

IMPACT OF FIRM SPECIFIC FACTORS ON SHARE PRICES OF FERTILIZER SECTOR OF PAKISTAN

By

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ABSTRACT

Purpose: The stock market performs a key role in the economic wellbeing of a country by encouraging capital formation and economic growth. According to Pettinger (2016), it reflects the economic conditions of the economy. Different studies are drawing different conclusions about the impact of same factors on share price of different markets. In Pakistan, the past few years have been hard on the fertilizer sector due to a lack of fuel supplies, hefty taxation and high fuel costs. This study seeks to analyse the influence of EPS, Cash DPS, BVPS, size of company and age of company (independent variables) on share prices (dependent variable).

Methodology: The study employs the deductive approach and will attempt to identify the causal (cause and effect) relationships between the independent and dependent variables. The population consists of seven companies listed in fertilizer sector of KSE-100 Index. Data is being obtained from all seven firms.

Findings: The results have found no evidence of a severe level of collinearity among the chosen predictors of share price. A strong positive and statistically significant impact of DPS, BVPS and size of the company has been detected while the impact of EPS and age of company is insignificant on share prices of fertilizer companies listed in the KSE-100 Index. The independent variables explain 85.83% variation in share prices and the model has statistically significant predictive capabilities.

Practical Implications: Investors can use DPS, BVPS and size of company for predicting the changes in share prices of fertilizer companies for Pakistan. However, further research needs to be carried out to determine the impact of EPS and age of company.

Keywords: EPS, DPS, BVPS, Size of Company, Age of Company, Share Price