Research Article
Impact of Assets and Stock Returns of Listed Firms in the Food Industry of Pakistan Stock Market

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Abstract: The main purpose of this study is to examine the affiliation among asset mechanisms and stock returns of the listed companies in the food industry of Pakistan stock exchange. The statistical population of this research entails the companies that were functioning uninterruptedly in stock markets for a period of 7 years between 2006 and 2012. Financial statements of the companies and their escorted records were obtainable at the website of Karachi Stock Exchange and State Bank of Pakistan's Databases. The population consisted of 20 operating companies in Food Industry. Multiple regression and panel data techniques were performed to test the hypotheses. The results of the study reveal that the direct relationship only exists between other assets and stock return, i.e., the more the assets increase, the more the stock returns will be. Multiple regression method was used in other tests and an inverse relationship was found between total assets and the stock return in this industry.

Keywords: Current assets, financial assets, fixed assets, Karachi stock exchange, monetary assets, stock return

INTRODUCTION

Investors have different motives for investing which includes relishing the benefits of revenues and cash assistances and the ownership of these units. On the other hand, the economy desires financial resources for numerous reasons. Though, the most imperative question for the investors and definite components is to increase stakeholders' assets (Haghighi *et al.*, 2012). The depositors pay a great consideration to the influence of return in the progression of decision making about investing. They invest with the intention of profit making and appraise their capitalizing before they do anything and if they anticipate making a good profit, they put their conclusions into action. Nowadays, the dispute of an important factor that influence on the returns is considered as an imperative subject in the procedure of financial decision making. This is due to the circumstance that all of capital market interventionists are facing with the same and unique questions and the responses of which entails by obtaining more associated information. Thus, amplified amount of information upsurges the difficulties and complexities of decision making and determining these matters dictate smearing numerous procedures. Probably, the association of the asset mechanisms with the amalgamation and diverse with other components is one of the most important characteristic which can influence the return rate of the businesses. This study aims to answer the query of whether the association of asset mechanisms can be connected to stock return of the company or not. Thus, using the results of the present study, the investors can make more suitable conclusions.

LITERATURE REVIEW

Bakhshi (2004) studies the association among company's size (the amount of assets) and the returns and risks of the listed companies in Metal and Nonmetal Industry of Karachi Stock Exchange. The consequences of there search demonstrates that there is not an expressive association among asset amount and returns and risk in the entire Metal and Nonmetal Industry; however, an expressive association occurs among asset amounts and returns in Nonmetal Business. Cooper *et al*. (2009) considered the consequence of asset growth on stock returns in US Stock Market between 1968 and 2006. Abu Nuri and Qasemi (2008) measured a large sample in US Stock Market. Azar and Momeni (2008) predicted a robust negative association among the growth of the whole asset and its return. In average, the businesses with lower asset increase had 20% more extra annual returns than the businesses with higher of asset increase. They also originate that, the consequence of asset increase is more considerable than a set of other ordinary things in the stock market. Lipson *et al*. (2009) in a study named' What Clarifies the Asset Growth Effect in Stock Returns?', came to the supposition that the amount of asset growth linked with other elements that have effect on stock returns, can improve to interpret and enlighten the returns.

METHODOLOGY

The methodology of this study is descriptive analysis. This research is quantitative empirical and the scrutiny of the relation among the variables is comparative. Cochrane (1991) analyze a comparative analysis, by that means a comparative analysis is needed in addition to descriptively reviewing the collected information, the information has also been associated to each other. Namazi and Rostami (2006) analyzed it through ratio analysis so through that: The variables of the current study are as follows:

- **Independent variables:** Current assets, fixed assets, other assets, monetary assets, financial assets
- **Dependent variables:** Variations of stock returns

The population of the present research contains all listed companies in Karachi Stock Exchange, which was continuously operating during 2006-2012 and had enduring contributions then and is in accordance with the ensuing situations:

- They have been listed in the stock market since 2006
- The conclusion of their financial year
- They do not have financial retro change
- They do not have any stated fatalities in their financial statements
- The required information is obtainable through the present sources (Stock Database)

Thus, 20 companies in Food Industry had the above-mentioned situations during the studied period and were designated as the population sample of the study. The obligatory data and information of the present study have been collected in two ways: first, some of the information related to the theoretical discussion of the present study were gathered from the library resources; then the required data and information for the analysis of data relationship were mainly obtained from trading economics Database and the authorized website of Securities and Exchange Organization of Pakistan. The information about monetary asset and financial asset of each sample businesses during the period of the study (2006-2012) that was not obtainable in Database and it was manually collected from the official website of Securities and Exchange Organization of Pakistan and the balance sheets and the notes of financial statements were used. Then the data were transported to Excel Software and were summarized there and after executing the needed calculations, we organized the aforementioned information for data analysis. Final analysis was done using E-views Statistical Software through Data Panel technique.

Statistical model of research hypothesis: Multiple Regression model is used to study the association among the assets and the stock return in a combined analysis:

$$y = c + a_1 x_{i_t} + a_2 x_{i_t} + a_3 x_{i_t} + a_4 x_{i_t} + a_5 x_{i_t} + u_i \quad (1)$$

where,
x_1 = The current asset
$\hat{c}$ = The intercept
x_2 = The fixed asset
x_3 = The other asset
x_4 = The monetary asset
x_5 = The financial asset
y = The stock return

RESULTS

Table 1 shows the choice among the combined model and the fixed effects model in the main hypothesis in the level of food industry.

Table 2 shows the descriptive analysis of the predictors as it signifies the acceptance region, adjustment coefficient of determination and intercept.

Table 3 shows the choice between the integrated model and the fixed effects model in the secondary hypothesis in the food industry.

Table 4 shows the results of the secondary hypothesis in food industry.

Table 1: The choice between the fixed and random effects model for the main hypothesis in food industry

Effect test	Statistics	Degree of freedom	Level of significance
Cross-section chi-square	10.197516	1	0.0014

Table 2: Multiple regression analysis between the total asset and stock return

Variable	Dependant variable: stock return		
	Coefficient	t-statictics	p-value
C intercept	60.528620	4.975037	0.000000
Total asset	-4.81E-05	-3.085897	0.002900
Adjusted coefficient of determination	0.084342	Watson camera	1.871544
F-statistic	1.637099	Probe. (F-statistic)	0.100759

Table 3: The choice between the fixed and random effects model for the secondary hypothesis in food industry

Effect test	Statistics	Degree of freedom	Level of significance
Cross-section F	0.495226	(11, 65)	0.0066
Cross-section random	5.720041	5	0.3344

Table 4: Multiple regression analysis between the research variables and stock return

Variable	Dependant variable: stock return		
	Coefficient	t-statistic	p-value
C intercept	23.349190	3.450410	0.000900
Current asset	-1.56E-05	-0.376883	0.707300
Fixed asset	-3.30E-05	-1.285934	0.202400
Other assets	0.000593	2.302171	0.024100
Monetary asset	6.31E-05	0.971717	0.334300
Financial asset	3.36E-06	0.127225	0.899100
Adjusted coefficient of determination	0.059462	Watson camera	1.963865
F-statistic	2.344882	Prob. (F-statistic)	0.049157

Results of the main hypothesis: Obtained results in Table 1 and captivating into account the results of fixed effects and Pooled method test, the null hypothesis is rejected and the suitable designated model of the study is the model of the fixed effects (confirmation of the null hypothesis would designate the optimal of pooled method and rejecting the null hypothesis would suggest the choice of the fixed effects method). By captivating into contemplation Table 2. In testing the main hypothesis, the multiple regression equation for explaining the association among the total assets as the independent variable and the stock return as the dependent variable, is as follows:

$$re = 60.52862 - 4.81E - 05X_1 + u_i$$

The above equation shows that there is an expressive association among the companies' total assets in food industry and stock returns; and this proves the hypothesis and designates the current inverse association among these two variables. In other words, as the total asset increases, the stock return decreases significantly.

Results of the secondary hypothesis of the study: Obtained results in Table 3 and by paying consideration to the results of fixed effects and Pooled method test, the null hypothesis is rejected and the suitable selected model of the study is, the random model (verification of the null hypothesis would specify the choice of pooled method and rejecting the null hypothesis would suggest the choice of the fixed effects method). Hausman Test was used to make a choice among the fixed effects test and the random model. The presented model is carried out using the generalized least squares random method of panel method. In testing the secondary hypothesis with regard to Table 4, the multiple regression equation for explaining the relationship between the asset components (the current asset, fixed asset, other assets, monetary asset, financial asset) as the independent variable and stock return as the dependent variable is as follows:

$$re = 23/34919 - 1/56E - 05X_1 - 3/30E - 05X_2 +$$
$$0/000593X_3 + 6/31E - 05X_4 + 3/36E - 06X_5 + u_i$$

The results obtained from investigating hypothesis 1: By testing the relationship between the companies' current assets in food industry and stock return, no significant relationship was found between the two variables and this hypothesis was rejected.

The results obtained from investigating hypothesis 2: By testing the relationship between the companies' fixed assets in food industry and stock return, no significant relationship was found between the two variables and this hypothesis was rejected.

The results obtained from investigating hypothesis 3: By testing the relationship between the companies' other assets in Automotive Industry and stock return, a significant relationship was found between the two variables and this hypothesis was not rejected. This shows that there exists a positive relationship between other assets and stock return. In other words, the stock return increases with the increase of other assets.

The results obtained from investigating hypothesis 4: By testing the relationship between the companies' monetary assets in food industry and stock return, no significant relationship was found between the two variables and this hypothesis was rejected.

The results obtained from investigating hypothesis 5: By testing the relationship between the companies' fixed assets in food industry and stock return, no significant relationship was found between the two variables and this hypothesis was rejected.

DISCUSSION AND CONCLUSION

The results obtained from testing the research hypothesis indicate that there is a meaningful relationship between the rate of the stock return and the total asset of the studied companies in food industry. This relationship is also meaningful between the asset components and the stock return of the studied companies. This means that, using the studied assets can be useful for anticipating the stock return. The results obtained from testing the hypotheses in the level of Food Industry, made it clear that the only meaningful relationship exists between the other assets and the stock return and this indicates a direct relationship. It was also shown that the total assets and the stock return have an inverse relationship. These findings show the significance of the assets in Securities and Exchange Organizations and it seems that any kinds of the

appropriate information in this field can be useful in companies' executives and the investors' decision making for investing and obtaining more returns in stock market.

Implication of the study:

- Regarding the fact that the present study found a relationship between asset and stock returns, more attention should be paid to asset variations (current, fixed, other, monetary and financial) in decision making.
- Given the fact that the relationship between total assets and stock return is an inverse one, it can be concluded that, the factor of assets should be dealt with, more carefully for the purpose of investing.
- Owing to the fact that other assets have the most effective direct and positive relationship on the stock returns in Food Industry, it is suggested that the executives of these companies pay more attention to the variations of their companies' assets.

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