies, big size failing companies).
The Study Proved many results including for instance:

- If profits distribution is declared it would guarantee media content in case of big and small size failing companies while this is not clear in case of successful companies, also this media content effect on accumulated abnormal profits was limited to failing companies.
- This effect is not related to the company's size but its successor's failure level.
- The researcher justified these results by stock efficiency decrease in Kuwait and such information irregular transfer as transference personally or through family more than regular transference through declaration or financial reports.

Within the same regard, Merhg (1999) aimed at identifying media content included by declaring profit distribution in the organisation and identifying intensity and direction of effect made on its value through measuring changes affecting share in bourse about date of declaring distribution, studies observations were subdivided in research which are related to profits distribution declaration in 23 companies registered in Egyptian stock Exchange(ESE) from 1992-1999 to three main groups according to the unexpected changed direction in distributions to include:

- First Group: Negative unexpected changed observations in distribution.
- Second Group: Observations in which distributions were not changed from the expected.
- Third Group: Positive unexpected changes observation in distributions.

expectation of target function is created for investor due to obtained information. In case of difference between previous and amended expectation, distributions informational content effect becomes clear, yet, it is difficult to separate distribution informational effect from informational content of different performance reports of organisation or identifying the informational message related to change in investor's expectation of its objective function (share price, share return, share profitability).

While Eaton (1999) identified share price response at time of declaration to change in profits distribution, the study was applied to a sample of 45 companies, their distributions increased at 5 cent or more, and a sample of 289 companies reduced their distributions according to the same degree but they didn't delete distribution as a whole and both samples consider date of declaring distribution as the date declared in Wall Street, for companies resumed their distributions, a sample of 174 companies were selected of 700 days between two cash distributions a sample of 399 companied deleted their distribution having at least 105 days between declaring quarter annual distributions, the study used market model to appreciate abnormal returns, the study reached many results as follows:

- A significant negative decrease in abnormal returns between 11% and 17% for companies that reduced and deleted distributions.
- Companies that resumed distributions and their distributions exceeded average abnormal return covering the later declaration year.

Study carried out by Best (2001) proved that declaring changes in abnormal profits and returns distributions would be more significant for companies, as future profits would exceed profit expectations more than companies in which actual profits increase, also this declaration would transfer more significant information about future profits. Bonus issuance event study has not been examined in the past in the New York Stock Exchange (NSE) which displays efficiency in the weak-form. As evidenced by Olweny (2012) who studied the effect of cash dividend announcement on value of the firm using event study methodology involving t-test of significance to establish whether dividend announcements had information content. He used NSE data of 4 firms for the period between years 1999 to 2003. The results indicated that dividend announcements significantly affects the firm value, that such announcements do indeed convey useful information about the future value of a firm and that the NSE is not efficient in the semi-strong form of efficiency hence can allow abnormal returns to be made during dividend announcement.

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companies of distributions un reduced for three previous years.

While Acker (1999) aimed at investigating media quality differences between distributions reduction and increase and spared period declarations and final distribution. The researcher asserted that when distributions are reduced, separated period (semiannual) declaration recognised that it is more significant than the final and vice versa in case of distributions increase. The researcher found that the standard deviations assumed that fluctuation reached its peak on final declarations day and peak is also expected after declarations of separated period (semiannual) for reducing distributions and not after increase declarations.

Best (2000) reviewed foresting profits following profits distributions declarations, the study calculated reviews of expectations of short and long periods for a great sample of profits distributions declarations while observing profits declarations occurring during measurement period reviewing, as this study was applied to companies of change in distributing positive and negative profits in addition to companies that didn't make change in profits distributions using method similar to KLM. The researcher asserted profits expectation are attributed to profits distribution declaration which are directed primarily by unexpected profits, and coefficients of variables of distributing non statistical significant unexpected profits whole unexpected profits coefficients are statistically significant.

However, Nissim and Ziv, (2001) discussed the relationship between profits distribution and future profitability also they measured future profits or future abnormal profits. They found that changes of distributing profits related to future profitability level were positive after observing book value, previous and current profitability, market expectation of future profitability as reflected in price before profits distribution change. Moreover, they revealed that profits distributions increased hall agree with future profitability at least 4 years after profits distribution change while profits distributions reduction is not related to future profitability after observing current and future profitability.

Finally, Kathy (2001) verified the relationship between the unexpected profits distribution variables and later profits performance for companies that canceled distributions and made primary distributions. The researcher found that profits distributions changes are positive regarding current and previous profits changes. Also, profits primary distributions are more significant for profits increase while profits distributions decreased as a result of previous profits reduction.

This study used Naïve Model for measuring unexpected changes in distributions and according to this style relative change in distribution is calculated from one period to other, also abnormal return is calculated depending on difference between actual return and return expected in market from (-15, 0, +15) days surrounding event and the researcher used Event Study which studies changes in share market price in the period surrounding event and declaring profits distributions to identify share price response to this event and response size and direction. Mehrg found that Media content of declaring profits distribution has a considerable effect reflected on share value and intern organization's value in certain cases. Moreover, he figured out that
Media effect has one direction in all cases, as abnormal returns achieved as a result of declaring distributions reduction were negative and agreeing with media content hypothesis of reduction in abnormal return as a result of reducing distributions level at less than (26%) in inconformity with the expected positive direction and this proves contract of evaluations of investors and interested of change content unexpected in distributions according to this change value.

Finally, Mostafa (2001) tested the Egyptian stock market efficiency in its semi- strong form, through investigating the effects of declaring final financial statements for 36 companies on shares performance measured by abnormal return using daily data and event study method within an event period of 21 days, day of declaration in addition to 10 days before and 10 days after, abnormal returns were appreciated using market model after amending by "from deal to deal" style, the study results proved that stock market of Egypt is not applicable for semi-strong form of efficiency, as declaring final financial statements has no effect (information content) on prices of shares on day of declaration or period before or after.

3.2 Studies Discussed Distributions Effects:

Balachandran and Bald (1996) entitled reducing and deleting semifinal distributions in the U.K, The researchers aims at highlighting companies reducing or deleting semiannual profits from 1986 to 1993 and comparing to reducing and deleting primary distributions, it was found that price responses to reducing and canceling semiannual distributions are significantly negative and stronger than reducing primary distributions. In addition to that, study results were agreeing with media content hypothesis of profits distributions as price reaction was negative for reducing and canceling semiannual distributions, also price reaction is more negative in case of semiannual distribution reduction or in case of cancelling distributions for

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The researcher obtained distributions data as well closing prices and trading size shares of these companies and market indicators (EGX100, EGX70, EGX30) from Egyptian Stock Exchange (ESE) needed for selecting study hypotheses by using many secondary data sources, including data issued from financial control authority (previous financial market authority), ESE manifestoes and what was published on internet.

The event on which information for all investors depend at the same time public available information, declaring distributing free shares on shareholders the company whose shares are traded in ESE. The study period was determined from 2008to 2014 as this period was characterised by both growth and considerable activity of companies shares traded in the first three years, followed by a decay and a recession in from 2011 until 2014 due to the 25th of January revolution. The researcher determined the study period for many reasons represented in the following:

First, the sample faced three years of boom and three years of bust give to the sample a divergence advantage regarding the economic environment.

Second, this period is characterised by considerable growth ion Egyptian financial market, as this period witnessed a considerable increase in traded shares value and quantity in addition to shares trade increase which increased financial market liquidity.

Third, this period was related to underwriting capital market increase and trading increase that has an important effect on limiting acute fluctuation in traded shares prices and risk reduction.

finally, the researcher found that exceeding this period shall reduce the studies observations considerably accordingly, the researcher made Chi Square test between study samples subjects and all community's companies to identify how far the study sample represent the research community as test value was non-significant which considered as clear evidence that the sample represent the research community.

However, it should be mentioned that this research was applied to (22) events of (321) events as this number was selected from number of events after removing confounding events of the companies sample whose performed the following events:

1- Stock Split
2- Equity Issues
3- Mergers and Takeover
4- Stock Cash

4.3 The research variables and measurements

4. Research Methodology

The word "research" has a Latin origin meaning “to know”. Research is a systematic and repeated process that identifies and defines problems, within certain limits. It uses well-defined methods to collect data and analyse results. The word "methodology" refers to the theoretical analysis of the methods suitable to a field of study and principles particular to a branch of knowledge. Methodology includes the following concepts that relate to a particular discipline or field of inquiry:

(i) a collection of theories, concepts or ideas;
(ii) a comparative study of different approaches;
(iii) a critique of the individual methods (Creswell, 2003).

The term "research methodology" refers to the strategy followed in order to achieve the objectives posed by the particular study. The researcher included both inductive and inferential method to study the event subject of study to identify the significant effect arising from declaring free shares distributions on abnormal returns and abnormal trading of shares of companies traded in Egyptian stock market that distributed free shares to their shareholders in the researched period from (01/09/2008) to (30/09/2014).

4.1The research design

To achieve the study objective the researcher used "events study" made by (Fama et al. 1969) that tested effects of shares subdivision and no sooner had this method was applied to financial, accounting, economic, administrative and social researches, this method depends on selecting a certain period around event called (event) test and measuring abnormal returns and return volume representing market reaction to this event and this method detailed steps will be discussed through applying to study current.

Event date is t = 0, representing the day of free distributions determine during the company's general assembly's meeting and a period thereafter shall be determined to test significance of size and speed of market reaction to this event also the period before event is determined to test information leakage before disclosing to all investors, the period including event day and the period before and after is called event period or event window, this period shall be sufficient, if it is narrow, this will minimise profiting from event information as disclosure effect can't appear within the narrow period, if period is wide this will result in aggravating the event information importance because changes of shares prices at trading are affected by other events within this long period.

4.2 Sample and period of the study

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This section consists of two main sub-sections, the first on discusses the Effect of disclosing free shares distribution on abnormal returns of shares traded in Egyptian stock market, while the second is devoted for testing effects of disclosing free shares distribution on abnormal trade of traded shares in Egyptian stock market.

5.1.1 Test the Effect of Disclosing Free Shares Distribution on Abnormal Returns

The current study uses daily data and identifies event date perfectly, organisation's declaration of making free distributions, as it is supposed by Brown and Warner (1985) a relative short event period can be used, the researcher will use 15 days period before declaring distributions to test how far information were declared before event and 15 days after event to test how far market was able to absorb and understand new information, event period in the current study is (31 days) distributed as follows:

t = -15, …….. 0, ……. t = +15

The researcher explored level of Egyptian financial market efficiency which required identifying whether market returns follows natural distribution or not, for that, the researcher used Kolmogrov – Smirnov test which proved that average market return of Egyptian capital market follows natural distribution which made the researcher make laboratory and non-laboratories tests to measure market efficiency and of laboratory tests are Paired - Samples T Test as the researcher applied to average Egyptian financial market returns using daily data from 01/09/2008 to 30/09/2014 that proved non sequential correlation between average Egyptian financial market returns at significant level 1%.

Accordingly, the researcher evaluated the effect of disclosing free shares distribution on abnormal returns and abnormal trading through following the next steps:

1- Estimating abnormal returns around date of disclosing free distributions (as abnormal returns are measured through differences between actual and estimated return).
2- Testing effects of disclosing free distributions on abnormal returns by using Wilcoxon Signed Ranks test to identify difference significance between abnormal returns 15 days before event to 15 days after event.

The researcher used a period to estimate abnormal returns known prevent window as it proceeds the around event period as data of the period from 15 to 1 known as (-30:-15) period was used, but event window was extended from the fifteenth day before event (-15) till the fifteenth day after event (+15), the next table explains abnormal returns around date of disclosing free distributions.

The researcher identified the study variables under the study problem, objectives, importance and hypotheses where validity is desired to be investigated by the researcher to explain the significant effect resulting from free distribution, abnormal returns and abnormal trade size of companies shares distributing free shares, from ideological background and the theoretical framework of the study variables can be formulated as follows:

Abnormal Returns (AR)

The difference between returns realised stock and expected returns that could be achieved for this event.

Volume Returns (MR)

Difference between volume returns realised and expected volume returns that could be achieved for this event.

To measure the abnormal return, the following steps shall be followed. By gathering data of prices and shares trade for every company of sample companies within all trading days during test period as such returns were measured.

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}} \text{ ----------(1)}$$

As:

R_{it}: Actual returns of share of company i on day t.

P_{it}: Price of closing share of company i on day t.

P_{it-1}: Price of closing share of company i on day t-1.

In order to calculate the market return the following equation is applies. During all days of trading during test period through the following equation:

$$R_{mt} = \frac{m_t - m_{t-1}}{m_{t-1}} \text{ ----------(2)}$$

As:

R_{mt}: market return on day t.

m_t: value of general indicator of capital market on day t.

m_{t-1}: value of general indicator of capital market on day t-1.

The expected rate of return is measured through estimating the relationship between actual return R_{it} and market return R_{mt} through applying actual return inclination on market return inclination, through appreciating model parameters market (α i, β) by using lowest square (OLS) as follows:

$R_{it} = \alpha\, i + B_i\, R_m$----------(3)

There are two factors groups effecting the first shares performance, factors of market as a whole and the other are factors related to the company and events study method neutralize market factors through measuring abnormal return (daily remains forever) share of every day of event period as follows:

$AR_{it} = e_{it} = R_{it} - R_{it}$----------(4)

5. The research analysis

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Table No. (1): Abnormal Returns around Date of Declaring Free Distributions

Name / Date	1	2	3	4	5	6	7	8	9	10	11
	Delta industries Ideal	El Sayed general for contracting	CIB	Egyptian Gulf bank	Egyptian American bank	QNB	South Wadi for cement	Commercial international bank Egypt	United for housing and construction	Cairo for poultry	Arab for medication
-15	732	0.89	16.34	0.49	87.38	34.57	1.73	26.64	9.36	5.35	81.08
-14	6.48	0.89	16.39	0.49	87.23	34.58	1.82	27.72	9.46	5.43	78.65
-13	6.99	0.89	16.4	0.49	87.16	3.4.15	1.9	27.57	9.16	5.76	78.65
-12	7.1	0.89	16.4	0.5	87.61	34.23	1.99	28.01	9	6.04	78.65
-11	6.8	0.89	16.43	0.51	87.32	34.15	1.96	28.13	9.03	6.33	74.98
-10	6.93	0.89	16.54	0.51	89.27	34.13	1.91	28.26	9.09	6.65	74.19
-9	6.91	0.89	16.54	0.51	88.82	35.51	1.81	28.52	8.96	6.92	76.67
-8	6.89	0.89	16.44	0.5	90.81	35.07	1.74	28.78	9.89	7.22	76.67
-7	6.64	0.9	16.41	0.49	94.82	35.47	1.82	28.68	9.81	6.92	76.67
-6	6.64	0.9	16.4	0.5	98.65	35.24	1.9	28.3	9.98	7.23	71.99
-5	6.85	0.9	16.26	0.49	100.71	34.31	1.86	28.17	10.2	7.59	78.67
-4	6.78	0.9	16.59	0.49	105.98	30.93	1.77	28.14	10.19	7.97	82.61
-3	6.89	0.9	16.39	0.5	98.87	2857	1.84	28.08	10.45	8.37	86.51
-2	6.8	0.9	15.98	0.5	99.01	26.76	1.84	29.16	10.75	7.95	86.51
-1	6.58	0.9	15.98	0.5	99.71	27.64	1.77	29.4	10.6	8.13	86.65
0	6.91	0.9	16.12	0.5	97.41	27.39	1.76	29.65	10.42	7.77	86.65
1	6.95	0.89	15.57	0.47	96.8	28.47	1.82	30.92	I0.49	7.39	83.36
2	6.62	0.89	15.7	0.47	98.29	29.8	1.8	30.25	10.66	7.08	83.36
3	6.29	0.89	15.5	0.47	99.43	27.86	1.83	29.89	10.92	7.45	83.97
4	6.08	0.89	15.59	0.47	67.09	28.09	1.8	30.02	10.99	7.5	83.05
5	6.28	0.89	15.64	0.47	68.62	27.4	1.87	31	10.97	7.24	87
6	6.06	0.89	15.56	0.46	68.52	26.42	1.97	30.84	10.81	7.55	87
7	5.91	0.89	15.98	0.46	67.16	27.02	2.06	31.18	10.61	7.24	87
8	5.67	0.89	15.91	0.46	66.62	26.23	2.16	30.78	10.13	7.55	87
9	5.86	0.89	15414	0.46	65.41	25	2.25	30.67	10.42	7.02	8165
10	5.89	0.89	15.87	0.45	63.98	23.68	2.35	30	10.44	6.71	79.65
11	5.7	0.89	15.7	0.44	62.94	24.02	2.44	29.67	10.02	7.06	75.7
12	5.7	0.89	15.98	0.45	63.39	23.91	2.36	29.5	9.34	7.02	74.27
13	5.48	0.89	15.84	0.44	61.98	24.06	2.24	28.93	9.28	6,81	76.93
14	5.5	0.89	15.84	0.44	60.84	24.13	2.32	29.01	9.66	7.22	73.43
15	5.23	0.89	15.87	0.44	61.19	24.35	2.4	28.99	9.47	7.06	73.43

Table (2): Abnormal Returns around Date of Disclosing Free Distribution

Name / Date	12	13	14	15	16	17	18	19	20	21	22
	Alexandria real estate investment	Lesico Misr	Delta for sugar	Egyptian Gulf bank	International for agricultural crops	Giza general for contracting and real estate investment	National union bank Egypt	Pyramids for hotels and tourist villages	Delta insurance	Abu Kir for fertilizer and chemical industries	Al Shams for housing and constructions
-15	164.13	30	24.14	2.49	8.81	45.16	27.98	18	7.8	177	15.43
-14	166.59	28.73	24.08	2.42	9.62	44.85	24.01	18	7.72	180	15.2

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-13	164.14	27.5	23.8.1	2.6	9.91	42.21	22.25	19.5	8.58	181.49	15.08
-12	158.68	28.53	23.7	2.7	9.62	41.17	26	19.6	8	178.11	14.35
-11	152.69	27.31	23.58	2.7	9.75	42.17	23.3	19.02	7.94	190	15.71
-10	154.15	26.36	23.99	2.75	0.77	41.3	23.45	19.14	7.68	191.89	15.51
-9	163.78	26.17	23.91	2.8	9.79	42.42	23.92	18.5	7.7	190.05	15.24
-8	161.13	26.17	24.12	2.94	10.8	41.7	23.93	20	8.16	190.99	15.34
-7	15939	27.47	24.13	2.85	11.01	41.48	23.35	20.49	7.77	189.89	15.29
-6	170.15	27.35	23.55	2.8	10.9	44.41	21.8	20.21	7.88	179.25	15.15
-5	180.47	27.36	23.8	2.84	10.23	47.07	20.9	20.5	8.01	180	I5.33
-4	185.12	26.17	23.65	2.6	9.64	52.01	20.01	21	8.1	180	15
-3	187.32	27.35	23.43	2.62	10.02	55.96	218	20.9	8	181	14.28
-2	203.97	28.69	24.39	261	9.72	57.04	21.5	18.9	8.06	180.51	13.4.1
-1	205.98	27.44	24.69	2.6	10.32	55.98	22.5	19.78	8.22	190	12.58
0	207.61	28.53	25.98	2.65	11.03	57.69	22.5	211	8.32	191.5	12.89
1	214.91	27.24	26 13	3	13.07	57.23	21.01	18.58	8.87	190	12.65
2	220.1	28.59	25.43	3.1	14.3	58.65	20.4	19	8.88	190	12.55
3	213.12	27.3	25.06	2.9	13.4	60.1	20.26	I7.4	9.04	190	14.08
4	204.19	27.11	25.54	2.62	13.79	64.28	20.25	19	8.92	190	14.34
5	194.47	26.05	25.37	2.76	12.95	65.37	21.77	20.23	9.76	186	14.09
6	189.76	26.38	25.76	2.66	12.73	69.23	20	15.55	10.26	190	13.99
7	185.16	24.04	25.8	2.71	12.76	68.75	21	15.4	9.88	190	13.86
8	183.99	25.23	26.77	2.71	12.62	68.41	22	14.5	9.76	190.5	13.6
9	192.89	25.23	27.6	2.83	12.9	66.81	21	14	9.4	188.6	12.02
10	193.75	25.24	27.73	2.8	12.93	59.76	21.45	15	10.32	173.01	11.45
11	185.66	26.5	27.31	2.91	10.96	58.35	20.7	15.6	10.35	I79	11.1
12	92.27	27.82	26.9	3	12.31	59.33	20.25	15.5	9.7	171	1134
13	197.5	29.21	27.44	3.12	12.49	58.44	18.65	15.11	10.31	170.55	11.71
14	194.5	30.67	27.13	2.45	12.46	56.96	19.9	15.64	10.06	160.16	11.98
15	191.25	32.2	27.56	2	12.7	54.87	18	15.22	10.25	166.01	12

To test effect of declaring free distributions on abnormal returns, the researcher used Wilcoxon Signed Ranks to identify significance of difference between abnormal returns between the period 15 days before event to 15 days after event and this is clear as follows:

Table (3): Wilcoxon Signed Ranks for Difference between Abnormal Returns Resulting from Declaring Free Distributions

Period	Z	Significant Level
-15 : +15	-.434	.664
-14 : +14	-.365	.715
-13 : +13	-.295	.768
-12 : +12	-.574	.566
-11 : +11	-.174	.862
-10 : +10	0	1
-9 : +9	-.295	.768
-8 : +8	-.191	.848
-7 : +7	-.243	.808
-6 : +6	-.666	.506
-5 : +5	-.942	.346
-4 : +4	-1.088	.277
-3 : +3	-.633	.527
-2 : +2	-.844	.399
-1 : +1	-.469	.639

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From the previous table, it is clear that there are no significant differences between abnormal returns through periods from (-1 : 1), (-2 : 2) and till the period (-15 : 15) at significant level 5% which prove that market is not affected by disclosing free distributions, accordingly, the researcher can, regarding the first hypothesis accept the voidance hypotheses and refuse alternative hypothesis.

From the above data extracted from Wilcoxon Signed Ranks for difference between abnormal returns arising from declaring free distributions, there are no significant difference between abnormal trading in the researched period (-15 : +15) at significant level 5% which proved that market is not affected 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.

5.1.2Testing Effects of Disclosing Free Shares Distribution on Abnormal Trade of Traded Shares in Egyptian Stock Market

In this sub-section the effect of declaring free distribution on abnormal trading would be evaluated by following the same previous steps represented as follows:

1. Estimating abnormal trade around date of declaring free distributions.
2. Testing effect of declaring free distributions on abnormal trading by using Wilcoxon Signed Ranks to identify significance of difference between abnormal trading during the period 15 days before event date till 15 days after the event date.

The researcher used period of abnormal trading, known as prevent window period as it proceeds around event period, as data of period from -15 to -1 was used, known as (-30: -15) but event window was extended from the fifteenth day before event (-15) till the fifteenth day after the event (+15) and the following table clarifies abnormal trading around date of disclosing free distributions.

Table No. (4): Represents Abnormal Trading Around Date of Declaring Free Distributions

	1	2	3	4	5	6	7	8	9	10	11
Name	Delta industries ideal	El sayed general for contracting	National bank societe general	Egyptian golf bank	Egyptian American bank	National bank societe general	South Wadi for cement	Commercial international bank Egypt	United for housing and construction	Cairo for poultry	Arab for medication
-16	63085	30000	145200	16315	86030	25431	2101040	340815	853263	108	531
-15	29496	180000	283416	7048	22273	19019	999306	1247892	720800	1008	570
-14	7672	303000	253659	5299	43678	72604	6666	748020	393395	9864	378
-13	4412	90000	18086	4979	15571	37827	1657200	314910	394461	6696	9
-12	41670	510000	127722	57602	21211	47746	2390720	1313299	766493	78284	1
-11	341	1207200	26011	65679	51073	35620	1637146	416478	419836	53064	172
-10	84568	60000	76857	1649	74958	281318	915013	358246	307860	15494	1012
-9	12241	1230000	25536	21922	57951	52317	182933	300567	319586	19098	15112
-8	16197	720000	492	5607	115831	150864	1520880	1630032	1057553	93045	79
-7	2618	630000	26224	21467	95254	71349	756560	290749	369403	3582	112

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-6	330	900000	29532	33432	119409	36825	785920	374620	592898	26395	151
-5	12838	2136000	17552	12719	173486	118195	549173	204918	1045916	53942	325
-4	132488	1122000	10344	2649	149673	182355	748320	132414	520733	33840	957
-3	329985	60000	28195	1060	207364	814763	900213	341842	746155	26491	2082
-2	23085	390000	8962	2331	129723	412767	336986	922735	742440	126004	123
-1	153351	726000	85633	15899	104532	339499	459813	703816	650781	10988	375
0	134425	28800	41386	19586	129596	188652	272346	1587717	623576	2347	4
1	30068	60000	5228	30939	98427	107548	397306	1018606	255485	49092	582
2	26631	600000	9411	18248	111830	382580	223146	1035345	259565	18165	120
3	25557	1980600	48911	34984	125330	210838	148666	589707	344465	30496	463
4	119945	1960200	53142	20144	120881	158625	333066	581583	299515	37081	948
5	219616	324000	1531	43284	166632	107159	1246373	958054	267870	18483	1150
6	154503	220200	146973	23409	121244	204704	527120	557658	275021	19260	10
7	41122	779400	109030	18772	202615	230883	180533	1265899	338256	46872	1
8	222407	239400	58206	6754	179728	126347	1426160	562660	302390	3888	69
9	43867	501000	19643	24901	158100	188473	378320	1014036	558723	4992	150
10	31455	300000	7282	31233	194155	356617	1010293	743977	197692	6361	100
11	143988	270000	3473	3154	110838	521917	1299600	486920	162790	25200	155
12	82528	150000	72256	678	77061	449828	1471493	280405	191227	5064	479
13	938551	12000	193760	34125	91236	276254	575866	424179	599392	13665	277
14	78560	381600	61228	10599	115720	209966	966480	446490	338547	80599	383
15	2003581	2400	18291	13476	73236	168621	480453	201242	241733	6014	1

	12	13	14	15	16	17	18	19	20	21	22
name	Alexandria real estate investme	Leico Misr	Delta for sugar	Egyptian Gulf bank	International for agricultural	Giza general for contracting and real	National union bank Egypt	Pyramids for hotels and tourist villages	Delta insurance	Abu kir for fertilizer and	Al shams for housing

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	nt					estate investment				chemical industries	and construction
-16	637367	1600	31133	3709709	11835	41369	2630	12775	21510	330	203973
-15	994669	107878	44581	70690	10100	32885	2400	13296	365	570	400357
-14	300052	200	48238	115920	36885	25688	3000	10166	360	455	272922
-13	384386	150	48605	80773	10265	25539	3026	13038	101	1103	139547
-12	249023	315	40451	25386	10980	31361	1540	7970	300	336	161928
-11	92515	350	25746	3023659	8095	31165	1151	1517	2805	66421	471929
-10	437522	358	22226	5600	24550	18000	850	1593	890	31264	107628
-9	274169	650	42063	40566	23375	20869	1300	7033	594	28796	219772
-8	269654	760	98732	211576	15800	17868	3610	1593	1200	730	79626
-7	125394	5079	46982	16134	16190	17384	1150	5858	7771	20	255927
-6	631908	950	41008	19806	14400	96990	5124	13310	3142	3557	68151
-5	198046	33000	16009	2050	22450	135404	1700	3811	3892	995	87825
-4	518003	380	15162	21636	11320	170732	6150	1700	1585	4525	53770
-3	471897	1000	69597	4150	4750	233449	5420	5257	2000	705	37461
-2	331188	6785	190114	41990	8775	144918	2630	3480	410	768	68290
-1	606762	2355	28422	95253	19425	169412	2900	10717	6211	19559	56807
0	292619	450	415842	62475	106580	145017	2117	8038	4266	3357	70314
1	560912	1020	82689	108280	500	83549	3600	9211	4151	8334	52138
2	538389	92237	165731	97483	184160	167335	4543	1000	1250	12929	40432
3	969012	3758	64692	38050	45690	174877	1765	6088	9290	10046	158626
4	421261	396	99868	125460	34170	166288	450	7127	3050	3755	257416
5	661265	1740	88764	89360	41145	120384	310	20205	7156	17787	77275
6	368417	3371	280556	56556	58825	146623	8405	20568	9837	1921	46254
7	254284	1484	7343	27570	9185	104083	200	3249	15744	10859	63213

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			6								
8	310469	2070	65632	12500	47870	88437	10898	7140	3000	5388	86700
9	276806	75	195960	17140	33700	84744	350	400	2320	1049	103732
10	193344	112	67746	34899	95780	77061	80	2972	7320	514	41850
11	252400	10342	37432	176007	301685	73305	775	100	8907	230	73369
12	320383	8914	69976	60710	181525	83233	100	3429	16482	1242	53245
13	335258	6191	118534	256728	121725	26365	981	5358	6359	66	145017
14	284767	13101	84822	59609	82685	41357	1283	60787	5773	55	171497
15	278802	7091	121246	68956	75590	94789	2200	45724	10800	534	55948

To test effect of declaring free distributions on abnormal trading, the researcher used Wilcoxon Signed Ranks to identify significance of difference between abnormal trading on the period 15 days before event date to 15 days after event date and this is clear from the following table:

Table (5):Test of Wilcoxon Signed Ranks for Difference between Abnormal Trading Resulting from Declaring Free Distributions

Period	Z	Significant Level
-15 : +15	-0.730	0.465
-14 : +14	-0.990	0.322
-13 : +13	-2.062	0.039
-12 : +12	-0.536	0.592
-11 : +11	-0.438	0.661
-10 : +10	-0.925	0.355
-9 : +9	-0.990	0.322
-8 : +8	-0.276	0.783
-7 : +7	-1.737	0.082
-6 : +6	-0.503	0.615
-5 : +5	-0.795	0.246
-4 : +4	-0.633	0.527
-3 : +3	-0.373	0.709
-2 : +2	-0.633	0.527
-1 : +1	-1.899	0.058

significant level 5% to prove that the market is affected by informational content resulting from declaring information of companies declaration of making free distributions to their shareholders which increase trading these companies shares, accordingly, this increase is due information declaration.

From the above data extracted from Wilcoxon Signed Ranks for difference between abnormal returns arising from declaring free distributions, there are no significant

From the previous table, there are significant differences between abnormal trade in the periods from (-13 : +13) at significant level 5% which prove that market is effected by declaring free distributions, accordingly and relative to second hypothesis, the researcher can reject the voidance hypothesis and accept the alternative hypothesis. From the above discussions of date extracted from 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

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3- Financial data published by the company should be perfect, updated and simple.
4- Accessing financial data of companies registered in stock market by current or new investors.
5- Determining causes of financial declarations taken by the company.
6- Analysing efforts of companies for declaring free distributions to its shareholders to identify distribution objectives.
7- Ministry of investment should review laws and decisions related to stock markets regularly, beside making financial decisions and legislations to fill gab deceiving current or new investors and limiting false shares speculations.
8- Financial market authority should control all financial decisions taken by the company and verifying updating all data of the company affecting shares prices or trading in financial market.

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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.

6. Conclusions and recommendation

This research discussed evaluation of declaring free shares, distributions to abnormal returns of shares traded in Egyptian financial markets and also discussed evaluation of declaring free shares distributions to abnormal trade of shared traded in Egyptian stock market, in this section the researcher would discuss all results reached as follows:

- There are no statistical significant difference between declaring free shares distributions and achieved abnormal returns from the event period perspective.
- There are significant statistical of declaring free differences between declaring free shares distributions and abnormal trade from the event period perspective.

The researcher used event study method to verify the validity of its first hypothesis "there is no statistical significant difference for declaring distributing free shares to abnormal returns from the event period perspective" as the researcher according to Wilcoxon Signed Ranks between abnormal returns resulting from declaring free distribution found no statistical differences between abnormal returns with periods from (-1: 1), (-2: 2), (-3: 3), and till the period (-15 : 15) which prove that market abnormal returns of shares are not affected by informational contents resulting from free distributions.

The researcher used event study to verify its second hypothesis "there is no statistical significant relation of declaring free shares distribution on abnormal; trading from event period perspective" as the researcher found that data extracted from Wilcoxon Signed Ranks test of difference affected the abnormal trading resulting from declaring free distributions to significant differences between abnormal trading from (-13 : +13) to mean that shares abnormal trade is affected by information content resulting from declaring free distributions.

Under the research results, the researcher recommends the following:

1- Publishing the company's current and historical data through publishing means available to investors.
2- Increasing financial data transparency and all nature related to the company of events and financial declarations taken by the company.

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