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Does Earnings Surprise Determine the Timing of The Earnings Announcement? Evidence From the Select Companies of Financial Sector in India.

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Abstract- This study examines the impact of earnings announcement timing on stock market reactions in the Indian financial sector, with a specific focus on the role of earnings surprises. Using an event study methodology, the research analyses quarterly earnings announcements of five major financial institutions—HDFC Bank Ltd., ICICI Bank Ltd., State Bank of India, Bajaj Finance Ltd., and Kotak Mahindra Bank Ltd.—over three financial years (FY 2022–23 to FY 2024–25). Abnormal returns are calculated within a 40-day event window (−20 to +20 days) to capture short-term market reactions. Further, a t-test is employed to compare market reactions for announcements made during trading hours versus after trading hours, while logistic regression is used to examine whether earnings surprises influence announcement timing decisions. The results reveal that although firms predominantly prefer after-hours disclosures, the difference in abnormal returns between during-hours and after-hours announcements is not statistically significant. However, descriptive patterns suggest that firms strategically use after-hours timing to manage investor reactions, particularly in the presence of earnings surprises. The study contributes to behavioural finance literature by providing recent empirical evidence from India's financial sector and offers insights for managers, investors, and regulators regarding disclosure strategies and market efficiency.

Keywords: Earnings Announcements, Earnings Surprises, Event Study, Abnormal Returns, Disclosure Timing, Indian Financial Sector

I. INTRODUCTION

Earnings announcements are among the most influential corporate disclosures in financial markets, as they convey critical information regarding a firm's financial performance. Investors and analysts closely monitor these announcements to reassess firm value, leading to noticeable price and volume adjustments. In emerging markets such as India, the timing of earnings announcements has gained increasing importance due to the growing participation of retail investors, rapid information dissemination through digital media, and heightened market sensitivity.

Unlike developed markets where after-market disclosures are relatively standardised, Indian firms follow a mixed disclosure pattern. Regulatory flexibility under SEBI's Listing Obligations and Disclosure Requirements (LODR) allows firms to announce earnings either during trading hours or after market closure. This flexibility enables managers to use timing as a strategic communication tool, especially when dealing with positive or negative earnings surprises.

The financial sector is particularly suitable for such analysis because of its systemic importance, high liquidity, and intense media coverage. Even small deviations between expected and actual earnings can trigger disproportionate market reactions. This study therefore investigates whether the timing of earnings announcements influences market reactions and whether earnings surprises affect firms' timing decisions in the Indian financial sector.

II. RESEARCH METHODOLOGY

Research Design
The study adopts a quantitative and empirical research design using the Event Study Methodology (ESM) to examine stock price reactions to earnings announcements. The approach isolates abnormal returns attributable to earnings disclosures by controlling for overall market movements.

Sample Selection
The sample comprises five leading financial sector companies listed in India:
- HDFC Bank Ltd.

- ICICI Bank Ltd.
- State Bank of India
- Bajaj Finance Ltd.
- Kotak Mahindra Bank Ltd.

These firms were selected due to their high market capitalisation, liquidity, and strong analyst coverage. A total of 60 quarterly earnings announcements over FY 2022–23 to FY 2024–25 were analysed.

Data Sources

- Earnings announcement dates and timing: NSE, BSE, company disclosures
- Stock price data: NSE/BSE official databases
- Earnings expectations: analyst consensus data All data used are secondary and publicly available

Event Window

An event window of −20 to +20 trading days around the announcement date is used:

- Day 0 represents the announcement day
- For after-hours announcements, Day 0 is the next trading day

Earnings Surprise Measurement

Earnings surprise (ES) is defined as the difference between reported EPS and expected EPS and classified as:

- Positive Surprise (> +10%)
- Negative Surprise (< −10%)
- No Surprise (±10%)

Statistical Tools

- Descriptive statistics
- t-test to compare abnormal returns by announcement timing
- Logistic regression to analyse the effect of earnings surprises on timing decisions

III. RESULTS AND DISCUSSION

Timing Distribution of Earnings Announcements

Table 1: Quarterly Distribution of Earnings Announcement Timing

Category	Number of Announcements
During Trading Hours	15
After Trading Hours	42
Total	60

Discussion:

The results show a strong preference for after-hours earnings announcements. This suggests that financial sector firms strategically avoid intraday volatility and allow investors time to absorb information before trading resumes.

Market Reaction: During vs After Trading Hours

Table 2: t-Test Results – Abnormal Returns

Metric	During Hours	After Hours
Mean Abnormal Return	−0.0127	−0.5238
Variance	13.77	6.87
t-Statistic	0.566	
p-Value (Two-tailed)	0.573	

Discussion:

Although after-hours announcements exhibit slightly more negative abnormal returns, the t-test results indicate no statistically significant difference in market reactions based solely on announcement timing. Hence, H1 is accepted, suggesting that timing alone does not drive abnormal returns.

Earnings Surprises and Announcement Timing

Table 3: Logistic Regression Variables

Variable	Description
EAD	Earnings Announcement Decision (0 = During, 1 = After Hours)
PSURP	Positive Earnings Surprise
NSURP	Negative Earnings Surprise

Discussion:

Logistic regression results indicate that earnings surprises influence managerial disclosure behaviour. Firms are more likely to announce earnings after trading hours when negative surprises occur, supporting the idea that timing is used to manage investor sentiment. Thus, H2 is partially rejected, indicating a strategic relationship between earnings surprises and timing decisions.

IV. CONCLUSION

This study provides empirical evidence on earnings announcement timing and market reactions in the Indian financial sector. While after-hours announcements dominate disclosure practices, statistical results show no significant difference in abnormal returns between during-hours and after-hours announcements. However, descriptive patterns and regression analysis suggest that firms strategically use timing to manage investor reactions, particularly when earnings surprises are negative.

The findings reinforce behavioural finance theories that investor psychology and information processing play a critical role in market reactions. The study offers practical implications for corporate managers in planning disclosure strategies, for investors in interpreting announcement signals, and for regulators in evaluating market transparency.

V. APPENDIX

Appendix A: List of sample companies
Appendix B: Event window structure (−20 to +20 days)
Appendix C: Variable coding for regression analysis

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