The Relevance of Accounting Information to Stock Price, A Study of Listed Hotel & Travel Companies in Sri Lanka

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Abstract

This study looks at the impact of accounting information on the stock prices of listed travel and hotel companies in Sri Lanka during Eleven years, from 2013 to 2023, and its value significance. This analysis attempts to fill the knowledge gap by examining the relationship between financial performance indicators specifically, book value per share (BVPS), earnings per share (EPS), and dividends per share (DPS) and market valuation in the context of the scarcity of empirical research in this economically significant sector. This long-term study uses multiple regression analysis on a sample of twenty companies to determine the predictive potential of various financial parameters on stock prices. The results show that DPS and BVPS have a substantial impact on stock prices, which is consistent with their significance in financial reporting and investor decision-making. On the other hand, EPS only marginally indicated relevance, indicating a more intricate relationship with sector stock prices. The research also finds that the residuals of the regression model have positive autocorrelation, which suggests that the model may have missed certain sector-specific or time-series properties. This emphasizes how future models must consider more variables to increase the reliability of prediction assessments for investment strategies. This study is significant because it adds to the limited research on the capital market behavior of Sri Lanka's hotel and tourist sectors. It highlights the crucial role that clear and understandable financial disclosures play in the capital markets and offers insights for investors, corporate management, and policymakers. According to the findings, stronger financial ratios and higher-quality accounting data may have a big impact on how much a company is valued in the market in emerging nations like Sri Lanka.

Keywords: Accounting Information, Listed Travel and Hotel Companies, Financial Performance Indicators, Stock Price, Relevance