

FACTORS AFFECTING STOCK PRICE VARIABILITY OF SUGAR SECTOR OF PAKISTAN



By

ZAINAB ZOAIB

**A thesis
Presented to the Bahria University, Karachi Campus
In partial fulfillment of the requirement
For the degree of
MS finance**

SPRING, 2017

**DEPARTMENT OF MANAGEMENT SCIENCES
BAHRIA UNIVERSITY
KARACHI**

Acknowledgements

The entire praise is to Almighty Allah who has enabled me to commence and complete this study. I am blessed in the company of the people who are distinctive in their own manner as well as they facilitate me throughout this dissertation. The MS finance program was one of the leading and determining knowledge in my life.

I would be grateful to my husband, in-laws and my family members for their devotion, support and encouragement for the duration of the entire program.

I express my heartiest thanks to Dr. Bashir Ahmed; MS finance Program Coordinator, for his efforts applied for smooth execution of this program.

I express gratitude to all the teachers of Bahria University, particularly Mr. Mumtaz Khan, Mr. Shoaib waseem and Ma'am Sadaf Alam for their assist and endurance in statistical measurement.

I also want to be grateful from the bottom of my heart all my associates, classmates and those who prop up me directly or indirectly in statistics assortment activity.

At last, I am greatly obliged and indebted to my principal supervisor Dr. Amir Manzoor for his enormous support, course of action, guiding principle, his time and quick to respond attitude during the course of this thesis.

They all have openhandedly specified their time and proficiency to enhance my effort. I thank them for their involvement and their helpful support.

Zainab Zoab

Abstract

Stock speculation is always a chancy scheme. Investors are hesitant to put in Stock Market. If investors come to make out concerning the accurate factors influence the stock price, they will spend in stocks self-assuredly. This thesis looked at the realistic relationship among the stock price and company's fundamental factors of Karachi Stock Exchange. The intention of this study is to explore the factors that effect on share price variability of sugar sector of Pakistan.

Panel analysis approach has been used in the study on ten companies of sugar sector of Karachi Stock Exchange over the period of time from Jan 2011 to Dec 2015, the scrutiny attempt to attain competent factor estimation as well as to authenticate the constancy of the association among stock price behavior and corporation fundamentals. Data information is examined via four methods: through descriptive statistics method, correlation analysis, regression analysis method and random and fixed effect model. To find out the research objective, fixed effect model and random effect model has been evaluated. The study has ROA (return on assets), ROE (return on equity), EPS (earning per share) and DPS (dividend per share) as explanatory variables and share prices as explained variable. Relationship among variables is determined by correlation; moreover the change in explained variable as a result of explanatory variables is explained by means of regression analysis. Outcome gives an idea about that 54.09% deviation in explained variable is explain through ROA, EPS and DPS.

The study disclose that return on asset is negative and significant determinant of stock price in sugar sector at the same time as earning per share and dividend per share are positive and significant factors of stock price of sugar segment. The study reveals that in general the model is significant and additionally, a specification analysis is carry out to make a decision either a random effect or else fixed effect model is used and according to it random effect model is appropriate in sugar segment of Karachi Stock Exchange.

Investors within Pakistan are required to make a decision about which stock be supposed to purchase. The outcomes of this paper provide instruction to the investors in stock selection. At the same time of taking decisions they must take into consideration about

corporation information. The companies know how to put their policies as well as strategies by taking into account somewhat essential factors, meant for company continued existence and victory.

Keywords: Stock Price, Earning per Share, Dividend per Share, Return on Assets, Return on Equity

1. Introduction	1
2. Research Objectives	2
3. Research Questions	3
4. Scope of the Study	4
5. Definition of Terms	5
ITERATIVE REVIEW	6
Table 1 Summary of Prior Studies	7
DATA AND METHODOLOGY	17
1. Research Design and Target Population	17
2. Data Collection	17
3. Data Management	20
4. Dependent Variable	20
5. Independent Variable	20
6. Research Hypotheses	20
7. Identification of Variables	23
8. Conceptual Framework	26
9. Formulation of Research Hypotheses	26
10. Model	27
RESULTS AND DISCUSSIONS	32
Table 2 Regression Model	32
11. Effect of Return on Assets (ROA) on Stock Price Movement	33
12. Effect of Earnings per Share (EPS) on Stock Price Movement	34
13. Effect of Dividend per Share (DPS) on Stock Price Movement	34
14. Effect of Return on Equity (ROE) on Stock Price Movement	37
Table 3 Correlation Matrix	38
15. Effect of market value to stock price on independent variables	38
16. Effect of return on asset (ROA) on EPS, DPS and BVPS	39
17. Effect of Return on Equity (ROE) on EPS and DPS	39

TABLE OF CONTENTS

Contents

INTRODUCTION:	1
a. Background of the Study	1
b. Problem Statement	5
c. Research Objectives	7
d. Research Questions	7
e. Value of the Study	7
f. Definition of Terms	8
LITERATURE REVIEW	12
Table 1 Summary of Prior Studies	23
DATA AND METHODOLOGY	27
a. Research design and target population	27
b. Data collection.....	27
c. Data integration	28
d. Dependent Variable.....	28
e. Independent Variable	28
f. Research Hypothesis	28
g. Identification of variable	29
h. Conceptual framework	30
i. Formulation of hypotheses	30
j. Model	31
RESULTS AND DISCUSSION	32
Table 2 Regression Model.....	32
i. Effect of Return on Assets (ROA) on Stock Price Movement:	33
ii. Effect of Earnings per Share (EPS) on Stock Price Movement:.....	34
iii. Effect of Dividend per Share (DPS) on Stock Price Movement.....	34
iv. Effect of Return on Equity (ROE) on Stock Price Movement:.....	35
Table 3 Correlation Matrix.....	36
i. Effect of market value of share price on independent variables:.....	36
ii. Effect of return on asset (ROA) on EPS, DPS and ROE:.....	36
iii. Effect of Return on Equity (ROE) on EPS and DPS:	36

iv. Effect of Dividend per Share (DPS) on EPS:	37
Table 4 Regression Model Excluding ROE	38
Table 5 Correlation Matrix Excluding ROE.....	39
Table 6 Descriptive Statistics	40
Table 7 Fixed Effect Model.....	41
Table 8 Random Effect Model	42
Table 9 Correlated Random Effects - Hausman Test	43
Table 10 Comparison between regression analysis, fixed and random effect model	45
CONCLUSION	46
LIMITATIONS.....	47
RECOMMENDATIONS	48
FUTURE RESEARCH AREAS:	50
Table 11: Data.....	51
BIBLIOGRAPHY	53