



The Impact of Profitability on The Market Value of Industrial Products Companies Listed on The Stock Exchange of Thailand

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Abstract

This article aims to study the impact of profitability on the market value of industrial products companies listed on the Stock Exchange of Thailand. Use a quantitative research methodology to analyse secondary data from 84 firms, totalling 336 data points. We sourced the data from companies listed on the Thailand Stock Exchange, covering a four-year period from 2019 to 2022. We extract the data from annual reports, financial statements, annual information disclosure forms (Form 56-1), and SETSMART. The study employed two types of statistics: descriptive statistics, which encompass minimum and maximum values, averages, and standard deviations, and inferential statistics, which entail examining the Pearson correlation coefficient and analysing multiple regression. The research findings indicate the rate of return on assets. The return on equity and net profit margin remain unchanged. There is no impact on the market value when considering the ratio of market price to net profit. The rates of return on assets and net profit margin influence the market value. It influences the ratio of the market price to the book value, which affects the market value. The net profit rate is a factor in determining the dividend yield's market value. This finding will prove advantageous to investors, executives, and entrepreneurs when evaluating and making informed choices on business administration or investing in the Stock Exchange of Thailand.

Keywords: return on assets; return on equity; net profit margin; annual reports; financial statements.

1. Introduction

Currently, the Thailand Stock Exchange serves as a significant signal or indicator of the Thai economy. It will assist investors in forecasting and analysing forthcoming economic trends. and presents opportunities for investment. Prior to making an investment decision, investors might adopt a wait-and-see stance. Wait and observe the first occurrence. Define subsequently (Thongsaichol Narinthip, 2022). Many others employ the technique

of predicting the future through a comprehensive analysis of the economy. What will be the consequences? We will then evaluate it to identify any additional investment opportunities. The aforementioned index serves the purpose of monitoring and assessing investment trends within the private sector. The economic downturn impacts industrial products trading on the stock exchange. The economic slump impacts industrial products traded on the stock exchange.

The main financial goal of running a business is to turn a profit. As a result, executives' top priorities are usually money. This also entails extra risks by increasing the business's profitability and satisfying investors looking for significant returns (Taweechai Wechakhunukul et al., 2018). Therefore, in order to achieve expected profits and reduce future dangers, investors must carefully consider their options before investing (Prabripu Pattanapoomthai, 2020).

The world's state following the recent COVID outbreak is a critical indicator of how well the administration responded to the pandemic's unanticipated emergence. The COVID crisis has instilled fear in investors, prompting them to avoid investing and instead accumulate more cash, while also bracing for intensifying competition as COVID-19 fades. As a result, investors sell a lot of securities, which makes the price of securities erratic due to several basic issues. For investors in the market, information is crucial when making decisions about stock trading. Stock price fluctuations fully reflect news events only when they are based on plausible forecasts. When new information becomes available so quickly that no one can profit above the average, the stock price will rise or fall; this is known as an efficient market (Thipaporn Yoddamnoen, 2019).

Therefore, the researcher is interested in "Profitability on the Market Value of Industrial Products Companies Listed on the Stock Exchange of Thailand." The aim of this study was to develop a framework that investors might use to implement the findings. It provides analytical information throughout the funding decision-making process. They are also able to choose investments based on what they need. They offer advice on improving investment returns to businesses listed on the Stock Exchange of Thailand. We put operational efficiency into practice and modify our plan as necessary.

1.1 Research purpose

To study the Profitability Affecting market value of Industrial Products Companies Listed on the Stock Exchange of Thailand.

1.2 Research hypothesis

Hypothesis 1: The Profitability Affecting market price to net profit ratio of Industrial Products Companies Listed on The Stock Exchange of Thailand.

Hypothesis 2: The Profitability Affecting market price to book value of Industrial Products Companies Listed on The Stock Exchange of Thailand.

Hypothesis 3: The Profitability Affecting market price to book value ratio of Industrial Products Companies Listed on

The Stock Exchange of Thailand.

2. Research Methodology

The study, The Impact of Profitability on the Market Value of Industrial Products Companies Listed on the Stock Exchange of Thailand, is quantitative research using secondary data.

2.1 Population and Sample

The research population is 94 companies listed on the Stock Exchange of Thailand in the industrial products group using financial data for the past 4 years from 2019 to 2022. The sample group consists of 84 companies with complete data, while 10 companies have operating results for less than 4 years from 2019 to 2022, resulting in a total of 336 data groups.

2.2 Research instrument

The researcher has collected data from secondary sources, including theses, articles, journals, academic textbooks, and research both domestically and abroad. The researcher has also gathered information from the Stock Exchange of Thailand, including financial reports, annual reports, Form 56-1 information, and information from the SETSMART database. Collected over the past four years, from 2019 to 2022.

2.3 Procedure for Data Collection

The researcher has collected data from secondary sources, including theses, articles, journals, academic textbooks, and research both domestically and abroad. The researcher has also gathered information from the Stock Exchange of Thailand, including financial reports, annual reports, Form 56-1 information, and information from the SETSMART database. The information was gathered over a period of four years, specifically from 2019 to 2022.

2.4 Data Collection

In this study, we utilized a data recorder to gather secondary data from annual financial statements and financial ratios. We divided the independent and dependent variables, then substituted the data to determine the values of each variable.

Table 1: results of variable measurement

variable	measurement
Independent Variables	
return on asset (ROA)	(net profit/ asset) x 100
return on equity (ROE)	(net profit/equity) x 100
net profit margin (NPM)	(net profit/total revenue) x 100
dependent variable	
market price to net profit ratio (P/E)	Market price per share/Net earnings per share for the 12-month period of the stock
market price to book value(P/BV)	Market price per share / Book value per share
dividend yield (DY)	(Dividend per share/share market price) x 100

2.4 Data Analysis

The researcher analyzed the data using a packaged program for statistical data analysis as follows:

1) A primary data analysis uses this statistic. Its purpose is to understand the general characteristics of the collected variables. We present it in the form of mean, minimum, maximum, and standard deviation.

2) Use inferential statistics to proactively test Use inferential statistics to proactively assess your profitability based on the market value of industrial product companies listed on the Stock Exchange of Thailand, as determined by multiple regression analysts.

Multiple regression analysis model used in the study.

$$P/E = \beta_0 + \beta_1ROA_{it} + \beta_2ROE_{it} + \beta_3NPM_{it} + \varepsilon \dots \dots \dots (1)$$

$$P/BV = \beta_0 + \beta_1ROA_{it} + \beta_2ROE_{it} + \beta_3NPM_{it} + \varepsilon \dots \dots \dots (2)$$

$$DY = \beta_0 + \beta_1ROA_{it} + \beta_2ROE_{it} + \beta_3NPM_{it} + \varepsilon \dots \dots \dots (3)$$

by assigning

ROA_{it} = The rate of return on assets of firm i in year t

ROE_{it} = Rate of return on equity for company i in year t

NPM_{it} = Net profit rate of company i in year t

P/E = The market price to net profit ratio of company i in year t

P/BV = Ratio of market price to book value of Company I in year t

DY_{it} = Dividend yield of company i in year t

β₀ = a constant.

3. Results and Discussion

3.1 Analysis of general data

The descriptive statistical analysis revealed that the mean value of return on assets (ROA) is 4.84 percent. 2.69 percent is the mean return on equity (ROE). The NPM, or net profit margin, is 2.37 on average. Avg. 12.28 represents the market price-to-net profit ratio (P/E ratio). 1.33 is the mean value of the market price-to-book value ratio (P/BV ratio). On average, the dividend yield (DY) is 3.45.

3.2 Research Hypothesis Testing

Test of Hypothesis 1: The Profitability Affecting Market Price to Net Profit Ratio of Industrial Products Companies Listed on The Stock Exchange of Thailand in Table 2.

Table 2. Results of the multiple regression analysis of variables affect market price to net profit ratio.

Model	B	Std. Error	Beta	t	Sig.
(Constant)	11.769	3.546		3.319	0.001
Return on equity	-0.138	0.591	-0.022	-0.234	0.815
Return on equity	0.011	0.082	0.008	0.135	0.892
Net profit margin	0.488	0.431	0.103	1.131	0.259

R square = 0.008; Adjusted R square = -0.001; F = 0.899; Sig.= 0.442

**Significant level p < 0.01, * Significant level p < 0.05

Table 2 reveals an adjusted R square value of -0.001, signifying that each variable contributes 1% to the usage. The return on assets has no effect on the market price to net profit ratio (Sig = 0.815). The return on equity has no effect on the market price to net profit ratio (Sig =

0.892). The net profit margin has no effect on the market price to net profit ratio (Sig = 0.259).

Test of Hypothesis 2 : The Profitability Affecting Market Price to Book Value Ratio of Industrial Products Companies Listed on the Stock Exchange of Thailand in Table 3

Table 3. Results of multiple regression analysis of variables affect market price to book value ratio.

Model	B	Std. Error	Beta	t	Sig.
(Constant)	0.995	0.123		8.097	0.000
Return on equity	0.086	0.020	0.381	4.206	0.000*
Return on equity	0.001	0.003	0.027	0.446	0.656
Net profit margin	-0.035	0.015	-0.208	-2.345	0.020*

R square = 0.068; Adjusted R square = 0.059; F = 7.918; Sig.= 0.000

**Significant level $p < 0.01$, * Significant level $p < 0.05$

From Table 3, the analysis's findings indicate that the R square value is 0.059, which indicates that all factors may account for 5.9% of the utilization. The analysis revealed that return on assets influences the market price to book value ratio (Sig = 0.000). Return on equity has no effect on the market price to book value ratio (Sig = 0.656). The net profit margin affects the market price-to-book value ratio (Sig = 0.020).

Test of Hypothesis 3 : The Profitability Affecting the Dividend Yield of Industrial Products Companies Listed on the Stock Exchange of Thailand in Table 4.

Table 4. Results of the multiple regression analysis of variables affect market price to net profit ratio.

Model	B	Std. Error	Beta	t	Sig.
(Constant)	3.290	0.246		13.370	0.000
Return on equity	-0.008	0.041	-0.019	-0.203	0.839
Return on equity	0.002	0.006	0.018	0.304	0.761
Net profit margin	0.083	0.030	0.246	2.764	0.006*

R square = 0.057; Adjusted R square = 0.049; F = 6.651; Sig.= 0.000

**Significant level $p < 0.01$, * Significant level $p < 0.05$

Table 4's research reveals an R square of 0.049, suggesting that all variables can explain 4.9 percent of usage. The return on asset has no effect on the dividend yield (Sig = 0.839). The return on equity has no effect on the dividend yield (Sig = 0.761). The net profit margin influences the dividend yield (Sig = 0.006).

4. Discussion and Conclusion

4.1 Discussion

The study, "The Impact of Profitability on the Market Value of Industrial Products Companies Listed on the Stock Exchange of Thailand," yielded the following results:

As the rate of return on assets indicates, the profitability of return on equity, net profit margin, and return on assets has little bearing on the market price to nett profit ratio of

companies in the industrial product group. The nett profit margin represents the rate of return on equity. The nett profit margin is one category of ratio used to assess a company's profitability. Investors frequently use ratios in this category when choosing which assets to purchase. Nonetheless, businesses that produce industrial goods must make large asset investments, especially given the annual increase in land costs. Consequently, the value of this ratio may be relatively low. Consequently, the market price to nett profit ratio may not influence the quality of earnings for industry-used items. In terms of profit quality, according to studies by Annisa & Chabachib (2017) and Al Qaisi et al. (2016), profitability has no bearing on the market price to net profit ratio.

The profitability of the return on assets and net profit margin influences the market price to book value of businesses in the industrial product group. This indicates that the return on assets ratio is a crucial metric, reflecting the business's efficiency in managing its total assets and the extent to which it generates profits. The net profit margin reflects the business's profitability. Thosaporn Darapho & Supha Thongkong (2020) and Al Hayek (2018) found that the ability to turn a profit, as measured by the net profit margin and rate of return on assets, influences profit quality, as measured by the market price to book value ratio.

The profitability of the net profit margin influences the dividend yield of businesses within the industrial product group. Most companies determine their dividend payment based on the net profit they earn each year. In terms of dividend yield, Apsari et al. (2015) and Napaporn Likhitwongkhajorn (2019) found that the profitability of the net profit margin influences the quality of profit.

4.2 Conclusion

The researchers conducted a study on the hypothesis, "The Impact of Profitability on the Market Value of Industrial Products Companies Listed on the Stock Exchange of Thailand," and discovered that the market price to book and net profit margin are influenced by the profitability of return on assets and net profit margin. Profit margin affects the dividend yield of businesses in the industrial product group.

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