RESEARCH METHODS (MGT648)
RELATIONSHIP BETWEEN EARNINGS PER SHARE (EPS) AND BANK PERFORMANCE IN MALAYSIA.

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TABLE OF CONTENTS

Abstract

Abstract: The purpose of this research paper is to evaluate the relationship between earning per share (EPS) and bank's profitability in Malaysia . The data of the study was collected from annual financial statements of 5 commercial banks working in Malaysia covering the period of 8 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.

Purpose – The purpose of this paper is to study the relationship between earning per share and bank performance in Malaysia.

Design / Methodology / Approach – This paper using study methodology, to test which return on equity and return on assets does the affect more on earning per share of bank in Malaysia .

Findings – The result show that earning per share in Malysia affect more through to return on asset and return on equity of commercial bank in Malaysia.

Paper type – Research paper

CHAPTER 1: INTRODUCTION

1.0 BACKGROUND Of STUDY

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. Earnings per share (EPS) are 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. Seet haramna (1995a) had stated that earnings per share reflected the good or bad position of the company and its increase was reflected not only in the market price in the stock exchange but also in the P/E ratio, dividend cover, dividend yield and earnings yield. Baldwin (1984) examined whether users of financial statement were able to predict EPS better after the Securities and Exchange Commission's (SEC) disclosure requirement. The information would enable the financial statement users to assess better the size and timing of future profits. In addition, Graves et al. (2010) provided evidence on a potential source of an analyst's superiority that humans could use past earning data to predict future earnings more accurately than can mechanical time series model. It is interesting to note that, many researchers, like Hribar et al (2006) stated that stock repurchase were widely supported by improved earnings per share. The repurchase of stocks boosted the earnings per share due to reduction in the number of shares. In the other hand, Peter (1980) investigated the proposition that while dealing with economic environment, income numbers may have predictable properties. He tested this proposition by employing forecasting models to examine the predictability of