

Financial Information And The Movement Of Stock Prices: An Analytical Study Of Indian Pharmaceutical Companies

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Abstract

The volatility of the stock price is a critical concern for investors. It is believed that financial information significantly affects the movement of stock prices. The study examines the relationship between the value relevance of financial performance and stock price in India-pharmaceutical sector. The top ten pharmaceutical companies, in-terms of value, were studied during 2018-2021. In the current study, the relevance of financial information of pharmaceutical companies is the independent variable which includes liquidity performance, turnover performance, financial performance, and profitability performance. The stock price of pharmaceutical companies is the dependent variable. By employing Correlation, Multiple regression, and ANOVA test, the study found that DPR, CR, ATR, EPS, ROCE, and NPM significantly influence the stock price of pharmaceutical companies. However, CR, DPR, and ATR have a statistically insignificant impact on the stock price. The study reveals that financial and profitability performance have a high explanatory power on the movement of stock prices. The outcome of the analytical research helps the current and prospective investors to determine a suitable investment decision.

Keywords: Financial Information, Stock Prices

Introduction

The Financial statements of every company comply with the accounting standards, which sharpen the quality of accounting information for the users. The shareholders and the stakeholders use the accounting information for essential decisions relating to management and business. The accounting information is incorporated in the valuation of the market value of the equity. The market value of the equity varies with the proportion of variation in accounting information. The value relevance of accounting information is an essential tool for investors to achieve the target return for their investment.

Every investor invests in the market for capital appreciation, and every investor expects to get back something in return for the capital investment in the company's stock (Omokhudu & Ibadin, 2015; Hossain, 2021). The accounting statement furnishes up-to-date information about

the financial position of the company, which forms the basis of informed decisions for investment. (Hossain, 2021). As per the Ohlson model, the financial statement information explains 54% of stock prices in the United Kingdom (King & Langli, 1998), while Vietnam (Dung, 2010; Nguyen, 2016) found a statistically significant relationship between accounting information and stock prices in Vietnam. According to (Almagtome and Abhas, 2020), financial performance disclosure improves investor's ability to assess suitable securities.

According to the researcher (Hung et al., 2020), the variables of accounting information have significantly influenced the movement of stock prices. Accounting information like profitability, size of enterprise, turnover performance, capital structure, and current ratio significantly affect stock price (Hung, 2018). The trustworthiness and transparency of accounting information are a foundation for the investor's protection and help maintain stability in the stock market (Hoang et al., 2021). The term value relevance determines the strength of the association between accounting information and the market value of equity (Diepiriye & Macfubara, 2018).

However, some researchers did not find a significant impact of the value relevance of accounting information on the stock price of pharmaceutical companies. Similar results were documented by Omokhudu & Ibadin, 2015 in the Nigerian market, where accounting data had no relevance to the return of the stock prices.

Statement of Problem

The literature review revealed that earlier research confined itself to the different dimensions of statistically significant relationships between the value relevance of accounting information and stock prices. It also identifies the factors affecting investment decisions. Based on past research, the current study attempts to study value relevance accounting information and stock prices of pharmaceutical companies in the Indian context. The study also identifies the variables affecting the decision-making of the investors.

Literature Review

The existing empirical studies on the relationship between the value relevance of accounting information and stock prices are reviewed as follows:

Dontoh et al. (2004) analytically studied the value relevance of accounting information and trading from 1983 to 2000. The study found that non-information-based trading activity significantly influences stock prices. Shehzad and Ismail (2014) examined the impact of value relevance of accounting information on stock prices of listed banks at the Karachi Stock Exchange (KSE) from 2008 to 2012. By using pooled OLS, the study reveals a strong relationship between the variables of accounting information and the stock prices of KSE.

Vijitha & Nimalathan (2014) examined the relationship between the value relevance of accounting information and stock prices of listed manufacturing companies in India from 2008 to 2012. The variables studied included EPS, P/E, NAVPS, and ROE as independent variables and the stock price of manufacturing companies as dependent variables. By employing the

regression analysis, the study found that EPS, NAVPS, and ROE have significantly positively affected stock prices. However, the P/E ratio is inversely related to the stock prices of selected manufacturing companies in Sri Lanka. Omokhudu & Ibadin (2015) empirically analyzed the relationship between the value relevance of accounting information and stock prices from 1994 to 2013 of 940 observations of 47 firms listed on the Nigeria stock exchange (NSE). Using pooled OLS, Panel OLS, fixed effect model and random effect model, the study found the earnings, cash flow and dividend are statistically significant on the stock price. But book value is related to stock price but not statistically significant.

Diepiriye and Macfubara (2018) empirically analyzed the Value relevance of accounting information and financial risk with evidence from Nigeria-listed insurance companies from 1990 to 2016. By employing OLS, Johansen Co-integration, VECM, and Granger causality tests, the study found liquidity risk, exchange rate risk, and debt-equity ratio have a significantly positive impact on stock prices. However, the expenditure ratio and variation of earnings have a negative relationship with the stock prices of insurance companies in Nigeria. Hung et al. (2018) studied how financial information influences the movement of stock prices of Energy enterprises listed on the Vietnam stock market. The result of OLS regression documented a positive correlation of ROA, SIZE, CR, and TR with Stock prices. However, the LV is insignificant in affecting the Vietnam stock market.

Badu and Appiah (2018) explored the relationship between the value relevance of accounting information and the variation of stock prices of listed companies on the Ghana Stock Exchange (GSE) from 2005 to 2014. The study found that earnings have a significantly positive relationship with the book value and market value of GSE. He et al. (2020) have analytically studied the value relevance of accounting information affecting the investor's sentiment toward investment. The study uses Chen and Zhang's (2007) model to measure equity value and Baker and Wurgler's (2006) model to estimate the index on investor sentiment. The study uses the share turnover of NSYE, Closed-end fund discount, number of IPOs, average first-day return, equity and debt issues, and the dividend premium as predictor variables. The study found that earning yield is more contemporaneous with stock return in a period of high sentiment. However, other accounting variables are more related to the stock return in low sentiment periods.

Almagtome and Abbas (2020) studied the value relevance of financial performance as a measure of the market value of companies and the sentiment of investors in the financial market from 2010 to 2017. The study uses correlation and regression on 264 observations of 33 listed banks in the Iraq Stock Exchange. By employing correlation and regression, the study found that financial performance measures, operating income, total revenue and dividend positively impact the market indicators - both stock prices and total traded shares.

Hossain (2021) examined the impact of value relevance accounting and information impact on the stock prices of pharmaceutical companies in the Dhaka stock exchange from 2017 to 2019. By employing correlation, regression and ANOVA, the study found a significant positive relationship between NOCFPS and NAVPS. While EPS significantly inversely affects MVPs. However, CDPS and SDPS have no significant but positively correlated with MVPs.

Larojan (2021) explored the empirical relationship between the accounting ratios and stock prices of listed firms in the Colombo Stock Exchange (KSE) from 2015 to 2019. Using the fixed effect model, random effect model, pooled regression, and Hausman test, the study found that the EPS, DPS, and PE ratios positively impact the stock price. However, the MB ratio inversely affects the stock market prices. Hoang et al. examined the relationship between the accounting information on financial statements and stock prices of companies listed in the Vietnamese stock market (VSM) from 2008 to 2019. Book value, firm size, solvency ratio, and profitability are considered predictors, and stock prices of VSM were the dependent variable. Using LASSO regression, the study found all predictors significantly influencing stock prices in VSM. Further some researchers have analytically examined the influence of the stock price of pharmaceutical companies in the Nigerian capital market by value relevance accounting information from 2010 to 2020. By employing OLS, the study found that the EPS is positively associated with the stock price, whereas the sales growth ratio is adversely associated with stock prices. Ogbodo & Benjamin (2020) investigated the impact of value relevance of accounting information on stock prices of listed manufacturing companies in the Nigeria Stock Exchange (NSE) from 2012 to 2020. By employing OLS, the study found that the EPS positively affects the stock price of manufacturing firms listed in NSE.

Research Gap

The prior studies reveal that the value relevance of accounting information has a significant influence on stock prices. However, some variables of accounting information have a positive impact on stock prices and some variables of accounting information have a negative impact on stock prices. Denying the above results, the variables of value relevance of accounting information have an insignificant relationship with the stock price. Most of the studies have been done abroad in India on the impact of value relevance of accounting information on stock prices. The maximum studies have been done with a few numbers of variables of accounting information. The output of prior studies is creating a conflict in minds of users.

Objectives of the Study

The objective of this study inquisitiveness to verify analytically that the value relevance of accounting information is influencing the Stock prices of pharmaceutical companies. The followings are the key objectives:

1. To verify the Liquidity performance influence on stock prices.
2. To check analytically the relationship between the Turnover performance and Stock prices.
3. To examine the empirical relationship between financial performance and Stock Prices.
4. To investigate the relationship between profitability performance and Stock prices.

Research Hypothesis

The earlier objective of the study urges to development of the hypothesis to analytically verify the empirical relationship between the Value Relevance of Accounting Information and Stock Prices of a few selected pharmaceutical companies in India.

H₁: The stock prices of the pharmaceutical sector are not significantly associated with Liquidity performance.

H₂: Turnover performance is significantly influencing the stock price of pharmaceutical companies.

H₃: There is a significant relationship between the financial performance and stock prices of selected pharmaceutical companies

H₄: The stock prices of selected pharmaceutical companies are significantly associated with profitability performance.

Methodology

The analytical study explores the relationship between the value relevance of accounting information on stock prices of pharmaceutical companies in India. The top 10 pharmaceutical companies in India are studied from 2018 to 2021. The value relevance of accounting information included are Liquidity performance, Turnover performance, Financial Performance, and Profitability performance.

The data on the different independent variables is from Annual reports of selected pharmaceutical companies, and the dependent variable is from the BSE and NSE websites. Descriptive statistics is used to understand the behaviour of the data. The methods like correlation analysis, regression analysis, and ANOVA test are used to analyze the collected data set during the period. The study used SPSS software for analysis purpose.

Variables under study

Dependent Variables: The market price of the stock is considered a dependent variable. The market price of the top ten pharmaceutical companies is taken into consideration in this study.

Table 1: Independent Variables

Name of the Variables	Measurement of the Variables	Explanation
Liquidity Performance (LP)	Current Ratio (CR)	CR determines the strength and ability of the firm to meet short term obligation of the firm.
	Liquidity Ratio (LR)	LR refers to how quickly a firm pay off its short-term obligation by converting assets very much nearer to cash.
	Dividend Payout Ratio (DPR)	DPR defines the amount of dividend paid out to shareholders related to the amount of total income.
Turnover Performance (TP)	Inventory Turnover Ratio (ITR)	ITR determines how many times the inventory sold out during a given period of time.
	Assets Turnover Ratio (ATR)	ATR measures the efficiency of assets in generating sales revenue or operating revenue to the company.
Financial Performance (FP)	Earnings Per Share (EPS)	EPS is key financial measures earnings available to shareholders to each share of common stock.
	Return on Capital Employed (ROCE)	ROCE measures the efficiency of the companies in using its capital to generate operating profit.
	Return on Assets (ROA)	ROA refers to a financial measure which determines how much profitable a firm is in relation to its assets.

Profitability Performance (PP)	Operating Profit Margin (OPM)	OPM defines the earnings from operation in relation to operating revenue.
	Net Profit Margin (NPM)	NPM ascertain how much net profit generated in relation to operating revenue of the company.

Model Specification

The SP is a dependent variable and the value relevance of accounting information is an independent variable which includes CR, LR, DPR, ITR, ATR, EPS, ROCE, ROA, OPM, and NPM. The movement of the stock price of companies is determined by the following equation:

$$SP = f(\text{CR, LR, DPR, ITR, ATR, EPS, ROCE, ROA, OPM, and NPM})$$

Model: $SP_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 LR_{it} + \beta_3 DPR_{it} + \beta_4 ITR_{it} + \beta_5 ATR_{it} + \beta_6 EPS_{it} + \beta_7 ROCE_{it} + \beta_8 ROA_{it} + \beta_9 OPM_{it} + \beta_{10} NPM_{it} + \epsilon_{it}$

Data Analysis and Interpretation

Industry Background

Nifty Pharma from 2019-21

The Indian Pharmaceutical industry is ranked third in pharmaceutical production by volume. For the last decade the Indian industry is growing at 9.43% CAGR. Moreover, India is the largest provider of generic drugs globally with extremely low prices. According to the Indian Brand Equity Foundation (2021), Indian pharmaceutical companies supply over 50% of the global demand for various vaccines, 40% of the generic demand in the US and 25% of all medicine in the UK. The segments of Indian Pharmaceutical industry are Generic drugs, over-the-counter medications, bulk drugs, vaccines, contract research & manufacturing etc. Graph 1 depicts the growth in the pharmaceutical industry from 30th March 2018-30th March 2021.



Summary Statistics

The term summary statistics refers to the description, analysis and presentation of a related data set. It describes the nature and behaviour of data. The current analysis includes mean, minimum value, maximum value, standard deviation, skewness and kurtosis of the data set.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistics	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
CR	50	.91	6.99	2.1972	1.40780	2.295	.337	4.888	.662
LR	50	.52	4.89	1.4522	.93662	2.290	.337	5.451	.662
DPR	50	-84.00	134.84	21.4222	30.63425	.590	.337	5.476	.662
ITR	50	.68	5.11	3.3126	1.44587	-.700	.337	-.804	.662
ATR	50	.29	89.63	51.3868	29.15490	-.967	.337	-.560	.662
EPS	50	-33.65	137.63	46.2826	39.39683	.887	.337	.222	.662
ROCE	50	-9.07	30.25	16.1308	6.37339	-.797	.337	4.010	.662
ROA	50	-7.00	22.13	7.9746	5.04537	.243	.337	1.634	.662
OPM	50	-7.49	41.12	18.3542	7.76896	.612	.337	3.869	.662
NPM	50	-9.20	33.04	12.2030	7.58715	.565	.337	1.917	.662
SP	50	205.85	4516.00	1292.838	1178.296	1.519	.337	1.310	.662

Source: The SPSS result

Table 2 depicts the behaviour of the dependent variable i.e., SP as well as independent variables i.e., CR, LR, DPR, ITR, ATR, EPS, ROEC, ROA, OPM and NPM of collected data set. In this analysis, the mean and standard deviation of the CR is 2.2 and 1.41, LR is 1.45 and 0.94, DPR is 21.42 and 30.63, ITR is 3.31 and 1.45, ATR is 51.38 and 29.16, EPS is 46.28 and 39.40, ROCE is 16.13 and 6.37, ROA is 7.97 and 5.04, OPM is 18.35 and 7.77, NPM is 12.20 and 7.59 and SP is 1292.84 and 1178.30 respectively. The summary also describing about the other characteristics like minimum statistic, maximum statistic, skewness and kurtosis of both the variables under study.

Correlation Analysis

Correlation analysis measures the strength of association and the degree of relationship between variables. It is also known as the bivariate analysis that reveals the relationship between different metrics or groups of metrics. The study uses the Pearson Correlation method for analysis.

Table 3: Correlations

		CR	LR	DPR	ITR	ATR	EPS	ROC E	ROA	OPM	NPM	SP
CR	PC	1	.99**	.035	-.132	-.004	.126	.39**	.573**	.675**	.59**	.341*
	Sig.(2-tailed)		.000	.807	.360	.979	.384	.004	.000	.000	.000	.015
	N	50	50	50	50	50	50	50	50	50	50	50
LR	PC	.99**	1	.023	-.094	-.014	.102	.339*	.519**	.643**	.55**	.336*
	Sig.(2-tailed)	.000		.872	.516	.922	.480	.016	.000	.000	.000	.017
	N	50	50	50	50	50	50	50	50	50	50	50
DPR	PC	.035	.023	1	.028	-.019	.018	.089	-.017	.187	.023	.039
	Sig.(2-tailed)	.807	.872		.849	.898	.902	.539	.909	.194	.872	.790
	N	50	50	50	50	50	50	50	50	50	50	50
ITR	PC	-.132	-.094	.028	1	.85**	-.189	-.174	-.190	-.204	-.235	-.287*
	Sig.(2-tailed)	.360	.516	.849		.000	.188	.228	.187	.156	.100	.043
	N	50	50	50	50	50	50	50	50	50	50	50
ATR	PC	-.004	-.014	-.019	.85**	1	-.088	.078	.037	-.088	-.068	-.266
	Sig.(2-tailed)	.979	.922	.898	.000		.542	.592	.800	.544	.637	.062
	N	50	50	50	50	50	50	50	50	50	50	50
EPS	PC	.126	.102	.018	-.189	-.088	1	.50**	.591**	.270	.47**	.842**
	Sig.(2-tailed)	.384	.480	.902	.188	.542		.000	.000	.058	.001	.000
	N	50	50	50	50	50	50	50	50	50	50	50
ROC E	PC	.39**	.339*	.089	-.174	.078	.50**	1	.816**	.795**	.73**	.365**
	Sig.(2-tailed)	.004	.016	.539	.228	.592	.000		.000	.000	.000	.009
	N	50	50	50	50	50	50	50	50	50	50	50
ROA	PC	.57**	.51**	-.017	-.190	.037	.59**	.81**	1	.766**	.96**	.443**
	Sig.(2-tailed)	.000	.000	.909	.187	.800	.000	.000		.000	.000	.001
	N	50	50	50	50	50	50	50	50	50	50	50
OPM	PC	.67**	.64**	.187	-.204	-.088	.270	.79**	.766**	1	.82**	.289*
	Sig.(2-tailed)	.000	.000	.194	.156	.544	.058	.000	.000		.000	.042
	N	50	50	50	50	50	50	50	50	50	50	50
NPM	PC	.59**	.55**	.023	-.235	-.068	.47**	.74**	.960**	.827**	1	.350*
	Sig.(2-tailed)	.000	.000	.872	.100	.637	.001	.000	.000	.000		.013
	N	50	50	50	50	50	50	50	50	50	50	50
SP	PC	.341*	.336*	.039	-.28*	-.266	.84**	.37**	.443**	.289*	.350*	1
	Sig.(2-tailed)	.015	.017	.790	.043	.062	.000	.009	.001	.042	.013	
	N	50	50	50	50	50	50	50	50	50	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

PC-Pearson Correlation

Source: The SPSS result

Table 3 shows the correlation matrix between the dependent variables and with independent variables. SP is positively correlated with CR, LR, OPM and NPM at a 5% significance level. Similarly, the correlation of Stock Price with EPS, ROCE and ROA is significant at 1%. However, in between SP and DPR is insignificantly positively correlated with 0.039. But, ITR and ATR are negatively associated with SP at 1% and 0% significance level. The analysis revealed that the financial performance of pharmaceutical companies is positively correlated with their market stock prices rather than other performances.

Multicollinearity:

The statistical term which determines the many predictor variables is highly correlated to each other. The Pearson correlation value is 0.8. Since the value is extremely high, it eliminate at the time of testing regression from the model for reliable statistical inferences (Badu and Appiah, 2018). As per Table 3, the variables like CR to LR, ITR to ATR, and ROA to ROCE, NPM to ROA, and NPM to OPM are highly correlated to each other, leading to an incidence of high colinearity. Hence, these variables are eliminated from the regression model and also from the analysis.

Regression Analysis

The regression analysis is a statistical analysis to determine the regression of dependent variables using independent variables. It details independent variables that explain the dependent variables. Current study takes four models into consideration:

:

Model 1: Liquidity Performance (LP)

$$SP_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 DPR_{it} + \epsilon_{it}$$

Model 2: LP and Turnover Performance (TP)

$$SP_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 DPR_{it} + \beta_3 ATR_{it} + \epsilon_{it}$$

Model 3: LP, TP and Financial Performance (FP)

$$SP_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 DPR_{it} + \beta_3 ATR_{it} + \beta_4 EPS_{it} + \beta_5 ROCE_{it} + \epsilon_{it}$$

Model 4: LP, TP, FP, and Profitability Performance (PP)

$$SP_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 DPR_{it} + \beta_3 ATR_{it} + \beta_4 EPS_{it} + \beta_5 ROCE_{it} + \beta_6 NPM_{it} + \epsilon_{it}$$

Table 4: Multiple Regression

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.342 ^a	.117	.079		1130.69483	
2	.432 ^b	.187	.134		1096.79337	
3	.908 ^c	.825	.805		520.15147	
4	.934 ^d	.872	.854		449.94623	1.159

- a. Predictors: (Constant), DPR, CR
- b. Predictors: (Constant), DPR, CR, ATR
- c. Predictors: (Constant), DPR, CR, ATR, EPS, ROCE
- d. Predictors: (Constant), DPR, CR, ATR, EPS, ROCE, NPM
- e. Dependent Variable: SP

Source: The SPSS result

Table 5 depicts the result of the regression analysis. In the first model, CR and DPR are regressing SP only 11.7 %. Similarly, in the second model, ATR, which includes CR, DPR is found to be a low explanatory power for the dependent variables (18.8%). The above two models revealed that LP and TP weakly explain Stock Prices. However, in the third model, the CR, DPR, ATR, EPS, and ROCE highly predict the value of s the SP. Similarly, the last model shows that all the explanatory variables explain the SP value (87.2%). Overall, the study found that FP and PP are highly regressing the SP in the pharmaceutical sectors in India.

ANOVA Analysis

Analysis of variance is a statistical test which is put-upon to determine the statistically significant between two or more categorical groups by testing for differences of means using variance.

Table 5: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7942528.281	2	3971264.140	3.106	.054 ^b
	Residual	60088128.007	47	1278470.809		
	Total	68030656.287	49			
2	Regression	12694694.565	3	4231564.855	3.518	.022 ^c
	Residual	55335961.722	46	1202955.690		
	Total	68030656.287	49			
3	Regression	56126123.880	5	11225224.776	41.489	.000 ^d
	Residual	11904532.407	44	270557.555		
	Total	68030656.287	49			
4	Regression	59325236.923	6	9887539.487	48.839	.000 ^e
	Residual	8705419.364	43	202451.613		
	Total	68030656.287	49			

- a. Dependent Variable: SP
- b. Predictors: (Constant), DPR, CR
- c. Predictors: (Constant), DPR, CR, ATR
- d. Predictors: (Constant), DPR, CR, ATR, EPS, ROCE
- e. Predictors: (Constant), DPR, CR, ATR, EPS, ROCE, NPM

Source: The SPSS result

Table 5 shows the statistically significant value of the mean difference by using a variance. In the first model, the value is higher than 0.05, which means the liquidity performance has no significant relationship with SP at a 5% significance level. Similarly, the second model documents that the ATR, CR, and DPR are not statistically influencing SP at a 5% significance level. But, at a 10% significance level, the LP and TP are significantly associated with SP. However, in the third and fourth models, the study found a statistically significant relationship between the predictors and SP at a 5% significance level.

Table 6: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
4th	(Constant)	282.720	211.701		1.335	.189	-144.217	709.656
	CR	371.338	58.227	.444	6.377	.000	253.912	488.764
	DPR	.386	2.114	.010	.183	.856	-3.877	4.650
	ATR	-8.421	2.270	-.208	-3.709	.001	-13.000	-3.842
	EPS	28.214	1.972	.943	14.308	.000	24.237	32.191
	ROCE	2.652	15.908	.014	.167	.868	-29.430	34.734
	NPM	-59.816	15.047	-.385	-3.975	.000	-90.162	-29.470

a. Dependent Variable: SP

Sources: The SPSS result

Model 4: $SP_{it} = \beta_0 + \beta_1 CR_{it} + \beta_2 DPR_{it} + \beta_3 ATR_{it} + \beta_4 EPS_{it} + \beta_5 ROCE_{it} + \beta_6 NPM_{it} + \epsilon_{it}$

$$SP_{it} = 282.720 + 371.338CR_{it} + 0.386DPR_{it} - 8.421ATR_{it} + 28.214EPS_{it} + 2.652ROCE_{it} - 59.816NPM_{it} + \epsilon_{it}$$

Conclusion

This analytical study explored the relationship between the value relevance of financial information, liquidity performance, turnover performance, financial performance, profitability performance and the market price of selected ten pharmaceutical companies. The study has used different ratios (i.e., CR, LR, DPR, ITR, ATR, EPS, ROCE, ROA, OPM and NPM) as predictor variables to determine the variance in the Market price of the stock.

The outcomes of the correlation matrix depict that liquidity performance has a positively significant relationship with Stock price. However, the positive impact of DPR on stock prices cannot be statistically significant. Similarly, the financial and profitability performance - earning per share has a statistically significant positive relation with Stock prices. However, turnover has a significant inverse relation with stock prices. The regression analysis documented that the predictor variables significantly affect the stock prices of selected pharmaceutical companies. Furthermore, the ANOVA test reveals a significant regression of

financial performance and profitability performance on SP at a 5% significance level. Turnover performance and liquidity performance are significantly regressing the SP at a 10% level of significance. In conclusion, the analysis reveals that liquidity and turnover performance have a weak statistical relationship with SP. But the financial and profitability performance statistics influence the movement of pharmaceutical Stock prices in India.

The analysis is on a short period of time with limited value relevance of accounting information. The analytical study shows the financial information of the companies with a definite sector. This creates further scope for analysis using non-financial information only or both financial and non-financial information with specific other sectors or multiple sectors.

The study supports the investors to use financial information while making a worthy decision for investment. Investors must analyse financial and profitability performance before making a suitable choice for investment. The outcomes also help the management in measuring and stabilizing different accounting performances.

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