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Declaration

I, Chitalu Kabwe declare that this project is my own effort and is a true reflection of research executed by me. This research in full or part thereof has not been submitted for examination for any degree at any other university/institution.

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Acronyms

DER-	Debt to Equity Ratio
EPS-	Earnings Per Share
FP-	Financial Performance
GDP-	Gross Domestic Product
GDVM-	Generalized Directional Velocimetric Model
LUSE-	Lusaka Securities Exchange
LASI-	LUSE's All Share Index
NPM-	Net Profit Margin
ROA-	Return on Asset
ROE-	Return of Equity
ZCCM-IH-	ZCCM Investments Holdings Plc
ZPTF-	Zambia Privatisation Trade Fund

Abstract

Microstructure developments in the emerging capital markets, particularly in secondary markets, have taken place over the past two decades. One of the policy issues is how share prices are determined in the market. With ZCCM-IH as a test case, the study set out to see if corporate performance had any impact on the share price of publicly traded businesses on LuSE. The study's objective was to investigate the impact of firm performance on share price. The study examined the data for a period of 10 years, from 2010 to 2020. When analysing the link between company performance and share price, the study used multiple regression analysis to quantify ROA, ROE, and NPM financial variables. LuSE-listed businesses were shown to have a positive correlation with factors such as return on equity, return on assets, and Net Profit Margin (NPM). This study has uniquely added to the existing literature in Zambia as no one has looked into the influence of ZCCM-IH's financial performance on LuSE share price before.

The study recommends that ZCCM-IH and other companies listed on LuSE, they need to pay more attention to their ability to increase share price by always anticipating global economic conditions and free markets to increase their profits as well as shareholder value.

CHAPTER ONE – INTRODUCTION

1.0 Introduction

Firm performance has over the years been viewed by many investors as a crucial contributor towards share price variations. Investors are usually compelled to purchase shares of a given company if its financial performance is attractive. The financials of a given business are sometimes referred to as key factors for making investment decisions. One of the most significant aspects influencing stock prices, is company's financial performance. If the business achieves big earnings that are larger than the preceding period, more investors will be interested in acquiring shares, which enhances the stock price (Lee and Zhao 2014).

Over time, financial performance (FP) serves as an indicator of a company's overall ability to meet its financial obligations. Accounting for an entity's policies, operations, and activities in financial terms over a defined period is called financial performance. The ability of a corporation to create profit above and over the value of its assets is demonstrated by its financial performance. The quality of management, organizational structure, processes, and controls in place are just a few of the many other factors that go into financial success, some of which are more difficult to pin down (Osisanwo and Atanda 2012). This is an introductory chapter that aims at giving the phenomenon a green light. The study backdrop, problem statement, study objectives, research questions, and scope of the inquiry are all discussed in this chapter, as well as the study limits, study organization, and chapter summary.

1.1 Background of the study

The Lusaka Securities Exchange (LuSE) was founded in 1933 with the assistance of the International Finance Corporation (IFC) and the World Bank. LuSE's goal is to attract foreign portfolio investment into Zambia by showcasing the country's potential high investment returns and burgeoning capital market (LuSE, 2019)

The Zambia Privatization Trust Fund (ZPTF) was founded with the government's goal of privatizing state-owned corporations in order to hold shares in these privatised state enterprises

on behalf of Zambians for divestiture. This was largely done to keep locals engaged in the economy following privatization by empowering them through share ownership.

According to LuSE (2019), some of the other goals for capital market development (LuSE) were to enable firms to improve corporate governance through increased share ownership and to increase the general public's education and understanding of financial and capital markets. This was done largely to support Zambia's burgeoning private sector.

Capital markets and share prices of listed companies tends to rise and fall. The most well-known example is the 1987 Wall Street collapse in the United States, when the Dow Jones industrial average plunged by 22.6 percent in a single day, the largest one-day drop in stock market history (Syafii et al. 2020). This major disaster occurred not only in the United States, but in other well-established stock markets as well. By the end of October 1987, Australia's stock market had dropped by about 41.8 percent, Canada's by 22.5 percent, Hong Kong's by 45.8 percent, and the United Kingdom's by 26.4 percent (Mudjijah et al. 2019). Nonetheless, these calamities have sparked much discussion in industrialized nations concerning the extent to which stock market indices accurately represent economic realities.

The Companies Act No. 26 of 1994 governs the ownership of corporate stock in Zambia. Both private and public enterprises in Zambia are required by law to have a minimum share capital. Private enterprises must have ZMW15,000 in equity, whereas public corporations must have ZMW1.5 million (Musawa and Mwaanga 2017). Comparing the performance of the LuSE to other stock markets in Sub-Saharan Africa, it is not an exception. In 2017, LuSE's share price index fell by an average of 26.83 percent in local currency (LuSE, 2017). At the end of 2015, for example the all-share index fell 6.91 percent in Kwacha terms and by 45.75 percent in USD terms, while the market capitalization of ZMW 64.3 billion or US\$5.9 billion on the LuSE concluded the year (Luse, 2020). LuSE's share price index was the worst performer year-to-date, down 26.83 percent in local currency. The dismal results were ascribed to an overreliance on copper and a rise in oil prices. Copper accounts for more than 70 percent of Zambia's export earnings, which contributed to a decline in commodity prices and a widening of the country's budget gaps, among other causes. In the light of the impact that stock markets have on the country

economy, the study seeks to examine the effect of corporate performance on the share price of LuSE firms using ZCCM-IH as a case company.

1.2 Problem Statement

It is equally important to note that company performance is a major determinant of share price movements. The financial performance of a firm has a significant impact on its stock price. More investors will want to buy shares of the company if it makes significant profits that are higher than the prior period, which enhances the stock price (Lee and Zhao, 2014). A company's financial success can be assessed in terms of its ROA, ROE, EPS, or Net Margin Profit (NMP) (NMP).

Accordingly, LuSE's All Share Index (LASI) like any other stock market's share index fluctuates from time to time due to various factors such as company performance. As at 31 March 2022, which marked the end of the first quarter of 2022, LASI, had cumulatively increased by 783.82 points representing 13% increase (LuSE 2022). LASI indicates the average change in share price of all companies listed on LuSE. The 13% increase in LASI in the first quarter of 2022 entailed that on average the share price of all companies listed on LuSE increased by 13% in the first quarter of 2022 including ZCCM-IH. Factors such as company performance which influences LASI fluctuations particularly for ZCCM-H have not been explored before.

Further, ZCCM-IH's share price for a period of 10 years from 2010 to 2020, showed that the share price of ZMW10 per share at the close of year in 2010, steadily rose to a maximum of ZMW45 per share in 2014 before dropping to ZMW28.5 per share in 2018. Fluctuations in share price of listed companies impacts not only the company's capitalisation but also shareholder value. For instance, the 25% drop in ZCCM-IH's share on LUSE at close of year in 2018 resulted in decrease in market capitalization from ZMW 6,110 million to ZMW 4,581 million (LuSE, 2018). According to ZCCM-IH (2020) annual report, the firm had EPS for the full year was around 594% higher for the group and 273% higher for the company, compared with the nine-

month financial period ended Dec. 31, 2019. The rise in EPS for the group was primarily attributed to an increase of 1.07 billion kwacha (\$60.7 million) in share of profit and exchange gains from its dollar-denominated assets, while the EPS increase for the company was due to higher investment and net finance income. Since 2019, the company changed its financial year-end to December 31 from March 31 (Chimbulu 2021).

Statistical figures indicates that the share price of ZCCM-IH increased from ZMW 28.5 in 2017 to ZMW 37.98 in 2021 while LASI moved from US\$1.7 billion to US\$2.45 billion during the same period. The link between ZCCM- IH's financial performance and its share price on LuSE must be explored, given that corporate performance is a significant factor of share price fluctuations. No one has looked into the influence of ZCCM-IH's financial performance on LuSE share price before, and that is the purpose of this study.

1.3 Objectives of the study

The overall research objective of the study is to determine the impact of company performance on share price of ZCCM-IH on LuSE. Specific objectives are as follows:

- i) To determine whether ZCCM-IH's financial performance influences the Company's share price on LuSE.
- ii) To find out if ZCCM-IH's share price on LuSE is impacted by the company's ROE.
- iii) To assess how the share price of ZCCM-IH on LuSE is impacted by the company's ROA.
- iv) To determine if ZCCM-IH's share price on LuSE is impacted by the company's NPM.

1.4 Research Questions

The study's major question is how much the performance of the ZCCM-IH has influenced its share price on LUSE. Specific research questions are:

- i) Does the financial performance of ZCCM-IH affect the Company's share price on LuSE?
- ii) What is the impact of ROA on ZCCM-IH's share price on LuSE?
- iii) What is the influence of ROE on the share price of ZCCM-IH on LuSE?
- iv) To what extent does share price of ZCCM-IH on LuSE is influenced by NPM?

1.5 Hypothesis

The hypothesis below will be considered in this research.

H0: share price of ZCCM-IH on LuSE is not influenced by its financial performance.

H1: share price of ZCCM-IH on LuSE is influenced by its financial performance.

1.6 Significance

As a result of this study, ZCCM-IH management will be better able to understand how the company's financial performance affects LuSE share price, and how to attract and acquire much-needed financing for investments and mining initiatives in Zambia through LuSE. Furthermore, the study will assist investors, analysts, and regulators better understand the link between a company's financial performance and its stock price. This study is significant on the grounds that it unpacked research gaps thus it intended to fill. The study also added to the relevant existing body of literature. Policy makers and academia will use study findings to make informed decisions and for further research.

1.7 Research Layout

The study started with the introductory topic which looked at study background, problem statement, objectives, hypothesis and study significance. This chapter is then followed by chapter two (2) which solely focused on empirical and theoretical literature. The third (3) chapter looked at study methodology. Chapter four focused on data presentation, analysis and results interpretation. Lastly, chapter five provided summary, conclusions, policy recommendations and opportunities for further study.

1.8 Chapter Summary

The chapter introduced the subject matter. Upon introducing the subject, the chapter looked at aspects like background of the study, problem statement, objectives, significance, hypothesis and study outline. The background in the chapter considered an overview of the Lusaka Stock Exchange and the critical role that it plays in raising capital for companies in need of financing. Further the chapter looked at the performance of shares on the LuSE and particularly for ZCCM-IH and how its share price has been fluctuating over time.

CHAPTER TWO – LITERATURE REVIEW

2.0 Introduction

This chapter looked at theoretical and empirical literature that relates to the study. A critical analysis on empirical literature was also done to link company performance and share prices of listed companies. Literature related to the topic was reviewed in this chapter so as to acknowledge and give due credit to other researchers.

2.1 Theoretical Literature Review

2.1.1 Efficient Market Hypothesis Theory

Modern finance theory has been greatly influenced by the efficient market hypothesis (EMH). Samuelson (1965) and Fama (1970) separately created it (1963, 1965) with studies like Malkiel (1962), Fama (1965), and Malkiel among others. The Efficient Market Hypothesis (EMH) has dominated stock market pricing theory from the early to mid-1960s (Fama 1966). An asset price must quickly reflect basic publicly available knowledge about it, according to EMH theory. Financial instruments such as stocks and bonds are quickly affected when fresh information is made public. According to Fama, (1965) the random walk hypothesis, it is impossible to anticipate the price of an item based on its previous day's value.

The EMH assumes that, because publicly traded firms' financial performance data is readily available, their stock prices will accurately represent this information. In other words, capital markets react to the distribution of business information that is judged crucial to the prospects of the firm, such as profit predictions (Mlonzi et al.2011). The EMH has been widely used in several research, although detractors of EMH argue that investors' behavioural and psychological components are far more important than the EMH's predictive power. In addition, these proponents believe that present and historical prices, rather than market information, determine future share values (Malkiel 2003).

2.1.2 Gordon's Dividend Valuation

Gordon's Dividend Valuation Model is another approach to figuring out how a company's success affects its stock price. It was established by Gordon (1956) and analyses the share price as a function of predicted future dividends, the dividend return rate, and the rate of dividend increase, among other factors. The concept simply asserts that future dividends, the payout ratio, and the dividend growth rate associated with those payouts may be used to compute the share price. According to studies like Belomyttseva et al. (2016) and Sharma et al. (2018), the Generalized Directional Velocimetric Model (GDVM) is a good model for assessing stock prices. On the basis of an examination of the GDVM's reliability, it can be concluded that dividends, which are to a significant extent a derivative of company's financial performance, have an impact on the share price. A number of academics have previously argued that GDVM does not adequately account for the hazards of stock investment by not explicitly taking in to account the equity premium, although, Bernanke and Kuttner (2005) argued that the policy rate includes this element.

Below is the formula of the GDVM

$$\text{Value per share of stock} = \sum_{t=1}^{\infty} \frac{E(DPS_t)}{(1+k_e)^t}$$

where,

DPS_t = Expected dividends per share

k_e = Cost of equity

The model above, dictates that the present value of predicted future cash flows discounted at a rate proportional to the riskiness of those payments is equivalent to the asset's market value (Kastro and Kulakov 2020). Both the predicted dividends and the equity cost serve as critical inputs to the model. The predicted dividends are calculated using estimates

about future growth rates in earnings and dividend payment ratios, as well as future growth rates in dividend pay-out ratios. Riskiness is what determines the needed rate of return when investing in stocks. This is assessed differently in different models, such as the CAPM's beta and the arbitrage and multi-factor models' betas, for example. The GDVM model is flexible enough to accept variations in projected interest rates or risk over time when it comes to time-varying discount rates. Given the difficulties of projecting dividends indefinitely, numerous dividend discount models have been developed, each based on a particular set of assumptions regarding predicted future growth. The most basic model, which is designed to value shares in a stable-growth business that pays out as much in dividends as it can, and then look at how the model may be expanded to value fast-growing companies that may pay little or no dividends at all.

2.1.3 Capital Asset Pricing Model (CAPM)

It was in 1964 when Sharpe and Lintner developed the CAPM, and it marked the beginning of asset pricing. It is still frequently used in a variety of applications, such as figuring out the cost of capital for a business and keeping tabs on portfolios that are expertly managed by investors and fund managers. An investment in a company's assets may be utilized to determine the cost of capital and the projected Return on investment (ROI) using the CAPM. Asset returns and risk are depicted by the CAPM, which assesses an asset's risk based on its covariance with the stock market's returns (Liu et al 2020).

According to CAPM, the anticipated return on any two assets is linearly related to the covariance of the returns on these assets with the returns on the market portfolio. In terms of risk, each asset has two types: diversifiable risk and non-diversifiable risk (also known as market risk). Attractiveness of the CAPM comes from the fact that it makes strong, intuitively attractive predictions about, among other things, how risk is measured and the link between expected returns and risk. Capital investment returns are calculated using a mathematical formula based on an idealized depiction of how financial markets price

assets. Using the CAPM, it is possible to measure risk and subsequently estimate the return on equity (ROE).

The primary advantage of the CAPM is the objective nature of the projected costs of equity that can be obtained from the model as a result of its use (Vitolla et al 2020). CAPM's key strength is that it considers the risk associated with equities and suggests that the rate of return or benefits predicted by investors can alter the price of shares. The CAPM's premise that future cash flows can be forecast is the most severe criticism made against it by detractors when it comes to the discounting process. Using the CAPM would be pointless if investors could precisely forecast a company's future returns.

2.1.4 Signaling Theory

According to Ross's (1977) signaling theory described how a firm should interact with potential investors and how this should be done effectively. This signal notifies the user of the actions taken by management to carry out the intentions of the asset owner. According to signaling theory, it is critical for investors to be informed of their opinions on the company's future prospects (Naveed et al 2020). Dividend announcements are meant to serve as a signal to investors in their decision-making process when it comes to investing.

Managers have access to private knowledge about the company's characteristics and operations that the broader public does not. If this information is made available to the public as suggested by signaling theory, it may be used by investors to see whether current or planned investments have a beneficial or detrimental impact on the firm's future cash flows (Rahman et al 2018). The public will respond favourably to a compelling signal from management, and information will be believed, leading to an increase in the value of the company's shares. As a result of asymmetric information, it is straightforward to decide that sending signals to investors or the public through

management activities or reporting of company performance is critical. Due to its simplicity, signaling theory may be used in a wide range of contexts. The theory's profundity is proven when costs are assigned to information acquisition processes that resolve information asymmetries in a wide variety of economic and social phenomena (Rahman et al 2018).

2.1.5 The Modigliani-Miller Theorem (MM)

The Modigliani-Miller Theorem was developed by Modigliani and Miller (1958, 1961, 1963) and is one of the theories that forms the foundation of modern corporate finance and economics (Villamil 2008). Contrary to the views of other theories on stock price which suggests that share price and firm value are influenced by company returns and the information that is disseminated to the public, the MM theory, is of the view opposite view and goes on to suggest that the value of the firm is not influenced by its returns or by how the company finances its capital requirements whether equity or debt. According to MM theorem, the company share price will remain unaffected as long as taxes, bankruptcy costs, agency costs, and asymmetric information do not exist (Villamil 2008). This theory is widely criticised for taking a simplistic approach and assuming nonexistence of market factors such as taxes, changing borrowing rates and risk differences (Hållsten 1966).

2.2 Conceptual Framework

According to Kivunja (2018), a conceptual framework lays out the most important concepts, structures, or variables and assumes that they are linked. The problem statement provided valuable information for identifying and resolving key variables. These factors might either be dependent on one another or completely independent of one another. Changing one variable can have an impact on another, which is known as an independent variable. Leacock et al. (2009) found depending on how the independent variable impacts it, the dependent variable will respond. Share price and business

performance was used to give the conceptual framework in this case. As a dependent variable, share price was employed here, ROA, ROE, and NMP were utilized to assess financial performance as an independent variable.

2.2.1 Stock price

A share is proof of ownership of equity stake in a limited company. Shares of companies that are listed on stock exchange are publicly sold and bought through the exchange. The share price is the values at which investors can willingly exchange ownership of equity interest in a limited listed company (Solihati 2021).

2.2.2 ROA

Return On Asset (ROA) is a company performance metric that is used to gauge the company's ability to generate profits from its available resources. ROA is also used to measure the efficiency of management in the use of resources. ROA is computed by comparing net profit for a specific period to total assets utilised in the generation of that profit. (Makri et al., 2014).

ROA was computed using the following formula below:

$$\mathbf{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

2.2.3 ROE

Return On Equity (ROE) is a measure of profitability that is used to measure how the company's profit for a period compares with the equity capital available. ROE focuses on equity element of the total capital of the company. It relates the profit that remains for equity investors after finance costs for debt capital has been deducted (Damodaran 2007).

ROE was computed using the following formula below:

$$\text{ROE} = \frac{\text{Net Profit}}{\text{Equity}}$$

2.2.4 NPM

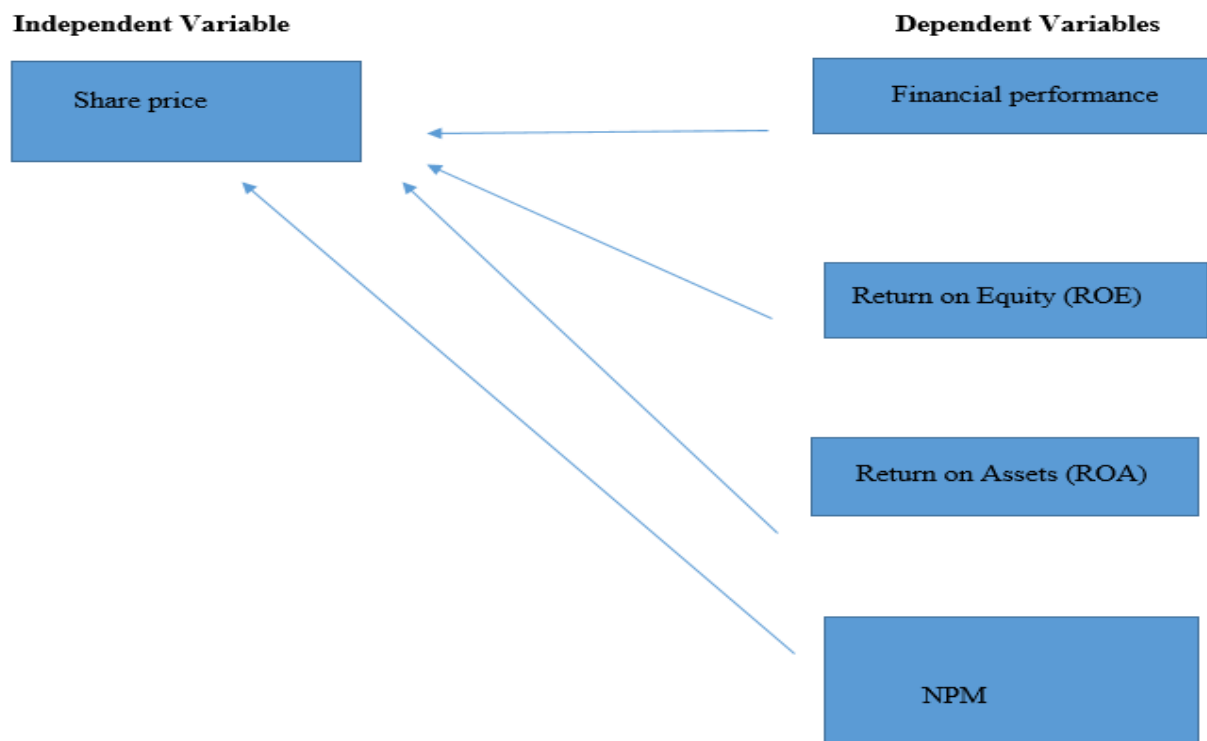
Net Profit Margin (NPM) is a percentage measure of profitability that is computed by deducting total expenses, costs, interest, and tax from sales in relation to sales for the same period. The higher the NPM the better the company performance (Gitman, 2012).

NPM is computed using the following formula below:

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Net sales}} \times 100\%$$

The graph below depicts the conceptual framework for these variables

Figure 2.2 Conceptual framework (Kivunja 2018)



2.3 Empirical Literature review

In addition to the theoretical framework outlined above, this section looked at prior studies done by other researchers so as to give credence to their work. Empirical review allows the researcher to relate the current study to that of other researchers thus the need for an empirical literature review.

The study of variables that influences share price movement was initially started by Collins (1957) as cited by Nirmula and Sanju (2011), who observed that company performance has a bearing on the share price of listed companies, since then, numerous financial and economic researchers have conducted studies on factors that influence share price and have attributed several factors to that effect (Sharif et al. 2015). The literatures were reviewed in three different perspectives namely Global, Regional and Local perspectives. These perspectives were further categorised into internal, external, micro economic and macro-economic factors

2.3.1 Global Perspective

2.3.1.1 Firm internal factors

According to Syafii et al. (2020), an investigation into how a company's financial performance affects the share price was conducted on the Indonesian Stock Exchange as a case study. For this study, the researcher found that financial success was measured by the ROA, ROE, and Net Interest Margin (NIM). It was established that NIM, rather than ROA and ROE, had a favourable and considerable impact on the value of the stock of banking firms. However, earlier study by Tamuntuan (2015) on the same stock market showed that ROE and ROA had considerable influence on the share prices of food- and beverage-related businesses, in contradiction to (Syafii et al. 2020) findings.

The stock price determinants of 41 Bahrain Stock Exchange businesses were researched by Sharif et al. (2015), showed that all company performance indicators such as ROE, have a positive and significant relationship, implying that they play an active role in determining the price of a company's stock in the stock market. However, it was revealed

that dividend yield and stock price had a high negative association. This entails that an investor who expects steady short-term gains will have a positive association with stock price, while those who feel dividends are irrelevant or have no effect will have an inverse relationship with the stock price. Investing in excessively indebted corporations is frowned upon, but debt in a company's capital structure is not considered as a driving force in its stock value.

Milosevic et al. (2017) investigated the association between stock price and company performance in Serbia. The research resulted in a better understanding of the Belgrade Stock Exchange's stock pricing. From 2010 to 2014, the BelexLine index was calculated using a panel data regression study of 42 firms. Firm size, return on assets, return on equity, earnings per share, book value, price-earnings ratio, price-to-book ratio, leverage, and stock price were all studied in relation to the BelexLine index. According to the study, a company's asset size, return on assets, leverage, earnings per share, book value, and price-to-book ratio are all statistically significant in predicting stock price.

Between 2001 and 2010, Khan et al (2011) discovered a positive relationship between stock price and dividends, earnings per share, return on equity, and net profit for Karachi Stock Exchange (KSE) listed companies, but a negative relationship with retention ratio, which is largely responsible for stock price volatility. According to Sharma (2011), stock book value has a considerable and beneficial influence on stock price. According to the study, the stock market's price is influenced by a plethora of internal variables.

Similarly, Nenu et al. (2018) investigated the evolution of capital structure theories and their impact on company risk and performance. This study contributes to the body of knowledge by investigating the variables influencing the capital structure of Romanian firms. For the econometric analysis, the Bucharest Stock Exchange panel of firms was employed, which includes multivariate fixed-effect regressions and dynamic panel-data

estimations (the two-step system generalized method of moments, or GMM). From 2000 to 2016, Romania's economy witnessed a significant transformation. According to research, the size of a firm and its volatility in the stock market are inextricably related to the amount of leverage it possesses. The debt structure has a significantly more subtle influence when it comes to gauging company success in terms of accounting or market share price.

Further, an investigation on the influence of the DER (Debt to Equity Ratio), NPM, Company Size and ROA on stock prices was conducted by Solihati (2021). One hundred thirty-six manufacturing companies from the Indonesia Stock Exchange (IDX) were included in the research. For the purpose of verifying the hypothesis, the data collected was analysed statistically using the Warp PLS test tool. ROA is negatively impacted, but the stock price is positively impacted, as evidenced by the numbers. NPM has a significant positive impact on ROA and stock price. Stock prices were unaffected by ROA, despite the company's increased size. The value of a company's stock depends heavily on its return on investment (ROI). Even though ROA did not mediate the link between stock price and size, it did mediate the link between DER and stock price and the link between NPM and stock price.

2.3.1.1 macro-economic factors

(Al Shubiri 2010) investigated the impact of macroeconomic and institutional drivers on stock market growth in emerging economies using panel data analysis of 14 banks from 2005 to 2008. Regression analysis was carried out using data from Jordan's Amman Stock Exchange as a source. Net asset value per stock, dividend yield, and GDP were found to be strongly positively correlated, whereas market stock price, inflation, and interest rates were found to be strongly negatively correlated.

2.3.2 Regional Perspective

2.3.2.1 Internal factors

Further, research was conducted on the impact of capital structure on the financial performance of NSE-listed consumer goods companies Ogenche et al. (2018). This study relied on panel research. The Nairobi Securities Exchange (NSX) was the focus of this study, which examined 12 companies. There were 12 companies listed on the Nairobi Securities Exchange (NSX) that served as a unit of study from 2012 to 2016. It was discovered that the size of a company has a positive correlation of 0.080114 and a t-statistic of 4.085403. Due to the p-value being less than required 0.05, it is safe to say that the correlation is statistically significant at a threshold of 5 percent significance (p-value of 0.0002). When it comes to determining how well consumer products companies listed on the NSE are doing financially, factors like debt ratio and size are critical. The research recommended striking a balance when it comes to financing a firm with debt or equity.

2.3.2.2 External factors

Using a dynamic panel of non-financial listed enterprises on the Zimbabwe Stock Exchange post dollarization, Sixpence et al. (2020) investigated the relationship between relative and absolute financial risks and share prices. According to the two-step System Generalized Method of Moments (GMM), the results showed that relative risk has a negative and substantial relationship with share prices across risk categories

The implications of capital structure on financial performance of listed enterprises on Kenya's securities market (Siro 2013) were investigated. The return on equity was used to assess financial performance, whereas the debt ratio was used to assess capital structure. The study took place in 2012. All 61 listed enterprises officially registered with Kenya's capital market regulator in 2012 formed the study's population. The regression analysis model was used to analyse the data, which was done with the aid of the Statistical Package for Social Sciences Software. Siro (2013) found that capital structure and financial performance of listed businesses on Kenya's securities market have a negative relationship. The findings

show that the greater the debt ratio, the lower the return on equity, implying that more own capital should be invested rather than borrowed, since the benefits of equity financing outweigh the cost of debt funding.

2.3.3 Local Perspective

An empirical study of the Lusaka Securities Exchange from 1997 to 2018 was conducted by Daka (2019), who studied its performance and its impact on the Zambian economy. An indirect measure of LuSE's stock market success, this was achieved by looking at correlations between market capitalization and the LuSE All Share Index (LASI), and Zambia's economic performance, in this case Gross Domestic Product (GDP). The analysis relied on data from the World Bank and the LuSE. Granger causality tests were performed to verify the direction of causation after the correlation test established a linear relationship between the variables. Diagnostic tests were used to ensure that the results of the Simple Linear Regression Model, which investigated the relationship between GDP and LASI linearly, were not false.

The correlations between these proxies were found to be strong, with market capitalization driving the LASI being the most significant. Daka (2019) found that GDP and LASI have a positive linear correlation, which suggests that the market index may be used as a cautious indicator of economic activity, especially when GDP data is unavailable for short periods of time. The study discovered that, despite being a very young and developing stock market (by worldwide standards), the LuSE has done rather well. This is because proxies for the company's overall market performance may be used to forecast near-term economic results.

2.4 Research Gap Analysis

The divergence results presented in the review of empirical evidence above show that those who have previously conducted research on the relationship between company performance and stock market prices, such as (Syafii et al 2020, Uddin et al 2013 and Milosevic et al, 2017), have yet to reach a consensus. Sharif et al (2015) and Prihatani et al (2020), found otherwise, diverse

company performance factors, as well as different approaches, being implemented in research studies on the implications of corporate performance on stock prices. According to the analysis, firm performance impacts share prices via influencing shareholder behavior in terms of purchasing and selling shares on the stock exchange. Because the majority of the evaluated research were conducted outside of Zambia's boundaries, this study will concentrate on the LuSE with ZCCM-IH as a case study. Given that there has been little research on the issue locally, this study attempts to fill a vacuum in the literature.

2.5 Chapter Summary

The chapter started by looking at various theoretical literatures among them the Efficient Market Hypothesis Theory (Fama 1963, 1965), the Gordon's Dividend Valuation (Gordon 1956), the Capital Asset Pricing Model (Sharpe and Lintner 1964), the Signalling Theory (Ross's (1977) and Modigliani and Miller Theorem (1958, 1961, 1963). What was evident from the review of all these theories save for Modigliani and Miller Theorem was that, theoretically, company performance represented by actual and expected returns impacts share prices. Further, empirical evidence indicated that the study of the impacts of company performance on share price has been developing gradually with different researchers coming up with heterogeneous findings while making use of varying research methods. For instance, Syafii et al (2020), found that company performance impacts share prices in contrast to Prihatani et al's (2020) findings.

CHAPTER THREE – METHODOLOGY

3.0 Introduction

This chapter looked at the research method that the study utilised. After reviewing literature in the previous chapter, appropriate research methodology was adopted. The chapter focused on research philosophy and stated which type of philosophy was going to be used which was the positivism, research approach, research strategy, population and target population which was the ZCCM-IH and data analysis which was analysed by SPSS and regression analysis.

3.1 Research Approach

Analytical and quantitative research methods were considered acceptable for this study. In order to employ a quantitative method, data must be collected with a quantitative perspective (Agyei 2022). Data generalizations and the ability to cover a much larger population are both advantages of quantitative research methodologies, according to Bryman and Bell (2017).

3.2 Strategy justification

The study is a qualitative study as such an analytical research approach was adopted. The justification for using a case study as well as analytical and quantitative research methods is that it can improve an evaluation by ensuring that the limitations of one type of data are balanced by the strengths of another (Gerring 2006).

3.3 Research Paradigm

According to Kaushik and Walsh (2019), the only viable methods of developing knowledge and human understanding are experimentation, observation, and reasoning based on experience. Experimentation is an important part of scientific research since it is used to investigate and answer questions. This strategy may be used in the field to find cause-and-effect linkages (Flick 2019).

In this study, the positivist paradigm was used. The paradigm for this study was chosen based on data generalisability, patterns and trends in social interactions, and accurate data. The paradigm is ideal for quantitative research because it allows the researcher to collect data and investigate the relationships between variables in a variety of ways (Kaushik and Walsh 2019).

3.4 Deductive approach

The study used a deductive approach in order to investigate the relationship between ZCCM-IH company performance and the share price on the LuSE. The deductive approach was applicable because it is based on existing theories, or research and hence this study used a secondary approach that is based on the existing data. Using the explanatory research design to analyse the data.

3.5 Time horizon

This study considered the period 2010 -2020, to check the performance ZCCM-IH's share price on the LuSE against the company performance.

3.6 Research Strategy

Archival research is a method that makes use of already-existing data sources (Flick 2019). In order to ascertain the full extent of existing knowledge on a particular subject or to evaluate how relevant previous research is to specific concerns, a systematic literature review may be an appropriate method of investigation. Archival research can also refer to historical research, in which a collection of source materials is analysed to draw findings. Due to its focus on examining already-existing materials, archival research was chosen by the researcher as a study strategy. A case study was employed as a research approach in this study.

3.7 Sampling frame and sample size

This research utilised purposive sampling when selecting the company to analyse from LuSE as well as the period of evaluation. Using purposive sampling, ZCCM-IH was selected as the LuSE listed company to be analysed for the purpose of this study. Further, the data analysed, was purposefully selected from a period of ten (10) years from 2010 to 2020. This sampling method is similar to empirical evidence by Tamuntuam (2015), and Herawati and Putra (2018) who utilised purposive sampling in their study of company performance on share prices.

The sample size determination was used following the formula below:

$$n = \frac{N}{1 + N * (e)^2}$$

Where:

n= sample size

N= population size

e= the acceptable sampling error.

3.8 Data processing and analysis

3.8.1 Empirical model specification

The empirical model was adopted after reviewing empirical literature. This is because the empirical model specification allows the analyst to obtain an initial understanding of the relationships that exist among the different variables.

(i) ROA was established as follows:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

(ii) ROE was established as follows:

$$\text{ROE} = \frac{\text{Net Profit}}{\text{Equity}}$$

(iii) NPM was established as follows:

$$\text{NPM} = \frac{\text{Net Profit}}{\text{Net sales}} \times 100\%$$

Therefore, the model is specified as follows;

$$SMP = \beta_0 + \beta_1 ROA + \beta_2 ROE + \beta_3 NPM + \varepsilon_t$$

Where;

SMP-Stock market price

ROA-Return on Asset

ROE-Return on Equity

NPM-Net Profit Margin

ε_t Represent a white noise error term and β_0, \dots, β_3 are coefficients.

In this research, the share price is the dependent variable, while company's financial performance proxied by ROE, ROA, and NPM are the independent variables.

3.8.2 Data Analysis

Data was gathered from secondary sources such as LUSE and the company website of ZCCM-IH. The data collected included published audited financial statements for ZCCM-IH which was the source of company performance information and bulletin reports from LUSE which was the source of share price information for the review period.

Multiple regression analysis with descriptive statistics was used to examine the collected data using a statistical program for social science (SPSS) (Ahin and Aybek 2019). In gathering data, the author used a positivist method. By adopting the positivist method of collecting data, the researcher did not have any influence on the data collected.

3.9 Data Sources

Secondary data from published and audited financial statements of ZCCM-IH for a period of ten (years) from 2010 to 2020 was utilised in this research. The data from ZCCM-IH audited and published financial statements as well as LUSE share price reports well used due to their reliability. Therefore, no credibility test was conducted in this research.

3.10 Diagnostic Tests

3.10.1 Multicollinearity

Multicollinearity describes a regression model in which all of the explanatory variables are perfectly linearly connected (Gujarati 2021). Individual influences on the dependent variable can't be discerned if there are several covariates. An analysis of multicollinearity was carried out on the basis of pair-wise correlation matrixes. Collinearity becomes an issue if the pairwise matrix coefficient is greater than or equal to 0.8%, thus one of the explanatory variables was removed from consideration to assess how each of the explanatory variables affects the dependent variable individually.

3.10.2 Testing for normality

A normality test was also carried out since it is required for the estimation of hypotheses and confidence intervals. Testing for normalcy included in conjunction with the classical

linear regression assumption that the error terms should be normally distributed. This test showed that the sample was obtained from a normal population (Thode 2002).

3.11 Reliability of research findings

Inter – Rater Observer reliability was used to find out which different raters/observers are giving the same answers or estimates. In addition, the Test-Retest Reliability was used in order to check the consistency of the measure over time.

3.12 Validity of research findings

The researcher checked the validity of the data collected by checking the dates of the data collected also by checking the type of the data collected whether it is a time series or cross-sectional data. Also, by checking if, the data collected is consistent with the data from other sources.

3.13 Generalisability of research findings

When a study's findings are extensively relevant to many various sorts of people or circumstances, it is considered to have strong generalisability. The results have limited generalisability if they can only be applied to a small group or in a highly specialized circumstance.

3.14 Ethical and access issues

3.14.1 Accessibility

The researcher had complete access to all of the articles and publications that they were looking for, which served as secondary data sources (Gorsuch (2015)). Secondary data from ZCCM IH's and audited and published financial accounts were used in this study. The information came from LUSE and the company's website, which were both reputable and easily available.

3.14.2 Research ethics

The researcher first sought an ethical clearance letter from the institution. The researcher upheld a high-level of ethical standards during the research period and ensured that data collected and utilised in this research did not cause any harm or discomfort to any part. Further, the researcher ensured that secondary data that was collected and utilised in the research, was data that was available to the public. Data collected was analysed and reported with utmost honesty

3.15 Chapter Summary

This chapter focused on the methods used in the study of data to adequately answer the research questions for the study. The study strategy, design, and technique were all carefully considered and justified before being implemented. Data collection procedures were discussed in detail by the researcher. The case study approach was considered a reliable way of measuring the effect of ZCCM-IH's performance on the LUSE share price. In the next chapter, the researcher focused on presenting the results of the study.

CHAPTER FOUR - DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.0 Introduction

The chapter was guided by the previous chapter. This chapter looked at data analysis, presentation and discussion of results. Descriptive statistics, reliability test, multicollinearity, normality test, regression analysis were all carried out in this chapter. Further, the chapter lays a foundation for conclusion to the study. Share prices were collected from LUSE's bulletin reports on one hand, and ZCCM-IH's performance proxied by ROA, ROE and NPM were computed from audited and published financial statements for a period of 10 (ten) years from 2010 to 2020, on the other hand.

4.1 Descriptive Statistics

Table 4.1 Descriptive statistics

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
NPM	36	-19.1	13.0	2.869	2.7520	9.1273
ROE	36	1.2	2.7	1.856	.1365	.4526
SMP	36	1.1	3.9	3.300	.2408	.7986
ROA	36	-4.7	81.0	65.073	7.4417	24.6815
Valid N (listwise)	36					

Table 4.1 above shows descriptive statistics for the variables used. It indicated that about 36 observations were used in this study. NPM had average score of 2.869, with a minimum value of -19.1 and Maximum value of 13. ROE had a mean score of 1.85, supported by minimum of 1.2 and a maximum of 2.7. On average SMP grew by 3.3 while having 1.1 and 3.9 minimum and

maximum values respectively. ROA had a minimum and maximum values of -4.7 and 81 respectively.

With regards to standard deviations, ROE and SMP have lower standard deviations implying that the variables are clustered around the mean. ROA recorded high value of the standard deviation of 24.68 which imply that data are more spread out.

4.2 Reliability Test

Intraclass Correlation Coefficient

Table 4.2 Intraclass correlation reliability results (ICC)

	Intraclass Correlation ^b	95% Confidence Interval		F Test with True Value 0			
		Lower Bound	Upper Bound	Value	df1	df2	Sig
Single Measures	.752 ^a	-.014	.138	1.673	35	30	.134
Average Measures	.903 ^c	-.059	.390	1.673	35	30	.134

An ICC can have a value ranging from 0 to 1, with 0 indicating no reliability among raters and 1 indicating complete reliability among raters. The ICC value in this study ranged from 0.75 to 0.90, indicating acceptable reliability

4.3 Multicollinearity

Table 4.3 Multicollinearity results

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.520	.738		2.059	.078		
	NPM	.008	.008	.093	.994	.353	.305	3.278
	ROE	-.073	.232	-.041	-.316	.761	.154	6.484
	ROA	.029	.005	.899	5.543	.001	.101	9.892

a. Dependent Variable (VIF): SMP

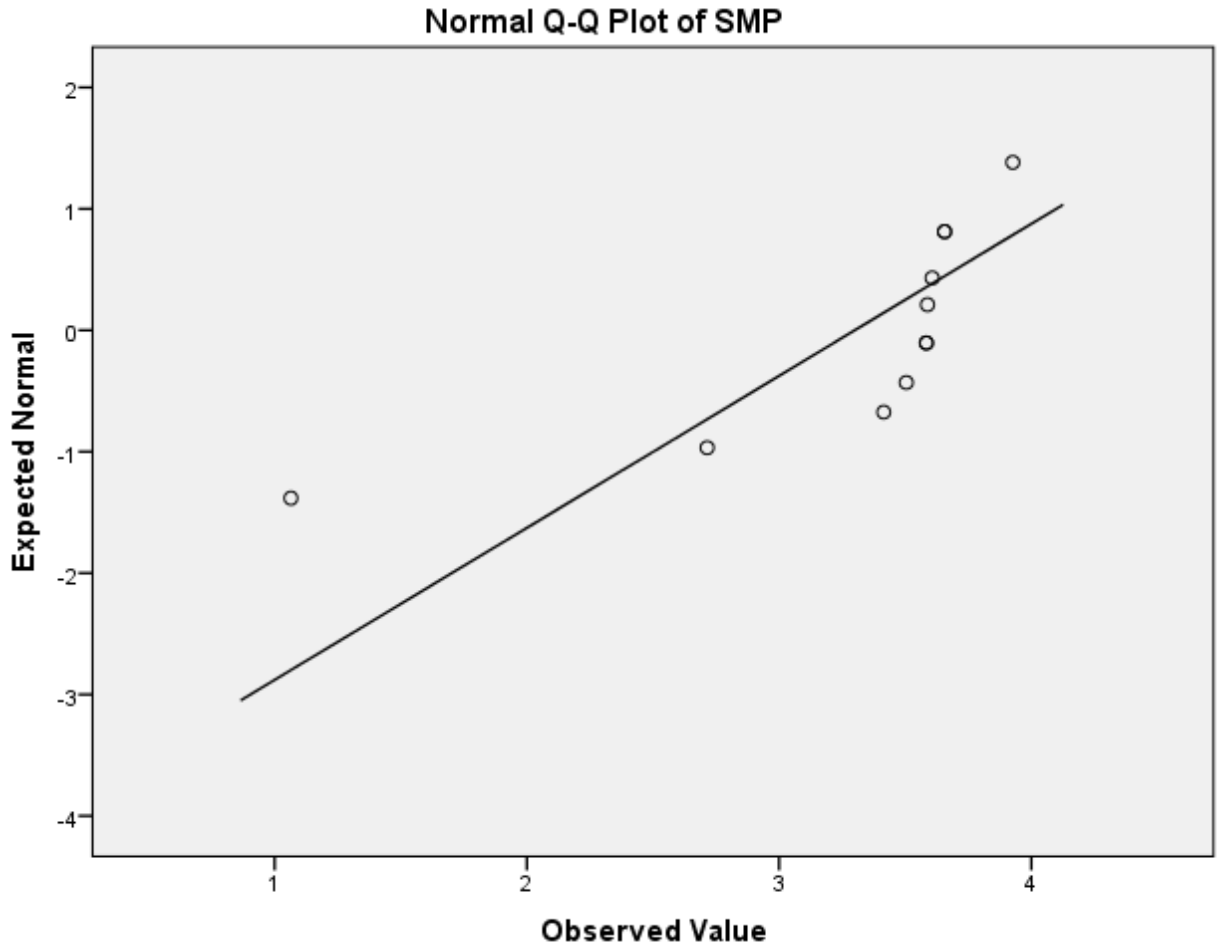
If VIF values are less than 10, and tolerance values are more than 0.1. It implies that there is no serious problem of multicollinearity (Gujarati, 2004). Results from the table above show that VIF values are between 10 and 1 and it implies there is no problem of multicollinearity.

4.4 Normality

Table 4.4 Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
SMP	.375	36	.000	.617	36	.000

a. Lilliefors Significance Correction



The results that were obtained indicate that the data was not normally distributed as evidenced by a p-value of 0.0001 which is less than alpha value of 0.5. Therefore, we can reject the null hypothesis that the data is normally distributed in favour of the alternative hypothesis that it is non-normal. Nonetheless, this does not contribute to bias or inefficiency in regression model.

4.5 Regression Results

Table 4.5 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781 ^a	.610	.580	.1302

a. Predictors: (Constant), ROA, NPM, ROE

The model explains 61% of the variations in the dependent variable

Table 4.6 ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.258	11	2.086	123.067	.000 ^b
	Residual	.119	25	.017		
	Total	6.377	36			

a. Dependent Variable: SMP

b. Predictors: (Constant), ROA, NPM, ROE

The overall model is significantly useful in explaining exam score, (11, 25), p-value < .05.

Table 4.7 Regression Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.520	.738		2.059	.078
	NPM	.008	.008	.093	.994	.053
	ROE	.073	.232	.041	.316	.061
	ROA	.029	.005	.199	5.543	.001

a. Dependent Variable: SMP

4.5.1 Discussion of Findings

4.5.1.1 Net Profit Margin (NPM)

Results obtained indicated that there is a positive relationship between Net profit Margin and share price of ZCCM-IH on LuSE. The standardize coefficient of NPM is 0.093 which entails that a unit increase in NPM would cause share to increase by 9.3% this is statistically significant at 5% level of significance. Empirically, Arianto and Budiyanto (2019) found similar results on the effect of NPM on share price.

4.5.1.1 Return on Equity

The coefficient value of 0.041, which is statistically significant at the 0.1 percent threshold of significance, shows that partial ROE has a considerable impact on stock prices. This is because ROE is the most crucial ratio, and if the value is good and consistent, the stock price will rise. The return on equity (ROE) is a measure of how profitable and efficient in use of own resources a company is. When an investor invests, he or she anticipates a return on their investment. This ratio indicates how successfully the firm is able to recoup the money that has been invested by the investors. As a result, the higher the ROE, the more investors will be attracted and the stock price would climb.

It has also been established based on the findings of this investigation that, ROA, ROE, and NPM all have a major impact on stock price. Bringham and Houston (2010) and Keown et al (2005), also found similar results in their research. The findings suggests that the independent factors have the effect on the change in Stock Price of companies listed on LuSE and particularly, ZCCM-IH.

4.5.1.3 Return on Assets

The Return on Asset (ROA) has a considerable effect and a favorable association with the stock price, according to the findings. The higher the ROA, the higher the amount of profit made by the firm. This demonstrates that management may make use of the firm's entire assets (current and fixed assets) to boost the stock price and entice a large number of investors to participate in the company. Because the type and pattern of ROA done by the firm is extremely accurate, there are some assets that are handled or employed efficiently in order to gain maximum share price, ROA capacity to anticipate stock prices is conceivable. Furthermore, if the company is also financed by capital other than equity, which may be in the form of debt, the revenue created by debt-based capital cannot be utilized to pay the cost of capital, and the difference must be made up by a portion of revenue provided by shareholders. The association between ROA and stock prices is both positive (0.19) and significant (p-value 0.001), implying that any rise in ROA can significantly improve stock prices.

4.6 Chapter summary

The chapter looked at data analysis, presentation and discussion of results. The chapter started by looking at the descriptive statistics that was used in the interpretation of the results followed by the reliability test, Multicollinearity, normality test and the results of the regression analysis. Lastly the chapter discussed the findings of the research which indicated that ROA, ROE and NMP have an impact on the share price of companies listed on LuSE, particularly ZCCM-IH.

The following chapter hinted on study summary, conclusion and policy recommendations

CHAPTER FIVE - SUMMARY, CONCLUSION AND POLICY RECOMMENDATIONS

5.0 Introduction

5.1 Summary and Conclusion

The gist of the study was to provide an in-depth analysis on the effect of corporate performance on share price of companies listed on LuSE using a case of ZCCM-IH. As a result, the study's overarching goal was to look at the impact of stock price movements on company performance. The purpose of the study was to address the question, "What is the influence of corporate performance on the share price of a firm?" It was hypothesized in the study that a company's stock price rises when it performs well. Analysis of financial accounts from LuSE and ZCCM-IH from 2010 to 2020 was conducted using SPSS.

From the findings, there is a strong correlation between corporate performance and ZCCM-IH's share price at LuSE. ROA, ROE, and NPM were used to evaluate the company's financial performance. They all have a beneficial impact on the share price. Stock prices will rise when a corporation has a bigger net profit after tax deduction, backed by a rise in profits.

This study concluded in accordance with the objective questions of the research as follows:

(i) To determine the influence of financial performance on share price of LuSE listed company

Financial performance of ZCCM-IH has an effect on its share price on LuSE. This implies that the null hypothesis is accepted. Similarly, Anwaar (2016), also found a positive relationship between share price and financial performance

(ii) To determine if ZCCM-IH's share price on LuSE is impacted by the company's ROA, ROE and NPM.

A positive association between NPM and stock price was obtained. This result also implied that ZCCM-IH's share price on LuSE is impacted by the company's

ROA, ROE and NPM. Stock prices will rise when a corporation has a bigger net profit after tax deduction, backed by a rise in profits.

5.2 Limitations of the Research

The research was limited by the challenge in examining the relationship between ZCCM-IH's performance and its share price on LUSE on account of the fact that the shares of companies listed on LuSE are not liquid as they are not frequently traded. Because of lack of frequent trade of shares on LUSE, share prices remain constant for prolonged periods despite changes in company performance which made it difficult to link company performance to share price during periods of non-trading.

5.3 Recommendations

Investors need to be careful while making investing decisions. Investors should also take into account a company's ability to manage its environmental impact when deciding whether or not to invest. Investors should take this nonfinancial part of the choice into account. Those that are lucrative and socially responsible should be preferred over companies with great profitability but a poor track record on environmental issues. High profitability may seem good in the eyes of investors, but high performance of sustainability may look good in the eyes of the entire stakeholder community.

In view of this study the researcher made the following suggestions:

- There are additional aspects that investors should consider in order to predict the ups and downs of a company's stock price, such as macroeconomic conditions at the national and international levels, in addition to EPS, ROE, PER, NPM, and DER.
- firms must pay more attention to their potential to enhance share price by predicting global economic circumstances and free markets in order to boost the profitability of companies and shareholders.
- macroeconomic factors such as inflation, interest rates and the LuSE Composite Index must be included in future studies to achieve more clearly given results.

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