CHAPTER -7

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSIONS.

PART – I

7.1 Empirical and Statistical Results

Summary of Research based on Secondary Financial data of selected Sample Companies.

Objective 1:

To assess the impact of selected accounting variables on Market Value, and to assess the explanatory power of selected accounting variables in Indian Equity Market. The variables are as follows:

- EPS (earnings per share) and its impact on market value of equity.
- BV (book value) and its impact on market value of equity.
- DPS (dividend per share) and its impact on market value of equity.
- DPR (dividend payout ratio) and its impact on market value of equity.
- ROE (profitability) and its impact on market value of equity.
- Growth (net sales) and its impact on market value of equity.

Descriptive Statistics: The descriptive statistics calculated in the present study includes Mean, Standard deviation and Correlation Coefficient Values.

- The Mean Value is an average, which shows the value of data by representing single figure. The mean of dependent and independent variables for the period ranging from 2006-07 to 2010-11 are given in different Tables in chapter 4.
- The Standard deviation measures the absolute variability of a distribution from their means. A small Standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series and vice versa.
The **Correlation** is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases.

The **Regression analysis** is a statistical process for estimating the relationships among variables; it deals with dependence of one variable on the other variable.

### 7.1.1 VALUATION

#### Descriptive Statistics:

**7.1.1(a) Market value (Table 4.7.1) (₹ in crores)**

- The Mean Market Value of a dependent variable fluctuates in broad range. The value ranges from highest value 170.80 to the lowest value 69.33.

- The Standard deviation shows that Market value was highly deviated from its mean values. It shows 79.18 lowest to 165.66 highest values.

**7.1.1(b) Earnings per Share (EPS): (Table 4.7.2) (₹ in crores)**

Descriptive Statistics:

- The Mean Value is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 are given in and it ranges from the lowest value of 2.84 to the highest value of 6.46.

- The Standard deviation value for the year 2006-07 to 2010-11 was less deviated and ranges from the lowest value of 2.33 to the highest value of 7.17.

- The **Correlation Coefficient** analysis shows the positive significant association of EPS with Market value. The value for the year 2006-07 to 2010-11 ranges from the lowest value of 0.44 to the highest value of 0.70.
Inferential Statistics:

Simple Regression Analysis is done to assess the Impact of EPS on the Market value. The results are proved by considering Regression Coefficient of Beta, Standard Error (Se), Estimated value (T), ‘P’ value and, $R^2$ and F values are selected to test the significant levels existing between dependent and Independent variables.

- Intercept values are proved for all the five years at 5% significant level.
- $R^2$ Regressions are significant. The Arithmetic mean is $R^2 = 45.10\%$. i.e. 45.10% of variation in equity markets is explained by EPS.
- Regression Coefficient of Beta (Slope) values are showing significant at 5%, the value ranges from 9.98 to 25.89.
- For the estimated ‘t’ value ranges from 3.00 to 10.01, the Standard Error (Se) shows the variation of 1.80 to 3.88
- ‘P’ values are showing significant at 5% i.e. less than 0.05
- ‘T’ values are showing significant at 5% i.e. more than 2.50
- ‘F’ values are showing significant at 5% i.e. less than 0.05

From the above Results it is proved that EPS is having a linear relationship existing with Indian Equity markets. It is also proved that there is a perfect Correlation existing between EPS and Indian Equity markets. The hypothesis is accepted.

The Gap analysis explains that EPS has an explanatory power of Equity markets.

In the present study Earnings per Share is used as one of the Independent variable influencing on Market Value of Equity shares. Earnings of a company depend on the Companies producing and selling of goods and services, which leads to building up reserves for expanding the scale of operations. Once companies start earning an attractive sum the result will be an increase in market value of equity shares. Hence Earnings per Share is a factor which the Stock brokers and Investors watch carefully and consider it while deciding the Market value of the Equity Share.
7.1.1 (c) Book value per share (BV) (Table 4.8.1) (१ in crores)

Descriptive Statistics:

- The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 14.63 to the highest value of 34.00. It is observed that there is a constant decrease in the value.

- The **Standard deviation** value for the year 2006-07 to 2010-11 showing less deviation and the value range from the lowest of 14.08 to the highest value of 25.67.

- The **Correlation Coefficient** analysis shows the positive significant association of EPS with Market value. The value for the year 2006-07 to 2010-11 ranges from the lowest value of 0.41 to the highest value of 0.51.

Inferential Statistics:

The following results are drawn for the Independent variable Book value by using Simple Regression analysis.

- Intercept values are proved for all the five years at 5% significant level.
- R\(^2\) Regressions are significant. The Arithmetic mean is R\(^2\) = 19.83%. I.e. 19.83% of variation in equity markets is explained by BV.
- Regression Coefficient of Beta (Slope) values are showing significant at 5%, the value ranges from 9.98 to 25.89.
- For the estimated ‘t’ value ranges from 1.79 to 4.14, the Standard Error (Se) shows the variation of 0.21 to 0.41
- ‘P’ values are showing significant at 5% i.e. less than 0.05
- ‘T’ values are showing significant at 5% i.e. more than 2.50
- ‘F’ values are showing significant at 5% i.e. less than 0.05
From the above secondary data analysis the results are proved that Independent variable Book value is having a linear relationship existing with Indian Equity markets. Further it is proved that there is a significant relationship existing between BV and Indian Equity markets. The hypothesis is accepted.

The Gap analysis shows that Book value has an explanatory power of equity market value.

Book value per share depicts the owner’s funds and it acts as an indicator of sound financial position of a company indicates high reserves therefore high market price since a higher book value per share. Since the significance level at 5% is proved between Book value and Market value Fund managers, Investment advisors and Stock Brokers can consider this factor while constructing the portfolio.

7.1.1 (d) Dividend Pay Out Ratio (DPR) (Table 4.9.1) (₹ in crores)

Descriptive Statistics:

- The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 0.49 to the highest value of 0.64. It is observed that there is a constant increase in the value.

- The **Standard deviation** values are showing that DPR values was highly deviated from its mean values for the year 2006-07 to 2010-11 and the value range from the lowest of 0.66 to the highest value of 0.80.

- The **Correlation Coefficient** analysis shows the negative insignificant association of DPR with Market value. The value for the year 2006-07 to 2010-11 ranges from the lowest value of -0.17 to the highest value of -0.25.

Inferential Statistics:
The following results are drawn for the Independent variable **Dividend Payout Ratio (DPR)** value by using Simple Regression analysis.

- Intercept values are proved for all the five years at 5% significant level.
- $R^2$ Regressions are not significant. The Arithmetic mean is $R^2 = 4.40\%$. I.e. only 4.40% of variation in equity markets is explained by BV.
- Regression Coefficient of Beta (Slope) values are showing insignificant, the value ranges from -1.53 to 53.35.
- For the estimated ‘t’ value ranges from -1.23 to -1.76, the Standard Error (Se) shows the variation of 73.97 to 110.03
- ‘P’ values are not showing significant at 5% i.e. less than 0.05
- ‘T’ values are not showing significant at 5% i.e. more than 2.50
- ‘F’ values are not showing significant at 5% i.e. less than 0.05

The descriptive and inferential statistics proved that there is no significant relationship existing between DPR and Indian Equity market value.

In this situation Investors are unable to take Investment decisions based on DPR factor, because in Indian practice DPR is not having a linear relationship.

So the hypothesis is rejected. The Gap analysis shows that there is a Gap existing with DPR and Indian Equity market value.

7.1.1 (e) **Dividend per Share (DPS)** (Table 4.10.1) (₹ in crores)

**Descriptive Statistics:**
The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 4.59 to the highest value of 10.78. It is observed that there is a constant decrease in the value.

The **Standard deviation** value for the year 2006-07 to 2010-11 showing constant deviation and the value ranges from the lowest of 5.63 to the highest value of 27.84.

The **Correlation Coefficient** analysis shows the positive significant association of DPS with Market value. The value for the year 2006-07 to 2010-11 ranges from the lowest value of 0.50 to the highest value of 0.68. Positive relationship exists between DPS and Indian Equity markets.

Inferential Statistics:

The following results are drawn for the Independent variable Dividend per Share by using Simple Regression analysis.

- Intercept values are proved for all the five years at 5% significant level.
- $R^2$ Regressions are significant. The Arithmetic mean is $R^2 = 32.60\%$. I.e. 32.60% of variation in equity markets is explained by BV.
- Regression Coefficient of Beta (Slope) values are showing significant at 5%, the value ranges from 10.62 to 56.50.
- For the estimated ‘t’ value ranges from to 3.97 to 6.50, the Standard Error (Se) shows the variation of 2.46 to 10.67
- ‘P’ values are showing significant at 5% i.e. less than 0.05
- ‘T’ values are showing significant at 5% i.e. more than 2.50
- ‘F’ values are showing significant at 5% i.e. less than 0.05

From the above secondary data analysis the results are proved that Independent variable Dividend per Share is having a linear relationship existing with Indian Equity markets.
Further it is proved that there is a significant relationship existing between DPS and Indian Equity markets. The hypothesis is accepted.

The Gap analysis shows that there is no gap existing between Dividend per Share and equity market value.

7.1.1 (f) Profitability (ROE) (Table 4.11.1) (₹ in crores)

Descriptive Statistics

➤ The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 0.24 to the highest value of 0.30. It is observed that there is a constant decrease in the value.

➤ The **Standard deviation** value for the year 2006-07 to 2010-11 showing constant deviation and the value ranges from the lowest of 0.20 to the highest value of 0.23.

➤ The **Correlation Coefficient** analysis shows the negative insignificant association of Profitability (ROE) with Market value. Negative relationship exists between Profitability (ROE) and Indian Equity markets.

Inferential Statistics:

The following results are drawn for the Independent variable Profitability by using Simple Regression analysis.

➤ Intercept values are proved for all the five years at 5% significant level.

➤ R² Regressions are significant. The Arithmetic mean is $R^2 = 4.60\%$. I.e. 4.60% of variation in equity markets is explained by BV.

➤ Regression Coefficient of Beta (Slope) values are showing negative insignificant at 5%, the value ranges from -177.97 to 184.04.
For the estimated ‘t’ value ranges from to -0.40 to -0.91 the Standard Error (Se) shows the variation of 222.94 to 443.63

‘P’ values are showing not showing significant at 5% i.e. less than 0.05

‘T’ values are showing for all 5 years which is not showing significant at 5% i.e. more than 2.50

‘F’ values are showing not showing significant at 5% i.e. less than 0.05

The descriptive statistical inferences are proved negative from the above analysis. The explanatory power of profitability is very poor compared to EPS and Book value.

From the above secondary data analysis the results are proved that Independent variable Profitability (ROE) is not having a linear relationship existing with Indian Equity markets. Further it is proved that there is no significant relationship existing between Profitability (ROE) and Indian Equity markets. The hypothesis is rejected.

The Gap analysis shows that there is no gap existing between Profitability (ROE) and equity market value.

7.1.1 (g) Growth (Net sales) (Table 4.12.1) (¥ in crores)

Descriptive Statistics

The Mean Value is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of -0.07 to the highest value of 0.55. It is observed that there is a constant decrease in the value.

The Standard deviation value for the year 2006-07 to 2010-11 showing high deviation and the value ranges from the lowest of 0.16 to the highest value of 4.65.

The Correlation Coefficient analysis shows the negative insignificant association of Growth with Market value. Negative relationship exists between Growth and Indian Equity markets. the value ranges from -0.02 to 0.06
Inferential Statistics:

The following results are drawn for the Independent variable Growth by using Simple Regression analysis.

- Intercept values are proved for all the five years at 5% significant level.
- $R^2$ Regressions are significant. The Arithmetic mean is $R^2 = 1.00\%$. I.e. 1.00% of variation in equity markets is explained by BV.
- Regression Coefficient of Beta (Slope) values are showing negative insignificant at 5%, the value ranges from -8.41 to 146.14.
- For the estimated ‘$t$’ value shows a negative insignificant the Standard Error (Se) shows the variation of 13.41 to 525.26
- ‘$P$’ values are showing not showing significant at 5% i.e. less than 0.05
- ‘$T$’ values are showing negative Insignificant all 4 years and for one year which is showing significant at 5% i.e. more than 2.50
- ‘$F$’ values are showing not showing significant at 5% i.e. less than 0.05

7.2 QUANTIFICATION OF RISK

Objective 2 and 3

To assess the impact of selected accounting variables in quantification of beta in Indian Equity Market. The variables are as follows:

To study the above listed variables in assessing market value and risk by the fund managers.

- OL (operating leverage) and its impact on Beta.
- FL (financial leverage) and its impact on Beta.
- Growth (net sales) and its impact on Beta.
- D/E (debt equity ratio) and its impact on Beta.
- Size factor (market share) and its impact on Beta.
7.2.1 Beta value (Table 5.8.1) (₹ in crores)

- The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 0.71 to the highest value of 0.83. It is observed that there is a constant decrease in the value.

- The **Standard deviation** value for the year 2006-07 to 2010-11 showing high deviation and the value ranges from the lowest of 0.36 to the highest value of 0.40

- The **Correlation Coefficient** analysis shows the insignificant association of Beta value. The value ranges from 0.71 to 0.97.

7.2.2 Operating Leverage (OL) (Table 5.8.1) (₹ in crores)

Descriptive Statistics

- The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of -0.59 to the highest value of 1.82. It is observed that there is a constant decrease in the value.

- The **Standard deviation** value for the year 2006-07 to 2010-11 showing high deviation and the value ranges from the lowest of 2.01 to the highest value of 14.31.

- The **Correlation Coefficient** analysis shows insignificant association of Operating Leverage with Beta value. The value ranges from 0.04 to 0.08

Inferential Statistics: (Table 5.9.3) (₹ in crores)
The following results are drawn for the dependent variable Beta by using Simple Regression analysis.

- Intercept values are proved for all the five years at 5% significant level.
- Regression Coefficient of Beta (Slope) values are showing insignificant at 5%, the value ranges from -0.25 to 0.80.
- For the estimated ‘t’ value -0.25 to 1.38 shows a negative insignificant relation and the Standard Error (Se) shows the variation of 0.01 to 0.04
- ‘P’ values are showing 1.83 to 9.09 showing insignificant level. less than 0.05
- ‘T’ values are showing negative Insignificant all the years which is showing significant at 5% i.e. more than 2.50
- ‘F’ values are showing not showing significant at 5% i.e. less than 0.05

The descriptive inferences shows Mean, Standard Deviation and Correlation Coefficient values with insignificant relationship.

Inferential statistics – Regression coefficient Beta is showing negative value, continued with estimated value. Other variables ‘T’ and ‘P’ value not showing any dependency with market Beta value. So, it is observed that there is no linear relationship existing with Operating leverage. So the Hypothesis is rejected.

7.2.3 Financial Leverage (FL) (Table 5.8.1) (₹ in crores)

Descriptive Statistics

- The Mean Value is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 0.59 to the highest value of 0.93. It is observed that there is a constant decrease in the value.

- The Standard deviation value for the year 2006-07 to 2010-11 showing high deviation and the value ranges from the lowest of 0.65 to the highest value of 2.15.
The **Correlation Coefficient** analysis shows insignificant association of Operating Leverage with Beta value. The value ranges from -0.13 to -0.39.

**Inferential Statistics:** *(Table 5.9.5) (₹ in crores)*

- The following results are drawn for the dependent variable Beta by using Simple Regression analysis.
- Intercept values are proved for all the five years at 5% significant level.
- Regression Coefficient of Beta (Slope) values are showing insignificant at 5%, the value ranges from -0.02 to 0.09.
- For the estimated ‘t’ value -0.31 to 2.89 shows a negative insignificant relation and the Standard Error (Se) shows the variation of 0.02 to 0.80.
- ‘P’ values are showing 1.84 to 4.93 showing insignificant level. less than 0.05.
- ‘T’ values are showing negative Insignificant all the years which is showing significant at 5% i.e. more than 2.50.
- ‘F’ values are showing not showing significant at 5% i.e. less than 0.05.

The descriptive inferences are showing negative relationship between the variables and high deviation is observed with the results.

Inferential values except Intercept Regression coefficient Beta is showing negative and it is same with ‘T’ ‘P’ and ‘F’ values, where results are unable to show the significant relationship at 5% level. So, the results obtained prove that there is no linear relationship existing with Financial leverage. So, the Hypothesis is rejected.

**7.2.4 Debt Equity (D/E) (Table 5.8.1) (₹ in crores)**
Descriptive Statistics

- The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 0.48 to the highest value of 0.95. It is observed that there is a constant decrease in the value.

- The **Standard deviation** value for the year 2006-07 to 2010-11 showing high deviation and the value ranges from the lowest of 0.81 to the highest value of 1.15.

- The **Correlation Coefficient** analysis shows insignificant association of Operating Leverage with Beta value. The value ranges from -0.03 to 0.08

Inferential Statistics: (Table 5.9.5) (₹ in crores)

The following results are drawn for the dependent variable Beta by using Simple Regression analysis.

- Intercept values are proved for all the five years at 5% significant level.
- Regression Coefficient of Beta (Slope) values are showing insignificant at 5%, the value ranges from -0.06 to 0.02.
- For the estimated ‘t’ value -0.18 to 1.12 shows a negative insignificant relation and the Standard Error (Se) shows the variation of 0.03 to 0.39
- ‘P’ values are showing 1.67 to 5.86 showing insignificant level. less than 0.05
- ‘T’ values are showing negative Insignificant all the years which is showing significant at 5% i.e. more than 2.50
- ‘F’ values are showing not showing significant at 5% i.e. less than 0.05

The Mean, Standard Deviation and Correlation Coefficient values are unable to prove the expected explanatory power. As the values are showing more deviation the results are not proved.

- Inferential statistics – Except Intercept Values the other values of ‘T’ ‘P’and ‘F are unable to show the explanatory power. So, in Indian practice there is no linear
relationship existing between Debt equity Ratio and Market Beta value. So the Hypothesis is rejected.

7.2.5 SIZE (Table 5.8.1) (₹ in crores)

Descriptive Statistics

- The **Mean Value** is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of 31683.99 to the highest value of 55850. It is observed that there is a constant decrease in the value.

- The **Standard deviation** value for the year 2006-07 to 2010-11 showing high deviation and the value ranges from the lowest of 114797.26 to the highest value of 220172.

- The **Correlation Coefficient** analysis shows insignificant association of Operating Leverage with Beta value. The value ranges from -0.04 to 0.03

Inferential Statistics: (Table 5.9.5) (₹ in crores)

The following results are drawn for the dependent variable Beta by using Simple Regression analysis.

- Intercept values are proved for all the five years at 5% significant level.
- Regression Coefficient of Beta (Slope) values are showing insignificant at 5%, the value ranges from 0.00.
- For the estimated ‘t’ value -0.28 to 0.21 shows a negative insignificant relation and the Standard Error (Se) shows the variation of 2.57 to 4.54
- ‘P’ values are showing 1.05 to 8.03 showing insignificant level. less than 0.05
Summary Of Findings, Suggestions And Conclusions

➢ ‘T’ values are showing negative Insignificant all the years which is showing significant at 5% i.e. more than 2.50
➢ ‘F’ values are showing not showing significant at 5% i.e. less than 0.05

Size is measured in terms of Market capitalization. It is one of the important factor most watched by the fund managers in the practical scenario.

Descriptive - analysis in the present study shows that is an insignificant relation existing between dependent and Independent factor (Size factor).

Inferential inferences are showing negative association with Market Beta value and the values are decreased to 0 level of dependency on dependent variable. The linear relationship is not existing, hence the hypothesis is rejected.

7.2.6 GROWTH (Table 5.8.1) (₹ in crores)

Descriptive Statistics

➢ The Mean Value is an average, which shows the value of data by representing single figure. The mean of independent variable for the period 2006-07 to 2010-11 ranges from the lowest value of -0.06 to the highest value of 0.56
➢ The Standard deviation value for the year 2006-07 to 2010-11 showing high deviation and the value ranges from the lowest of 0.16 to the highest value of 4.65
➢ The Correlation Coefficient analysis shows insignificant association of Operating Leverage with Beta value. The value ranges from -0.05 to 0.19.

Inferential Statistics: (Table 5.9.5) (₹ in crores)

The following results are drawn for the dependent variable Beta by using Simple Regression analysis.

➢ Intercept values are proved for all the five years at 5% significant level.
➢ Regression Coefficient of Beta (Slope) values are showing insignificant at 5%, the value ranges from -0.09 to 0.21.
For the estimated ‘t’ value -0.37 to 1.37 shows a negative insignificant relation and the Standard Error (Se) shows the variation of 0.01 to 0.04.

‘P’ values are showing 2.42 to 4.61 showing insignificant level, less than 0.05

‘T’ values are showing negative insignificant all the years which is showing significant at 5% i.e. more than 2.50

‘F’ values are showing not showing significant at 5% i.e. less than 0.05

Part – II  SURVEY RESULTS

Summary of Research based on Survey Results from a sample of Respondents of selected Sample Companies.

Objective 4 and 5:

➢ To throw light on the prevailing practices among fund managers with regard to use of accounting information in predicting market value and beta through a survey.

➢ To assess the gap between the findings of empirical research with regard to the role of accounting information in determining market value and beta and the prevailing practice among fund managers in this regard.

The survey is conducted by the researcher to know the practicality existing in the field from a sample of 50 Respondents. The survey results represented in terms of percentages for Valuation and Risk:

7.3 Valuation

7.3.1 EPS (Earnings per Share) about 81% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.
7.3.2 **BV (Book value)** about 66% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.3.3 **DPS (Dividend per share)** about 64% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.3.4 **DPR (Dividend pay out Ratio)** about 62% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.3.5 **ROE (Return on Equity)** about 71% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.3.6 **Growth** about 71% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.4 **RISK ASSESSMENT:**

7.4.1 **OL (Operating leverage)** about 67% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.4.2 **FL (Financial leverage)** about 65% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.4.3 **D/E (Debt equity Ratio)** about 67% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

7.4.4 **SIZE** about 65% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.
7.4.5 GROWTH about 66% of Respondents are said that EPS is the most important factor used for valuation and considered as most significant factor which impact on Indian Equity market value.

Based on the findings made through the secondary and survey results the suggestions and conclusion drawn.

B. Suggestions

From past two decades Equity markets have seen a burgeoning interest of fund managers and Equity Markets in getting exposed towards various types of Valuations and Risks. In this Regard the present study is focused on providing an Information for taking right decisions to construct the portfolio of their choice. When fund managers in the field consider different accounting variables the researcher could able to identify few findings.

From the findings the following suggestions are been framed.

1. EPS (Earnings per Share) is considered as an important variable by different fund managers, Investment advisors & stock brokers in the field for taking right decision. In the present study both an Empirical Research and Survey results observed that EPS has about 45.10% of explanatory power of variation in Equity markets. Respondents in the field has ranked EPS as number one variable considered by them, The Gap analysis table of Valuation shows no Gap existing. Further the statistcal results prove that EPS is having a linear relationship with Market value.

2. Book value (BV) is also considered as an important factor affecting the various Investment decisions in the field. Both an Empirical Research and Survey results observed that Book value has about 19.83% of explanatory power of variation in Equity markets. Respondents in the field has ranked Book value as number three variable considered by them, The Gap analysis table of Valuation shows no Gap existing. Further the statistcal results prove that Book value is having a linear relationship with Market value.
3. Dividend per Share (DPS) is most important factor watched by the Investment managers in the field. In the present study an Empirical Research is showing about 32.60% of explanatory power of variation in Equity markets. Even though the explanatory power is 32.60% the Survey results observed that DPS is ranked as number four by the Respondents in the field and it is also shown in the Gap analysis table of Valuation the Gap is existing. Further the statistical results prove that DPS is having a linear relationship with Market value. Further it is suggested that more importance should be given by the companies towards the payment of dividends towards Investors.

4. Dividend payout Ratio (DPR) is also one of the most important factors watched by the managers in the field. In the present study both an Statistical results and Survey results observed that DPR has very less explanatory power of variation in Equity markets compare to DPS and BV. Respondents in the field has ranked DPR as number five variable considered by them in the ranking list, as it is shown in the Gap analysis table of Valuation is existing. But theoretically DPR is important as it affects the market value. The Empirical Research in India conducted by Monica Singhania (2006), Dr. Sanjeet Sharma (2011), selected these variables and they could able to prove the linear relationship associated with market value, but in the present research the linear relationship is not existing with DPR and Market value. Further it is wrong that if we say DPR is not having relationship with market value, because a Simple linear Regression is used for the study. Researchers in the future should try other forms of regression functions the results may get improve.

5. Return on Equity (ROE) is considered as one of the most relevant factor in the field by most of the managers. The Empirical Research conducted at the International level by Zhaang (2011) fit the Non linear Relationship and proved the explanatory power of ROE with US market value. But in the present study the survey results obtained is showing number two ranking is given and the Gap analysis table shows the existence of Gap. But Empirical Research in India conducted by Monica Singhania (2006), Dr. Sanjeet Sharma (2011), is not showing any linear relationship existing and the present study also not able to establish the linear relationship with ROE and Market value.

6. Growth is measured in terms of Net Sales and considered as one of the important factor for decision making. In the present study the survey results obtained is showing number
two ranking is given and the same is showed that there is a Gap. But Empirical in India conducted by Monica Singania (2006), Dr. Sanjeet Sharma (2011), is not showing any linear relationship existing and the present study also not able to establish the linear relationship with Growth and Market value.

Further it is wrong that if we say ROE and Growth is not having relationship with market, because in the present only a Simple linear Regression is used. It is suggested that Researchers in the future should try other forms of regression functions the results may get improve.

7. Operating leverage (OL) is used in the present study for Quantification of Risk as it is also considered as one of the most important measure used by Investors in the field. The descriptive and inferential results show that there is no linear relationship existing between OL and Market Beta value. But the Empirical Research conducted at the International level by Kheder Alaghi (2012), African journal of business management, Steven Toms, Aly Salama, Duc Tuan Nguyen (2005), university of York, and James M. Gahlon and James A. Gentry (1982) University of Illinois “studied systematic risk, Operating leverage and Financial leverage for risk calculation of equities able to prove the significance level. But the present result is not able to establish a linear relationship. Kheder Alaghi (2012) also could not establish the linear relationship, but the survey results shows the respondents are given number one ranking. So, it is suggested that the other forms of regression functions may improve the Results.

8. Financial leverage and Debt Equity Ratio is also used as the Risk Quantifying variables by most of the Investors in the study. The survey results shows that the respondents gave number three and one ranking but the Statistical results shows there is no significance level obtained. Even the Empirical Research shows in the International level by Steven Toms, Aly Salama, Duc Tuan Nguyen (2005), university of York, and James M. Gahlon and James A. Gentry (1982) University of Illinois able to found the linear relationship existing. But the present study is not able to establish a linear relationship between Financial leverage and Debt Equity Ratio with Market value of Beta. And is same with Simple linear Regression is used. The Gap analysis is showing the Gap existing with Financial leverage and Debt Equity Ratio.
9. Size and Growth variables where the survey results show the respondents gave number three and two ranking but the statistical results are not showing the linear relationship existing because a Simple linear Regression is used. It is wrong that if we say Size and Growth variables are not having any relationship. Research at the International level shows that there is significant level between the Size and Growth variables and Market Beta value. But in India the linear relationship is not proved the reason may be using of a Simple linear Regression in the study. So, it is suggested that the future Researchers should try other forms of regression functions the results may get improve.

(C) CONCLUSIONS:

The research program has been an inquisite affair to gain the research knowledge on the topic. The present study has been undertaken to examine the empirical relationship between equity market value and explanatory variables such as Earning per share (EPS), Book value, Profitability (ROE), Growth of company, dividend per share, dividend payout ratio, are some of the variables used to explain equity valuation for the period of 2006-07 to 2010-11.

A lot of research has taken place internationally especially with the data of USA. A research paper published by Shengquan Hao, Qinglu Jin, Guochang Zhang (2011) Hong Kong University of Science and Technology, studied the relationship between equity value and accounting variable. Equity valuation is a central question which the fund managers, investment advisors, and stock brokers in the field of Capital markets are trying to address through different angles with various clues. As most of the fund managers, individual investors and investment advisors in the process of valuation facing challenges in determining the right avenue for investment. In this regard they try to analyze the fundamental factors which are related to economy such as GDP growth, inflation related factors majorly, and then start analyzing industry related factors, to choose a specific company for investment, and there starts a need, for investment managers to collect the company specific information (accounting variables) relating to companies for assessment of equity valuation. There are different types of valuation models like balance sheet valuation which is based on accounting information like book
value, liquidation value, replacement cost, discounted cash flow techniques like dividend
discount model, free cash flow model and relative valuation techniques like price
earnings ratio, price to book value ratio, price – sales ratio. However valuation models
provide a basis to compare the relative merits of two different shares. Among all this
market value is most watched by investment and fund managers. At the outset the
present study is focused on accounting variables and their Impact on Equity Market
value.

The study is conducted in two parts i.e., through secondary data by collecting all the
required financial Information through the financial statements and through the survey.
The results of study indicated that dividend per share and earning per share being the
strongest determinants of market price, so the results of the present study supports
liberal dividend policy and suggests companies to pay regular dividends. This policy
will affect market price of share in positive direction. Since, book value per share
depicts the owner’s funds, a higher book value per share is perhaps perceived by
an investor to be an indicator of the sound financial position of a company for investing.
All this shows that the study of financial factors prove to be beneficial for the
investor in India, as these factors possess strong explanatory power and hence, can be
used to make accurate future forecasts of stock prices. So, investors are suggested to take
care of accounting variables of company before investing. But in India though research
has been done on equity valuation, to name with few like Monica Singania (2006), Dr.
Sanjeet Sharma (2011), made an attempt to study about the below listed accounting
variables and there combine influence on valuation of equity markets by selecting few
variables the results are prove the linear relationship with three variables they are
Earning per share (EPS), Book value, and Dividend per share.

In the second part the survey is conducted in the field the results obtained are showing the
selected accounting variables in the present study are considered as important variables
in their investment decision making for portfolio construction. The Gap analysis shows
that there is no gap existing between Earning per share (EPS) and Book value but for
Dividend per share the statistical results shows a good explanatory power and the
respondents gave number four ranking. So It is concluded that in the present study
Earning per share (EPS), Book value, and Dividend per share being only three variables are proving the significant levels in the Indian context.

Risk also plays a prominent role towards portfolio construction by different fund managers, investment advisors and stock brokers. The most important variable which selected for Quantification of Risk the accounting variables such as operating leverage, financial leverage, Growth, debt equity ratio, and size factor. Risk is an unfavorable deviation from expected returns. In the Indian books the risk is defined as the actual outcome of an investment which differ from the expected outcome. This risk is divided into two types i.e., systematic risk and unsystematic risk. As the risk and return being considered as two faces of a coin, if there is any increase in risk then automatically it may lead to increase in return and vice versa. So, risk and return go hand in hand and help the fund managers for portfolio construction and hedging of shares.

In the international research writings, the word systematic risk is used for company specific risk; this is not in keeping the Indian practice. The international practice uses two concepts namely total risk (which is self explanatory) and company’s specific risk namely beta. Total risk as the name suggests consists of risk arising due to economy factors, industry factors, and company factors. Company specific risk which is measured by accounting variables. Since beta is related to company factors it is included in the study, and the total risk is confined to economy related factors, so it is excluded from the study.

In the present study of Risk assessment is conducted in two parts i.e through Inferential statistics and survey by selecting few respondents in the field. The inferential statistical results obtained are not showing any linear relationship existing with operating leverage, financial leverage, Growth, debt equity ratio, and size factor and Market beta value in Indian context. But the results obtained by respondents is showing that these variables are considered as important while taking decisions towards constructing an effective portfolio. But the study conducted at the International level by Kheder Alaghi (2012), African journal of business management, Steven Toms, Aly Salama, Duc Tuan Nguyen (2005), university of York, and James M. Gahlon and James A. Gentry (1982) University of Illinois “studied systematic risk, Operating leverage and Financial leverage for risk

The Global economic recession implications influenced in the year 2008-09 on most of the Indian as well As International companies. Because of this crisis the performance levels of companies were showed at a decreased rate.

The Gap analysis shows that there is a Gap existing with all the 5 variables selected for the study. To fill this Gap further Research can be conducted by using other improved methods.

There could be other type of relationship existing with all the variables selected for the study. The future Researchers can conduct further Research by selecting other Improved methods of Regression analysis, then the results may get Improved.

Finally it is concluded that all this shows that the study of financial factors prove to be beneficial for the investor in the India, as these factors posses strong explanatory power and hence, can be used to make accurate future forecasts of stock prices. So, the fund managers and Investment advisors are suggested to take care of accounting variables of company before investing.