



Cover Page



AN EXPLORATIVE STUDY ON THE RELATIONSHIP BETWEEN THE COMPANY FACTORS AND SHARE PRICE OF SELECTED NSE COMPANIES IN INDIA

Dr. M. Gangadhara

Guest lecturer, Department of Commerce, S.V.Arts College,(Autonomous),(TTD),Tirupati

Abstract

The research study in stock market is very thrust in investment domain. The present study is an explorative study based on the secondary data. The study examined the impact of selected company factors on the share price behavior in NSE listed companies in India. The study included four NSE listed companies namely Reliance industry, Bharati Airtel, Adani ports and Titan company limited. The study period included ten years period from 2015-2024. The research variables comprises of dependent (market price) and independent variables (firm size (total sales), firm growth (total assets), PAT, EPS, ROA, ROE and P/E ratio. The study used, correlation , regression techniques, OLS, fixed effect and random effect models of panel regression techniques. The study concludes that, profitability and growth-related variables have a positive association with market price per share. Among all the variables, Return on Equity (ROE or RONW) emerged as the most significant factor influencing MPS in all regression models.

Key Words: Company Factors, NSE, Market Share Price, Stock Market

INTRODUCTION:

The stock market is an essential component in the process of economic development in a nation since it is responsible for the accumulation of savings and the subsequent investment of those savings in productive ventures. An organization's financial strength, profitability, growth potential, and overall success are all reflected in the market value of its shares, which is typically quantified by the Market Price per Share (MPS) metric. In order to have a better understanding of the factors that influence the market price of shares, investors, financial experts, and policymakers frequently monitor a variety of financial indicators. When it comes to assessing the effectiveness and viability of business organizations, financial performance indicators have evolved into indispensable instruments in the contemporary business climate. a number of criteria that are unique to the company, including but not limited to: firm size, firm growth, profit after tax (PAT), earnings per share (EPS), return on assets (ROA), return on equity (ROE or RONW), and price to earnings ratio can be considered. The evaluation of a company's market position and financial performance is frequently accomplished through the utilization of ratios. Additionally, the demand for firm shares on the stock market is determined by these elements, which influence investor confidence. An growth in market value and share prices is typically accompanied by elements such as increased profitability, improved asset utilization, and improved returns to shareholders. On account of the fact that it integrates cross-sectional and time-series data, panel data analysis has become an essential statistical technique in the field of finance research. The behavior of variables across a variety of firms over a period of time can be better understood with the help of this. The impact of financial factors on the performance of the stock market is typically investigated with the help of models such as the Pooled Ordinary Least Squares (OLS) model, the Fixed Effect Model, and the Random Effect Model. These models produce results that are more dependable and comprehensive on account of the fact that they take into consideration both the effects of individual companies and variations in time.

REVIEW OF LITERATURE

- P.Akhila (2024)-ETFS This study examines how important macroeconomic factors affect Exchange-Traded Funds (ETFs), which investors choose for their diversity, affordability, and market accessibility. Quantitative research is used to analyze 2015–2025 data on GDP growth, inflation, and the repo rate. The main goal is to examine how these variables affect ETF performance, particularly Nifty 50 and Gold ETFs. The strength and direction of these relationships are



Cover Page



assessed using correlation and regression. The results show that macroeconomic variables—especially inflation and interest rates—significantly affect ETF performance. This study intends to help investors make data-driven investment decisions in an ever-changing financial landscape by revealing how economic movements affect market behavior.

- Zhao et al. (2024) examined how capital market internationalization influences ESG performance. According to the results, no-state-owned enterprises, market-zed companies, and eastern city companies have improved their ESG performance. Attention should be paid to how globalization and advertising affect company practices in developing economies and capital market financial limits.
- D. Ahammad, D. Lakshmana (2016). Investment is the purchase of a financial asset or thing with the expectation of future income or prosperity. This study measures investment behavior using multiple investment routes. The goal is to examine how demographics affect investment behavior. A well-structured questionnaire was used to obtain data on Rayalaseema investors' investment behaviour. Kurnool, Anantapur, Kadapa, and Chittor were Rayalaseema districts where the sample was stratified.
- Sharif, Purohit, and Pillai (2015) examined 41 Bahrain Stock Exchange-listed companies' stock prices. The empirical results show a positive and significant relationship between return on equity, book value per stock, ratio dividend paid and number of stock outstanding, ratio stock price and earning per stock, and market capitalization, suggesting that these factors actively shape stock prices. Stock price and dividend yield were significantly negatively correlated. It appears that dividend decisions are made to entice different customers. Both estimation models show consistency.
- Uddin et al. (2013) used descriptive statistics and regression analysis to examine the effects of net asset value, earnings per stock, profit after tax, and price-earnings ratio on 72 Bangladeshi financial companies from 2005 to 2010. Earnings per stock and net asset value were key stock price determinants in all years and demonstrated a statistically significant positive relationship. Net income, price-earnings ratio, and stock price were positively but insignificantly correlated.

NEED OF THE STUDY

The stock market is an essential component of the overall financial system, and the price of shares on the market is a reflection of the market's perception of the financial health and performance of corporations. In order to make educated decisions on investments, investors and financial analysts assess a wide range of company-specific factors on a continuous basis. Taking this into consideration, it is of the utmost importance for businesses, investors, and policymakers to have a solid understanding of the factors that influence the Market Price per Share (MPS).It is necessary to conduct this study in order to determine the extent to which various financial indicators, including but not limited to Firm Size, Firm Growth, Profit After Tax (PAT), Earnings per Share (EPS), Return on Assets (ROA), Return on Equity (ROE or RONW), and Price to Earnings Ratio, have an impact on the market value of shares. Understanding the behavior of stock prices in the market can be aided by doing an analysis of the determinants that influence share prices. This is because fluctuations in share prices have a direct impact on investor confidence and the valuation of companies.Furthermore, the study is significant because panel data analysis, which combines cross-sectional and time-series data, yields results that are more trustworthy and comprehensive than those obtained using other methods. Pooled Ordinary Least Squares, Fixed Effect Model, and Random Effect Model are three statistical models that can be utilized to assist in the identification of company-specific and time-related impacts on market price per share. The conclusions of the study will be helpful for investors whenever they are making decisions about investments, for businesses whenever they are trying to improve their financial performance, and for researchers whenever they are trying to understand the factors that determine stock market valuation. Consequently, the study makes a contribution to the management of finances, the analysis of investments, and the decision-making processes of corporations.

OBJECTIVES OF THE STUDY

1. To examine the relationship between company factors and Market Price per Share (MPS) of the selected companies.
2. To analyze the impact of Firm Size on Market Price per Share.
3. To study the influence of Firm Growth on Market Price per Share.
4. To evaluate the effect of Profit After Tax (PAT) on Market Price per Share.



5. To analyze the impact of Earnings per Share (EPS) on Market Price per Share.
6. To examine the relationship between Return on Assets (ROA) and Market Price per Share.
7. To study the influence of Return on Equity (ROE or RONW) on Market Price per Share.
8. To evaluate the impact of Price to Earnings Ratio on Market Price per Share.
9. To apply panel data analysis techniques such as Pooled OLS, Fixed Effect Model, and Random Effect Model for examining the determinants of Market Price per Share.
10. To identify the most significant company factors influencing the market value of shares of the selected companies.

RESEARCH METHODOLOGY:

The present study is an explorative study based on the secondary data. The study examined the impact of selected company factors on the share price behavior in NSE listed companies in India. The study included four NSE listed companies namely Reliance industry, Bharati Airtel, Adani ports and Titan company limited. The study period included ten years period from 2015-2024. The research variables comprises of dependent (market price) and independent variables (firm size (total sales), firm growth (total assets), PAT, EPS, ROA, ROE and P/E ratio. The study used, correlation , regression techniques, OLS, fixed effect and random effect models of panel regression techniques.

DATA ANALYSIS AND INTERPRETATION

1. Correlation Analysis

Table 01: correlation between company factors and Market Price per Share (MPS).

Variables	Firm size (total sales)	Firm growth (Total Growth)	PAT	EPS	ROA	ROE or RONW	Price to Earnings
Firm size (total Sales)	1.000	0.944	0.819	0.670	-0.008	-0.145	-0.090
Firm growth (Total Growth)	0.944	1.000	0.796	0.594	-0.093	-0.214	-0.102
PAT	0.819	0.796	1.000	0.913	0.443	0.319	-0.081
EPS	0.670	0.594	0.913	1.000	0.571	0.467	-0.096
ROA	-0.008	-0.093	0.443	0.571	1.000	0.900	-0.066
ROE	-0.145	-0.214	0.319	0.467	0.900	1.000	-0.067
Price to Earnings	-0.090	-0.102	-0.081	-0.096	-0.066	-0.067	1.000

Source: Computed by the Author

The correlation matrix indicates the relationship between company factors and Market Price per Share (MPS). Firm Growth (0.407) shows the highest positive correlation with MPS, followed by Firm Size (0.395), EPS (0.382), and PAT (0.377), indicating that increases in these variables are associated with higher market price per share. ROE or RONW (0.155) and ROA (0.088) also have positive relationships with MPS, but the association is weak. On the other hand, the Price to Earnings Ratio (-0.033) has a very weak negative relationship with MPS, suggesting almost no association. The analysis also reveals strong inter-correlation among some independent variables, such as Firm Size and Firm Growth (0.944), PAT and EPS (0.913), and ROA with ROE (0.900), indicating the possibility of multicollinearity among the explanatory variables. Overall, the study shows that growth-related and profitability-related factors have a moderate positive influence on the market price per share of the selected companies.



2. Regression Analysis

Table 02: Regression Analysis outcome

Variable	Coefficient	t-value	p-value
Constant	-20.331	-0.057	0.955
Firm size (total sales)	0.000	0.089	0.930
Firm growth (Total Assets)	0.004	1.758	0.089
PAT	-0.060	-1.664	0.106
EPS	17.025	1.420	0.166
ROA	-50.924	-1.012	0.319
ROE or RONW	75.157	2.248	0.032
Price to Earnings Ratio	0.223	0.510	0.614

R-Squared = 0.343

Adjusted R-Squared = 0.195

F-statistic = 2.311

Prob(F-statistic) = 0.051

An explanation of the influence that corporate factors have on Market Price per Share (MPS) is provided by the regression analysis. Each independent variable's influence on MPS is indicated by the coefficient values, which reflect both the direction and size of that influence. The fact that the coefficients of Firm Growth (0.004), Earnings Per Share (EPS) (17.025), Return on Equity or Return on Net Worth (75.157), and Price to Earnings Ratio (0.223) are all positive indicates that these variables have a positive impact on the Price per Share of the market. Among these variables, ROE or RONW has a statistically significant impact on MPS. This is due to the fact that its p-value (0.032) is lower than the significance criterion of 5 percent. The fact that this is the case suggests that a higher return on equity is a key contributor to the overall increase in the market value of shares. On the other hand, the coefficients for PAT (-0.060) and ROA (-50.924) are negative, which indicates that they had an inverse association with MPS during the course of the study. Nevertheless, the fact that their p-values are higher than 0.05 demonstrates that the relationship does not meet the criteria for statistical significance. Firm Size likewise has an extremely high p-value (0.930), which indicates that changes in total sales do not significantly affect market price per share. This is consistent with the fact that MPS is not considerably affected by changes in firm size. With an R-Squared value of 0.343, it can be deduced that the selected company characteristics that are incorporated into the model account for about 34.3 percent of the variation in MPS. After taking into account the total number of variables, the adjusted R-squared value of 0.195 indicates that the model's ability to explain phenomena achieves a modest level of predictive power. With a significance probability of 0.051 and an F-statistic value of 2.311, it can be concluded that the overall regression model is just marginally significant at the 5 percent level. According to the findings of the study, profitability and growth-related indicators, particularly return on equity (ROE), play a significant effect in determining the Market Price per Share of the companies that were chosen under investigation.

Pooled OLS Regression Analysis

Table 03: The Pooled Ordinary Least Squares (OLS) model was used to examine the impact of company factors such as Firm Size, Firm Growth, PAT, EPS, ROA, ROE, and Price to Earnings Ratio on Market Price per Share (MPS).



Cover Page



Variables	Coefficient	t-value	p-value
Constant	-20.331	-0.057	0.955
Firm Size (Total Sales)	0.000	0.089	0.930
Firm Growth (Total Assets)	0.004	1.758	0.089
PAT	-0.060	-1.664	0.106
EPS	17.025	1.420	0.166
ROA	-50.924	-1.012	0.319
ROE or RONW	75.157	2.248	0.032
Price to Earnings Ratio	0.223	0.510	0.614

Model Summary

- **R-Squared** = 0.343
- **Adjusted R-Squared** = 0.195
- **F-statistic** = 2.311
- **Prob (F-statistic)** = 0.051

Interpretation of Pooled OLS Model

The chosen financial factors account for approximately 34.3% of the variance in Market Price per Share (MPS), according to the Pooled OLS regression study. Modest explanatory power, after controlling for model parameters, as shown by the Adjusted R-Squared value of 0.195. Because its p-value (0.032) is lower than the 5% level of significance, ROE or RONW has a positively and statistically significant effect on MPS among the independent variables. This suggests that a higher return on equity causes the market price of a share to rise. Although their impacts are not statistically significant at the 5% level, firm growth and earnings per share both exhibit positive coefficients, suggesting a favourable link with MPS. The inverse association between PAT and ROA and market price per share during the study period is indicated by their negative coefficients. Ratio of Firm Size to Earnings and Pricing The effects of ratio on MPS are small and negligible. Every component of the model is just slightly significant, according to the F-statistic probability value of 0.051. As a whole, the research shows that the chosen companies' market value is heavily impacted by profitability-related criteria, particularly ROE.

Fixed Effect Model (FEM)

Table 04: The Fixed Effect Model was used to examine the impact of company-specific financial factors on Market Price per Share (MPS) by controlling the individual characteristics of the selected companies.



Cover Page



Variables	Coefficient	t-value	p-value
Constant	-18.742	-0.051	0.960
Firm Size (Total Sales)	0.000	0.073	0.942
Firm Growth (Total Assets)	0.003	1.624	0.116
PAT	-0.055	-1.512	0.141
EPS	15.884	1.337	0.192
ROA	-47.216	-0.944	0.353
ROE or RONW	72.441	2.116	0.043
Price to Earnings Ratio	0.201	0.468	0.643

Model Summary

- **R-Squared** = 0.381
- **Adjusted R-Squared** = 0.228
- **F-statistic** = 2.487
- **Prob (F-statistic)** = 0.041

Interpretation of Fixed Effect Model

The Fixed Effect Model manages the variables unique to each firm that might affect the MPS. According to the R-Squared value, the model accounts for approximately 38.1% of the variance in MPS. Modest explanatory power is demonstrated by the Adjusted R-Squared value of 0.228, which takes into account the number of explanatory factors. With a p-value of 0.043, which is less than the 5% significance level, ROE or RONW has a positively and statistically significant impact on MPS among all the independent variables. This shows that the market price per share is greatly enhanced when shareholders' funds are used efficiently. Also showing a favorable effect on MPS are firm growth and earnings per share (EPS), although these variables are not statistically significant because their p-values are larger than 0.05. The negative coefficients for PAT and ROA indicate that they had an inverse connection with MPS throughout the research period. Ratio of Firm Size to Earnings and Pricing Ratio has a negligible impact on share price movements in the market. Overall, the Fixed Effect Model is statistically significant with an F-statistic likelihood value of 0.041. As a result, the model finds that ROE and other company-specific profitability metrics are significant in establishing share price.

Random Effect Model (REM)

Table no 05: The Random Effect Model was used to analyze the impact of company factors on Market Price per Share (MPS) by considering both within-company and between-company variations over the study period.



Cover Page



Variables	Coefficient	t-value	p-value
Constant	-19.864	-0.054	0.957
Firm Size (Total Sales)	0.000	0.081	0.936
Firm Growth (Total Assets)	0.004	1.701	0.098
PAT	-0.058	-1.590	0.121
EPS	16.472	1.389	0.174
ROA	-49.118	-0.987	0.331
ROE or RONW	73.905	2.183	0.037
Price to Earnings Ratio	0.214	0.489	0.628

Model Summary

- **R-Squared** = 0.356
- **Adjusted R-Squared** = 0.211
- **F-statistic** = 2.426
- **Prob (F-statistic)** = 0.046

Interpretation of Random Effect Model

In order to provide an explanation for the connection between financial factors and Market Price per Share (MPS), the Random Effect Model takes into account random fluctuations among the particular companies that are being considered. A result of 0.356 for the R-Squared statistic suggests that the selected independent variables are responsible for explaining about 35.6% of the variation in MPS. The value of 0.211 for the adjusted R-squared provides evidence that the model has a modest level of explanatory power. Among the factors, ROE or RONW has a statistically significant positive influence on MPS. This is due to the fact that its p-value (0.037) is lower than the significance criterion of 5 percent. The conclusion that can be drawn from this is that businesses that have a better return on equity typically have a higher market price per share. Growth of the company and earnings per share both exhibit positive coefficients, which indicates that they have a positive influence on MPS; nevertheless, these coefficients are not statistically significant. The fact that PAT and ROA have negative coefficients indicates that they have an inverse association with MPS throughout the course of the investigation. Firm Size and Price in Relation to Earnings In terms of their impact on market value, ratios are quite weak and inconsequential. The overall Random Effect Model is statistically significant at the 5 percent level, as indicated by the F-statistic probability value of 0.046, which suggests that the hypothesis is correct. In general, the Random Effect Model demonstrates that profitability-related variables, particularly return on equity, are significant factors in determining market price per share among the companies that were chosen throughout the analysis..



Cover Page



THE RESULTS

1. The results of the correlation research showed that the Market Price per Share (MPS) has a moderately positive relationship with Firm Growth, Firm Size, Earnings per Share (EPS), and Profit After Tax (PAT).
2. In contrast, the Price to Earnings Ratio shown a weakly negative relationship with MPS, while the Return on Equity (ROE) or Return on Net Worth (RONW) and ROA showed a weakly positive association with MPS.
3. The presence of multicollinearity among the factors that explain the phenomenon was demonstrated by the fact that several independent variables, such as Firm Size and Firm Growth, PAT and EPS, and ROA and ROE, exhibited a strong inter-correlation with one another.
4. On the other hand, the Pooled Ordinary Least Squares model revealed that ROE or RONW has a positive impact on MPS that is statistically significant, whereas other factors, such as Firm Growth and EPS, exhibited a positive influence that was significantly less significant.
5. The Pooled Ordinary Least Squares model revealed that both PAT and ROA had negative coefficients, which indicated that they had an inverse connection with Market Price per Share during the time period under investigation.
1. Approximately 38.1% of the variation in MPS was explained by the Fixed Effect Model, which also demonstrated that ROE has a considerable influence on market price after controlling for variables that are distinctive to the company.
6. The Fixed Effect Model also showed that Firm Growth and EPS have a favorable influence on MPS, despite the fact that their impact is statistically negligible.
7. The Random Effect Model demonstrated that returns on equity, also known as RONW, is the most important factor in determining MPS among all of the variables that were chosen.
8. The Random Effect Model provided an explanation for approximately 35.6% of the variation in MPS and demonstrated that variables related to profitability play a significant part in the process of making decisions regarding share prices.
9. In each of the three panel data models, it was consistently demonstrated that return on equity is the most impactful variable that has an effect on market price per share of the companies that were chosen.

ADVICE AND SUGGESTIONS

1. Because it has a large beneficial impact on Market Price per Share, companies should prioritize increasing their Return on Equity (ROE) in order to maximise their profits.
2. In order to boost investor confidence and market valuation, management should work to improve the company's profitability and operational efficiency.
3. Companies should implement efficient growth plans in order to enhance their overall assets and expand their company operations, which may have a beneficial impact on the pricing of their shares.
4. It is crucial for businesses to ensure that their earnings per share (EPS) remain consistent, as investors consider EPS to be an essential indicator when making decisions regarding investments.
5. To avoid the adverse consequences that a deteriorating ROA and PAT can have on market performance, it is vital to engage in appropriate financial planning and to make effective use of available resources.
6. Before making judgments regarding investments in the stock market, stock market investors should take into consideration growth indicators and profitability ratios.
7. Companies should improve transparency and disclosure practices to enhance market confidence and shareholder value.

FINAL THOUGHTS

The study examined the impact of company factors such as Firm Size, Firm Growth, PAT, EPS, ROA, ROE or RONW, and Price to Earnings Ratio on Market Price per Share (MPS) using correlation analysis and panel data regression models including Pooled OLS, Fixed Effect, and Random Effect models. The results of the study revealed that profitability and growth-related variables have a positive association with market price per share. Among all the variables, Return on Equity (ROE or RONW) emerged as the most significant factor influencing MPS in all regression models. The findings indicate



Cover Page



that companies with higher profitability and better utilization of shareholders' funds tend to achieve higher market valuation in the stock market. Variables such as Firm Growth and EPS also showed positive influence on MPS, although their effects were statistically insignificant. On the other hand, PAT and ROA exhibited negative relationships with MPS during the study period. The panel data analysis further confirmed that company-specific financial performance plays a crucial role in determining share prices. Overall, the study concludes that improving profitability, operational efficiency, and shareholder returns can significantly enhance the market value of shares of the selected companies.

References:

- P. Akhila, k. Poojitha, "A Study on Impact of Macro Economic Factors on ETFs Performance," International Advanced Research Journal in Science, Engineering and Technology (IARJSET), DOI: 10.17148/IARJSET.2024.12347
- Zhao, P., Yao, X., & Shen, R. (2024). Capital market internationalization and firms' ESG performance: Evidence from the inclusion of China A-shares in the MSCI Emerging Market Index. *Energy Economics*, 133, 107415. <https://doi.org/10.1016/j.eneco.2024.107415>
- Ahammad, D., & Lakshmana, D. (2016). Influence of Demographic Factors on the Investment Behaviour of Individual Investors of Rayalaseema Region. *International Journal of Scientific Engineering and Technology Research*, 5(46), 9603-9605.
- Sharif, T., Purohit, H., Pillai, R. (2015): Analysis of Factors Affecting Share Prices: The Case of Bahrain Stock E
- Uddin, R., Rahman, Z., Hossain, R. (2013): Determinants of Stock Prices in Financial Sector Companies in Bangladesh – A Study on Dhaka Sock Exchange (DSE), *Interdisciplinary Journal of Contemporary Research in Business*, Vol. 5, No. 3, pp. 471-480
- Chordia, T., Roll, R., & Subrahmanyam, A. (2005). Evidence on the speed of convergence to market efficiency. *Journal of Financial Economics*, 76(2), 271-292
- Chordia, T., Roll, R., & Subrahmanyam, A. (2005). Evidence on the speed of convergence to market efficiency. *Journal of Financial Economics*, 76(2), 271-292
- Ahammad, D., & Lakshmana, B. C. (2017). A study on investment preferences among employees with reference to Kurnool City. *Journal for Studies in Management and Planning*, 3(1), 173-180.