



A study on relationship between Market Price & Earnings per Share with reference to selected companies

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Abstract: *The most basic factors that influence price of equity share are demand and supply factors. If most of the people start buying then prices move up and if people start selling prices go down. Government policies, firm's and industry's performance and potentials have effects on demand behaviour of investors, both in the primary and secondary markets. The factors affecting the price of an equity share can be viewed from the macro and micro economic perspectives. Macro economic factors include politics, general economic conditions - i.e. how the economy is performing, government regulations, etc. So, the Present study tries to find out the relationship and the impact of EPS on Market price of selected companies..*

I. INTRODUCTION

Equity is the residual claim or interest of the most junior class of investors in assets, after all liabilities are paid. If liability exceeds assets, negative equity exists. Shareholders equity or stockholders equity or shareholders' funds or shareholders capital all are one and the same. They all represent the remaining interest in assets of a company, spread among individual shareholders of common or preferred stock. In Equity Market, there are number of factors which influence the market price of a share. An analysis of which factors will affect and to what extent they affect the market price helps an investor to make an investment decision Knowledge of fundamental factors and their impact on equity share prices is helpful to corporate, management, government and investors (Chandra, 1981). This Study seeks to analyze the various dimensions in a quantitative framework in improving the understanding of share prices and their determinants in broadening the base of share market, which may assist in creating a better investment culture in the country.

II. REVIEW OF LITERATURE

Faris Nasif AL- Shubiri observed that the changes in the stock price also depend up on the micro and macro economic factors .In his study, he conducted Simple and multiple regression analysis and found out that there is a highly positive significant relationship between market price of stock and net asset value per share.

Dr. Sanjeet Sharma in his study analysed that earning per share being the strongest determinants of market price in a positive direction.. So, investors are suggested to take care of earnings per share variable in to account before investing in a company.

Malakar, B. and Gupta, R., (2002) revealed that Earnings per share is found to be significant determinant of share price by considering share price of eight major cement companies in India for the period 1968 to 1988 and five variables, namely, the share price, dividend per share, earnings per share, retained earnings, and sales proceeds.

Tuli, Nishi and Mittal, R.K. (2001) conducted a cross sectional analysis by taking in to account earnings ratio of 105 companies for the period 1989-93 and found earnings per share were found to be significant in determining the share Price

Malhotra (1987) conducted a study on four industries, namely general engineering, cotton textile, food products and paper covering a period of four years from 1982 to 1985 and found that earnings per share had positive and significant influence on market price of equity share.

Kumar and Hundal (1986) used the linear regression model and examined the impact of earning per share on market price of share.

BalKrishnan (1984) applied correlation and multiple linear regression techniques on 22 firms for the year 1982-83. Out of five variables, earning per share remained insignificant determinant of market price.

III. OBJECTIVES

The main objective of the study is



1. To identify the relationship between market price and earnings Per share of selected Companies.
2. To analyse the impact of Eps on market price of selected Companies.

IV. NEED OF THE STUDY

The main purpose of this study is to find relationship between Market Price and Earnings Per Share and impact of EPS on market price of selected Companies. This study helps in identifying the relationship between Market Price and Earnings per Share of selected Companies which helps the analyst to make an appropriate investment decision.

V. SCOPE OF THE STUDY

The study is undertaken for three sectors namely Primary, Manufacturing and service sectors. The companies that are selected in each sector are Tata Consultancy services, Bharat Heavy electrical Limited and ONGC.

VI. RESEARCH DESIGN

A research design is the specification of methods and procedures for acquiring the needed information. Design to be adopted here is exploratory research. It basically seeks to extract information about the influence and relationship between Market Price and earnings per share of selected companies in three sectors.

Sample size: The sample selected for the study include companies that are selected in each sector namely Tata Consultancy services, Bharat Heavy electrical Limited and ONGC. Tools used in analysis: The present study attempts to study the relationship between Market Price and earnings per share of selected companies in three sectors by using coefficient of correlation and Analysis of Variance.

VII. CONCLUSION

There are different factors affecting the market price of a share. Among them one of the important factor taken in the study is Earnings per share Therefore, the present study examines the relationship between market price & EPS.

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