

The Impact of Selected Financial Ratios on Share Price of Companies in Pakistan: 1999-2006

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Abstract

The paper attempts to analyze the impact of financial performance on the share price of companies in Pakistan. The data for eight years (1999-2006) regarding 50 public limited companies listed on Karachi Stock Exchange, was obtained and analyzed. There is one dependent variable i.e. share price of a company and five independent variables; earning per share, dividend payout ratio, return on equity, return on assets and return on capital employed. Descriptive statistics, correlation and regression are used to analyze the data. It has been concluded on the basis of analysis that three variables; earning per share, return on assets and return on capital employed are significant while other two variables; dividend payout ratio and return on equity have no statistically significant effect on the share price. The impact can be further enhanced if other ratios like liquidity ratios, efficiency ratios and coverage ratios are included in the model.

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