

DETERMINING THE STOCK RETURNS INDICATORS IN CEMENT SECTOR OF PAKISTAN

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Abstract

Purpose: This study is performed with an aim to analyze different indicators that are commonly used as the determinants of the stock returns in the secondary market including book to market value, size of the firm, debt to equity ratio and sales to price ratio of the firm and to compare and contrast different ratios or variables that are used to measure the stock returns of the listed firms in cement sector of Pakistan.

Research Methodology: This thesis research study is explanatory in nature because in this research thesis study independent variables are used to explain the impact on the dependent variable. This research is secondary in nature. In this research study the official websites of the listed firms in the cement sector of Pakistan has been considered. The targeted population of the recent research thesis study is the cement sector of Pakistan and the sampling technique that is selected during the current study is stratified sampling technique based on the criteria that all the listed companies in the cement sector are selected that are operating in Pakistan at least for ten years. The sample size of the current study is 15 companies that are operating in the cement sector of Pakistan and the time period that is selected for study ranges from 2006 to 2015. The multiple linear regression technique has been used to find the relationship between these variables.

Findings of the Research: It is clearly evident from the current study that the fundamentals debt to equity ratio, book to market value, sales to price and firm size are insignificant in explaining stock returns in the cement sector of Pakistan. These variables are insignificant at 10 percent level of significance.

Practical Implications: This study has clearly revealed the importance of different ratios in the determination of the stock returns of the listed firms in the cement sector and highlighted that these fundamentals are not useful in realizing stock returns in the specific of secondary market in Pakistan.

Keywords: Debt to Equity, Book to Market value, Firm size, Sales to Price Ratio, Stock Return

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