International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 10 Issue: 11 | Nov - 2026 SJIF Rating: 8.659 ISSN: 2582-3930

Impact of Stock Splits on Share Prices and Trading Volume

An Empirical Study of Selected Indian Listed Companies

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Abstract

This study examines the market reaction to stock splits among ten selected Indian listed companies using daily share-price and trading-volume observations from 11 September 2025 to 11 September 2026. The sample comprises TD Power Systems, Kirloskar Pneumatic, Waterways Leisure Tourism, Jupiter Life Line Hospitals, E2E Networks, V2 Retail, Tanfac Industries, Kotak Mahindra Bank, Ajmera Realty & Infra India, and Angel One. The empirical design follows an event-study framework. Daily stock returns are calculated from adjusted closing prices and expected returns are estimated using a market model with NIFTY 50 returns as the market factor. Abnormal returns (AR), average abnormal returns (AAR), and cumulative average abnormal returns (CAAR) are examined in a −10 to +10 trading-day event window around the ex-split date. Trading-volume effects are assessed using a ten-day pre-event versus ten-day post-event comparison, with post-split volume normalized by the split factor to improve comparability across changes in the number of shares outstanding. The mean company-level CAR over the −10 to +10 window is -0.74%, and it is not statistically different from zero at the 5% level ($t = -0.212$, $p = 0.837$). By contrast, split-normalized trading volume declines materially on average: the mean company-level change is -73.86%, with a paired t-test p-value of 0.047 and a Wilcoxon signed-rank p-value of 0.002. The results therefore provide stronger evidence of a liquidity/trading-activity adjustment than of a statistically significant common price-return effect in the selected 2026 sample. Because several splits occurred close to the end of the observation period, the study emphasizes short-run event-window evidence rather than long-run post-split performance.

Keywords: Stock split, abnormal return, event study, trading volume, NIFTY 50, Indian stock market, market model, liquidity.

1. Introduction

A stock split is a corporate action in which a company divides an existing equity share into a larger number of shares with a proportionately lower face value per share. The split changes the number of shares and the quoted per-share price but, in the absence of other information, does not by itself change the aggregate market value of the equity. The economic importance of a split therefore lies less in the mechanical change in price and more in the possible information, liquidity, investor-participation, and trading-range effects associated with the action.

In India, stock splits have been examined using event-study methods that focus on announcement effects, ex-split effects, abnormal returns, trading volume and market efficiency. Earlier Indian evidence has reported mixed conclusions: some studies identify abnormal returns around split announcements or ex-dates, while others find limited or inconsistent improvements in liquidity. For example, Choudhary and Choudhary document announcement and execution effects but do not find evidence supporting improved liquidity through trading volume or daily turnover. Bodhanwala's large-sample study of 719 Indian stock splits examines returns, price, trading volume, abnormal return and cumulative abnormal return. More recent Indian research continues to use event-study methodology to investigate price and liquidity reactions.

The present study updates this line of inquiry by focusing on ten stock splits occurring during 2026 and by combining daily share data with the NIFTY 50 as the market benchmark. The design deliberately separates return effects from trading-volume effects and normalizes post-split volume by the split factor. This is important because a split increases the number of shares outstanding, so an unchanged economic level of trading can still produce a different raw share-volume count.

A stock split can be viewed as a change in the denomination of equity rather than a direct change in the underlying economic value of the firm. For example, when a share is split into two shares, an investor who previously owned one share owns two shares after the split, while the per-share market price is adjusted proportionately. The investor's proportional ownership is therefore unchanged, assuming no other transaction occurs. The relevance of the event for capital-market research arises because investors may interpret the split as a signal about management expectations, affordability, investor participation, or the firm's recent price performance.

The potential price effect and the potential liquidity effect should be distinguished carefully. A positive abnormal return would indicate that the stock performed better than would be expected from general market movements during the event period. A change in trading volume, on the other hand, concerns market activity and participation. These two outcomes need not move together. A split could be followed by little abnormal return but a meaningful change in trading activity, or it could be followed by a return reaction without a corresponding increase in share-equivalent volume.

The Indian setting is particularly relevant because listed companies differ substantially in market capitalization, investor base, sector characteristics, and quoted share price. Consequently, the response to a stock split may not be homogeneous. The present sample includes companies with different split ratios, including 2:1, 5:1, and 10:1 actions, allowing the study to describe whether the observed short-run reactions appear similar or heterogeneous across different corporate-action structures.

2. Research Problem and Rationale

2.1 Conceptual Framework

The analysis is built around two related but distinct channels through which a stock split may be reflected in market data. The first is the return channel: investors may revise their expectations around the corporate action, producing abnormal returns relative to the market benchmark. The second is the trading-activity channel: the lower quoted price and larger number of shares may alter participation and transaction patterns. The study therefore treats abnormal return and normalized trading volume as separate dependent outcomes.

The market-model framework provides a benchmark for identifying abnormal performance. Instead of attributing every price movement around the ex-split date to the split, the model first estimates the stock's normal relationship with the NIFTY 50 during the estimation period. The residual component is then interpreted as abnormal return. This approach is more informative than comparing raw closing prices before and after the split because corporate-action adjustments can change the quoted series mechanically.

For volume, the study uses a split-factor adjustment. If a stock is split 10:1, a post-split observation of 1,000,000 shares is divided by 10 for the purpose of comparison with the pre-split share basis. This does not claim that normalized volume is a perfect measure of investor participation; rather, it reduces the mechanical distortion created by the larger number of shares outstanding.

The central research problem is whether stock splits are associated with abnormal stock returns and changes in trading activity after controlling for broad market movements. A simple comparison of quoted share prices can be misleading because the per-share price is mechanically affected by the split. Accordingly, the study emphasizes return-based measures and split-normalized volume rather than interpreting the raw price change alone as value creation.

3. Objectives of the Study

- To examine abnormal stock returns around the ex-split dates of selected Indian listed companies.
- To measure cumulative abnormal returns in short event windows around stock splits.

- To examine changes in trading volume before and after stock splits after normalizing post-split volume by the split factor.
- To compare the reactions of companies with different split ratios.
- To assess whether the observed average return and volume changes are statistically significant.
- To evaluate whether the selected 2026 evidence is consistent with a short-run market reaction to stock splits.

4. Research Questions

1. Do selected Indian stocks earn abnormal returns around their ex-split dates?
2. Is cumulative abnormal performance statistically different from zero?
3. Does trading volume change after adjusting for the increase in shares caused by a stock split?
4. Are the observed effects consistent across the ten sample companies?

5. Hypotheses

Hypothesis	Null hypothesis
H01	Stock splits have no statistically significant effect on abnormal returns around the ex-split date.
H02	Cumulative abnormal returns in the −10 to +10 event window are not statistically different from zero.
H03	Stock splits have no statistically significant effect on split-normalized trading volume.

6. Review of Literature

Study	Key contribution
Choudhary & Choudhary (2009)	Indian stock-return behaviour around stock splits was examined for 1999–2007. The study documented announcement and execution effects but did not find evidence of improved liquidity after splits based on trading volume and daily turnover.
Bodhanwala (2015)	A study of 719 stock splits during 2001–2013 examined price, returns, trading volume, number of trades, abnormal returns and cumulative average abnormal returns, with a focus on market efficiency and the reaction to stock splits.
Pandow & Butt (2019)	The study used a standard event-study methodology and a market model to examine abnormal returns around Indian stock splits, applying both parametric and non-parametric tests.
Gupta & Arya (2019)	The study investigated share-price behaviour around ex-split days for a large Indian sample and applied event-study measures including abnormal returns and cumulative abnormal returns.
Ray (2011)	An Indian study of stock splits and rights issues used an event-study framework and examined abnormal returns and liquidity, highlighting the importance of controlling for confounding events.
Venugopal, Gorjelly & Aishwarya (2025)	Recent work on selected Nifty 500 companies applies event-study methods to abnormal returns, cumulative average abnormal returns, trading volume and market volatility, reinforcing the relevance of event-based analysis for Indian corporate actions.

7. Research Methodology

7.1 Research Design

The study adopts a quantitative empirical research design based on event-study methodology. The ex-split date is treated as event day 0. The event window is defined as −10 to +10 trading days, giving 21 trading observations per company where data are available. An estimation window of −130 to −21 trading days is used to estimate the relationship between each stock's return and the NIFTY 50 return. Where the beginning of the supplied data limits the full estimation window, all available observations within the defined range are used.

7.2 Sample Selection

Company	NSE Symbol	Face-value change	Ex-split date	Split ratio
TD Power Systems Ltd	TDPOWERSYS	₹2 → ₹1	24-Aug-2026	2:1
Kirloskar Pneumatic Company Ltd	KIRLPNU	₹2 → ₹1	18-Aug-2026	2:1
Waterways Leisure Tourism Ltd	WATERWAYS	₹10 → ₹1	25-Aug-2026	10:1
Jupiter Life Line Hospitals Ltd	JLHL	₹10 → ₹2	24-Jul-2026	5:1
E2E Networks Ltd	E2E	₹10 → ₹1	05-Jun-2026	10:1
V2 Retail Ltd	V2RETAIL	₹10 → ₹1	25-Mar-2026	10:1
Tanfac Industries Ltd	TANFAC	₹10 → ₹5	09-Mar-2026	2:1
Kotak Mahindra Bank Ltd	KOTAKBANK	₹5 → ₹1	14-Jan-2026	5:1
Ajmera Realty & Infra India Ltd	AJMERA	₹10 → ₹2	14-Jan-2026	5:1
Angel One Ltd	ANGELONE	₹10 → ₹1	26-Feb-2026	10:1

7.3 Data Sources

The empirical dataset consists of daily historical observations supplied for this research project for each selected company and for the NIFTY 50. The company files contain Date, Open, High, Low, Close, Adjusted Close and Volume. The NIFTY 50 file contains the same fields and is used as the market benchmark. Corporate-action information is cross-checkable through the NSE corporate-actions and corporate-filings facilities.

The final sample contains ten companies: TD Power Systems, Kirloskar Pneumatic, Waterways Leisure Tourism, Jupiter Life Line Hospitals, E2E Networks, V2 Retail, Tanfac Industries, Kotak Mahindra Bank, Ajmera Realty & Infra India, and Angel One. The sample covers a range of split ratios. Four companies have 10:1 splits, three have 5:1 splits, and three have 2:1 splits. This distribution permits descriptive comparison across different degrees of change in the number of shares outstanding, although the sample is too small to establish a causal relationship between split ratio and market reaction.

7.4 Variables and Calculations

7.4.1 Event-Study Procedure

The event-study procedure follows four broad stages. First, the ex-split date for each company is identified and assigned event day 0. Second, daily stock and NIFTY 50 returns are calculated from the adjusted price series. Third, the market model is estimated over the pre-event estimation window, and the estimated alpha and beta are used to obtain expected returns during the event window. Finally, abnormal returns are aggregated across days and companies to evaluate the short-run pattern around the split.

The −10 to +10 event window contains 21 trading-day positions for each company when observations are available. This window is long enough to observe pre-event positioning and the immediate post-event response while remaining

sufficiently concentrated to reduce the risk of attributing distant market movements to the stock split. The estimation window of −130 to −21 trading days is separated from the event window so that the parameters used to estimate expected returns are not directly contaminated by the event period.

7.4.2 Interpretation of Abnormal Returns

An abnormal return greater than zero means that the stock's realized return exceeded the return predicted by the market model for that day. A negative abnormal return means that realized performance was below the model-implied expectation. CAR is obtained by summing abnormal returns over the specified event interval. The sign of a CAR therefore indicates the direction of cumulative relative performance, while its statistical test determines whether the observed cross-company average is sufficiently different from zero to support an inference of a systematic effect.

7.4.3 Interpretation of Trading Volume

The volume comparison uses the average of ten trading days before the event and the average of ten trading days after the event, with the latter adjusted by the split factor. The percentage change is calculated relative to the pre-event average. A negative value indicates lower share-equivalent activity after the event. The paired t-test evaluates whether the average company-level difference is statistically distinguishable from zero, while the Wilcoxon signed-rank test provides a robustness check that does not rely on the same distributional assumptions as the t-test.

Daily stock return:

$R_{it} = (P_{it} / P_{i,t-1}) - 1$

Market return:

$R_{mt} = (M_t / M_{t-1}) - 1$

Market model:

$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it}$

Abnormal return:

$AR_{it} = R_{it} - (\hat{\alpha}_i + \hat{\beta}_i R_{mt})$

Cumulative abnormal return:

$CAR_i(a,b) = \Sigma AR_{it}$, for t = a to b

Average abnormal return:

$AAR_t = (1/N) \Sigma AR_{it}$

Cumulative average abnormal return:

$CAAR_t = \Sigma AAR_t$

For trading volume, the post-split daily volume is divided by the split factor. This normalization places post-split share counts on an approximate pre-split share basis. The study compares the mean normalized post-event volume with the mean pre-event volume over ten trading days on each side of the event.

7.5 Statistical Tests

- One-sample t-tests of cross-sectional abnormal returns at each event day.
- One-sample t-test of company-level CAR over the −10 to +10 window.
- Paired t-test comparing pre-event and split-normalized post-event volume.
- Wilcoxon signed-rank test as a non-parametric robustness check for the volume comparison.
- A 5% significance level is used as the primary decision threshold.

7.6 Important Data Treatment

This treatment is especially important when comparing companies with different split ratios. A 10:1 split creates a much larger numerical change in the number of shares outstanding than a 2:1 split. Without normalization, the raw

volume series would combine genuine changes in trading activity with a mechanical change in share denomination. The analysis therefore interprets normalized volume changes as the more comparable measure across firms.

The supplied historical series are adjusted around corporate actions. Consequently, the quoted Close/Adjusted Close series should not be interpreted as a raw mechanical halving or tenth-ing of the observed price on the split date. The analysis therefore focuses on return behaviour and abnormal returns rather than treating the level of the split-adjusted price as an economic gain or loss. Trading volume is separately normalized because the split changes the number of shares represented by a unit of volume.

8. Empirical Results

The analysis uses ten stock splits and a common −10 to +10 trading-day event window. The estimation sample contains between 64 and 110 observations across the companies. The mean CAR across the ten firms is -0.74%, but the one-sample test does not reject the null of zero mean CAR ($t = -0.212$, $p = 0.837$).

Symbol	Split	Ex-date	Beta	CAR −10,+10	CAR −5,+5	CAR −1,+1	Norm. volume change	Volume p
TDPOWERSYS	2:1	24-Aug-2026	0.93	12.44%	2.14%	-4.52%	-83.9%	0.060
KIRLPNU	2:1	18-Aug-2026	0.86	-5.62%	-6.96%	-3.71%	-67.0%	0.000
WATERWAYS	10:1	25-Aug-2026	0.88	-5.27%	-6.10%	-3.51%	-92.7%	0.000
JLHL	5:1	24-Jul-2026	0.34	7.39%	5.59%	4.54%	-72.9%	0.024
E2E	10:1	05-Jun-2026	1.35	17.51%	-3.03%	5.66%	-90.3%	0.000
V2RETAIL	10:1	25-Mar-2026	1.56	-2.04%	4.29%	5.02%	-85.6%	0.000
TANFAC	2:1	09-Mar-2026	0.91	-1.39%	-11.53%	0.56%	-8.8%	0.636
KOTAKBANK	5:1	14-Jan-2026	1.32	-3.74%	2.93%	-1.74%	-68.1%	0.002
AJMERA	5:1	14-Jan-2026	0.45	-22.21%	-24.57%	-0.63%	-77.9%	0.001
ANGELONE	10:1	26-Feb-2026	2.13	-4.50%	-6.72%	-3.66%	-91.2%	0.000

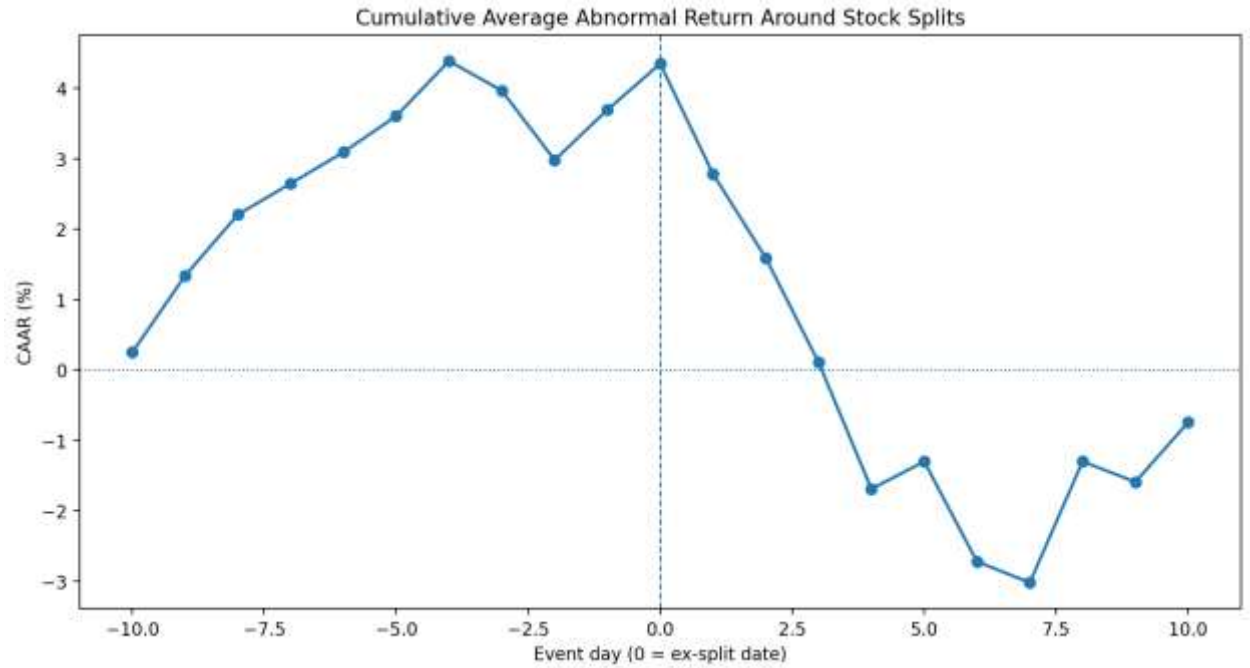


Figure 1. Cumulative average abnormal return around the ex-split date.

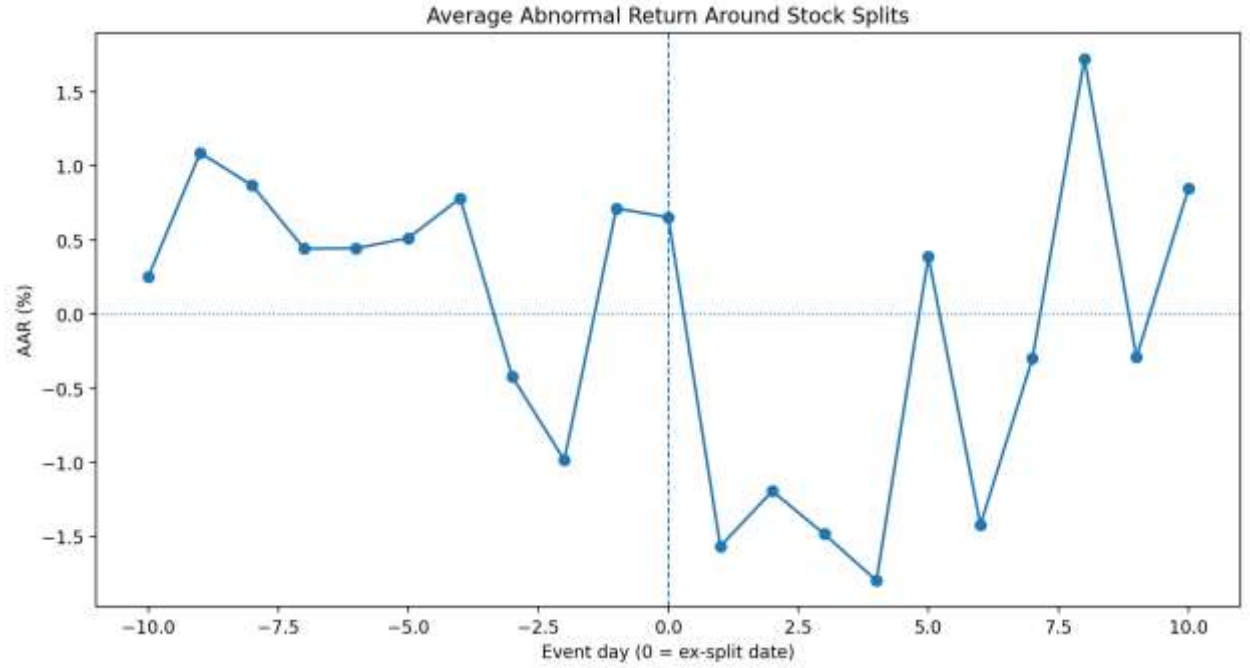


Figure 2. Average abnormal return by event day.

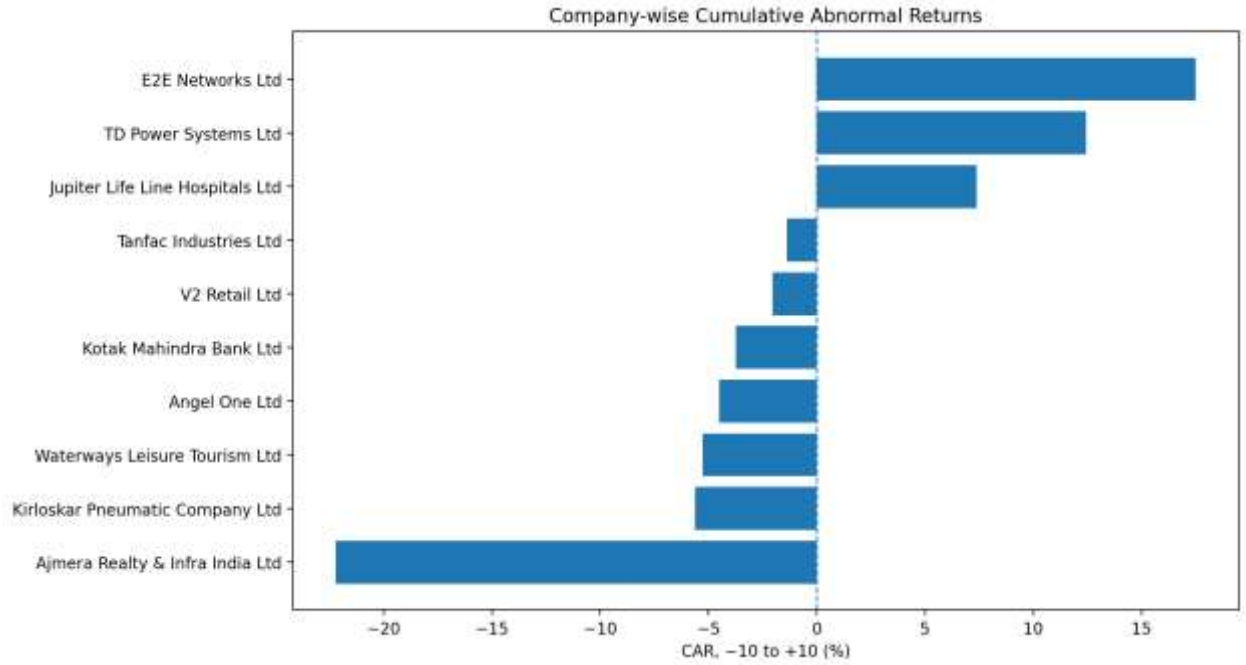


Figure 3. Company-wise cumulative abnormal return, −10 to +10 trading days.

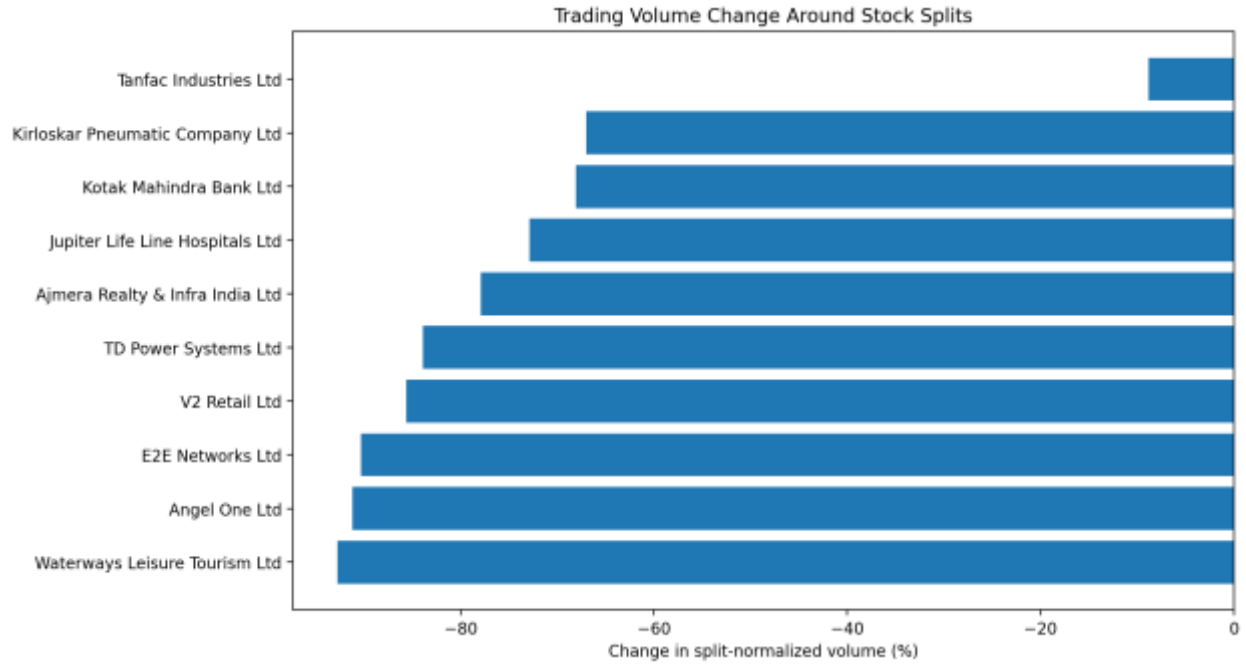


Figure 4. Change in split-normalized trading volume, pre-event versus post-event.

8.1 Return Effects

8.1.1 Company-wise Return Interpretation

E2E Networks shows the strongest positive cumulative abnormal return at 17.51%, indicating substantial relative outperformance across the event window. TD Power Systems also records a positive CAR of 12.44%, while Jupiter Life Line Hospitals records 7.39%. These observations demonstrate that positive abnormal performance occurred for some individual firms even though the aggregate mean CAR was close to zero.

At the other end of the distribution, Ajmera Realty & Infra India records a CAR of −22.21%, the most negative result in the sample. Kirloskar Pneumatic, Waterways Leisure Tourism, Angel One, Kotak Mahindra Bank, V2 Retail, and Tanfac Industries also record negative full-window CARs, although the magnitude varies considerably. The spread between the highest and lowest company-level CARs is therefore large, reinforcing the conclusion that the event did not produce a uniform direction of price reaction.

The shorter −5 to +5 and −1 to +1 windows provide an additional perspective. For example, E2E Networks changes from a positive full-window CAR to a negative −5 to +5 CAR, whereas V2 Retail and Tanfac Industries show positive CARs in the shorter −5 to +5 window despite negative or near-zero full-window performance. Such differences indicate that the timing of abnormal returns matters and that a full-window measure can conceal reversals occurring around the ex-split date.

The CAAR profile shown in Figure 1 rises during the pre-event period, reaches a positive level around the event date, and subsequently declines into negative territory before ending near −0.74% on day +10. Figure 2 similarly shows that average abnormal returns fluctuate between positive and negative values across individual event days. The visual evidence therefore supports the statistical conclusion of a mixed and non-persistent common return effect.

The event-window results are mixed across companies. E2E Networks records the highest positive CAR in the −10 to +10 window at approximately 17.51%, while TD Power Systems and Jupiter Life Line Hospitals also record positive CARs of about 12.44% and 7.39%, respectively. Ajmera Realty & Infra India records the lowest CAR at approximately −22.21%. The cross-sectional CAAR becomes negative after the early post-event period and ends at approximately −0.74% on event day +10. At individual event days, the strongest evidence of a common negative reaction occurs around day +4, where the cross-sectional p-value is approximately 0.062, which is suggestive at the 10% level but not significant at 5%.

Importantly, the mean company-level CAR of approximately −0.74% over the full −10 to +10 window is not statistically significant ($p \approx 0.837$). Therefore, the sample does not provide sufficient evidence to reject H01 or H02. This does not imply that no company experienced a meaningful reaction; rather, the direction and magnitude vary considerably across firms.

8.2 Trading Volume Effects

8.2.1 Company-wise Volume Interpretation

The trading-volume results are notably more consistent than the return results. Every company records a negative change in split-normalized post-event volume. The largest declines are observed for Waterways Leisure Tourism (−92.7%), Angel One (−91.2%), E2E Networks (−90.3%), V2 Retail (−85.6%), and TD Power Systems (−83.9%). Even the smallest decline, Tanfac Industries at −8.8%, remains negative, although its p-value of 0.6365 indicates that the decline is not statistically significant for that company.

Several companies show both economically large and statistically strong volume declines. Kirloskar Pneumatic, Waterways Leisure Tourism, E2E Networks, V2 Retail, Kotak Mahindra Bank, Ajmera Realty & Infra India, and Angel One have very small paired-test p-values. Jupiter Life Line Hospitals also shows a statistically significant decline at the 5% level. TD Power Systems has a comparatively large decline but a p-value of 0.0602, which is slightly above the 5% threshold. The company-level evidence is therefore strong in direction but not identical in statistical strength.

Figure 4 visually reinforces this pattern: all company-level bars point toward a reduction in split-normalized trading volume. The consistency across the ten observations is important because it reduces the likelihood that the aggregate result is being driven solely by one unusually large company-level change. Nevertheless, the interpretation remains limited to the selected sample and event window.

Trading-volume results are more consistent. After dividing post-split volume by the split factor, all ten companies show a lower average normalized post-event volume than their corresponding pre-event ten-day average. The average company-level decline is approximately -73.86%, while the median decline is approximately -80.93%. The paired t-test across the ten company averages is statistically significant at the 5% level ($t = 2.300$, $p = 0.047$), and the Wilcoxon signed-rank test is also significant ($p = 0.002$).

The direction is economically notable because the normalization removes the mechanical increase in the number of shares created by the split. The result therefore suggests that, for this selected 2026 sample and short event window, stock splits were not accompanied by a broad increase in share-equivalent trading activity. This finding is consistent with earlier Indian evidence that has questioned whether stock splits necessarily improve liquidity.

Symbol	Pre volume	Post normalized volume	Change	Paired p-value
TDPOWERSYS	4,908,552	789,308	-83.9%	0.0602
KIRLPNU	247,506	81,610	-67.0%	0.0002
WATERWAYS	218,582	15,881	-92.7%	0.0000
JLHL	190,532	51,613	-72.9%	0.0239
E2E	2,480,295	240,351	-90.3%	0.0000
V2RETAIL	835,162	120,052	-85.6%	0.0002
TANFAC	8,926	8,140	-8.8%	0.6365
KOTAKBANK	12,851,680	4,105,091	-68.1%	0.0016
AJMERA	231,428	51,072	-77.9%	0.0009
ANGELONE	8,418,310	737,456	-91.2%	0.0004

8.3 Event-Day Cross-Sectional Statistics

8.3.1 Statistical Interpretation

The event-day statistics indicate that the average abnormal return is positive before and on the ex-split date, with AAR values of 0.25% on day −10, 0.51% on day −5, 0.71% on day −1, and 0.65% on day 0. However, none of these values is statistically significant at the 5% level. On day +1, AAR becomes −1.57%, producing the most pronounced immediate negative movement in the reported event-day statistics, but its p-value of 0.136 remains above the 5% threshold.

By day +10, AAR is again positive at 0.85%, while CAAR is −0.74%. This combination illustrates why individual daily movements should not be interpreted in isolation. The cumulative measure incorporates the sequence of abnormal returns across the complete event window, whereas AAR describes the cross-sectional average at one specific event day.

The one-sample test of the company-level −10 to +10 CAR produces $t = -0.212$ and $p = 0.837$. Since the p-value is substantially above 0.05, the null hypothesis of no statistically significant common cumulative abnormal return cannot be rejected. The result should be interpreted as insufficient statistical evidence of a systematic return effect, rather than proof that stock splits never affect prices.

Event day	AAR	CAAR	t-stat	p-value
-10	0.25%	0.25%	0.513	0.620
-5	0.51%	3.61%	1.102	0.299
-1	0.71%	3.70%	1.150	0.280
0	0.65%	4.35%	0.940	0.372
1	-1.57%	2.78%	-1.636	0.136
5	0.39%	-1.30%	0.675	0.517
10	0.85%	-0.74%	0.900	0.391

9. Discussion

9.1 Relationship Between Return and Liquidity Evidence

A central contribution of the results is the contrast between the two outcome measures. The return evidence is heterogeneous and statistically weak at the aggregate level, while the normalized-volume evidence is consistently negative and statistically significant in aggregate. This indicates that a corporate action can coincide with a change in trading activity without generating a common abnormal-return premium across firms.

The result also cautions against using raw trading volume as a standalone measure of liquidity improvement after a split. Because the number of shares represented by the market increases mechanically, raw volume can rise even when the underlying share-equivalent activity has not increased. The normalization used here addresses this mechanical issue and produces a more conservative comparison between the two periods.

9.2 Interpretation Across Split Ratios

The sample includes 2:1, 5:1, and 10:1 splits. The observed results do not establish a simple monotonic relationship in which a larger split ratio necessarily produces a larger return or volume effect. For example, the 10:1 group contains both strong positive and strong negative CAR outcomes, while 2:1 and 5:1 splits also show substantial variation. A larger sample would be required to formally test whether split magnitude predicts market reaction.

9.3 Comparison with Earlier Indian Evidence

The present findings broadly fit the mixed pattern reported in the Indian literature summarized in Section 6. Earlier studies have documented announcement or execution effects in some settings while questioning whether stock splits automatically improve liquidity. The current study adds a more recent, short-window observation: in the selected 2026 sample, the strongest common evidence is a decline in split-normalized trading activity rather than a statistically significant positive return effect.

The evidence suggests that the stock split itself should not be interpreted as a uniform source of shareholder wealth. The market-model event study finds both positive and negative company-specific abnormal returns, and the aggregate return effect is statistically weak. This pattern is compatible with the view that a split can contain information or investor-sentiment effects, but that those effects are not homogeneous across firms.

The volume result is more uniform. Once the post-split share count is normalized, trading activity is lower for every company in the sample over the selected ten-day comparison window. This is a useful distinction from a simple raw-volume comparison. Raw volume can rise because each trade now represents a smaller face-value unit; normalization attempts to compare activity on a common share-equivalent basis.

The findings also demonstrate why event-study methodology is preferable to a before-and-after comparison of quoted prices. The supplied historical series incorporate corporate-action adjustments, and a mechanical price reduction associated with a split does not represent a change in firm value. Abnormal returns, which compare actual returns with market-model expected returns, provide a more meaningful measure of market reaction.

10. Hypothesis Testing Summary

Hypothesis	Statement	Evidence	Decision
H01	No significant abnormal-return effect	Mean CAR p = 0.837	Fail to reject H01
H02	CAR in −10 to +10 not different from zero	t = -0.212; p = 0.837	Fail to reject H02
H03	No significant effect on normalized volume	Paired t p = 0.047; Wilcoxon p = 0.002	Reject H03

11. Key Findings

Taken together, the hypothesis tests show an asymmetric result. H01 and H02 are not rejected because the mean cumulative abnormal return is not statistically different from zero. H03 is rejected because both the paired t-test and the Wilcoxon signed-rank test indicate a statistically significant decline in split-normalized trading volume. Thus, the evidence is stronger for a change in trading activity than for a systematic return effect.

- The ten-company sample produces a mean CAR of approximately -0.74% over the −10 to +10 event window, which is not statistically significant.

- Company-level return reactions are heterogeneous: some firms show positive CARs while others show substantial negative CARs.
- The aggregate CAAR ends close to zero after the 21-day event window, indicating no persistent common abnormal-return effect in the selected sample.
- Split-normalized trading volume falls for all ten companies in the ten-day post-event comparison.
- The average normalized volume decline is approximately -73.86%, and the paired company-level test is significant at the 5% level.
- The results provide stronger evidence for a change in trading activity than for a common short-run return premium.

12. Implications

12.1 Implications for Investors

Investors should distinguish the mechanical effect of a split from an investment return. A lower quoted price after a split does not, by itself, mean that the security has become cheaper in an economic sense, because the number of shares has changed proportionately. The event-study results further suggest that investors should not assume that a split will produce a positive abnormal return. Company-specific fundamentals, expectations, and broader market conditions remain relevant.

12.2 Implications for Companies and Management

For company management, the results indicate that a stock split may change the denomination of the security without guaranteeing higher share-equivalent trading activity. The observed volume decline in the selected sample suggests that the split should not be presented as an automatic liquidity-enhancement mechanism. Management may therefore need to consider the broader investor-participation strategy and market conditions surrounding the corporate action.

For researchers, the study demonstrates the importance of corporate-action adjustment, market benchmarking, and separate analysis of returns and volume. Future empirical designs can extend this framework by incorporating announcement dates, longer windows, control samples, sector benchmarks, and multifactor expected-return models. Such extensions would help separate the information effect of a split from unrelated firm-specific news.

12.3 Implications for Researchers

For investors, a stock split should not automatically be treated as a buy signal. The event-window evidence indicates that company-specific information and market conditions matter substantially. For managers, the split may alter the trading denomination of the stock, but the evidence does not establish a universal improvement in liquidity on a share-equivalent basis. For researchers, the results underline the importance of adjusting trading volume for the split factor and controlling for market returns.

13. Limitations of the Study

13.1 Directions for Future Research

Future research can improve statistical power by expanding the sample beyond ten firms and covering multiple years. A larger panel would permit formal tests of whether split ratio, firm size, sector, pre-split price level, or prior return performance explains differences in market reaction. Researchers could also compare announcement-date, record-date, and ex-split-date windows to determine when information is incorporated into prices.

A second extension would examine longer post-event horizons. The present dataset ends on 11 September 2026, and several splits occur relatively close to that date. Longer observation periods would make it possible to examine whether the short-run volume decline persists, reverses, or converges toward normal activity. Longer windows could also assess whether any return effects emerge after the immediate event period.

A third extension would incorporate additional market and firm-level controls. Sector indices, size factors, volatility measures, market liquidity indicators, and concurrent corporate announcements could improve the identification of

the split-specific effect. Robustness could also be assessed through alternative event windows and expected-return models.

- The sample contains only ten companies and therefore should not be generalized to all Indian listed companies.
- The study period is limited to one year, and several 2026 splits occur relatively close to the end of the sample period.
- Because the dataset ends on 11 September 2026, long-run post-split performance cannot be evaluated consistently for the newest splits.
- The study uses a market-model specification with NIFTY 50 as the market factor; alternative multifactor models may produce different expected returns.
- The event study focuses on the ex-split date. Announcement-date reactions may differ and require a separate event window around the board or exchange announcement.
- Other corporate announcements or firm-specific news around an event can create confounding effects that are difficult to eliminate completely in a small sample.

14. Conclusion

Overall, the evidence supports a cautious interpretation of stock splits in the selected Indian companies. The mean CAR of −0.74% is economically small at the aggregate level and statistically indistinguishable from zero, while the company-level CARs range from substantial positive to substantial negative values. This dispersion indicates that the market reaction is strongly firm-specific rather than uniform.

The volume evidence provides the clearer empirical signal. After adjustment for split factors, every company shows lower average post-event share-equivalent volume, with an average decline of approximately 73.86%. Both the paired t-test and Wilcoxon signed-rank test support the statistical significance of the aggregate decline. Accordingly, the study's principal conclusion is not that stock splits systematically destroy or create shareholder value, but that the selected 2026 events are associated with a measurable short-run change in trading activity without a statistically significant common abnormal-return premium.

The findings should nevertheless be interpreted within the study's scope. They describe ten selected Indian listed companies and a short observation period rather than the entire Indian equity market. The results provide useful empirical evidence for the selected sample and a basis for broader research, but they do not justify a universal claim that all stock splits produce the same return or liquidity outcome.

This empirical study investigates the impact of stock splits on share-price returns and trading volume for ten selected Indian listed companies using daily data from September 2025 to September 2026. Using a market-model event study and the NIFTY 50 as the benchmark, the analysis finds no statistically significant common abnormal-return effect over the −10 to +10 trading-day window. The direction of abnormal performance varies substantially across companies, indicating that a stock split does not create a uniform short-run return pattern.

The trading-volume evidence is more pronounced. After normalizing post-split volume by the split factor, the post-event volume is lower for all ten companies in the selected comparison window, and the aggregate company-level decline is statistically significant. Thus, the principal empirical conclusion is that the selected 2026 Indian stock splits are associated with a measurable change in trading activity but not with a statistically significant common return premium.

Future research should extend the sample to a larger number of Indian companies, use longer pre- and post-event windows, distinguish announcement and ex-split effects, control for other corporate events, and consider alternative expected-return models. Such extensions would provide stronger evidence on whether stock splits influence liquidity, investor participation, and market efficiency over longer horizons.

15. References

15.1 Replication Framework

For replication, a researcher can follow the sequence used in this study: identify eligible stock splits; collect daily adjusted stock prices and volumes; obtain corresponding NIFTY 50 observations; align all series by trading date; calculate daily returns; estimate the market model over the pre-event estimation window; compute abnormal returns for event days −10 through +10; aggregate AR into CAR and CAAR; normalize post-split volume by the split factor; compare ten-day pre-event and post-event averages; and apply both parametric and non-parametric statistical tests.

This sequence provides a transparent audit trail for the empirical results. Each company-level observation can be traced from the underlying daily series to its estimated beta, abnormal returns, cumulative abnormal return, normalized volume change, and associated statistical test. Maintaining this structure is important for reproducibility and for future studies that expand the sample.

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Appendix A. Statistical Output Summary

Statistic	Value
Number of companies	10
Study period	11-Sep-2025 to 11-Sep-2026
Event window	−10 to +10 trading days
Estimation window	−130 to −21 trading days
Mean CAR	-0.74%
CAR t-statistic	-0.212
CAR p-value	0.837
Mean normalized volume change	-73.86%
Median normalized volume change	-80.93%
Volume paired t-statistic	2.300
Volume paired t-test p-value	0.047
Volume Wilcoxon p-value	0.002

Appendix B. Company-level Results

Company	Split	Beta	CAR −10,+10	CAR −5,+5	Norm. volume change	Volume p
TD Power Systems Ltd	2:1	0.926	12.44%	2.14%	-83.9%	0.0602
Kirloskar Pneumatic Company Ltd	2:1	0.864	-5.62%	-6.96%	-67.0%	0.0002
Waterways Leisure Tourism Ltd	10:1	0.880	-5.27%	-6.10%	-92.7%	0.0000
Jupiter Life Line Hospitals Ltd	5:1	0.342	7.39%	5.59%	-72.9%	0.0239
E2E Networks Ltd	10:1	1.354	17.51%	-3.03%	-90.3%	0.0000
V2 Retail Ltd	10:1	1.555	-2.04%	4.29%	-85.6%	0.0002
Tanfac Industries Ltd	2:1	0.914	-1.39%	-11.53%	-8.8%	0.6365

Kotak Mahindra Bank Ltd	5:1	1.318	-3.74%	2.93%	-68.1%	0.0016
Ajmera Realty & Infra India Ltd	5:1	0.450	-22.21%	-24.57%	-77.9%	0.0009
Angel One Ltd	10:1	2.133	-4.50%	-6.72%	-91.2%	0.0004