

Relationship between Earning Per Share & Bank Profitability

A Study of Medium & Large commercial Banks in Pakistan: 2007-2013

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Abstract: The purpose of this research paper is to evaluate the relationship between earning per share (EPS) and bank's profitability in Pakistan. The data of the study was collected from annual financial statements of 13 commercial banks working in Pakistan covering the period of 7 years from 2007 to 2013. Pearson Correlation has been used to find the relationship and simple regression method has been employed to evaluate the impact of earning per Share (EPS) on bank's profitability. All hypotheses mentioned in the study were accepted. Findings revealed that all independent variables have strong relationship between dependent variable.

Keywords: Earnings per Share (EPS), Firm Performance.

1. INTRODUCTION

The term earning per share (EPS) is generally considered to be most significant variable in defining share price. It also plays very important role to measure the price to earning valuation ratio.

It is a solid indicator of a firm's profitability. Earning per share (EPS) is a part of a company's income that is allocated to each outstanding share of common stock, serving as an indicator of the firm's profitability.

According to the **Model and Gordon's Growth (1959)** Model Stock return is the most important issue for investors in the capital market, this study demonstrates the Criteria for investors to make the better decisions. The payment of dividend shareholders depends on the profitability of a firm/company/bank. The more profitability any firm earns, the more chances of healthy dividend are high. But high profitability is not the guarantee to pay dividend to the shareholders. It totally depends on the policy of the firm and decision of the board, **Balaputhiran.S (2014)**.

The effort has been made to examine the cause & effect relationship between earning per share (EPS) and the Bank's profitability in Pakistan.

2. OBJECTIVES OF THE STUDY

The objective of this study is to evaluate the relationship between earning per share (EPS) and the bank's profitability. Secondly, to evaluate the impact of EPS on the banks profitability.

RESEARCH QUESTIONS:

The paper seeks to answer the following research questions.

RQ: 1 what determines earning per share for bank's profitability?

RQ: 2 what factors/variables determine the bank's profitability?

RQ: 3 what is relationship between Earning per share with the Bank's profitability?

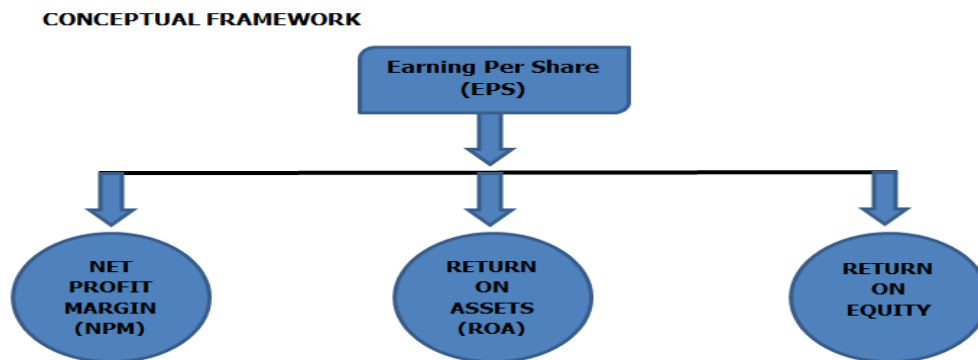


Figure. 1 Conceptual Model

3. LITERATURE REVIEW

The study found significant relationship between earnings & stock returns *Dimitropoulos, Panagiotis, E & Dimitrios. A (2009)*. The sample consisted of 105 companies listed in Athens Stock Exchange from the period 1994-2004. The use of cross-sectional and time series data resulted significant increase in earning for return.

Balaputhiran.S (2014), the study found the relationship between firm performance and earning per share. The earning per share was taken as a dependent variable while firm performance, net profit and return on assets were used as independent variables. The data of 7 listed banks covering the from 2008 to 2012 was taken as a sample. Correlation was used being a statistical tool to find out the relationship between firm performance and EPS, while simple regression was applied to evaluate the impact. The result found no significant relationship between EPS & firm performance and both hypothesis were rejected.

The earning per share (EPS) is benchmark used to measure of firm profitability. There are various investment banks & portfolio managers who make EPS forecast to make security selection and input into valuation models, *Slavin. G (2007)*. The data set from 1989-2005 was considered for data analysis. There were 8 variables with each observation. Panel regression was used being a research model.

Ebrahimi. M & Arezzo. A.C (2011), the majority of stockholders, investors and other stakeholders give priority to watch movements of earning information of a company. The study used cross-section and panel data regression models to test the effect of variables. The sample from 2001 to 2010 was taken from listed stock exchange companies of Tehran. The result indicated that **H1 was** accepted with the fact that there is significant relationship between current period earning per share to prior stock ratio and stock return. Hypothesis **H2** was rejected while **H3** was accepted.

Earning per share (EPS) is one of the most important factor need to be considered for a company's profitability, *Felix.K (2012)*. The data from both primary and secondary sources were used. Questionnaire and face to face interviews were the basic research tools. The regression, correlation and descriptive analysis were only the statistical tools applied in the research. The result of the findings revealed that variation of earning per share (EPS) was detected due to variation in regulatory framework, low liquidity level, unstable political environment and worse economy. The study concluded that the sale of shares of listed companies is the factor that greatly influence by the EPS, therefore capital market need to be more organized.

Harrison, Jennifer, L & Morton. A (2010), adjusted earnings are known as non-stationary earnings and they do not give profit oriented figures. They only contain the earning per share (EPS) numbers. The sample of 485 big Australian companies was taken in the study and various tabulations and descriptive statistics were used for data analysis.

Hunjra. A. I, Muhamad. S. I, Muhammad. I. C, Sabih-ul. H & Umer. M (2011), the variation in stock prices has become a major issue especially in the non-financial sectors including (Sugar, Chemical, Food & personal care, Energy). This study attempted to evaluate the impact of dividend yield, dividend payout ratio, return on equity, earning per share & profit after tax on stock price in Pakistan. The data set of 63 companies listed in KSE from 2006-2011 was taken for analysis. Panel data with the help of ordinary least square regression model used as a statistical tool. It was resulted that dividend yield

and dividend payout ratio have significant impact on stock price, dividend yield is negatively and dividend payout ratio is positively related with stock price.

Earning per share is one of the essential variables that affect the profitability. Increase in EPS will lead to increase equity & will also effect market value of share. The increase in profitability will lead the demand of that company shares, *Muhammad.Z.J, Ghulam.S, Naqvi. H, Nadeem. I & Khan. M (2014)*. Thirteen cement companies listed on (SECP) were selected as a sample for the analysis of secondary data for the period of five years. The data was analyzed by using SPSS. The result concluded that Earning per Share (EPS) significantly impact the market value of share.

Largani. M. S, Mohammadreza. L & Pervaneh. G (2013), in their research paper investigated the relationship between shareholder value added (SVA) & accounting performance measures in Tehran Stock Exchange. Shareholder value added (SVA) was used as a dependent variable while cash flow from operations (CFO) & Earning per share (EPS) were used independent variables. Normal distribution data set, autocorrelation and K-S tests were used being statistical techniques.

The data for five years from 2006 to 2010 of 75 companies were collected for data analysis through SPSS. The result concluded that there is significant relationship between EPS & SVA.

Livnat. J & Dan. S (2000). Earning per share (EPS) has got more significance especially for market participants who are dependent on Price/Earning (P/E) measures. The sample from 1986-1996 was taken for data analysis. The cross-sectional study was chosen with the help of regression for data analysis. The study recommended that diluted EPS is more appropriate.

Dimitropoulos.P.E & Asteriou.D (2009), the increase capability of price and return indicates high earning response. The study demonstrates the relationship between earning & stock returns in Greek Capital Market. The sample consists of 105 companies all listed in Athens stock exchange. Four model specifications were used including price model, return model, differenced model and deflated model. The results demonstrated that return of securities is significantly associated with earning level.

Earning per share (EPS) indicates very healthy position of a company. EPS has significant relationship with share price. *RajaKumar, M.P & V. Shanthi (2014)*. Markov process model was applied in the research in order to make forecast of EPS for companies in information technology (IT) with the help of two models i.e. state basic model & extended state interval model. The data of earning per share was collected from Bombay Stock Exchange (BSE).

Scott.W.J & Jose.C.A (2011), in their research paper demonstrated that the main objective of the paper was to develop a suitable econometric model to identify the basis determinants of profitability of banks in United States. The Research demonstrated that there is positive relationship between the return on equity & capital asset ratio. Earning per share (EPS) forecast is quite significant, hence, most of the companies forecast (EPS), *Slavin.G (2007)*. By forecasting the variation in EPS, we come to know & predict how company's profitability will be affected. Data set for 17 years from 1989 to 2005 was selected as a sample. Ordinary least square regression model was used.

4. HYPOTHESES OF THE STUDY

- H₁**, There is positive relationship between EPS & Net Profit.
- H₂**, There is positive relationship between EPS & Return on Assets (ROA).
- H₃**, There is positive relationship between EPS & Return on Equity (ROE).

REGRESSION MODEL:

The following regression models could be developed.

$$EPS = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \quad \longrightarrow \quad \mathbf{1}$$

$$EPS = \beta_0 + \beta_1 ROA + \beta_2 ROE + \beta_3 + \epsilon \quad \longrightarrow \quad \mathbf{2}$$

Where:

X₁, Return on Assets (ROA)

X_2 : Return on Equity (ROE)

X_3 : Net Profit (NP)

β_0 : Constant

ϵ : Error Term

HYPOTHESES & STATISTICAL TOOLS TO BE USED:

Table: 1 Hypotheses & Statistical Tools to be used

S.NO	HYPOTHESES	STATISTICAL TOOL	RATIONALE FOR THE CHOICE OF TEST
H ₁	There is positive relationship between EPS & Net Profit	Pearson Correlation & Regression	Pearson Correlation evaluates the relationship between the variables. Moreover, with the help of regression model we can evaluate the impact of EPS on the profitability of commercial banks in Pakistan.
H ₂	There is positive relationship between EPS & Return on Assets (ROA).	Pearson Correlation & Regression	
H ₃	There is positive relationship between EPS & Return on Equity (ROE).	Pearson Correlation & Regression	

5. RESEARCH METHODOLOGY

The research is a systematic process with certain purposes & objectives (Emory, 1980). Quantitative research approach is used to forecast and estimate by using numerical data and apply statistical model to identify the relationship (Bryman, 1988).

Quantitative research approach has been employed to answer the research questions. The Pearson Correlation & Simple linear regression methods are used in order to draw the conclusions. Earning per share (EPS) has been used as a dependent variable, while (ROA), Net Profit & (ROE) are independent variables. Seven years of secondary data from 2007 to 2013 has been employed. The secondary data has been taken from annual financial statements of 13 commercial banks working in Pakistan including National Bank of Pakistan, Habib Bank, United Bank, Allied Bank, Muslim Commercial Bank, Bank Alfalah, Standard Chartered Bank, First Women Bank, The Bank of Punjab, Habib Metropolitan Bank, Askari Bank, Bank Al-Habib & Soneri Bank.

The sample has been selected in way that all Islamic banks and all small commercial banks are excluded. Moreover, the commercial banks merged after 2007 has also been excluded, the data of merged banks is shown in (**Appendix-A**).

List of Large & Medium Size Commercial Banks in Pakistan:

Table No: 2 Large & Medium Banks as per State Bank of Pakistan (SBP)

S.NO	NAME OF BANK	TYPE OF BANK
1	HABIB BANK LIMITED	LARGE BANK
2	NATIONAL BANK OF PAKISTAN	LARGE BANK
3	MUSLIM COMMERCIAL BANK	LARGE BANK
4	UNITED BANK LIMITED	LARGE BANK
5	ALLIED BANK LIMITED	LARGE BANK
6	BANK ALFALAH	LARGE BANK
7	SONERI BANK	MEDIUM BANK
8	HABIB METEROPOLITAN BANK	MEDIUM BANK
9	BANK AL-HABIB LIMITED	MEDIUM BANK
10	STANDARD CHARTERED BANK	MEDIUM BANK
11	FIRST WOMEN BANK	MEDIUM BANK
12	ASKARI BANK	MEDIUM BANK
13	THE BANK OF PUNJAB	MEDIUM BANK

6. RESULTS, ANALYSIS & DATA

The following data has been collected from the annual financial statements of 13 medium & large commercial banks working in Pakistan.

**SUMMARY OF FINANCIAL HIGHLIGHTS
IN NATIONAL BANK OF PAKISTAN (2007 TO 2013)**

Table No: 3 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	68%	4%	21.62	37.44%
2008	67%	3%	17.48	25.36%
2009	19%	2%	16.92	22.53%
2010	17%	1.69%	13.24	19.80%
2011	15.92%	1.53%	9.52	18.40%
2012	14%	1.23%	8.74	16.15%
2013	12.5%	0.403%	2.59	5.55%

Source: Financial & Control Division, National Bank of Pakistan, Financial statements for the year (2007 to 2013).

**SUMMARY OF FINANCIAL HIGHLIGHTS
IN ALLIED BANK LIMITED (2007 TO 2013)**

Table No: 4 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	24%	1.42%	6.31	19.22%
2008	21%	1.21%	6.43	13.60%
2009	30.5%	1.81%	9.11	17.32%
2010	28.8%	1.89%	10.52	18.28%
2011	29.5%	2.10%	10.71	19.57%
2012	2.10%	2.03%	12.34	23.59%
2013	30.0%	2.14%	14.07	27%

Source: Annual Reports of Allied Bank of (2007 to 2013)

**SUMMARY OF FINANCIAL HIGHLIGHTS
IN MUSLIM COMMERCIAL BANK (2007 TO 2013)**

Table No: 5 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	37.66%	4.06%	16.6	48%
2008	31.49%	3.60%	16.71	38%
2009	27.35%	3.25%	16.85	30%
2010	25.91%	3.13%	18.34	31%
2011	26.23%	3.18%	21.12	28.50%
2012	25.07%	2.95%	22.77	30.64%
2013	23.09%	2.72%	21.24	33%

Source: Annual Reports of Muslim Commercial Bank (2007 to 2013)

**SUMMARY OF FINANCIAL HIGHLIGHTS
IN HABIB BANK LIMITED (2007 TO 2013)**

Table No: 6 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	15.94%	1.46%	13.18	19.65%
2008	20.76%	2.06%	20.47	17.14%
2009	15.88%	1.55%	13.36	17.62%
2010	17.69%	1.84%	16.78	21%
2011	21.70%	2.16%	18.30	22.48%
2012	21%	2%	17.02	19.51%
2013	18%	1%	17.15	19%

Source: Annual Reports of Habib Bank Limited (2007 to 2013)

International Journal of Novel Research in Humanity and Social Sciences

Vol. 2, Issue 2, pp: (4-13), Month: March - April 2015, Available at: www.noveltyjournals.com

SUMMARY OF FINANCIAL HIGHLIGHTS
IN UNITED BANK LIMITED (2007 TO 2013)

Table No: 7 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	19.15%	1.38%	8.31	20.47%
2008	21.9%	1.5%	8.24	16%
2009	19.5%	1.5%	8.26	15%
2010	19.8%	1.7%	9.12	18.82%
2011	23.5%	2.1%	12.66	22%
2012	23.8%	2.1%	14.61	24.33%
2013	22.3%	2%	15.21	25.55%

Source: Annual Reports of United Bank Limited (2007 to 2013)

SUMMARY OF FINANCIAL HIGHLIGHTS
IN BANK ALFALAH (2007 TO 2013)

Table No: 8 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	25.72%	1.04%	3.92	12.13%
2008	9.17%	0.38%	1.41	4.19%
2009	5.22%	0.24%	0.71	2.52%
2010	4.90%	0.24%	0.72	2.58%
2011	16.55%	0.80%	2.60	7.91%
2012	18.94%	0.91%	3.38	9.8%
2013	17.39%	0.82%	3.47	10.63%

Source: Annual Reports of Bank Alfalah (2007 to 2013)

SUMMARY OF FINANCIAL HIGHLIGHTS
IN FIRST WOMEN BANK (2007 TO 2013)

Table No: 9 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	15.31%	2.63%	5.57	30%
2008	17.22%	2.60%	3.74	23%
2009	(7.87)%	(0.83)%	(2.82)	-8.93%
2010	4.97%	0.43%	0.30	3.84%
2011	23.26%	2.48%	3.11	18.41%
2012	4.76%	0.42%	0.37	5.02%
2013	(13.58)%	(1.07)%	1.38	-11.25%

Source: Annual Reports of First Women Bank (2007 to 2013)

SUMMARY OF FINANCIAL HIGHLIGHTS
IN STANDARD CHARTERED BANK (2007 TO 2013)

Table No: 10 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	6.64%	1.10%	0.76	12.38%
2008	1.42%	0.23%	0.80	2.64%
2009	1.65%	0.26%	0.84	3.22%
2010	7.30%	1.14%	0.93	15.36%
2011	10.31%	1.61%	1.41	20.35%
2012	10.86%	1.59%	1.54	22%
2013	19.14%	2.67%	2.73	43.48%

Source: Annual Reports of Standard Chartered Bank (2007 to 2013)

SUMMARY OF FINANCIAL HIGHLIGHTS
IN THE BANK OF PUNJAB (2007 TO 2013)

Table No: 11 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	23.40%	1.89%	(10.51)	19.36%
2008	-2.69%	-5.41%	(19.02)	-47%
2009	-1.63%	-4.65%	(19.04)	-56.37%
2010	-1.09	-1.76%	(7.62)	-20%
2011	3.23	0.12%	0.66	1.53%
2012	13.21%	0.49%	2.63	5.86%
2013	14.38%	0.55%	2.36	6.96%

Source: Annual Reports of The Bank of Punjab (2007 to 2013)

Table No.16 demonstrates the measures of overall

SUMMARY OF FINANCIAL HIGHLIGHTS
IN SONERI BANK (2007 TO 2013)

Table No: 12 Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	17.51%	1.36%	2.43	13.62%
2008	10.63	0.89%	1.70	7.75%
2009	2.05	0.16%	0.29	1.38%
2010	1.61	0.12%	0.17	2.92%
2011	8.44	0.66%	0.78	13.39%
2012	10.24%	0.77%	1	16.47%
2013	8.70%	0.63%	0.94	14.34%

Source: Annual Reports of Soneri Bank (2007 to 2013)

International Journal of Novel Research in Humanity and Social Sciences

Vol. 2, Issue 2, pp: (4-13), Month: March - April 2015, Available at: www.noveltyjournals.com

SUMMARY OF FINANCIAL HIGHLIGHTS
IN BANK-AL HABIB (2007 TO 2013)

Table No: 13

Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	26.56%	1.56%	6.01	18.30%
2008	20.26%	1.33%	3.88	13.86%
2009	20.45%	1.16%	4.76	12%
2010	24.69%	1.22%	4.17	12.36%
2011	25.22%	1.18%	5.16	11.59%
2012	26.0%	1.21%	5.47	12.4%
2013	22.13%	1.12%	5.14	12.60%

Source: Annual Reports of Bank-Al-Habib (2007 to 2013)

SUMMARY OF FINANCIAL HIGHLIGHTS
IN ASKARI BANK (2007 TO 2013)

Table No: 14

Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	22.99%	1.54	8.92	13.60%
2008	3.06%	0.20	0.95	1.83%
2009	7.85%	0.48	2.18	4.35%
2010	6.09%	0.33%	1.34	3.13%
2011	9.64%	0.49%	2.30	4.56%
2012	6.453%	0.35%	1.55	3.46%
2013	-29.26%	-1.39%	(6.32)	-17.36

Source: Annual Reports of Askari Bank (2007 to 2013)

SUMMARY OF FINANCIAL HIGHLIGHTS
IN HABIB METROPOLITAN BANK (2007 TO 2013)

Table No: 15

Figure in Rupee Million

YEAR	RETURN ON EQUITY	RETURN ON ASSET	EARNING PER SHARE	NET PROFIT MARGIN RATIO
2007	20.69%	1.61%	5.57	18.45%
2008	21.95%	1.80%	4.38	15.62%
2009	14.65%	1.16%	3.65	10.95%
2010	13.83%	1.11%	2.68	10.09%
2011	13.38%	1.14%	3.14	10.13%
2012	12.05%	1.11%	3.24	10.15%
2013	12.60%	1.13%	3.37	11.97%

Source: Annual Reports of Habib Metropolitan Bank (2007 to 2013)

Table No: 16. Predictors of EPS-Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.820 ^a	0.672	0.661		4.64369

a. Predictors: (Constant), NPM, ROE, ROA

Table No.16 demonstrates the measures of overall model fit. The first measure in the table is R. This measures how well our predictors predict the outcomes. The result of R reflects **.820** which is quite better, but for more accurate results we take the square of R. The R-Square values are **.672** which denotes that 67.2% of the observed variability in EPS (dependent variable) is explained by the variability in NPM, ROA & ROE (independent variables). The remaining **32.8%** of variations are explained by factors other than NPM, ROA & ROE which are not shown in the model because which is beyond the scope of my study. Moreover, the values of R-Square also demonstrates that there might be other factors which can have impact on EPS other than the independent variables used in the research.

International Journal of Novel Research in Humanity and Social Sciences

Vol. 2, Issue 2, pp: (4-13), Month: March - April 2015, Available at: www.noveltyjournals.com

The results of adjusted R-Square measure the proportion of the total variability of dependent variable explained by independent variables. The values of Adjusted R-Square are 66.1% of total probability explained by the model.

Table No. 17 Analysis of Variance (ANOVA)

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3846.762	3	1282.254	59.463	.000 ^a
Residual	1876.053	87	21.564		
Total	5722.815	90			

a. Predictors: (Constant), NPM, ROE, ROA

b. Dependent Variable: EPS

Table No: 17 demonstrate the results of ANOVA (Analysis of Variance). F-test outcome that gives a measure of the absolute fit of the model to the data. Here, the F-test outcome is highly significant because (Sig) values are less than .001, so the model fit the data. Moreover the F-test values are (59.463). Therefore, we conclude that the results indicate the relationship between dependent & independent variables.

Table No. 18 Coefficient for predictors of EPS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.121	.796		-.153	.879
	ROE	.080	.055	.132	1.457	.149
	ROA	3.771	1.589	.668	2.374	.020
	NPM	.028	.140	.053	.200	.842

a. Dependent Variable: EPS

Table No. 19 Correlations

	EPS	ROE	ROA	NPM
EPS Pearson Correlation	1	.652**	.815**	.792**
Sig. (2-tailed)		.000	.000	.000
N	91	91	91	91
ROE Pearson Correlation	.652**	1	.725**	.680**
Sig. (2-tailed)	.000		.000	.000
N	91	91	91	91
ROA Pearson Correlation	.815**	.725**	1	.972**
Sig. (2-tailed)	.000	.000		.000
N	91	91	91	91
NPM Pearson Correlation	.792**	.680**	.972**	1
Sig. (2-tailed)	.000	.000	.000	
N	91	91	91	91

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

Pearson's correlation determines the correlations between the variables. The results indicate that EPS (dependent variable) has positive correlation with ROE & strong positive correlation with ROA & NPM. Return on Equity (ROE) is having positive correlation with ROA & NPM while ROA is showing strong positive correlation with NPM.

Table No. 20 Hypotheses Testing

	Hypotheses	Results	Tools
H₁:	There is positive relationship between EPS & Net Profit	Accepted	Correlation
H₂:	There is positive relationship between EPS & Return on Assets (ROA)	Accepted	Correlation
H₃:	There is positive relationship between EPS & Return on Equity (ROE)	Accepted	Correlation

7. CONCLUSION AND RECOMMENDATION

The study examined the relationship between earning per share (EPS) and bank's profitability in Pakistan over the period of 7 years starting from 2007 to 2013. The results demonstrated that there is positive relationship between dependent and independent variables. The R Square values reveals significant and EPS has impact on the bank's profitability. All hypotheses in the research were accepted.

There is vast scope for further researches in this area to evaluate the other factors influencing the EPS & the bank's profitability of commercial banks in Pakistan.

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APPENDIX: A

OVERVIEW OF VARIABLES MEASUREMENT:

<u>DEPENDENT VARIABLE</u>		
EPS	Liu & Hu (2005)	Net Income – Dividend on Preferred Stock /Avg. O/s Share
<u>INDEPENDENT VARIABLES</u>		
NPM	Abdul Aziz. N.F, Ibrahim. I.B & Kamaruddin. M.B.I (2009)	Net Profit / Revenues
ROA	Abdul Aziz. N.F, Ibrahim. I.B & Kamaruddin. M.B.I (2009)	Net Income / Total Assets
ROE	M.Smith.B (1987)	Net Income / Equity

APPENDIX: B

MERGED BANKS AFTER 2007

S.NO	NAME OF BANK	NEW NAME OF COMPANY OR BANK AFTER MERGER	DATE OF MERGER	PAID UP CAPITAL	RATIO
1	Crescent Standard Investment Bank Ltd.	Innovative Housing Finance Limited	20/07/2007	1257.61	[0.005 : 1]
2	PICIC Commercial Bank Limited	NIB Bank Limited	1/1/2008	2734.875	[1 : 2.27]
3	Royal Bank of Scotland Ltd.	Faysal Bank Ltd	3/1/2011	17,179.81	[6 : 1]
4	Atlas Bank Limited	Summit Bank Limited	11/1/2011	5,001.47	[1 : 0.4]
5	MyBank Limited	Summit Bank Limited	6/7/2011	5,303.58	[1 : 0.8]

Source. State Bank of Pakistan (www.sbp.org.pk)