Research Paper

VALUE RELEVANCE OF EARNINGS AND BOOK VALUE: A COMPARATIVE STUDY BETWEEN PUBLIC AND PRIVATE SECTOR COMMERCIAL BANKS LISTED ON BOMBAY STOCK EXCHANGE, INDIA

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ABSTRACT

Financial statements are extensively used by shareholders to evaluate the economic value of firms based on the assumption that accounting numbers have a certain relationship with stock prices in the market. However, the nature of the relationship between accounting numbers and market values of the firms for this reason, especially in emerging markets, has yet to be found out with any degree of confidence. This paper investigates the empirical relationship between equity share prices and book value per share, earning per share of Indian commercial banks and examines whether there is significant difference in the value relevance of accounting numbers between private and public sector banks listed on Bombay Stock Exchange in India for the period 2004 to 2016 by using price valuation model provided by Ohlson (1995).

Findings of our study revealed: 1) earnings per share (EPS) and book value per share (BVPS) jointly and independently have significantly positive relationship with market share price of public sector banks, private sector banks, and all banks; (2) The incremental information content of BVPS is greater than that of EPS in public sector banks. While in private sector banks, EPS add more to the overall explanatory power of the model than BVPS. (3) The common explanatory power of EPS and BVPS is greater in public sector banks. (4) Overall empirical findings reported that Value relevance of earnings and book value jointly is moderately higher in private sector banks than that of public banks with the adj R^2 of 38% and 35.5% respectively for the period of the study. (5) Value relevance of earnings per share and book value per share individually and jointly have increased over the period of the study in private sector banks as well as public sector banks. Finally, it is suggested that for the banking sector as a whole, book value per share is more relevant than the earnings per share.

KEYWORDS:

value relevance, earnings, book value, public sector banks, private sector banks

INTRODUCTION

Equity markets are one of the most important areas of a market economy because it allows companies' access to capital and investors a portion of ownership in a company. Investment in shares is vital for the growth of the country and change the economy to a robust economy. Investment also offers the benefit of liquidity as well as the opportunity to beat the market and earn high returns. The stock market is all concerning dynamics and that is why predicting market price of the share is not an easy work. Therefore, investors face the problem of precisely predicting the stock prices so as to earn decent returns. Share price movement is not independent in nature and both intrinsic, as well as extrinsic factors have an impact on stock price movements. An analysis of fundamental factors and the extent to which they affect equity share prices help the investors to make a profitable, intelligent and rational investment decisions. Alternatively, the main objective of accounting data is to provide information about the company's economy to different users inside and outside the company (Smith, 2006).

The main function of financial statements is to summaries business transactions and other events. Based on this construct, the value relevance of financial statement information is measured by its ability to capture or summarize

information that affects equity value (Francis and Schipper, 1999). Value relevance is defined as "the ability of accounting numbers to summarize the information underlying the stock prices, thus the value relevance is indicated by a statistical association between financial information and prices or returns"(Liu & Liu 2007 p.56). This study examines the value relevance of earnings per share and book value per share with a share price of 30 banks being divided into public and private sector banks listed on the BSE covering the period between 2004 and 2016, the study employs Ohlson's (1995) valuation equation to investigate the value-relevance of earnings, book value in India. This study contributes to the existing literature by examining the comparative value relevance of accounting information between public and private sector banks listed on the BSE.

The banking industry is an essential instrument in the construction of the economic structure of any country and it plays an important role in the economic growth of a developing country. Economic development engages investment in various sectors of the economy. The major purpose of a financial institution is to provide the maximum financial convenience to the public. The banking sector is the heart of financial structure as it has the ability to add to the money supply of the nation and therefore creates extra purchasing power. In such a way commercial banks have appeared as the main financial agencies of fast economic development today than ever before.

REVIEW LITERATURE

There are a few studies which examine the determinants of a share price and the influence of selected accounting variables specifically earnings and book value on a share price in the Indian context. These studies also have contradictory results of the relevance of accounting information. However, in banking sector some studies evidenced that (i) earnings and book value have a significantlypositive relationship with stock price of banks (Mohan& John: 2011; Charumathi and Suraj: 2014; Mulenga:

2015; Bhatia & Mulenga: 2017), (ii) a decline in value relevance of earnings and book value over a long time (Manisha Khanna: 2014); and (iii) accounting information is more relevant in public sector banks than private sector banks (Bhatia & Mulenga: 2017). Hence, the investigation of value relevance of accounting numbers of Indian public and private sector banks is suitable in the lack of comparative studies of the same sector.

HYPOTHESIS

H_0: There is no significant difference in the value relevance of accounting information between private and public sector banks listed on Bombay Stock Exchange.

H_1: There is a significant difference in the value relevance of accounting information between private and public sector banks listed on Bombay Stock Exchange.

RESEARCH DESIGN

This section of the study provides information regarding population, sampling and data collection methods, hypothesis testing and model specification.

➤ **Sample and data collection:**

The present study has been conducted through the use of secondary data. The data have been collected from the annual reports of banks available in the website of moneycontrol.com and the share price collected from the website of BSE India at the end of the balance sheet day. Stock prices have then been adjusted according to the number of changes in face value.

In this paper, the market price per share of the banks is used as dependent variable and accounting numbers such as earning per share and book value per share are used as an independent variable.

A sample of the study consists of eighteen public sectors and twelve Private sector banks listed on Bombay stock exchange based on the availability of data during the period from 2004-2005 to 2015-2016. Table 1 shows the lists of public and private commercial banks in India.

Commercial Banks	S.No	Name Of Banks	S.No	Name Of Banks
Public Banks	1	Allahabad Bank	10	Oriental Bank Of Commerce
	2	Andhra Bank	11	Punjab National Bank
	3	Bank Of Baroda	12	Syndicate Bank
	4	Bank Of India	13	UCO Bank
	5	Bank Of Maharashtra	14	Union Bank Of India
	6	Canara Bank	15	Vijaya Bank
	7	Corporation Bank	16	State Bank Of India
	8	Dena Bank	17	State Bank Of Mysore
	9	Indian Overseas Bank	18	State Bank Of Travancore
Private banks	1	Indusind Bank	7	Axis Bank
	2	Jammu And Kashmir Bank	8	City Union Bank
	3	Karnataka Bank	9	Dhanlaxmi Bank
	4	Karur Vysya Bank	10	Federal Bank
	5	Kotak Mahindra Bank	11	HDFC Bank
	6	South Indian Bank	12	ICICI Bank

➤ Model Specification

The present study has utilized Ohlson (1995) price model to test the significant ability of accounting information in explaining market share price. The Ohlson (1995) price model represent market share prices as a linear function of its earnings per share and book value per share.

At first, we focused on the model (1) to measure the joint ability of earnings per share and book value in explaining market share prices.

$$SP_{it} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_n X_n + \varepsilon$$
$$(1) \quad SP_{it} = \alpha_0 + \beta_1 (EPS_{it}) + \beta_2 (BV_{it}) + \varepsilon_{it}$$

In order to compare the predictive power of book value and earnings we have divided total explanatory power into three components (i) the incremental explanatory power of earnings per share (ii) the incremental explanatory power of book value per share and (iii) the explanatory power common to both earnings per share and book value per share. For the following equation the adjusted R^2 are estimated, so as to calculate the above three components of explanatory power.

$$(2) SP_{it} = Y_0 + Y_1 (EPS_{it}) + \varepsilon_{it}$$
$$(3) SP_{it} = \boxdot_0 + \boxdot_1 (BV_{it}) + \varepsilon_{it}$$

The adjusted R^2 from model (1), (2), (3) is utilized as the primary metric to measure value-relevance and indicated as adj.$R^2_{(EPS\&BVPS)}$,adj. $R^2_{(EPS)}$ and adj.$R^2_{(BVPS)}$ for model 1, 2 and 3 respectively. The incremental explanation power of earnings per share (incr.EPS) has been calculated by taking the explanatory power (Adj.$R^2_{(EPS\&BVPS)}$) from model 1 less the

explanatory power (Adj.R^2_{BVPS}) from model 3, the incremental explanatory power of book value per share (incr.BVPS) calculated by taking the explanatory power (Adj. from model (1) less the explanatory power (Adj. from model (2).The remaining adj.- incr.EPS-incr.BVPS represents the explanatory power common to both earnings per share and book value per share (incr.Com).

The variables used in this paper are defined as follows:
1. Share price is measured at the end of the balance sheet date.
2. Book value is measured as the shareholder's equity (share capital plus reserves and surplus). BV can also be derived by subtracting current and non-current liabilities from total assets. Book value per share has been calculated by dividing shareholder's equity into weighted outstanding shares.
3. EPS (Earnings per share) is measured as Net Profit/ Weighted outstanding Shares.

ANALYSIS AND RESULTS

All models are employed ordinary least squares (OLS) regression based on Ohlson's (1995) model to estimate the coefficients. Table 1 exhibits the sample descriptive statistics between the deflated variables used in the regression Models (1, 2, and 3) for both public and private sector banks during the period of the study.

Table 1 Descriptive statistics of dependent variable (Share price) and independent variables (BVPS, EPS)

Sl. No.	Variable	Group	Statistic	2004-16
			Descriptive Statistic of Variables	
			(A) Dependent Variables:	
1	S.P	PB	Mean	176.79*
			Std.Dev	220.57
			Coefficient of Range	0.98
			Skewness	5.66
		PV	Mean	397.91
			Std.Dev	878.26
			Coefficient of Range	1.00
			Skewness	4.39
			(B) Independent Variables:	
2	EPS	PB	Mean	37.45
			Std.Dev	43.03
			Coefficient of Range	3.61
			Skewness	0.79
		PV	Mean	44.60
			Std.Dev	47.29
			Coefficient of Range	1.18
			Skewness	2.07
3	BV	PB	Mean	284.06
			Std.Dev	336.57
			Coefficient of Range	5.45
			Skewness	0.80
		PV	Mean	304.45
			Std.Dev	282.76
			Coefficient of Range	0.96
			Skewness	1.86

*Numbers in Indian Rupees (INR)

Table 1 shows that there is a variation in the market price of a share with a mean value of 176.79 in public banks and 397.91 in private banks during the period of the study. Moreover, The deviation from the average Share price was 220.57 and 878.26 in public and private banks respectively. Furthermore, sample banks under the study have average (mean) earnings per share of 37.45 in public banks in compare to 44.60 in private banks. Book value has a mean value of 284.06 in public banks and 304.45 in private banks. The descriptive statistic results also shows that the skewness of share price, EPS, and Book value is positive which presents the data are skewed right, meaning that the right tail of the distribution is longer than the left and the distribution is highly skewed. All in all, private banks enjoy higher mean value of share, EPS and book value than public banks.

Correlation Matrix

The Pearson's Correlation analysis determines the relationship between accounting variables and market share prices. As shown in Table 2,3and 4. First: The highest correlation coefficient is 61.9 percent (between EPS and shareprice) in private banks followed by a correlation coefficient of 60.2 percent (between BVPS and share price) which is a strong positive correlation. It is essential to ensure that the correlations among the explanatory variables are not so high to the extent of posing multicollinearity problems (Dada & Ghazali, 2016).According to the results of the tables, the highest correlation coefficient among independent variables is 0.92, suggesting that multicollinearity seems not to be a problem in this study. Second, as shown in table 2, 3, 4 the correlation between share price and EPS in private sector banks, public sector banks, and all sample banks are 61.9, 34.6 and 47.5 respectively. It is clear from the table that private banks enjoy higher correlation between share price and EPS than public sector banks and the whole sample banks as well. Although the level of correlation between share price and book value in public and private sector banks are almost equal (about 60%), the sample banks under study have shown the lower magnitude of the relationship between the two mentioned variable (46.8%).To conclude, the correlation coefficients of book value per share and earnings per share were higher in private sector banks than in public sector banks during the period of the study.

Table 2 Pearson's Correlation analysis (private banks)		Share Price	EPS	Book Value/Share
Share Price	Pearson Correlation	1	.619**	.602**
	Sig. (2-tailed)		.000	.000
	N	156	156	156
EPS	Pearson Correlation	.619**	1	.920**
	Sig. (2-tailed)	.000		.000
	N	156	156	156
Book Value/Share	Pearson Correlation	.602**	.920**	1
	Sig. (2-tailed)	.000	.000	
	N	156	156	156
**. Correlation is significant at the 0.01 level (2-tailed).				

Table 3 Pearson's Correlation analysis (public banks)		Share Price	EPS	Book Value/Share
Share Price	Pearson Correlation	1	.346**	.597**
	Sig. (2-tailed)		.000	.000
	N	234	234	234
EPS	Pearson Correlation	.346**	1	.659**
	Sig. (2-tailed)	.000		.000
	N	234	234	234
Book Value/Share	Pearson Correlation	.597**	.659**	1
	Sig. (2-tailed)	.000	.000	
	N	234	234	234
**. Correlation is significant at the 0.01 level (2-tailed).				

Table 4 Pearson's Correlation analysis (all banks)		Share Price	EPS	Book Value/Share
Share Price	Pearson Correlation	1	.475**	.468**
	Sig. (2-tailed)		.000	.000
	N	390	390	390
EPS	Pearson Correlation	.475**	1	.752**
	Sig. (2-tailed)	.000		.000
	N	390	390	390
Book Value/Share	Pearson Correlation	.468**	.752**	1
	Sig. (2-tailed)	.000	.000	
	N	390	390	390
**. Correlation is significant at the 0.01 level (2-tailed).				

Regression Result:

 ➢ Regression Results for Private Sector Banks

The following tables present the summary of regression results for model 1, 2 and 3 for each year from 2004-2016 and the decomposition of the coefficient of variation for private sector banks. Table 5 shows that the result of the yearly cross-sectional regression indicates that EPS and BVPS jointly are significant at a level of 1% and positively related to stock prices of private sector banks.

Table 5
Yearly Cross-Sectional Regression Results of
Stock Prices on EPS and BVPS for Private Sector Banks

Dependent variable: market share price							
Year	β_1	β_2	$Adj.R^2_{(EPS\&BVPS)}(\%)$	Y_1	$Adj.R^2_{(EPS)}(\%)$	$\bar{\alpha}_1$	$Adj.R^2_{(BVPS)}(\%)$
2004	-2.049	0.439	-13.78	-0.239	-7.40	-0.042	-8.60
2005	1.309	-0.175	-13.55	0.176	-9.45	-0.022	-9.54
2006	-0.469	0.044	-21.68	-0.177	-9.63	-0.019	-9.78
2007	-4.011	0.528	-18.88	-0.616	-9.19	-0.044	-9.81
2008	0.956	-0.115	-20.50	0.225	-9.53	0.008	-9.97
2009	1.308	-0.145	-20.32	0.458	-9.13	0.029	-9.84
2010	-0.579	0.243	-16.68	0.744	-7.13	0.157	-5.34
2011	3.356	-0.621	-12.98	0.216	-9.74	-0.041	-9.72
2012	0.164	1.292	-7.79	6.142	1.78	1.323	2.99
2013	3.210	0.438	-7.35	5.206	3.25	1.098	3.07
2014	18.938	-2.667	-1.23	6.850	7.07	1.373	4.58
2015	35.228*	-2.263	79.27	21.427*	74.22	2.535**	42.78
2016	30.558*	-1.763	81.20	20.304*	77.42	2.427**	42.99
2004-2016	7.815*	0.668	38.18	11.488*	37.87	1.870*	35.84

Note: *, **Statistically significant at a level of 1%, 5% respectively

Table 6
The Decomposition of adj.R2 and incremental explanatory power of independent variables for
Private Sector Banks

Year	$Adj.R^2_{(EPS\&BVPS)}(\%)$	$Adj.R^2_{(EPS)}(\%)$	$Adj.R^2_{(BVPS)}(\%)$	incr.EPS	incr.BVPS	incr.Common
2004	-13.78	-7.40	-8.60	-5.18	-6.38	2.22
2005	-13.55	-9.45	-9.54	-4.01	-4.1	5.44
2006	-21.68	-9.63	-9.78	-11.9	-12.05	-2.27
2007	-18.88	-9.19	-9.81	-9.07	-9.69	0.12
2008	-20.50	-9.53	-9.97	-10.53	-10.97	-1
2009	-20.32	-9.13	-9.84	-10.48	-11.19	-1.35
2010	-16.68	-7.13	-5.34	-11.34	-9.55	-4.21
2011	-12.98	-9.74	-9.72	-3.26	-3.24	6.48
2012	-7.79	1.78	2.99	-10.78	-9.57	-12.56
2013	-7.35	3.25	3.07	-10.42	-10.6	-13.67
2014	-1.23	7.07	4.58	-5.81	-8.3	-12.88
2015	79.27	74.22	42.78	36.49	5.05	-37.73
2016	81.20	77.42	42.99	38.21	3.78	-39.21
2004-2016	38.18	37.87	35.84	2.34	0.31	-35.53

 ➢ Regression results for public banks:

The subsequent tables present the summary of regression results for model 1, 2 and 3 for each year from 2004 to 2016 and the decomposition of the coefficient of variation for public sector banks.

Table 7
Yearly Cross-Sectional Regression Results of
Stock Prices on EPS and BVPS for Public Sector Banks

Year	β_1	β_2	Adj.$R^2_{(EPS\&BVPS)}$(%)	Y_1	Adj. $R^2_{(EPS)}$(%)	$\bar{\alpha}_1$	Adj.$R^2_{(BVPS)}$(%)
2004	2.342	-0.425	-10.09	0.294	-5.69	0.020	-6.18
2005	0.459	-0.027	-12.04	0.324	-5.06	0.056	-5.30
2006	-1.430	0.325	-8.28	0.361	-4.79	0.087	-3.43
2007	-1.455	0.333	-8.11	0.504	-4.39	0.110	-2.87
2008	-0.577	0.151	-9.16	0.278	-4.80	0.064	-3.29
2009	6.974*	-0.882	45.47	2.527*	34.78	0.363**	17.66
2010	5.962**	-0.623	35.22	2.794*	32.13	0.401**	17.19
2011	1.501	0.043	35.28	1.737*	39.16	0.272*	33.64
2012	-0.312	0.187	13.14	1.168	5.31	0.164**	18.22
2013	-0.029	0.122	18.91	0.978	15.28	0.120**	23.98
2014	-2.732	0.488	34.38	2.201**	23.05	0.243*	34.20
2015	4.028	0.246	80.90	6.703*	80.47	0.577*	78.81
2016	1.331	1.099*	86.52	4.761	16.65	1.160*	85.83
2004-2016	0.359	0.046*	35.53	1.773*	11.58	0.391*	35.40

Note: *, **Statistically significant at a level of 1%, 5% respectively

Table 8
The Decomposition of adj.R2 and incremental explanatory power of independent variables for
Public Sector Banks

Year	Adj.$R^2_{(EPS\&BVPS)}$(%)	Adj. $R^2_{(EPS)}$(%)	Adj.$R^2_{(BVPS)}$(%)	incr.EPS	incr.BVPS	incr.Common
2004	-10.09	-5.69	-6.18	-3.91	-4.4	1.78
2005	-12.04	-5.06	-5.30	-6.74	-6.98	-1.68
2006	-8.28	-4.79	-3.43	-4.85	-3.49	-0.06
2007	-8.11	-4.39	-2.87	-5.24	-3.72	-0.85
2008	-9.16	-4.80	-3.29	-5.87	-4.36	-1.07
2009	45.47	34.78	17.66	27.81	10.69	-6.97
2010	35.22	32.13	17.19	18.03	3.09	-14.1
2011	35.28	39.16	33.64	1.64	-3.88	-37.52
2012	13.14	5.31	18.22	-5.08	7.83	-10.39
2013	18.91	15.28	23.98	-5.07	3.63	-20.35
2014	34.38	23.05	34.20	0.18	11.33	-22.87
2015	80.90	80.47	78.81	2.09	0.43	-78.38
2016	86.52	16.65	85.83	0.69	69.87	-15.96
2004-2016	35.53	11.58	35.40	0.13	23.95	-11.45

The analysis of the statistical results (as shown in previous tables) concerning value relevance of book value and earnings in private and public sector banks have been carried out under cross-sectional analysis, time series analysis, and incremental information content analysis.

Cross-Sectional Analysis: From the viewpoint of cross-sectional analysis, it was clearly evidenced that the value relevance of book value and earnings independently and jointly were higher in private sector banks than in public sector banks. Earnings were the most value relevant variable with it's adj R^2 of 38% in private sector banks followed by book value with its adj of 36% as against substantially lower adj s of 12%, 35% respectively in public sector banks. The value relevance of earnings and book value jointly is higher with adj of 38% in private sector banks than adj of 36% in public sector banks.

Time Series Analysis: From the viewpoint of time series analysis, it was interesting to find that the value relevance of earnings and book value considerably increased over the base year with their respective adj s from already low values of -6%, and -6% in 2004 to 17% and 86% in 2016 respectively in public sector banks as well as improvement in adj from -7% and -9% respectively in 2004 to 77% and 43% in 2016 in private sector banks.

Value relevance of earnings increased over the base year with adj of -6% to 17% in 2016 in public sector banks as against higher improvement in adj from -7% in 2004 to77% in 2016 in private sector banks. However, book value has higher improvement in adj from -6% to 86% in public sector banks as against private sector banks with lower improvement in adj from -9% to 43% in 2016.

If the adj of earnings and book value under multiple regression substantially improved over the base year from -14% in 2004 to 81% in 2016 in private sector banks, the respective under multiple regression increased from already lower values of -10% in 2004 to higher levels of 86% in public sector banks.

The inference of the results reveals that private sector banks had higher value relevance than public sector banks. Moreover, during the period of the study EPS had higher value relevance

in private sector banks, while book value had higher value relevance in public sector banks. Finally, it was discovered that the magnitude of EPS and book value per share jointly had increased more over the base year in public sector banks than private sector banks.

Incremental Information Content Analysis:
From the viewpoint of incremental information content, some mixed results were evidenced. Under cross-sectional analysis, there were visible differences in incremental information content between private and public sector banks. First, the incremental information content of earnings given the book value was moderately lower in public sector banks with its incremental adj of 0.13% than in private sector with the adj of 2.34%. Second, the incremental information content of book value given the earnings was much lower with adj of 0.31% in private sector banks than higher adj of 24% in public sector banks.

From the viewpoint of incremental information content under time series analysis between private and public banks, there was an increasing trend during the period of the study but in a different range. First, if the incremental content of earnings given book value increased from the incremental adj of -5% in 2004 to very high incremental adj of 38% in 2016 in private sector, the incremental adj of earnings given the book value moderately improved from -4% in 2004 to just 0.69% in 2016 in public sector banks. Second, if the incremental adj of book value given the earnings increased from incremental adj of -4.5% in 2004 to very high level with the incremental adj of 70% in 2016 in public sector banks, the incremental adj of book value given the earnings marginal improved from -6.5% in 2004 to only 4% in private sector banks.

Trends in Value Relevance: Table 6 and 8 presents the trends in value relevance of book value and earnings in private sector banks and public sector banks for the period of the study with some major differences. First, the value of earnings given the book value and book value given the earnings increased from their already lower and negative adj s of -5.18% and -6.38% respectively in 2004 to just 2.34% and 0.31% respectively for the period in private sector banks. As against these results, the trends in value relevance of public sector banks were found to be mixed with a moderate increase or substantial improvement in value relevance over the base year. First, the value relevance of the book value given the earnings increased considerably from -4% in 2004 to substantially higher levels of 24% for the period. However, the value relevance of the earnings given the book value increased from -4.5% respectively in 2004 to just 0.13% for the period.

CONCLUSION

Findings indicate that: (1) earnings per share and book value per share jointly and independently have significantly positive relationship with market share price of public sector banks, private sector banks, and all banks; (2) earnings per share and book value per share individually and jointly were found to have an increase in value relevance in private sector banks as well as public sector banks during the period of the study; (3) Value relevance of earnings and book value jointly were moderately higher in private sector banks than in public banks with the adj R^2 of 38% and 35.5% respectively for the period of the study. However, in private sector banks earnings per share is more value relevant than book value per share although in public sector banks the book value per share is more value relevant than earnings per share. The value relevance of book value is almost same in private banks as well as public banks with its adj R^2 of 36% and 35.5% respectively. Therefore, it is noticeable that the higher value relevance of private sector banks is due to the influence of earnings. For the banking sector as a whole, book value per share is more relevant than the earnings per share; (4) the value relevance of both variables over the base year was found to be stronger in public sector banks than in private sector banks based on the relative changes over the base year; (5) The incremental information content of book value per share is greater than that of earnings per share in public sector banks. While in private sector banks, earnings per share add more to the overall explanatory power of the model than book value per share. The common explanatory power of earnings per share and book value per share is greater in public sector banks, which shows that the incremental information is higher in public sector banks than in private sector banks.

Overall empirical outcomes of the statistical test support that null hypothesis is rejected and alternative hypothesis of the study, that there is a significant difference in the value relevance of accounting information between public sector banks and private sector banks, is accepted.

All in all, accounting information has an important ability in influencing stock prices in the banking sector during the entire period of the study. Therefore, this study concludes that banking sector should provide adequate and reliable accounting information in their financial statements to assist potential and prospective investors in taking the informed decision.

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