
Value relevance of accounting information: comparative study of Indian public and private sector banks

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Abstract: The present study is taken up with an objective of finding out difference if any in the value relevance of earnings per share and book value per share between private and public sector banks listed on Bombay Stock Exchange, India. Using a valuation model provided by Ohlson (1995), the study uses data for a period of 15 years from 2002 to 2016. Findings of our study show that: 1) earnings per share (EPS) and book value per share (BVPS) jointly and individually are positively and significantly related 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, which is 49.8%; 4) Overall findings reported that accounting information in public sector banks is more relevant than that of private sector banks.

Keywords: value relevance; earnings per share; EPS; book value per share; BVPS; accounting information; share price; India; banking sector.

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Biographical notes: Meena Bhatia is an Associate Professor of Finance and Accounting at BIMTECH, India and her research interests are in the area of intellectual capital disclosures, voluntary disclosures, financial reporting, value relevance and accounting conservatism. She has a PhD in Finance, besides being FCMA, CFA and MBA (Finance).