



# **A Study on Effect of Financial Performance on Share Price: A Comparative Analysis of India Bulls Housing Finance Ltd.**

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## **ABSTRACT**

Understanding the intricate relationship between financial performance and share price movements is pivotal in the realm of investment analysis. This study delves into the case of Indiabulls Housing Finance Ltd, a prominent player in India's financial landscape, to dissect how its financial health influences its share prices. The comparative analysis between company's financial performance and its share price is typically quite strong, although it can be influenced by various factors including market sentiment, industry trends, and macroeconomic conditions. Also share prices can be subject to short-term volatility and speculation, which may not always align with a company's underlying financial performance in the long term.

**Keywords:** financial health influences, industry trends.

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## **I. INTRODUCTION**

Housing plays a major role for the long-term sustainable growth of any economy. Countries like India where the population exceeds the mark of 140 crores, housing sector is considered as a vital part of the economy. It is also considered as the second largest employment generating sector in India. In India, housing finance can be obtained from banks and housing finance companies (HFC's). But Indian housing market is dominated by housing finance companies.

Housing Finance Companies are a part of Non-Banking Financial Company (NBFC) whose main objective is to provide funds and assistance for procurement and development of housing units both for residential and commercial purposes.

In India, the main regulators of the housing finance companies are Reserve Bank of India (RBI) and National Housing Bank (NHB).

HFC'S are recently in news due to the announcement of Central Government Policy of "Housing for all" by 2022, Credit Link Subsidy Scheme (CLSS) and Pradhan Mantri Awas Yojana (PMAY)..

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## **II. METHODOLOGY**

### **RESEARCH GAP:**

The forecasting of future stock prices is still a complex method for many investors and researchers. Many experiments were conducted on predicting the future stock prices by taking few independent variables. But very few have come with unique methods that proved to some extent in predicting the prices. Mostly, stock prices are the result of many factors like economic factors and financial performance of the company. In this study, I examine the factors that influence the financial performance of a company named "Indiabulls Housing Finance Ltd" and how it shows impact on share price.

### **NEED FOR THE STUDY:**

Because it puts several important financial theories to the test, the investigation of how India bulls Housing Finance Ltd.'s financial performance affects share price is theoretically significant. In addition to supporting fundamental analysis by tying financial measures to company prices, it tests the Efficient Market Hypothesis by determining whether share prices accurately reflect financial performance. It investigates how financial results affect investor behaviour and share prices using signalling theory. In addition, it evaluates how well management aligns with the interests of shareholders, supporting agency theory. Furthermore, it offers insights into dividend signalling theory by assessing the impact of dividend announcements and behavioural finance by analysing how investor views affect share prices. Finally, it draws attention to market oddities, providing a more thorough comprehension of investor irrationality and market inefficiencies.

**OBJECTIVES:**

1. To analyse the effect of financial performance on share price of Indiabulls Housing Finance Ltd.
2. To make comparative analysis of Indiabulls Housing Finance Ltd. with other peers.
3. To understand the relationship between financial performance indicators and share price movements.

**RESEARCH DESIGN:**

In this study, descriptive research design has been followed. The research employed mixed method approach, integrating both qualitative and quantitative methodologies to comprehensively investigate the relationship between the financial performance metrics and share price movements. Data collection involves a combination of surveys and financial analysis.

**DATA COLLECTION METHODS:**

In conducting this research, the combination of primary data and secondary data is used.

**Primary Data** - The primary data is collected by conducting a survey in which questions are asked to know the opinions of individuals regarding financial performance impact on share price.

**Secondary Data** – On the other hand, the secondary data is collected from various sources such as articles, journals and websites.

**Population:** 100

**Sample size:** 75

**Sample Unit:** Hyderabad

**QUESTIONNAIRE:**

A well-structured questionnaire with straightforward questions is employed for data gathering.

Multiple-choice questions are included in the survey.

**TOOLS USED:**

Chi square

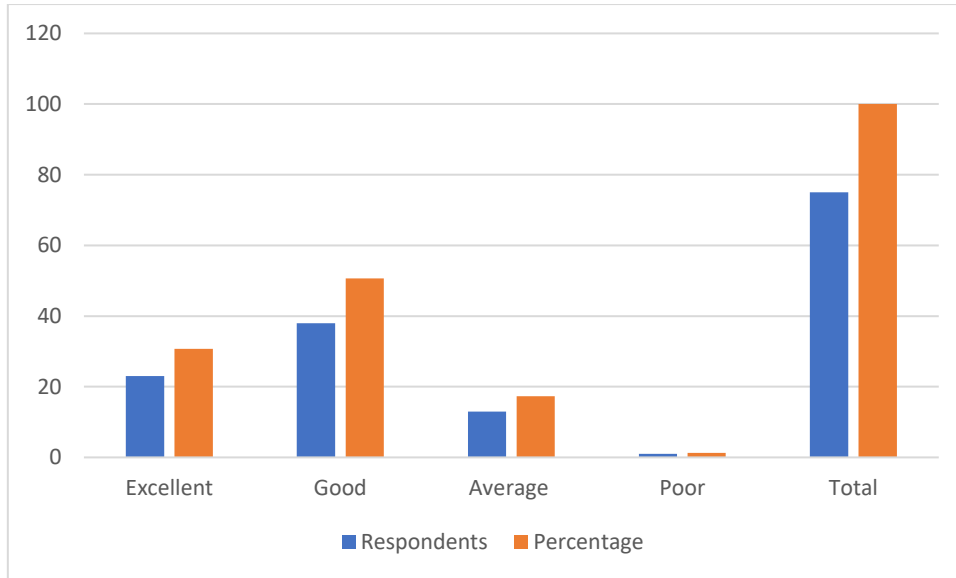
Bar graphs

Percentages

Google forms

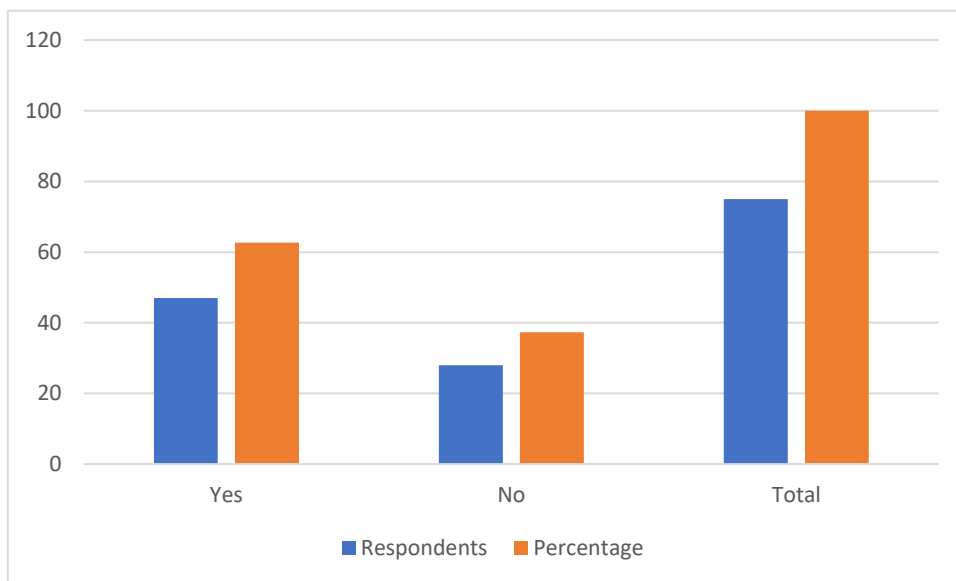
Microsoft Excel

How would you rate Indiabulls Housing Finance Company's financial performance compared to its competitors?	Excellent	Good	Average	Poor	Total
Respondents	23	38	13	1	75
Percentage	30.7	50.7	17.3	1.3	100



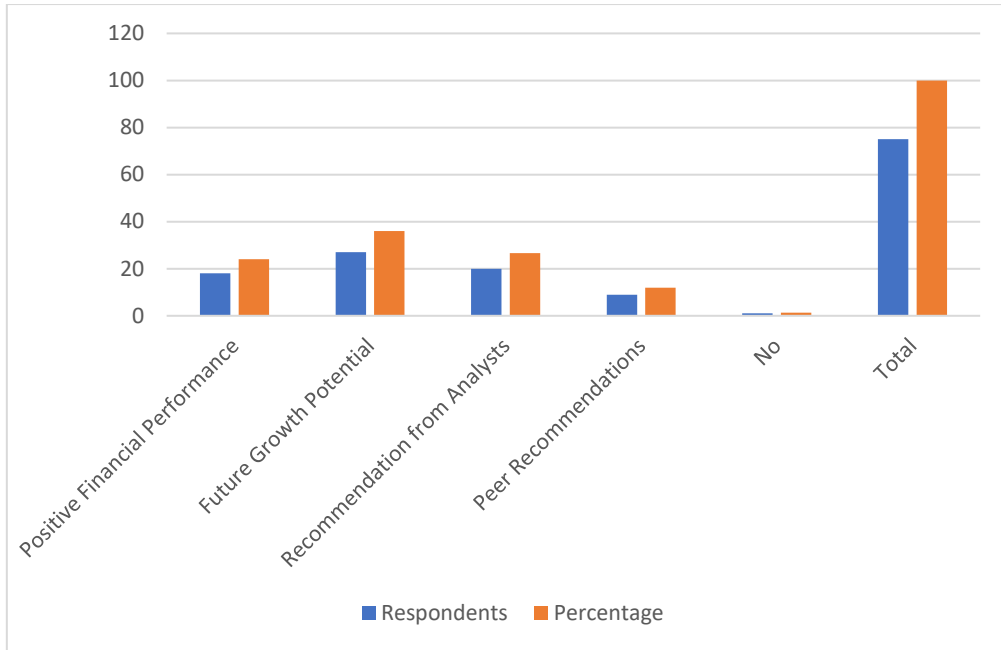
**Interpretation:** Majority of the respondents (50.7%) have rated good for Indiabulls Housing Finance Company’s financial performance when compared to its competitors and 30.7% respondents rated as excellent.

Have you ever invested in shares of Indiabulls Housing Finance Company?	Yes	No	Total
Respondents	47	28	75
Percentage	62.7	37.3	100



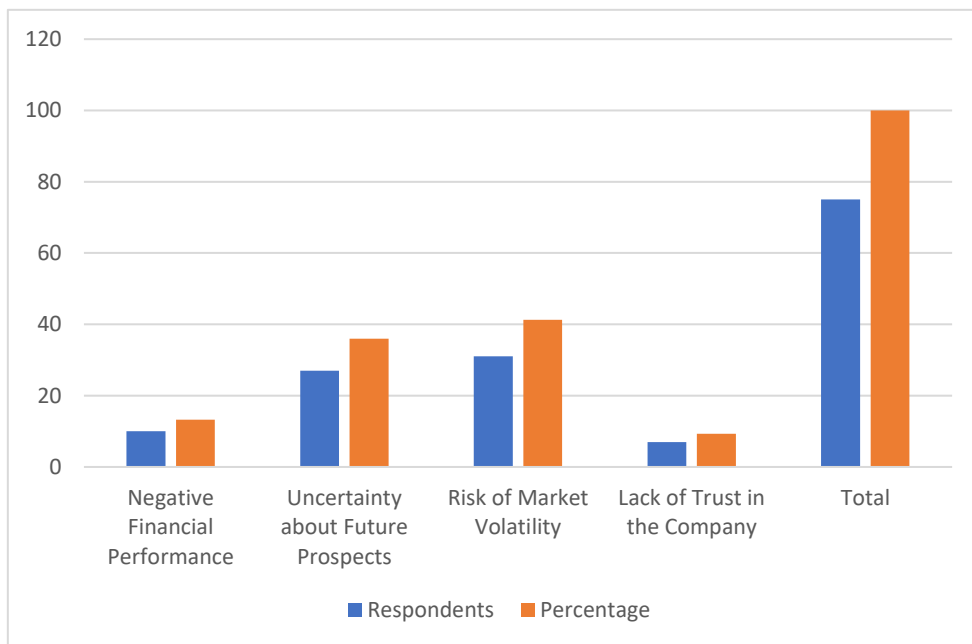
**Interpretation:** Out of 75 respondents, 47 respondents have invested in shares of Indiabulls Housing Finance Company and 28 respondents didn’t show interest in purchasing the shares.

If yes, what factors influenced your decision to invest?	Positive Financial Performance	Future Growth Potential	Recommendation from Analysts	Peer Recommendations	No	Total
Respondents	18	27	20	9	1	75
Percentage	24	36	26.7	12	1.3	100



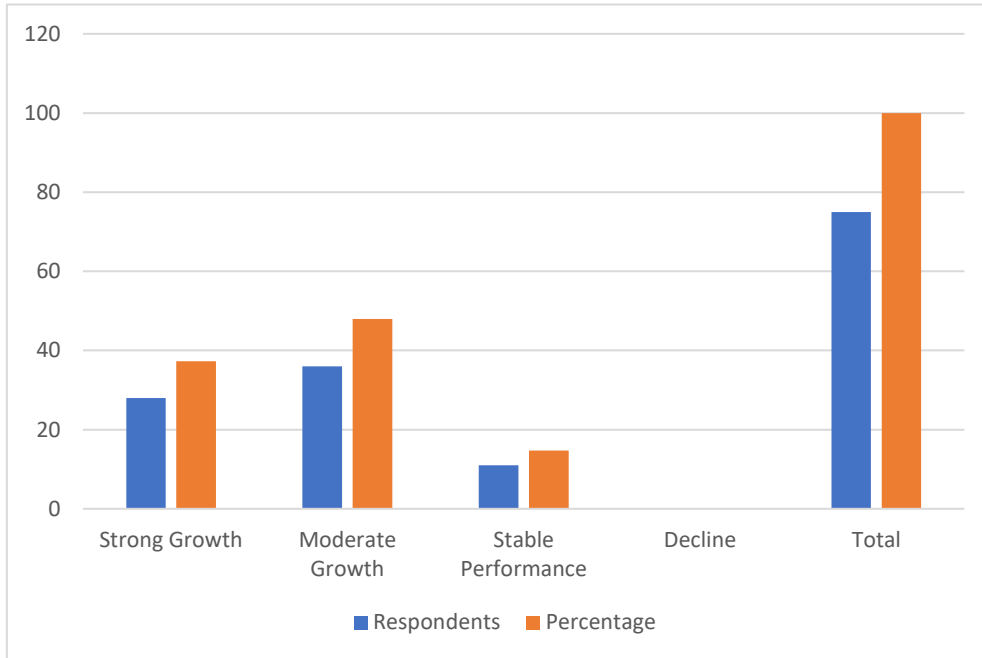
**Interpretation:** There are various factors that are influenced the investors to buy the shares of Indiabulls Housing Finance company where 36% respondents decided to invest by seeing the future growth potential while 26.7% respondents seek recommendations from analysts and 24% respondents take decision by looking at positive financial performance.

If no, what factors have deterred you from investing in the company's shares?	Negative Financial Performance	Uncertainty about Future Prospects	Risk of Market Volatility	Lack of Trust in the Company	Total
<b>Respondents</b>	10	27	31	7	75
<b>Percentage</b>	13.3	36	41.3	9.3	100



**Interpretation:** There are 31 respondents who worry about the risk of market volatility and 27 respondents who deterred from investing in company's shares due to uncertainty about future prospects.

What are your expectations for the future financial performance of Indiabulls Housing Finance Company ?	Strong Growth	Moderate Growth	Stable Performance	Decline	Total
<b>Respondents</b>	<b>28</b>	<b>36</b>	<b>11</b>	<b>0</b>	<b>75</b>
<b>Percentage</b>	<b>37.3</b>	<b>48</b>	<b>14.7</b>	<b>0</b>	<b>100</b>



**Interpretation:** The bar chart shows that 48% of the respondents expect moderate growth regarding future financial performance of Indiabulls Housing Finance Company while 37.3% respondents expect that the company is going to have strong growth.

**STATISTICAL TOOLS FOR ANALYSIS**

**HYPOTHESIS:**

H0 (Null Hypothesis): There is no significant relationship between the financial performance of IBHFL and its share price.

H1 (Alternative Hypothesis): There is significant relationship between the financial performance of IBHFL and its share price.

	High Impact	Low Impact	Marginal Row Totals
<b>Male</b>	35 (36.67) [0.08]	15 (13.33) [0.21]	50
<b>Female</b>	20 (18.33) [0.15]	5 (6.67) [0.42]	25
<b>Marginal Column Totals</b>	55	20	75 (Grand Total)

The chi-square statistic is 0.8523. The *p*-value is .35591. *Not* significant at *p* < .05.

<b>Results</b>			
	High Impact	Low Impact	Row Totals
20-25	35 (35.28) [0.00]	28 (27.72) [0.00]	63
26-30	3 (2.80) [0.01]	2 (2.20) [0.02]	5
31-35	2 (2.24) [0.03]	2 (1.76) [0.03]	4
36-40	2 (1.68) [0.06]	1 (1.32) [0.08]	3
<b>Column Totals</b>	42	33	75

The chi-square statistic is 0.2345. The  $p$ -value is .971839. The result is *not* significant at  $p < .05$ .

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## FINDINGS

The chart shows that 40% of the respondents think that market expectations and sentiments significantly influence a company's share price and 45.3% respondents say that it influences moderately.

Out of 75 respondents, there are 43 respondents (57.3%) who said that there are instances where a company's strong financial performance did not lead to an increase in its share price and 32 respondents (42.7%) say that there are no such instances.

The bar graph shows that 41.3% of the participants have seen instances where market expectations significantly impacted the share price of a company, despite its financial performance being stable.

According to the survey, most of the respondents i.e., 70.7% are somewhat familiar with Indiabulls Housing Finance Company and some respondents are very familiar of this company.

The financial performance of Indiabulls Housing Finance Company is tracked by the respondents mostly on weekly basis i.e., 29.3% followed by 28% on monthly basis.

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## SUGGESTIONS

The study shows that most of the investors are not familiar with Indiabulls Housing Finance Company and don't have an idea about the financial performance and its impact on share price. So the study suggests that IBHFL company should invest in marketing and branding efforts to enhance the company's image and reputation in the market. A strong brand can attract more investors and positively influence share price.

IBHFL should implement a practice of providing regular updates on financial performance and strategic initiatives through quarterly reports and investor presentations. Enhanced transparency regarding revenue sources, expense breakdowns, and risk management practices can build investor confidence and potentially positively impact share price.

The company should have an eye on the impact of macroeconomic factors such as interest rates, inflation and economic growth on the financial performance and share price.

By implementing these suggestions, Indiabulls Housing Finance Ltd. can enhance its financial performance, strengthen its market position, and potentially improve its share price.

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## CONCLUSION

In conclusion, this study has successfully illustrated the significant impact of financial performance on the share price of Indiabulls Housing Finance Ltd. By understanding and leveraging key financial metrics, IBHFL can enhance its market valuation and strengthen its position within the housing finance sector. The insights derived from this analysis not only benefit IBHFL's management and investors but also contribute to the broader understanding of financial performance dynamics in the context of share price fluctuations.

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<https://www.business-standard.com/markets/indiabulls-housing-finance-ltd-share-price-36229.html>

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