

Bond University  
Research Repository



## Rights offerings, subscription period, shareholder takeup, and liquidity

Balachandran, Balasingham; Faff, Robert; Theobald, Michael; Van Zijl, Tony

*Published in:*  
Journal of Financial and Quantitative Analysis

*DOI:*  
[10.1017/S0022109011000573](https://doi.org/10.1017/S0022109011000573)

*Licence:*  
Other

[Link to output in Bond University research repository.](#)

*Recommended citation(APA):*  
Balachandran, B., Faff, R., Theobald, M., & Van Zijl, T. (2012). Rights offerings, subscription period, shareholder takeup, and liquidity. *Journal of Financial and Quantitative Analysis*, 47(1), 213-239.  
<https://doi.org/10.1017/S0022109011000573>

### General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

For more information, or if you believe that this document breaches copyright, please contact the Bond University research repository coordinator.



## Rights Offerings, Subscription Period, Shareholder Takeup, and Liquidity

Journal of Financial and Quantitative Analysis, Volume 47, Issue 1

BALASINGHAM BALACHANDRAN, ROBERT FAFF, MICHAEL THEOBALD, TONY VAN ZIJL

DOI: 10.1017/S0022109011000573

Published online: 14 November 2011, pp. 213-239

Print publication: February 2012

[Read this article for free](#)

### Abstract

We examine the role of shareholder takeup in rights offerings on the subscription period price reaction and liquidity. Our results indicate that takeup information is reflected in price adjustments over the subscription period and that quality-related information disclosed on the rights announcement date further impacts prices in this period. Higher shareholder takeup improves liquidity. We do find some evidence of inefficiencies in the adjustment process over the subscription period that, in part, is consistent with a model where markets are characterized by overconfident investors and that also articulates with takeup information arriving in the market.

### How does Cambridge Core Share work?

Cambridge Core Share allows authors, readers and institutional subscribers to generate a URL for an online version of a journal article. Anyone who clicks on this link will be able to view a read-only, up-to-date copy of the published journal article.