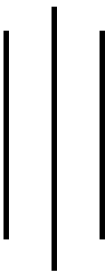
Determinants of Stock Price In Nepal Stock Exchange

(With special reference to Commercial Banks)



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VIVA - VOCE SHEET

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And found the thesis to be the original work of the student and written according to the prescribed format.

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DECLARATION

I hereby declare that the work conducted in this thesis entitled "**Determinants of Stock Price In Nepal Stock Exchange (With special reference to commercial Banks)** is submitted to Office of Dean, Faculty of Management, Tribhuvan University; is my original work done in the form of partial fulfillment of the requirement of Master of Business Studies (MBS) under the guidance and supervision of Dr. Shanker Thapa of St. Xavier's College, Kathmandu.

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ABBREVIATIONS

AD: Anno Domini (Abbreviation of Christian Era)
AGM: Annual General Meeting
AM: Arithmetic Mean
AMEX: American Stock Exchange
BBC: Bishal Bazar Company
BNL: Bottlers Nepal Limited
BOK: Bank Of Kathmandu Limited
EPS: Earning Per Share
DPS: Dividend Per Share
MPS: Market Per Share
BVPS: Book-value Per Share
BS: Bikram Sambat (Abbreviation of Bikram Era)
CIT: Citizen Investment Trust
Clo.: Closing
DCB: Development Credit Bank Limited
DDM: Dividend Discount Model
DIJA: Dow Jones Industrial Average
DPS: Dividend Per Share
EBL: Everest Bank Limited
EPS: Earning Per Share
EW: Equally Weighted
GDP: Gross Domestic Product
HBL: Himalayan Bank Limited
IMF: International Monetary Fund
IRR: Internal Rate of Return
ISO: International Organization for Standardization
Ltd: Limited
Market Cap.: Market Capitalization
MBA: Masters of Business Administration
MBS: Masters of Business Studies
Ml.: Milliliter
MPS: Market Price of Share

NA: Not Applicable

CEO: Chief Executive Officer

NABIL: Nabil Bank Limited

NCC: Nepal Commerce Campus

NEPSE: Nepal Stock Exchange

NFC: National Finance Company

NIC: Nepal Insurance Company

NLL: Nepal Lever Limited

NPV: Net Present Value

NYSE: New York Stock Exchange

OE: Organized Exchange

OTC Market: Over the Counter Market

PE: Price Earnings

Prof.: Professor

r :Simple Coefficient of Correlation

r^2: Coefficient of Simple Determination

Re.: Rupee

Rs.: Rupee

SCBNL: Standard Chartered Bank (Nepal) Lmited

NSBIL : Nepal SBI Bank limited

S & P 500: Standard and Poor 500

SCB: Standard Chartered Bank Nepal Limited

SEBO/N: Security Board of Nepal

STC: Salt Trading Corporation

TU: Tribhuvan University

US$: United States Dollar

USA: United States of America

USSR: Union of Soviet Socialistic Republic

VIP: Vigilant-Independent-Professional

VW: Value Weighted

WWW: World Wide Web

CHAPTER – I

Introduction

1.1 General Background

Capital is the lifeblood of the business organizations. Every business enterprise requires short term, intermediate and long term capital for the smooth operation and expansion of the organizational activities. Among these types of fund, the long-term funds play a highly significant role for future growth and prosperity of the organizations. Most business organizations gather long-term funds from financial market. (James C. Van Horne, 2000; 448)

Financial market is the place where the financial instruments are traded. Financial instruments include share, bond, debenture etc. it is a means to transfer funds from savers to those in need of funds. Financial experts have mentioned it as the brain of the entire economic system. The failure of the financial market obstructs the progress of the whole economy.

Financial markets can be defined as the centers or arrangements, which provide facilities for buying and selling of financial claims and services. Specifically, financial market chiefly refers to money market and capital market. It facilitates the transfer of funds from the savers to those who wish to invest in capital goods.

Money market can be defined as short-term financial market, which facilitates liquidity and marketability of securities. It is the market for short-term marketable instruments having less than one-year maturity period.

Moneymakers are sometimes defined as organized and unorganized money markets. The organized or formal money markets provide an institutional mechanism for the transactions of short-term securities and commercial banks, finance companies and other saving/credit unions are the players in the money market. Local merchants, indigenous bankers and relatives come under the informal or the unorganized sector.

The development of efficient market requires the development of institutions, instruments and operating procedure that aids widening and deepening of the market and allocation of short-term resources with minimum transactions costs and delays.

Capital markets also play a vital role in the national economy. Capital market facilitates the allocation of funds between the savers and borrowers. This allocation will be optimum if the capital market has efficient pricing mechanism. If the capital market is efficient, the current share price of the company fully reflects the available information and there will be no question of the share price being over or under priced. Capital market is concerned with the long-term finance. The funds collected in the market are raised and traded by long-term financial instruments such as equities and bonds.

“Stock Exchange is a market for long term capital where both new capitals can be raised by companies and where existing shares can also be bought and sold. By providing a second hand market for investors to sell their shares, it facilitates the raising of new capital on the new issues market. The stock exchange also provides a market for government loans and securities, and increasingly involved in the buying and selling of securities in the overseas companies. On the market, the main operators are the market makers who trade in a group of share, and the stock brokers who act as agents for their clients, who are the investors who actually buying and selling shares."(Collins Gem, 2002). New York stock exchange (NYSE), London stock exchange, Toronto stock exchange is the biggest stock exchanges of the world. Mumbai stock exchange is the largest stock exchange in India and Nepal stock exchange is the only organized stock exchange of Nepal.

1.1.1 Constituent of Capital Market in Nepal

Security board, Nepal (SEBO/N)

Security board, Nepal was established on May 26, 1993, under the provision of security exchange act, 1983. It was established with the objective of the promoting and protecting the interest of investors by regulating the securities market. It also assumes the responsibility of development of securities market in the country, besides the regulatory role. Security board has identified the policy development, legal and regulatory reform, stand arising disclosers, bringing enforcement to insure compliance and promoting broad market as priority area to reform. The private sector has also been participating equally in establishing a sound system of security exchange. In private sector-investors, listed companies, financial and market intermediaries and

in the government sector-Ministry of Finance, Registrar of Companies (Ministry of Industry, Commerce and Supply), Nepal Rastra Bank, Nepal Stock Exchange, Federation of Nepalese Chamber of Commerce and Industries (FNCCI), Institute of Chartered Accountants of Nepal (ICAN) and Associations of Chartered Accountants have been playing vital role in promoting the capital market of the country.

The objectives of the Board are to promote and protect the interest of the investors by regulating the issuance, sale and distribution of securities and purchase, sale or exchange of securities, to supervise, look after and monitor the activities of Stock Exchange and other related forms on securities business, to render contribution to the development of the capital market by making securities transaction fair, healthy, efficient and responsible. (SEBO/N Annual Report 1999/00)

Nepal Stock Exchange (NEPSE)

Along with the formation of security exchange board government of Nepal converted the Securities Exchange Center Ltd into Nepal Stock Exchange Ltd (NEPSE) in 1993 with a view to reform the capital market. It is a non-profit making organization operating under Security Exchange act 1983. Brokers and market makers operate on the trading floor as per the Securities Exchange Act rules and by laws of NEPSE. Nepal Stock Exchange started its trading operations on 13th January 1994 through its licensed members. The Securities Board was constituted in 1993 under Sec. 1 of the Securities Exchange act 1993.

Its main objective is to provide essential policy direction for the systematic and regular exchange of securities and develop competitive Stock Exchange market by protecting and promoting the interest of the investors. Nepal Stock Exchange is the trading (operational) institution, whereas securities board is the regulatory body. Before the Board came into existence, the Securities Exchange Center carried on both the function. Any corporate body desirous to carry out the transaction of securities, can summit application to the board of obtaining the license. Till now Nepal Stock Exchange Ltd along is representing the securities market in the country.

Members of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and listed corporate securities. At present, it has 40 members/ intermediaries comprising

of stockbrokers (27), issue and sales managers (10), security dealers (2) and market maker (1), who operate on the trading floor as per the securities Exchange Act, 1983, rules and byelaws.

NEPSE the only Stock Exchange in Nepal introduced fully automated screen based trading since 24th August 2007. The NEPSE trading system is called 'NEPSE Automated Trading System '(NATS) is fully automated screed based trading system, which adopts the principle of an order driven market. With the introduction of this system, the outdated 'Open Cry System' came into an end.

Similarly the basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions on its trading floor through market intermediaries such as brokers, market makers etc. Nepal Stock Exchange (NEPSE) is the only organized Stock Exchange of Nepal.

1.1.2 Securities Market

In simple sense, securities market is the place where people buy and sale financial instruments. These financial instruments may be in the form of governments bonds, corporate bonds or debenture, ordinary share, preference share etc. So far security market is concerned; it is an important constituent of capital market. It has the wide term embracing the buyers and sellers and all the agencies and institutions that assist the sale and resale of corporate securities. (Patric D. Rugh,1996; 50) Although security market is concerned in few locations, they refer more to mechanism rather than to place designed to facilities the exchange of securities. Security market can be defined as a mechanism for bringing together buyers and sellers of financial assets in order to facilitate trading .In order to allocate capital efficiently to maintain higher degree of liquidity in securities, the securities market should be efficient enough in pricing the solely by economic considerations based on publicly available information.

An efficient market is one where current price of the share gives the best estimate of its true worth. Thus, the securities market is the place where share of listed companies are traded or transferred from one to another fair price through the organized brokerage system. The major function of securities market is a competitive price thereby, importing future ability and liquidity. It is a medium through which scattered saving and scarce resources are transfer to

productive areas that ultimately help in the economic development and industrialization of the nation.

Biratnagar Jute Mills Ltd initiated the first public flotation of shares in the securities market in 1937. There were very few companies in Nepal issuing shares to the general public until another company act came into operation in 1951. In the absence of developed securities market in Nepal, the government was the sole issuing authority of development bonds and national saving certificate. Therefore, the securities generally in the market were mainly the government securities. Government securities are fully traded under the management and supervision of Nepal Rastra Bank (NRB). Institution development of securities market in Nepal started from the year 1976 when Security Exchange Centre (SEC) was established under the Companies Act with the Joint Capital Contribution of Nepal Rastra Bank and Nepal Industrial Development Corporation. The Industrial Policy of the Government also encourages the promotion of securities exchange activities in Nepal. The main objective of the establishment of the center was to mobilize public savings and encourage the people to participate in the ownership of industries and business enterprises. As a securities market intermediary, its role was to organize and provide marketing facilities of channeling securities exchange business through the center. Its activities included the purchase, underwrite and sale, directly or through the licensed brokers or sub-brokers of the Center, the shares, stocks and debenture of public limited companies and also development bond as well as treasury bills issued by the Government.

Securities market can be further categorized into two groups as Primary Market and Secondary Market.

Primary market denotes the market mechanisms for the original sale of securities at the time of their initial issuance. In other words, a market for newly issued securities is called primary market. Corporate bodies issue new securities in the primary market. Securities available for the first time are offered through the primary security market. The issuer may be a brand new company or one that has been in business for years. The Securities offered might be a new type for the issuer or additional amount of security-used frequently in the past. The key is that these securities absorb new fund for the coffers of the issuer. (Lawrence, J.Gitman, 2000; 33)

All the securities whether in the money market or capital market, are initially issued in the primary market. This is the only market in which the corporate or government issuer is directly involved in the transaction and receives direct benefit from the issue, that is, the company actually receives the proceeds from the sale of securities. (Lawrence, J.Gitman, 2000; 34)

Secondary market is the market in which securities are traded that has been issued at some point of time. In others words, where outstanding securities are traded is referred to as the secondary market or more popularly known as the stock market. Share or stock is the major component of the securities market. Stock market is the medium through which corporate sector mobilizes funds to finance productive projects by issuing share in the market. The efficient collection of small amount of saving and transferring into the completive and efficient uses requires a well functioning capital market to facilitate the process. (R.S Mahat, 1981) Thus, Secondary market deals with previously issued shares mainly traded through stock exchange, over the counter market or direct selling.

Secondary market in simple sense, are markets in which existing, already outstanding securities are traded between investors. It is the market that creates the price and allow for liquidity. If the secondary markets do not exist, the investors would have no place to sell the assets. Without liquidity many people would not invest at all. The function of the security market is to provide liquidity for the securities purchased in the primary market.

1.2 Focus of the Study

NEPSE is an organized stock exchange for trading stocks (Shares) in secondary market. Although small investors can invest their money by purchasing shares of companies in primary market (during initial public offering) or in the secondary market, they (general public or investors) lack effective knowledge of capital market and its mechanism. The price of the stock is the function of several factors.

Investing in stock is highly risky as being ownership capital. It represents only a final claim while in liquidation. Stock price is determined by a number of factors. Some factors are quantitative whose effect can be quantified whereas other factors are qualitative whose effect on share price can't be quantified. This study focuses to the sensitivity of stock price on NEPSE

with special focus to Commercial Banks towards various factors. In other words, this study intends to determine the factors affecting the price (i.e. market value) of the stock.

1.3 Statement of the Problem

Basically stock price is determined by demand and supply. Both the qualitative and quantitative factors determine the stock price. However, to specify exactly what factors do determine stock price is a controversial/unpredictable issue.

Share price is the function of the several factors. The stock price fluctuates time-to-time and stock exchange react to the environmental changes. However, for some environmental changes, the stock exchanges have no effect. This study will try to identify the determinants of the stock price and find out the degree of affection of those determinants. More specifically, this study is expected to answer the following research questions:

- What are the major determinants of the stock price in NEPSE?
- How earning and book value affect to the stock price?
- What is the effect of the dividend to stock price?

1.4 Objective of the study

Investors require proper knowledge of share price i.e. how it is formed, why does it fluctuate, what factors are responsible for the determination of its price and so on. A few studies have been made regarding securities listed in NEPSE, however, most of the studies made up to present capital market are related to the financial performance evaluation, capital structure analysis, dividend policy, risk and return etc. Furthermore, the study is proposed to meet the following objectives:

- To identify qualitative as well as quantitative factors affecting the stock price in NEPSE with focus to commercial banks.
- To determine the effect of earnings and book value to the stock price
- To determine the effect of dividend to the stock price

1.5 Limitations of the study

This study tries to explore the factors determining the stock price in Nepal Stock Exchange. Both primary and secondary data are analyzed. However, this study may face the following limitations during the course of research:

- Takes into account a few number of selected organizations [i.e. Five Commercial Banks] from among the listed companies,
- Most of the primary data are based on research questionnaire and
- Takes into account the only latest available six years data.

1.6 Selected sample Commercial Banks

This study basically concentrates on specific sector i.e. Commercial Bank sector. The commercial banking sector is the most efficient sector among the others. As of 2014, there are 32 full-fledged 'A' class Commercial Banks in NEPSE. However due to lack of sufficient data, the researcher takes into account only five banks, thus , this research study basically focuses on those commercial banks.

Serial No.	Name of the listed Commercial Banks
1.	NABIL Bank Limited
2.	Standard Chartered Bank (Nepal)Limited
3.	Himalayan bank Limited
4.	Nepal SBI Bank Limited
5.	Everest Bank Limited

1.7 Organization of the study

First chapter is the introduction chapter. This chapter consists of general background of the study with the reference to the existing economic and political scenario of Nepal, introduction of capital market and Nepal Stock Exchange. Beyond these, this chapter comprises of focus, significance, and objectives of the study, statement of problems, a research hypothesis, a brief introduction to the sample listed companies and the limitation of the study.

Second chapter is the review of literature. This chapter reviews the relevant previous studies made on the stock price determinants and the principle set on stock market. This chapter includes the conceptual framework on common stock, stock certificates, securities as well as security markets, stock price etc. except that, this chapter reviews the published books, journals, and unpublished thesis reports separately.

Third chapter is the research methodology. This chapter includes the detailed framework of study such as data collection and analysis techniques.

Fourth chapter of this research is concerned with the presentation and analysis of data. In this chapter, the primary and secondary data collected from different sources are presented in systematic formats (like: tables, charts, figures) and analyzed using different analytical tools for instance; average, standard deviation, coefficient of variation, correlation, regression). In addition to that, the major findings of the study are drawn out.

Fifth chapter involves the summary, conclusions and recommendation of the study and concludes the reports with the major recommendations/suggestions to the investors, listed commercial banks and government about the stock price determination.

CHAPTER – II

REVIEW OF LITERATURE

2.1 Introduction

Review of literature is the most significant parts of research. It will be better to review some fundamental aspects of relevant literature before doing analysis. So, it is attempted to present brief glimpses on the common stock as well findings of the related previous studies. The review of literature has been divided into two broad categories, which are as follows.

2.2 Conceptual Framework

Conceptual framework involves some of the technical terms, which are in frequent use in researches regarding capital market and finance. Thus, before going into the details of factors affecting stock price of commercial banks, some of relevant technical terms related to capital market are defined and discussed here.

2.2.1 Common Stocks

The common stocks represent ownership in a company. The holders of common stocks, called the shareholders or stockholders, are the legal owner of the company. The common stocks are the permanent and vital source of capital since they do not have a maturity date. For the capital contributed by the shareholders by purchasing commons stocks, they are entitled to dividends. Company's board Directors fixes the amount or rate of dividend. The common stock is, therefore, known as variable income security. Being the owners of the company, the stockholders bear the risk of ownership; when the company is wound up, they can exercise their claims on assets after the claims of the other suppliers of capital have been met. The common stocks are issued by the firms to raise ownership capital and the investor buys them with the expectation that they receive a share of profit periodically. The common stocks legally represent the equity of business firm and the holders are the owners who share all the profits and losses of the business. They enjoy all earnings after meeting the obligation of interest on debts and dividends on preferred stocks. Thus, they enjoy all net benefits of the business by assuming the risk of losing their capital.

2.2.2 Stock Certificates

“The ownership of a firm’s stock has typically been represented by a single certificate, with the number of shares held by the particular investor noted on it. Such a stock certificate is usually registered with the name, address and holding of the investor including on the corporation's books. Dividend payments, voting materials, annual and quarterly reports and other things are then sent directly to investor, taking into account the size of his or her holdings.

Shares of stock held by an investor 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 cancel the old stock certificate and issue a new one in its place, made out of the new owner. Frequently, a register will make sure that this canceling and issuing of certificate has been done properly. Usually, banks and trust companies act as transfer agents and registrars. Many stockholders have chosen to avoid these rather cumbersome procedures. Instead, depository trust companies are used which substitute computerized records for embossed certificates.”(W.E Sharpe, et. all, 2000: 458)

2.2.3 Securities

"When someone borrows money from a pawnbroker, he or she must leave some item of value as security. Failure to repay the loan (plus interest) interest means that the pawnbroker can sell the pawned item to recover the amount of the loan (plus interest) and perhaps make a profit. The terms of agreements are recorded via pawn tickets. When a college student borrows money to buy a car, the lender can repossess the car and sell it to recover his/her costs. In this case, the official certificate of title, issued by the state, serves as the securities for the loan. A person who borrows money for a vacation may simply sign a piece of paper promising repayment with interest. The loan is unsecured, in the sense that there is no collateral, meaning that no specific assets have been promised to take the borrower to court to try to recover the amount of the loan. Only s piece of paper called a promissory note stands as evidence of such loan.

When a firm borrows money, it may not offer collateral. For example, some loans may be secured (backed) with specific pieces of property (building or equipment). Such a loan are recorded by means of mortgage bonds, which indicate the term of repayment and the particular

assets pledged to the lender in the event of default. However, it is much more common for corporation to simplify pledge all of its assets, perhaps with some provision for the manner in which the division will take a place in the event of default. Such a promise is known as debenture bond.

Finally, s firm may promise a right to share in its profits in return for investor's funds. Nothing is pledged, and no irrevocable promises are made. The firm simply pays whatever its directors deem reasonable from time to time. However, the investor is given the right to participation in the determination of who will be the members of the board of directors. The right protects the investors against serious malfunctions. The investor's property right is represented by shares of common stock, which can be sold to someone else, who will then be able to exercise the right. The holder of common stock is said to be as owner of the corporation and can, in theory, exercise over its operation through the board of directors.

Generally, only a piece of paper represents the investor's right to certain prospect or property and the condition under which he or she may exercise those rights. The piece pf paper, serving as evidence of property rights, is called a security. It may be transferred to another investor, and with it will go all rights and conditions. Thus everything pawn ticket to share of GM common stock is a security.

2.2.4 Security Market

The security market is known as the market where all types of securities are traded. The security market is a broad term embracing a number of markets in which securities are brought and sold. Securities markets includes how an individual investor goes about the business of placing any order to buy or sell, how the order is executed, the process of setting the payment and transfer cost, and one hope the payment of federal personal income taxes on the profits from the transactions. (D. E. Fisher, R. J. Jordan, 1992: 16) these securities include common shares, preference shares and debentures.

The securities market may be divided into two categories:

Primary Markets**:** In the primary market the original issuance of the financial instruments of the company is traded. The company should sell its approved share through the authorized issue and sales agent. The company has to register its shares in the SEBO to get the valid authority to the issuance of the shares. Primary markets provides as important allocate function by channeling the funds to those who can make the best use of them presumably, the most productive.

Secondary Markets*:* In the secondary market the share once issued in the primary market are traded. So, the secondary market liquidates the shares and provides the opportunity between the investor and the seller of the securities. The Company must list the securities in the security market for the transaction purpose.

"If the owner of 100 shares sells his/her stocks, the trade is said to have occurred in the secondary market. Thus, the market for outstanding shares or the used shares is the secondary market. The company receives no new money when sales occur in this market."(Eugene F. Brigham, et. all, 1999: 327)

In the secondary market existing securities are traded and thus enabling disposal of these securities whenever the owner wishes. An active secondary market is, therefore, a necessary condition for an effective primary a market, as no investor wants to feel 'locked in' to an investment

Relation between Primary and Secondary Market

The primary market and the secondary market have a symbolic relationship. While the primary market creates long-term securities, the secondary market provides liquidity through marketability of those institutions.

Fresh capital issues are influenced by the level and trend in stock prices at the time of issue. Actually, new activity in the primary market adds depth to the secondary market by enlarging the supply of instruments for trading and investment in the secondary market. Stock prices in turners are influenced by the large size and bunching of new issues. Besides, primary and secondary

market is indispensable ingredients of the capital market and is the basis to meet the financial requirements of corporate bodies.

2.2.5 Stock Market & Stock Exchanges

"Secondary markets are those in which outstanding previously issued securities are traded. By far the most active secondary market, and the most important want to financial managers, is the stock market. It is here that price of firm's stock are established, and since the primary goal of financial management is to maximize the firm's stock price, knowledge of the market in which this price is established is essential for anyone involved in managing a business.

There are two basic types of stock market –the organize stock exchange, which include the New York Stock Exchange [NYSE], The American Stock Exchange [AMEX], and several regional exchanges, and the less formal over – the – counter markets. Since the organize exchanges have actual physical market location and are easier to describe and understand, we shall consider them first.

The organize security exchanges are tangible physical entities. Each of the larger one occupies its own building, has specially designated members, and has and elected governing body – its board of governors. Member are said to have "seats" on the exchange, although everybody stands up. These seats, which are bought and sold, give the holder the right to trade on the exchange. (J.F. Weston & E.F Brigham, 1987; 78)

2.3 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 10share of the Everest Bank Ltd from B, He/She pays Rs.2000 for these 10shares, and then the price of shares is Rs.200 [i.e. Rs.2000/10]. Thus, stock price is the amounts of money 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 (buyer's force) and supply (seller's forces). The demand and supply are based on the environmental forces and individual's future expectations/assumptions. The stock (market) price is different from its par value and book value.

2.3.1 Par Value

"When a corporation is first chartered, it is authorized to issue up to a stated number of shares of common stock, each of which will often carry a specified par value. Legally a corporation may be precluded from making payments to common stockholders if doing so would reduce the balance sheet value of stockholder equity below the amount represented by the par value of the 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 the case, a stated value must be recorded in place of the par value. (W.F. Sharpe, et. all, 2000: 461)The initial offering price of the share may vary from the par value if stocks are issued on premium or discount.

2.3.2 Earning Per share

Accounting earning that represents the different between revenues and expenses, including the expenses associated with non-equity sources of funds (such as interest to debt, dividend to preference shares) are also known as total earnings available for common stock. If this portion of income is divided by number of outstanding shares, we get earning per share. (Sharpe, Alexander, et. all, 2001: 622)

2.3.3 Dividend Per Share

The percentage of earnings the firm pays in cash to its shareholders is known as dividend. The dividends, of course, reduce the amount of earnings retained in the firm and affect the total amount of internal financing.

Nothing is more important than dividends to stockholders. They buy shares of the firm with the hope of sharing profits earned by firms. The sole motive of stockholders is to receive return on their investment: nothing pleases them more that knowing the firm's earnings and more profits mean more dividends coming in.

Forms of Dividend

Cash Dividend: Payment made in cash to stockholders is termed cash dividends. For which, a firm needs to have enough cash in its bank account. When cash dividend is declared, the cash account and reserves amount 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 dividends.

Bonus Share (Stock dividend): An issue of bonus share represents a distribution of shares in addition to cash dividend (known as stock dividend in USA) to the existing stockholders. This practice has the effect of increasing the number of outstanding shares of the company, which are distributed proportionate ownership of the company.

2.3.4 Net Worth per Share /Book Value per Share

A corporation will generate income, much of which is paid out to creditors (as interest) and to shareholders (as dividends). Any remainder is added to the amount shown as cumulative retained earnings on the corporation's books. The sum of cumulative retained earnings and other entries (such as common stock and capital contributed in excess of the par value) under shareholder's equity is the book value of the 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, 2001: 506)

The book value of the equity reflects the historical costs of-brick and meter-the physical assets of the company. A well run company with strong management and an organization that function effectively should have a market value greater than the historical book value of its physical assets. (Weston & Copland, 1992: 695)

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

The accounting value of share of common stock equal to the common equity of the firm (common stock plus retained earnings) divided by the number of shares outstanding. (Weston & Brigham, 1987; 674) Book value is generally considered to be relatively unimportant in determination of the value of the company, since it represents only the historical investments

made in the company- investment that may have little relation to current value of price. (Weston & Copeland, 1992: 111)

2.3.5 Market Price per Share

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 of stocks are set at fairly low figures with compare to their market value, 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 dividends of the company and the perceived risk of the stock on the part of investors. (J.C. Van Horne & J.M. Wachowicz , 2000: 546)

Common stock holders are sometimes referred as the residual owner since in essence s/he receives what is left the residual after all other claims on the firm's income and assets have been satisfied. All the companies issue common stock. Common stock holders are true owners of the 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 shares can be more volatile. They move up and down due to the factors like economy and company performance. (L.J. Gitman, 1991: 573)

The market price of share gives the value of shares, and the value of the organization. The market price of share is that price in which shares are traded or the amount, which, is paid by the buyer to the seller to purchase the stock of the company. The market price of shares varies from one company to other. Since, the common stock holders are the owner of the organization and have least priority to claim in liquidation, the share price is highly volatile and very sensible to 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 environment factors are not within the control of the organization, but such forces highly affect the market price of share. So, the firm tries to adjust themselves according to the changing environmental forces, and such adjustments are indented to maximize the share price of the value of the firm.

Since the market price of share is very much sensitive to the environmental forces, the shares price increases if there is favorable environment and vice versa. This increase in 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 have positive perception towards the organization and they like to buy the shares of the organization, as a result demand increases; on the other hand, the supplier like to hold the shares and supply decreases, and there is a gap between demand and supply, so the market price of the shares increase. The investors determine the share 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 organization and future expectation. Such assumptions and expectations vary from individual to individual. Since different person analyses the same situation differently with their level of 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 consists one of the indicators of stock price in NEPSE. There 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 number in the same series of the index number. An index is usually a ratio tabulated from average of different securities. Typically, a time series of index number is constructed from the same base date and base value (usually set 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 index. (J.K. Francis, 1991: 183)

In this section of review of literature, the well-established principles for the valuation of common stock in global contexts are reviewed from various books. The share price is somehow set with

the valuation of stock. The internationally set principles are viewed and the abstracts of such principles are presented here.

2.4 Review of Books

2.4.1 Capitalization of Income Method of Valuation

The capitalization of income methods of valuation states that the "true" or "intrinsic" value of any assets is based on the cash flow that the investors expect to receive in the future from owing the assets. Because these cash flows are expected in future, they are adjusted by a discount rate to reflect not only the time value of money but also the friskiness of the cash flows.

Angelically, the intrinsic value of an asset is equal to the sum of present values of the assets expected cash flows.

Where, Ct denotes the expected cash flow associated with the assets at time t, and k is the appropriate discount rate for cash flows of this degree of risk. In this equation the discount rate is assumed to be the same for all the periods. (W. F. Sharpe, et. all, 2000: 523-524)

$$v = \frac{c_1}{(1+k)^1} + \frac{c_2}{(1+k)^2} + \frac{c_3}{(1+k)^3} + \ldots\ldots$$

$$= \sum_{t=1}^{\infty} \frac{c_t}{(1+k)^t} \qquad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2.1)$$

2.4.2 Net Present Value

At the current time (t=0), if the cost of purchasing an assets is P, then its net present value (NPV) is equal to the different of its intrinsic value (V) and cost.

i.e. NPV =V – P

$$= \sum_{t=1}^{\infty} \frac{C_t}{(1+k)^t} - p \qquad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2.2)$$

Simply, NPV is the excess of present value of all cash flow over the present values of cash outflows (investment). (W. F. Sharpe, et. all, 2000: 524). Positive NPV is favorable and vice versa.

2.4.3 Internal Rate of Return

IRR approach for the investment decision-making is similar to NPV approach. IRR (K*) is the discount rate, which makes the NPV of the investment equal to zero.

$$i.e.\ X \sum_{t=1}^{} \frac{C_t}{(1+k)^t} = p \quad \text{.....(2,3)}$$

For rational decision making, the investment is viewed favorably of k*>k, and unfavorably if k*<k

2.4.4 Stock Valuation

Securities analysts study companies' earnings and their managements, the economic outlook, the firm's competition, market conditions, and many other factors. Then their research findings are used in the accepted models to estimate value of an equity share. If the security's price is less than its estimated value, then it appears to be a good buy or at least worthy for further investigation. Such valuation models are presented here:

2.4.4.1 Single Price Valuation Model

"An investor who buys a share of the Avery Corporation’s stock for $50and then sold it for $55 a year later, after collecting a cash dividend of $ 2.50, earned a rate of earning of 15 percent.

If the stock market is efficient, then 15% is an equilibrium rate of return for Avery's stock. The single period valuation model is given by,

$$p_0 = \frac{p_1 + d_1}{1+r} \quad \text{.....(2,4)}$$

Figuring out the risk-adjusted discount rate to use in the valuation model is an important part of the valuation process.

A Fundamental principle of valuation says that in perfectly efficient markets, all securities in an equivalent risk class should be priced to yield the same rate of return. This principle implies that Avery's equilibrium rate of return of 15 percent should be used as the risk adjusted discount rate to find the present value of Avery's stock. (J.C. Francis, 1991: 524)

Where, p_1 = market price of a security at period 1

d_1 = dividend per share for period of 0 to 1 year

p_0 = present value of stock

r = single period rate of return

2.4.4.2 Dividend Discount Model [DDM]

J.B.Williams and M.J.Gordon have developed relating the value of an equity share to its cash dividends. They hypothesized that the value V of a share of stock equals the present value of the infinite (t=∞) Stream of dividend to be received by that stock's
owner, this model is known as dividend discount model [DDM]

$$V = \frac{D_1}{(1+k)^1} + \frac{D_2}{(1+k)^2} + \ldots\ldots\ldots\ldots = \sum_{t=1}^{\infty} \frac{D_t}{(1+k)^t} \quad \ldots\ldots\ldots\ldots (2.5)$$

2.4.4.2.1 The Zero Growth Model

If the dividend amount per share paid over the past year D_0 will be paid over the next year D_1 and year after D_2, and the year after that d3 and so on; that is:

$D_0=D_1=D_2=D_3=\ldots\ldots\ldots\ldots\ldots=D_n$

This is equivalent to assuming that the dividend growth rates are zero because if g=0, then $D_t=D_{t-1}$: The present value of stock with zero – growth is (from equation 2.5)

$$V_o \, X D_o \sum_{tX1} \frac{1}{(1 \Gamma k)^t} \quad \text{.....(2.6)}$$

Using the property of indefinite series from mathematics, if K>0, then,

$$\sum_{tX1} \frac{1}{(1 \Gamma k)^t} X \frac{1}{k} \text{.....(2.7)}$$

$$So, \quad V X \frac{D}{K} \text{.....(2.8)}$$

2.4.4.2.2 The constant-Growth Model

"The next type of DDM to be considered is one that assumes that dividends will grow from period to period at the same rate forever and is therefore known as the constant growth model. Specifically, the dividends per share that were paid over the previous year D_0, are expected to grow at given rate 'g' so that the dividends expected over the next year D_1 are expected to be equal to D_0 (1+g). The dividends the year after that are again to grow by the same rate g, meaning that $D_2=D_0 (1+g)^2$ and in general:

$D_t = D_t - 1(1+g)$…….. (2, 9)

$D_t = D_0 (1+g)^t$……. (2, 10)

Now, in the equation (2.5) substituting D_t by $D_o (1+g)^1$, we get

$$V X \sum_{tX1} \frac{D_o (1 \Gamma g)^t}{(1 \Gamma k)^t} \text{.....(2.11)}$$

For zero growth models, the equation (2.12) can be simplified by noting that D_0 is a fixed dollar amount, so it can be written outside the summation sign:

$$V \, X D_o \sum_{tX1} \frac{(1 \Gamma g)^t}{(1 \Gamma k)^t} \quad \text{.....(2.12)}$$

If K>g, the equation (2.11) follows a property of infinite in series from mathematics.

$$\sum_{tX1} \frac{(1 \Gamma g)^k}{(1 \Gamma k)^t} X \frac{1 \Gamma g}{k \, Z g} \text{.....(2.13)}$$

Substituting the equation (2.13) into equation (2.12) results in the valuation formula for the constant growth model:

$$V = \frac{D_o(1+g)}{(k-g)} \quad \text{.....(2.14)}$$

$$\text{Or, } \sum_{t=1}^{\infty} \frac{(1+g)^t}{(1+k)^t} = \frac{(1+g)^t}{(1+k)^t} \quad \text{.....(2.15)}$$

$$V = \frac{D_1}{k-g} \quad \text{.....(2.16)}$$

Because, $D_1=D_0 (1+g)$

The equation (2.14) can be reformulated to determine the required rate of return (k) as,

$$K = \frac{D_1}{P} + g \quad \text{.....(2.17)}$$

Where, 'V' is substituted by 'P', the current price of the security.

2.4.4.2.3 The Multiple-Growth Model

"A more general DDM for the valuing the common stock is the multiple-growth, with this model, the focus is on time in the future (T), after which dividends are expected to grow at a constant rate 'g'. Although the investor is still concerned with forecasting dividends, these dividends do not need to have any specific pattern of constant growth. The dividends up to T (D_1, D_2, D_3 …..…Dt) will be forecast individually by the investor. Therefore, dividends are assumed to grow by a constant rate 'g' that the investor must also forecast, meaning that:

$D_{t+1} = D_t(1+g)$

$D_{t+2} = D_{t+1}(1+g) = D_t(1+g)^2$

$D_{t+3} = D_{t+2}(1+g) = D_t(1+g)^3$ and so on

2.4.4.3 Valuation Based on infinite Holding Period

The capitalization of income method valuation involves discounting all dividends that are expected throughout the future. But when an investor plans to sell the stock in a year, then the cash flows that the investor expect to receive from purchasing a share of stock of are equal to the dividends expected to be paid one year from now and the expected selling price of the stocks.

The intrinsic value of the stock to the investor is given by discounting these two cash flows at the required rate of return as follows:

$$V = \frac{D_1}{(1+k)} + \frac{P_1}{(1+k)} \quad \text{.....(2.18)}$$

Where D_1 and P_1 are the expected dividend and selling price at t=1, respectively.

"To use equation (2.18) the price of the stock at t=1, should be expected. The simplest approach assumes that the selling price will be based on the dividends that are expected to be paid after selling date. Thus the expected selling price at t=1 is:

$$P_1 = \frac{D_2}{(1+k)} + \frac{D_3}{(1+k)^2} + \frac{D_4}{(1+k)^3} + \text{.....} = \sum_{t=2}^{\infty} \frac{D_t}{(1+k)^{t-1}} \quad \text{.....(2.19)}$$

From (2, 18) & (2, 19) we get,

$$V = \left[\frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^2} + \frac{D_4}{(1+k)^3} + \text{.....}\right] \frac{1}{1+k}$$

$$Or, V = \frac{D_1}{(1+k)^1} + \frac{D_2}{(1+k)^2} + \frac{D_3}{(1+k)^3} + \frac{D_4}{(1+k)^4} + \text{.....} = \sum_{t=1}^{\infty} \frac{D_t}{(1+k)^t} \quad \text{.....(2.19}a\text{)}$$

This results to the equation (2.5). Thus, valuing a share of common stock by discounting its dividends up to some point in the future and its expected selling price at the time is equivalent to valuing stock by discounting all future dividends."

2.4.4.4 Models Based On Price Earning Ratio

In order to show the interaction of earning, dividends retained earning, and the growth rate of the firm, the model can be reformulated to treat these variables explicitly. Dividends are related to earning by defining dividends to be equal to the payout ratios of (1-f) times earning as in the equations (2.20) and 2.20a)

D_t= (1-f) E_t =Corporation's total cash dividends……..(2,20)

d_t = (1-f)et = Cash dividend per share……..(2,20a)

Total corporate retained earning of dollars is assumed to be reinvested within all equity firms to earn a rate of return of r. Since the firm we are discussing here has borrowed money, it cab only grow from retained earnings period, as shown in equation (2.21) assuming no external capital is invested in the firm.

$E_t=e_0\ (1+g)^t = E_0(1+fr)^t$…….(2,21)

$e_1 = e_0(1+g)^1 = e_0(1+fr)^1$…….(2,21a)

$d_1 = (1+f)(1+fr)^1\ (e_0)$ …….(2,22)

$d_1 = (1-f)(1+g)^1\ (e_0)$ …….……(2,22a)

$d_1 = (1-f)\ (e_1)$ …….(2,22*b*)

As long as the retained ratio is positive number, f > 0, dividend per share will change each period as indicated in equation (2.22) if no new shares are issued. When some fraction of earning is retained and earns a return of r within the form, the present value of share of stock is determined by substituting equation (2.22) into (2.19a) to obtain (2.23), In equation (2.23) the beginning cash dividend per share is stated in terms of the beginning earning per share by substituting $e_0(1-f)$ in place of d_0.

$$V_o \text{ X } \sum_{t \text{X} 1} \frac{e_o(1 \text{ Z } f)(1 \Gamma fr)^2}{(1 \Gamma k)^t} \text{.....(2.23)}$$

$$or, \text{X} \sum_{t \text{X} 1} \frac{d_o(1 \text{ Z } fr)^t}{(1 \Gamma k)^t} \text{ X} \sum_{t \text{X} 1} \frac{d_o(1 \Gamma g)^t}{(1 \Gamma k)^t} \text{ X} \frac{d_1}{k \text{ Z } g} \text{.....(2.24)}$$

Equation (2, 23) may be written equivalently as (2, 25) since g=fr. By substituting e1(1-f) for equation (2,24)below, we get (2,26)

$$V_o \text{ X} \sum_{t \text{X} 1} \frac{e_o(1 \text{ Z } f)(1 \Gamma g)^t}{(1 \Gamma f)^t} \text{.....(2.25)}$$

$$or, V_o \text{ X} \frac{e_l(1 \text{ Z } f)}{k \text{ Z } g} \text{.....(2.26)}$$

One advantage of dividend valuation model is that it may be written equivalently in different formed; Equations (2.19a), (2.23), (2.24), (2.26) all are useful representation of the same model. Equation (2.23) explicitly shows the relationship of earning *e*, dividend policy *f*, internal profitability r, the firms cost of capital k and the firm's growth rate g in the determination of value of stock. The model may be used to determine the value per share by defining all the variables on a per share basic as shown or the model may be used to value the entire form by using the total quantities represented by the variables in capital letters in equation (2.20) and (2.21).

2.4.4.5 Signaling

“A relative simple view of dividend changes is that an announced increase in dividends is a signal that management has increased its assessment of the form's future earnings. The announced increase in dividends is therefore good news and will, In turn, cause investors to raise their expectations regarding the firm's future earnings. Conversely an announced decrease in dividends is signal that management has decreased its assessment of the firm's future earnings. The announced decrease in dividends is therefore bad news and will, in turn, cause investors to lower their expectations regarding the firm's future earnings. An implication is that an announced increase in dividends will cause the firm's stock price to rise. And an announced decrease will cause it to fall." (W.F. Sharpe, et. all, 2000: 567)

There is nothing inconsistent with dividends being used as a signal and with the dividend irrelevancy argument of miller and modigliani. In particular, stockholders will neither better off nor worse off if the level of dividends, relevant to earnings, is high or low. Changes in dividends may, however, be important because they convey information to the public about the future earnings prospects for the firm. (W.F. Sharpe, et. all, 2000: 567)

2.4.4.6 January effect

There is no obvious reason to expect stock returns to be higher in certain months than in others. However, in a study that looked at the average monthly returns on NYSE listed common stocks, significant seasonality was found. In particular, the average return in January was higher than the average return in any other months. It appears that the average return in January has been

approximately 3 % higher than the average monthly returns in February through December. (W.F. Sharpe, et. all, 2000: 567 - 568)

2.4.4.7 Day-OF-The-Week-Effect

Studies looked at the average daily return on NYSE listed securities found that the return on Monday was quite different that returns on other days. In particular, the average return on Monday was found to be much lower that the average returns on any other day of the week, Furthermore, the average return on Monday were negative, whereas, the other days of the week had positive average returns. (W.F. Sharpe, et. all 2000: 497)

2.4.4.8 Size Effect

The past evidence suggests that the size effect also exist in Japan. The securities of Tokyo stock exchange classified into two sections, the second is less than 10% of the size of the first, measured by the market value of the examined over the period on it. Two indices were prepared and examined over the period from 1953 to 1980; they include the same stocks but are complied differently. The equally weighted (EW) index weights the stocks by market value waited (VW) index weights the stock by market value. Hence, the EM index is influences much more by the performance of small stocks than the VW index is. Te EW index returned 5.1% more, suggesting the preference of a size effect. (W.F. Sharpe, et. all, 2000: 501)

2.4.4.9 Earnings Announcement & Price Changes

A number of studies have shown large price changes for stocks of companies that reports earnings that differ substantially from consumer expectations. One study looked at three groups of 50 stocks. The first group consisted of the 50 stocks listed on the NYSE that expected the greatest price rise during 1970. The second group consisted of 50 stocks chosen randomly from all those on the NYSE during 1970. The third group consisted of the 50stocks listed on the NYSE that experience the greatest price decline during 1970.It is found that the median changes in actual earnings per share for the top, random and bottom, group were 21.4%, -10.5% and –83% respectively. (W.F. Sharpe, et. all, 2000: 578)

2.5 Review of the Previous Studies

This section includes the precious studies regarding stock markets price and organized stock exchange both in the national as well as international contexts:

2.5.1 Foreign Context

Stocks trade in an open market, where buyers and sellers agree on a price. There is no foxed price like you'll find at convenience store, instead, prices follow the simple laws of supply and demand. Therefore, when a stock's price rises, it means that buyers are continually willing to pay more for the stock and sellers are demanding more before they'll part with their shares.

What Causes Buyer Demand?

As more and more buyers flock to a stock, the supply at a lower price diminishes (partly because the entire chap shares are sold out and partly because sellers realize they can raise the price.) Three main factors drive buyers demand. They are:

- Dividend income
- Speculation
- Most investors value company profitability.

A business that makes money is worth purchasing for a variety of reasons. It won't go bankrupt, it will grow, and any other company might purchase it. Therefore, the company becomes more variables.

You might notice that the stock market pays attention to earning release. These releases are the company's proof that it is a valuable enterprise. When a company can demonstrate consistent earnings growth, it attracts more and more investors.

Dividend income is also valuable to investors. By paying a dividend, the company is sharing profits with the shareholders. Many investors like the idea of getting paid and not doing any work.

Dividend stocks can attract more mad more investors just like growth stocks. If a stock has a history of always paying a heavy dividend, one can expect that history to continue. It's even better if the dividend has a history of increasing. Stock that offer constituent dividend growth will continually attract investors. Also, stocks that offer a relatively high dividend yield (dividend payment divided by share price) attract buyers.

Finally, Speculation can cause a stock's price to change dramatically. While earnings growth and attractive dividends are reasonable approaches to investigating: speculating is harder to understand.

The basic idea is that you buy a stock because you think somebody else will pay more for it in future. The reason for the price increase doesn't really matter (after all, any profit in the stock market is a good profit.) all the matters are the belief that there will be an increase.

Speculators typically don't base their buying behavior on historical performance (such as earnings growth or constituent dividend growth.) Rather, they are hoping to predict the future of the stock. The markets saw plenty of speculation in the intent boom, buyers hoped that Internet stocks would make s bundle of money, but they weren't quite sure how, some gained, some lost.

What Causes Prices to fall?

Now that you know what causes buyer demand, you can start to understand what drives prices down. When a stock becomes unattractive (due to poor earnings outlook, missed dividends payment, or speculation), shareholders want to get rid of their shares. Sellers will settle for less (because they just want to make a sale) and buyer demands are limited. Next time somebody asks why the market is up, you can respond with the old Wall Street joke: "more buyers than sellers" but you will have a better idea why they are buying."(www.stockabout.com)

In an journal published on www.utk.edu by Debosah L.Murphy, Ronald E. Shrieves and Samuel L Tibbs entitled "Determinants of stock Price Reaction to Allegation of Corporate Misconduct: Earning Risk and Size Effects " studies using the most extensive sample to date. They examined the source and magnitude of market imposed penalties experienced by firms alleged to have

committed illegal acts. Stratification of the sample by crime category reveals significant verification in the announcement – related wealth effects. Also examined were the linkages between the observed wealth effects and changes in reported and expected earnings, risk, firm sizes and reputation. They found the allegations of misconduct were accompanied by statically significant control form adjusted decline in reported earnings, increased in return variability and decline in concordance among analysts' earning estimates. The magnitude of the market-imposed penalties accompanying allegations is systematically related to the type of misconduct, firm size, and increase in uncertainty. However, the statistical relationship between earnings changes around the allegations and the wealth effects of criminal allegations was ambiguous. Their results offer the strongest evidence regarding a link between market-imposed penalties associated with allegations of misconduct and subsequent changes in the level of uncertainty of earnings. (L. M. Deborah, et .all, www.ukt.edu)

In the journal of financial Economics, summer 1996, entitled “commonality in the Determinants of Expected stock Returns "by Robert A.Haugen and Vardin L.Baker, they presented with evidence that the determinants of the cross section of expected stock return were stable in their identity and influence from period to period and from country. The determinants were related to risk, liquidity, price level, and growth potential and stock price history. Out of sample predications of expected returns, using moving average values for the pay-offs to these firm characteristics were strongly and consistently accurate. Two findings, however, distinguished their paper form others in the contemporary literature. First, the stock with higher expected and realize rate of return was unambiguously of lower risk than stocks with strikingly common to the major equity markets of the world. Given the nature of the texts, it was highly unlikely that those results may be attributed to bias or data snooping. Consequently, the result seems to reveal a major failure in the efficient market hypothesis.

In 1997 International Monetory Fund , Policy Development and Review Development Division Published a working paper entitled" Determinants o Stock Prices: The case of Zimbabwe". The working paper examined the general relationship between stock price and macroeconomic variables in Zimbabwe, using the revised DDM, error-correction model, and multi factor return generating model. Despite the large fluctuation in the stock prices since 1991, the analysts that

Zimbabwe Stock Exchange functioned quite constituently during the period. Whereas, sharp increase in the share prices during 1993-94 were mainly due to the shift of the risk premium that was caused by partial capital account liberalization, the monitory.

CEO Charisma Affects Stock Prices

The head honcho's clever workings influence all aspects of the company, and according to a recent university of Florida study, their powers of persuasion don't end with the firm.

The study found securities analysts predict a firm's future performance based not only on its track record but also on how favorably they view the company, which is influenced largely by how charismatic they consider its chief executive officer.

That influence indirectly affects the price of a company's stock because investors use the tainted predictions to decide whether to buy or sell stock, said Angelo Fanelli, who conducted the study for his doctoral dissertation at the UF Warrington College of Business.

"The essence (of this study) is in this particular relationship between the CEO and securities analysts, a charismatic leader will make a security analyst excited, and then he will rate a company mare favorably in his recommendation to stockholders," said Fanelli.

However, the effects of CEO Charisma do not mean an analyst is more accurate in predicting the future performance of the company.

The results showed CEO Charisma significantly affected the perceptions of analysts, leading them to recommend to investors the stock of the firm with a charismatic CEO in a more favorable way. The Study also found, as a group, securities analysts are more likely to have more similar high recommendations for that received s high score for CEO Charisma.

Equity Funds-What Affects Price?

What factors influence the price of stocks, and therefore the value of equity mutual funds? There are several fundamental factors: Expectations, external events, fiscal and tax policies, government spending, monetary policy, inflation, and business cycles. Technical factors include: the condition of securities markets, price movement, trading volume and supply and demand.

Fundamental Factors includes everything outside the security markets themselves, which might influence price. Because market security prices are negotiated between buyer and seller, future expectations help determine price.

What is the impact of research on stock prices?

Although the total return on the investment in research is hard to quantify, the information provided via third-party research has tangible value. Objective research provides information to the market to reduce uncertain. Even though the nature of the stock market prevents us from isolating any of the many variables that affects a stock price, no one can disagree that in the long run, grater available information means grater market efficiency.

Stock Price Behavior in Small Emerging Markets: Tests for Predictability and Seasonality on the Bahamas International Securities Exchange.

This paper presents evidence on the behavior of stock prices on the Bahamas international Stock Exchange (Bisx) over the first eighteen months of its existence (January 2001 to June 2002). The paper is unable to reject the hypothesis of randomness in the rates of returns series for the majority of the seventeen stocks listed on the Bisx. One is therefore unable to reject the notion that the Bisx is weak form efficient. The paper finds no evidence of a day of the week effect or January effect. This provides further evidence that many of the seasonal patterns in stock returns identified on developed stock markets, do not generally carry over to emerging markets. The paper also provides further evidence that stock prices are not generally drawn from a normal distribution, and that non-parametric statistics are potentially important in the statistical analysis of the stock prices.

Why the Market Rises and fall? / What moves the Stock Market?

That complex question has many answers. Some market movers are obvious, while others creep up on us unseen. In this and subsequent articles, I'll look at some of the economic, political, and societal issues that may cause that may cause the market to change direction or speed up or slow down its momentum.

A quick list of the obvious includes:

- Inflation
- Interest rates
- Earnings
- Oil/Energy Prices
- War/terrorism
- Crime/fraud
- Serious domestic political unrest

As you can see, many of these have serious long-term implications, while others may only cause temporary disruptions.

However, the one factor not listed above that drives the market absolutely crazy is uncertainty. The market cannot stand surprises and when there is the chance that something may change, it rattles the market.

What Factors Influence a Share Price?

When you look at the performance of the stock market at the end of a trading day it can be hard to work out why shares have either risen or fallen in value.

Broadly speaking, share prices are influenced by news or information: new data on employment, manufacturing, director's dealing, political events or even the weather, all kinds of news can influence the way shares move.

You will sometimes, however, see little move in share price when, for example, interest rates shift. This is because investors try to anticipate what is going to happen in the next few months

and tries to move their portfolios in or out of these stocks before the rest of the markets catch on. Sometimes, of course, these expectations can be wrong and if this happens, markets can move very sharply.

If you want to trade successfully in the stock market you will need to know what news other investor look at and how they will look at it. This will help you pick the best moment to buy and sell your shares. Read more about monitoring news on a company.

- The economy
- Company news
- Analysts reports
- Press recommendations
- Sentiment
- Technical influences

The Economy

The health of the global economy has a fundamental influence on share price because it is ultimately responsible for driving company profits. Broadly speaking, if the economy is growing, company profits improve and share s will become more highly valued. If the economy is weakening, company profits will fall and share prices will go down.

Investor look at a vast amount of data to try and work out what is going to happen to the economy and shift their portfolios before the events occur. This is why you will often see markets move well ahead of an actual event occurring. You may, for example, get little reaction from the stock market when interest rates rise. This is because investor have already anticipated the shift months in advance and adjusted their portfolios beforehand.

You can usually assume that the stock market will anticipate moves in the economy by around six to nine months. So if you want to stay ahead of the game you will need to follow economic data as closed as the professionals.

The kind of information you need to play close attention to is: employment data, the reports put out by the Monitory Policy Committee (to get an ides where interest rates are headed), trade with

other countries, retail sales and manufacturing. Sentiment surveys produced by trade bodies such as the confederation of British Industry are also important indicators of where the economy is heading.

It is not only news about the UK economy that will impact on share prices. The signals coming out of other major economies, particularly the UK's major trading Partners, Such as the US and Europe will affect UK shares as what happens I these economies will have an impact on our own.

When looking at economic data, you need to think not only how the wider economy will be affected but also whether certain areas will be more affected than others. A rise in interest rates is, for example, often bad news for house builders, as people feel less confident about taking on debt. Retailers are often badly affected too as people spend less. Pharmaceutical companies are however, usually unaffected as people's demand for drugs is not influenced by the state of the economy.
Companies whose profits are closely tied to the health of the economy are known as 'cyclical' stock. Those businesses that aren't too affected by the economy are called 'defensive' stocks. If economic conditions deteriorate you will often see investors shift from cyclical stocks to defensives.

Company News

The way investors interpret news coming out of companies is also a major influence on share prices. If, for example, a company puts out a warning that business conditions are tough, shares will often drop in value. If, however, a director buys shares in the firm, it may be signal that the company's prospects are improving.

Companies put out a great deal of news and the financial press covers most of the major announcements. But some announcements not regarded as so important and sometimes, particularly among smaller firms that are monitored less by investors and financial journalists, indicators of the company's health can be missed.

You can stay one step ahead of the game by looking carefully at all the information sent out by companies you own, their competitors and other companies you are interested in. this information if usually available on companies' websites.
Try to think laterally about the information yon are getting. If, for example, a competitor to a company you have shares in produces a revolutionary new product, it will probably hit profits at the company you own. Also think about the impact it will have on suppliers to that business. An increase in sale of mobile phones with cameras in them will not only be good for the phone company but the firms that supply the technology in the phones.

Takeovers or even rumors of takeovers also have a big influence on price. This is because investors expect the bidder to pay a premium to shareholders.

Analysts' Reports

Reports produced by independent analysts also influence share price. If an analyst changes their recommendation from 'sell' to 'buy', for example, the share will often rise in value. Primarily investment banks produce analysts' reports for professional investors, although some stockbrokers will make their research available to private investors. You may find summaries of some reports published on financial news websites or in newspapers and magazines. Some investment banks also publish their reports on their websites for free. You should remember that the recommendation an analyst puts on a company would affect its share price very quickly and con become irrelevant within hours. This is because the analyst will usually say a stock is a 'buy' within a particular price range. If the price moves above their targets, the improvements, the analyst expects may be 'priced in' and so the shares not worth buying.

But analysts' reports are always worth reading, even if the recommendation is out of date. The reports usually contain a great deal of useful information on the company and how its business is developing. They also often look at how the company rates against its competitors.

Press Recommendations

The financial pages of most national newspapers and investment magazines usually contain share tips. Like analysts' reports these tips can have a major influence on share prices .If a journalist

recommend a share, the price will usually rise and if they write a negative story the price will fall, these moves usually happens very quickly so if you are going to follow the recommendation it often makes sense to do so as soon as possible.

Sentiment

Investor sentiment is almost impossible to predict and can infuriating if, for example, you have bought shares in a company that you think is a good 'buy' but the price remains flat. Investor sentiment is influenced by a wide variety of factors. Share prices can, for example, be flat during the summer simply because so many major investors are on holiday or attending major sporting events such as Royal Ascot and Wimbledon, hence the adages 'sell in May and go away'.

Investor sentiment can lead to irrational buying or selling of shares and results in bull and bear markets. A bull market is when share prices rise while a bear market is when they fall. In the technology boom of the late 1990s, for example, investors paid extremely high prices for shares and ignored traditional valuation measures, such as P/E ratios. This carried on until 2000 when investors belatedly realized these shares has risen too far and resulted in a three year bear market in shares.

Technical influences

Share prices can rise and fall for a variety of technical reasons that have nothing to do with the actual outlook for an individual company or the outlook for the market.

It is, for example, a common occurrence for share prices to drop back after a strong rally. This happens because investors take profits on some of the shares that have risen in value, protecting their gains just in case the shares start to slip back. Investors often refers to this as market consolidation

Another technical reason for share prices to raise or fall is the quarterly adjustment in the FTSE 100™ index. Shares that are expected to enter the FTSE 100™ may experience a sharper rise than one would expect in the weeks beforehand while shares that leaves the index can fall more sharply. This happens because funds that simply track the index have to match the composition

of the index. Some professional fund manager who hold the affected stocks also adjust their portfolios as they do not want their holding to be too far above or below the company's weighting in the index.

Shares prices can also be affected by investors who ase technical analysis to drive their investment techniques. Technical analysis, also known as Chartism, is simply the study of past share price movements and stock market index trends, which are then used to forecast how shares and stock markets will behave in future. Read more about strategies for investment.

Market makers can also influence prices. It they, for example, do not own enough shares to balance their books they will have to buy more. Market makers also influence price if the market is looking flat, reducing prices to attract buyers.

2.5.2 Nepalese Context

There are many independent studies in Finance in Nepalese Perspective. On the core concept of capital market and determinants of the stock price in the stock market, shareholder's democracy, dividend policy and stock price behavior etc research studies are made.

In 1993, Prof.Dr.Rahde Shyam Pradhan studied the market behavior in Nepal and concluded that:

Large stocks have large PE ratios; large ratios of the market value to book of equity and smaller dividends. PE ratios and dividend ratio are more variable for smaller stocks whereas market value to book value of equity is more variable for the large stocks.

Large Stocks also have lower liquidity, higher leverage, lower profitability, and lower assets turnover interest coverage stocks.

Smaller dividends, lower profitability, lower assets turnover, and lower interest coverage for large stock may be attributed to the fact that most of the large stocks are at their initial stages of operation.

Stocks with large market value to book value of equity, large PE ratios and lower dividends, PE ratios are more variable for stocks with large market value to book value ratios and dividends ratios are more variables for stocks with smaller market value to book value.

Stocks with large market value to book ratios have lower liquidity, higher leverage, lower earnings, lower turnover and lower interest coverage. However, liquidity and leverage are more variables for stocks with large market value to book value ratios while earnings, assets turnover and interest coverage are more variable for stocks with smaller market value to book value ratios.

Stock with large ratios large PE has large market value to book value of equity and smaller dividends ratios. However, their ratios of market value to book value of equity, and dividends are more variable for smaller stocks than for large stocks.

Stocks with large PE ratios have lower liquidity, higher leverage, lower profitability, lower assets turnover, and lower interest coverage. However, Liquidity, leverage, earning turnover, and interest coverage are all more variable for stock with smaller PE ratios as compared to large ones.

Stocks paying higher dividends have higher liquidity, lower leverage, higher earnings and higher turnover and higher interest coverage. However, liquidity and leverage ratios are mare variables for the stocks paying lower dividends while earnings, assets turnover and interest coverage is more variable for the stocks higher dividends.

The other study by Prof. Dr. Radhe Shyam Pradhan and Mr. Nabaraj Adhkari entitled "Impact of Dividends on share price in Nepal" leads to three important conclusions. First, dividends have positive impact on share price, i.e. paying dividends can increase share price. Second, dividends have comparatively more favorable impact on the share price of the non-finance sector than to the share price of finance sector. Third, past earnings have more impact than retained earnings and dividends on share private of finance sector.

A mini research entitled "Financial Performances and Common Stock pricing" concluded by Mr. Khagendra Prasad Ojha in 2002 was also reviewed for this study. The major findings of the research were: Nepalese Stock market is in infancy stage. Dominant of banking sector is prevalent in the market due to other industries including finance and insurance companies. Manufacturing companies are not encouraging. He also conducted that people have a misconception that the issuance of the bonus shares and rights shares, which actually decreases price and this makes them to invest even at a too high price with expectation of getting the same to increase their overall wealth. Further, he concluded that stock price in Nepal is determined more by other factors rather than the financial performance of the concerned company.

2.5.2.1 Review of unpublished Thesis

There are numerous thesis reports for the partial fulfillment of Master of Business Studies and Master in Arts in Tribhuvan University. Among those thesis reports some are related to the capital market and vary few are related to the stock price in Nepal Stock Exchange. Some of those thesis reports are viewed here:

In 1996, a study on "Dividend Decision and Its Impact on Stock Valuation"*[by Mr. Bhattarai 1996]* revealed that:

- Though the stockholders have not good enough return, market price of shares are increasing due to the high expectation in future.
- If there are rational investors and stable dividend influences considerable impact on valuation of shares.
- There is positive relationship between cash dividend and valuation of shares. There are five companies out of ten, having positive coefficient of correlation between cash dividend and valuation of shares.
- The market price is considerably higher than the actual net worth. In some cases, market price of share is two or three times higher than the net worth. This certainly includes that investors do not have adequate knowledge on how to evaluate the value of shares before investing in them.

In 1999, *Mr.Surya Chandra Shrestha* made s study entitled "A study on stock Price Behavior in Nepal." The major findings were:

- The price changes of the past and present can be very helpful to forecast future price and present can be very helpful of future price changes.
- When log days increase, the mean value of serial correlation of coefficient is lower, that indicates the past price changes may have low power to predict the future price in the long run.
- The price changes in the present and future stock market may not be independent of the price changes in the past and present respectively.
- There elitists no profitable trading rules to make greater profit than they would make the buy-and-hold strategy on past price change.
- Nepal Stock Exchanges is not efficient in pricing shares.

Another research entitled" A Study of Stock Market Behavior In Nepal" by *Ms.Sangita Gautam* concluded that political instability and other laws related issues are the prominent factors for the underdevelopment of security market in Nepal. She further concludes that the stockbrokers and stock market are not being much active to create investment environment in stock market. Most of the investors are influenced through media only. Information deficiency in the capital market may be one of the reasons for determination of shares price by excessive speculation. The available information is of low quality and people have very little knowledge of the trading procedure and price formation mechanism in NEPSE. Lack of efficient laws and efficient implication of the existing laws are the contributing factors for the less development of the capital market. She also argued that some of the major problems experienced by stock market are the poor regulatory controls and supervision by SEBO/N and NEPSE.

Another study *[Poudyal, 2001] on* "Study on Share Price Behavior of Joint Venture Banks in Nepal" is undertaken by using financial and statistical tools and revealed that:

- The growth rate analysis as a stand-alone may not be adequate for the analysis of share prices behavior and may not represent the bank's performance in the secondary market.

- The ordinary least square equation of the book value per share on market value per share reveals that the independent variable does not fully explain the dependent variables on the basis of above mentioned two points; Nepal Stocks Exchange operated in a weak form of efficient market hypothesis, including that the market prices move randomly. The market value per share does not accommodate all the available historical information.
- Having good track record of the financial position, the market potential investors buy the share of joint venture commercial banks. Therefore, the shares of joint venture banks emerge as a blue chip in the Nepalese Stock Market.

- The beta coefficient, which measures the risky ness of individual security in relation term, suggests that none of the shares of eight sampled banks are risky. Therefore, even a risk averter can go for making an investment in shares of these banks. The shares of publicity quoted Joint Venture Commercial Banks are less risky as compared to the other average stocks traded in the stock exchange.

In 2004, Mr Apar Neupane made a research entitled "Determinants of Stock Price in NEPSE" and tried to explore the factors that have significant influence on the stock price in NEPSE. He concluded his study by quoting:

- Nepalese investors have not adequate education about the capital market. They do not have good knowledge and information to analyze the scenario and to forecast share price. Perhaps, due to this reason, stock price in NEPSE, rather shows irrational behavior.

- In NEPSE, DPS, BVPS & EPS individually do not have constituent relationship (with the market price of the share among the listed companies. The pricing behavior varies from one company to another. But EPS, BVPS & DPS, jointly have significant effect in market price of the share. So, there may other major factors affecting the share price significantly. NEPSE

is in its primary stage, adopting open outcry system for stock trading and stockbrokers lack professionalism to create investing opportunities in NEPSE.

- Commercial banking sectors have dominated the overall performance of NEPSE. Manufacturing and processing, trading and hotel sectors have weak performance. So, financial intermediaries are strong but their ultimate investing is suffering.

- Companies' performance (earning, dividend, book value, risk, etc) information disclosed, timely AGM, political stability, national economy, demand and supply situation, strikes, demonstrations, ceasefire and peace talk (and their outbreaks) are the major factors affecting the share price in NEPSE, according to the respondent of survey. Interest rate, retention ratio, cost of equity, tax rate, gold price, value of US$, global economy, market liquidity, season, day of the weak, size of the firm, change in the management do not significantly affect the price of the shares in NEPSE.

- There is deficiency of proper laws and policies regarding the capital market. Shareholders are feeling unsecured to invest in security market due to poor regulatory mechanism to protect shareholders interests. The performance of most of the listed companies is not transparent.

- Since NEPSE is in increasing trend, in spite of unfavorable environment for investment, Nepalese citizens have a huge amount of scattered fund remained unproductive, which can be used in the industrial development through capital market to accelerate the economic growth of the nation.

- With the existing Maoist problem, industrial development and capital market development is impossible. So, the peaceful solution of the Maoist problem is preliminary condition for capital market and economic development in Nepal.

2.6 Research Gaps

After reviewing the literature related to this research, it is strongly felt that even though there are lots of researches similar to this title but most of the researches focus on only the secondary data. In this research, secondary as well as primary data both are used to examine the determinants of the stock price. Secondary data tried to evaluate the compacts of BVPS, EPS & DPS on market price of stock. Primary data collected by using various questionnaire which were responded by brokers, stock investor and bankers, reflected the qualitative or behavior of the stock price to different variables and events. Hence, this research is milestone to those persons who are involved and interested in stock markets to forecast the trends of the stock price.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a way to systematically solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying the problem with certain objectives. This chapter refers to the overall research method from the theoretical aspects to the collection and analysis of data. This study covers quantitative methodology in a greater extent and also uses the descriptive part based on both technical aspects and logical aspect. This research tries to perform a well-designed quantitative and qualitative research in a very clear and direct way using both financial and statistical tools. Details research methods are described in the following headings.

3.2 Research Design

In order to make any type of research a well – set research design is necessary to fulfill the objectives of the study. Generally, research design means definite procedure and techniques which guides to study and provide ways for research viability. It is planning for collection and analysis of data to achieve the objectives of this study, descriptive and analytical research design has been used. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to determine factors determining stock prices of commercial banks in the NEPSE.

3.3 Variables

A variable is a symbol to which numerals or values are assigned. So, the variables can take on values. This research intends to identify the factors that affect share price in NEPSE .So, the market price of the share is the dependent variable, which is affected by many variables, and such variables are regarded as the independent variables in the study. The entire factors that affects the market price of shares, such as, earnings, dividends, interest rate, liquidity, book value of share, economy of the nation, peace & prosperity, rumors and whim etc. are the independent variables.

3.4 Population and Sample

This study intends to identify the factors affecting the stock price of Joint Venture Commercial Banks in NEPSE .So, the population of the study is, all the listed companies in NEPSE up to 2013. In the study, five sample organizations representing the Commercial Banks are taken into account amongst listed companies. The following table 3.1 reflects the details of the samples:

Table: 3.1

Population & Sample

Serial No.	Name of the listed Commercial Banks
1.	NABIL Bank Limited
2.	Standard Chartered Bank (Nepal) Limited
3.	Himalayan Bank Limited
4.	Nepal SBI Bank Limited
5.	Everest Bank Limited

The secondary data of sample organizations are analyzed to determine the relationship of earning, dividend and book value with market price of shares in NEPSE. But, to identify the qualitative factors affecting the stock price in NEPSE, primary information are collected through questionnaire from the senior officers of the listed banks, SEBO/N, NEPSE, and Security Brokers.

3.5 Sources and Nature of Data

The study is based on primary data as well as secondary data. To show the relationship between variables (share price –earnings, share price –book value, share price –dividend) secondary data are used but to determine the factors, which affect the stock price, primary data are collected from respondent through research questionnaires. The respondent of the primary data are listed commercial banks and stockbrokers etc.

The sources of secondary data are AGM reports of listed companies, SEBO/N, NEPSE, and other concerned organizations, bulletins, publications, researches, journals, unpublished thesis reports, newspapers, journals and Internet.

3.6 Data Collection Techniques

The research consists of both primary and secondary data. Since, the nature of these two types of data is different; the data collection procedure also varies. To collect the secondary data, published materials are viewed in various spots, like books by different authors, unpublished thesis reports, journals, magazines, Internet, AGM reports of the listed companies, SEBO/N, NEPSE etc. Trading reports of NEPSE are the major source of secondary data. To collect these secondary data, the researcher visited SDC library, NCC library, central library, NRB library of SEBO/N, On the other hand, the primary data collected through questionnaire with private commercial banks and security brokers.

3.7 Data Analysis Tools

The primary & secondary data collected from various sources leads to the logical conclusion, only if the appropriate tools and techniques are adapted to analyze such data. The collected data has been no meaning, if such data are not analyzed to analyze the data in this research; the researcher has used some statistical and financial tools, which are explained here.

3.7.1 Statistical tools

Statistical tools are the measures or the instruments to analyze the collected data from different sources. In statistics, there are numerous statistical tools to analyze data of various natures. In this study, the researcher has used the following statistical tools to analyze the data.

3.7.1.1 Average /Mean

An average is a single value related from a group of values top represent them in someway, a value, which is supposed to stand for whole group of which it is a part, as a typical of all the values in the group.(S.C. Gupta, 1992; 238) There are various types of averages. Arithmetic mean (AM, simple & Weighted), median, mode, geometric mean, harmonic mean are the major types of averages. The most popular and widely used measure representing the entire data by one

value is the AM. The value of the AM is obtained by adding together all the items and by dividing this total by the number of items.

Mathematically:

Arithmetic Mean (AM) is given by,

$$\bar{X} = \frac{X}{n} \quad \text{.....(3.1)}$$

Where, X = Arithmetic Mean

$\sum X$ = Sum of all the values of the variable X

n = Number of observations

3.7.1.2 Standard Deviation

The standard deviation (σ) measures the absolute dispersion. The greater the standard deviation, the greater will be the magnitude of the deviations of the values from their mean. A small standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series and vice versa.

Mathematically,

$$\pm \sigma = \sqrt{\frac{1}{n}(x - \bar{x})^2} \quad \text{.....(3.2)}$$

3.7.1.3 Coefficient of Variation

The standard deviation is absolute measures of dispersion; whereas the coefficient of variation (CV) is a relative measure. To compare the variability between two or more series, CV is more appropriate statistical tool.

Mathematically,

$$CV = \frac{\pm \sigma}{\bar{X}} \times 100 \quad \text{.....(3.3)}$$

3.7.1.4 Correlation Coefficient

When the relationship is of quantities nature, the appropriate statistical tool for discovering and measuring the relationship and expressing it in brief formula is known as correlation. If the

values of the variables are directly proportional then the correlation is said to be positive. On the other hand, if the values of the variables are inversely proportional, the correlation is said to be negative but the correlation coefficient always remain within the limit of +1 to –1.By Karl person, the simple correlation coefficient (between two variables, say X and Y) is given by:

$$r_{xy}\ \mathrm{X}\frac{Cov(x,y)}{\pm_x \pm_y} \text{.....} \quad \text{.....(3,4)}$$

Where,

r_{xy} =is the correlation coefficient between two variables x and y

'r' lies between +1 to –1

When r = +1, there is perfect positive correlation

When r = –1, there is perfect negative correlation

When r = 0, there is no correlation

When r lies between 0.7 to 0.9999(or – 0.7 to – 0.999), there is high degree of positive or negative correlation

When r lies between 0.5 and 0.6999, there is moderate degree of correlation

When r is less than 0.5, there is low degree of correlation.

For the calculation of mean, standard deviations and correlation coefficient ,Ms excel software is used.

3.7.1.5 Simple Regression

Regression and correlation analysis are the techniques of studying how the variations in one series are related to the variations in another series. Measurement of the degree of relationship between two or more variables is called correlation analysis and using the relationship between a known variable and an unknown variable to estimate the known one is termed as regression analysis. Thus, correlation measures the degree of relationship between the variables while regression analysis shows how the variables are related. Thus, regression and correlation analysis determines the nature and the strength of relationship between variables. (P.K. Sharma & A.K. Chaudhary, 2002; 425)

The equation of regression line where the dependant variables MPS is determined by the independent variables DPS, BVPS, and EPS is given by:

MPS = a + b DPS

MPS = a + b BVPS

MPS = a + b EPS

Where,

a = constant

b = Regression coefficient

3.7.1.6 Multiple Regressions

Assuming that all variables are closely related, we can estimate the unknown value of one variable from the given or known values of the other variables. Multiple regression analysis is a logical extension of the simple linear regression analysis. In multiple regression analysis, instead of single independent variable, two or more independent variables a re used to estimate the unknown values of dependant variables.

The multiple regression equation describes the average relationship between dependant variable and two or more independent variables and this relationship is very much useful for estimating the dependant variable. Thus, the multiple regression equation of MPS on DPS, BVPS and EPS is an equation for estimating a dependant variable MPS, from three independent variables DPS, BVPS and EPS.

The multiple regression equation of dependant variables MPS on three independent variables DPS, BVPS and EPS is given by:

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

Where,

a = MPS – intercept = the value of MPS when three independent variables DPS, BVPS and EPS are zero.

b_1 = the partial regression coefficient of MPS on DPS when BVPS and EPS are held constant

b_2 = the partial regression coefficient of MPS on BVPS, when DPS and EPS are held constant

b_3 = the partial regression coefficient of MPS on EPS, when DPS and BVPS are held constant

For the regression analysis (simple & multiple regressions), assuming MPS as dependent variables and DPS, BVPS and EPS as independent variable, SPSS software is used.

3.7.1.7 Coefficient of Determination

The coefficient of determination gives the percentage variation in the dependent variable that is accounted for by the dependent variable/s. In other words, the coefficient of determination gives the ratio of explained variation to the total variation. The coefficient of determination is given by the square of the correlation coefficient, i.e. r^2

So the coefficient of determination = $r^2 = \frac{Explained\ \text{var}iation}{Total\ \text{var}iation}$ .....(3.7)

3.7.1.8 Test of Hypothesis

"A hypothesis is a conjectural statement of the relation between two or more variables. Hypothesis is always in declarative sentences form, and they relate either generally or specifically, variables to variables. (F.N.Kerlinger, 2002; 18). Generally, two complimentary hypotheses are setup at one time. If one of the hypotheses is accepted then other is rejected and vice versa. The null hypothesis is also called hypothesis of no difference and the alternative hypothesis is called the hypothesis of difference. (P.K. Sharma & A.K. Chaudhary, 2002; 229-230). The main goal of testing hypothesis is to test the characteristics of the hypothesized population parameter based on sample information whether the difference between the population parameter and sample statistics is significant or not. The act of verification involves testing the validity of such assumption which, when undertaken on the basis of sample evidence, is called statistical hypothesis or the testing of hypothesis.

The first hypothesis is based on the significance for correlation coefficient between market price of share and earnings (t-test)

Null hypotheses

Ho: $\partial| = 0$

i.e the earning is not related to the market price of share or earning does not affect the market price of stock (share).

Alternatie Hypothesis:

$H_1: \partial \neq 0$

i.e. the earning and market price of share are related to each other or earning affects the market price of stocks(share)

The second hypothesis is based on the significance for correlation coefficient between market price of share and book value of the share. (t-test)

Null Hypothesis:

Ho:∂ =0
i.e book value and the market price of share are not related or the book value does not affect the market price of the stock.(Share)

Alternative Hypothesis:

H_1: $\partial \neq 0$
i.e. the book value and market price of the share are related or the book value affects the market price of the stock. (Share)

The third hypothesis is based on the significance for correlation coefficient between market price of the stock (share) and dividend. (t-test)

Null Hypothesis

Ho:|∂=0
i.e. the dividend is not related with market price of the share or dividend does not affect the market price of stock.

Alternative Hypothesis:

$H_1\partial \neq 0$
i.e. the dividend and market price of the share are related or the dividends affect the market price of the stock. (Share)

The second hypothesis is based on the significance for correlation between market price of the stock (share) and dividend. (t-test)

3.7.1.9 t-test

t-test is applied for the test of small sample. If the sample size is less than 30 that is called small sample and t-test is used. To test the significance of the effects of the qualitative factor, collected from primary sources, t-test will be carried out, since the sample size is less than 30.

The following formula is used to test an observed sample correlation coefficient:

$$t \text{ X} \frac{r\sqrt{n \text{ Z} 2}}{\sqrt{1 \text{ Z} r^2}}$$

i.e. t follows t-distribution with (n-2) degree of freedom, n being sample size and r is correlation coefficient between variables.

3.7.2 Financial tools

Except the statistical tools, some financial tools are also used in this research work. The major financial tools used in this research are:

3.7.2.1 Earning Per Share

The earning per share is the share of a stock on the earning of the company.

Mathematically,

$$EPS \text{ X} \frac{\text{Total Earnings of Company}}{No, ofSharesOuts \tan ding} \text{.....(3,8)}$$

3.7.2.2 Dividend per share

The DPS is the amount paid as dividend to the holder of one share of the stock.

Mathematically:

$$DPS \text{ X} \frac{TotalDividenpaid}{No.ofouts \tan dingshares} \text{.....(3,9)}$$

3.7.2.3 Market price per share

The MPS is amount in which a share of the stock is traded in the market.

Mathematically:

$$MPS \text{ X} \frac{\text{Total market capitalization}}{\text{No. of shares outstanding}} \text{.....(3.10)}$$

3.7.2.4 Book value per share

The BVPS represents the real net worth per share. It is simply the ratio of net worth (share capital plus retained earnings i.e. ownership capital) and the number of existing shares.

Mathematically:

$$BPS\ X\frac{\text{Net Worth}}{No.ofOutstandingShares}.....(3,11)$$

3.8 Methods of Data Presentation

The collected data (from both primary and secondary sources) are presented in simple and easily understandable tables. To make those data clearer and more informative such data have been presented in figures like trend line to explain the data more effectively, based on the nature of data. After presenting such data in the tables and figures, are analyzed using various statistical, mathematical and financial tools and techniques.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

This part of the study intends to collect and analyze the secondary data and interpret the result, as well. After collection of required data of sample banks, presentation of data in the tabular form is carried out. Graphical representation is also carried out where it is meaningful and supportive to illustrate the findings of this study, in understandable way.

The collected data are analyzed under the different financial and statistical tools, to find out various financial ratios and statistical facts. Karl Pearson's correlation coefficient, Simple Regression and Multiple Regression Analysis are also carried out.

4.1 Corporate Performances

This part of the study intends to analyze the corporate performances of the sample joint venture commercial banks. This section further analyzes the various corporate financial indicators to illustrate the financial scenario of the corporate firms. In this part, some of the important financial indicators MPS, DPS, BVPS and EPS, have been illustrated, which are relevant in assessing the performance of a corporate firm as well as relevant to stock market price. Investors are always eager to know about the return from their investment. So EPS, DPS and Right share, Bonus share are the main attraction to them as well as Book Value of the share also play positive role during their investment.

4.1.1 Analytical Study of NABIL

Table 4.1

Summary of the Financial Performance of NABIL

Year	MPS(a)	DPS(b)	BVPS(c)	EPS(d)
2008/09	4899	120	324	113.44
2009/10	2384	100	265	83.81
2010/11	1252	60	225	70.67
2011/12	1355	100	269	83.23
2012/13	1815	105	275	95.14
Total	11705	485	1358	446.29
Mean	2341	97	271.6	89.26
S D	1340.15	19.9	31.56	14.36
C V	0.57	0.205	0.116	0.16

(Source: NABIL Annual Report 2008/09-2012/13)

Table 4.1 shows the major financial facts that affect the market price of share. The average market price of Nabil's share for the sample period is Rs2341. During the sample period, the stock price shows very inhomogeneous nature, giving standard deviation value of 1340.15 and coefficient of variation of 0.57 (57%). The least price is recorded Rs1252 in 2010/11 and the highest price recorded at Rs4899 in 2008/09 respectively. The average dividend per share is Rs97, the DPS fluctuates from the minimum value of Rs60 in 2010/11 and the maximum, Rs120 in 2008/09, standard deviation of DPS value is 19.9 giving the coefficient of variation of 0.205 (20.5%). The BVPS of Nabil fluctuates from the least value Rs225 in 2010/11 to the largest Rs324 in 2008/09 respectively. The EPS of Nabil is quite inconsistent during the sample period; it is recorded Rs70.67 least and Rs113.44 highest in 2010/11 and 2008/09 respectively.

Table 4.2

Relationship of DPS, BVPS, and EPS to MPS

Variables	r	r_2	t_{cal}	t_{table}
r_{ab}	0.69	0.4761	1.067866	2.776
r_{ac}	0.87	0.7569	2.29572	2.776
r_{ad}	0.88	0.7744	1.733655	2.776

Table 4.2 shows the relationship between the BVPS, EPS and DPS to MPS. The correlation coefficient in between MPS and DPS is 0.69, MPS and BVPS is 0.87 and MPS and EPS is 0.88, all these three values shows there is moderate degree of positive correlation exist. The coefficient of simple determination shows that 56.85% of changes in the MPS is explain by BVPS, whereas 22.18% and 42.90% of change in the MPS is explain by DPS and EPS respectively. Even though, the MPS is affected by DPS, BVPS and EPS, the degree of correlation are not significant at 95% level of confidence for all these three independent variable.

Figure 4.1

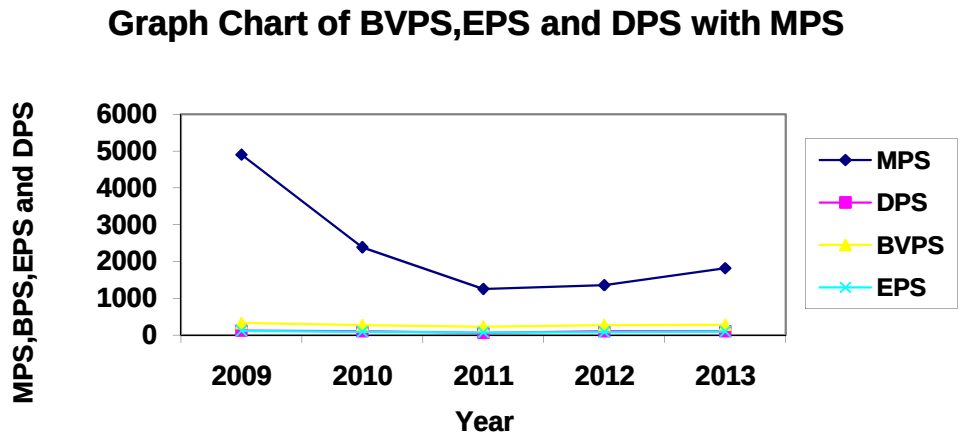

Figure 4.1 shows the trends of MPS, DPS, BVPS and EPS. The MPS is very dramatically moving downwards as in each year compared to other variables DPS, EPS and BVPS respectively.

Simple Regression Analysis

From the simple regression analysis, the regression equations are developed assuming MPS as dependent variable and BVPS, DPS and EPS are independent variables.

MPS on DPS

MPS = -1147.25 + 52.776DPS

The regression constant 1147.25 implies that when DPS is zero, MPS is Rs.1147.25 (ignoring negative sign). The coefficient for DPS 52.776 implies that when DPS increases by Rs100, MPS also increases by Rs52.776 and vice-versa. The simple correlation coefficient is 0.69 with standard error of estimate 1996.86. (Annex II, Nabil:a)

MPS on EPS

MPS = -4508.72 + 65.202EPS

The regression constant 4508.72 implies that when EPS is zero, MPS is Rs.4508.72 (ignoring negative sign). The coefficient for EPS 65.202 implies that when EPS increases by Rs100, MPS also increases by Rs65.202 and vice-versa. The simple correlation coefficient is 0.88 with standard error of estimate 1710.52. (Annex II, Nabil:b)

MPS on BVPS

MPS = -6996.34 + 28.080BVPS

The regression constant 6996.34 implies that when BVPS is zero, MPS is Rs.6996.34 (ignoring negative sign). The coefficient for BVPS 28.08 implies that when BVPS increases by Rs100, MPS also increases by Rs28.08 and vice-versa. The simple correlation coefficient is 0.87 with standard error of estimate 1487.99. (Annex II, Nabil:c)

Multiple Regression Analysis

MPS on BVPS, DPS and EPS

MPS = -12028.10 + 103.055BVPS -92.868DPS -128.037EPS

The multiple regression equation implies that the multiple regression constant 12028.10 which suggests that when BVPS, DPS and EPS are zero, MPS is Rs.12028.10 (ignoring negative sign). The coefficient for BVPS 103.055 implies that when BVPS increases by Rs100, MPS also increases by Rs103.055; the coefficient for DPS is -92.868 suggests that when DPS increases by Rs.100, MPS decreases by Rs.92.868 and vice-versa. The coefficient for EPS is -128.037 that imply when EPS increases by Rs100, MPS decreases by Rs128.037 and vice-versa, remaining intervening variables constant. The analysis shows that the multiple correlation coefficient 0.923 with standard error of estimate 1234.63. (Annex II, Nabil:d)

4.1.2 Analytical Study of SCBNL

Table 4.3

Summary of the Financial Performance of SCBNL

Year	MPS(a)	DPS(b)	BVPS©	EPS(d)
2008/09	6010	150	328	109.99
2009/10	3279	125	241	77.65
2010/11	1800	100	228	69.51
2011/12	1799	105	256	72.6
2012/13	1820	90	249	65.7
Total	14708	395.45	570	1302
Mean	2941.6	79.09	114	260.4
S D	1636.81	21.31	35.06	15.94
C V	0.556	0.187	0.135	0.201

(Source: SCBNL Annual Report 2008/09-2012/13)

Table 4.3 shows the financial facts that affect the market price of a share of SCBNL. The average market price of SCBNL share for the sample period is Rs2941.6. During the sample period, the stock price shows very unstable price fluctuation, giving standard deviation value of 1636.81 and coefficient of variation of 0.556 (55.6%). The least price is recorded Rs1799 in 2011/12 and the highest price recorded at Rs6010 in 2008/09 respectively. The average dividend per share is Rs79.09, the DPS fluctuates from the minimum value of Rs90 in 2012/13 and the maximum, Rs150 in 2008/09, standard deviation of DPS value is 21.31 giving the coefficient of variation of 0.187 (18.7%). The BVPS of SCBNL fluctuates from the least value Rs228 in 2010/11 to the largest Rs328 in 2008/09 respectively. The EPS of SCBNL is quite inconsistent during the sample period; it is recorded Rs109.99 in 2008/09 and Rs69.51 in 2010/11 respectively.

Table 4.4

Relationship of DPS, BVPS, and EPS to MPS

Variables	r	r^2	t_{cal}	t_{table}
r_{ab}	0.95	0.9025	0.75702	2.776
r_{ac}	0.89	0.7921	0.720674	2.776
r_{ad}	0.97	0.9409	0.074051	2.776

Table 4.4 shows the relationship of MPS with DPS, BVPS and EPS. In case of SCBNL, MPS shows positively correlation with DPS and with other remaining two variables MPS is also positively correlated. The coefficient of determination shows that the 0.13% of changes in the MPS is explained by EPS, 11.49% of change in the MPS is explained by BVPS and this ratio to DPS is 12.53%. The simple correlation of coefficients of DPS, BVPS and EPS with MPS are not significant at 95% level of significance.

Figure 4.2

Graph Chart of BVPS,EPS and DPS with MPS

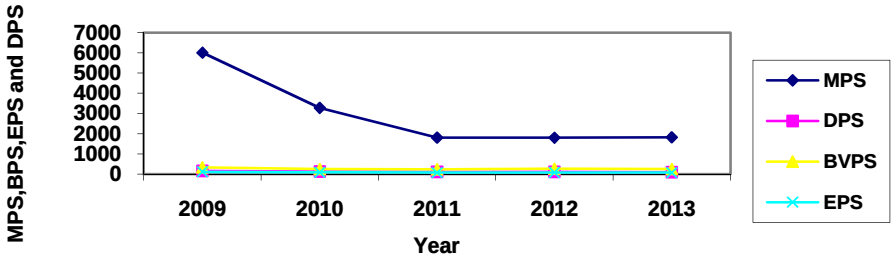

Figure 4.2 clearly shows the trends of MPS, DPS, BVPS and EPS of SCBNL of the sample period. Change in DPS, EPS and BVPS are almost in a linear form in other words it moves almost in straight line form but the stock price decreases significantly for the four years and increases slightly afterwards.

Simple Regression Analysis

MPS on DPS

MPS = 5713.77 – 13.431DPS

The regression constant 5713.77 implies that when DPS is zero, MPS is Rs.5713.77. The coefficient for DPS -13.431 implies that when DPS increases by Rs100, MPS also decreases by Rs13.431 and vice-versa. The simple correlation coefficient is 0.95 with standard error of estimate 2316.33. (Annex II, SCBNL: a)

MPS on EPS

MPS = 2945.803 + 5.005EPS

The regression constant 2945.803 implies that when EPS is zero, MPS is Rs.2945.803.The coefficient for EPS 5.005 implies that when EPS increases by Rs100, MPS also increases by Rs5.005 and vice-versa. The simple correlation coefficient is 0.97 with standard error of estimate 2475.37. (Annex II, SCBNL: b)

MPS on BVPS

MPS = -6061.733 + 22.868BVPS

The regression constant 6061.733 implies that when BVPS is zero, MPS is Rs6061.733 (ignoring negative sign). The coefficient for BVPS 22.868 implies that when BVPS increases by Rs100, MPS also increases by Rs22.868 and vice-versa. The simple correlation coefficient is 0.89 with standard error of estimate 2330.02. (Annex II, SCBNL: c)

Multiple Regression Analysis

MPS on BVPS, DPS and EPS

MPS = -18555.20 + 135.246BVPS + 6.534DPS -240.245EPS

The multiple regression equation implies that the multiple regression constant 18555.20 which suggests that when BVPS, DPS and EPS are zero, MPS is Rs.18555.20 (ignoring negative sign). The coefficient for BVPS 135.246 implies that when BVPS increases by Rs100, MPS also increases by Rs135.246; the coefficient for DPS is 6.534 suggests that when DPS increases by Rs100, MPS also increase by Rs6.534 and vice-versa. The coefficient for EPS is -240.245 that imply when EPS increases by Rs100, MPS decreases by Rs240.245 and vice-versa, remaining intervening variables constant. The analysis shows that the multiple correlation coefficient 0.744 with standard error of estimate 2340.91. (Annex II, SCBNL: d)

4.1.3 Analytical Study of HBL

Table 4.5

Summary of the Financial Performance of HBL

Year	MPS(a)	DPS(b)	BVPS©	EPS(d)
2008/09	1760	55.56	256.52	61.9
2009/10	816	48.68	226.79	31.8
2010/11	575	53.68	199.77	44.66
2011/12	653	41.84	193	39.94
2012/13	700	25	192.02	34.19
Total	4504	224.76	1068.1	212.49
Mean	900.8	44.952	213.62	42.498
S D	436.64	11.05	24.89	10.68
C V	0.485	0.245	0.117	0.25

(Source: HBL Annual Report 2008/09-2012/13)

Table 4.5 shows the position of determinants of stock price during the sample period of HBL. The average MPS of HBL stands at Rs900.8 for the sample period. During the sample period, the stock price shows the ups and downs changes, giving standard deviation value of 436.64 and coefficient of variation of 0.485 (48.5%). The least price is recorded Rs575 in 2010/11 and the highest price recorded at Rs1760 in 2008/09 respectively. The average dividend per share is Rs44.952, the DPS fluctuates from the minimum value of Rs25.00 in 2012/13 and the maximum, Rs55.56 in 2008/09, standard deviation of DPS value is 11.05 giving the coefficient of variation of 0.245 (24.5%). The BVPS of HBL fluctuates from the least value Rs192.02 in 2012/13 to the largest Rs256.52 in 2008/09. The EPS of HBL is quite inconsistent during the sample period; it is recorded Rs61.9 and Rs34.19 in 2008/09 and 2012/13 respectively.

Table 4.6

Relationship of DPS, BVPS, and EPS to MPS

Variables	r	r^2	t_{cal}	t_{table}
r_{ab}	0.44	0.1936	2.26089	2.776
r_{ac}	0.91	0.8281	1.17641	2.776
r_{ad}	0.82	0.6724	4.15380	2.776

Table 4.6 depicts the relationship of MPS of HBL to DPS, BVPS and EPS respectively. It shows DPS and EPS and BVPS have positive effects to the MPS. The coefficient of determination shows that the 81.18 % change in the MPS is explained by EPS, 25.70% of changes in the MPS is explained by BVPS and this ratio to DPS is 56.10%.The simple correlation of coefficients of DPS, EPS and BVPS are not significant at 95% level of significance.

Figure 4.3

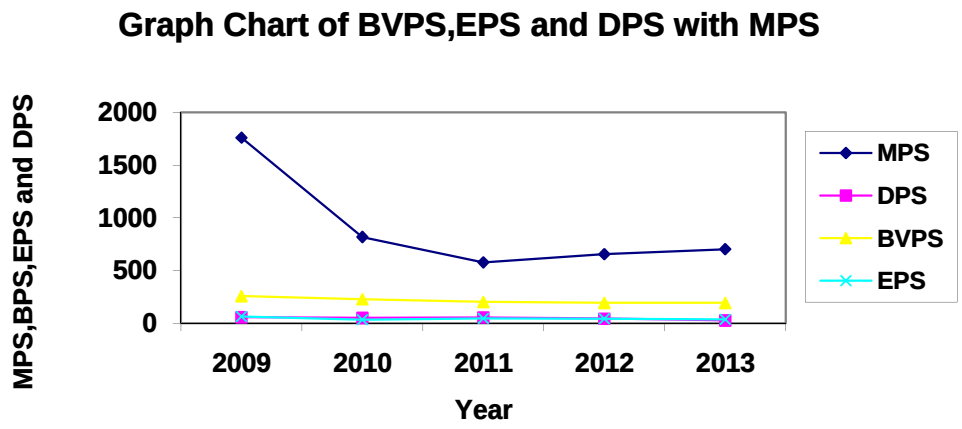

Figure 4.3 shows the trends of MPS, DPS, BVPS and EPS of HBL during the sample period. BVPS of the HBL is slightly falling during the sample period. EPS and DPS show the same behavior, very nominal changes. The stock price significantly decreases for 2 years but then after it rise up the value of Rs653 and Rs700 in 2011/12 and 2012/13 respectively.

T-statistics clearly show the hypotheses previously set can be set for the first two components but invalid for the third condition is not valid. Thus, MPS is clearly dependents on DPS, BVPS and EPS respectively.

Simple Regression Analysis

MPS on DPS

MPS = 344.226 + 18.787DPS

The regression constant 344.226 implies that when DPS is zero, MPS is Rs.344.226. The coefficient for DPS 18.787 implies that when DPS increases by Rs100, MPS also increases by Rs18.787 and vice-versa. The simple correlation coefficient is 0.44 with standard error of estimate 379.97. (Annex II, HBL: a)

MPS on EPS

MPS = -2548.638 + 68.706EPS

The regression constant 2548.638 implies that when EPS is zero, MPS is Rs.2548.638 (ignoring negative sign).The coefficient for EPS 68.706 implies that when EPS increases by Rs100, MPS also increases by Rs68.706 and vice-versa. The simple correlation coefficient is 0.82. (Annex II, HBL: b)

MPS on BVPS

MPS = 2027.585 -2.618BVPS

The regression constant 6061.733 implies that when BVPS is zero, MPS is Rs.6061.733 (ignoring negative sign). The coefficient for BVPS 22.868 implies that when BVPS increases by Rs100, MPS also increases by Rs22.868 and vice-versa. The simple correlation coefficient is 0.91 with standard error of estimate 2330.02. (Annex II, HBL: c)

Multiple Régression Analysis

MPS on BVPS, DPS and EPS

MPS = -2909.241 – 0.985BVPS -11.568DPS + 90.655EPS

The multiple regression equation implies that the multiple regression constant 2909.241 which suggests that when BVPS, DPS and EPS are zero, MPS is Rs2909.241 (ignoring negative sign). The coefficient for BVPS -0.985 which implies that when BVPS increases by Rs100, MPS also decrease by Rs0.985; the coefficient for DPS is -11.568 suggests that when DPS increases by Rs100, MPS decrease by Rs11.568and vice-versa. The coefficient for EPS is 90.655 which imply that when EPS increases by Rs100, MPS increases by Rs90.655 and vice-versa, remaining

intervening variables constant. The analysis shows that the multiple correlation coefficient 0.908 with standard error of estimate 340.36. (Annex II, HBL: d)

4.1.4 Analytical Study of NSBIL

Table 4.7

Summary of the Financial Performance of NSBIL

Year	MPS(a)	DPS(b)	BVPS©	EPS(d)
2008/09	1900	44.22	194.68	36.18
2009/10	741	22.5	147.61	23.69
2010/11	565	22.5	153.51	24.85
2011/12	635	22.5	152.66	22.93
2012/13	850	27.5	161.26	32.75
Total	4691	139.22	809.72	140.4
Mean	938.2	27.844	161.944	28.08
S D	1290.98	8.41	16.94	5.36
C V	1.376	0.3	0.105	0.19

(Source: NSBIL Annual Report 2008/09-2012/13)

Table 4.7 shows the average MPS of NSBIL as Rs938.2 with standard deviation 1290.98 and coefficient of variation 1.376. The least MPS recorded was Rs565 in the year 2010/11 and the highest MPS recorded was Rs1900 in 2008/09 respectively. In a same way, NSBIL paid least DPS Rs22.5 constant for 3 years ie.2010-12 and highest DPS Rs44.22 in 2008/2009. The highest BVPS of NSBIL was recorded Rs194.68 in the year 2008/09 and the least Rs152.66 in the year 2011/12, giving the standard deviation 8.41. Average EPS of NSBIL was Rs28.08 and standard deviation 5.36 with coefficient of variation 0.19 so that the EPS of the NSBIL is very fluctuating one it is recorded Rs22.93 as the least value and Rs36.18 as the highest value.

Table 4.8

Relationship of DPS, BVPS, and EPS to MPS

Variables	r	r_2	t_{cal}	t_{table}
r_{ab}	0.99	0.9801	0.82669	2.776
r_{ac}	0.97	0.9409	1.88046	2.776
r_{ad}	0.84	0.7056	3.38573	2.776

Table 4.8 shows the Karl Pearson's Correlation coefficient in between MPS and DPS, BVPS and EPS are 0.382, 0.685 and 0.861 respectively. MPS is positively correlated with all these three variables. The coefficient of determination shows that the 74.13 % change in the MPS is explained by EPS, 46.92% of changes in the MPS is explained by BVPS and this ratio to DPS is 14.59%.The simple correlation of coefficients of DPS and BVPS are not significant at 95% level of significance whereas EPS is significant at 95% level of significance.

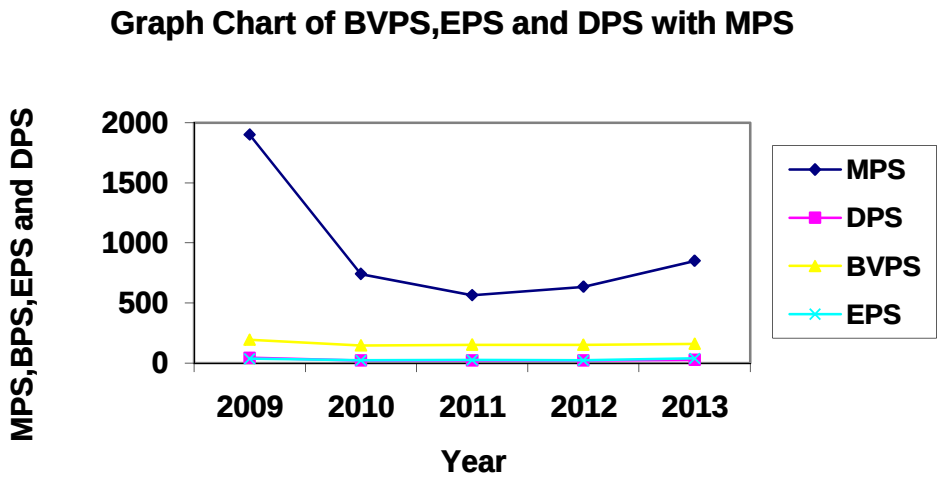

Figure 4.4

Figure 4.4 shows the trends of MPS, DPS, BVPS and EPS of NSBIL during the sample period. DPS of the NSBIL is constant during three years. EPS and BVPS show the same behavior, very nominal changes. The stock price is significantly decreases for the first two years but then after it rise up the value of Rs850 in 2012/13.

Simple Regression Analysis

MPS on DPS

MPS = 590.966 + 10.731DPS

The regression constant 590.966 implies that when DPS is zero, MPS is Rs.590.966. The coefficient for DPS 10.731 implies that when DPS increases by Rs100, MPS also increases by Rs10.731 and vice-versa. The simple correlation coefficient is 0.99 with standard error of estimate 5421.48. (Annex II, NSBIL: a)

MPS on EPS

MPS = –164.891 + 41.493EPS

The regression constant 164.891 implies that when EPS is zero, MPS is Rs164.891 (ignoring negative sign).The coefficient for EPS 41.493 implies that when EPS increases by Rs100, MPS also increases by Rs41.493 and vice-versa. The simple correlation coefficient is 0.97 with standard error of estimate 298.36. (Annex II, NSBIL: b)

MPS on BVPS

MPS = -3062.044 + 24.247BVPS

The regression constant 3062.044 implies that when BVPS is zero, MPS is Rs3062.044 (ignoring negative sign). The coefficient for BVPS 24.247 implies that when BVPS increases by Rs100, MPS also increases by Rs24.247 and vice-versa. The simple correlation coefficient is 0.84 with standard error of estimate 427.55. (Annex II, NSBIL: c)

Multiple Régression Analysis

MPS on BVPS, DPS and EPS

MPS = 595.371 – 8.693BVPS -21.217DPS + 80.02EPS

The multiple regression equation implies that the multiple regression constant 595.371 which suggests that when BVPS, DPS and EPS are zero, MPS is Rs595.371. The coefficient for BVPS -8.693 which implies that when BVPS increases by Rs100, MPS decrease by Rs8.693; the coefficient for DPS is -21.217 suggests that when DPS increases by Rs100, MPS decrease by Rs21.217 and vice-versa. The coefficient for EPS is 80.02 which imply that when EPS increases by Rs100, MPS increases by Rs80.02 and vice-versa, remaining intervening variables constant. The analysis shows that the multiple correlation coefficient 0.987 with standard error of estimate 133.88. (Annex II, NSBIL: d)

4.1.5 Analytical Study of EBL

Table 4.9

Summary of the Financial Performance of EBL

Year	MPS(a)	DPS(b)	BVPS©	EPS(d)
2008/09	2455	60	345.23	99.99
2009/10	1630	60	331.99	100.16
2010/11	1094	60	325.17	83.18
2011/12	1033	30	326.17	88.55
2012/13	1591	60	291.53	91.88
Total	7803	270	1620.09	463.76
Mean	1560.6	54	324.018	92.752
S D	510.25	12	17.75	6.59
C V	0.327	0.222	0.055	0.071

(Source: EBL Annual Report 2008/09-2012/13)

Table 4.9 shows the average MPS of EBL, which is Rs1560.6 with the standard deviation value 510.25 that means the market price of EBL is very inhomogeneous during the sample period. The least value of MPS is recorded at Rs1033 in the year 2011/12 and the largest value is Rs2455 in the year 2008/09 respectively. In a same way, the average DPS, BVPS and EPS are Rs54, Rs324.018 and Rs92.752 respectively.

Table 4.10

Relationship of BVPS, EPS and DPS to MPS

Variables	r	r_2	t_{cal}	t_{table}
r_{ab}	0.52	0.2704	11.4166	2.776
r_{ac}	0.37	0.1369	7.47267	2.776
r_{ad}	0.81	0.6561	7.71467	2.776

Table 4.10 shows the correlation coefficient in between MPS and DPS, BVPS and EPS; the values recorded are 0.52, 0.37 and 0.81 respectively, which show MPS is positively correlated with DPS, BVPS and EPS in the case of EBL. MPS has high degree of positive correlation with all independent variables DPS, BVPS and EPS. The coefficient of determination shows that the 97.02% of changes in the MPS is explained DPS, 93.31% of change in MPS is explained by BVPS and this ratio to EPS is 93.70%.The simple correlation of coefficients of DPS,BVPS and EPS with MPS are significant at 95 % level of significance.

Figure 4.5

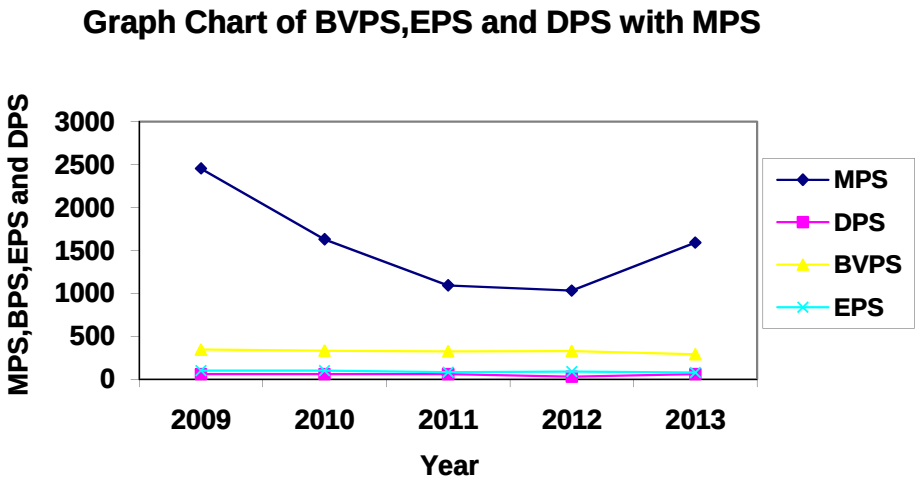

Figure 4.5 shows the trends of MPS, DPS, BVPS and EPS of EBL during the sample period. BVPS of the EBL is fluctuating during the sample period. EPS show the same behavior, very nominal changes. DPS shows the constant for the first three years and decreases Rs30 and increases afterwards. The stock price is slightly decreases for the first four years but then after it rise up the value of Rs1591 in 2012/13.

Simple Régression Analysis

MPS on DPS

MPS = -910.624 + 82.284DPS

The regression constant 910.624 implies that when DPS is zero, MPS is Rs910.624 (ignoring negative sign). The coefficient of DPS 82.284 implies that when DPS increases by Rs100, MPS also increases by Rs82.824 and vice-versa. The simple correlation coefficient is 0.52 with standard error of estimate 204.322. (Annex II, EBL: a)

MPS on EPS

MPS = -1309.242 + 46.293EPS

The regression constant 1309.242 implies that when EPS is zero, MPS is Rs1309.242 (ignoring negative sign).The coefficient for EPS 46.293 implies that when EPS increases by Rs100, MPS

also increases by Rs46.293 and vice-versa. The simple correlation coefficient is 0.37 with standard error of estimate 298.71(Annex II, EBL:b)

MPS on BVPS

MPS = -2697.273 + 17.709BVPS

The regression constant 2697.273 implies that when BVPS is zero, MPS is Rs2697.273 (ignoring negative sign). The coefficient for BVPS 17.709 implies that when BVPS increases by Rs100, MPS also increases by Rs17.709 and vice-versa. The simple correlation coefficient is 0.81 with standard error of estimate 311.06.(Annex II,EBL:c)

Multiple Régression Analysis

MPS on BVPS, DPS and EPS

MPS = -1272.507 + 0.896BVPS + 47.835DPS + 19.104EPS

The multiple regression equation implies that the multiple regression constant 1272.507 which suggests that when BVPS, DPS and EPS are zero, MPS is Rs1272.507. The coefficient for BVPS 0.896 which implies that when BVPS increases by Rs100, MPS increase by Rs0.896; the coefficient for DPS is 47.835 suggests that when DPS increases by Rs100, MPS increase by Rs47.835 and vice-versa. The coefficient for EPS is 19.104 which imply that when EPS increases by Rs100, MPS increases by Rs19.104 and vice-versa, remaining intervening variables constant. The analysis shows that the multiple correlation coefficient 0.999 with standard error of estimate 65.843. (Annex II, EBL: d)

4.2 Analysis of Primary Data

This thesis involves data which were collected through questionnaire (Annex-III). During the course of collecting primary data, the researcher visited the private commercial banks as well as security brokers. Among the various factors affecting the share price, sixteen factors were considered and primary information was collected from twenty six [Ten private commercial banks and sixteen securities brokers] institutions. The answers of the respondents were marked with +2 to –2 on the basis of the degree of agreement to disagreement of the respondents. (-2 for strongly disagrees, -1 for disagree, 0 for undecided, 1 for agree and 2 for strongly agree; using five degree Likert-Type Scale. The summaries of the respondent's response for each of the

identified factors are presented in this section separately. All the necessary calculations for this section are presented in Appendices I I I and IV with the help of MS. Excel Software.

4.2.1 Higher the Earnings (EPS), higher the Share Price.

The responses of the respondents for the affect of EPS to the market price of share were found as shown in table 4.11.

Table 4.11

Higher the Earning (EPS), Higher the share Price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	3	11.54
2	Agree (A)	18	69.23
3	Undecided (U)	3	11.54
4	Disagree (D)	2	7.7
5	Strongly Disagree (SD)	0	0
	Total	**26**	**100**

From the primary responses it is found that 80.77 % of the respondents were agree that the increases earning increases the share price in the market. Only, 7.7% were disagreed and 11.54% were undecided with the statement. So, the increase in EPS significantly increases the market price of the share and vice versa at 95% level of significance. (See Annex: VI)

4.2.2 Higher the Cash Dividend, Higher the share Price

The responses of the respondents for the affect of the cash dividend to the market price of share were found as shown in table 4.12.

Table 4.12

Higher the cash Dividend, Higher the Share Price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	5	19.23
2	Agree (A)	16	61.53
3	Undecided (U)	2	7.7
4	Disagree (D)	2	7.7
5	Strongly Disagree (SD)	1	3.84
	Total	**26**	**100**

From the primary responses it is found that 80.76 % of the respondents were agree that the increased cash dividend increase the share price in the market. Only, 11.54% were disagreed and 7.7% were undecided with the statement. So, the increase in cash dividend significantly increases the market price of the share and vice versa at 95% level of significance.(See Annex: VI)

4.2.3 Lower the Growth Rate (g), Higher the Share Price

The responses of the respondents for the affect of growth rate to the market price of share were found as shown in table 4.13

Table 4.13

Lower the growth rate (g), Higher the Share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	0	0
2	Agree (A)	2	7.7
3	Undecided (U)	5	19.23
4	Disagree (D)	17	65.38
5	Strongly Disagree (SD)	2	7.7
	Total	**26**	**100**

From the primary responses it is found that 7.7% of the respondents were agree that the decreased growth rate increased the share price in the market. Only, 73.08% were disagreed and 19.23% were undecided with the statement. So, the decrease in growth rate significantly increases the market price of the share and vice versa at 95 % level of significances. (See Annex:VI)

4.2.4 Higher the retention Ratio, better the Share Price

The responses of the respondents for the affect of retention ratio to the market price of share were found as shown in table 4.14

Table 4.14

Higher the retention ratio, better the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.69
2	Agree (A)	11	42.31
3	Undecided (U)	4	15.38
4	Disagree (D)	7	26.92
5	Strongly Disagree (SD)	2	7.7
	Total	**26**	**100**

From the primary responses it is found that 50% of the respondents were agree that the increase in retention ratio increases the share price in the market. Only, 34.62% were disagreed and 15.38% were undecided with the statements. So, the increase in retention ratio does not significantly affect the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.5 Stock Dividend Increase the Share Price

The responses of the respondents for the affect of stock dividend to the market price of share were found as shown in table 4.15.

Table 4.15

Stock dividend increases the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	12	46.15
3	Undecided (U)	4	15.38
4	Disagree (D)	7	26.92
5	Strongly Disagree (SD)	1	3.85
	Total	**26**	**100**

From the primary responses it is found that 53.85% of the respondents were agree that the Stock dividend increase the share price in the market. Only, 30.77% were disagreed and 15.38% were undecided with the statements. So, the stock dividend significantly affects the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.6 Higher the interest Rate(r), Higher the Share Price

The responses of the respondents for the affect of interest rate to the market price of share were found as shown in table 4.16

Table 4.16

Higher the interest rate (r), higher the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	14	53.84
3	Undecided (U)	6	23.07
4	Disagree (D)	3	11.54
5	Strongly Disagree (SD)	1	3.85
	Total	**26**	**100**

From the primary responses it is found that 61.54% of the respondents were agree that the increase in interest rate increases the share price in the market. Only, 15.39 % were disagreed and 23.07% were undecided with the statements. So, the increase in interest rate does not significantly increase the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.7 Higher Cost of Equity, Lower the Share Price

The responses of the respondents for the affect of cast of equity to the market price of share were found as shown in table 4.17

Table 4.17

Higher cost of equity (Ke) reduces the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	11	42.31
3	Undecided (U)	5	19.23
4	Disagree (D)	7	26.92
5	Strongly Disagree (SD)	1	3.84
	Total	**26**	**100**

From the primary responses it is found that 50.01% of the respondents were agree that the higher cost of equity decreases the share price of the market. Only, 30.76% were disagreed and 19.23% were undecided with the statements. So, the higher cost of equity does not significantly affect the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.8 Instability of the Government Causes Fall in the Share Price

The responses of the respondents for the affect of the instability of the government to the market price of share were found as shown I table 4.18

Table 4.18

Instability of government reduces the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	19	73.07
3	Undecided (U)	3	11.53
4	Disagree (D)	2	7.7
5	Strongly Disagree (SD)	0	0
	Total	26	100

From the primary responses it is found that 80.77% of the respondents were agreed that instability of government causes fall in the share price in market. Whereas, 7.7% were disagreed and 11.53% were undecided with the statements. So, instability of the government significantly decreases the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.9 Strikes, Demonstration etc. Causes Fall in the Share Price

The responses of the respondents for the affect of strikes, demonstration to the market price of share were found as shown in table 4.19.

Table 4.19

Strikes, Demonstrations reduces the share Price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	19	73.07
3	Undecided (U)	2	7.7
4	Disagree (D)	2	7.7
5	Strongly Disagree (SD)	1	3.84
	Total	26	100

From the primary responses it is found that 80.77% of the respondents were agreed that strikes, demonstrations etc. causes fall in the share price in market. Whereas, 11.54% were disagreed and 7.7% were undecided with the statements. So, strikes, demonstration etc significantly decreases the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.10 Outbreak of Cease-Fire Increases the Share Price

The responses of the respondents for the affect of cease-fire/peace talks to the market price were found as shown in table 4.20

Table 4.20

Outbreak of cease-fire increases share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	0
2	Agree (A)	19	7.69
3	Undecided (U)	2	11.54
4	Disagree (D)	2	61.54
5	Strongly Disagree (SD)	1	19.23
	Total	26	100

From the primary responses it is found that 7.69% of the respondents were agreed that outbreak of cease-fire affects positively the share price in market. Whereas, 80.77% were disagreed and 11.54% were undecided with the statement. So, outbreak of cease-fire significantly affects the market price of the share negatively at 95% level of significance.

4.2.11 Better the National Economy, Better the Share Price

The responses of the respondents for the affect of national economy to the market price of share were found as shown in table 4.21

Table 4.21

Better the national economy, better the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	3	11.54
2	Agree (A)	18	69.23
3	Undecided (U)	3	11.54
4	Disagree (D)	2	7.7
5	Strongly Disagree (SD)	0	0
	Total	26	100

From the primary responses it is found that 80.77% of the respondents were agreed that strikes, demonstrations etc. causes fall in the share price in market. Whereas, 7.7% were disagreed and 11.54% were undecided with the statements. So, better economy significantly affects the market price of the share positively at 95% level of significance. (See Annex:VI)

4.2.12 Better the Global Economy, better the Share Price

The response of the respondents for the affect of global economy to the market price of share was found as shown in table 4.22.

Table 4.22

Better the global economy, better the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	10	38.46
3	Undecided (U)	8	30.77
4	Disagree (D)	5	19.23
5	Strongly Disagree (SD)	1	3.84
	Total	26	100

From the primary responses it is found that 46.16% of the respondents were agreed that better global economy affect positively the share price in market. Whereas, 23.07% were disagreed and 30.77% were undecided with the statements. So, better global economy does not significantly affects the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.13 Higher the Market Liquidity, Lower the Share Price

The responses of the respondents for the affect of market liquidity to the market price of share were found as shown in table 4.23

Table 4.23

Higher the market liquidity, lower the share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	7	26.92
3	Undecided (U)	6	23.08
4	Disagree (D)	8	30.77
5	Strongly Disagree (SD)	3	11.53
	Total	26	100

From the primary responses it is found that 34.62% of the respondents were agreed that higher market liquidity affect negatively the share price in market. Whereas, 42.30% were disagreed and 23.08% were undecided with the statements. So, higher market liquidity does not significantly affects the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.14 Larger companies have Higher Share Price

The responses of the respondents for larger companies have higher share price were found as shown in table 4.24.

Table 4.24

Larger companies have higher share price

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	2	7.7
2	Agree (A)	13	50
3	Undecided(U)	4	15.38
4	Disagree(D)	6	23.08
5	Strongly Disagree (SD)	1	3.84
	Total	26	100

From the primary responses it is found that 57.7% of the respondents were agreed that larger companies have higher share price. Whereas, 15.38% were disagreed and 26.92% were

undecided with the statements. So, the larger company size significantly affects the market price of the share at 95% level of significance. (See Annex:VI)

4.2.15 Share price is influenced By Demand & Supply

The responses of the respondents for share price is affected by demand and supply were found as shown in table 4.25.

Table 4.25

Share price is affected by demand and supply

S.no	Responses	No	Percentage
1	Strongly Agree (SA)	3	11.53
2	Agree (A)	17	65.38
3	Undecided (U)	2	7.7
4	Disagree (D)	3	11.54
5	Strongly Disagree (SD)	1	3.85
	Total	26	100

From the primary responses it is found that 76.91% of the respondents were agreed with lower share price is affected by demand and supply. Whereas, 15.39% were disagreed and 7.7 % were undecided with the statements. So, the demand and supply of the stock significantly affects the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.2.16 Rumors and Whims Affect the Share Price

The responses of the respondents for the share price are affected by rumors and whims were found as shown in table 4.26.

Table 4.26

Rumors and Whims affect the share price

S.No	Responses	No	Percentage
1	Strongly Agree (SA)	3	11.53
2	Agree (A)	14	53.85
3	Undecided (U)	4	15.38
4	Disagree (D)	3	11.54
5	Strongly Disagree (SD)	2	7.7
	Total	26	100

From the primary responses it is found that 65.38% of the respondents were agreed with share price is affected by rumors and whims. Whereas, 19.24% were disagreed and 15.38% were undecided with the statements. So, the rumors and whims significantly affect the market price of the share and vice versa at 95% level of significance. (See Annex:VI)

4.3 Empirical findings of the Study

In this part of the study both of the primary as well as secondary data are analyzed. The researcher, with the help of research questionnaire, gathered primary data, which helped to identify the factors affecting stock price. Similarly, with the help of secondary data, the relationship of the market price per share with dividend, earning as well as book value was determined. Here, the empirical findings from both of the primary as well as secondary data analysis are presented separately below:

4.3.1 Findings from Secondary Data Analysis

The analysis or secondary data of five joint venture commercial banks given the following results;

1) For Nabil Bank, MPS is positively correlated DPS, BVPS and EPS respectively. DPS, BVPS, EPS and MPS of this bank are highly fluctuating with decreasing trend. Thus, it can be concluded that performance of Nabil is very average during the sample period.
2) For SCBNL, MPS is positively correlated with BVPS, DPS and EPS. The data of MPS, BVPS, DPS and EPS are somewhat consistent in this bank but it is in increasing trend. Hence, performance of SCBNL is good.
3) For HBL, MPS is positively correlated with DPS, EPS and BVPS. The data distribution on DPS, BVPS, EPS and MPS are average the growth is heterogeneous.
4) For NSBIL, MPS is moderately positively correlated with DPS, BVPS and EPS during the sample period. EPS and BVPS are very inconsistent in NSBIL but DPS is stable in its nature.
5) For EBL, MPS is high degree positively correlated with DPS, BVPS and EPS. EPS and BVPS are very inconsistent in EBL but DPS is constant in its nature.

4.3.2 Empirical Findings from Primary Data Analysis

The primary data analysis reveals the following results:

MPS is significantly affected by corporate performance such earnings, dividends, book value per share etc. of the firm. Similarly, the political, economical and environmental factors such instability of Government of Nepal, strikes and demonstration, cease-fire, demand and supply of concerned joint venture commercial banks shares' play the vital role in the price determination.

CHAPTER V

Summary Conclusion and Recommendations

5.1 Introduction

This is the final and major chapter that involves summary, conclusions and recommendations of the research work. The facts and findings from primary and secondary data analysis are presented in this part of the study. Besides summarizing and concluding research work, recommendations are made to concerned persons and organizations.

5.2 Summary

The history of securities market began with the floatation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. In 1937, introduction of the Company act in 1964, the first issuance of Government Bond in 1964 and the establishment of Securities Exchange Centre Ltd. In 1976 were other significant development relating to capital markets.

Securities Exchange Centre was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into stock exchange it was the only capital markets institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services.

Government of Nepal, under a program initiated to reform capital markets converted Securities Exchange Centre into Nepal Stock Exchange Centre into Nepal Stock Exchange in 1993. Nepal Stock Exchange, in short NEPSE, is a non-profit organization, operating under Securities Act, 1983.

The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc. NEPSE opened its trading floor on 13th January 1994. Government of Nepal, Nepal Rastra Bank, Nepal Industrial Development Corporation and members are the shareholders of the NEPSE.

After the restoration of democracy in 1990, Government of Nepal initiated privatization and economic liberalization, the industrial development as well as the capital market development process took a pace. However, with the initiation of Maoist armed revolution, the industrial and capital market development process got a break. The nation has been paralyzed in terms of economic development due to lack of peace and security. Most of the government investment has been concentrated to maintain security only. Similarly, lack of political stability and Royal takes over of February 1; has added fuel to fire in this issue.

Nepalese capital market is still in primary stage. Most of the citizens are not aware of the basic knowledge regarding security market. As a result, they have not been able to make investments and even if they invest, they might be exploited in the absence of proper knowledge. In spite of poor conditions of the security market in Nepal, the government of Nepal has not given priority in its current tenth five-year plan. Government has not been able to create basic infrastructures, sound policies and laws and their effective implementation, for the capital market development. As a result, there is no transparency in the performance of the listed companies and the capital market due to which capital market is struggling to mature.

NEPSE the only Stock Exchange in Nepal introduced fully automated screen based trading since 24th August 2007. The NEPSE trading system is called 'NEPSE Automated Trading System '(NATS) is fully automated screed based trading system, which adopts the principle of an order driven market. With the introduction of this system, the outdated 'Open Cry System' came into an end.

The researcher has tried to explore the factors affecting share price in NEPSE, with special focus to private commercial banks. The major objectives of the dissertation work are listed as:

- To identify qualitative as well as quantitative factors affecting the stock price in NEPSE with focus to commercial banks.
- To determine the effect of dividend, earnings and book value to the stock price.
- To make appropriate recommendations/suggestions for the betterment of the stock market and so on.

To meet the desired objectives, the researcher identified the effect of quantitative factors, DPS, BVPS & EPS with MPS by correlation and regression analysis of secondary data, whereas, to identify the qualitative factors affecting the share price, the researcher used the questionnaire approach.

On the one hand, from the secondary data analysis it is found that, for some companies, the correlation coefficient of MPS with independent variables (i.e. DPS, BVPS & EPS) is significantly positive whereas in some other cases, significantly negative. MPS is significantly positively correlated with DPS, BVPS and EPS of Nabil, NSBIL and EBL whereas MPS is significantly negatively correlated to none of the factors.

Even though DPS, BVPS & EPS affect the MPS positively, there are several other factors in the internal as well as external environment that affect the share price significantly. Theoretically, when earnings, dividends and book value per share increases, the market price per share also increases and vice versa. But in case of NEPSE, this theory does not seem to be true hundred percent meaning that there are various other factors too that affect the share price.

On the other hand, the qualitative factors affecting the share price are identified through the primary data analysis. Dividends, earnings, book value per share, growth rate and risk associated with the company are some internal factors affecting the market price per share. Among other environmental factors affecting the share price are political stability, cease fire and peace talks, strikes/bandhs, rumors and whims, national economy, demonstrations, demand and supply situations. While analyzing the effects of interest rate, retention ratio, stock dividend, cost of equity, tax rate, global economy, market liquidity etc, it is found that these factors have nominal effects to share price.

During the course of research work, it was understood that, there is not good regulatory mechanism in the NEPSE for the listed companies to protect shareholders interests'. The listed companies other than banks and financial institutions are not able to conduct the AGM in time, submit their report to SEBO/N and give the detail information to the shareholders. Thus, it seems that, on the other hand, listed companies are not able to protect the shareholders interests

properly and on the other hand; there is lack of effective watchdog to implement rules and regulations.

Talking about the listed companies in the NEPSE, most of the companies are unable to meet organizational objectives. Service industries and manufacturing industries are suffering loss in the present context. The only satisfactory sector is banking and financial institutions.

5.3 Conclusion

Based on the above summary and findings of the research, the researcher came into the following conclusions:

- Adequate knowledge and information regarding the capital market is lacking in Nepalese investors. This is precisely the reason why the concerned companies cheat them and the NEPSE shows rather irrational behavior.
- Most of the listed companies do not provide sufficient and timely information to NEPSE as well as their shareholders. And even the supplied information does not have similarity among NEPSE, Annual Report and their particular websites. Meaning that they try to attract potential investors by providing exaggerated information regarding their performance.
- From the secondary data analysis; it is revealed that, pricing behaviors differs from company to company. Even though, DPS, BVPS & EPS have significant effect on the share price, individually they do not have consistent relationship with MPS. It means that there may be other major factors influencing and determining the share price significantly.
- Whereas analysis of primary data (from view point of respondents) summarizes, company performance (EPS, book value, DPS, risk), information disclosed, timely AGM. Other political and economic factors such as political stability, national economy, peace, strike, demand and supply situation of the share, cease – fire etc. are the some important factors having significance influence on the share price. Similarly, other relevant factors, interest rate, tax rate, global economy, cost of equity, market liquidity do not have significant effect.

- Due to poor rules and regulations as well as effective regularity mechanism, shareholders are not confident enough to invest in the share whereas on the other hand, capital market has not been growing as per expectation. Similarly, lack of political stability, peace and Maoist revolution has constrained the smooth development of security market.
- The study concludes that Nepalese stock market is in infancy stage. There is a gap between the theory and practice of investment in Nepalese stock market due to lack of proper study/analysis of stock market. Professionalism is lacking.
- In spite of several constraints, the NEPSE has been growing gradually. The commercial banking sector is the best performer among the listed companies. We can't undermine the truth that with the presence of peace and political stability, the capital market gets far better soon.

5.4 Recommendations

Based on the research work, the researcher has reached the following recommendations:

To Investors

Lack of education and sufficient information is the main weakness of the investors. They should seek their right towards accurate and timely information, as well as for protection. Similarly, investors should be alert to exploit the opportunities through short-term speculation. So, they are suggested to raise their voice and complain about the misconduct of relevant company or NEPSE, SEBON as well as of Government. They are encourages to enrich their level of knowledge and make the investment opportunities fruitful.

To Brokers

Brokers are suggested not only to look at their interests but also be sincere and co-operate with investors. Since they have greater level of practical knowledge they should provide rational and accurate advices to their clients/investors and foster professionalism.

To SEBON/ NEPSE

Perfect markets require that all information concerning future risks and returns of securities are readily available to all investors. As there exists various market imperfections, relevant

information are not easily available to the investors. They are often published in national dailies, but most of the information is highly aggregated and not reliable. Because of the lack of technical knowledge, majority of the investors is unable to analyze the available information. As such, a single buyer and a single seller can affect the price of securities. NEPSE has to insure listed companies relevant information. Similarly, NEPSE can expand its service to regional and local level so that it gives the equal opportunities to all the potential investors. Investors should be provided with investment guidelines and relevant information through media. It should monitor the activities of brokers as well as listed companies.

To Listed Companies

Listed companies are requested to avail the accurate and timely information to concerned authorities as well as to investors. They should conduct timely AGM, and fulfill the requirement of concerned authorities. They should not provide gimmicks to attract the potential investors.

To Government

Government should formulate as well as implement effective rules and regulation, code of conduct, for the gradual development of capital market. For this purpose national as well as international stock experts should be consulted. Similarly, it should encourage independent rating agencies so that the investors will have a confident picture of financial health and future prospects of organizations/ instruments. NEPSE should encourage the concerned body to organize programs, seminars time to time to create awareness among the investors.

To Further Researcher

Research is an ongoing process. Study of securities is a vast field of study. Through this research, the researcher has tried to explore the factors affecting share price of commercial banks, which is believe more specific, further researcher can focus their study towards more factors. Similarly, they can even carry out research based on primary sources. The other relevant factors for examples can be impact of CEO charisma, research, inflation, oil/energy prices etc that affect the share price.

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Annex: I

Data Presentation Sheet for Analaysis

NABIL				
Year	**MPS**	**DPS**	**BVPS**	**EPS**
2008/09	4899	120	324	113.44
2009/10	2384	100	265	83.81
2010/11	1252	60	225	70.67
2011/12	1355	100	269	83.23
2012/13	1815	105	275	95.14
SCBNL				
Year	**MPS**	**DPS**	**BVPS**	**EPS**
2008/09	6010	150	328	109.99
2009/10	3279	125	241	77.65
2010/11	1800	100	228	69.51
2011/12	1799	105	256	72.6
2012/13	1820	90	249	65.7
HBL				
Year	**MPS**	**DPS**	**BVPS**	**EPS**
2008/09	1760	55.56	256.52	61.9
2009/10	816	48.68	226.79	31.8
2010/11	575	53.68	199.77	44.66
2011/12	653	41.84	193	39.94
2012/13	700	25	192.02	34.19
NSBIL				
Year	**MPS**	**DPS**	**BVPS**	**EPS**
2008/09	1900	44.22	194.68	36.18
2009/10	741	22.5	147.61	23.69
2010/11	565	22.5	153.51	24.85
2011/12	635	22.5	152.66	22.93
2012/13	850	27.5	161.26	32.75
EBL				
Year	**MPS**	**DPS**	**BVPS**	**EPS**
2008/09	2455	60	345.23	99.99
2009/10	1630	60	331.99	100.16
2010/11	1094	60	325.17	83.18
2011/12	1033	30	326.17	88.55
2012/13	1591	60	291.53	91.88

Annex: II

NABIL

(a)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	DPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.69	0.4761	0.027	1996.85697

a.Predictors: (Constant), DPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	4549248.9800	1	4549248.980	1.141	.346
Residual	15949751.020	4	3987437.555		
Total	20499000.000	5			

a.Predictors: (Constant), DPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
DPS	-1147.245	3633.635	.471	-.316	.768
	52.776	49.409		1.068	.346

a.Dependent Variables: MPS

Annex: II

NABIL
(b)
Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.88	0.7744	0.286	1710.51712

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of	df	Mean Square	F	Sig.

	Squares				
1.Regression	8795524.698	1	8795524.698	3.006	.158
Residual	11703475.302	4	2925868.826		
Total	20499000.000	5			

a.Predictors: (Constant), EPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
EPS	-4508.512	4178.865	.655	-1.079	.341
	65.202	37.606		1.734	.158

a.Dependent Variables: MPS

Annex: II

NABIL
(c)
Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.87	0.7569	0.460	1487.98943

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	11642549.819	1	11642549.819	5.258	.084
Residual	8856450.181	4	2214112.545		
Total	20499000.000	5			

a.Predictors: (Constant), BVPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-6996.341	4243.830	.754	-1.649	.175
	28.080	12.245		20293	.084

a.Dependent Variables: MPS

Annex: II

NABIL
(d)
Multiple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS, DPS, BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	.923	.851	.628	1234.63448

a.Predictors: (Constant), EPS,DPS,BVPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	1745.355.405	3	5816785.135	3.816	.215
Residual	3048644.595	2	1524322.298		
Total	20499000.000	5			

a.Predictors: (Constant), EPS,DPS, BVPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-12028.096	4377.921	2.766	-2.747	.111
DPS	103.051	54.104	-.829	1.905	.197
EPS	-92.868	86.398	-1.286	-1.075	.395
	-128.037	171.969		-.745	.534

a.Dependent Variables: MPS

Annex: II

SCBNL
(a)
Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	DPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R	Std.Error of the

			Square	Estimate
1.	0.95	0.9025	-.093	2316.32893

a.Predictors: (Constant), DPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	3082451.939	1	3082451.939	.575	.491
Residual	21461518.894	4	5365379.724		
Total	24543970.833	5			

a.Predictors: (Constant), DPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
DPS	5713.770	2812.843	-.354	2.031	.112
	-13.431	17.720		-.758	.491

a.Dependent Variables: MPS

Annex: II

SCBNL

(b)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS(a)		Enter

a. All requested variables entered.

b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.97	0.9409	-.248	2475.36795

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	34184.840	1	34184.840	.006	.944
Residual	24509785.993	4	6127446.498		
Total	24543970.833	5			

a.Predictors: (Constant), EPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients	Standardized	t	Sig.

			Coefficients		
1.(Constant)	B	Std. Error	Beta		
EPS	2945.803	10225.513	.037	.288	.788
	5.005	67.008		.075	.944

a.Dependent Variables: MPS

Annex: II

SCBNL

(c)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	BVPS(a)		Enter

a. All requested variables entered.

b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.89	0.7921	-.106	2330.02448

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	2827914.507	1	2827914.507	.521	.510
Residual	21716056.326	4	5429014.081		
Total	24543970.833	5			

a.Predictors: (Constant), BVPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-6061.733	13566.999	.339	-.447	.678
	22.868	31.685		.722	.510

a.Dependent Variables: MPS

Annex: II

SCBNL

(d)

Multiple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS, DPS, BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	.744	.553	-.116	2340.91494

a.Predictors: (Constant), EPS,DPS,BVPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	13584205.327	3	4528068.442	.826	.588
Residual	10959765.506	2	5479882.753		
Total	24543970.833	5			

a.Predictors: (Constant), EPS,DPS, BVPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-18555.206	19598.613	-1.791	-.947	.444
DPS	-240.245	189.572	.172	-1.267	.333
EPS	6.534	23.048	2.007	.283	.803
	135.246	97.959		1.381	.301

a.Dependent Variables: MPS

Annex: II

HBL

(a)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	DPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.44	0.1936	.451	379.96884

a.Predictors: (Constant), DPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	736748.044	1	736748.044	5.103	.087
Residual	577505.290	4	144376.322		
Total	1314253.333	5			

a.Predictors: (Constant), DPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta	.825	0.456
DPS	344.226	417.295	.749	2.259	.087
	18.787	8.317			

a.Dependent Variables: MPS

Annex: II

HBL

(b)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.82	0.6742	.766	248.12116

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	1067996.883	1	1067996.883	17.348	.014
Residual	246256.450	4	61564.113		
Total	1314253.333	5			

a.Predictors: (Constant), EPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
EPS	-2548.638	910.315	.901	-2.800	.049
	68.706	16.496		4.165	.014

a.Dependent Variables: MPS

Annex: II

HBL

(c)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.91	0.8281	.071	494.14554

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression Residual Total	337534.073 976719.260 1314253.333	1 4 5	337534.073 244179.815	1.382	.305

a.Predictors: (Constant), BVPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	2027.585 -2.618	716.441 2.226	-.507	2.830 -1.176	.047 .305

a.Dependent Variables: MPS

Annex: II

HBL
(d)
Multiple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS, DPS, BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	.908	.824	.559	340.35509

a.Predictors: (Constant), EPS,DPS,BVPS

ANOVA(b)

Model	Sum of	df	Mean Square	F	Sig.

	Squares				
1.Regression	1082570.164	3	360856.721	3.115	.252
Residual	231683.169	2	115841.585		
Total	1314253.333	5			

a.Predictors: (Constant), EPS,DPS, BVPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-2909.241	2009.479	1.189	-1.448	.285
DPS	90.655	67.454	-.191	1.344	.311
EPS	-.985	4.659	-.461	-.211	.852
	-11.568	37.265		-.310	.786

a.Dependent Variables: MPS

Annex: II

NSBIL

(a)Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	DPS(a)		Enter

a. All requested variables entered.

b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.99	0.9801	-.068	542.47956

a.Predictors: (Constant), DPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	200601.025	1	200601.025	0.682	.455
Residual	1177136.308	4	294284.077		
Total	1377737.333	5			

a.Predictors: (Constant), DPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
DPS	590.966	257.440	0.382	2.296	0.083
	10.731	12.998		.826	.455

a.Dependent Variables: MPS

Annex: II

NSBIL
(b)
Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.84	0.7056	.677	298.36176

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	1021658.370	1	1021658.370	11.477	.028
Residual	356078.964	4	89019.741		
Total	1377737.333	5			

a.Predictors: (Constant), EPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
EPS	-164.891	282.691	.861	-.583	.591
	41.493	12.248		3.388	.028

a.Dependent Variables: MPS

Annex: II

NSBIL
(c)
Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R	Std.Error of the

			Square	Estimate
1.	0.97	0.9409	.337	427.54521

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	646557.713	1	646557.713	3.537	.133
Residual	731179.621	4	182794.905		
Total	1377737.333	5			

a.Predictors: (Constant), BVPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-3062.044	2007.580	.685	-1.525	.202
	24.247	12.893		1.881	.133

a.Dependent Variables: MPS

Annex: II

NSBIL

(d)

Multiple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS, DPS, BVPS(a)		Enter

a. All requested variables entered.

b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	.987	.974	.935	133.88012

a.Predictors: (Constant), EPS,DPS,BVPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	1341889.559	3	447296.520	24.955	.039
Residual	35847.774	2	17923.887		
Total	1377737.333	5			

a.Predictors: (Constant), EPS,DPS, BVPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.

1.(Constant)	B	Std. Error	Beta		
BVPS	595.371	1034.821	-.754	.575	.623
DPS	-21.217	5.140	-.246	-4.128	.054
EPS	-8.693	7.854	1.661	-1.107	.384
	80.020	12.946		6.181	.025

a.Dependent Variables: MPS

Annex: II

EBL

(a)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	DPS(a)		Enter

a. All requested variables entered.

b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.52	0.2704	.964	204.32266

a.Predictors: (Constant), DPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	5557616.328	1	5557616.328	133.124	.000
Residual	166991.005	4	41747.751		
Total	5724607.333	5			

a.Predictors: (Constant), DPS

b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
DPS	-901.624	224.108	.985	-4.063	.015
	82.284	7.132		11.538	.000

a.Dependent Variables: MPS

Annex: II

EBL

(b)

Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method

1.	EPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.81	0.6561	.922	298.71350

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	5367688.319	1	5367688.319	60.156	.001
Residual	356919.014	4	89229.754		
Total	5724607.333	5			

a.Predictors: (Constant), EPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
EPS	-1309.242	380.877	.968	-3.437	0.26
	46.293	5.969		7.756	.001

a.Dependent Variables: MPS

Annex: II

EBL
(c)
Simple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	0.37	0.1369	.227	311.06

a.Predictors: (Constant), EPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	5337570.561	1	5337570.561	55.163	.002
Residual	387036.772	4	96759.793		

Total	5724607.333	5			

a.Predictors: (Constant), BVPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-2697.273	577.812	.966	-4.668	.010
	17.709	2.384		7.427	.002

a.Dependent Variables: MPS

Annex: II

EBL
(d)
Multiple Regression

Variables Entered/Removed (b)

Model	Variables Entered	Variables Removed	Method
1.	EPS, DPS, BVPS(a)		Enter

a. All requested variables entered.
b. Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std.Error of the Estimate
1.	.999	.998	.996	65.84282

a.Predictors: (Constant), EPS,DPS,BVPS

ANOVA(b)

Model	Sum of Squares	df	Mean Square	F	Sig.
1.Regression	5715936.780	3	1905312.260	439.490	.002
Residual	8670.553	2	4335.276		
Total	5724607.333	5			

a.Predictors: (Constant), EPS,DPS, BVPS
b.Dependent Variables: MPS

Coefficients (a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1.(Constant)	B	Std. Error	Beta		
BVPS	-1272.507	213.407	.400	-5.963	.027
DPS	19.104	3.448	.573	5.541	.031
EPS	47.835	8.794	.049	5.440	.032
	.896	1.944		.461	.690

a.Dependent Variables: MPS

Annex: III

A Sample Questionnaire

All the statements related to NEPSE and the market price of share of private commercial banks. You are kindly requested to indicate the extent to which you agree with the following statements by filling in each of the blank with:

SA for Strongly Agree
A for Agree
U for undecided
D for Disagree
SD for Strongly Disagree

1. Higher the EPS, higher would be the share price._____
2. Higher the DPS/cash dividends, higher would the share price._____
3. Lower the growth rate of a company, higher would be the share price._____
4. If interest/reinvestment rate increases, share prices also increases._____
5. Higher the retention ratio better will be the market price of the share._____
6. Payment of stock dividend increases the share price in market._____
7. Higher cost of equity reduces the share price._____
8. Share price declines, with the instability of the government._____
9. Strikes/bandhs/demonstrations badly affect the share price._____
10. Outbreaks of the cease-fire decreases the share price._____
11. Share price is sensitive towards national economic environment._____
12. Share price is sensitive towards global economy._____
13. Share price decreases with increase in liquidity in market._____
14. Larger companies have higher share price._____
15. Share price is affected with demand and supply of the share._____
16. Rumors and whims affect the share price._____

Annex: IV
Summary of the Primary Data

SN	Variables	SA	A	U	D	SD	N
1	Higher the EPS, higher would be the share price.	3	18	3	2	0	26
2	Higher the DPS/cash dividends, higher would the share price.	5	16	2	2	1	26
3	Lower the growth rate (g) of a company, higher would be the share price.	0	2	5	17	2	26
4	If interest/reinvestment rate(r) increases, share prices also increases.	2	14	6	3	1	26
5	Higher the retention ratio better will be the market price of the share.	2	11	4	7	2	26
6	Payment of stock dividend increases the share price in market.	2	12	4	7	1	26
7	Higher cost of equity (Ke) reduces the share price.	2	11	5	7	1	26
8	Share price declines, with the instability of the government.	2	19	3	2	0	26
9	Strikes/bandhs/demonstrations badly affect the	2	19	2	2	1	26

	share price.						
10	Outbreaks of the cease-fire decrease the share price.	0	2	3	16	5	26
11	Share price is sensitive towards national economic environment.	3	18	3	2	0	26
12	Share price is sensitive towards global economy.	2	10	8	5	1	26
13	Share price decreases with increase in liquidity in market.	2	7	6	8	3	26
14	Larger companies have higher share price.	2	13	4	6	1	26
15	Share price is affected with demand and supply of the share.	3	17	2	3	1	26
16	Rumors and whims affect the share price.	3	14	4	3	2	26

Where, notation for: SA=2, A=1, U=0, D=-1, SD= -2 ; Source: Questionnaire