IMPACT OF EARNING RELATED FACTORS ON SHARE PRICES OF SRI LANKAN COMPANIES, A SECTOR WISE COMPARISON

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ABSTRACT

In the stock market, price of a share plays a vital role, because price of the stocks fluctuate every day, and no stock is completely safe. Price of share is significantly influenced by a number of internal and external factors. Such factors that influence share prices could be either firm specific internal factors such as earnings, dividend, book value etc. or external factors such as interest rate, government regulations, foreign exchange rate etc.

The purpose of this research is to provide empirical evidence concerning earning related factors such as Earning per share, Dividend per share and Price earnings Ratio on Share prices of different Sri Lankan companies with sector wise comparison. Bank Finance and Insurance sector, Hotels and Travels sector and Plantation sector which major sectors among twenty business sectors and based on four years (2010 to 2013) data of forty five companies listed in Colombo Stock Exchange considered for this study. Data were collected randomly from secondary sources (mainly from annual financial reports of the selected companies, publications of Central bank and Share price summary which were published by Colombo Stock Exchange in Sri Lanka). The collected data analyzed and evaluated through Univariate Analysis, Correlation Analysis and Multiple regression Analysis by using the Statistical Package in Social Science version 16.0

According to analysis conclusion can be made that there are significant variation in the impact of Dividend per Share and Price earning ratio on its share prices of the companies between Bank Finance, Insurance sector and Hotels and Travels sector. But there is no significant variation in the impact of Earning per Share on its share prices of the companies between above two sectors. There is a significant variation in the impact of Price earning ratio on share prices of Bank finance, Insurance sector and Plantation sector. But there are no significant variations in the impact of Earning per Share and Dividend per Share on share prices in above two sectors. And also there is a significant variation in impact of Dividend per Share on Share prices between Hotels and Travels sector and Plantation sector. But there are no significant variations in the impact of Earning per Share and Price earning ratio on its share prices between above two sectors.

Finally this research revealed that the earning related factors significantly impact on share prices of Sri Lankan companies. When comparing sector wise; there are significant variations of dividend per share and price earning ratio on share prices between above sectors. But there is no significant variation of earning per share on share prices among sectors. The findings of this study indicated that positive impact of Earning per share on share prices in different Sri Lankan companies. This provides decision makers with information about future share prices. The impact of Dividend per share and price earning ratio are also the factors that decision makers should pay close attention to protect their investment and earn more benefit through the investment in different Sri Lankan companies.

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