CHAPTER - I

INTRODUCTION

1.1 General Background

The fundamental economic objectivities of the state shall be to transform the national economy into an independent self-reliant system by preventing the available means a resources of the country form being concentrated within a limited section of the society by making arrangements for the equitable distribution of economic gain on the basis of social justice, by making such provisions as well prevent economic exploitation of any class or individual and by giving preferential treatment and encouragement to national enterprises both privet and public.

For economic development of the country there should be favorable environment. Such kinds of environments depends upon the may factors. Development and expansion of capital market are essential for the rapid economic development of the country capital market plays a cultural roal in mobilizating a constant flow of saving and channeling those financial resource for expanding productive capacity in the countries.

In the board sense capital market which includes primary markets, secondary markets, term landing. Institution Bank, Investors, who is engaged in providing long term capital which is debt and equity.

The securities market can be seen as sources of finance. It is a place of bringing together buyers and sellers of financial assects in order to facilities trading. It facilitates the price discovery process, which is possible through the demand and supply of securities from the investors.

As the owner of a business idea, plan or company one holds ownership of a subjective value called equity. The equity of any type of property, whether. Intellectual or physical is the value someone is willing to pay for it, minus any liability attached. Once the owner and investors determine the valuation of this equity, the owner can then sell parts of the equity in order to raised capital. There are a variety of methods to

raise equity capital. The most popular ones being. The issue of shares and debentures. Equity capitalists are owner of the company. They are now effective are owner of the company. They are now effective partners with active roles in the company.

Conversely, raising capital through debt financing doesn't entail selling the equity but instead works by borrowing against it. Debt financing is only available to business owners who have something of value that the lender can instantly liquidate. The debt finance company is not interested in becoming a partner. It is in the business of making money from its money by letting it for periods of time.

The securities markets allows the government and companies to collect long term fund for their projects allows people to trade their money for more profitable securities such as share and debentures. Securities are a type a transferable interest representing a financial value and are often represented by a certificate. The exchange of securities and money between investors and a company is what from the basis for the primary markets.

In Nepal, the primary market, is managed by issue managers, who are licensed by the Securities Board of Nepal (SEBON). If a company wants to go pubic after having met SEBON required Criteria, they have to merit a referral form the issue managers, who are responsible for verifying and attesting all information presented in the prospects. Only then SEBON endorser the application and send for the company's registration with the central registrar's officer SEBON, which has just been empowered by the government with new regulations is a financial regulator. It has the responsibility and authority to ensure that investors are protested against miss selling and fraud. Once registered, the company can now be listed with the stock exchange the most prominent form of secondary markets.

Stock markets promote the primary issuance of shares. Because investors participate in the issuance of share market for they can get back the fund easily. The primary market is positively and highly elastic with the stock price and the liquidity in the secondary market (Sharma, 1996, p. 48) stock market has got its own pros but the main concern is to be proper materialization. It in practice to achieve maximum benefit. Nepal capital market is a developing one in compression to other big and developed capital market. The development of stock market is not possible if there are

no any favourable aspect of stock market and if the government do not provide better investment environment with clear policy.

Nepal's economy is in developing phases. So financial sectors may have plays vital role and they accumulated the capital market of the country is that main driving forcers, to the economic growth at the country as a result such institutions share are being treaded amount investor's in the secondary market it in larger volume every day.

1.2 Focus of the Study

Public companies obtain funds from the public inestors through financial market. The long run objective of every firm is to maximize shareholder wealth position where as the investor invest their money with the hope of getting higher return in the future.

In the context of Nepals Investor, there is the lack of wider investment opportunities, which gives good return. So, there has still been a hung amoung of utilization saving funds with public. But most of the public investor are not well knowledgeable about the real financial strength and weakness of the public companies in which they are investing or going to invest their funds. Further they cannot well analyze and interpret the real financial position of a company on the basis of available data and information to reach the right conclusion.

This study may help investors to think about restructing their investment portfolio. Similarly, potential investors may take better timely investment decision on the basis of the findings of the study.

1.3 Statement of Problem

Investors are the main sources of capital and backbone of the securities market, none of the effective organized program had been introduced to initiate and develop the price awareness of the stock to the investor in Nepal. Beside the theories and principles related to the stock market and share price/ value calculation are also based on some assumptions. This may not be able to represent the practical situations in an authentic way.

There is a lack of professional investors in Nepalese stock market. The market is totally captured by individual investors who buy very little number of shares and therefore they do not bother analyzing the data and information before buying and selling the stock. These investors hold the view of making profit by speculation, which is one of the main cause of price fluctuation.

Since, objective of the firm is wealth maximization and the achievement of organizational economy. It is important to determine the factors affecting the stock price in NEPSE. This study will try to identify the determinants of stock price and to find out the degree of offection of those determinants.

The share price fluctuations time to time and stock exchange reacts to the environmental changes either positively or negatively. For some environmental changes the stock exchange has no effect. More specifically the study is expected to answer the following research questions:

i) How earning, dividend, book value, affects to the stock price in the company in NEPSE?

ii) What is the company wise stock market performance.

iii) What is the relationship between EPS, DPS and BVPS with MPS of sampled banks.

iv) What is the major determinants of stock price in commercial banks of Nepal?

1.4 Objective of the Study

This study aims to examine the efficiency at the stock market in Nepal. The main objective of to study is the study and analyze the stock price behaviour in Nepalese securities market.. The specific objectives are as follows:

i. To observe the stock price behaviour of sampled commercial banks.
ii. To find out the factors that affects the stock price of commercial bank of Nepal.

iii. To examine the risk involved in the common stock investment of the sampled commercial banks.
iv. To measure the relationship between MPS with EPS, DPS and BVPS.
v. To find out the effect of EPS, DPS and BVPS on MPS of sampled banks.

1.5 Significance of the Study

Financial assets investment practices and procedures in Nepal under the organized stock exchange are still in a primal stage. Investment in secondary stock market plays important role in financial sector of the national economy. Stock market being one of the major sources of economic development, try to attract its potential investor who are their biggest resources.

In Nepalese context, the government has initiated liberal economic policy. Since mid 1980s the Nepalese financial system has undergoes repaid structural change in the last two and half decades. After the political change of 1990s public participation in securities investment has increased significantly. But due to investor's in adequate knowledge, it has not been able to achieve. Its expected target public companies obtain funds from the public investors through financial market. The long run objective of every company is to maximize shareholders. Wealth position there by producing good return for the investor's stocks.

The general public seems to have hung amount of unutilized saving fund due to lack of which investment opportunities which could provide them an attractive rate of return. However, some of the investors have been attracted by increasing trend of share price, a specially of the commercial banks there are investing their saving funds on the common stock of public companies with the expectation of higher capital gain in the future. But must of the privet or individual investors (existing and potential) are not aware of public financial companies real financial strength and weak nesses when they have invested or wish to invest their funds. Similarly, they may not be able to carry out empirical analysis and interpretation as the companies real financial position on the basis and available data and information to reach the final decision.

Various studies have been conducted in the past to measure the performance of the company listed in the security market. Some studies have also been conducted

separately to find the stock price behaviour and stock price movement in Nepalese securities market. This study may be useful to people from different walks of life movement and its impact with respect to change in financial position of their respective firms. The study will also add loteratus which could be useful to conduct other researchers on the topics alike.

1.6 Limitation of the Study

This thesis have some permanent boundary, beside the boundary the topic concentration is not diversified. So this study has certain limitation and constraints are as follows:

i. The research is based upon the data provided by the NEPSE.

ii. Study being totally dependent on the secondary data.

iii. Study is confined to listed commercial bank in NEPSE.

iv. Time and financial constraint are also major limitation of the study.

v. The study covers all the relevant data and information only for 5 years from fiscal year 2004/05 to 2008/09.

vi. This study is base on stock price behaviour of commercial bank of Nepal so only common stock share taken.

1.7 Organization of the Study

This study has been organized into following five chapters:

Chapter – I: Introduction

This chapter covers general background of the study. Statement of the problem, objectives of the study, limitation of the study, significance of the study and organization of the study.

Chapter – II: Review of the Study

This chapter contains the conceptual framework and review of research literatures on stock market behaviour and factors of the stock market.

Chapter – II: Research Methodology

This chapter deals with the methodology followed to achieving the objective of the study, which include research design, nature and sources of data, population and sample, data collection technique and analytical tools.

Chapter – IV: Data Presentation and Analysis

This chapters deals with presentation, analysis and interpretation of data, collected from various sources. It also includes the major findings of the study.

Chapter – V: Summary, Conclusion and Recommendations

This chapter deals with the summary, conclusion and recommendation of the entire study. Bibliography and appendices are also included at the end of the chapters.

CHAPTER – II

REVIEW OF LITERATURE

The chapter implies the review of literature related to the study. The objectives of this chapter are to review same basic literature on share price behavior concerning theories including review of the empirical evidences of previous studies.

This chapter has been divided into three sections. The first section of this chapter contains the review of literature relating to the concept and theories supporting stock pricing. The second section relates with the review of journals and articles and the third section carries review of thesis.

2.1 Conceptual Framework

Before getting into the core concept of factor determining the stock price, it is logical to be familiar with some technical term, which are in frequent use in researches on capital market and finance, so in this section, some of the technical terms related to capital market are defined.

2.1.1 Common Stock

"The holder of common stocks called shareholders or stockholders are the legal owners of a company. The common stock represents equity or an ownership position in a corporation. It is a residual claim in the sense that creditors and preferred stock holders must be paid as scheduled before common stock holder can any payments. In bankruptcy common stockholder are in principle entitled to any value remaining after all other dominants have been satisfied." *(Sharp, Alexander and Bailey; 2004: 457).*

"The common stocks are the permanent and vital source of capital since they do not have a maturity data. The capital contributed by shareholders by purchasing common stocks are entitled to dividends. Companies Board of Directors fixes the amount or rate of dividend. The common stock is, therefore, known as the variable income security. Being the owner of the company, the stock holder bear the risk of ownership they are entitled to dividends after the claims of others have been satisfied. Similarly,

when the company is would up, they can exercise their claim on assets after the claims of other suppliers of capital have been meet." *(Pandey; 1995: 905)*

"The firms to raise ownership capital issue the common stocks and investor buy them with the expectation that they receive a share of project periodically along with appreciation in the value of their investment. The common stock legally represents the equity of business firm and the holders are the owners who share all the profits and lessees of the business. They enjoy all earning after meeting the obligations of interest on debts and dividends on preferred stocks. Thus they enjoy all net profits of the business by assuming the risk of losing their profit." *(Pradhan; 2002: 132).*

2.1.2 Stock Certificates

"The ownership of a firms stock has typically been represented by a single certificate with the number of share hold by the particular investors need on it, such a stock certificate is usually registered with the name address and holding of the investor included on the corporation's book. Dividend payments, voting material, annual and other mailing are then sent directly to the investors, taking into account the size of his or her holding." *(Sharp, Alexander and Bailey; 2000: 458)*

Share of stock held by investors may be transferred to a new owner with the assistance of either the issuing corporation or more commonly its designated transfer agent. This agent will canceled the old stock certificate and issue a new one in its place made out to the owner frequently a register will make sure that this cancelling and issuing of certificates have been done properly. Usually, bank and trust company act as transfer agents and registers. Many stockholders have chosen to avoid these rather cumbersome procedures. Instead depositing managements are used which substitute computerized records for embossed certificates.

2.1.3 Stock Price

Stock price is the amount of money that one has to pay to purchase/receive a stock of a company. If 'A' buys 10 shares of Bank of Katmandu from 'B', s/he pays Rs. 2000 for these 10 shares, then the price of share is Rs. 200 (i.e.2000/10). Thus stock price is the amount paid by a buyer to buy one stock or the amount receive by the seller by selling a stock. The stock price is determined in stock market, by market forces, i.e,

demand (buyers' force) and supply (seller's force). The demand and supply are based on the environmental forces and individuals' future expectations/assumptions/ the stock (market) price is different from its par value and book value.

2.1.4 Par Value

"When a corporation is first chartered, it is authorized to issue up to a st6ated number of shares of common stock, each of which will often carry a specified par value. Legally a corporation may be precluded from making payment to common stockholders if doing so would reduce the balance sheet value of stockholders equity below the amount represented by the par value of outstanding stock. For this reason the par value is typically low relative to the price for which the stock is initially sold. Some corporations issue no-par stock. (In that case, a stated value must be recorded in place of the par value)" *(Sharpe, Alexander, Bailey, 2000:461)*. The initial offering price of share may vary from its par value if stocks are issued on premium or discount.

2.1.5 Book Value

"With the passage of time, corporation will generate income, much of which is paid out to creditors (as interest) and to stockholders (as divided). Any remainder is added to the amount shown as cumulative retained earnings on the corporation's books. The sum of the cumulative retained earnings and other entries (Such as "Common Stock" and "capital contributed in excess of per value") under stockholders' equity is the book value of the equity:

Cumulative retained earnings + Capital contributed in excess of par + common stock
= Book value of equity

The book value per share is obtained by dividing the book value of the equity by the numbers of share outstanding" *(Sharpe, Alexander, Bailey; 2000:461-462).*

2.1.6 Stock Exchange

The stock exchange is on institution were quoted securities are exchange between buyers and sellers. The stock exchange provides market in a wide range of traded security, generally of medium to long-term maturities issued by companies, government and public organizations.

Most of the investors are attracted to the equity share because of its marketability and liquidity. One may like to by more share or selling existing shares from time to time when he is in need of money or when he wants to scuffle his portfolio. Since the stock exchange is a place where a large number of buyers and sellers congretate. The investor can concert his shares in to cash at the prevailing market prices readily. The existence of a stock exchange facilitates all there functions without which it is almost impossible to do so.

"The key function of securities exchange is to create a continuous market for securities at a price that is not very different from price at which they were previously sold. The continuity of securities market provides the liquidity necessary to attract inventories funds. Without exchanges, investor might have to hold debt securities to maturity and equity securities indefinitely. It is doubtful that may people would be willing to invest under such conditions. A conditioners market also reduces the volatility of security price further enhancing liquidity." *(Gitman; 1992: 458)*

The securities exchanges help to allocate scare fund to the best uses. That is by disclosing the price behaviour of securities and requiring the disclosure of certain corporate financial data: they allow investors to access the securities risk and return and to more their fund into the promising investments. Stock exchange have a lot of function such as ready market and continuous market evaluation of securities, safety of transaction and widening the share ownership etc. Besides these functions there are three thins a security exchange must do:

- Determine a fair price for the securities is trades or price discovery function.
- Enable transaction to be made at as low cost as possible or minimization of transaction cost.

- Enable transaction to be made at this price quickly and easily or provision for liquidity.

Main function of stock exchange: Price discovery

Price discovery is the process of arising at fair prices for securities. Fair value indicates the compromise between fair offer price (lowest price at which any well informed trader willing to sell) and fair offer price (highest price any well informed buyer is willing to pay). Different markets do this in different way and different ways of organizing a market affect how closely the market approaches the ideal of fair prices. However a very important fact that should not be forgotten is the concept of ideal market or market efficiency, which also the necessary pre-condition for approaching to the fair price. In an ideal market value of securities equal its price of securities and prices reflects all available information about the market.

The stock exchange produces through its continuous process of evaluation prices of securities, as close as possible to investment value based on present and future income yielding prospect of various enterprises, capitalized at national rate of interest the rate which will prevail if and when well the liquid saving are employed into productive purposes.

Security is a legal representation of the right to receive future benefits under conditions. Its value depends on expectation of the amount of those benefits and evaluation of risk involved. Expectation and evaluation reflect both the information available and the conclusions people draw from that information. Since the market may quite big no signal buyer or seller can influence the price of a share to any significant extent.

2.1.7 Financial Market and Capital Market (Security Market)

Security markets are mechanisms for channeling savings to the ultimate investors in real assets. The role of financial market and financial institutions channel the flow of funds in the economy.

"Security market exist in order to bring together buyers an sellers of securities measuring that they are mechanisms create to facilitate the exchange of financial

assets. There are may ways in which security market can be distinguished one way has already been mentioned primary and secondary markets. The key distinction is whether the securities are being offered for sale by the issuer. Mother way distinguishing between security markets considers the life span of financial asset. Money markets typically involve financial asset6s that expire in one year or less. Whereas capital markets typically involve financial assets with life spans of greater than one year. Thus treasury bill are traded in a money market and treasury bonds are traded in a capital market." *(Sharp, Alexander & Bailey; 2000: 10)*

Financial intermediaries also known as financial institutions are organization that issue financial claims against themselves, they sell financial assets representing claims on themselves in return for caxi and used the proceeds from this issuance to purchase primarily the financial assets of others.

"A primary issue is the offering of stocks or bonds that have never been previously issued is primary market. The offering may be made in two ways: direct placements and underwritten placement. Under the direct placement, a bond or stock issue may be placed directly with the individuals or company who will own the securities. Again under the underwritten placement an offending may be made by a corporation through an investment blanker, a principle who acts as the middleman between the issuer and the public. In this role, the investment banker is a underwriter of the offering, who brings together a group of other investment banker to underwrite or purchase the entire offering. Once the underwriting syndicate has made the purchase, it will re-sell the securities to a verity of individuals and institutions through the mechanisms of the over the counter market. Another market secondary market, securities that have been previously issued are traded, which includes the organized exchanges and the over the counter market. The trading is aided by dealers and brokers." *(Hamplon; 1989: 36-37)*

The terms of secondary markets are:

Dealers: Dealers act as principles and by for their own accounts and sell security form their own inventories.

Brokers: Broker do not buy or sell securit4ies, form their on invertors of securities. They acts as agents for other and receive a commission for assisting a transaction.

Over the counters market: The over the counter market is an infor5mally organized grouping of brokers and dealers. It handles both primary issues and secondary transactions and is the largest securities market.

"Security market sets a price for the securities is trades and makes it easy for people to trade them. Securities market facilitates the sale and resale of transferable securities. The securities market can be defined as a mechanism for bringing together buyer and sellers of financial asset to facilitate trading. Security market is classified into two parts: the market in which new securities are sold is called the primary market and the market is which existing securities are resold is called the secondary market. Secondary market are created by brokers, dealers and market makers. Brokers bring buyer and seller together with themselves actually buying or selling, dealers set price at which they themselves are ready to buy and sell (bid and ask price respectively). Brokers and dealer come together organized market or in stock exchange." *(Gitman; 1992 : 457)*

The stock market is one of the most important sources for companies to raise money. This allows businesses to be publicly traded, or raise additional capital for expansion by selling share of ownership of the company in public market. The liquidity that as exchange provides affords investors the ability to quickly and easily sell securities. This is an attractive feature of investing in stock, compared to other less liquid securities/investment such as real assets.

2.1.8 Theories of Stock Price Behaviours

There are two approaches to explain share price fluctuations market efficiency is the basis for the both approaches have considered that market is inefficient which includes technical analysis theory and fundamental analysis theory. Contrary approach has argued market is efficient market hypothesis, “Prior to the development of the efficient market theory investors were generally divided in to two groups fundamentalists and technical” *(Reilly; 1986: 347).* Based on incorporation of various type of information set with sped and accuracy in pricing stock there are three form of efficient market theory such as weekly efficient market or random walk, semi strongly efficient and strongly efficient market theory.

2.1.8.1 Fundamental Analysis Theory

Fundamental Analysis theory taken into account, financial and economic statistics and information relating to a financial institutions, part record and present position and then uses informed judgment to project future results. Fundamental analysis rests on the assumption that each stock has an intrinsic value, where intrinsic value may be defined as a present value of the future stream of income occurring to a financial company. Stock is considered under or ever valued depending upon whether the share price is below or above its intrinsic value.

"In the fundamental approach, the security analyst or prospective investor is primarily interested in analyzing factors such as economic influences, industry factors and patient company information such as product demand, earning dividends and management in order to calculate an intrinsic value for the firms securities they reach on as investment decision by comparing this value with the current market price of the security. The fundamental analysis tends to look forward. Fundamentalists are concerned with such matter at future earning and dividends. It is some time said fundamental analysis is deigned to answer to question." "What?" *(Sharpe, Alexander and Bailey; 1999:751)*

Some investment organization that employ financial analysts follow a sequential top-down forecasting approach, with this approach, the financial analysis are first involved in making forecasts for the economy, then for industries and finally for company. The industry forecasts are based on the forecasts for the economy and intern a

company's forecasts are based on the forecasts for both its industry and the economy.

"Other investment organization begin with estimate of the prospects for companies and then build to estimates of the prospects for industry and ultimately the economy. Such Bottom up forecasting may unknowingly involves inconsistent assumptions." *(Sharpe, Alexander and Bailey; 1999:751)*

"Fundamentalists forecast stock price on the basis of economy industry and company statistics. The principle design variable ultimately takes form of earning and value with a risk return framework based upon earning power and economic environment

Fundamental analysis delye in to company’s earnings, it management, economic outlook competitors market condition and many other factors." *(Clark, Francis; 1997, 398).*

"Fundamental analysis attempt to find under or over valued securities by analyzing fundamental information such as earning asset values etc., to uncover yet undiscovered information about the future of a business they look ahead trying to forecast future information. *(Will; 1999: 148).*

Fundamental theory assumes that knowledge about the future of companies is not perfect some stocks are under priced and others are overpriced. The investors task in to study certain fundamental factors that may enable them to select undervalued stock for purchase and sell overvalued stock. These fundamental are the historical profitability of an industry, the loading companies in the industry the economic out look for the profitability of the industry as a whole and the out look for general economy. The potential investors then estimate the value of the one company by comparing the history and expected future of this company with competing firms, such companies are based on much objective information.

Earning Per Share

The firm's earning per share is generally of interest to present or prospective stockholder and management. The amount earned during the accounting period on each outstanding share of common stock, calculated by dividing the period total earnings available for the firm's common stock holder by the number common stock outstanding.

Dividend

The percentage of earnings the firms pays in cash to its shareholders is known dividend. The dividend, of course, reduces the amount of earnings retained in the firm and effect the total amount of internal financing.

Nothing is more important than dividends to stockholders. They buy share of firm with the hope of sharing profits earned by firms. The role motive of stockholders is to

receive return on their investment, nothing please them than knowing the firm's earning and more profits mean more dividends coming in.

Cash Dividend

Payments made in cash to stockholders are termed as cash dividend. For which a firm needs to have enough cash in its bank account when cash dividend, is declared the cash account and reserves account of the firm will be reduced, thus both the total assets and the net worth of the firm are reduced in case of distribution of cash dividend.

Bonus Share (Stock) dividend

An issue of bonus share represents a distribution of share in addition to cash dividend to the existing stockholder. This practice has the effect of increasing the number of outstanding share of the company, which is distributed proportionately. Thus, a shareholder retains proportionate ownership of the company.

Market Price per share (MPS)

"A share of common stock can be authorized either with or without par value. Par value is the recorded figure in the corporate charter. Generally, par values of most stocks are set at fairly low figures with compare to their market values, and the market value per share is the current price at which the stock is traded. Market value per share of common stock is the function of the current and expected future dividend of the company and the perceived risk of the stock on the part of investors." *(Vanhorne and Wachowicz; 2000:546).*

"Common stock holders are sometime referred to as a residual owner since in essence he or she receives what is left the residual after all other claims on the firms' income and asset have been satisfied. All the companies issue common stock. Common stockholders are true owners of business firm. They invest money with expectation of getting high return. The return from common stock is usually from the capital gain earned. If they increase in value after public buy them. That's why price for common share can be more volatile. They move up and down due to the factors like economy and company performance." *(Gitman; 1991: 573).*

The market price of share gives the value of shares, and the value of the organization. The market price of shares is that price in which shares are traded or the amount, which is paid by the buyer to the seller to purchase a stock of a company. The market price of shares varies from one company to another. Since the common shareholders are the owner of the organization and have least priority to claim in liquidation, the share price is highly volatile and very sensitive to the environmental factors. An organization has two types of environment, i.e. internal and external. The environment within the organization is called internal environment and is somehow in control of the organization. So the organization tries to maintain the favorable environment to maximize the share price in the stock market. On the other hand external environmental forces are not within the control of the organization, but such forces highly affect the market prices of shares. So the firm tries to adjust themselves according to the changing environmental forces, and such adjustments are intended to maximize the share price or the value of the firm.

Since the market price of shares is very much sensitive to the environmental forces, the shares price increased if there is favorable environment and vice versa. This increase is share price is based on the market mechanism or market forces, i.e. demands and supply. If the earning and dividend of an organization increases, then the investors has positive perception towards the organization and they like to buy shares of that organization, as a result demand increases; on the other hand the suppliers like to hold the shares and supply decreases, and there is gap between demand and supply so the market price of shares increases. The investors determine the price, they would like to pay for the shares of an organization and the sellers determine the price, they would like to receive by selling shares based on their assumptions towards the organization and future expectations. Such assumptions and expectations vary from individual to individual. Since different person analyzes the same situation differently with their limited knowledge.

"The index of stock gives the surrogate of market price of share. NEPSE index is the surrogate of all the listed companies in NEPSE. So it is one of the indicators of stock price in NEPSE. The are various indexes to analyze the stock behavior in the world's capital market. "Stock market indexes are 'pure numbers' used for making comparison between index numbers in the same series or other index number. An index is usually

a ratio tabulated from average of different securities. Typically, a time series of index numbers is constructed from the same base date and base value (usually set at 100 or 10 or 1) to make time directly comparable. Some past year is selected as the base year from which index's base value is calculated in order to impart time perspective to the index." *(Francis;1991:183).*

Price Determination

The share price is determined in the floor by the interaction of market forecasting demand and supply. The price is determined by the point of equilibrium by demand and supply, the shifting of this balance results in increscent adjustment price in search of the ever changing new equilibrium. Then market price would upward and down ward, there are many other reasons that causes the stock price fluctuation, major of them are economic and non economic market factors.

Dividend is the most important factors on the determination of stock price. Dividends are strongly influenced by the earnings power of the firm. There is a close relationship between corporate earning and dividends. The most fundamental factor, stock price fluctuation lies in changes in corporate earnings, which together interest rates and business cycle trends, contribute to making up the economic factors influencing stock price.

The next influencing factors are non economic factors, including changes in political condition, such as administrative changes, change in the weather and natural conditions and cultural conditions such as technological development. Similarly, the other influencing factors are market factors or internal factors of the market considering of the tone of the tone of the market and supply demand relationship may be cited as the third category, that influence the stock prices. Besides these factors the stock prices influenced by the corporate performance of the company, company’s policy regarding the capitalization of earnings as well as governments rules and signaling effect of the market.

2.1.9 Technical Analysis Theory

Technical analysis theory involves of the past volume and price date of the stock of predict future price fluctuations. This approach studies various graphs and charts of

the past share prices and deduce from the analysis about future price movement by seeking to interpret past pattern in the assumption that history tends to repeat itself. Technical analysis is based on the widely accepted premise that security price are determined by the supply of and the demand for securities. "The tools technical analyses are therefore designed to measure certain aspects of supply and demand. Typically technical analysis record historical financial data on charts, study these charts in search of patterns that they find meaningful and end over to use the pattern to predict future prices. Some charts are used to predict the movements of single security other are used to predict the movements of single security others are used to predict the movement of market index and still other are used to predict the action of both individual assets and the market. In essence, technical analysis believe that past patterns of market action will recur in future and can therefore be used for predictive purpose." *(Clark & Francis; 1997: 197)*

"Technical analysts attempt to find pattern in security price movement and trade accordingly. Their trading tends to quickly offset any price trend and keep the market efficient. Technical analysts are studying past price working for predictable patterns." *(Will; 1999: 148).*

Technical analysis theory involves study of the past volume and price data of the securities to predict future price fluctuations. Technical analysis theory of share price behaviour is based on past market information. On the assumption that history tends to repeat itself, it is believe that knowledge of past patterns of share prices will help to predict future price under similar circumstances. It involves the study of past market behaviour with reference to various financial and economic variables are to forecast the future. The change occur in financial and economic variables are to be adjusted in the light of the present situation. Technical analysts or chartist, as they are commonly called, believe that they can discern patterns in price or volume movements and they by observing and studying the past behaviour patterns of given stocks. They can use this accumulated historical information to predict the future price movements in the security. Technical analysts comprises many different subjective approaches but all have one thing in common that is belief that these past movements are very useful in predicting future movements. Technical analysts believes in the theory behind chart information and pattern. They read charts much like ancient astrologers read the stars

looking for head and shoulder formation. They believe reflect the patterns of buying and selling accumulation and distribution or market psychology.

Mainly technical analysis models are as follows:

i. The Dow theory

ii. Bar chart

iii. The odd lot theory

iv. Short-sales contrary opinion theory

Technical Analysis Tools

Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, past prices and volume. Technical analyst do not attempt to measure a securities intrinsic value, instead they cook at stock charts for patterns and indicators that will determine a stocks future performance.

"Technical analysis has become increasingly popular over the pas several years, as more and more people believe that the historical performance of a stock is a strong indication of future performance. The use of past performance should come as no surprise. Technical analyst belief that securities moves according to very predictable trends and patterns. These trends continue until something happens to change the trend and until this change occurs price levels are predictable." *(Francis; 1996: 522)*

"Technical analysts also belief that important information abbot future stock price movements can be obtained by studying his historical price movement of stock prices. Financial data are recorded on graph paper and the data are sanitized is search of repetitive patterns. Technical analysts base their buy and sell decision on the charts they prepare." *(Francis; 1996: 523)*

Technical Approaches

There are different approaches to the technical annalistic approach. We have mainly Dow theory, Bar Charts Odd-lot-theory and short sales country opinion theory and available for disunion.

A. The Venerable Dow Theory

The Dow Theory proposed by Charles Dow Shorlly after the turn of the century and extended is on of the oldest technical tools still widely followed. There are many vision of this theory, but essentially it consists of there types of market movements major market trend, secondary market trend or intermediate trend and minor movements. The determination of major market trend is the most important decision to the Dow deliver.

The Dow theory is one of the oldest and most famous technical tools, it was originated by Charles Dow founder of the Dow Jones company and editor of the wall stretch journal around 1900. Mr. Dow did in 1902 and the Dow Theory was developed further and given its name by staff member at the wall street journal. Today many versions of the theory exists and are used it is the basis for much of the work done by technical analysis. The Dow Theory is used to delineate trends in the markets as a whole or in individual securities. According to Mr. Dow: "The market is analysis considered as having three movements all going at the same time. The first is the narrow movement from day to day. The second is the short saving running from weeks to a month or more, the third is the main movement covering at least four year in duration." *(Francis; 1996: 523)*

The Dow Theory views the movement of market prices as occurring in three categories:

a) Primary movements/Trends: These are called bull and bear markets Bull market are where prices move in an upward manner for several years. Bear markets, on the other hand, are price move in a downward manner, delineating primary trends is the primary goal of the Dow theory.

b) Sewndary movements: These are up and down movements of stock price that last for a few months and are called corrections.

c) Testing moves: These are simply the daily fluctuation. The Dow theory asserts that daily fluctuations are essentially meaningless random wiggles. Nonetheless, the chartist should plot the asset's price or the market average each day in order to trace out the primary and secondary trends.

B. Bar Charts

Technical analyst is also known as chartists because they decide by and sell on the basis of charts. Bar charts have a series of vertical bar chart representations each day's prices movement. Each bar has a range from the days lowest price to the days highest price. Technical analysts employ different charting techniques. Each bar spans the distance from the day's highest price to the days lowest price and a small cross on each bar marks that day closing price.

Line charts and bar charts usually have bar graphs along the bottoms of the charts showing the volume of share traded at each date. Next to the prices, trading volume is the second most important statistics technicians follow. Technical analyst have described numerous patterns that they believe will indicate the direction of future price movement. "A minority of chartists employ every complex charts and/or search for very intricate patterns. Point and figure charts and the Elliot wave theory are the names of some of these more elaborate charting techniques. In addition, someone with a rich imagination can conceive new patterns and interpret them as they see fit at any time." *(Francis; 1996: 526).*

c. The –lot Theory

The odd lot transactions are measured by odd-lot changes in index. Odd lots are stock transactions of less than say 100 shares. The odd-lot ratio is sometime efforts to as a yardstick of uniformed sentiment or an index of contrary opinion because4 the odd lot theory assumed that small buyers or sellers are not very bright especially at tops and bottoms when they need to be brightest.

Odd-lot trading volume is reported in the financial section of many large newspapers. The odd lot statistics are broken down in to the number of share purchased sold and shest sold. Most odd lot theorists chart the ratio of odd lot- sales to odd-lot purchases week by week. "The odd lot purchase sales index is typically plotted concurrently with seem market index, if is used by some chartists as the leading indicator of market price. High odd-lot purchase sale ratios are presumed to forecast falls in market prices and low purchase sales ratios are presumed to occur towards the end of bear markets." *(Francis; 1996, p. 527)*

Therefore, when the odd lot purchases are relatively high, stocks prices are likely to fall and when the odd-lot sales are low, the end of a bear market is supposed to be close at hand.

D. Short Sales Theory

Short sales are done by investors who borrow the securities from a broker and sell them. The short seller hope to profit by replacing the borrowed securities at a cower price then what they sold them for contrarians believe that short sellers are usually wrong, 50 when short sales are high, indicating a bearish attitude about the market, contrarians takes a bullish attitude about the market.

Several chartists follows short sales trading statistics. Some short sales follows uses aggregate statistics as an indicator of overall market sentiment and some follow the short sales for individual securities in search of information about that securities. However, both groups interpret a high level of outstanding short sales (or uncovered short positions or short interest, as it is variously called) as a sign of increase future demand for securities that will bid up their prices. Thus, rising short sales is believed to foretell future demand for securities that will bid up their prices. "In startling contrast to the followers of the short sales contrary opinion theory, another group of technical analysts believes that short sellers tend to be more sophisticated than the average investor. This second group assists that when short sales for the market as a whole or for an individual security are high, sophisticated investors expected a prices decline and if should therefore follow shortly." *(Francis; 1996 : 529).*

Efficient Market Theory

Among the various theories of stock market behavior another theory is efficient market Hypothesis. The efficient market hypothesis states that securities are typically in equilibrium or that they are fairly priced. Current security prices fully reflect all available information because in an efficient market all un exploited profit opportunities are eliminated. The efficient market theory holds that market prices fully and instaniously reflect all available information. In this sense share prices are said to be correct and priced accurate signals for resource allocation. Considerable controversy sounded the concept of efficient of market during the 1960s and 1970s

and even today. "The is considerable doubt expressed by May professional and amateur investors. Empirical evidence, however comes down firmly on the side of market efficiency and it can now be regarded as the accepted model of share price behaviour." *(Firth & Khane; 1986: 487)*

Capital market efficiency has been divisonalised in to three levels:-

a) Weak from efficiency: where no excess returns can be earned by utilizing investment strategy based on historical share price or other financial data.

If statistical independence is found (price change are random), this provides evidence in support of market efficiency as it signifies that no profitable investment trading strategy can be formulated based on dependencies in past market prices. In an efficient market current share prices are the best, unbiased, estimate of the value of the security. These price will only change when new information arrives, and as new information is, by definition, unpredictable, so share price changes will be unpredictable and will behave as if generated by a random process. Strictly we right expect to see some small upward movement in share prices over time due to future dividends becoming nearer. Expected returns on a share generally incorporated both dividend income and share price appreciation. Because we might expect to see some small level of statistical dependence. For weak from efficiency the important factor is whether dependencies in price can be exploited to earn excess returns. If there is substantial dependence in price changes this suggests that it may be possible to earn excess returns from using a simple trading rule.

"Early tests of weak-form market efficiently failed to find any evidence that as normal profit could be earned trading on information related to part prices. That is knowing how security price had moved in the past could not be translated into accurate predictions of future security prices. These tests generally concluded that technical analysis, which relies on foresting securities price on the basis of past prices was ineffective. More recent studies however has indicated that investor may overreact to certain types of information, driving security price temporarily away from their investment values. As a result it may be possible to earn as normal profit buying securities that have been 'oversold' and selling securities whose price have been bid up

excessively. It should be pointed out, however, that these observations are debatable and have not been universally accepted." *(Sharpe, Alexander and Bailey; 1996: 103)*

b) Semis Strong Efficient Market Hypothesis

The semi strong efficient where share price adjusted instantaneously and in an unbiased fashion to available new information, so that no excess returns can be earned by trading on that information. This hypothesis specifies that markets are efficient for price to reflect all publicly available information or all public information has its effect on market prices, only those insiders who have access to valuable information could earn profit larger than what could be earned using a naive buy and hold strategy is semi efficient market. "The result of test of semi strong form market efficiency has been mixed. Most event studies have failed to demonstrate sufficiency to overcome transaction costs. However, various market 'anomalies' have been discovered where by securities with certain characteristics or during certain time periods appear to produce abnormally high returns. *(Sharp Alexander & Bailey; 1996: 104)*

The semi strong form efficiency require that share prices fully and instantaneously reflect all publicly available information. Publicly available information not only includes past share prices (examine in weak form tests) but also a whole host of economic data that are relevant in influencing price movements. Example of data have been examined included announcements of mergers, new share issues, stock splits, earnings, large share deals, and discount rate changes. Most of the tests under the semi strong form banner have involve measuring the adjustment of share price to the release of information. "The share price adjustment measured in the semi strong form is the research is the difference between actual share prices and share price that would have been observed had no new information arrived." *(Firth & Keare; 1986: 8).*

c) Strong form Efficient Market Hypothesis

The strong form efficient market hypothesis exists in stock pries reflect all information that is not available to the public. Private information often called inside information is made public to ensure rational and competitive behaviour of the stock market under strong form of market efficiency.

The strongly efficient market hypothesis assumes that all information is reflected in security price. It claims that no one can by and hold strategy by trading or short term security price movements. If markets are strongly efficient, even those who possess inside information would not have investment information of any value. Security markets can be strongly efficient if rates of stock price changes are independent random variables and non of the market participants use inside information.

Strong form market efficiency says that all information, whether publicly available or not is instaneously reflected in share prices and that no market participant can earn excess returns expect by chance. Thus, under strong form efficiency we would not expect to find investors who have consistently earned excess returns over a long period and likewise, investors who have advance knowledge of information would not be earning excess returns. "The major research studies examining for strong from efficiency have investigate the investment performance of managed funds (eg. Unit trusts, investment trusts, pension funds) and of investors with access to advance or non public information. If funds manage to earn excess returns consistently, the market is not strong from efficient. Excess returns will mean that funds managers have superior abilities in interpreting existing knowledge or that they have excess to and utilize advance knowledge. The publicly given to and the monitory of insider dealing reduce the extent to which advance knowledge is utilized by insiders." *(Firth & Keane; 1986 : 10-12)*

"One would expect that investors with excess to private information would have an advantage over investors who trade only on publicly available information. In general corporate insiders and stock exchanges specialists, who have information not readily available to the investing public, have been shown to be able to earn abnormally high profits less clear is the ability of security analysts to produce such profits. At times, these analysts have direct access to private information and in a sense they also manufacture their own private information through their research efforts. Some studies have indicated that certain analysts are able to discern misruled securities but whether this ability is due to skill or chance is an open issue." *(Sharpe Alexander & Bailey; 2000 : 103).*

Strong form suggest that securities price reflect all available information even private information. The strong form does not hold in a world with an uneven playing field.

The semi strong form of EMH asset that security price reflect all publicly available information. There is no undervalued or overvalued security and thus trading rules are incapable of producing superior returns. When new information is released, it is fully incorporate in to the price rather speedy.

"The efficient market theory implies that security market prices represent fair value. Some argue this cannot be for price go up and down and that fair value should change very little fair market value change with new information about the future cash flow associated with a security. It implies that portfolio managers work in a very competitive market with little or no added advantage over the next portfolio manager. They make few extra ordinary returns not became they are idempotent, but because the markets are so competitive and there are few easy profits." *(Will; 1999: 458)*

2.1.10 Securities Market in Nepal

"The securities market is a place where people buy & sell financial instruments. These financial instruments may be in the form of government bonds, corporate bonds or debentures, ordinary shares, preference share etc. So for securities market is concerned. It is an important constituent of capital market. It has a wide form embracing the buyer and sellers of securities and all the agencies and institutions that assist the sale and resale of corporate securities." *(Rugh; 1966: 50)*

Thus securities market can be defined as a mechanism of bringing together buyers and sellers of financial assets. The securities market is a place where share of listed companies are traded or transferred from one hand to another at a fair price through the organized brokerage system. The major function of securities market is to provide ready and continuous market for purchases and sales of securities at a competitive price there by, importing future market ability and liquidity to then.

SEBON was established on June 7, 1993 with the objective to facilitate the orderly development of dynamic and competitive capital market and maintain, its credibility fairness, efficiency under the securities exchange act, 1983. Moreover, SEBON frames the policies and programmers required to monitor the securities market, provides license to operate stock exchange business and stock brokers and superglues

and monitors the stock exchange oppressions and securities. Businesspersons Generally there are classified into two way:

One the basis of life span of securities

- money market
- Capital market

On the Basis of securities traded

- Primary market
- Secondary market

Money Market

It is the type of the market which is meant for a short term and for highly liquid debt securities. A money market typically involves financial assets that have a life span of one year or less. Money market instrument include short-term marketable, liquid and low-risk securities. Money market instruments sometimes are also cash equivalents or just cash.

Capital Market

Capital market is the markets meant for long-term securities issued by the government or a corporation. Capital markets typically involve financial assets that have life spane of grater than one year.

Primary Market

Market in which corporations raise a new capital are know as primary markets. Nepal Credits and Commence (NCC) Bank, for example a few years ago issued share to raise fund which was a primary traction primary markets. Thus, are basically concerned with the accumulation of fund.

Secondary Market

Market, where existing already outstanding securities are traded among investors is called secondary market. Here, already issued securities are traded. Its provides the liquidity and marketability opportunities to the stock market either by OTC market or register market NEPSE is the example of secondary market It can be:

OTC Market

Over the counter market is not an organization but an intangible market for the purchase and sellers of securities not listed by the organized exchanges. "It neither requires membership for trading of securities nor did listing of securities for trading intermediates and authorized dealers become the head in such kinds of securities transaction. This market is know as the proceeds from the sale of securities in the secondary market. Here the buyers don't go to organizational issuers. In stead goes to the initial owner and securities." *(Chandra; 1994:98)*

Organized Securities Exchanges

Organized securities exchanges are the phial locations where trading of securities is done under as set of rules and regulations. Investors usually purchases securities in the secondary market by calling securities brokers Nepal stock exchange provides such types of facilities to by and sell of the companies share for the general public.

2.1.11 Nepal Stock Exchange Limited (NEPSE)

NEPSE is a non-profit organization, operating under securities exchange Act 1983. The basic objective of NEPSE is to impact free marketability and liquidity to the government and corporate securities by facility transactions in its trading floor through market intermediaries such as brokers and market makers etc. NEPSE opened. It's trading floor and January is, 1994 through its new by appointed licensed members and has-adopted an open out-cry system for the transactions of securities. In NEPSE the T+3 concept has adopted, allows for transactions and payments to be settled in 3 days of agreement. The trading floor is restricted to listed corporate securities and government bonds with market intermediaries in buying and selling of such securities.

2.1.12 Securities Board of Nepal (SEBON)

Securities Board of Nepal was established by the government of Nepal on June 7, 1993 as an apex regulator of securities markets in Nepal. It has been regulating the market under the securities exchange Act 2006. The functions, duties and power of SEBON as per the act are as follows:

- To after advice to government on maters connected with the development of the capital market.
- To registered the securities of corporate bodies established with the authority to make a public issue of its securities.
- To regulate and systematize the issue, transfer, sale and exchange of registered securities.
- To give permission to operate stock exchange to any corporate body deserves of doing so subject to this act or the rules and bye-rules framed under this act.
- To supervise and monitor the functions and activities of stock exchange.
- To inspect whether or not any stock ex change is executing. Its fruitions and actives in accordance with this act or the rules and bye-rules frame and under this act and the suspend or cancel the license of any stock exchange which is not found to be doing so.
- To issue licenses to conduct the business of dealing in securities, subject to this act or the rules and the buy-rules framed under this act to companies or institutions desirous of conducting the business of dealing the securities.
- To supervise monitor the functions and activities of securities dealers.
- To grant permissions to operate collective investment seemed and investment fund programmes, and the supervise and minister them.
- To systematize the task of clearing accounts related transactions in securities.

- To make or ensure necessary arrangements to regulate the valcime of securities transaction and the procedure of conducting such kinds of transactions, and order to ensure the promotion, development and clean opration of stock exchange.

- To establish coordination and exchange cooperation with the appropriate agencies in order to supervise regulate matters concerning securities on companies.

- To discharge or make arrangements for discharging such other functions as are necessary for this development of securities and the capital market.

The governing of SEBON is composed of seven members including one full time chairman appointed by the government of Nepal for tenure of four years. Other members of the Board include joint secretary of ministry of finance, joint secretary of ministry of law, justice and parliamentary affairs, representative from Nepal Rastra Bank, representative from institute of chartered accountable of Nepal; representative of frcderation of Nepal chambers of commerce and industries and one member appointed by the government form amongst the experits pertaining to management of securities market, development of capital market, financial an economic sector.

"There are two departments, six divisions and ten sections in the organization of SEBON. Under the corporate finance and administration department, there are three divisions namely corporate finance and reports review division, account and administration division and HRD and education division. There are also three divisions under the securities market regulation department, which are legal, and enforcement divisions, market regulation and compliance division and market analysis and planning development division." *(www.sebonp.com)*

The major sources of financing of SEBON are the government grant transaction commission from the stock exchange and registration of corporate securities other financing sources include registration and renewal of stock exchange and market intermediaries and the income from mobilization of its revolving fund.

2.1.13 Nepal Stock Exchange Board

Securities exchange act 2063 has come into effect since January 14, 2007 after substituting the securities exchange ordinance 2062. The act defines the Jurisdiction of Nepal Stock exchange board that enables the board to regulate and monitor vital activities for the development of capital market and function for the benefit as the Investors. Drafting of Nepal stock exchange board regulations, share market operations rules and share deals (security Brokers and share traders) rules are in progress required for the effective execution of the security act 2063. In addition, share registration and issue rules, merchant Banking rule and group investment plan. Rules are in the drafting stage.

To transact government bonds by listing in the stock market, Nepal stock exchange has given license to three market makers and seven brokers.

"Transaction of government bonds in the secondary market through Nepal stock exchange started since December 15, 2006. Installation of computerized system of transaction in Nepal stock ex change limited and management information system in company register's office, under corporate finance and governance project (CFG) executed by GON with the co-ordination of Nepal. Stock exchange is at the final stage of completion." *(Economic survey; 2007, 58).*

Nepal stock exchange market limited has initiated some important measures towards stabilizing share transaction prices. Such measures, started since July 17, 2006. Include prohibition of matching transaction in share of the listed commercial bank, beginning of trading half system through application of circulate breaker in addition, It has also taken steps towards managing blank transfer practices.

"With a view to up- date with true information as ouiaaey as possible a separate, counting and publication of NEPSC sensitive. Index of class 'A' companies has been started since January 1, 2007. Nepal stock exchange market Ltd. Has also started to publish annual report as secondary market based on analysis, to incorporate additional information in the web page, publication of annual report with added information for annual general meeting. These initiative are expected to help up grade the process of information dissemination." *(Economic survey; 2007:59).*

2.2 Review Journals and Articles

This part of the literature review is devoted to review of major articles published relating to stock prices.

There are large numbers of studies in foreign and Nepalese context but only few of them are briefly reviewed below.

Paul (2001) in his articles*" The review of international capital markets"* has pleaded that the development of world capital markets appears to be reaching the stage where they can make significantly gather contribution to world economic growth and trade. More importantly, the groundwork has been laid for the healthy development and future growth of international capital markets. Barring the intervention of war or other major disturbances, world capital markets give promise of being able to pay an increasing important, through no predominant role in the movement of capital internationally.

Regmi(2003) In his articles*" Capital market practices in Nepal"* conducted by Securities Board, Nepal (2004) mainly given focus on basic level of corporate governance practices in Nepal and this study revealed that corporate directors and some of them are already in practice. They agreed to the necessity of adopting code of ethics on good governance and avoiding political influence in the corporate sector. Further they have suggested increasing the responsibility of the board of directors and making hem responsible. They asked for the cooperation of regulators to work for the improvement of corporate governance as well.

Upreti (2004) In his article*" corporate Governance Law and Practice in Nepal*" submitted by organized by SEBO Nepal in 2004 has highlighted different aspect of corporate governance, related law and practice in Nepal in respect of securities markets regulation and concluded that importance of good corporate governance should be explained and its importance made understood to directors, CEOs. Managers, regulators and stakeholders, and introduction of corporate governance code. Further, internal governance of the regulator should reform.

Pradhan and Balampaki (2004), on the Articles *"Fundamentals of Stock Return"* has given some important insight regarding nature of stock return in Nepal. This study deals with fundamental of stock returns. It examines if dividend yield, capital gain

yield and total yield are related to earnings yield, size, book to market ratio and cash flow yield. The study is based on pooled, crossed, sectional data of 40 enterprises whose stocks are listed in Nepal Stock Exchange Ltd. And traded in the stock market. The study reveals that earning yield and cash flow yield have significant impact on divided yield.

Other main findings of the study are, earning yield and cash flow yield have insignificant impact on book to market value whereas size has negative impact in dividend yield. In the case of earning yield and cash flow yield, cash flow yield have been found to be more informative than earning yield.

Capital gain yield is positively influence by earning yield and size, whereas the same is negatively influenced by book to market value and cash flow yield. Book to market value has been found to be statistically strong in predicting capital gain yield. Similarly, total yield is positively determined by earning yield and size whereas the same is negatively determined by book to market value and cash flow yield. Book to market value has been found to be more informative than other variables.

K.C. (2004) In his articles *"Development of Stock Market and Economic Growth in Nepal*" based upon the data of ten years. The study reports that the relationship between financial development and economic growth, with focus on developmental role of stock markets has been in debate for sometime in the past. Empirical studies suggest that financial development does matter and stock market do spur economic growth. Unfortunately, in Nepal, despite a history of about half decade of planed economic activities to develop real sector of the country, little attention was paid on the development of financial sectors. In the past one and half decade, financial sector despite, many problems have developed significantly in Nepal. However, most of the developments were confined to the banking sectors. Stock market has virtually remained stalled because of this priority in the governments' financial reform politics. Various measures of stocks market deployment indicate that the stock market in Nepal is underdeveloped and has failed to show impact on the overall national economy. Small market size has made it vulnerable to manipulation and price rigging. Low turnover ratio and value traded ratio to volatility, and high concentration ratio indicate that the stock market in Nepal is highly liquid and risky. Investors tend to avoid stock market because they do not have option to it since stock market is less

reliable source of raising funds for them. Due to this, financial system of Nepal has remained basically bank dominated.

Upadhya (2004) In his articles *"Regulation of Nepalese Capital Market and Investors Protection"* written by published in SEBO has discussed on regulatory aspect of existing legislative frameworks and also highlighted major deficiencies of existing provisions and proposed suggestions for further improvement. He has concluded that with a view to professionalizing the existing members of SEBO, Stock Exchange and concerned authorities must conduct from them to time refresher course and concerned persons should have reasonable background in corporate finance, capital market, economics and financial engineering, etc.

Adhikari (2005) IN his article *"Securities Markets Development in Nepal"* written by has highlighted major issues regarding development of securities market and dealt possible suggestive measures. He believes that Nepalese securities market does not adequately developed due to legal inadequacy, law resource to regulator, poor liquidity, poor corporate governance practices, poor disclosure practices, law involvement of institutional investors, high cost of public issue, high transaction cost and lack of accounting and auditing standard, etc. in concluding remarks Mr. Adhikari said that the present status of securities market should be improved and developed as an important source of long-term financing by introduction new legistations and implementing them effectively.

Kafle (2005) In his article *"Primary Market Development in Nepal: issues and Challenges"* written by has highlighted the primary market scenario, relevant issues in the primary market and envisioned reforms. He believes that empowerment of regulator enables it to move toward standard practices, restructuring processes and opens up market to outside investments, which has become important in the wake of regional co-operational and WTO accession. The recent issuance of Securities Ordinance is important in terms of empowering the regulator and facilitating capital market reform. More over the planned implementation of Ordinance will emerge as challenge.

Acharya (2005) IN his article "*Investors' Protection and Securities Law in Nepal"* written by has discussed on various aspects of investors' protection such as insider and information of disclosure, legal protection of investor, WTO and securities market,

role of judiciary, etc. In concluding remarks Mr. Acharya said that a suitable regulatory framework needs to be established to insure competitive, welfare maximizing behavior on the part of the investors. A sound securities law can contribute to securing an attractive environment for investors. Securities law should be capable of providing safeguard is against possible frauds by intermediaries and market maker. The law should provide SEBO have a comprehensive investigation and surveillance authority.

2.3 Review of Thesis

There are some researches carried out by different researchers in this topic in Nepal- Here are some of the reviewed thesis which can help us to understand about their objectives, used statistical tools and major findings of the study,

Dhamala (2005) studied on *"Determinants of Share Price in Nepalese Financial Market"* taking ten public companies i.e. 5 from commercial banks and 5 from finance companies covering relevant data and information for 5 years from 1996 to 2001.the objective of this where to find out the determinants of market price of Nepalese capital security market and to measure the financial performance of commercial bank and financial companies. He found in his study that the Nepalese stock market is not efficient enough 'o determine MPS in accordance with the respective financial performance. The market price of share in Nepal is not indicative of a company's financial performance in stock marker and the share market is imperfect and is not efficient and is liable to manipulation.

Basically value of share price is to be determined by the future prospects of the company on the basis of past financial indicators.

Neupane, (2005) conducted a study on *"Determinants of Stock Price in Nepal Stock Exchange"* takings sample organizations using various financial and statistical tools like standard deviation, correlation, regression analysis, t-test. The objective of this where to find out the relationship between MPS with EPS,DPS and BVPS.Similarly, to find out the factor affecting variables of Nepalese security market. He concluded that in NEPSE, DPS, BPS and EPS individual do not have consistent relationship with the market price of share, among the listed companies. The pricing behavior varies

from one company to another. But EPS, BPS and DPS, jointly, have significant effect in market price of shares. So there may be other major factors affecting the share price significantly- NEPSE is in its profit stage, adopting option out cry system for stock trading and stockbrokers & professionalism to create investing opportunities in NEPSE, Commercial banks sector has dominated the overall performance of NEPSE-manufacturing processing, trading and hotel sector have week performance. So financial intermediaries are strong but their ultimate investment is suffering.

Mainali (2006) has also conducted the study on *"Share Price Behaviour of Listed Commercial Banks"*. The prime objective of his study was to analyze the performance of stock market and the behaviour of share price of listed commercial banks. The other specific objectives were to provide glimpse of NEPSE, examine the risk involved in the common stock investment of the sample commercial banks and discuss the movement of the stock market price. He used parametric and non-parametric test to explore the randomness of stock return. He used standard deviation coefficient of variation beta coefficient for individual stock to test the friskiness ofshare. The results of estimate serial correlation were found to have deviated significantly from the expected value zero i.e. serially correlated. So, that the results obtained from the serial correlation tests tend to invalidate the hypothesis of dependence. The results of run tests also consistence with the results of serial correlation tests. He found that past and present price changes can screen out some valuable information in predicting future price changes. So, there exists sufficient amount of opportunity for sophisticate investors. The statistical analysis is regarding the risk and return of sampled stock showed that most of the stock seemed to be riskier than the average stock. But most of the banks are offering cash dividends every year, which may not be applicable to other non-banking firms.

Ban (2007), also conducted the study on *"Valuation of Stock in Stock Market"* with reference to banking, finance and insurance companies listed in NEPSE. He applied statistical tools, financial tools and financial parameters. The objectives of his study were to predict trends and significant development of stock in NEPSE, analyze size and return of securities, and compare with market return, examine the relation between market capitalizations with other determinants variables. He found that banking sector occupy 62.18% whole transaction of NEPSE. So, the rate of stock

market depends on performance of banking sector. The participation of people is encouraging market due to higher return. The average return of financial and insurance is 13.86% and coefficient of variation is 290.03%. The risk associated with finance and insurance sector is higher than banking sector. Similarly, in the case of finance and insurance sectors, EPS has found significant relationship with market capitalization.

Giri (2007), has conducted a study on *"Behaviour of Share Price of Listed Commercial Bank"* by taking 10 sample commercial banks. She used statistical tools, financial tools and financial parameters. The objectives of her study were to provide glimpse of Nepalese stock market, analyze the share price behaviour of listed commercial banks, to examine the risk involved in the common stock investment on those listed commercial banks. She found that weakly efficient market hypothesis does not offer a satisfactory explanation to these speculative price series. The information of the past price changes is helping in predicting future change. So, sufficient opportunities are available to institution and individual investors to make higher expected profit in future. Most of the stocks seemed to be riskily than the average stock. She found that most of the banks are offering cash dividends every year. According to her it is not applicable in the other type of non banking industries.

Dhungel (2007) under took the study on *"Stock Price Movement and Financial Performance of Nepalese listed companies*" and the objective of this study is that to measure the stock price behaviors and fluctuation trends. Similarly, find out the relationship between share volumes, market capitalization with price of stock. concludes that the invisible factors causes the ups and downs movement of monthly share volume, price and market capitalization throughout each fiscal year, the fluctuation trends is not in order and there is no correlation between volume and price of stocks. The larger stocks have the lower price earning ratios, larger market value to hook value ratio and lower ratio of dividend per share to marker price per share, higher J and less variable leverage and lower profitability-

Most banks are unknown about laws and policies regarding share market but poor rules and regulation as well as infective regulatory mechanism of market makers are the problem of Nepalese capital market.

Due to the inadequate knowledge of share market among Nepalese investors, capital market of Nepal has not been well developed yet. The reason why commercial banks are only the attractive sectors to invest, in the view of investor is that they are better managed and controlled; that is why they are in profit and distribute good rate of dividend.

Regmi (2008), undertake his study on *"Share Price Behaviors in Nepal"*. His major objective was to assess equity share price behaviors in Nepal. The other specific objectives were to test random walk or weak from efficient market hypothesis, examine whether successive price changes are independent or not, conduct the opinion survey financial executives regarding the various aspects of the share price behaviors in Nepal. He found that both the tests- serial correlation and run test analysis do not support the independence assumption of random walk model. Share price movements are caused by flow of several kinds of information in the market. The existence of work from efficient market hypothesis slightly accepted by the financial executives in Nepal.

Research Gap

Earlier studies and researches oh the slack price movements in NEPSE are carried out on the apparent approach by taking the most common indicators in consideration. During the review of previous thesis, it is found that no research has been conducted by taking these sample companies, which the researcher has selected in this research.

So it is believed that this study will fulfill the gap, which had been made by the earlier researcher. Researcher has taken sample from only the first class commercial banks which also could predict the sensitive stock moment as well. To identify determinants of stock price in NHPSE previous researcher used limited information based on secondary source of data- No study has been conducted by taking so much of indicators/determinants like the researcher has taken in account.

Furthermore it also shows that there are very few research-works conducted on various aspects of securities price formation of commercial banks in the field of stock market The studies conducted in developed security markets may not entirely he relevant in the security markets of underdeveloped country like Nepal. There applicability to test in the content of smaller and underdeveloped capital market likes

ours. The changes taken place after the completion of these studies might have reduce their relevance- Therefore it is necessary to test the validity of these studies and their applicability in our context.

Most of above stated studies use technical method and statistical methods like run test, correlation coefficient, NEPSE trend etc. for analysis purpose. Only few of studies use fundamental analysis tools for the research work. More than that, some few studies are concerned about the financial indicators like EPS. DPS. & BVPS which are the most influencing factors for the MVPS So this study try to analyze the relationship of these factors along with EPS, DPS, and BVPS with MVPS of selected commercial banks. Similarly, it is try to find out correlation among various factors as well as it also tries to show inflecting factor on market price of the stock with the helps of primary data.

Various quantitative and qualitative factors affect the share price formation. Many studies documented that dividend is one of the most influencing factors in share price formation. The fundamental analysts say that the price of stock is the present value of the future cash flows and the price of stock must be equal to this value. The role of brokers and market makers is crucial in pricing.

Another factor playing a major role in price formation in information and the signaling effects. Political turmoil, unstable government, lack of farsighted polices and other macro economic factors are equally play the vital role in the price fluctuation and make impact in a decisive role in share price formation which researcher try to analyze during study.

CHAPTER-III

RESEARCH METHODOLOGY

Research means to study repeatedly and find out new fact, knowledge, -principle in scientific manner. A systematic research study required a paper methodology to achieve the set of objective. Which helps to discover find out proposed information systematic collection, recording, analysis, interpretation and reporting of information. This chapters provides the methodology followed to achieve the objective sated in this research work. This chapters contains the research design, sample size, data collection procedure, data processing tools and techniques variables etc.

3.1 Research Design

Research design is the conceptual structure, plan or strategy of investigation within which research is conducted. This is a system that guides the researchers in formulating, implementing and controlling the study. This also helps to make easy to identifying the problem to report writing with the help of collection, tabulation, analysis and interpretation of data. This is logical and systematic planning and directing of a price of research.

In this study, historical as well as descriptive research design is adopted to determine the effect of earning, dividend book value and others factors on stock price. Historical research design is commanded along with correlation and regression analysis and to identify the qualitative factors affecting stock price the descriptive research design is commanded. It follows descriptive and analytical designs in the sense that it tries to find some fact about the Nepalese stock market and the Nepalese investors.

3.2 Population and Sample

The total observation is generally called population. There are 26 commercial banks at present in the market so this is the number of population. Due to the lack of time and resource factor, it is not possible to study all of them. Hence, the 10 commercial banks have been taken as sample which are listed and doing share transaction in NEPSE. The sampling method used is the judgmental sampling.

The sample of the study are as follows:

Sampled Banks

- Standard Chartered Bank Nepal Ltd.
- Bank of Kathmandu Ltd.
- NABIL Bank Ltd.
- Nepal Investment Bank Ltd.
- SBI Bank Ltd.
- Himalayan Bank Ltd.
- Everest Bank Ltd.
- Nepal Industrial and Commercial Bank Ltd.
- Kumari Bank Ltd.
- Machhapucchre Bank Ltd.

3.3 Sources and Nature of Data

The sources of information are generally classified as primary and secondary. This study is based on secondary data as well as primary data. Secondary data are used to find out the relationship between different variables like share price earning, share price liquidity ratio, share price turnover etc. But primary data are used to determine the factors which affect the stock price. The sources of secondary data are annual report of related banks, SEBON, NEPSE, financial statistics reports, journals unpublished thesis reports, newspapers, internet websites.

3.4 Data Collections Techniques

This study is based on primary and secondary data. Since, the nature of data is different so the data collection procedure also varies. The primary data are collected through scheduled questionnaire and the secondary data are collected from published materials are viewe3d in various spots like books, reports, journals, websites, online library, NEPSE, SEBON, TU Central Library, SEBON Library etc.

3.5 Data Processing

The data have no meaning if they are not arranging and presenting in a systematic way so they need to be verified and simplified for the purpose of analysis.

The relevant data have been instructed in meaningful tables and figures. It helps to find out the conclusion from the available data, with the helps of various statistical as well as financial tools. Those data are unnecessary which are excluded from the study and tables.

3.6 Data Analysis Tools

The collected data has no meaning if such data are not analyzed. In this study various statistical and financial tools have been used to analyze the data. The primary and secondary data collected from various sources lead to the logical conclusion, only if the appropriate tools and technique4s are adopted for analysis for such data.

Mean ($\overline{X}$)

Mean is the value of central part of the distribution which gives us representative of data. It depicts the characteristics of the whole group. The value of Arithmetic mean lies in between the two extreme observation of the entire data. The value of AM is obtunding by adding together all the items and by dividing this total by the number of items which is given by:

$$\text{Arithmetic mean } (\overline{X}) = \frac{X}{N}$$

Where,

$\overline{X}$ = Arithmetic mean

X = Sum of all the values of the variable X

N= Number of observations

Standard Deviation (±)

The standard deviation (±) measures the absolute description. If the standard deviation will be greater the magnitude of the deviations also greater. A small standard deviation means a higher degree of true/ fact and vice-versa.

Which is given by:

$$\pm \sqrt{\frac{1}{N} \quad \int X \, Z \overline{X} \text{Å}}$$

Where,

± = Standard deviations

n= number of observations

$\overline{X}$ = Arithmetic mean

Coefficient of Variation (C.V.)

Coefficient of variation (C.V.) compare the variability between two or more series. This is more relevant and appropriate statistical tools.

Which is given by:

$$CV = \frac{\pm}{\overline{X}} \mid 100$$

Correlation Coefficient (r^2)

Correlation coefficient helps to measure the qualitative nature of data. This statistical tools discovering and measuring the relationship and expressing. If the values of the variables are directly proportional the correlation is positive but the values of variables are inversely proportional the correlation is negative. The correlation coefficient always lies between +!1 to -1.

For example,

The two variables x and y are given by:

$$rxy = \frac{Cov(x,4)}{\pm_x \pm_y}$$

or, rxy= $\frac{N \quad xy - \quad x \quad y}{\sqrt{N \quad x^2 - \quad x}\sqrt{N \quad y^2 - \quad y}}$

Where,

rxy= correlation coefficient between two variables x and y.

When r is +1 there is perfect positive correlation, and if r is -1, there is perfect negative correlation but ris zero there is no correlation.

Coefficient of Determination (R^2)

The coefficient of determination is more appropriate statistical tools while verifying the result. It is the way to measure the contribution of independent variables in predicting the dependent variables. This is computed by square of the correlation coefficient which is given by,

$R^2=r\times r$

Regression Analysis

This tools helps to identify the unknown value of one variables from the known value of any other variable. The variable, those value is given is known as independent variables and the variable those value is to be predicted is known as dependent variable. So the regression analysis determine the average probable change in one variable based on a creation amount of change in another. It is used to determine the dependent variable is influenced by the given independent variable or not. So the regression analysis is mostly useful technique for economics and business research to find out the relationship.

The regression analysis can be classified into two categories which is given follows:

i) Simple regression analysis

ii) Multiple regression analysis

i) Simple Regression Analysis

This analysis used to describe the average relationship between two variable which helps to estimate the most probable value of dependent variables. On the basis of one or more independent variables.

In this study following simple regression has been analyzed which is given by,

MPS = a+bEPS .....(i)

MPS= A + bDPS .....(ii)

MPS = a+bBVPS ..... (iii)

i) Multiple Regression Analysis

This is defined as statistical device which is used to predicts the most probable value of dependent variable on the basis of known value of two or more independent variables so this is a logical extension of the simple regression analysis.

In this study, following multiple regression equation is analyzed.

MPS = a+b1EPS + b2 DPS + b3BVPS

Where,

MPS is dependent variable and EPS, DPS and BVPS independent variables.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter deals with data presentation, analysis and interpretation following the research methodology presented in the third chapter. This chapter is the main body of this study. The data both primary and secondary are collected in unprocessed form. Such collected data are presented in systematic formats and analyzed using different appropriate tools and techniques in this chapter. The secondary as well as primary data, collected from different sources are presented in an understandable presentation and analyzed separately using both quantative and qualitative measures whenever are appropriate.

4.2 Analysis of Market Price Behaciours

It is also important technique to summarize and analysis the market price as a whole for year to know about the stock price behaviours in Nepal stock market. The annual market price of each sample banks are supposed as a dozing price of close date of respected year for this purpose tabular as well as graphical measure are consider for presenting and analyzing the data.

Table 4.1

Yearly Market Price per Share (Closing from FY 2004/05 to 2008/09)

Year / Banks	2004/05	2005/06	2006/07	2007/08	2008/09	$\overline{X}$	S.D.	CV
SCBNL	2345	3775	5900	6880	6100	4994	1672.84	0.33
BOK	430	850	1375	2350	1750	1351	671.87	0.49
NABIL	3505	2240	5050	5275	4899	3794	1259.49	0.33
NIBL	800	1260	1729	2450	1388	1525	549.9	0.36
SBI	335	612	1776	1511	1900	1107	572.33	0.52
HBL	420	1100	1760	1980	1760	1504	415.19	0.28
EBL	870	1379	2430	2455	2053	2053	815.1	0.39
KBL	369	465	830	1005	700	674	232.91	0.35
MBL	256	320	620	1265	480	588	361.4	0.61
NICBL	366	496	9580	1284	1120	844	356.1	0.42
$\overline{X}$	770	1250	2182	2646	2215			
S.D.	243.4	586.7	943.8	1405.8	1046.4			
C.V.	0.31	0.46	0.43	0.53	0.47			

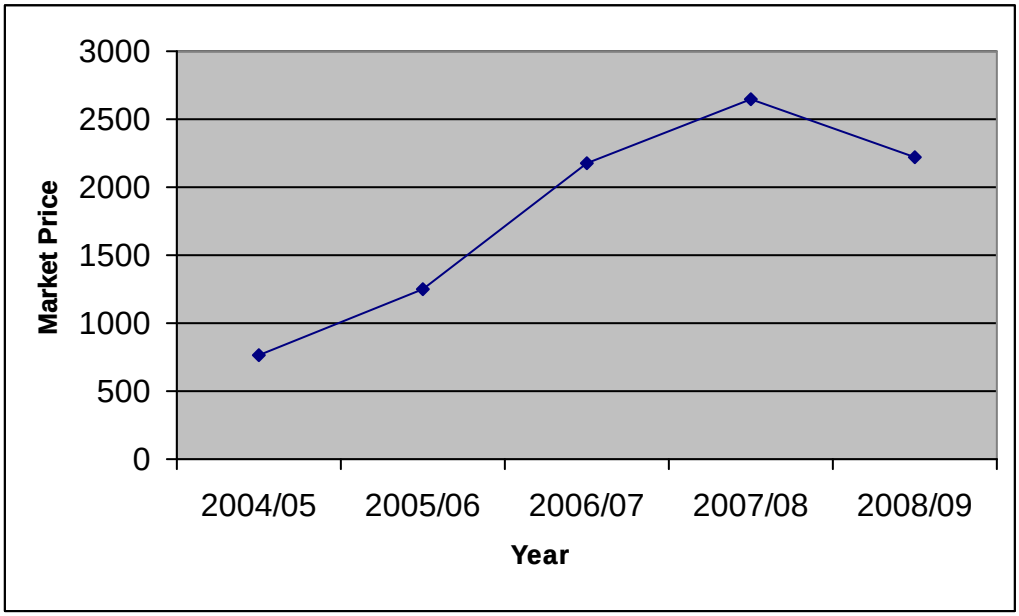
Source: NEPSE Annual Report.

From the table 4.1 it is clear that the end of FY 2004/05 to 2007/08 is increasing trend and after that the end of FY 208/09 is decreasing trend. In the FY 2004/05 to 2005/06 is sharply increase but in the FY 2006/07 is highly increasing upto FY 207/08 and in the FY 2008/09 is slowly decreasing. Overall market price of this sample banks are increasing trend upto FY 2007/08 and in the FY 2008/09 is decreasing trend due to different factors. According to coefficient of Variation is 53% in FY 2007/08 which is highest C.V. during the study period. This CV indicates that overall during the study period, it is moderate Risk involved in the commercial bank but in FY 2004/05 have least CV which is 31%.

Similarly, from the above table if. It is analyzed under company wise MBL have highest CV. Which is 61% it indicate that there is high degree of risk is involved but HBL have less CV which is 28%. It shows that HBL have less risk involved during the study period.

Figure 4.1

Yearly Market Price per Share (Closing FY 2004/05 to 2008/09)



Analyzing the figure 4.1 market price of overall sample commercial banks has increasing trend in FY 2004/05 then upto FY 2007/08 which is sharply increasing trend. In this situation the investor and shareholder should sell the stock and in the FY 2008/09 the market price is decreasing trend, in this situation the investor and shareholder should purchase the stock. In the FY 2004/05 the market price is Rs. 770

but in FY 2005/06 this price is sharply increase and reach upto Rs. 1250. After the FY 2005/06 or, End of FY 2006/07 the market price is highly increase and reach upto Rs. 2182. During the study, in the FY 2007/08 is high market price rather than other FY market price which is Rs. 2646. But in the FY 2008/09 the market price is slightly decrease and reach upto Rs. 2215. This trend indicates that the price movement of commercial banks is increasing trend. So investor and shareholder should purchase the stock in low price and hold it and sell it at high price.

4.3 Analysis of Financial Indicators

The main purpose of this section is to simply provide qualitative information of stock market fluctuation. Under this study, we compare the market price per share with dividend per share, earning per share, book value per share with the help of mean, standard deviation and coefficient of variation. Which helps to analyzed the market fluctuation of commercial bank.

4.3.1 Analysis of MPS and EPS

In this study the market price are determine the relationship between historical price movement and economic variable and to measure the risk involved for individual sample banks. In this study the price of stocks go up and down in the particular company due to the EPS or not. This analysis helps to know the individual financial position for the investor and shareholders standard deviation and coefficient of variation helps to identify the risk involved in the particular company. This analysis usually used the price movement to predict future movement in the stock market.

Table No. 4.2

Analysis of MPS and EPS

Years / Banks	MPS								EPS							
	2004/05	2005/06	2006/07	2007/08	2008/09	$\overline{X}$	S.D.	CV	2004/05	2005/06	2006/07	2007/08	2008/09	$\overline{X}$	S.D.	CV
SCBNL	2345	3775	5900	6880	6100	4994	1672.84	0.33	143.14	175.84	174.9	176	202.4	174.46	18.79	0.11
BOK	430	850	1375	2350	1750	1351	671.87	0.49	31.5	43.67	51.64	68.52	71.21	53.31	14.49	0.29
NABIL	3505	2240	5050	5275	4899	3794	1259.49	0.33	105.49	129.21	137.08	108.31	106.74	117.37	13.15	0.11
NIBL	800	1260	1729	2450	1388	1525	549.9	0.36	39.5	59.35	71.4	81.05	83.05	66.87	16.06	0.24
SBI	335	612	1776	1511	1900	1107	572.33	0.52	13.26	16.55	24.55	29.08	31.87	23	7.1	0.31
HBL	420	1100	1760	1980	1760	1504	415.19	0.28	47.91	59.24	60.66	62.74	61	58.31	5.32	0.09
EBL	870	1379	2430	2455	2053	2053	815.1	0.39	54.22	62.78	72.64	81.93	102.4	74.8	16.64	0.22
KBL	369	465	830	1005	700	674	232.91	0.35	17.58	20.63	25.55	27.87	30.41	24.41	4.69	0.19
MBL	256	320	620	1265	480	588	361.4	0.61	15.43	18.75	29.47	34.81	24.98	24.89	7.1	0.28
NICBL	366	496	9580	1284	1120	844	356.1	0.42	22.75	16.7	24.1	25.75	27.83	23.29	3.98	0.17
$\overline{X}$	770	1250	2182	2646	2215	-			49.1	60.27	67.22	69.61	74.17			
S.D.	243.4	586.7	943.8	1405.8	1046.4				10.4	14.7	18.6	17.4	21.6			
C.V.	0.31	0.46	0.43	0.53	0.47				0.21	0.23	0.26	0.24	0.28			

Sources: Appendix 1

From the above table it is clear that during the study period the mean MPS of SCBNL is Rs. 4994. The standard deviation is 1672.84 with 0.33 coefficient of variation. The 33% CV indicates that there is less chances to fluctuation in MPS of SCBNL. During the study period, SCBNL average earning is Rs. 174.46. The standard deviation is 18.79 and coefficient of variation is 0.11. The 11% cv indicates that there is less risk involved in the earning capacity of this bank.

Under the study of BOK, the mean MPS is Rs. 1351 with 671.87 standard deviation. The coefficient of variation is 0.49. The 49% cv shows that there is moderate risk involved in price fluctuation. The average EPS is Rs. 53.31 with standard deviation. The 28% CV show that there is less risk involved in the earning capacity of this bank during the study period.

Under the study of NABIL, the mean MPS of this bank is Rs. 3749. The standard deviation is 1259.49 and coefficient of variation is 0.53. The 33% cv indicates that there is low degree of price fluctuation. The averagve EPS of this bank is 117.37 with 13.15 standard deviation. The 11% CV shows that there is very less risk involved in earning capacity of this bank.

Under the study of NIBL, the mean MPS of this bank is Rs. 1525 with 549.9 standard deviation. The coefficient of variation is 0.36. The 36% CV shows that there is less chances to fulctuation of MPS of this bank. The average EPS of this bank is Rs. 66.87 with 16.06 standard deviation. The 24% CV indicates that there is less risk involved in earning capacity.

Under the study of SBI Bank, the mean MPS of this bank is Rs. 1107. The standard deviation is 57.33 and coefficient of variation is 0.52. The 52% CV show that there is moderate trend of price fluctuation. The average EPS is Rs. 2.3 with 7.1 standard deviation. The 31% CV show that there is less risk involved in earning capacity of this bank.

Under the study of HBL, the mean MPS of this bank is Rs. 1504. The standard deviation is 415.9 and CV is 0.28. The 28% CV show that there is less risk involved in price fluctuation. The average EPS 58.31 with 5.32 standard deviation. The 9% CV show that there is less risk involved in earning capacity of this bank.

Under the study of EBL, the mean MPS of this bank is Rs. 2053 with 815.1 standard deviation, the coefficient of variation is 0.39. The 39% CV indicates that there is less

risk involved in price fluctuation. The average EPS of this bank is 74.8 with 16.04 standard deviation. The 22% CV indicate that there is less risk involved in investor and shareholder for earning capacity.

Under the study of HBL, the mean MNPS of this bank is Rs. 674 with 232.91 standard deviation. The coefficient of variation is 0.35. The 35% CV shows that there is less price fluctuation trend. The average EPS of this bank is 24.41 with 4.69 standard deviation. The CV of this Bank is 0.29. The 19% CV shows that there is less risk involved to investor for earning capacity.

Under the study of MBL, the mean MPS of this bank is Rs. 568 with 361.4 standar deviation. The coefficeint of variation is 0.61. The 61% CV indicates that there is high risk of price fluctuation. The averagve EPS of this bank is Rs. 14.89 with 7.1 standard deviation. The 28% CV shows that there is less risker in earning capacity.

Under the study of NICBL, the mean MPS of this bank is Rs. 844 with 345.1 standard deviation. The coefficient of variation is 0.42. The 42% cv indicates that there is moderate risk involved in price fluctuation. The averabge EPS of this bank is Rs. 23.29 with 3.98 standard deviation. The 17% CV show that there is also less risk involved in earning capacity of this bank.

During the five year study period the overall MPS of the industry averagve is increasing trend. In fiscal year 2004/05 has mean MPS is 770 but in fiscal year 2003/04 this price will reach in 2215. This is increasing trend of capital market. When the MPS were increased EPs of each industry also increasing trend. From the above calculation those banks have less coefficient of variation there is less risk involved in price fluctuation. So, those banks have less price fluctution. They have constant earning capacity. Those bank have higher EPs that banks have high market price per share. In hance of calculation the SCBNL and NABIL have highest EPS so MPS also high. But similarly, MBL and KBL have less EPS so MPS also less.

Thus the above analysis shows the CV of MPS in MBL is high among the sampled banks which indicate that there is high risk involved in market price of share for the investor and share holders of this bank. The CV of MPS in HBL is low which show that there is low risk involved in market price of share for the investors and shareholders. The CV of EPS in BOK and MBL are the highest which mean the MBL

and BOK's common stock are risker as compared to other bank. The CV of NABIL and SCBNL is lower comparing with others and it is less risker among act.

At the end the above calculation and analysis explains that when the EPS where increased, the MPS also increased. EPS is the one humbly affected to MPS. EPS plays the vital role for the price fluctuation in the capital market.

Table No. 4.3

Variables	Correlation (r)	Coefficient of Determinant (r^2)	Problem Error (P.E.)	6P.E.	Remarks (Significant/ Insignificant)
MPS & EPS	0.983	0.9663	0.011	0.064	Significant

Sources: Appendix 2

The correlation between MPS and EPS is 0.983. It shows that MPS is significantly highly positively correlated with EPS. It indicates that when the EPS increases MPS also increases and vice-versa. The coefficient of determinants is 0.9663 which indicates that nearly 96.63.% of the total change in MPS is due to the effect of EPS and remaining 3.37% change in MPS is due to the other factors.

The probable of error (P.E.) of correlation coefficient is 0.011 and 6P.E. is 0.064. It indicates that the value of r is significant or correlation is significant. It helps to analyze the measurement of reliability of the computed value of the correlation coefficient 'r.' This is significant because r value is greater than that of 6. P.E. value.

4.3.2 Analysis of MPS and DPS

In this study the market price are determine the relationship between historical price movement and economic variable and to measure the risk involved for individual sample banks. In this study the price of stocks go up and down in the particular company due to the DPS or not. This analysis helps to know the individual financial position for the investor and shareholders standard deviation and coefficient of variation helps to identify the risk involved in the particular company. This analysis usually used the price movement to predict future movement in the stock market.

Table No. 4.4

Analysis of MPS and DPS

Years / Banks	MPS								DPS							
	2004/05	2005/06	2006/07	2007/08	2008/09	$\overline{X}$	S.D.	CV	2004/05	2005/06	2006/07	2007/08	2008/09	$\overline{X}$	S.D.	CV
SCBNL	2345	3775	5900	6880	6100	4994	1672.84	0.33	120	140	148	255	265	185.6	01.51	0.33
BOK	430	850	1375	2350	1750	1351	671.87	0.49	0	30	45	48.75	53.64	35.48	19.42	0.55
NABIL	3505	2240	5050	5275	4899	3794	1259.49	0.33	70	85	140	100	85	96	23.96	0.25
NIBL	800	1260	1729	2450	1388	1525	549.9	0.36	-12.5	55.46	60.67	68.21	77.89	54.95	22.5	0.41
SBI	335	612	1776	1511	1900	1107	572.33	0.52	0	0	21.67	28.09	41.08	18.17	16.13	0.89
HBL	420	1100	1760	1980	1760	1504	415.19	0.28	31.58	35	40	45	48.71	40.1	6.27	0.16
EBL	870	1379	2430	2455	2053	2053	815.1	0.39	20	0	24	34	48	25	11.28	0.45
KBL	369	465	830	1005	700	674	232.91	0.35	0	0	15.47	27.87	30.14	14.75	13.069	0.89
MBL	256	320	620	1265	480	588	361.4	0.61	0	15.79	21.93	27.71	31.74	19.43	11.11	0.57
NICBL	366	496	9580	1284	1120	844	356.1	0.42	30	10.53	21.05	21.05	15.79	19.68	6.47	0.38
$\overline{X}$	770	1250	2182	2646	2215	-			28.41	37.18	53.78	65.57	69.7			
S.D.	243.4	586.7	943.8	1405.8	1046.4				8.4	7.8	5.7	12.8	9.7			
C.V.	0.31	0.46	0.43	0.53	0.47				0.33	0.19	0.09	0.18	0.13			

Sources: Appendix 1

From the above table, during the study period, the BHL have constant or low degree of MPS fluctuation. The point of view of investors and share-holders. This is less riskier assets. The HML mean - MPS is Rs. 2053 with 415.9 standard deviation. The CV is 0.28. The 28% CV explain that there is low risk involved in the price change. The HBL averae DPS is 40.1 with 6.27 standard deviation. The 16% CV is indicates that this bank have less risk involved for dividend paying. This bank have constant DPS among all sample bank. So these bank have constant DPS thye have low price fluctuation. Hence, the HBL is low riskier asset for investor and shareholders because this have no more change in dividend per share. But the BOK mean MPS is 1351 with 871.87 standard deviation. The 49% CV indicates that there is moderate risk involved in price fluctuation. The DPS is Rs. 35.48 with 19.42 standard deviation. The CV is 0.55 the 55% CV indicates that there is high risk involved in DPS of this bank. Similarly SBI bank have mean MPS is Rs. 504 with 572.33 standard deviation. The coefficient of variation is 0.52. The 52% cv indicate that there is more risker in price fluctuation. In this bank the average DPs is 18.17 with 16.13 standard deviation. The 89% CV indicates that there is high risk involved in DPS of this bank. As well as KBL have mean MPS is Rs. 5.88 with 361.4 standard deviation. The 61% CV indicates that there is high risk involved in price fluctuation. The average DPS of this bank is Rs. 14.79 with 13.06 standard deviation. The 89% CV indicates that this is also more riskier assets because this have more degree of risk involved in DPS. Others remaining banks have moderate DPS. So, the MPS fluctuation also moderate trend.

Thus, the dividend per share plays the vital role for the price fluctuation of capital market. If the investors and shareholders hope the positive and constant return from.

The assets they are acctrated to that kinds of assets. Overall SCBNL and NABIL Bank have constant MPS because these banks have constant DPS. MPS and DPS have positive relation when the DPS where increased the MPS of each aspects where increased. In the fiscal year 2007/08 the overall DPS where highly increased by 65.57 at that time the average MPS also increased uoto Rs. 2646 from Rs. 2182. But during the fiscal year 2008/09 the DPS is sharply increased but MPS is highly decreases due to external factor. So in the conclusion DPS affected to the MPS of each aspects.

Table No. 4.5

Variables	Correlation (r)	Coefficient of Determinant (r^2)	Problem Error (P.E.)	6P.E.	Remarks (Significant/ Insignificant)
MPS & DPS	0.945	0.8930	0.0338	0.203	Significant

Sources: Appendix 2

The correlation between MPS and DPS is 0.945. It reveals that MPS is significantly positive correlated with DPS. It indicates that when the DPs increases MPS also increases and vice-versa. The coefficient of determinants is 0.8930. It is explains that nearly 89% of total change in MPS is due to the effects of DPS and remaining 11% change in MPS is due to the other factors.

The probable of error (P.E.) of correlation coefficient is 0.035 and 6P.E. is 0.20. It indicates that the value of r is significant or correlation is significant. It helps to analyze the measurement of realiability of the computed value of the correlation coefficient 'r.' This is significant because r value is greater than that of 6. P.E. value.

4.3.3 Analysis of MPS and BVPS

In this study the market price are determine the relationship between historical price movement and economic variable and to measure the risk involved for individual sample banks. In this study the price of stocks go up and down in the particular company due to the BVPS or not. This analysis helps to know the individual financial position for the investor and shareholders standard deviation and coefficient of variation helps to identify the risk involved in the particular company. This analysis usually used the price movement to predict future movement in the stock market.

Table No. 4.6

Analysis of MPS and BVPS

Years / Banks	MPS								BVPS							
	2004/05	2005/06	2006/07	2007/08	2008/09	$\overline{X}$	S.D.	CV	2004/05	2005/06	2006/07	2007/08	2008/09	$\overline{X}$	S.D.	CV
SCBNL	2345	3775	5900	6880	6100	4994	1672.84	0.33	422.38	468.22	671.36	1091.1	1374.2	805.45	369.73	0.46
BOK	430	850	1375	2350	1750	1351	671.87	0.49	213.6	230.67	289.67	310.84	308.59	270.62	40.58	0.15
NABIL	3505	2240	5050	5275	4899	3794	1259.49	0.33	337	381	418	354	324	362.8	33.55	0.09
NIBL	800	1260	1729	2450	1388	1525	549.9	0.36	200.8	239.67	254.9	314.21	501.64	302.24	106.1	0.35
SBI	335	612	1776	1511	1900	1107	572.33	0.52	159.54	105.5	172.67	180.91	185.74	172.9	9.52	0.06
HBL	420	1100	1760	1980	1760	1504	415.19	0.28	239.59	228.72	204.74	247.95	253.14	246.83	12.18	0.05
EBL	870	1379	2430	2455	2053	2053	815.1	0.39	219.87	217.67	247	264.41	251	202	88.35	0.44
KBL	369	465	830	1005	700	674	232.91	0.35	103.89	120.23	130.24	138.74	142.64	127.15	13.95	0.11
MBL	256	320	620	1265	480	588	361.4	0.61	115.95	130.22	145.21	160.84	173.47	145.12	20.61	0.14
NICBL	366	496	9580	1284	1120	844	356.1	0.42	136.84	127.74	148.06	154.36	164.24	146.9	12.9	0.08
$\overline{X}$	770	1250	2182	2646	2215	-			214.3	230.5	273.8	321.2	367.5			
S.D.	243.4	586.7	943.8	1405.8	1046.4				84.6	91.4	89.4	74.6	101.4			
C.V.	0.31	0.46	0.43	0.53	0.47				0.39	0.39	0.32	0.23	0.27			

Sources: Appendix 1

From the above table 4.3, the mean of overall industry market price per share is increasing trend upto fiscal year 2007/08 and slightly declining in fiscal year 2008/09 and reach to 2215. The average book value per share also increasing trend upto whole study period and reach 367.5 during the fiscal year 2008/09. If the analysis is started from each banks. Under the study of HBL, the average BVPS is Rs. 246.83 with 12.18 standard deviation. The coefficient of variation is 0.05. The 5% CV explaines that there is very less risk involved in the book value price fluctuation of this bank and MPS also have less risk price fluctuation. So this bank is less risker investment opportunity for the investor and shareholders. The SBI banks also have the mean BVPS is Rs. 172.0 with 9.52 standard deviation. The 6% CV indicates that there is also very less risk involved in fluctuation of BVPS of this bank but this banks MPS is moderate risk involved.

Under the study of NICBL also have mean BVPS is Rs. 146.25 with 12.9 standard deviation. The 8% CV indicates that there is less risk involved in the fluctuation of BVPS. So, SBI, HBL and NICBL are less risk involved in fluctuation of BVPS during the study period.

Under the analysis of SCBNL, the mean BVPS is Rs. 505.45 with 369.73 standard deviation. The coefficient of variation is 0.46. The 46% CV indicates that there is less risk involved in the fluctuation of BVPS but overall comparison of the bank this bank have highest chance of change in BVPS. Similarly, the EBL have the mean BVPS is Rs. 207 with 88.35 standard deviation. The coefficient of variation is 0.44. The 44% CV indicates that there is moderate risk involved in the price fluctuation in book value. But overall comparison EBL have high degree of price fluctuation rate rather than other. So from the analysis of calculation SCBNL and EBL have high degree of chance to fluctuated in BVPS. But this assets have moderate risk involved in MPS and others remaining banks have moderate risk involved in the fluctuation in book value. But overall comparison EBL have high degree of price fluctuation rate rather than other. So from the analysis a calculation SCBNL and EBL have high degree of chance to fluctuated in BVPs. But this assets have moderate risk involved in MPS and others remaining banks have moderate risk involved in the fluctuation in BVPS. During the study period. As a result BVPS slighly a flect to the MPS of each banks. Those bank have highest book value per share that banks have highest market price

per share and vice-versa. During the study period SCBNL and NABIL have highest mean BVPS and this banks have highest MPS. But KBL, MBL have lowest BVPS so similarly the MPS also lowest. The relationship of BVPS and MPS have positive under the study of mean.

But the overall effect is that BVPS is affected to the retained earning of the shareholders. BVP is the sum of cumulative retained earning, capital contributed in excess of par and common stock.

Table No. 4.7

Variables	Correlation (r)	Coefficient of Determinant (r^2)	Problem Error (P.E.)	6P.E.	Remarks (Significant/ Insignificant)
MPS & BVPS	0.915	0.8372	0.515	0.309	Significant

Sources: Appendix 2

The correlation of MPS and BVPS is 0.915 correlation between MPS and BVPS shows that there is also high degree of positive relationship. It indicates that when the BVPS increases MPS also increase and vice-versa. The coefficient of determinants between MPS and BVPS is 0.8372. It explains that nearly 83.72% of total change in MPS is due to the effects of BVPS and remaining 16.28% change in MPS is due to the effects of other factors.

The probable of error (P.E.) of correlation coefficient is 0.515 and 6P.E. is 0.309. It indicates that the value of r is significant or correlation is significant. It helps to analyze the measurement of realiability of the computed value of the correlation coefficient 'r.' This is significant because r value is greater than that of 6. P.E. value.

4.4 Regression Analysis

The regression analysis is carried out to determine whether the dependent variables is influence by the given independent variables or not. In this analysis MPS is dependent variables and DPS, EPS and BVPS is independent variables.

4.4.1 Simple Regression Analysis

Regression is the statistical tool, which presents the linear relationship between two or more variables. If one or more independent variables are cange and then it results the change in the value of dependent variables. Statistically, such variables can be presented in mode of linear equation. This analysis is done with simple regression analysis to find out the existence are non-existenc of any relationship between MPS and EPS, DPS, BVPS.

Simple regression equation of MPS in different situation is expressed as:

MPS= a+ b different situation

Where,

a= $\bar{y} - b\bar{x}$

b= $\frac{N \quad xy - \sum f \quad x \sum f \quad y}{N \quad Ex2 - \sum f \quad x}$

I. MPS on EPS

Where,

MPS is dependent variables and EPS is independent variables.

Table 4.8

Regression coefficient

MPS = a + b EPS

Banks	Regession Constants (a)	Regression Coefficient (b)	R2
SCBNL	-6091.5	63.71	0.2276
BOKL	-1105	46.35	0.99
NABIL	2697.7	9.37	0.786
NIBL	-319.78	27.59	0.7698
SBI	-1481.96	112.56	0.984
HBL	128.72	-23	0.3747
EBL	-1520	48.29	0.8092
KBL	193	-19.7	0.4033
MBL	-758.65	53.86	0.6358
NICBL	349.83	21.48	0.3882

Sources: Appendix 2

Table 4.8 shows that the simple regression analysis between MPS and EPs of selected commercial banks.

The correlation of MPs and EPs of almost banks are positive except HBL and KBL. So the regression coefficient of this banks are negative. The regression coefficient of SCBNL, BOKL, NABIL, NIBL, SBI, EBL, MBL and NICBL are 63.71, 46.35, 9.37, 27.59, 112.56, 48.29, 53.86 and 21.48 respectively. It indicates that holding other variable constant one rupee increase in EPs leads to an average of about Rs. 63.71, 46.35, 9.37, 27.59, 112.56, 48.29, 53.86 and 21.48 increases in stock price of SCBNL, BOKL, NABIL, NIBL< SBI, EBL, MBL and NICBL respectively. But in case of HBL and KBL have negative regression coefficient. The regression coefficient of HBL and KBl are -23 a c- 19.7 respectively. It indicates that holding other variable constant one ruppe decreases the EPS leads to an average of about Rs. 23 and 19.7 respectively.

The value of constant (a) is -6091.5, -1105 2697.7, -319.78, -1481.96, 128.72, -1520, 193, -758.65 and 349.83 of SCBNL, BOKL, NABIL, NIBL, SBI, EBL, MBL and NICBL respectively. In case of SCBNL, BOKL, NABIL, NIBL, SBI, EBL, MPL have negative regression constant which indicates that MPs of these banks are deeply related with the EPs but the regression constants of NABIL, HBL, KBL, NICBL have positive which indicates that the MPs of all banks are highly affected by other factors besides EPS.

The coefficient of multiple determinants is 0.2276, 0.99, 0.0786, 0.7698, 0.984, 0.3747, 0.8092, 0.4033 0.6358 and 0.3882 of SCBNL, BOKL, NABIL, NIBL, SBI, NBL< EBL, KBL, MBL and NICBL respectively. The R^2 (co9efficient of determinants) of NABIL is lowest among other sample banks. It is indicates that the only 7.80% variation of MPS is explained by EPS. The R^2 (coefficient of determinants of BOK is highest among the banks. It is indicates that 99% variation in MPS is explained due to the change in EPs of this bank. Similarly, 22.76%, 76.98%, 98.4%, 37.47%, 80.92%, 40.33%, 63.58% and 38.82% variation in MPs is explained due to change in EPs of SCBNL< NIBL, SBI, HBL< EBL, KBL, MBL and NIBL respectively. It can be concluded that the MPS of these banks is highly affected by EPs.

II. MPS on DPS

Where,

MPS is dependent variables and DPs is independent variables.

Table 4.9

Regression Coefficient

MPS=a + b DPS

Banks	Regression Constants (a)	Regression coefficient (b)	R^2
SCBNL	952.6	21.77	0.80
BOKL	238.67	31.35	0.8785
NABIL	-405.51	43.74	0.6592
NIBL	606.1	16.72	0.6362
SBI	440.47	36.67	0.99
HBL	-234.87	96.69	0.17854
EBL	1224	33.12	0.6829
KBL	471	14.44	0.7802
MBL	415.76	9.065	0.2630
NICBL	871.44	-1.44	0.3142

Sources: Appendix 3

The table 4.9 shows that the simple regression MPs on DPs of selected commercial banks. The regression coefficient of SBIBL, BOKL, NABIL, NIBL, SBI, HBL, EBL, KBL, MBL and NICBL are 21.77, 31.35, 43.74, 16.72, 36.68, 96.69, 33.12, 14.44, 9.065 and -1.44 respectively. The correlation of all most banks except NICBL are positive and NICBL have negative correlation between MPS and DPS. Those banks have positive regression coefficient it indicates that holding other variable constant one ruppe increases in DPs leads to an average of about Rs. 21.77, 31.35, 43.74, 16.72, 36.68, 96.69, 33.12, 14.44, 9.065 increase in stock price of respective banks. But negative correlation indicates that holding other variable constant one ruppe decreases the DPs leads to an average of about Rs. 1.44. It means there is positive correlaation between the MPS and DPs of the bank which has positive constant and negative correlation between MPS and DPs which banks has negative constant.

The regression constant (a) of all selected banks except NABIL, HBL, and NICBL are positive. All banks regression constant is high which indicates that average level of dependent variable or average affect on dependent variable if all variables omitted

from the model. The regression constant of NABIL, HBL, and NICBL are -40.551, -234.87 and -871.44 respectively. This banks has negative regression constant and it indicates that MPs of these banks are deeply related with the DPs. But the regression of other banks like SCBNL, BOKL, NIBL, SBI, EBL, KBL, and MBL are 952.6, 238.67, 606.1, 440.47, 122.4, 471, 475.76 respectively.

These banks have positive constant which indicates that the MPs of all banks are highly affected by other factors besides DPS.

The coefficient of determination R^2. SCBNL, BOKL, NABIL, NIBL, SBI, HBL, EBL, KBL MBL and NICBL are 0.80, 0.87, 0.65 that 80%, 87%, 65%, 63%, 99%, 78%, 58%, 78%, 26%, 31% of variation of MPS of respective banks are explained by the change in DPS of the respective banks. The SBI has 99% variation in MPS due to DPS which is highest degree of variation among all selected sample banks. The MBL has 26% variation in MPS due to DPS which is lowest degree of variation among all sample banks. The remaining banks SCBNL, BOKL, NABIL, NIBL, HBL, EBL, KBL, and NICBL also have high degree of variation in MPS due to the DPS. So at last DPS plays the vital role in the variation of MPs III. MPS on BVPS

Where, MPS is dependent variables and BVPS is independent variables.

Table 4.10
Regression coefficient
MPS = a + b BVPS

Banks	Regression Constants (a)	Regression coefficient (b)	R^2
SCBNL	2093.98	-3.60	0.797
BOKL	-289.14	15.52	0.939
NABIL	967.64	7.79	0.164
NIBL	1184.28	1.127	0.215
SBI	-319.28	-24.49	0.584
HBL	1065	10.85	0.843
EBL	957.6	5.42	0.866
KBL	502.27	25.01	0.454
MBL	1285.61	12.92	0.629
NICBL	415.75	3.95	0.48

Sources: Appendix 3

Table 4.10 shows the simple regression analysis between MPS and BVPS of selected commercial banks. The regression coefficient of SCBNL, BOK, NABIL, NIBL, SBI, HBL, EBI, KBL, MBL and NICBL are Rs. 3.6, 15.52, 7.79, 1.127, -24.49, 10.85, 5.42, 25.01, 12.92 and 3.95 respectively. It indicates that holding the variable constant one rupees increase in BVPS leads to an average of about Rs. 3.6, 15.52, 7.79, 1.127, 10.85, 5.42, 25.01, 12.92 and 3.95 increases in the case of SCBNL, BOK, NABIL, NIBL, HBL, EBL, KBL, MBL, and NICBL. These bank have positive correlation between MPS and BVPS. But in case of SBI bank has negative correlation between MPS and BVPS. The SBI have Rs. -24.49 regression coefficient. It indicates that the price of share is decreases by 24.49. If BVPS is decreases by Rs. 1 from the above analysis explain that BVPS plays vital role to determine the MPS.

The value of constant (a) is Rs. 2093.98, -289.14, 967.64, 1184.28, -319.28, 1065, 957.6, -302.27, -1285.61 and 415.75 of SCBNL, BOKL, NABIL, NIBL, SBI, HBL, EBL, KBL, MPL and NICBL respectively. The BOK, SBI, KBCL, MBL has negative constant which indicates that the MPS of these banks are deeply related with BUPS. The SCBNL, NABIL, NICBL, HBL, EBL, NICBL has positive regression constant. It indicates that the MPS of these banks are highly affected by other factors besides BVPS. All banks regression constant is high which indicates that average level of dependent variable or average affect on dependent variable if variables omitted and other situation is constant.

The coefficient of multiple determination 'R^2' of SCBNL, BOKL, NABIL, NIBL,SBI, HBL, EBL, KBL, MBC and NICBL are 0.797, 0.939, 0.184, 0.215, 0.584, 0.843, 0.866, 0.454, 0.629 and 0.48 respectively. The 79%, 93%, 16%, 21%, 58%, 83%, 86%, 45%, 62%, 48% correlation coefficient indicates that the variation of MPS due to the BVPS coefficient of BOK has the 93% variation in MPS due to the BVPS which is highest variation percentage among the selected banks. The coefficient of NABIL has the 16% variation in the MPS due to the BVPS. Which is lowest variation percentage among the selected banks. Other remaining banks, SCBNL, NIBL, SBI, HBL, EBL, KBL, MBL and NICBL also have high degree of variation in MPS due to the reason of BVPS. So BVPS also other factors which affect to determine the MPS of each assets.

4.4.2 Multiple Regression Analysis

Multiple regression analysis is done to find out the relationship of MPs on EPS, DPs and BVPS where MPS is dependent variables and EPS, DPS and BVPS are independent variable.

The regression equation is,

$MPS = a + b_1 EPS + b_2 DPS + b_3 BVPS$

Table 4.11

Multiple regression analysis of MPS on EPS, DPS and BVPS.

Banks	Regression Constants (a)	Regression coefficient (b)			R^2	
		b_1	b_2	b_3	r	r^2
SCBNL	-10148	0.635	-1.035	1.392	0.975	0.95
BOKL	551.23	0.775	0.599	-2.42	0.983	0.967
NABIL	-3679.949	0.042	-1.196	-2.085	0.99	0.98
NIBL	256.906	0.679	0.438	-0.068	0.998	0.995
SBI	35.266	0.428	-0.339	0.062	0.682	0.465
HBL	-13695.0694	0.783	0.753	0.551	0.936	0.87
EBL	-1505.14	-0.149	-0.598	1.136	0.985	0.97
KBL	-9.961	0.89	0.344	-0.138	0.862	0.748
MBL	-1788.8	-1.88	0.706	3.408	1	1
NICBL	-1762.8	-18.82	1.11	18.517	0.776	0.602

Sources: Appendix 4

The table 4.11 shows the result of multiple regression analysis of selected commercial banks that MPS depends on EPS, DPS and BVPS. As far as regression coefficient is concerned the beta coefficient b_1 for EVS b_2 for DPs and b_3 for BVPS.

Under the study of SCBNL, the regression coefficient of EPS, DPs and BVPS denoted by b_1, b_2, and b_3 are 0.635, =1.035 and 1.392 respectively. It means that Rs. 1 increase in EPs and BVPS leads to Rs. 0.635 and 1.392 increase in MPS respectively and Rs. 1 increases in DPs leads to Rs. 1.035 decrease in MPS. The regression constant ‘a’ in multipal regressions that MPS on EPS, DPS and BVPS is -19148. The

regression constant is negative so it indicates that MPS of this bank is highly affected by other factor besides EPS, DPS and BVPS on the bank. The multiple correlation between MPS, EPS, DPS and BVPS is 0.957 with 0.95 coefficient of multiple determination. It indicates that nearly 98% variation in MPS is due to the joint effect of EPS, DPS and BVPS and remaining 5% change in MPS is due to the effect of other factors.

In case of BOKL, the regression coefficient of EPS, DPS and BVPS denoted by b_1, b_2 and b_3 are 0.775 0.599 and -2.42 respectively. It means that Rs. 1 increase in EPS and DPS leads to Rs. 0.775 and Rs. 0.599 increase in MPS respectively and Rs. 1 increase in BVPS leads to Rs. 2.42 decrease in MPS. The regression constant 'a' in multiple regression is 551.23 which indicates that it is positive. So, MPS of this bank is affected by EPS, DPS and BVPS. The multiple correlation between MPS, EPS, DPS and BVPS is 0.988 and coefficient of multiple determination is 0.9779. It is explain that there is high degree of closeness and baout 98.3% change in MPS of total change is due to the joint effect of change in EPS, DPs and BVPS and remaining 1.7% change in MPS due to other factors.

In the case of BOKL, the regression coefficient of EPS, DPs and BVPS denoted by b_1,b_2 and b_3 are 0.775, 0.599 and -2.42 respectively. It means that Rs. 1 increase in EPS and DPS leads to Rs. 0.775 and Rs. 0.599 increae in MPS respectively and Rs. 1 increase in a BVPS leads to Rs. 2.42 decrease in MPS. The regression constant 'a' in multipal regression is 551.23 which indicates that it is positive. So, MPS of this bank is affected by EPS, DPS and BVPS. The multiple correlation between MPS, EPS, DPS and BVPS is 0.983 and coefficient of multiple determination is 0.9779. It is explain that there is high degree of closeness and about 98.3% change in MPS of total change is due to the joint effect of change in EPS, DPS and BVPS and remaining 1.7% change in MPS due to other factors.

In case of NABIL, the regression coefficient of EPS, DPS and BVPS denoted by b_1,b_2 and b_3 are 0.042, -1.196 and -2.085 respectively. It means that Rs. 1 increase in EPS results Rs. 0.042 in MPS. Rs. 1 decrease in DPS and BVPS leads to Rs. 1.190 increase and Rs. 2.085 decrease in MPS respectively. The regression constant 'a' is -3679.994. It indicates that MPS of this bank is highly affected by other factor besides EPS, DPS and BVPS of this bank. The multiple correlation and coefficient of multiple

determination are 0.99 and 0.98 respectively. It indicates that the nearly 98% variation in MPS is due to the joint effect of EPS, DPS and BVPS and remaining 2% is due to other factors.

In case of NIBL, regression coefficient of EPS, DPS and BVPS is denoted by b_1,b_2 and b_3 are 0.679, 0.438 and -0.068 respectively. It means that Rs. 1 increase in EPS and DPs leads to Rs. 0.679 and Rs. 0.438 increase in MPs respectively and Rs. 1 increase in BVPS leads to Rs. 0.068 decrease in MPS. The regression constant 'a' is 256.906. It explain that the MPs is deeply affected by these factors. The multiple correlation and coefficient of multiple determination are 0.998 and 0.995 respectively. The R2 indicates that about 99% variation in MPS is explained by the joint effect of EPs, DPs and BVPS and remaining 1% change is due to other external factors.

In case of SBI, the regression coefficient of EPs, DPS and BVPS are 0.428, -0.339 and 0.062 denoting by b_1, b_2 and b_3 respectively. It means that Rs. 1 increase in EPs and BVPS leads to Rs. 0.428 and Rs. 0.062 change in MPS. The regression constant 'a' is 35.266. The multiple correlation and coefficient of multiple determination are 0.682 and 0.465 respectively. It indicates that 68.2% variation in MPS is explained by the joint effect of EPS, DPS and BVPS and remaining 31.8% change in MPS due to the other external factors.

Unde the study of HBL, the regression coefficient of EPS, DPS and BVPS denoted by b_1, b_2 and b_3 are 0.783, 0.753 and 0.511 respectively. It means that Rs. 1 increase in EPS, DPS and BVPS leads to Rs. 0.783 Rs. 0.753 and Rs. 0.531 increase in MPS respectively. The regression constant 'a' is -1395.54. The multiple correlation and coefficient of multiple determination are 0.936 and 0.877 respectively. It indicates that 93.6% variation in MPS is due to the joint effect of EPS, DPS and MPS and remaining 6.4% variation in MPS of this bank is due to the other factors.

Under the study of EBL, the regression coefficient of EPS, DPS and BVPS denoted by b_1, b_2 and b_3 are -0.149, -0.598 and 1.136 respectively. It means that Rs. 1 increase in EPS and DPS leads to Rs. 0.149 and 0.598 decrease in MPS of this bank. But Rs. 1 increase in BVPS leads to Rs. 1.136 increase in MPS. The regression constant 'a' is -1565.144. The multiple correlation and coefficient of multiple determination are

0.985 and 0.97 respectively. It indicates that 98.57% variation in MPS is due to the joint effect of EPs, DPS and BVPS of this bank.

Under the study of KBL, the regression coefficient of EPS, DPS and BVPS is denoted by b_1, b_2 and b_3 are 0.88, 0.344 and -0.138 respectively. It indicates that Rs. 1 increases in EPs and DPS leads to increase in MPS but Rs. 1 increase in BVPS leads to Rs. 0.138 decrease in MPs. The regression constant 'a' is -9.961. The multiple correlation and coefficient of multiple determination are 0.862 and 0.743 respectively. It indicates that 86.2% variation in MPS is due to the joint effect of EPS, DPS and BVPS.

In case of MBL the regression coefficient of EPS, DPS and BVPS is denoted by b_1, b_2 and b_3 are -1.883, -0.706 and 3.408 respectively. It means that Rs. 1 increase in EPs and DPS leads to Rs. 1.883 and 0.706 decrease i9n MPS respectively and Rs. 1 increase in BVPS leads to Rs. 3.408 increase in MPs. The regression constant 'a' is -1`788.807. The multiple correlation and coefficient of multiple determination are 1 and 1 respectively. It indicates that 100% variation in MPS is due to the joint effect of EPS, DPS and BVPS of this bank.

Under the study of NICBL the regression coefficient of EPS, DPS and BVPS is denoted by b_1, b_2 and b_3 are -18.83, 1.11 and 18.517 respectively. It means that Rs. 1 increase in EPS leads to Rs. 18.823 decrease in MPS and Rs. 1 increase in DPS and BVPS respectively leads to Rs. 1.11 and Rs. 18.57 increase in MPS respectively. The regression constant 'a' is -17620. The multiple correlation and coefficient of multiple determination are 0.776 and 0.602 respectively. It indicates that 77.6% variation in MPS is due to the joint effect of EPS, DPS and BVPS.

4.5 Presentation and Analysis of Primary Data

Primary data is important to make the research task meaningful as well as in concrete form. Primary data can be collected either through observation or through direct communication with respondents whether by mail, telephone or personal interviews. Here first hand data to justify the study on the topic primarily, observation, interviews and questionnaire method have been made applicable that reveal important decision

of investors. Individual investors, financial investors, institutional investors etc. make their own decision to invest on the stock for own benefit.

The method of collecting data by mailing the questionnaires to the respondents with a request to return after completing it is most extensively employed in various economic and business surveys. The questionnaire so collected is thus related to find out the opinion of different investors: why the stock price movements arise in Nepalese Secondary Market for this study important questions were set and distributed to the concerned people to make their opinion about the stock price movement in Nepalese stock market. A number of questions were put up by means of some copies of questionnaires and categorized different questions about the stock price movement. Some 20 questions are set and asked to the 50 stock investors with reference to stock price movement. The questions are mainly of three types.

i) Multiple question

ii) Yes/ no question

iii) Scaling question

Questionnaires were collected from the field survey of concerned places and personnel. The questionnaires were related to find out the opinion of individual investors on investment decision for trading share through the secondary market. Questionnaires format has shown in Annex-5.

Stock Price Movement Analysis

For this, some 20 questions are set and asked to 50 stock investors with reference to stock price movement. It is based on Yes/ No questions and answer and research own field report analysis, the data may reliable and accurate on the basis of respondent reply. The result is concluded on the basis of respondents reply for stock price movement in Nepalese stock market. It doesn't represent researcher own analysis of stock price movement in Nepalese stock market.

Table 4.12

Number of Respondents and their Percent

S.N.	Research Question					Total
	Stock price movement, why?	Yes	%	No	%	
1)	The declaration of dividend may affect the stock	38	76	12	24	50
2)	Company distributes dividend to attract investors	39	78	11	22	50
3)	The performance of company	32	64	18	36	50
4)	Lack of proper rules of stock market	38	76	12	24	50
5)	Companies favourable situation	36	72	14	28	50
6)	The growing competition in listed in NEPSE	34	68	16	32	50
7)	Higher dividend per share	42	84	8	16	50
8)	Higher earnings per share	26	52	24	48	50
9)	Fluctuation in price earning ratio	25	50	26	50	50
10)	Increase in market book value of stock (Equity)	28	56	22	54	50
11)	Change in net worth of the company	29	58	21	42	50
12)	Market to book value ratio	32	64	18	36	50
13)	Market whim and rumor	38	76	12	24	50
14)	Investment opportunity of the company	16	32	34	68	50
15)	Stock dividend	24	48	26	52	50
16)	The leverage of the company	32	64	18	36	50
17)	Earning's announcement of the company	39	78	11	22	50
18)	The turnover of the company	38	76	12	24	50
19)	Monetary and Fiscal policy of government	32	64	18	36	50
20)	Larger stock variable of the company	15	30	35	70	50

Sources: Field Survey Conducted by Researcher, 2010

Table 4.12 shows the primary questionnaire asked to the various investors, experts and researchers. The answers from the table showed that average respondents gave the answers about the need of monitoring the rule of government for the stock market, when the company announces the dividend then stock price movement occurred in the stock market, whim and rumor also play the vital role in movement in stock price in Nepalese stock market.

Dividend per share of the company, signaling factor effect such as whim and rumours, lack of proper government monitory policy of the country also impact the Nepalese stock market and its price movement. The stock dividend can change the investor's mood which has a negative impact on stock price. Hence, stock price movement exist. The company distributes dividend to attract the investors. The company's announcement of earning will help to increase market price of share/ The dividend decision of the company can affect the price of the stock because investors interested to buy more shares to get more dividends in Nepalese context, and the companies' announcement of earnings will also create fluctuation in stock price movement. The turnover of the company makes fluctuation in share price according to its profitability. The growing competition in trading of listed company in share market has increased in share market price.

Influencing Factors Analysis

Regarding the major influencing factors for the stock price, different brokers, individual investors, institutional investors and NEPES staffers, financial assets, experts gave different views on their own ideas. Table 4.13 shows influencing factors:

Table 4.13

Influencing factors of the stock price movement

S.N.	Research Variable	No. of Viewers	Viewers in %
1	Company's profit	8	16
2	Company's performance	9	18
3	Company's board of directions	2	4
4	Company's dividend	16	32
5	Signalling factor	10	20
6	Above all	5	10
	Total	50	100

Source: Field Survey Conducted by Researcher, 2010.

Figure 4.1

Influencing factors of the stock price movement

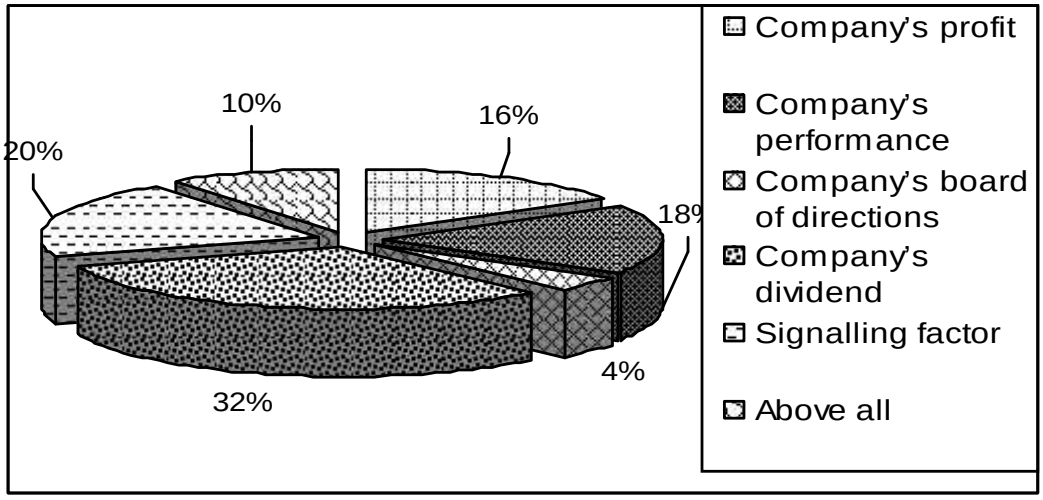


Table 4.13 and figure 4.1 shows that 16% viewers gave their views as company's profit as influencing factor, 18% favours company's performance, 4% viewers gave thei9r views as company's board of directors, 32% viewers gave their views as dividend, 20% viewers gave their views as signaling factors and the rest 10% said as above all.

Stock Market Trend Analysis

Different financial assets investors, NEPSE staffs and brokers gave different opinion on their own ideas regarding the trend of stock price movement. Table 4.14 and figure 21 shows trend of stock price movement in different trend research variable.

Table 4.14

Stock market trend of stock price movement

S.N.	Research Variable	No. of Viewers	Viewers in %
1	Bullish Trend	37	74
2	Bearish Trend	1	2
3	Optimum Trend	5	10
4	None of above	7	14
5	Signalling factor	50	100

Sources: Appendix 5

Figure No. 4.2

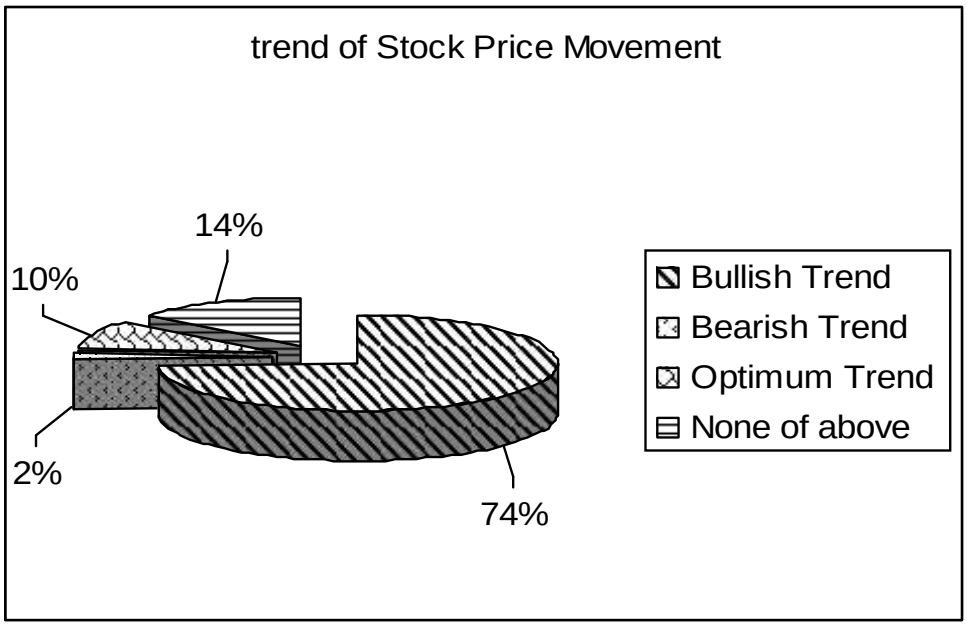


Table 4.14 and figure 4.2 shows that 74% viewers gave their views as bullish trend, 2% displayed their opinion as bearish trend, 10% provided their opinion as optimum trend and 14% gave their opinion about none of any trend.

Sectorwise Investment decision analysis

different financial assets investors, NEPSE staffers, individual investors and brokers gabe different opinions on their own ideas regarding the sectorwise investment in Nepalese securities market. Table 4.15 shows sectorwise individual investment opinion as three research variable.

Table 4.15
Sectorwise Investment of Different Investors

S.N.	Research variable	Banking Sector	Mgf. Sector	Trading Sector	Others	No Interest	Total
1	General Investors	45	2	1	2	-	50
	In %	90	4	2	4	-	100
2	NEPSE Staffers	36	8	4	2	-	50
	In%	72	16	8	4	-	100
3	Brokers	32	10	6	2	-	50
	In %	64	20	12	4	-	100

Sources: Appendix 5

Table 4.15 shows, generally, investors interested in banking sector for investment, after that manufacturing sector and trading sector, some are interested in others also but they are not refused to buy financial assets.

Sectorwise Analysis of Investors

The different financial assets investors, like Banking, manufacturing training and others gives their own opinion regarding the sectorwise investment. The table 4.16 shows the sectorwise analysis of the investors.

Table 4.16

S.N.	Research Variable	No. of Viewers	Viewers in %
1	Banking Sector	32	64
2	Manufacturing Sector	9	18
3	Trading Sector	4	8
4	Others	5	10
5	Not interested	-	-
	Total	50	100

Sources: Appendix 5

Figure No. 4.3

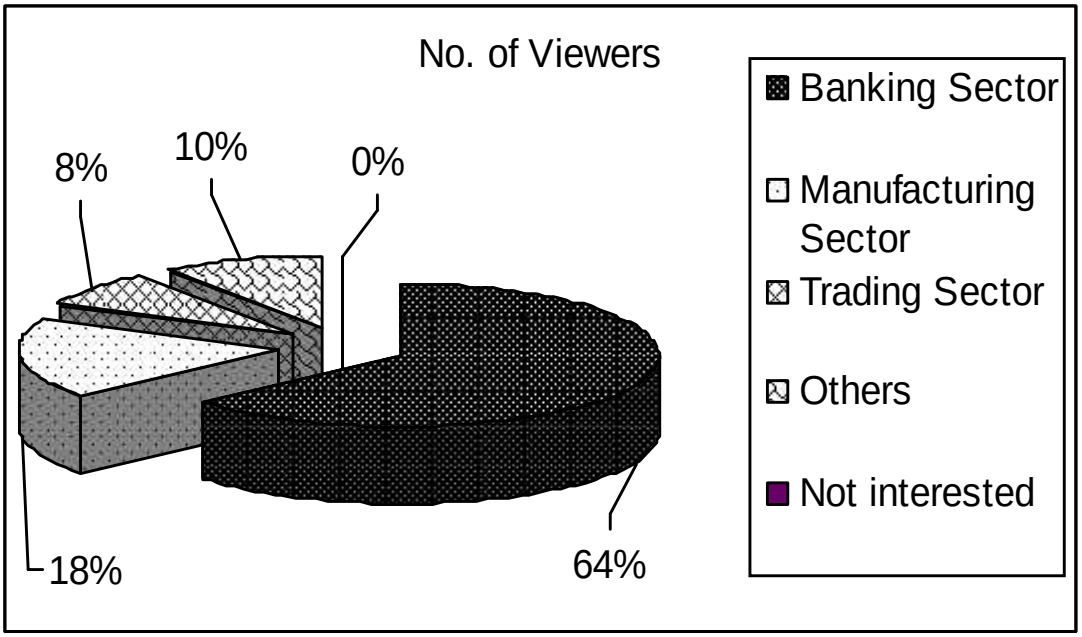


Table 4.13 and figure 4.3 shows different personnel gave their own opinion regarding sectorwise investment among them 64%, 18%, 8% and 10% gave their opinion about banking, manufacturing, trading and others sector respectively. And none of them gabe their opinion about all are not interested on unsecured.

Environment Analysis

Different individual investors, institutional investors, brokers, NEPSE stags and others gave their own idea about the environmental effects on the Nepalese security market, both national and international. Such environment includes political, economical, psychological social and so on.

Table 4.17

S.N.	Research Variable	No. of Viewers	Viewers in %
1	Yes	36	72
2	No	6	12
3	Don't know	8	16
	Total	50	100

Sources: Appendix 5

Figure No. 4.4

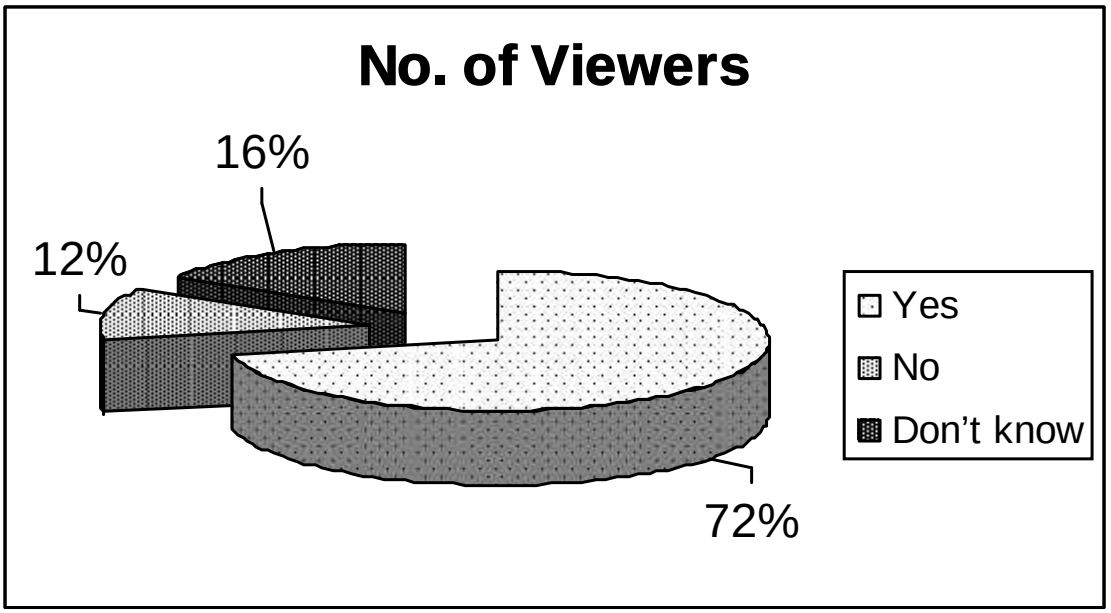


Table 4.17 and figure 4.4 show that 72% respondents replied that investment environment affects the Nepalese security markets' stock price movement, 12% respondents replied that environment doesn't affect the Nepalese security markets' stock price movement and 16% respondents replied that they are unknown about this.

Nepal Government's Policy Analysis

Nepal Government policy is not encouraging to invest on the stock market till date. Different respondents replied about Government of Nepal's policy in their own views.

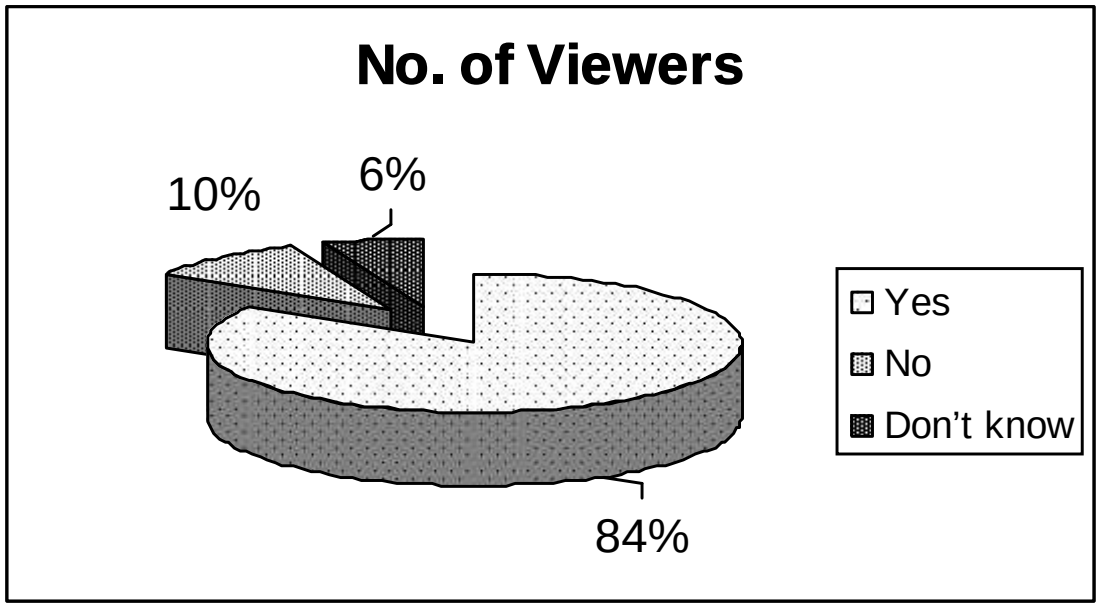
Table 4.18

Government of Nepal's Policy Analysis

S.N.	Research Variable	No. of Viewers	Viewers in %
1	Yes	42	84
2	No	5	10
3	Don't know	3	6
	Total	50	100

Sources: Appendix 5

Figure No. 4.5



Different respondents replied their answers through the questionnaire. From table 4.18 and figure 4.5 84% of respondents replied that Government of Nepal's policy is not perfect to invest on stock market, 10% respondents replied that Government's policy

is perfect to invest on stock market, and the rest 6% replied that they are unknown about Government's policy to invest on stock market.

Decision Marking Analysis

Different respondents such as individual investors, institutional investors, brokers, NEPSE stags and others replied as to invest in shares of secondary markets on the basis of considering various factors.

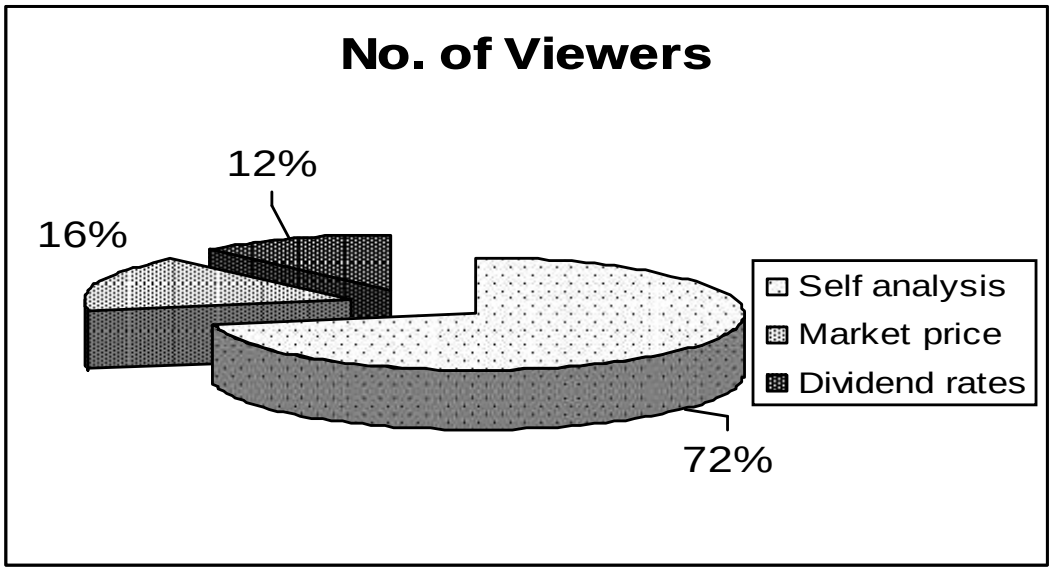
Table 4.19

Basis of Decision Making on Secondary Market

S.N.	Research Variable	No. of Viewers	Viewers in %
1.	Self analysis	36	72
2.	Market price	8	16
3.	Dividend rates	6	12
4.	Family decision	-	-
5.	Rumour	-	-
	Total	50	100

Sources: Appendix 5

Figure No. 4.6



From the above table 4.19 and figure 4.6, 72% of respondents replied, they invest self analysis, 16% decision depends upon market price and

12% depends upon dividend rats and there is no effect of family decision and rumors.

Trading Difficulty Analysis in Nepalese Securities Market

Different respondents such as individual investors, institutional investors, brokers, NEPSE staffs and others replied on trading difficulties in Nepalese Securities Markets.

Table 4.20

Trading difficulties in Nepalese Securities Market

S.N.	Research Variable	No. of Viewers	Viewers in %
1	Yes	10	20
2	No	32	64
3	Don't know	8	16
	Total	50	100

Sources: Appendix 5

Figure 4.7

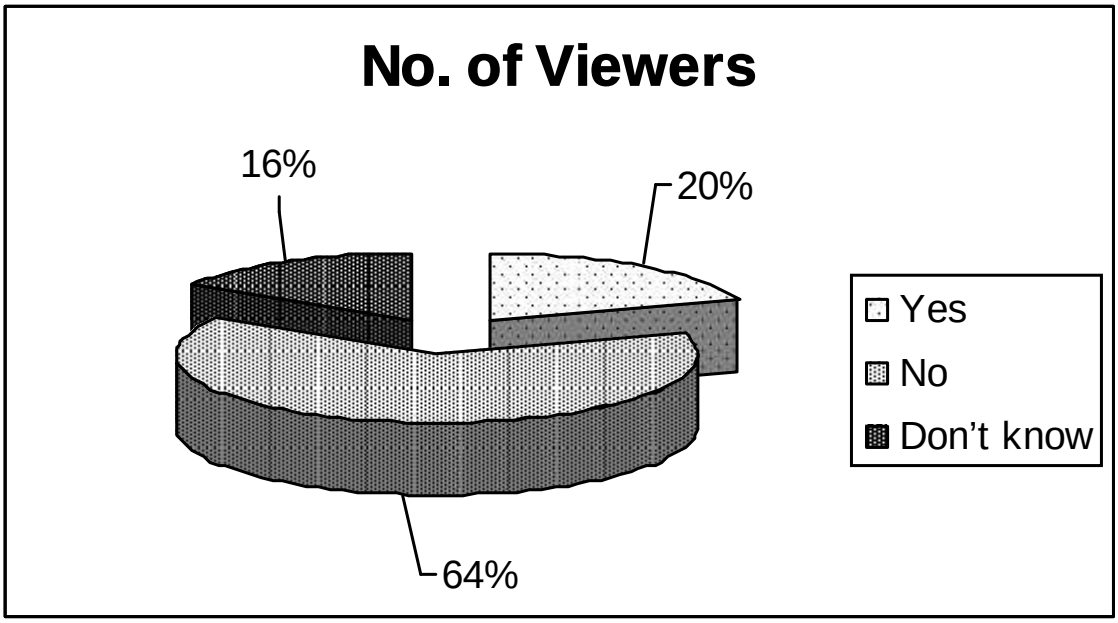


Table 4.20 and figure 4.7 shows that 20% of the respondents replied that there is difficulties in trading the share in Nepalese securities markets, 64% of the respondents

replied that there is no difficulties in trading the share and 16% of the respondents replied that they don't know about this.

Investors Awareness Analysis

Different respondents such as individual investors, institutional investors, brokers, NEPSE staffers and others replied on investment awareness before investing in Nepalese Securities Markets.

Table 4.21

Investors Awareness in Nepalese Securities Market

S.N.	Research Variable	No. of Viewers	Viewers in %
1	Yes	7	14
2	No	36	72
3	Can't say	1	2
4	Blank	6	12
	Total	50	100

Sources: Appendix 5

Figure 4.8

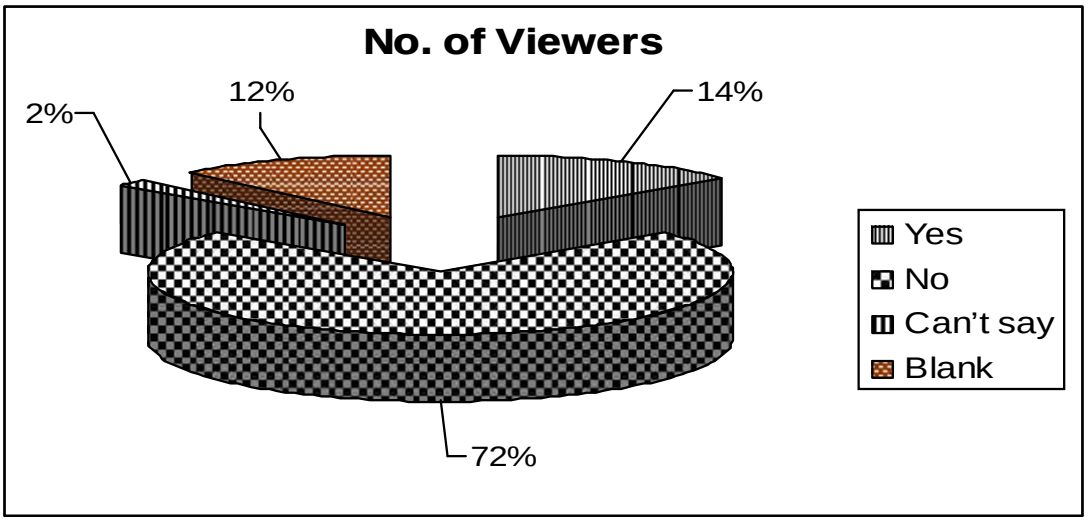


Table 4.21 and figure 4.8 shows that 14% of the respondents replied that investors in the Nepalese securities markets are aware, 72% of the respondents replied that investors in Nepalese securities markets are not aware, 2% respondents replied that they can't say about this and the rest 12% didn't response about it.

4.6 Major Findings of the Study

Because of the different nature of the data, the major findings of the study are presented separately for the secondary data analysis and primary data analysis.

1. The study shows that the CV of MPS in MBL is 61% which is high among the selected banks. There is high risk associated in market price of share for the investors and shareholders of this bank. The CV of MPS in HBL is 28% which is lowest among selected sample banks. It indicates that there is low risk involved in market price of share.

2. The study of market price of each company are increasing trend upto FY 2007/08 and reach in average Rs. 2646 and after that in FY 2008/09 is slightly decrease and reach in average Rs. 2215. So it is clear that during the study period the security market is increasing trend except FY 2008/09.

3. The CV of EPs in SBI is the 31% which is highest among sample banks mean that SBI's common stocks are riskier as compared to other banks. The CV of HBL is 9% which is lowest comparing with others and it is less risky among all.

4. The C of DPs of SBI and KBL are 89% which is highest with the comparing to others. The BOKL, NICB and EBL has also the high coefficient of variation. Thus, it can be concluded that SBI has higher fluctuation in DPS among all selected banks. The CV of BOKL, NICB and SBI indicates these banks' common stocks are riskier as compared to other sample banks. The least CV of NABIL indicates that SCBNL has the highest consistency in paying dividend. The CV of DPS in HBL is 16% which lowest among the selected sample banks. It indicates that there is low risk involved in this bank.

5. The SCBNL has the highest and EBL has the lowest CV of BVPS are 46% and 44% respectively. The CV of this banks shows that there is high fluctuation in BVPS and CV of HBL shows lower fluctuation among the sampled banks. Which is only 5%. The CV of SBI, NABIL and NICBL also have lowest fluctuation on BVPS which is 6%, 9% and 8% respectively.

6. The correlation analysis shows there is high degree of positive relationship of MPS with EPS among all other different variable. In the compression of r^2 and 6 P.E. the relationship is significant. The r2 is 96.63% which the highly positive but correlation of MPS's and DPS, MPS and BVPS are 89.3% and 83.72% respectively which is least than MPS and EPS.

7. The simple regression of MPS on EPS shows that the MPS of BOKL is highly affected by EPS than the other banks. The r2 of BOKL is 99% which indicts that 99% of change in MPS is due to EPS. But the MPS of SCBNL is low affected by EPS. The r2 is 22% which indicates that only 22% as change in MPS is due to the EPS and others remaining 78% change by other factors.

8. The simple regression analysis of MPS on DPS shows that the MPS of SBI and BOKL are highly affected by DPS. The r2 of MPS on DPS of SBI and BOKL are 99% and 87.85% respectively which indicates that 99% and 87.85% of change in MPS is due to change of DPS. But the r2 HBL is 17.85% which is lowest affect.

9. The simple regression analysis of MPS on BVPS is lightly affected by BVPS. The r2 of BOK is 93.9% which is lowest affected by BVPS on MPS. But, the r2 of NABIL is 16.4% which is lowest rather than other sample banks.

10. The coefficient of multiple determination shows MPS of MBL is highly influenced by the joint effect of EPS, DPS and BVPS and there is least variation in MPS of SBI. The r2 of MBL is 1 which shows that 100% change in MPS is due to the joint effect of EPS, DPS and BVPS but the r2 of SBI is only 46.5% which is lowest and indicates that the change on MPS of 46.5% is due to the joint effect of EPS, DPS and MPS.

The findings from the primary data are as follows:

1. The primary analysis shows that financial reports of companies listed on stock exchange helps in identifying over or undervalued securities. To change the share price of a company, publication of financial report has greater value. Majority of the respondents support the future price change of a share can be predicted from historical price change. The majority of the respondents support the statement

that public/ listed companies are not serious towards shareholder's interests. Minority of the respondents support that NEPSE and Securities Board are able to protect investor's interest effectively.

2. On the specific opinion about the factors affecting the share price in commercial banks of Nepal, DPS was the most agreed observation. It means that share price is strongly affected by DPS. In the observation 32% of respondents gives yes answer for the attraction of dividend.

3. Investor of Nepalese stock market investor mostly depends on bullish trend. The response shows that 74% of viewer are depends on Bullish trend and remaining 26% is depends on other trend.

4. Under the analysis of sectorwise investment decision, the general investor 90%. Invest in banking sector but NEPSE staff and Brokers invest 72% and 64% respectively. So, the broker and NEPSE staff make better portfolio rather than general investor. Investor are more motivate in the banking sector but NEPSE staff and brokers invest 72% and 64% respectively. So, the broker and NEPSE staff make better portfolio rather than general investor. Investors are more motivate in banking sector. In the research 64% investors invest in this sector.

5. Environments directly influence the stock price. In the observation 72% of viewer are agreed with environmental change which determines the stock price in Nepal. Rumors, government policy and whims also affect the share price.

6. In the analysis of decision making 72% of investor invest by analyzing themselves. They don't know about market price and dividend rate of the company. Most of the investors know about trading technique. The 64% respondents are literate with trading technique of security market.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter consists of three sections; first section provides the summary of the study, the second draws the conclusion of the study and the final section proposes recommendation to deal with the problems observed on the basis of findings.

5.1 Summary

Nepal is one of the poor countries of the world where the majority of the people are fighting for the problem of hand to mouth. There is a wide gap in the distribution of income and wealth and middle class families are in significant numbers. After the restoration of democracy in 1990, then HMG/N initiated privatization and economic liberalization; the industrial development as well as the capital market development processes took a pace. But it could not accelerate.

Nepal is adopting economic liberalization strategy to introduce foreign as well as Nepalese private sector's capita! in development programs to boost up the economic development of the nation. But a huge amount of capital is being remained idle with average Nepalese citizens without getting any investment opportunities. We can use that idle fund in development activities and industries by means of issuing shares from the capital market. For this- the capital market development should be highly prioritized. NG has to take initiation for that. so that we can exploit our opportunities with local fund and avoid the outgoing resources from the country.

The Nepalese capital market is in its growing stage. Average citizens and investors have not proper ideas about the capital market, share, book value, par value, market price, pricing mechanism and the factors affecting the market price of shares. They are willing to invest, but are not able to do so due to lack of knowledge, in this subject. In spite of that, the listed companies in the capita! market are suffering. Government has not given priority for the development of capital market even though it is in the priority list in the tenth five-year plan. Government is not able to create basic infrastructure, sound policies and laws and their effective implementation, for the capital market development. As a result there is not transparency in the performances of the listed companies and the capital market due to which the capital

market is struggling to become matured. The stock investors have not proper education and information to speculate the share price.

The study is focused on the determinants of stock price in commercial banks. The major objectives of the study are to identify factors affecting share price, to analyze correlation among various financial indicators and to identify qualitative factors affecting the stock price listed in NEPSE.

To meet the desired objectives, the correlation of the quantitative factors, EPS, DPS and BVPS with MPS by correlation analysis is identified. The regression analysis of factors EPS, DPS and BVPS with MPS were employed for the analysis and interpretation of the collected secondary data. Whereas, to identify the qualitative factors affecting the market price of shares, the primary data has been used that was collected from the research questionnaire.

From the secondary data analysis it is known that there is not consistent performance in the relationship of MPS with, EPS, DPS and BVPS for the 10 sampled commercial banks.

The MPS has high correlation with EPS significant relationship. The MPS largely depends on EPS. The correlation of MPS with EPS, DPS and BVPS is significant. The correlation of MPS shows the positive correlation between all the variables taken in consideration.

The simple regression analysis of MPS on EPS shows that regression coefficient (b) is positive for all sample banks. The r^2 of EBL is highest and is lowest for SCBNL. This means the MPS of EBL is highly affected by EPS than the other banks.

The simple regression analysis of MPS on DPS shows that regression coefficient (b) is positive for SCBNL, BOK, NABIL, NIBL, HBL, MBL and EBL -and negative for remaining bank is NICBNL. The r^2 of SCBNL is highest which means MPS of SCBNL is highly MBL by DPS than other banks. The r2 of MBL shows that MPS of EBL is least affected by DPS.

5.2 Conclusion

This thesis paper addressed stock price determinants in Commercial banks in context of Nepal. It shows how share price are affected by different variables. The study is based on 10 sample commercial banks whose stocks are listed in Nepal stock exchange and traded m stock market.

The above mentioned major findings show that the analysis of market price behaviours shows that the commercial banks price movement is in increasing trend. During the five years study period, the average price upto FY 2007/08 is in increasing trend and FY 2008/09 is in decreasing trend. Overall the security market of Nepal is in increasing trend and positive growth and market price per share has .high degree of positive relationship with EPS in all sample banks and MPS largely depends on EPS.

The simple regression analysis shows EBL is highly affected due to EPS and BVPS and SCBNL is least affected by EPS besides several other factors. MPS of SBI is highly affected by DPS and MBL has no affect in MPS due to DPS than other sample banks and NABIL is least affected by BVPS. In most of the cases EPS explain the positive changes in MPS.

The multiple regression analysis shows the high degree of closeness in MBL among the sampled banks and variation in MPS of this bank is due to the joint affect of change in EPS, DPS and BVPS. SB! has least variation in MPS due to the joint affect of change in EPS. DPS and BVPS.

The risk per units of return for investors and total risk are different in different sample banks which have been shown by the coefficient of variation and standard deviation respectively. Under the analysis of CV and standard deviation MBL is highly riskier company rather than other banks and HBL is lowest riskier company among sampled banks. Other remaining sample banks have moderate risk involved in the comparison of market price. Under the analysis of yearly market price the FY 2007/08 is highly riskier and the FY 2004/05 is less riskier during the overall study period. Earnings, book value, dividend payment, growth rate, and risk associated with the company information disclosed, political stability are the major factors affecting the share price in NEPSE- according to the respondents of the survey. Interest rate, retention ratio,

cost of equity, market liquidity, change in management do not significantly affect the share price in NEPSE

The simple regression analysis of MPS on BVPS shows that regression coefficient (b) of BOK, NABIL, NIBL, HBL, EBL, KBL, MBI and NICBL are positive and negative for SCBNL and SBI. The r^2 of BOK is highest which explains that MPS of BOK is highly affected by BVPS than other banks. The r^2 of NABIL is lowest it shows that MPS of NABIL is lightly affected by BVPS.

The multiple regression coefficient (b) of MPS on EPS and BVPS of SCBNL is positive. For BOK EPS and DPS are positive and EPS and BVPS are positive for NABIL. EPS and DPS are positive in case of NIBL. EPS and BVPS in SBI are positive. Regression coefficient (b) of MPS on EPS, DPS and BVPS all are positive in case of HBL. Only. BVPS is positive in EBL and Same in the case of MBL as well. For KBL EPS and DPS are positive and in NICBL DPS and BVPS are positive. All the positive value of coefficient indicate that there is positive increment in MPS if any increment in the selected variable and negative values show there are opposite relations.

The multiple correlations of SCBNL, BOK, NBL, NIBL, SBI, HBL, EBL, KBL, MBL and NICBL are 0.975, 0.983, 0.990, 0.998, 0.6820. 0.936. 0.985. 0.862. I and 0.776 respectively with 0.950. 0.967. 0.980, 0.995. 0.465, 0.877, 0.970, 0.743. 1 and 0.602 coefficient of multiple determination r2. It shows that MPS of MBL, NIBL, NBL. HBL. BOK and SCBNL are highly influenced by the joint effect of EPS. DPS and BVPS in which 100%change of total change on MPS in MBL is due to the change in EPS, DPS and BVPS and lowest 46.5% variation in MPS of SBI is due to the variation in EPS. DPS and BVPS.

From the primary data analysis, factors affecting the market price of share in NEPSE are identified. Such internal factors affecting the share price are earnings, book value, dividend payment, growth rate, and risk associated with the company. Similarly, there are other environmental factors affecting the market price of share. Such environmental factors affecting the share price are government instability, information and rumors & whims. NEPSE is in primitive stage and it has not significant effect of

interest rate, retention ratio, cost of equity, market liquidity, and change in management.

5.3 Recommendations

Based on this study, the major recommendations are as follows:

1. From the research it is known that the investors lack the education and information to analyze companies' performance and forecast price. So they are recommended to foster their frontier of knowledge to protect them •from loosing, since self-protection is the best protection- They hesitate to-demand adequate information-from the listed companies and though cheated, accept whatever the management of the companies decides. So they are suggested to raise their • voices and complain about such misconducts to SEBO/N and Ministry of Finance. They are suggested to forecast future price based on not only the company specific factors such as earnings, dividend, timely AGM etc. but also on environmental factors.

2. The Nepalese stock market (NEPSE, SEBO) should take some effective initiatives to control random fluctuation of MPS and establish the system of regular monitoring and evaluation of stock market.

3. There is the necessity of separate body to analyze strengths and weakness of public companies which should disclose right information and suggestions to public investors about investment risk. This will help the investors to take proper investment decision at the right time to avoid or. minimize the level of risk- The NEPSE and SEBO should be able to protect the investor's interest effectively.

4. People in Nepal have shown the tendency to run after those companies which have allocated higher bonus, probably at the cost of future growth and opportunities. People invest their hard money on the basis of rumors and hearsay that are spread in financial market rather than intuitive rational financing thinking. Therefore, there is need of credit rating agencies and investment banks to analyze the companies.

5. The companies should provide undated reports to SBI periodically informing actual financial position of the company.

6. The ultimate objective of any firm is to maximize the wealth position of its investors, which largely depends upon the proper trends of EPS, DPS, BVPS and other dominant variables. This reality should be well imparted to the investors in order to make them rational in the field of investment for which the public companies themselves should frequently launch their well-designed awareness campaigns.