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PROFITABILITY AND VALUE RELEVANCE: THE CASE OF LISTED FINANCIAL INSTITUTIONS IN BANGLADESH

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Abstract: *This study has investigated the profitability and its value relevance in the selected listed financial institutions (FININSs) of Bangladesh. In view of that, the study has examined the net profit margin (NPM), earnings per share (EPS), return on assets (ROA) and return on equity (ROE) of the selected financial institutions over a period of 5 years from 2015 to 2019. Using several statistical tools like mean, coefficient of variation (CV), and t-test, the study has found that the overall profitability position of the selected financial institutions is satisfactory. The study has also adopted POLS and FE model to examine the value relevance of profitability in the sample financial institutions. Regression results (STATA output) have shown that EPS has a positive significant impact on market value per share (MVPS); ROA has a negative significant impact on MVPS, whereas NPM and ROE have no effect on MVPS. It is also found that the profitability position of DBH is best among the sample FININSs over the study period followed by GSPFINANCE, UNITEDFIN, PHOENIXFIN and BAYLEASING respectively. FININSs play a significant role to the economic expansion of a country. Thus, to analyze the profitability position and its value relevance in the listed FININSs of Bangladesh might have a great importance to concerned investors, managers and other stakeholders.*

Keywords: *Profitability, Value Relevance, Financial Institutions.*

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Introduction

Financial institution acts as a financial intermediary in transferring funds from lenders to borrowers or from deposit holders to investors. Basically, it provides financial services for its clients or members. This sector performs a crucial function for the economic growth and industrialization of a country. Besides, non-bank FININSs is a key financing source of firms; hence it has a great involvement to the advancement of an economy (Akber & Barua, 2021). An investigation on profitability delivers signal regarding the earnings prospect of a firm and how efficiently a firm has been managed (Smith & Skousen, 2011). Income or deficiency of it, impacts the firm's capacity to attain loan and equity financing, likewise it impacts the firm's liquidity position as well as the firm's capacity to grow, and thus analysts often adopt profitability as the eventual test of management's operational efficacy (Weygandt et al., 2016). There are 23 (twenty three) listed financial institutions in DSE website of Bangladesh (Dhaka Stock Exchange Ltd., 2021). Out of them, 5 (five) financial institutions have been selected as the sample, namely United Finance Limited (UNITEDFIN), Phoenix Finance & Investments Limited (PHOENIXFIN), GSP Finance Company (Bangladesh) Limited (GSPFINANCE), Delta Brac Housing Finance Corporation Limited (DBH) and Bay Leasing & Investment Limited (BAYLEASING) to analyse the profitability position and its value relevance in the FININSs of Bangladesh. To investigate the profitability is crucial for the owners, creditors, potential investors, bankers, Govt. and other stakeholders (Majumder & Rahman, 2011). Through profitability analysis, all stakeholders of financial institutions can easily get a clear concept regarding how efficiently these institutions generate margins from its' operational activities. Moreover, this information will be helpful for their business decision making. However, value relevance (VR) is frequently adopted for weighing accounting numbers (Perveen, 2019). VR denotes the aptitude of accounting numbers to elucidate the market value of share (Balagobei, 2017). VR epitomizes accounting information, which impacts share values in such an approach that the investors may make a well-versed decision regarding the firm's share (Bankole & Ukolobi, 2020).

The aims of this study are, to investigate the profitability position of the selected financial institutions, to compare the profitability position among the selected FININSs, and to examine the VR (MVPS) of profitability (selected accounting information, namely, NPM, EPS, ROA and ROE) in the sample financial institutions. Accordingly, the first research question of this study is, what is the profitability scenario of listed financial institutions in Bangladesh, and the second research question of the study is, is there any value relevance of profitability in the listed FININSs of Bangladesh?

Literature Review

Kathiriya and Shah (2018) examined the profitability position of some leading private banks of India for the period of 2007-08 to 2016-17. The researchers chose 3 (three) private banks as sample units and used financial ratio analysis (ROA, ROE, NPM and Return on Long Term Fund) to analyze the collected secondary data. The study concluded that all the selected banks are utilizing their assets in more efficient way in current years than previous years and among the 3 (three) selected private banks, ICICI has the best profitability position because of its consistent performance throughout the 10 (ten) years of study. Lee and Iqbal (2018) investigated the effects of both the bank-specific as well as macroeconomic elements on the performance of the selected commercial banks (COMBNKs) in Bangladesh. They collected data from annual reports (ARPs) of 23 (twenty three) listed traditional commercial banks for a period of 8 (eight) years, specifically 2009 to 2016. Their analysis showed that the performance

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of the selected COMBNKs is positively affected by interest margin and bank size but negatively influenced by GDP growth rate, operational expenditure to entire assets and logarithm of assets.

Singh (2018) performed a study as regards the profitability of Indian scheduled COMBNKs. The researcher adopted several statistical methods, for instance mean, standard deviation (SD) and ANOVA on the obtained secondary data over a period of 10 (ten) years from 2007-08 to 2016-17. All the scheduled COMBNKs were selected and divided into 3 (three) groups, namely, public sector banks, private sector banks and foreign banks. The results indicated that the profitability position of Indian private banks was more stable than the Indian public sector banks but less stable than the foreign banks over the study period. Yao et al. (2018) conducted a study on the profitability determinants of financial institutions of Pakistan. They collected data as of both consolidated as well as unconsolidated audited financial reports of the selected 28 (twenty eight) banks over the period of 2007 to 2016. They adopted the two-step system GMM estimator to analyse the collected data. They detected an inverted U-shape connection of banks size to profitability in the study. They also observed that greater solvency, economic structure, operational cost, labour efficiency, market power and financial growth are positively related with profitability.

Dey (2014) conducted a study on the profitability of COMBNKs in Bangladesh. Data were gathered from the published annual reports of 15 (fifteen) listed commercial banks over the period of 2008 to 2012. Step-wise regression analysis was applied for exploring the financial diagnosis in terms of profitability of private listed COMBNKs in Bangladesh. The study concluded that asset quality, earning and bank size plays a substantial positive role in determining the overall profitability of commercial banks. Garg and Kumari (2015) performed an empirical analysis to examine the profitability position of the selected private sector banks in India. The study covered a time span of 10 (ten) years for 5 (five) major private banks. In this study, researchers used non-probability sampling technique to select the sample banks. They applied Single Factor ANOVA (F-test) to analyze the collected secondary data. They found that HDFC bank proved as an outperforming player with leading in the profitability among the private sector banks in India.

Islam et al. (2017) performed a study regarding the profitability determinants of private COMBNKs of Bangladesh for the duration of 2014 to 2015. They selected 11 (eleven) private commercial banks of Bangladesh and applied multiple regression analysis to analyse and interpret the collected data. Their study noticed that the interest income as well as asset size possess an insignificant influence on profitability. Their study also suggested that the greater diversification of banking activities can directly influence on profitability. Majumder and Uddin (2017) applied correlation, and multivariate regression analysis for detecting the determinants of profitability of nationalized banks in Bangladesh. They used a sample of 4 (four) Bangladeshi nationalized banks over the period of 2010 to 2014. Their findings revealed that among the independent variables, capital regulation, income diversification and inflation are positively and significantly connected with the dependent variable ROA, besides, risk, liquidity, bank size and non-traditional activities are negatively and significantly connected with the dependent variable ROA.

Majumder and Rahman (2011) adopted ratio analysis to examine the financial performance of the selected pharmaceutical companies (PHARMCs) in Bangladesh over the study period 2005-2006 to 2007-2008. They conducted their investigation on the basis of secondary data and used ARPs of the selected 9 (nine) listed PHARMCs in Bangladesh. Their investigation found that the most of the sample pharmaceutical companies have no satisfactory levels of financial position and performance. The study also found that except Beacon pharmaceutical, all the selected PHARMCs possess a lower-level situation of insolvency. Islam and Mili (2012) performed a study on financial diagnosis as regards the selected listed PHARMCs in Bangladesh. They selected 5 (five) pharmaceutical companies over the period of 2006-2007 to 2008-2009. By adopting ratio analysis and various statistical instruments, for instance mean, SD, CV, t-value along with Z-score model, they found that the profitability, liquidity as well as solvency positions of the selected pharmaceutical companies in Bangladesh are in average. They also observed that there exists a connection among the liquidity, profitability and solvency positions of the selected pharmaceutical companies.

Shakila (2019) examined the trends of profitability ratios of different banks in Bangladesh. The study covered a period of 8 (eight) years from 2009 to 2016. The data were collected from 4 (four) types of banks, namely; State Commercial Banks, Development Financial Institutions, Private Commercial Banks, and Foreign Commercial Banks. The study noticed that the Foreign Commercial Banks had comparatively better ROA and ROE over the whole studied period without any fall. Deepika (2020) used regression model and trend analysis for investigating the profitability of banking sector in India. The investigation used a sample of 10 (ten) public sector banks, 5 (five) private sector banks and 5 (five) foreign banks over the duration of 1999 to 2015. After analysing the data, the investigation found that there exists a substantial connection among the profitability of the selected public, private and foreign banks in India.

Kukaj et al. (2020) performed a study to examine the profitability of domestic and foreign banks in the banking sector of Kosovo over the study period of 2008 to 2018. The collected data were analyzed through different statistical methods, such as, linear regression, fixed effect (FE), random effect (RE), Hausman Taylor regression and GMM modelling. Their study revealed that ROE and PM possess a positive influence on enhancing the ROA of COMBNKs in Kosovo, whereas an enhancement in the proportion of net sales/net assets possesses a negative influence on ROA. Le and Ngo (2020) examined the contributing factors as regards bank profitability in the selected 23 (twenty three) countries covering the period of 15 (fifteen) years from 2002 to 2016. They found that the number of issued bank cards, point of sale terminals and automated teller machines can increase bank profitability. They also found that there exists a negative connection of bank profitability to market power, whereas there remains a positive connection of bank profitability to developed financial market.

Sakib and Hossain (2020) also investigated the determining factors of profitability of 30 (thirty) listed commercial banks of Bangladesh. Data were collected from the ARPs of the selected banks over the duration of 2010 to 2017. They used different statistical methods, such as multiple regression, ANOVA, multicollinearity and Durbin Watson test to analyze the collected data. They found that the private commercial banks of Bangladesh are dominant and attractive from the side of profitability and market share. They also suggested that all the selected commercial banks should be more thoughtful while delivering loans with diversified portfolio maintenance. Further, prior studies have found that there is a value relevance (for instance, market value per share) of accounting information (such as, NPM, EPS, ROA, ROE) (e.g., Diab et al., 2023; Khader & Shanak, 2023; Toumi & Hamrouni, 2023; Choiriya et al., 2020; Omran & Tahat, 2020; Chalmers et al., 2010; Dimitropoulos & Asteriou, 2009).

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Hypotheses of the Study

The hypotheses of the study are as follows.

H_1: There is no significant difference between the sample mean and the individual financial institution's mean regarding selected profitability ratios (namely, NPM, EPS, ROA and ROE).

H_2: NPM has positive association with MVPS of the selected financial institutions.

H_3: EPS has positive association with MVPS of the selected financial institutions.

H_4: ROA has positive association with MVPS of the selected financial institutions.

H_5: ROE has positive association with MVPS of the selected financial institutions.

Methodology of the Study

In this study, data have been collected from a sample of 5 (five) non-banking financial institutions (UNITEDFIN, PHOENIXFIN, GSPFINANCE, DBH and BAYLEASING) which are listed on Dhaka Stock Exchange Limited of Bangladesh. The study has covered a time span of 5 (five) years, from 2015 to 2019. This study has adopted quantitative analysis of secondary data. Data were gathered as of the published ARPs and official websites of the selected non-banking financial institutions. Some selected profitability ratios like NPM, EPS, ROA, and ROE have been used as measures of profitability. Value relevance (VR) is measured by market value per share (MVPS). Various statistical instruments, such as mean, SD, CV, t-test and regression analysis (POLS and FE model) are applied to reach conclusion of the study.

Measurement of Variables

The measurement techniques of the variables are mentioned below.

Table 1: Measurement of Variables

Variables	Measurement	References
Value relevance (VR)	Market value per share (MVPS).	Khader & Shanak, 2023; Omran & Tahat, 2020
NPM	Profit after tax to sales.	Choiriya et al., 2020; Kusmayadi et al., 2018
EPS	Profit after tax to number of common shares outstanding.	Khader & Shanak, 2023; Choiriya et al., 2020
ROA	Net profit to total assets.	Ghose & Maji, 2022; Desoky & Musa, 2013
ROE	Net profit to total equity.	Aldubhani et al., 2022; Desoky & Musa, 2013

Source: Authors' Accumulation.

Model Specification

To investigate the value relevance of profitability, the study has examined the below econometric model.

$$VR_{it} = \beta_0 + \beta_1 NPM_{it} + \beta_2 EPS_{it} + \beta_3 ROA_{it} + \beta_4 ROE_{it} + e_{it}$$

Here, VR stands for value relevance, which is measured by market value per share (MVPS). NPM stands for net profit margin, EPS stands for earnings per share, ROA stands for return on assets, and ROE stands for return on equity. e is the error term. i and t indicate firms, and time period, respectively. β_0 is the constant.

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Results of the Study

Net Profit Margin (NPM)

NPM reveals how well a company is able to achieve profits from sales. This ratio shows the overall profitability of a firm, and for this reason it has more importance to the owners and potential stockholders. NPM reveals management proficiency in producing, supervising and vending of the goods as well.

Table 2: Analysis of Net Profit Margin (%) (2015-2019)

Financial Institutions	UNITEDFIN	PHOENIXFIN	GSPFINANCE	DBH	BAYLEASING
Minimum	23.11	24.54	16.61	38.42	37.68
Maximum	36.03	28.37	31.04	55.43	51.83
Growth Rate	-11.11	0.40	-10.54	9.16	4.12
Mean (2015-2019)	28.43	26.34	26.12	48.20	44.25
Sample Mean	34.67	34.67	34.67	34.67	34.67
SD	5.46	1.72	5.72	7.34	6.01
CV (%)	15.75	4.96	16.50	21.16	17.33
t-value	-2.55	-12.80	-3.96	4.88	4.22
Rank (Mean)	III	IV	V	I	II

Source: Annual Reports (2015-2019) of the Selected Financial Institutions.

Table 2 exhibits that the NPM of DBH (55.43%) is maximum and GSPFINANCE (16.61%) is minimum among the selected FININSs during the study period. The growth rate of NPM of the selected FININSs during the study period are UNITEDFIN -11.11, PHOENIXFIN 0.40, GSPFINANCE -10.54, DBH 9.16 and BAYLEASING 4.12 which shows the GR of NPM of DBH, BAYLEASING and PHOENIXFIN is positive and the GR of NMP of UNITEDFIN and GSPFINANCE is negative. The sample average of NPM is 34.67% over the study period which is satisfactory for the selected financial institutions. The average NPM varies from 26.12% (GSPFINANCE) to 48.20% (DBH). The average NPM of UNITEDFIN 28.43%, PHOENIXFIN 26.34% and GSPFINANCE 26.12% are below from the sample average of NPM, whereas, the average NPM of DBH 48.20% and BAYLEASING 44.25% are above from the sample average of NPM. The CV of NPM of the selected financial institutions are UNITEDFIN 15.75%, PHOENIXFIN 4.96%, GSPFINANCE 16.50%, DBH 21.16% and BAYLEASING 17.33% which shows the NPM of PHOENIXFIN is more stable and the NPM of DBH is less stable over the study period. Besides, t-values of the table 2 shows that there exists a significant variation in NPM between sample mean and DBH & BAYLEASING, whereas, there exists an insignificant variation in NPM between sample mean and UNITEDFIN, PHOENIXFIN and GSPFINANCE over the study period. The overall NPM of DBH is best among the sample financial institutions over the study period followed by BAYLEASING, UNITEDFIN, PHOENIXFIN and GSPFINANCE respectively.

Earnings Per Share (EPS)

The term earnings per share simply measures how much earnings a firm has generated for each share of common stock outstanding. If capital structure changes, EPS acts as an effective measurement tool for comparing earnings among several entities, and for comparing earnings of an entity over time (Smith & Skousen, 2011). To ascertain net profit obtained per share is an important standpoint for ascertaining profitability (Weygandt et al., 2016).

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Table 3: Analysis of Earnings Per Share (Taka) (2015-2019)

Financial Institutions	UNITEDFIN	PHOENIXFIN	GSPFINANCE	DBH	BAYLEASING
Minimum	1.31	1.89	1.38	5.90	0.72
Maximum	2.22	2.35	2.94	8.60	1.58
Growth Rate	-13.19	-3.57	-6.64	7.74	10.14
Mean (2015-2019)	1.66	2.22	2.23	7.42	1.07
Sample Mean	2.92	2.92	2.92	2.92	2.92
SD	0.37	0.19	0.65	1.08	0.35
CV (%)	12.70	6.67	22.16	36.93	12.05
t-value	-7.61	-9.55	-2.83	11.05	-13.87
Rank (Mean)	IV	III	II	I	V

Source: Annual Reports (2015-2019) of the Selected Financial Institutions.

Table 3 shows that the EPS of DBH (Tk. 8.60) is maximum and BAYLEASING (Tk. 0.72) is minimum among the selected FININSs during the study period. The growth rate of EPS of the selected FININSs during the study period are UNITEDFIN -13.19, PHOENIXFIN -3.57, GSPFINANCE -6.64, DBH 7.74 and BAYLEASING 10.14 which shows the GR of EPS of DBH and BAYLEASING is positive and the GR of EPS of UNITEDFIN, PHOENIXFIN and GSPFINANCE is negative. The sample average of EPS is Tk. 2.92 over the study period. The average EPS varies from Tk. 1.07 (BAYLEASING) to Tk. 7.42 (DBH). The average EPS of UNITEDFIN Tk. 1.66, PHOENIXFIN Tk. 2.22, GSPFINANCE Tk. 2.23 and BAYLEASING Tk. 1.07 are below from the sample average of EPS, whereas, the average EPS of DBH Tk. 7.42 is above from the sample average of EPS. The CV of EPS of the selected financial institutions are UNITEDFIN 12.70%, PHOENIXFIN 6.67%, GSPFINANCE 22.16%, DBH 36.93% and BAYLEASING 12.05% which shows the EPS of PHOENIXFIN is more stable and the EPS of DBH is less stable over the study period. Besides, t-values of the table 3 shows that there exists a significant variation in EPS between sample mean and DBH, whereas, there exists an insignificant variation in EPS between sample mean and UNITEDFIN, PHOENIXFIN, GSPFINANCE and BAYLEASING over the study period. The overall EPS of DBH is best among the sample financial institutions over the study period followed by GSPFINANCE, PHOENIXFIN, UNITEDFIN and BAYLEASING respectively.

Return on Assets (ROA)

ROA indicates the overall managerial efficacy of a firm in making profits in relation to total assets. Firms always prefer higher return on total assets because this higher ratio indicates higher earnings on lower investment (Gitman, 2009).

Table 4: Analysis of Return on Assets (%) (2015-2019)

Financial Institutions	UNITEDFIN	PHOENIXFIN	GSPFINANCE	DBH	BAYLEASING
Minimum	1.07	0.91	1.88	1.84	0.84
Maximum	1.95	1.32	3.52	2.06	1.35
Growth Rate	-15.00	-9.30	-11.85	-1.71	1.92
Mean (2015-2019)	1.38	1.05	2.91	1.92	1.05
Sample Mean	1.66	1.66	1.66	1.66	1.66
SD	0.37	0.18	0.61	0.09	0.19
CV (%)	22.48	11.10	36.78	5.42	11.32
t-value	-1.72	-8.81	5.40	7.66	-8.55
Rank (Mean)	III	V	I	II	IV

Source: Annual Reports (2015-2019) of the Selected Financial Institutions.

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Table 4 shows that the ROA of GSPFINANCE (3.52%) is maximum and BAYLEASING (0.84%) is minimum among the selected FININSs during the study period. The growth rate of ROA of the selected FININSs during the study period are UNITEDFIN -15.00, PHOENIXFIN -9.30, GSPFINANCE -11.85, DBH -1.71 and BAYLEASING 1.92 which shows that except the GR of ROA of BAYLEASING, the GR of ROA of all the selected financial institutions is negative. The sample average of ROA is 1.66% over the study period. The average ROA varies from 1.05% (PHOENIXFIN and BAYLEASING) to 2.91% (GSPFINANCE). The average ROA of UNITEDFIN 1.38%, PHOENIXFIN 1.05% and BAYLEASING 1.05% are below from the sample average of ROA, whereas, the average ROA of GSPFINANCE 2.91% and DBH 1.92% are above from the sample average of ROA. The CV of ROA of the selected financial institutions are UNITEDFIN 22.48%, PHOENIXFIN 11.10%, GSPFINANCE 36.78%, DBH 5.42% and BAYLEASING 11.32% which shows the ROA of DBH is more stable and the ROA of GSPFINANCE is less stable over the study period. Besides, t-values of the table 4 shows that there exists a significant variation in ROA between sample mean and GSPFINANCE and DBH, whereas, there exists an insignificant variation in ROA between sample mean and UNITEDFIN, PHOENIXFIN and BAYLEASING over the study period. The overall ROA of GSPFINANCE is best among the sample financial institutions over the study period followed by DBH, UNITEDFIN, BAYLEASING and PHOENIXFIN respectively.

Return on Equity (ROE)

ROE refers to a firm’s earnings by using its common shareholders’ investment. Usually, the greater the return, the improved the owners’ profitability position (Gitman, 2009). This ratio also indicates how well the company utilizes its equity to earn profits.

Table 5: Analysis of Return on Equity (%) (2015-2019)

Financial Institutions	UNITEDFIN	PHOENIXFIN	GSPFINANCE	DBH	BAYLEASING
Minimum	7.77	8.41	6.23	19.85	3.50
Maximum	13.40	11.05	13.50	23.88	8.16
Growth Rate	-13.62	-5.60	-15.45	-3.74	11.16
Mean (2015-2019)	9.98	10.15	10.96	22.45	5.42
Sample Mean	11.79	11.79	11.79	11.79	11.79
SD	2.28	1.09	2.77	1.56	1.88
CV (%)	19.29	9.23	23.46	13.23	15.97
t-value	-1.78	-3.99	-0.79	18.08	-8.96
Rank (Mean)	IV	III	II	I	V

Source: Annual Reports (2015-2019) of the Selected Financial Institutions.

Table 5 shows that the ROE of DBH (23.88%) is maximum and BAYLEASING (3.50%) is minimum among the selected FININSs during the study period. The growth rate of ROE of the selected FININSs during the study period are UNITEDFIN -13.62, PHOENIXFIN -5.60, GSPFINANCE -15.45, DBH -3.74 and BAYLEASING 11.16 which shows that except the GR of ROE of BAYLEASING, the GR of ROE of all the sample financial institutions is negative. The sample average of ROE is 11.79% over the study period. The average ROE varies from 5.42% (BAYLEASING) to 22.45% (DBH). The average ROE of UNITEDFIN 9.98%, PHOENIXFIN 10.15%, GSPFINANCE 10.96% and BAYLEASING 5.42% are below from the sample average of ROE, whereas, the average ROE of DBH 22.45% is above from the sample average of ROE. The CV of ROE of the selected financial institutions are UNITEDFIN 19.29%, PHOENIXFIN 9.23%, GSPFINANCE 23.46%, DBH 13.23% and BAYLEASING 15.97% which shows the ROE of PHOENIXFIN is more stable and the ROE of GSPFINANCE is less stable over the study period. Besides, t-values of the table 5 shows that there exists a

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significant variation in ROE between sample mean and DBH, whereas, there exists an insignificant variation in ROE between sample mean and UNITEDFIN, PHOENIXFIN, GSPFINANCE and BAYLEASING over the study period. The overall ROE of DBH is best among the sample financial institutions over the study period followed by GSPFINANCE, PHOENIXFIN, UNITEDFIN and BAYLEASING respectively.

Regression Analyses (Impact of Profitability on MVPS)

Table 6 and 7 shows the results of regression analyses of the selected variables in the study. Here, MVPS has been taken as dependent variable, and NPM, EPS, ROA, and ROE have been taken as independent variables.

Regression Results Using POLS Model

Table 6: Regression Results (POLS Model)

VR (MVPS)	Coef.	St.Err.	t-value
NPM	.262	.178	1.48
EPS	16.228***	2.173	7.47
ROA	-6.339***	2.178	-2.91
ROE	-.318	.82	-0.39
Constant	-1.333	7.632	-0.17
R-squared			0.972
F-test			173.093***
Number of obs.			25

Value relevance (VR) indicates market value per share (MVPS), which is the dependent variable. The outputs are generated from POLS model. *** p<.01.

Source: Author's Accumulation.

Table 6 shows that NPM, EPS, ROA and ROE altogether explain 97.20% for VR of the analyzed sample unit. The co-efficient of NPM, EPS, ROA and ROE are 0.262, 16.228, -6.339 and -0.318, respectively. Specifically, EPS possesses a positive significant effect on VR; ROA possesses a negative significant effect on VR, whereas NPM and ROE have no effect on VR.

Regression Results Using FE Model

Table 7: Regression Results (FE Model)

VR (MVPS)	Coef.	St.Err.	t-value
NPM	-.569	.576	-0.99
EPS	19.831***	4.496	4.41
ROA	-21.364**	8.8	-2.43
ROE	2.493	1.429	1.74
Constant	8.793	9.642	0.91
R-squared			0.756
F-test			12.400***
Number of obs.			25

Value relevance (VR) indicates market value per share (MVPS), which is the dependent variable. The outputs are generated from FE model. *** p<.01, ** p<.05.

Source: Author's Accumulation.

Table 7 shows that NPM, EPS, ROA and ROE altogether explain 75.60% for VR of the analyzed sample unit. The co-efficient of NPM, EPS, ROA and ROE are -0.569, 19.831, -21.364 and 2.493, respectively. Specifically, EPS possesses a positive significant effect on VR; ROA possesses a negative significant effect on VR, while NPM and ROE have no effect on VR.

Thus, both the POLS model and FE model have shown that an increase in EPS might enhance the VR (MVPS) of the sample companies, whereas an increase in ROA might decline the VR (MVPS) of the sample companies. Moreover, the study finds that NPM and ROE have no effect on VR (MVPS) of the selected companies.

Conclusion

Profitability is the aptitude of a business to make profit and to use its resources to generate revenues. It indicates the operational efficiency of a firm for a given time period. From the data analysis and findings of this study it can be observed that all the selected profitability ratios have shown positive figures, and specifically NPM of all the selected financial institutions have revealed most satisfactory results over the study period. Thus, the overall profitability position of the selected financial institutions is satisfactory. DBH has shown superior financial strengths in terms of profitability among the selected financial institutions over the study period followed by GSPFINANCE, UNITEDFIN, PHOENIXFIN and BAYLEASING respectively. Regression results have revealed that EPS possesses a positive significant effect on VR (MVPS); ROA possesses a negative significant effect on VR (MVPS), whereas NPM and ROE have no effect on VR (MVPS) of the sample companies. The authorities of the sample listed financial institutions should concentrate to maintain consistent financial results in all aspects, if, they want to ensure their financial stability in the global competition. They should take strategic plan to get competitive advantages and evaluate their performance regularly. As financial institution sector is the economic pulse of a country, it can be hoped that this sector will always be kept its immense contribution to ensure economic upliftment.

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