



## Impact of Earnings per Share on Share Price: A Study with Special Reference to Select Indian Public Sectors Banks

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### ABSTRACT

Market Value of Share of a company is determined by various factors. Earning per Share is one of the variables which determine the market price of the share. In this study an attempt was made by using simple linear regression model to see how for the earning per share has got an effect over the Market value of share. EPS and Market price of share of eleven Indian public sector banks were taken for the study for five years from March 2013 to March 2017. The study witnessed the Impact of Earning per Share on Share price.

**Keywords--** Indian Public Sector Banks, Earning per Share (EPS), Market Value of Share (MVS) and Simple Linear Regression Model

**JEL Classification: G10, G12, G13**

Market price of share of eleven Indian public sector banks were taken for the study for five years from March 2013 to March 2017. The study witnessed the Impact of Earning per Share on Share price.

### II. REVIEW OF LITERATURE

**John Consler, Greg M. Lepak, Susan F. Havranek, (2011)** studied the relative power of cash flow per share and earnings per share in determining the dividends of firms. In their study they found that the influence of cash flow per share is at the higher side on dividends than EPS.

**Mohammed Ibrahim Obeidat, (2009)** studied the impact of Earnings per Share (EPS), Dividends per Share (DPS), and Book Value per Share (BVPS) on stock market prices in Abu Dhabi Securities Market. From the study it was found that there was a significant effect of EPS and BVPS on stock market price in the Abu Dhabi Securities Market

**Scott Pirie, Malcolm Smith, (2003)** made an attempt to see how the accounting influencing the share prices of various firms

**J.C.Y. How, C.S. Teo, H.Y. Izan, (1992)** witnessed the combined effect of Dividend announcements and accounting earnings on share price

**J. Dahyaa, A.A. Lonie, D.M. Power, (2000)** made an attempt to view how changes in the top management (Board of directors) will influence both the market value of share and accounting performance (EPS).

### III. RESEARCH METHODOLOGY

The study relied upon the secondary data. Earnings per share and Market share price of eleven Indian public sector banks were taken for the study for five years

### I. INTRODUCTION

The Earnings arrived by a firm after deducting the depreciation, interest and Income tax is otherwise called as Profit after Tax. The Profit after Tax of a firm is considered as the Earnings available for the share holders particularly equity share holders. Every business unit is putting its efforts to maximize the profit after tax to satisfy its shareholders. To find the earnings per share, the profit after tax is to be divided by the total number of shares outstanding. Higher the level of profit after tax leads to hike in the earnings per share. For parking the funds in equity, the investors will always look after the Earnings per Share. Earning per Share is one of the investor ratios. Market Value of Share of a company is determined by various factors. Earning per Share is one of the variables which determine the market price of the share. In this study an attempt was made by using simple linear regression model to see how for the earning per share has got an effect over the Market value of share. EPS and

from March 2013 to March 2017. Statistical tools like Mean, Standard deviation, co-efficient of variation, One-way ANOVA and Simple Linear Regression are used in this study.

#### Hypothesis

The following hypothesis were framed for the study

H<sub>0</sub>: Earnings per Share is uniform in the sample units

H<sub>0</sub>: Market value of share is uniform in the sample units

H<sub>0</sub>: There is no significant impact of EPS on Market value of share

H<sub>0</sub>: There is no significant relationship among EPS on Market value of share

#### IV. DATA ANALYSIS

**Table 1 showing the Earnings per share of select Banks for the year 2013 to 2017**

Company	2013	2014	2015	2016	2017
SBI	206.2	145.88	17.55	12.82	13.15
Union Bank of India	36	26.75	27.94	19.66	8.08
Canara Bank	74.1	64.83	52.86	56.87	-51.8
Indian Bank	35.94	24.37	20.93	14.81	29.27
Punjab National Bank	134.31	92.32	16.51	-20.24	6.23
Vijaya Bank	9.41	4.84	5.11	4.09	7.51
Syndicate Bank	33.3	27.4	23	-23.37	3.97
United Bank of India	15.42	8.64	-21.87	3.05	-3.36
Andhra Bank	24.03	23.04	7.39	10.59	7.93
Punjab and Sind Bank	12.71	10.92	3.03	8.39	5.02
Corporation Bank	93.82	33.53	6.97	-4.95	4.89

Source: Computed Data

**Table 2 showing the Mean, Standard Deviation and co-efficient of Variation of the Earnings per share of select Banks for the year 2013 to 2017**

Company	Mean	Std.Dv	co-efficient of variation
SBI	79.12	91.03	115.05
Union Bank of India	23.686	10.47	44.22
Canara Bank	39.372	51.61	131.08
Indian Bank	25.064	8.04	32.09
Punjab National Bank	45.826	64.77	141.35
Vijaya Bank	6.192	2.21	35.67
Syndicate Bank	12.86	23.04	179.17
United Bank of India	0.376	14.24	3786.06
Andhra Bank	14.596	8.26	56.57
Punjab and Sind Bank	8.014	4.01	50.09
Corporation Bank	26.852	40.06	149.18

Source: Computed Data

**Table 3 showing the One-way ANOVA (Single Factor) of Earnings per share of select Companies**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	18267309	12	1522276	925.9173	3.92857E-56	1.943617
Within Groups	85491.8	52	1644.073			
Total	18352800	64				

Source: Computed Data

### Inference

Since the calculated value (925.9173) is greater than the table value (1.943617) the null hypothesis is rejected and it is proved that the Earnings per Share is not equal in the sample units.

**Table 4 showing the Market Value of Shares of select Banks for the year 2013 to 2017**

Company	2013	2014	2015	2016	2017
SBI	2264.3	2078.60	269.75	189.00	289.75
Union Bank of India	244.7	151.15	143.85	127.40	170.90
Canara Bank	403.409	277.84	368.00	200.32	357.55
Indian Bank	171	129.30	139.90	97.50	319.10
Punjab National Bank	768.1	784.20	159.65	87.10	168.90
Vijaya Bank	52.45	40.95	44.55	31.75	81.90
Syndicate Bank	119.85	103.10	99.30	69.65	82.75
United Bank of India	57.95283	31.80	27.55	19.55	23.25
Andhra Bank	91.2	66.85	76.45	55.20	68.80
Punjab and Sind Bank	61.95	48.10	47.95	36.40	64.15
Corporation Bank	378.25	293.80	56.95	38.55	58.70

Source: Computed Data

**Table 5 showing the Mean, Standard Deviation and co-efficient of Variation of the Market Value of Shares of select Banks for the year 2013 to 2017**

Company	Mean	Std.Dv	co-efficient of variation
SBI	2264.3	2078.60	269.75
Union Bank of India	244.7	151.15	143.85
Canara Bank	403.409	277.84	368.00
Indian Bank	171	129.30	139.90
Punjab National Bank	768.1	784.20	159.65
Vijaya Bank	52.45	40.95	44.55
Syndicate Bank	119.85	103.10	99.30
United Bank of India	57.95283	31.80	27.55
Andhra Bank	91.2	66.85	76.45
Punjab and Sind Bank	61.95	48.10	47.95
Corporation Bank	378.25	293.80	56.95

Source: Computed Data

**Table 6 showing the One-way ANOVA (Single Factor) of the Market Value of Shares of select Companies**

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4072976	10	407297.6	3.500938	0.001849	2.053901
Within Groups	5118940	44	116339.5			
Total	9191916	54				

Source: Computed Data

**Inference**

Since the calculated value (3.500938) is greater than the table value (2.053901) the null hypothesis is rejected and it is proved that the Market Value of Shares is not equal in the sample units.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.851 <sup>a</sup>	.724	.718	218.90602	.724	138.819	1	53	.000

Predictors: (Constant), EPS  
Source: Computed Data

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6652163.812	1	6652163.812	138.819	.000 <sup>a</sup>
	Residual	2539751.701	53	47919.843		
	Total	9191915.513	54			

Predictors: (Constant), EPS  
Dependent Variable: MV  
Source: Computed Data

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	17.771	34.612		.513	.610
	EPS	8.309	.705	.851	11.782	.000

Dependent Variable: MV  
Source: Computed Data

**Inference****Table 7:**

The  $R^2$  in the model is 0.851 which means that the independent variable (EPS) can explain 85.1% of change in the dependent variable (MV). The adjusted  $R^2$  demonstrates that 72% of the variances between dependent and independent variables in this model.

**Table 8:**

The model shows that the independent variable (EPS) has the significant impact of this variable on dependent variable Market Value of Shares

**Table 9:**

With reference to the beta co-efficient and sig.value it is found that the independent variable shows impact on dependent variable Market Value of Shares MVS significantly. The statistical tests applied in this case,

also suggest there is a strong relationship between independent variables and dependent variable.

**V. CONCLUSION**

Based on the statistical analysis it is concluded that EPS holds its impact on the market value of share and have a significant and positive relationship between Earnings per Share and Market Value of Shares.

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