DETERMINANT OF MARKET PRICE IN NEPAL STOCK MARKET

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DECLARATION

I here declare that thesis entitled "DETERMINANT OF MARKET PRICE IN NEPAL STOCK MARKET" Submitted to the office of dean , Faculty of management , Tribhuvan University is my original research work which is prepared as the partial fulfillment of the requirement for Degree of Master of Business studies (M.B.S.) under the guidance and supervision of Dr. Kamal Das Manandhar and Mr. Kiran Thapa Lecture of Shankar Dev Campus , T.U.

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CHAPTER I
INTRODUCTION

1.1 Background of the Study

The world's economy is changing rapidly. Nepal is one of the least developed countries lying between two large countries India & China. It is a small kingdom of mountains and hills. It is endowed with richly diversified geography and bio-diversity with huge potentiality of hydroelectric power. Its religion, culture, natural beauty, art and archaeology is quite distinct in the world with in the small area of 147181 Sq kilometers in total.

The economy of the country largely depends upon the utilization of its resources and mobilization of capital. Due to lack of proper utilization of resources the country is going backward. The mobilization of the capital is an important tool to utilize the resources and hence it affects the overall economy directly and indirectly. The Financial institutions contribute the national economy by accumulating the capital funds to meet the financial needs of different productive sectors. They actively participate in the money market and the capital market, as both suppliers and demanders of the funds.

1.1.1 Financial Market

Financial Market can be defined as the centre which provides and facilities for buying and selling of financial claims and services. It includes the trading activities of financial instruments like Share (Stock), Bond, Debenture, etc. Hence it actually refers to the money market and capital market which facilitates the transfer of funds from the savers to those who really need it.

1.1.2 Money Market

Money Market deals with the short term financial market which facilitates liquidity and marketability of securities. It provides an institutional mechanism for the transactions of short term securities. Commercial Banks, Development Banks, Finance Companies and other saving/credit unions are the Money Market makers.

1.1.3 Capital Market

Capital Market deals with the long term financial market facilitating the allocation of funds between savers and borrowers. It is the place where financial claims and obligations are brought and sold which have maturity period of more than one year. It can be further divided in to two types, Primary Market and Secondary Market.

1.1.3.1 Primary Market

Primary Market is the place where corporations and government issue new securities. All securities, whether in money or capital markets, are initially issued in the Primary Market. This is the only market in which the company or government is directly involved in the transaction and receives direct benefits from an issue, i.e. the company actually receives the proceeds from the sale of securities. Once the securities begin to trade among individuals, businesses, governments, or financial institutions, savers and investors, they become a part of the secondary market. The term 'Primary Market' is used to denote the market for the original sale of securities by an issuer and to the public.

The issuer receives cash which may be invested in productive assets or retirement of debt. Corporate bodies issue new securities in the primary market hence, securities available for the first time are offered through the primary security market. The issuer may be a brand new company or 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 *(Gitman; 2000: 33-34)*.

1.1.3.2 Secondary Market

Secondary Market is the market in which securities are traded that has been issued in the past. Simply, secondary markets are markets in which existing outstanding securities are traded between the investors i.e. buyers and sellers. It creates the price and allow for liquidity. Thus, Secondary Market mainly deals with previously issued shares that traded through stock exchange, over the counter market or direct selling.

The function of the secondary markets is to provide liquidity for securities purchased in the primary markets. Once investors have purchased securities in the primary markets, they need a place to sell those securities. Without the liquidity of the

secondary market, firms would have difficulty raising funds for productive purposes in the primary markets *(Cheney and Moses; 1996: 72).* Secondary Markets in another term can be called as Security Market.

Security Market brings buyers and sellers of financial assets to facilitate trading. All securities are initially issued in the primary market. It is the place where original sales of securities are made. The secondary market denotes the place where securities are traded that has been issued in the primary market.

1.1.4 Stock Exchange

It 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 in 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 are actually buying and selling shares *(Famma & Miller; 2002: 225)*. Hence, the stock exchange is one of the forms of secondary market where the shares of listed companies are transferred one hand to other mobilizing the funds to finance the productive sectors. It creates and enhances liquidity in the securities.

1.1.5 Security Board, Nepal [SEBO/N]

Security Board, Nepal [SEBO/N], regulator of Nepalese Security market, was established on May 26, 1993, under the provision of the Security Exchange Act, 1983.

Nepal Security Board promotes and protects the interest of the investors by regulating the issuance, sale and distribution of securities and purchase, sale and exchange of securities, to supervise, look after and monitor the activities of the stock exchange and the other related firms on securities business, and to render contribution to the development of the capital market by making securities transactions fair, healthy, efficient and responsible (*SEBO/N; 2004: 3)*.

1.1.6 Nepal Stock Exchange [NEPSE]

In Nepal security Market centre was established in 1970 A.D. It was the first and foremost step taken by the Nepalese government for the development of securities Market in Nepal. Immediately after those securities, Exchange Act was passed and securities Market centre was changed into Securities Exchange Centre (SEC), the history of securities Market began with the flotation of shares by Biratnagar Jute Mills Ltd and Nepal Bank Ltd in 1937 AD. After the introduction of the Company Act 1964A.D, the issue of government bond in 1964 A.D and the establishment of securities Exchange centre Ltd in 1967 A.D. were among other significant developments resulting 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 Market institution under taking the job of brokering, underwriting managing public issues, market making for government bonds and other financial services.

His majesty's Government (presently changed into Nepal Government) under a program initiated to reform Capital Market Converted securities Exchange (NEPSE) in 1993 A.D. NEPSE is a nonprofit making organization operating under Securities Exchange ACT 1983. The basis objectives of NEPSE is to import free marketability and liquidity to the government & corporate securities by facilitating transaction in its trading floor through market intermediaries, such as brokers, market makers etc. NEPSE first opened its trading floor on 13th February 1994 through licensed members. Nepal Government, Nepal Rastra Bank, Nepal industrial Development Corporation and the licensed Members are the shareholders of the NEPSE as well. Presently, there are 27 valid members brokers (currently working 51 members) and 219 listed companies (12th august 2012) in NEPSE. It has been adopting 'Open Out Cry' system on trading shares. Hence, transactions are conducted on the open trading floor where price is determined when bid and offer match i.e. as per the demand and supply of the shares.

The stock exchange provides floor for trading the shares of listed companies creating the liquidity in shares markets. The liberal financial policy adopted by Nepalese Government after the restoration of democracy tried to reform the financial market of Nepal. That result open practice of buying and selling of securities in the open floor of NEPSE maintaining the suitable market price of the shares. In general, the prices are determined according to the demand and supply of the shares. This study attempts to examine the different determiners of the share price relating the MPS with major financial indicators.

1.1.6.1 Board of director of NEPSE

The board of directors of NEPSE consists of Nine Directors in according with securities act 1983 A.D. Six directors nominated by NG two from the license member and last one is General Manager of NEPSE.

Table No 1.1

Board of director of NEPSE

SN	Name of the organisation	No. of directors	Designation
1.	Ministry of Finance	1	Chair Man
2.	Securities Board	2	Director
3.	Nepal Rastra Bank	2	Director
4.	Nepal Industrial Development Corporation	1	Director
5.	Licence Member	2	Director
6.	General Manager	1	Director

1.1.6.2 Trading Days and Hours of NEPSE

NEPSE has fixed the trading days and hours during which broker are allowed to entire floor to make the transaction

Table No 1.2

Trading Days and hours of NEPSE

Type of trading	Days	Trading Time
Regular Trading	Sunday to Thursday	12PM to 3 PM
Odd lot Trading	Friday	11-12 AM Friday

1.2 Statement of the Problem

Only a few investors of Nepalese share market may be aware of the factors affecting the share price. It means that most of the investors may be unknown about the financial performance of the company but tend to invest in the company without proper financial analysis. It causes the unusual relation of the financial indicators - EPS, BPS, DPS etc. with the market price of the share. The market rumours relating the financial position of the company is the major analytical tool for the most of Nepalese investors. MPS of most of the foreign joint venture commercial banks are high in comparison to other banks and manufacturing companies. In this context, the research problem of this study can be presented as following questions:

- What are the major determinants of the Stock price of Nepalese commercial Banks listed in NEPSE ?
- Is there any relation between MPS with the major financial indicators (EPS, BPS, DPS) ?
- Are the investors aware of financial indicators which influence the MPS of the company ?

1.3 Objectives of the Study

The main objectives of this study are listed below:

- To identify the prime determining factors of Share Price determination of Nepalese Commercial Banks.
- To examine and evaluate the relationship between MPS with the various financial indicators like EPS, BPS, DPS etc.
- To analyze the market trends of MPS with financial indicators.
- To conduct the opinion survey of potential investors regarding various aspects of share behaviours in Nepal.

1.4. Importance of the Study

This study attempts to construct the relation of MPS of the Nepalese Commercial Banks to the major financial indicators like EPS, BPS, DPS etc. The relation is hoped to show the current status of Nepalese Commercial Banks with respect to the determiners of the Share Price. These findings may be helpful to the potential investors to make the better investment decisions.

Likewise, this thesis provides the information about the position of Share Price in Share industry. Moreover, the industrial average regarding different financial indicators are helpful to compare with the individual banks. These information are expected to be helpful to the managers of the respective banks.

This thesis delivers different information about the Share Market of Nepalese Commercial Banks which may be required to the further researcher. Hence this thesis is expected to be important to the further researchers.

1.5 Limitations of the Study

Due to the limitations of the time, cost and other resources, this study is limited to the following areas:

- Though this thesis tends to explore the major determinants of Market Price of Share, it is limited on the analysis of Share Price of Nepalese Commercial Banks only.
- This study covers only the relevant data of five years i.e. from Fiscal Year 2005/06 to 2010/11.
- This study is limited to the analysis of MPS of Nepalese Commercial Banks.
- The study is based Primary and Secondary Data. So the validity and reliability of the data depends upon their source.

1.6 Organization of the Study

This study has been organized into five Chapters.

Chapter I [Introduction]

Chapter I introduce the major issues related to the share market of Nepal, objectives, significance and limitations of the study.

Chapter II [Literature Review]

This Chapter is the brief review of literature related to this study. It includes a discussion on the conceptual framework and review of the major studies. It gives an overview of the related literature done in the past related to this study.

Chapter III [Research Methodology]

Chapter III, Research Methodology, describes the different methodologies employed in this study. Sources of data are mentioned and described in this chapter.

Chapter IV [Presentation and Analysis of Data]

This Chapter presents and analyzes the data obtained during the study. Different tools and techniques of data analysis have been undertaken for the purpose of analysis of data.

Chapter V Summary, Conclusion and Recommendations

This chapter includes the summary, conclusion and the recommendations of the study. The findings are included in this chapter along with the suggestions and their recommendations.

The Bibliography and Appendices have been given at the end of the study.

CHAPTER II

LITERATURE REVIEW

The basic concern of the study is to focus on the pricing behaviour of the stocks in Nepalese Stock Exchange. So, in this chapter, an attempt is made to review some of the literature concerning the stock market in Nepal and aboard as well as the market price behaviour. The price behaviour of the stock and its trading activity has got the tremendous concentration in security investment. So, a better understanding of these determinants may increase investors' confidence in the stock market and thereby enhance the effectiveness of corporate resource allocation. Hence more and more concerns over pricing behavior are arising and most of the concerned books bear some paragraph on this.

The basic ideas about the research study can be shown from the past research writings, books, articles and dissertation. They are reviewed under conceptual reviews, articles reviews and thesis review.

2.1 Conceptual Review

The growth of stock market and its regulations is not so old in Nepalese context; the investment sector is getting flourished in recent years as other economic sectors. Today most of the developed countries are boosting their economic activities by the help of this investment sectors. Present condition of the country shows that any types of global activities are influencing most of the investment sectors. The incident in one corner of the world brings the changes in whole world stock market.

Before entering into the cone concept of the factors determining the stock price it is logical to be familiar with some technical terms, which are in frequent use in researches on capital market. So in this section, some of the technical terms related to capital market are defined here.

2.1.1 Common Stocks

A firm can collect funds required by issuing of common stock. Common stock represents ownership interest in the corporation. The ownership capital generally referred equity, when issued to the public for subscriptions in the form of divisible units of equal value is termed as common stock. Unlike debt once a corporations issues common stocks, generally it has no obligation to redeem the stocks by purchasing it from the investors. Usually common stock is issued with a perpetual life. These stocks are subjected to issue and trading in primary and secondary market. The original issue takes place in primary market where it is generally issued with its face value and once the stock gets listed in the stock exchange, the trading starts to take place and this particular market is called secondary market.

Stock is the ownership interest of a corporation. Each share of stock is a fraction of rights and a privilege that belongs to the owners of a business. A stock certificate is evidence of that fractional; it is tangible, a certificate of title, to part of the company.

"Common stockholders of a corporation are its residual owners, their claim to income and assets comes after creditors and preferred stockholders have been paid in full. As a result, a stockholder's returns on investments are less certain than the return to lender or to preferred stockholder. On the other hand, the return to common stock holder is not bounded on the upside, as are returns to the others. A share of common stock is can be authorized either with or without par value. The par value of stock is merely a stated figure in the corporate charter and is of title economic significance. A company should not issue stock at a price less than par value, because stockholders who bought stock for less than par value would be liable for the difference between below the par price they paid and the par value"(Van Horne, 1997).

2.1.1.1 Common Stock Values

(a) Par Value or Face Value

The face value of the stock is mentioned in article of association and memorandum of the company. The par value doesn't changes until there is a stock split or other such initiative by the board of directors, the par value of new issue is usually Rs.100, as directed by company act. of respected country.

(b) Market Value

Market value is determined by interaction of demand and supply in the secondary market. This value is influenced by many factors like economic and industry condition, expected dividend and earning, speculations and other political as well as signaling effects like major events inside as well as outside of the country, government stability (Cheney and Mosses 1995).

(c) Book value

It represents the assets value per share after entire obligation of the cooperation in met. It is calculated by dividing the total common equity on the balance sheet by the number of share outstanding.

2.1.2 Theories of Stock Price Movements

In the wide sense, there are three theories concerning the stock price behavior. Simply stock price fluctuation refers the movement of stock price in the secondary capital market, i.e., market value is more than book value, market value is less than book value and market value is more than book value due to the different internal and external factors. Market value can be changed. When we try to study of Nepalese security market, it is necessary to study the other external factors of foreign country due to the globalization, liberation and modernization, all the world has become within the boundary so effect of one area's movement automatically lies upon others. Theory is code of conduct of explanation process is pushed further from where is concrete theme can be derived.

These theories are as follows: -

1. Efficient Market Theory
2. Fundamental Market Theory
3. Technical Market Theory

2.1.2.1 Efficient Market Theory

The term efficiency can be defined in various ways allocate efficiency, operational efficiency and information's efficiency. When the finance literature speaks of market efficiency it is generally speaking exclusively about informational efficiency in pricing the stocks. A market is said to be informational efficient if the current market price instantaneously and fully reflects all relevant available information. The market

value of a particular share may be under or overvalued. An efficient market is one where shares are always correctly priced and when it is not possible to outperform the market consistently.

The efficient market theory contends that in a free and perfect competitive market stock price is always reflect all the available information and adjust instantaneously every influx of new information. In an efficient market, only price change that would occur are those, which result from new information? "An initial and very important premise of an efficient market is that there are large numbers of knowledgeable and profit maximizing independent buyers and sellers, new information is generated randomly and the investors adjust the information rapidly" (Reilly, 1986).

Therefore if market is efficient, it sues all available information to it in setting price. The measure of efficiency involved from the notion of perfect competition, which assumes free and instantly available information, rational investors with no tax and transaction costs.

The requirements for a securities market to be an efficient market are:

- Price must be efficient so that new investors and better products till cause a firm's securities price to rise and cause investors to want to supply capital to the firm.
- Information must be discussed freely and quickly across the national so all investors can react to new information.
- Transactions cost such as sales commissions on securities are ignored.
- Taxes are assumed to have no noticeable effect on investment policy.
- Every investor is allowed to borrow or lend at the same rate.
- Investors must be rational and able to recognize efficient assets so that they will want to invest money where it is needed most. (i.e., in the assets with relatively high returns) (Bhalla, 1983)

This constitutes the world of the efficient market theory or more popularly the capital assets pricing model.

As efficient market is concerned with the pricing mechanism of securities market, it has two dimensions of price adjustment. One is the type of information reacting to and another is the speed and quality of adjustment of security to the information. As any random infusion of information instantaneously or lags that are profitable. Pricing not only should be instantaneous, but also should discount accuracy of information so that the price fluctuates closely around its intrinsic value. So Keane rightly pointed out, " It would be clearly an add interpretation of efficiency if a doubling in price the price of a share were regarded as an efficient reaction to new information, simply because the movement was instantaneous, if the information in fact warranted a substantial reduction in price" (Kene, 1983). Agreeing with this, Francis and Taylor noted "Market efficiency refers to the ability of financial asset to quickly adjust and reflect all information that is relevant to value in its price. (Francis, 1986) Therefore, it assumes that any given time the market correctly prices all securities. The result, or so the theory advocates, is that securities cannot be overpriced or under priced for a long enough period to profit there from.

(a) Levels of Market Efficiency

There are three levels of market efficiency depending upon types of information set impounded into the price. In other words, the forms of markets are determined on the basis of how publicly available information is reflected in the market price of shares. The statements that price reflect all available information represents the highest order of market efficiency. As Fama suggested, it is useful to distinguish three level of market efficiency.

- Weak- form efficiency: - If the pricing into the stock market has reflected all information found in the record of past prices and volume it is considered as weak form efficiency and participation of technical analysis approach in the market become fertile.
- Semi-strong-form efficiency: - If current prices of stocks reflect not only all information found in the record of past prices and volume but also other publicly available information the market is semi strongly efficient. In that the market even fundamental analysis of published accounting information has no value, because participants would have discounted it accurately and instantaneously when they are disclosed.

- Strong-form efficiency: - The market where stock prices fully reflect all the available relevant information public as well as private, it is considered that the market held strong form of efficiency. In this market insider information cannot beat the market because no participant has monopolistic access to that kind of information.

These three levels of efficiency described above are not indifferent to each other but they are serially higher order in degrees of market efficiency. If the market is semi-strongly efficient, it must be efficient in weak sense also because the past price data is one form of published information, which must have been impounded in the price. If the market is not efficient in a weak sense, the past price information could be used to predict the future prices to exploit abnormal profit. It implies that information contained in past prices has not been reflected fully into the current prices. Similarly for the market to be strongly efficient it must also be efficient at the semi-strong and weak levels otherwise prices are not reflecting all relevant information.

(b) Theory of weakly efficient market or random walk Hypothesis

"The weak form of efficient market hypothesis stipulates that historical price and volume data for securities contain no information which can be used to earn a trading profit above what could be attained with a native buy-andhold investment strategy" (Francis 1986:543).

According to Keane, "The market is efficient in weak sense if share prices fully reflect the information implied by all prior price movements. Price movement in effects is totally independent of previous movements. A Price movement in effects is totally independent of previous movements, implying the absence of any price patterns with prophetic significance"(Keane 1983:10).

The weak form of Efficient Market Hypothesis (EMH) is popularly known as the Random Walk Theory. Random Walk Theory describes whether past price can predict future price. Fama argued; "Random Walk Theory implies the future path of price level of a security is no more predictable than the path of series of cumulated random numbers. The series of price changes has no memory; that is the past can not be used to predict the future in any meaningful way" (Fama 1956:34).

It means that the current size and direction of price changes are independent and unbiased outcome of previous price changes. Put it differently, prices appeared to follow a random walk, implying that successive price changed is independent of one another.

Random walk model says that previous price changes or changes in return are useless in predicting future price or return changes. It means if we attempt to predict future price in absolute term using only historical price change information, we will not be successful i.e. successive price changes are independent. This independence implies that prices at any time will on the average reflect the intrinsic value of the security. If a stock's price deviates from its intrinsic value because among other things, different investors evaluates the available information's differently or have different is sights into future prospects of firm, professional investors and astute nonprofessional will seize upon the short term or random deviations from the intrinsic value and through their active buying and selling of stock in question will force the price back to its equilibrium position. Finally, the efficient market theory holds that since price reflects all the available information and since information arrives in a random fashion, there is little to be gained by any type of analysis whether fundamental or technical. It assumes that every piece of information has been collected and processed by thousands of investors and this information (both old and new) is correctly reflected in the price. Returns cannot be increased by studying historical data, either fundamental or technical, since past data will have no effect on future prices"(Fisher and Jordan, 2000:553).

Through the subject of market efficiency has been much concerned are of the study for the academicians and researchers in recent times, "the advocates of the efficient market theory are matched by an equally eloquent opposing camp which argues that the stock market is neither competitive nor efficient. The critics contend that one or more of the following factors cast their shadow over the efficiency and competitiveness of the stock market" (Chandra; 1994:589).

► Information Inadequacy

Information is neither freely available nor rapidly transmitted to all the participants in the stock market. In addition there is a calculated attempt by companies to circulate "misinformation".

► Limited Information Processing Capabilities

Human information processing capabilities are sharply limited. As Nobel Laureate Herbert Simon observed: "Every human organism lives in an environment which generates millions of new bits of information every second, but the bottleneck of perceptual apparatus certainly doesn't admit more than a thousand bits per second and possible much less".

► Irrational Behaviors

In this theory, it is generally assumed that investors' rationality will ensure a close correspondence between market prices and intrinsic value. In practice, this may not be true. As J.M. Keynes argued, "In point of fact all sorts of consideration enter into the market valuations which are in no way relevant to the prospective yield. L.C. Gupta made a similar observation: "Our findings suggest that the market evaluation process of work haphazardly almost like a blind man firing a gun. The market seems to function largely on a hit or miss basis rather than on the basis of informed beliefs about the long term prospects of individual enterprises" (Gupta, 1981:20).

► Monopolistic Influence

In this theory, the market is regarded as highly competitive. No single buyer or seller is supposed to have undue influence over price. In practice, powerful institutions and big operators wield great influence over the market. The monopolistic power enjoyed by them diminishes the competitiveness of the market. Finally, due to these challenges posed by the critics of efficient market theory, there are many factors to point the finger at its reality validity and authenticity. This appears to be true like relatively less developed capital market of Nepal. Nepalese capital market is yet to be efficient in terms of information as well as operations.

2.1.2.2 Fundamental Analysis Theory

Fundamental analysis approach involves working to analyze different factors such as economic influences, industry factors, government action, firm's financial statement, it's competitor and pertinent company information like product demand, earnings, dividends and management in order to calculate an intrinsic value for firm's securities. The analyst is who believes of fundamental facts to determine the intrinsic value of stock is popularly known as popularly known as fundamental analyst or fundamentalist.

Fundamentalist forecast stock price on the basis of economic industry and company statistic. The principal decision variable ultimately takes in the form of earnings and value with a risk – returns framework based upon earning power and the economic environment. "Fundamental analysts delve into company's earnings, their management, economic outlook, firms competitors market conditions and many other factors" (Francis 1986:398).

The objective of fundamental security analysis is to appraise the intrinsic value of security. The intrinsic value is the true economic work of financial assets. "The fundamentalist maintain that any points of time every stock has an intrinsic value which should in principle be equal to that present value of the future stream of income from that stock discount at an appropriate risk related rate of interest." (Bhalla, 1983:283) Therefore the actual price of security is considered to be a function of a set of anticipation. Price change as anticipation changes, which in turn change, as a result of new information. In other words, a new piece of news is released, securities intrinsic values will change, and the securities market price will adjust towards the new values.

"The value of common stock is simply the present value of all the future income which the owner of the share will receives"(Francis, 1986:398) And the actual price should effect intrinsic value of stocks i.e., good anticipation of cash flows and capitalization rate corresponding to future time period. But in practice, first, it is not known in advance what the appropriate discount rate should be for a particular stock. Therefore fundamentalists estimate their value by studying in details all matters that are relevant to company. "The study would involve examining its sales earnings,

profit margins, dividends, management proficiency, industrial and business outlook, labor competence any factor that would have a bearing on its performance in the future" (Raghu, 1991:167).

On the basis of such a study fundamentalists project a company's future profits and earning capacity with reasonable accuracy what the price of a company's share ought to be. This estimated price is termed as intrinsic value. The intrinsic value of the stock is generally away from its present market value. Thus, there is difference or gap between them. Fundamentalist reaches and investment decision by comparing this value with the current market price, it is believed that price will rise. In this situation, fundamentalists will acquire shares as this difference presents them with an opportunity to make profit. Alternatively, if the intrinsic value is lower than the market value, the share is called overpriced and is an indication to the fundamentalists to sell. Following these rules, they believe, above average return can be attained, given that market is inefficient in pricing the shares.

Therefore" The fundamental analysis work to find new information before other investors so they can get into a position to profit from price changes they anticipate" (Francis, 1986:603).

"Fundamental analysis uses different models like Top-Down versus Bottom- Up forecasting, probabilistic forecasting econometric models, financial statements analysis etc. to estimate the value of security" (Sharp, Alexander and Bailey 2001:850-853) Therefore the fundamental analyst reaches an investment decision on the basis of these analytical tools.

Through fundamental analysis approach is used by many security analysts or prospective investors to make a judgment of stock's value with a risk-return framework based upon earning power and the economic environment, it is and time consuming work. A stated by Raghu Palat, some of the limitations of fundamental analysis approach are as follows: (Raghu; 1991:168)

- The approach through sound and based on basic financial figures does suffer from drawbacks and to make this approach work efficiently on must be aware of them.
- It tends to ignore market behavior and assumes that the market will act rationally. The market seldom does. Prices flares or drop on the filmiest of reasons.
- The entire fundamental approach is based on a rational scientific analysis of data. The market is rarely rational.
- The information and analysis itself may be incorrect.
- Many companies with the help of creative/innovative accounting and accounting cosmetics disguise real earnings.
- The fundamentalists' estimates of intimate value may be incorrect. This is not only possible but also more probable than not as he has to often forecast growth, profit and other factors without having in this grasp all the facts.
- The fundamentalists may not fully understand the economy or the industry, as there are several external factors.
- There is also the possibility always that the market may not move in the manner a fundamentalists expects and conversely towards the intrinsic value.
- It is also difficult to determine corporate action.

In short, fundamental approach works exceedingly well in determining the intrinsic value of the company. It is not such an effective tool in determining future price movements and hence it is not very dependable for short-term profits." By nature the fundamentalists is conservative in approach and is generally unwilling to take a quick loss he would rather adopt a buy and hold policy" (Yahasway, 1992:155).

The Venerable Present Value Model presented by **Francis** said that "the process used to find the value of a security varies with the types of security. But the following present value formula is the basic economic model that can be employed to value any security (with varying degrees of success):

$$Present\ Value_0 = \frac{Cash\ flow}{(1-k)^1} + \frac{Cash\ flow}{(1-k)^2} + \cdots + \frac{Cash\ flow_r}{(1-k)^t} \ldots\ldots\ldots (i)$$

The present value model shown in equation (i) says that the present value at time = 0 equals the discounted present value of all the investment's future cash flows at times t=1,2,3,…T, where T is the terminal (or final) period in the investment's life. The convention k represents a risk-adjusted discount rate. The cash flows could be cash dividends from a common stock *(Francis, et al.; 2003: 208).*

The Continuous Equilibrium Model presented by **Samuelson** says, "Economists who have studied the intrinsic-value random-walk model have accepted and/or modified it in varying degrees. The Nobel-Prize-winning economist, Paul Samuelson, for example, has theorized about how securities prices would behave if securities markets were what economists call 'perfectly competitive' or 'perfectly efficient'.

Samuelson supplemented the intrinsic value random-walk model defining perfectly efficient prices to be market prices that reflect all information. Samuelson suggests that a security with perfectly efficient prices would be in 'Continuous equilibrium". This Continuous equilibrium will not be static through time, however. Every time a new piece of news is released, the security's intrinsic value will change and the security's market price will adjust toward the new value. It is the speed of this price adjustment process which gauges the efficiency of a price. A perfectly efficient security price is in a continuous equilibrium such that the intrinsic value of the security vibrates randomly and the market price equals the fluctuating intrinsic value in every instant in time. If any disequilibrium (of even a temporary nature) exists, then the security's price is less than perfectly efficient. Of course, actual market prices are not perfectly efficient because different securities analysts typically assign different value estimates to any given security.

Actual market price can only pursue a consensus estimate of any given security's intrinsic value since securities analysts' value estimates differ. If most securities analysts' value estimates happen to be similar at a point in time, then the consensus value estimate may only vary within a small range. In this case, the security's price will be almost perfectly efficient as it fluctuates in a narrow range around its changing equilibrium economic value (*Francis, et al.; 2003: 214-215).*

Similarly, Professor **James E. Walter** argues that "dividend policies almost always affect the value of the enterprise .The investment policy of a firm cannot be separated from its dividend policy, which is just the opposite of what MM said. The key argument in a support of the relevant proposition of the model is the relation between the return of firm's investment or its internal rate of return (r) and its cost of capital (k). As long as the internal rate is greater than the cost of capital (k), the stock price will be enhanced by retention and will vary inversely with dividend payout.

The basic assumptions of the model are:

- ►The firm finances all investment through retained earnings that is the firm does not use debt or equity financing.
- ► The firm's 'r' and 'k' are constant.
- ►The firm distributes its entire earnings or retains it for investment immediately.
- ►There is no change in values of earnings per share and dividend per share.
- ► Perpetual life of the firm.

Based on the above assumption, Walter's formula to determine the market price per share is as follows:

$$p = \frac{DPS}{\mathrm{k}} + \frac{\mathrm{r}(EPS - DPS)/\mathrm{k}}{K}$$

$$p = \frac{\mathrm{DPS} + \mathrm{R}/\mathrm{K}(EPS - DPS)}{K}$$

Where: P =price of share;

EPS = earning per share;

R = internal rate of return;

K = cost of capital.

Walter referred different dividend policies to different types of firms, which are as follows:

Growth firms (r>K)

Growth firms are those firms which expand rapidly because of ample investment opportunities yielding returns higher than the opportunity cost of capital. In such firms, correlation between dividend and stock price is negative. For such firm optimal payout ratio is zero.

Normal Firms (R=K)

The firms whose internal rate of return and cost of capital are same are called normal firms. In such firms dividend payout ratio does not affect the share price.

Declining Firms (r<k)

In contrast of growth firm, if a firm does not have profitable investment opportunities, the shareholders will be better off if earning is paid out to them so as to enable them to earn a higher rate by using the relation between dividends and stock prices per share *(Gautam; 1999: 14-16).*

International Monetary Fund [IMF], examined the general relationship between stock price and macro economic variables in Zimbabwe, using the revised DDM, error-correction model, and multi factor return generating model. Despite the large fluctuation in stock prices since 1991, the analysis indicated that the Zimbabwe Stock Exchange functioned quite constituently during the period. Whereas sharp increases in the Share Price during 1993/94 were mainly due to the shift of the risk premium that was caused by partial capital account liberalization *(IMF; 1997: 17).*

Similarly, **Myron Gordon** says, dividend policy affects the value of shares even in a situation in which return on investment is equal to the capitalization rate i.e. r= Ke. It is assumed that investors have a preference for present dividends to future capital gains under the condition of uncertainty. An increase in dividend payout ratio leads to an increase in the stock prices for the reason that investors consider that the dividend yield (d_1/p_0) is less risky than expected capital gain. The basic assumptions are as follows:

- The firm is an all equity form.
- No external financing is available so retained earnings will be used to finance any expansion.
- The internal rate of return (r) and cost of capital (k) are constant.
- The firm and its stream of earnings are perpetual.
- The corporate taxes do not exit.
- The retention ratio (b) once decided upon is constant. Thus, growth rate, g = b x r is constant.
- 'K_e' must be greater than 'g' to get meaningful value.

The market value of share is equal to the present value of the future streams of dividends. A simplified version of Gordon's model can be symbolically expressed as; $P = \frac{\text{EPS}(1-\text{b})}{\text{Ke}-\text{b}\times\text{r}}$, where: P = Price of Share; EPS = Earning Per Share; b = retention ratio; 1-b = Dividend payout ratio; K_e = Capitalization rate or cost of capital; b x r = growth rate.

First Case: Growth Firm

Share price tends to decline in correspondence with an increase in payout ratio or a decrease in retention ratio, i.e. high dividend corresponding to earning leads to decrease in share price, which are negatively correlated in growth firm.

Second Case: Normal Firm

Share value remains constant regardless of changes in dividend policies, which means dividends and stock prices are free from each other.

Third Case : Declining Firm

Share price tends to rise in correspondence with a rise in dividend payout ratio. It means dividend and stock prices are positively correlated with each other in the declining firm *(Gordon ; 1962: 187).*

The study appeals that investors are not indifferent between dividends and retention of earnings. The conclusion of the study is that investors value the present dividend more than the future capital gains. An increase in dividend payout ratio leads to an increase

in stock prices for reason of investor's capital gain. Another study conducted by Pettit on “Dividend Announcements, Security Performance and Capital Efficiency" has the objective of providing further support or evidence about the validity of the efficient market hypothesis by estimating the speed and accuracy, with which market price reacts to announcements of changes in the level of dividend payment. He analyzed 625 announcement dates of all dividend changes collected from New York Stock Exchange for the period of January 1964 through January 1968, within which 1000 dividend changes were announced and daily price information was also studied for 135 announcements in 1967-1969. For analysis, the market model is used. The study draws the conclusion that the market makes use of announcements of changes in dividend payments in assessing the value of a security and most of the information implicit in the announcement is rejected in the securities' price as of the end of the announcement period *(Pettit; 1972: 63)*, and the study strongly supports the proposition that the market is reasonably efficient both on a monthly and daily basis.

A study conducted by **Michele, Thaler and Wamack** on Price Reactions to Dividend Initiations and Omissions: Overreaction or Drift”, finds out that “the short run price impact of dividend omissions is negative and that of initiation is positive, that there are long term drifts in prices following announcements of initiations and especially omissions, and that there is no evidence of important change in volume or clientele, which mitigates price pressure as a potential explanation for the anomalous drift *(Michele, et al.; 1995: 217).*

Sundaram on “Stationary of Market Risk: Random Coefficient Test for individual Stocks” is undertaken by analysing 891 individual bonds, containing quarterly rates of return from the fourth quarter of 1968 through the third quarter of 1973 for every corporate bond listed in the NYSE, in order to test whether the market risk of a given stock over a given time series is stationary. Or whether the market risk follows random walk and knows the effect of portfolio diversification on non –stationary of the market risk of portfolios. The cross – sectional correlation and regression estimate tools are used for the study. Finally, the study concludes that: investor may be willing to pay a premium for positive skewness assets in their portfolios, that the inference that co-skewness in addition to variation is required to explain individual assets prices, which is significantly affected by the different market indexes used and other

testing and estimation procedures, and that the estimated risk- free rate of return is significantly higher than the actual risk free rate of return *(Sundaram; 1980: 215).*

Therefore fundamental analysis allows the analyst to forecast holding-period yield and risky ness of achieving that yield, but these figures alone do not necessarily prompt a buy or sell action.

2.1.2.3 Technical Analysis Theory

The word Technical Analysis peruses sound like gobbledygook to many. But it is an alternative approach to predicting stock price behavior in the literatures of investment management. Technical analysis is market-oriented philosophy and it can concentrate on the force of supply of and the demand for share as reflected in the actions of market rather than the intrinsic worth of share. The analysts or prospective investors who analyze the security to predict the future price of share on the basis of study of its price movements in the past are known as technical analysts or technician (Fisher & Jordon, 2000).

"The technician believes the forces of supply and demand are reflected in patterns of price and volume of trading. By examination of these patterns, the predicts whether prices are moving higher or lower, and even by how much" (Fisher and Jordan, 2005:510).

Therefore, the patterns or trend in price is the basis of technical analysis. Various charts are prepared to determined trends and to determine whether prices are likely to rise or fall. Technicians tend to look backward. "The technician usually attempts to predicts short-term price movements and thus makes recommendations concerning the timing of purchases and sales of either specific stock or groups of stocks (such as industries) or stocks in general. It is sometimes said that fundamentals analysis is designed to answer the question "what?" and technical analysis to answer the question “when?” (Sharpe, Alexander and Bailey, 2001:844).

Technical analysts discern past pattern or trends, which they believe to repeat in the future and recommend for the timely holding and disposing mechanism, which is profitable. Or that recommend for short-term speculation based on its forecast of

profitable pattern. In other words technical analysis is backward looking, in which past data are used to calculate the value of the stock. Past trends play vital role.

The technical analysts estimate prices instead of values. They largely ignore the fundamental facts such as the firm's risks and earning growth rates in favor of concentration on various barometers of supply and demand that they have devised.

The premise here is that price moves in trends and that trend is likely to continue than reverse. It is not worthy to mention here the quotation of veteran scientist and investor, Benzamin Franklin that "Show me the man who does not believe in history and I will show you a fool." Technical analysts believe in the history and that history repeats itself. Consequently all their predictions and charts are based on history. Past figure and trends are used to predict the future.

"Technical analysts maintain that the price of share at any time (Present Price) is the balance struck by buyers and sellers at a point in time price movements take place on account of changes in buying and selling pressure. This occurs in account of diverse internal and external factors (Profits, political environment, predictions and the likes). Prices stabilize that a record of price movements over a period of time in the past. As the whole theory is based on the assumptions that history repeats itself. That human nature doesn't change and that man is likely to repeat his patterns of past movements will repeat themselves in the future" (Raghu, 1991:172).

According to Edwards and Magee the basic assumptions underlying technical analysis are as under; (Edwards and Magee, 1958:86)

- Market value is determined solely by interaction of supply and demand.
- Demand and supply are governed by many rational and irrational factors.
- Changes in trend are caused by shifts in supply and demand.
- In disregard of minor fluctuations in the stock market, share price tend to move in trends, which persist for an appreciable length of time.
- Shifts in supply and demand, no matters why they occurs can be detected sooner or later in charts of market action.
- Some chart patterns tend to repeat themselves.

In essence, technical analysis believes that past patterns of market action will recur in the future and can therefore be used for prediction purposes.

► Market prices of shares as the output of the Demand and Supply

"Stocks and shares mostly traded in the securities market are one of the asset into which money can be invested. The investment further is more attractive to a majority of individuals because it is also liquid in character. But what is the most influencing factor in determining the price of the stock is interaction of demand and supply" (Doodha, 1962:10).

In relation to the interacting forces of demand and supply, Ackerman opines that," Price of a given stock is determined exclusively by the two forces demand and supply. Converting one such stock at a given time that the price and volumes of its past transaction are meaningful indication of profitable relationship of future supply and demand pressure, it is likely to encounter in the market that such relationship is the most important element determining the probable direction of price movement" (Ackerman 1980:10).

These are the short conceptual frameworks about the theories of stock price behavior.

"The share price is determined in the floor by interaction of market forces i.e. demand and supply. The price is determined by the point of equilibrium between supply and demand, the shifting of this balance results in incessant adjusting of price in research of the ever-changing new equilibrium. Then market price moves upward and downward. There are many reasons that causes the stock price fluctuation, major of them are economic, non-economic and market factors. One basis for the determination of stock prices is dividends. Dividends are strongly influenced by the earning power of the enterprises. There is very close correlation between corporate earnings and dividends. Earning power, in turn, is strongly influenced by the interest rates in this way, the most fundamental factor in stock price fluctuations lies in changes in corporate earnings, which together with interest rates and business cycle trends, contribute to making up the economic factors influencing stock price. The next influencing factors are non-economic factors, including changes in the political conditions, such as war or administrative changes, changes in the weather and other natural conditions ad changes in cultural conditions, such as technological advance

and the like, market factors, or internal factors of the market, consisting of the tone of market and supply-demand relations, may be cited as the third category that influences the stock prices. The tone of the market is a form of overestimating the intrinsic value of stock when stock price is high because of business prosperity while underestimating its value at the time of market decline. The relationships of supply and demand are reflected directly in the volume of transactions, but there is also considerable effect from the actions of institutional investors, margin transactions, etc. although margin transactions increase purchases when stock price is going up. Once the price begins to fall they become at selling factor and accelerate price decline. The practice of margin in finance has not been introduced, so far, in Nepal" (Sharma, 199 6:63-64).

"Security market in Nepal is witnessed a sharp growth during the past couples of years. The volume of trading has increased. The size of the market has been widened. The number of investing population has grown up in aggregate. The tendency of raising capital from general public is rising. Most importantly the market consciousness has been developed so that investors have begun to think about risks, return and availability or timely corporate information regarding the investment. The market seems loosing confidence of investors. There is poor liquidity for stocks. A scarcity of floating stocks prevails in the market. Professionalism is still lacking in the service of the investors and investment management. A system of preponderance of speculative trading is guessed to be prevailed, where the primary motive is to derive benefits from short-term price fluctuations. It appears that a very small fraction of transaction represents purchases/sales by genuine investor. The rest are driven mainly by the speculative motive. The corporate sector is still reluctant on disseminating information timely. The kinds of security trading in the market are confined only to ordinary and preference shares. These are various major problems observed in the market now-a-days" (Sharma, 1996:65-66)

2.2 Review of Journal and Articles and Books of Stock Market in Nepalese Context

"There are many loopholes in our stock- exchange Act. Investors feel insecure here. A few years back there was a company called Nimrod Pharmaceutical Company that floated in shares but where are they now? Similarly, it has been more than a year that Bansbari leather age has allotted its shares but why didn't the company lists its shares in the stock market? It has been three years that Gorkhkali Rubber Udyog hasn't called for its AGM Government has remained silent in all these cases. This is why the general public as well as the institutional buyers are not feeling secure in investing in stock market" (Business Age, Jan 2000:25).

"Return from investment in stock is not short run phenomenon". Investors have to learn few things before they make investment on stock. First of all they should know the financial health of that company. For example: if somebody want to invest in investment of bank's shares, he/she must see its balance sheet or at least paid- up capital, last year net profit, current years anticipated profit and calculate earnings per share and price earnings ratio. These two numbers would give a fair idea about company's health and then market price would judged through the discount factors based upon one of the sound company's data. Market price is equal to earning per share divided by discount factor. EPS can derive by dividing total net profit after tax by total number of share and price earnings ratio by dividing market price with capital gain and other (Business Age, July 2001:20).

"Investment in share has traditionally been done by rating the institutions on the basis of price earnings ratio or dividend. Hardly do investors compare current assets with current liabilities or take a look at the debt equity ratio. Unless investors are analyzing the intricate financial details of corporate institutions before making investment decision the market cannot develop smoothly.

Share investment has traditionally been guided by the investor's returns. Most earnings of investors here have been in the form of dividends rather than capital gains, through high dividend are often seen in corporate finance theory as a wasteful use of scares capital. With the commercial bank becoming the only potential investment

destination, with other stock market participants hardly making profit and even if they did failing to meet investor's expectations, demand for shares of commercial banks outpaced supply and their prices boomed.

Now the latest sums in secondary market, despite a pretty good performance by commercial banks, make it more apparent that investment in the past was done on whim. Even officials at the stock exchange and the securities board, refuting investors, allegations of the market manipulation and insiders trading of last February discreetly claimed that the Nepalese stock market is in a has cent stage and that investment are made more in an impulse rather than through market study and credit rating"(Business Age, June 2001; 25).

"ADB experts have been many obstacles to the growth of the capital market. This includes low lend of investors' confidence, disclosure of poor and manipulated financial information. Weak enforcement of regulation, absence of instructional investors. Lack of diversity in range of financial instruments and the scope of active participation for the various intermediaries limited by vertical barriers" (The Rising Nepal, Jan, 2001).

One should analyze and develop various alternatives to anticipate the best returns before making a decision. That however is not enough. Investors have to use their own common sense to make a right decision. Considering the risks, investors also need to be gutsy while investing in stock. Starting the journey somehow and learning the tricks alone the way. It is commonly known that profit and loss is part of the game. There may be some monetary loss in the beginning, but investors should not worry as they learn lesson in this way, which can prove to be an asset in the long seem. Start by playing safe and along the journey, be patient and try to develop a proper understanding of market language, investor's psychology and market behavior (Business Age, February 2007: 32).

Investment in the capital market now has become very uncertain sending the investors in search of avenues of more certain retains. The equality in investment is considered riskier than investment in bond and preferred stock etc. the secondary market is not performing well. The NEPSE index is moving around 208 and 215 since long. After

great sump in Nepal stock market in fiscal year 2000/01, dissatisfaction has increased in the mind of investors. The NEPSE index on 3rd November 2000 had reached the peak of 545.82 and after that is continuously on the decline. (Business age, March 2004: 42).

Nepal stock exchange's securities price (NEPSE index) during the monthly of June remained fluctuating. It remained bullish till June 10 reaching 216.75 and then it turned bearish continuously searching the level of 211.31 on June 15. The rise was started with the appointment of new government and the main leader was commercial Bank group market dominating sector in the exchange understandably enough, the increase in the price was fueled by the expectation for early end of conflict between government and political parties after the appointment of Deuba as a prime minister. But the publication of the third quarter financial result (where showed the operating profit increasing more than 50 percent over the competition amount the banks) was no way less important factor for such positive impact on commercial Bank sector as been in June 2004.

NEPSE index fell after reaching 216.75 on June 10 and plummeted to 211.31 over a short span of three days. This fall was however caused by noticed published by some companies inviting applications for their new issue (Paschimanchal Development Bank and Kist Merchant Banking and finance LTD both on June 10 call of NBL for application to purchase its holding on SCBNL, Issuance of right share by the NB Finance ltd.). As well as the possible strike of the NEPSE employees and wrangle among the political parties that delayed the formation of coalition of government.

Since June 16, the index turned bullish again till the end of the month. Despite the strike of employees of NEPSE, the market increased on June 16, one day before the strike and continued to increase, during and after the strike till the end of the month. There were no any major event to cause the price of share goes up. However, the expectation of fewer disturbances after the four parties suspended the outgoing demonstration and the Maoist student union called off the education strike, the country budget and positive development reported for the formation of coalition government etc. increased the expectation of investors. The NEPSE index since sensitive to political, economical and financial sectors development it has raised after

the discloser of financial situation by the companies and when there were positive sign of political stability and it decreased for some company's shares. It shows that the investors becoming aware about when to buy and sell the securities"(Business Age 2004 July: 53).

The NEPSE index rose to 492.46 on November 29th. Gaining 84.08 points within a month. It was only 408.38 at the end of October. A similar bullish trend was observed in the stock exchange after the reinstatement of the parliament on April 24th and the revision of monetary policy in July.

However, the latest bullish trend was not sustained for long. The market turned bearish from early December, losing over 15 points in few days. This is attributed to the news that the price actions on the market were not based on strong fundamentals.

The arrangement signed between the seven party alliance and Maoist on November 18th sent the NEPSE index jumping by over 11 points on the following day. A similar phenomenon was observed after the peace accord was signed on November 21, which caused the NEPSE index to increase, by 45.98 points within the following week.

This phenomenon is attributed to the new confidence of receive in better returns in the future from investments in the market. The regular market speculators were trying to cash in on the political agreement by spreading rumors of better economy in the future.

Similarly, speculators spread propaganda about NB Bank's future prospects after its management was taken over by Nepal Rastra Bank (NRB). NB Bank's share gained over Rs.100 reaching Rs.335 after NRB took over NBB's management. This was quite unjustified on the basis of bank's fundamentals. The book value of the Bank at the end of fiscal year 2004/05 was only Rs.65 P.S. Just before NRB's takeover; depositors had withdrawn over Rs.3.5 billion from the bank drastically reducing its business capacity (Business Age, December 2006:60).

A book about capital market by Dr. R.S. Mahat entitled "Capital market financial flow and industrial finance in Nepal" was written in early period of the development

of capital market and before the establishment of stock exchange. So, Dr. R.S. Mahat made the first priority to establish stock exchange for development of stock market. He also writes that Nepalese stock market is still in infancy stage and some drawbacks to the development of stock markets are strong historical and social reasons as well as mass poverty and illiteracy in Nepalese society. He further points out that some conscious and educated people of urban areas are also not investing in the industrial sector instead they are investing on the real estate especially building construction. Although the book is written in the early stage of the development of stock market, the limitations of Nepalese society regarding the investment in stock market is still reality of Nepalese capital market.

One should analyze and develop various alternatives to anticipate the best returns before making a decision. That however is not enough. Investors have to use their own common sense to make a right decision. Considering the risks, investors also need to be gutsy while investing in stock. Starting the journey somehow and learning the tricks alone the way. It is commonly known that profit and loss is part of the game. There may be some monetary loss in beginning, but investors should not worry as they learn lesson in this way, which can prove to be an asset in the long seem. Start by playing safe and along the journey, be patient and try to develop a proper understanding of market language, investor's psychology and market behavior (Business Age, February 2007; 32)

The NEPSE index was bullish this month experiencing a revival after an abysmal performance in the past months. The index ended up gaining a swashbuckling 62.66 points when compared to the last month's opening at 512.38 and closing 575.04. The Sensex though increased less proportionately by 17.4 points opening at 128.18 and closing at 145.58. Shares trading also increased in comparison to the previous month (The Boss, Jul-Aug, 2007).

Nepali shares closed at 813.77 points on the last day of the trading from the opening of 796.34 points on Sunday. On the first day of the trading, the sole secondary market index set a record by crossing 800 points mark for the first time in its 14 year long history and posted 811.98 points.

On the second day of the trading, NEPSE index registered 828.77 points and it witnessed an investment of 12.12 points on the third day as the index posted 833.56 points. However, the NEPSE index could not continue its growth throughout the week as it posted 821.44 points on the fourth day. Finally the NEPSE index closed only 1.79 points higher on the last day of the trading from Sunday's closing, as one of the current market driver hydropower group registered a loss of 43.62 points.

Buyers were continuous on the unnatural growth of share prices of the institutions that have negative net worth and PE ratio. Unnatural growth also forced NEPSE to issue precautionary notice to the investors (The Himalayan Times, 16 Sept, 2007).

After continued rises, the stock market fell by 12.13 points over the week, as investors were skeptical over the sustainability of overheated market. NEPSE opened at 718.09 points and closed at 705.96 points. The commercial banks group, which drives the market, saw a sharp fall. Its index fell to 782.55 points, down from 801.53 points. Market analysts termed the fall as the market correction. The shares prices were rising unjustifiably in the past, and they were bounded to retreat. They said that the market had rising significantly over the months and the market correction would simply return the price to the previous level (The Kathmandu Post, 19 August 2007).

India shares claimed Thursday tracking regional markets and helped by gains in banking and automobile shares. The Bombay Stock Exchange's 30-share sensex index moved up 170 points, or 1.1 percent to close at 15616 points on the broader National Stock Exchange, the 50-company S&P Nifty index moved up 42 points, or 1 percent, to end at 4518 points (The Kathmandu Post, 7 September 2007).

The trend that market analysts have termed as a "mad growth" continued as the share price kept soaring this week with the NEEPSE reporting a growth of 40.29 point over the week. The NEPSE opened at 756.05 points and closed at 796.34. Market analysts said investors are locking in money, envying profits made by others, instead of analyzing any fundamentals. There is no change in the corporate and economy scenario to push the price up like this, but the price are moving up. This trend shows that the market will see a downturn sooner or later, they added (The Kathmandu Post, 9 September 2007).

The overheated stock market showed signs of cooling down growing by just 1.79 point this week with the market secondary a steep fall towards the end of the week. The market had grown 40.29 points in the previous week.

Market analysis said as the market has raising too much, it was now starting to correct. The share prices had been raising even though there wasn't any favorable development. The commercial banks group, the leading sector, posted a rise of 3.82 points. In the previous week it had soared by 38.53 points. Its index finished off at 910.37 points this week, from 906.55 (The Kathmandu Post, 16 September 2007).

2.3 Review of unpublished Masters Degree Thesis

There are many masters degree thesis (Dissertation) prepared by various researcher related with stock price. Among them some dissertation are reviewed here for analysis of literatures. These are as follows.

Aryal (1995) has conducted a research on "The General Behavior of Stock Market Price". The prime objective of the study was to find the laws of price fluctuation in the stock market. However, the specific objectives of the study were as follows:

- ► To discuss theoretically the movements of stock market prices as predicted by the random walk model.
- ► To develop the empirical probability distribution of successive price changes of an individual common stock market as a whole.
- ► To examine whether the successive price change of stock market are independent to each other or not.

The Main Findings of the Study were:

The general behavior of twenty-one-security prices on Nepal stock exchange (NSC) is remarkably for to that, mainly the assumption of independence as predicted by random walk model of security (speculative) price behavior. Thus, the model of such kind has been refuted at least for Nepal loon context as a first approximation even on a rough way for early days of stock market operation. Here this rejection of hypothesis makes clear that this knowledge of past now becomes useful in predicting the future movements is stock market prices, than investors, on the floor of exchange

for securities can make higher expected profits in the future based solely on those historical prices series under certain systematic trading scheme (i.e. Market average return) of the general market for securities. Therefore, anomaly of weak from tests of efficient market hypothesis has an important implication bearing behavior of security price variations in the past and in performing future research in this field. If broadly speaking the implications with respect to conclusions derived by the study are of two natures: statistical and economic.

Statistically, the characteristic feature of stock market movement with respect to distribution of price change implies that the general shape is platykurtic character has been demonstrated previously, due to higher values of standard deviations for individual price changes. Higher standard deviations are result of frequent large price fluctuation. According to this device of measuring risk, individual stock and aggregate market can be interpreted as highly risk opportunity for investment. The economic reason for higher values of standard deviations implies that the inherent instability of market, change in economic environment.

Government actions, companies developments that causes abrupt price changes, ultimately the value of standard deviations for individual price changes has been higher consequently platykurtic character of distribution observed i.e. too few relative frequencies are contained near to mean of the price changes in the central bell and all the relative frequencies are concentrated within higher limits of standard deviations from the mean of, the price changes.

Finally, with respect to distribution of price changes, from the investor point of view, the sole interest is in the shape of distribution that is the only information needs to meaningful investment decision.

Timalsina (1997) has conducted a study on "Dividend and stock prices: An empirical study" used pooled data of the sample companies run the multivated and other regression models and revealed that there is positive relationship between dividend and stock prices. Dividends have a predominant influence on stock price. The study was carried out by the data for 16 enterprises from 1990 to 1994. The main objectives of the study were as follows:

- ► To test the difference between dividends per share and stock prices.
- ► To determine the impact of dividend policy on stock price.
- ► To identify whether it is possible to increase the market value of the stock changing dividend policy or payout ratio.

To explain the price behavior, the study used simultaneous equation model was developed by Friend and Pocket (1964).

The main findings of his study:
The difference between dividend per share and stock prices is positive in the sample companies. Dividend per share affects the share prices variedly indifferent sectors.

The difference between dividend per share and stock prices is positive in the sample companies. Dividend per share affects the share prices variedly indifferent sectors changing dividend policy or dividend per share might help to increase the market price per share. The difference between stock prices and retained earning per share is not prominent. The difference between stock price and lagged earnings ratio is negative. Though there were abovementioned studies in the contest of Nepal, it has overcome necessary to find out whether their findings also still valid.

Timalsina's study was based on 45 observations. The number of companies included in sample was only 16, which is quite low. Studies on dividends conducted in the contest of Nepal are based on secondary data only. No study has been conducted on dividends by using primary data as yet. There is a need to conduct a survey of financial executives in order to find out more qualitative facts on dividends, which can't be determined through the use of secondary data.

Bhatta (1997) has also conducted research on the topic " Dynamics of stock market in Nepal " the objectives of the research were as follows:

- ► To analyze the trend of Nepal stock market.
- ► To diagnose and compute sectorial financial status of the stocks in Nepalese stock market.
- ► To analyze the market share price of Nepalese stock market.

- ► To find out the impact of the secondary on primary market and vice versa.
- ► To recommend for the improvement of stock, market in Nepal.

He has concluded his research that:
The stock market and economic activities move in similar direction. They influence each other. The development of the former is reflected in the latter. The stock market sires and mobilizes the investment to finance the long-term large projects in the economy. The stock market therefore can be regarded as a heart of economy.

The investors are interested to invest their resources in the shares of corporate sector through the stock market in the Nepalese economy. It is necessary to develop the entrepreneurship and encourage the entrepreneurs to starts the productive venture as soon as possible. A management capability of entrepreneurs is a key for better performance of the firms. Government should launch programs to enhance management capabilities of entrepreneurs, which may contribute to raise the return from investment. Development of manufacturing sector is the backbone of an economy, which, in turn, assists to foster the banking, finance and insurance sectors.

Unfortunately, the manufacturing sector doesn't have a good performance in Nepalese economy. Almost all firms in this sector have a sustained loss. The secondary aspect of stock market is not also functioning well in Nepal. There is almost liquidity in the stock market for share except that of banking and some finance and insurance sectors.

Although it has become late to take steps to overcome such problems on Nepalese stock market in order to make it active and supportive, the stock market has good prospect for the resource mobilization to finance the productive enterprises in Nepalese economy. Shrestha (1999) has conducted research on "stock price behavior in Nepal"; this study aims to examine the efficiency of the stock market in Nepal. The objectives of the research were as follows:

- ► To examine the serial correlation of the successive daily price change of the individuals stocks.

- ► To determine whether the sequence of price changes is consistent with changes of the series of random numbers expected under the independent Bernoulli's process.
- ► To determine the efficiency of the stock market through the theoretical model of efficient market hypothesis in Nepalese stock market.
- ► To provide feedback policy input towards institutional development of efficient market.

The main findings of his research are as were:
The serial correlation coefficients of the daily price changes for 1 and 2 lag days, and runs of the series of daily price changes lead to conclude that the successive price changes are not independent random variables for the 30 sample stock listed in Nepal Stock Exchange Ltd. (NEPSE). Therefore, the random walk theory is not a suitable description for the stock market price behavior in Nepal.

The dependence in the price changes observed imply that the price changes in the future market will not be independent from the price changes of the previous days. It implies that the information of the past price changes is helpful in predicting future price changes in a way that the speculation through technical analysis can make higher expected profit than they would be under naïve buy-and-hold policy (i.e. average market return). Therefore, opportunities are available to sophisticated (both institutional and individual) investors to earn higher return in the market. The existence and participation of the sophisticated investors have not been realized from the findings of this study. It is realized that mostly the naïve investors have dominated in the market that can cause price to diverge significantly from intrinsic values because they very existences of the sophisticated traders cause to erase the opportunities of persistence in prices which establish independence of successive price change.

Adhikari (1999) has also conducted a research on "Corporate Practice in Nepal". The main objectives of the study were: -

- ► To explain whether companies paying larger dividends have a good financial position or not, whether the companies with higher payouts have an improved or not.

- Whether the companies with higher yield having an improved financial ratio or not.
- Whether the difference between dividends and stock price, dividend payout affect the share prices of finance and non-finance sectors differently or not.
- The motives of paying cash and stock dividends whether dividend is a residual decision or not.
- If there is any types of company's announcements of earning on market price of share.
- Whether legal restriction on share repurchases should continue to prevail of a share.
- The major factors affecting corporate dividend policy.
- Kind of dividend policy should be followed by Nepalese enterprises.

The major findings of the study were as follows:

Stocks with larger ratio of dividend per share to book value per share have higher liquidity. However, liquidity position of stocks paying higher dividends is also more variable as compared to stocks paying lower dividends. Stocks with larger ratio of dividend per share to book value per share have lower leverage ratios. It shows that companies paying higher dividends are reluctant to employ higher degree of leverage in their capital structure. Leverage ratios of stocks smaller dividends are also more variables as compared to stocks paying higher dividends.

When the difference between dividends and profitability is studied, it revealed that stocks with larger ration of dividend share to book value per share have higher profitability. However, these profitability ratios of stocks paying larger dividends are also more variable as compared to stocks paying smaller dividends. Positive difference is observed between the ratio of dividend per share to book value per share and turnover ratios. However, turnover ratios of stocks paying larger dividends are also more variable that of stocks paying dividends.

There is also a positive difference between the ratio of dividend per share to book value per share and interest coverage. Stocks with higher ratio of dividend per share to book value per share also have higher interest coverage. A positive difference is

found between dividend payouts and current ratio where as negative difference is found between dividends payouts and quick ratio. It may be due to more reduction of quick assets rather than current assets when more dividends are paid out. The position of quick ratio of stocks paying larger dividends whereas the position of quick ratio of stocks paying larger dividend is less variable as compared to stocks paying lower dividends. There is a negative difference observed between dividend payouts and earnings before tax to net worth. On other hand, there is a positive difference between dividend payouts and earnings before tax to total assets. However, the return on both of total assets and net worth is more variable for stock paying higher dividends.

The difference between dividends payouts and turnover ratios has been observed to be positive. Stocks with larger dividend payouts have higher turnover ratios. However, turnover ratios of stocks paying larger dividend are more variable. Positive difference is also observed between dividends payouts and interest coverage. Stocks with higher dividend payouts also have higher interest coverage. Interest coverage of stocks paying larger dividends are also has more variable.

When studied the difference between dividend per share to market price per share ratio and liquidity ratio, the study revealed that the stocks with larger ratio of dividend per share to market price per share have higher liquidity. Liquidity positions of stocks paying larger dividend are also more variable as compared to stocks paying lower dividends.

Ojha (2000) has conducted a research on "Financial Performances and Common Stock Pricing".
The main objectives of his research were:

- To study and examine the difference of financial performances and stock prices.
- To examine the relationship of dividends and stock price.
- To explore the signaling effects in on stock price.

The main findings of his study were:

- Nepalese stock market is in infancy stage. In general it is very new and just started to develop.

- Dominance of banking sector is prevalent in the market due to other industries including finance companies, insurance and manufacturing is not encouraging.
- Corporate firm with long history have a relatively stable profitability parameters that the firms established after the economic liberalization of 1990.
- Older firms have been issuing bonus shares more times than the new one.
- Dividend per share is relatively more stable than the dividend payout ratio. That's why payout ratio and dividend yields have been fluctuating.
- Due to lack of proper investment opportunity most of the investors have directed their saving towards the secondary stock market. This computed by such agency.
- People have a misconception that the issuance bonus shares and right shares, which actually decrease the net worth per share and resultantly ought to decrease the market price of stock also, do not decrease the price and this makes them invest even at a too high price with the expectation of getting the same to increase their overall wealth.
- There is significant positive correlation between the dividends paid and stocks prices of banking and manufacturing industries. All other industries have not a perfect correlation between the dividends paid and stock prices.
- There is positive correlation between the net worth per share and stock prices of banking, airline, and hotel industries, there is no perfect correlation between the net worth per share and common stock price.

Dahal (2001) conducted the research "Stock Market behavior of listed joint stock companies in Nepal." Main objectives of his research were as follows: -

- The main objective of his research was to study, examine and analyze the stock market behavior.
- To study and analyze the rate of listing of new companies and maintenance of listed companies in NEPSE.
- To study and examine the signaling factor on stock price with the help Nepal Stock Exchange index.

Major findings of this study were as follows:

The study concluded that signaling factor plays major role for fluctuating NEPSE index. The study was verified by taking major seven events; Royal Palace Massacre, cease fire, September 11 attack, State of emergency, Prime Minister's visit to U.S.A., parliament dissolve and King's visit to India.

Baral (2003) has conducted research on *"Stock Price Movement in Nepalese Securities Market"*, submitted to Shanker Dev Campus. The main objectives of his research are:

a. To study and analyze the stock price and volume.
b. To study and analyze the rate of newly listed companies and maintenance of already listed companies in NEPSE.
c. To study and analyze the investors views regarding the decision on stock investment.
d. To suggest the findings of the study to the interested parties related to stock investment.
e. To study & examine the signalling factors impact on stock price with the help of NEPSE index.

The major findings of Baral are as follows:

a. Studying the annual trend analysis of Nepalese stock price market, it was found that stock price trend is decreasing from many years as smoothly but from one year price of stock is decreasing as rapidly.
b. On analyzing the price trend of three years NEPSE index in different months (36 months) with the help of monthly trend showed that the price trend of different months of the year 2000 was in increasing trend 2001 in decreasing trend while that of 2002 was sometimes in increasing and sometimes in decreasing trend. So from this trend analysis we can say there is no relationship of price trend between three successive years.
c. Studying the sector wise monthly trend analysis for one year (Poush 2058 to Mangsir 2059), it was found that unsystematic activities of the Nepalese stock price market. No exports can certainly forecast about the stock price.
d. Volume of stock traded in stock exchange during the study period was found in increasing trend but in last year it was in decreasing trend.

Baral concluded that even though Nepalese stock market is in the growth stage; it has crossed the initial stage but not reached in the matured stage as defined stock price trend is running unsystematically. Majority of investors of Nepalese stock market price invests their money from the view point of income and investors process and its other factors like NEPSE index price trend and investments facilitators are not doing their work in systematic way.

Dhamala (2004) has conducted research on *"Determinants of Share Price in Nepalese Financial Market"*, submitted to Shanker Dev Campus. The main objectives of his studies are as follows:

a. To examine and evaluate the relationship of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.
b. To analyze the market trends of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.
c. To identify whether stocks of the sampled companies equilibrium priced or not.
d. To present some recommendations bases on the findings of the study.

The major findings of the research pointed out by Dhamala are as follows:

a. HBL's MPS is negatively correlated with major financial indicators. But it has positive relationship with DPS and DPR respectively.
b. NBL's MPS has positive relationship with EPS and ROE, whereas it has negative relation with other financial variables.
c. NABL's MPS is positively correlated with EPS, NWPS and DPS which are statistically significant at 1% and 5% levels of significance. Further, MPS is positively correlated with DPR and ROE.
d. NIBL's MPS is reversely correlated with major financial variables. However, MPS and DPS is statistically significant at 1% level of significance.
e. SCNBL's MPS is negatively correlated with major financial indicators. But it has higher positive relationship with ROE.
f. AFCL's MPS has positive correlation with main financial variables except ROE, with which it has negative relationship. But no such relationship is statistically significant.

g. KFL's MPS has positive relationship with major financial variables except DPR and ROE, with which it has opposite relationship. The relationship of MPS with EPS and NWPS is statistically significant at 5% level.
h. NHDL's MPS has positive relationship with main financial indicators, but such relationship is not statistically significant.

Dhamala concluded that there is not a single financial indicator that has dominant role to determine MPS. The same financial indicator that has significant role in the fixation of MPS for one company is not significant for another company. The degree of interrelationship of MPS with different financial indicators varies from one company to another. There is no uniformity in the relationship of MPS with various financial indicators of the sampled companies. If considered on the basis of the average data for the past five years, MPS of ten financial institutions has higher positive correlation with major financial indicators such as EPS, NWPS and DPS, and such relationship is significant.

Giri (2005) has made a research on *"A study on Share Price Behaviour of Listed Commercial Banks"*, submitted to Shanker Dev Campus. The main objectives of her research are:

a. To provide a glimpse of the present Nepalese stock market.
b. To analyze the share price behaviour of the commercial banks listed at Nepal Stock Exchange.
c. To examine the risk involved in the common stock investment of the sample commercial banks.
d. To suggest viable option on the basis of finding.

The major findings of Giri are as follows:

a. Large number of serial correlation of the daily log price changes of ten commercial banks' stocks for the sample period is significantly departed from zero. This depicts that past and present price changes can screen out some valuable information in forecasting future price changes. Thus there exists sufficient opportunity for the sophisticated investors.
b. Because of the persistence in the stock price movements, professional traders either individual or institutional can beat the market. Therefore to make more

profit, acute fundamental and other analyses are required which accurately predicts the appearance of the new information in the market, which has impact on the prices than the naïve buy and hold strategy.

c. Common stock of NBBL yields the highest realized rate of return of 76.06% whereas it is negative in case of NBL and NIC stocks. Regarding the total risk, NBBL is the riskiest among all stocks as it consists of highest 142% of the total risk, whereas NIC is recorded as least risky as it contains only 5.03% of the total risk. Similarly, the stocks of BOK and EBL fall into the second and third position in terms of standard deviation.
d. Through the coefficient of variation analysis, it is found that there is highest percent of per unit risk for the stocks of SBI. Due to negative realized returns, NIC and NBL have negative coefficient of variation. Stocks of NBBL are more aggressive to market changes as revealed by the highest beta coefficient of 3.93.

Giri concluded that the serial correlation coefficients of the daily price changes lead to weakly efficient market hypothesis does not offer a satisfactory explanation to these speculative price series. The independence in the series of the price changes observed implies that the price changes in the future market will not be independent from the price changes of the previous days. It brings about that the information of the past price changes is helping in predicting future price changes. In the mean while, the statistical analysis regarding the risk and return of the sampled stocks show that most of these stocks seem to be risky than the average stock.

Shrestha (2006) has conducted research on *"Share Price Behaviour of Commercial Banks listed in NEPSE",* submitted to Shanker Dev Campus. The main objectives of his research are as follows:

a. To analyze the stock price movement of the NEPSE market.
b. To test the random walk or weak efficient market hypothesis.
c. To test whether the successive price changes are independent or dependent with the price of historical change.

The major findings of Shrestha are as follows:

The total numbers of actual and expected runs are statistically significant for most of the equity shares, which implies that their price changes are significantly different

from random series. Result of run test also supports the result of autocorrelation. Therefore, today's price change is dependent on the information of yesterday's price.

a. The mean absolute values of the autocorrelation coefficients are lower when the lag days are increases. This means the information of past price changes have little role to predict the future price changes for longer days.
b. Half of the sample companies' share have greater than average value of K (18.87%) difference between actual and expected number of runs, which indicates significant difference between the actual and expected number of runs.
c. Because the persistence hypothesis has been supported by the result of autocorrelation and run test, professional investors either individual or institutional can beat the market. Therefore, to make greater profit than "naïve buy and hold strategy", acute fundamental or other analysis are required which accurately predict the appearance of the new information in the market that affects the price of shares.
d. There exists a low order serial dependence, which helps in certain extent to increase investor's expected profit.

After careful analysis of data, Shrestha concluded that the dependence in the series of price changes implies that the price changes in the future will be dependent with the historical price. Thus, the information of historical price is helpful to predict future prices of the shares. Another conclusion drawn from the opinion based survey with share brokers and individual investors is that the share price movements are caused by flow of several kinds of information in the market. The respondents of the survey slightly accepted the existence of weak form of efficient market hypothesis in Nepalese stock market.

Regmi (2006) submitted dissertation on *"Role of Financial Indicators in Determining Share Price in Nepalese Financial Market"* to Shanker Dev Campus. The main objectives of his research are:

To examine and evaluate the relationship of MPS with various financial indicators like NWPS, EPS, DPS, ROE, etc.

a. To analyze the market trends of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.

b. To find out whether stocks of the sampled companies are equilibrium priced of not.
c. To identify qualitative factors affecting the stock price.

The major findings of Regmi are as follows:

a. NABIL's MPS is positively correlated with all financial indicators but these values are not statistically significant at either 5% or 10% level of significance.
b. NABIL's MPS has negative correlation with all financial indicators.
c. For all other banks, the correlation coefficients of MPS with other financial indicators are both positive and negative. These values are statistically significant at either 5% or 10% level of significance.
d. Relationship with all financial indicators of MPS for NFCL is positively correlated and the relationship is statistically significant at 5% level of confidence with EPS and at 10% level of confidence with NWPS and DPS.
e. For other Finance Companies, the correlation coefficient of MPS with other financial indicators, are both positively and negatively correlated and the relationship is statistically significant for KFL and UFCML and for others it is insignificant.

Regmi concluded that MPS of NABIL, NFCL and ACE is positively correlated with all the financial indicators studies. Similarly, MPS of BOK, KFL, UFCML and HISEF is positively correlated with most of the financial indicators studied. For other company like NIBL, MPS is negatively correlated with all of the financial indicators studied, and for SBI, MPS is negatively correlated for most of the financial indicators. The relationship is statistically significant for some of the financial indicators for some of the companies. The market price of share in Nepal is not indicative of a Company's financial performance in the stock market. The share market is imperfect and is not efficient and is liable to manipulation.

Bhattarai (2006) submitted dissertation on *"Stock Price Behavior of Financial Institutions and Commercial Banks"* to Shanker Dev Campus. The main objectives of his research are:

a. To study the present position of the financial institution and joint venture banks.

b. To examine and evaluate the relationship of MPS with various financial indicators like EPS, NWPS, DPS and DPR.
c. To analyze the degree of risk involved in the common stocks investment of the sampled companies.
d. To identify whether stocks of the sampled companies equilibrium priced or not.
e. To analyze and have the comparative study about the performance of financial institution and commercial banks with regard to their profitability and liquidity position.
f. To present some recommendations based on the findings of the study.

The major findings of Bhattarai are as follows:

a. The DPS of SCBL has higher than NBL, NIBL and EBL. In finance companies, DPS of NFCL is higher than AFCL, NMBCL. It is seen that DPS of NFCL is in satisfactory level.
b. The MPS of SCBL is higher than NBL, NIBL and EBL. SCBL is the most appreciable bank among the selected ones. The risk of NBL is higher than SCBL, NIBL and EBL. It indicates that there is high risk in NBL. The CV of EBL is more fluctuating i.e. there is higher CV in EBL.
c. The correlation coefficient of EPS and DPS seems to be significant except the case of EBL and AFCL, i.e. correlation coefficient recorded as EBL & AFCL is in negative.
d. In case of NIBL & NFCL there exists negative correlation coefficient of EPS & NWPS which is insignificant which shows that there is higher degree of managerial problem in issuing and managing shares of NIBL & NFCL.
e. The coefficient of determination (r^2) of SCBL, NIBL, NFCL & NMBFCL are strong of 0.64, 0.254, 0.7174, 0.393 which indicates that 64%, 25.4%, 71.74% & 39.3% of the total variation in market price has been explained by the influence of EPS and remaining 36%, 74.6%, 28.26%, 60.7% is due to the effect of other factors.

Bhattarai concluded that there is not a single financial indicator that has dominated role to determine MPS, EPS. The same financial indicator that has significant role fixation MPS, EPS for one company is not significant for another company. The

degree of interrelationship of MPS, EPS with different financial indicator varies from one company to another. There is uniformity in the relationship between MPS and EPS of various financial indicators of the sampled companies. If considered on the basis of the average data for the past 5 years, EPS & MPS of 7 financial institutions and commercial banks have higher positive correlation with major financial indicators such as NWPS, DPS and DPR.

Paudel (2005) on "Stock price Behavior of Commercial Banks in NEPSE" examined onthly closing price of 6 listed commercial banks during the period of three consecutive years from 2002 to 2004 by means of Correlation Coefficient, Regression Analysis, Run Test and Autocorrelation. He found in his study that successive price changes were correlated with previous price series. He also found that most of the stocks did not follow random walk hypothesis. The present stock price was dependent to the historical prices.

The EPS was the most affecting factor for the price change of the stock. Most of the investors wanted to invest in the shares of commercial banks because the fluctuation in NEPSE index was due to the transaction of commercial bank's shares. There were serious limitations in the study. Data used in this study, monthly closing price of stocks not enough to predict the behavior of share prices.

Since the above-mentioned studies on share price behavior in Nepal offer limited findings. Therefore, more extensive testing measures, more close time period (in most of the study data taken as weekly or monthly basis which is not real representation of the market) and adjustment of necessary variables are needed in order to be more conclusive about the efficiency of Nepalese stock market. Arial's study has now become old since it was based on eight months of time period covering from starting day of the organized stock market. Moreover, the companied included in the sample were randomly selected and did not fulfill any criteria. Similarly, Shrestha's study was based on thirty randomly selected sample stocks. The study was confined to initial stage of the organized market without adjusting required variables.

Most of the studies on share price behavior conducted in the context of Nepal were based on secondary sources of information only. No study has been conducted on

price fluctuation of stock price by using share brokers and individual investors as primary sources of information. There was a need to conduct a survey with the share brokers and individual investors who are the major stakeholders of the stock market, in order to find out more subjective facts on share price behavior, which cannot be testes through the use of the primary source of information.

2.4 Research Gap

There have been several researches done before in the topic stock market and stock Prices. All of those researches have many useful findings as their own limitation. The above studies are performed by different researcher their weakness is also mentioned there. This will analyze the situation of stock price change in Nepalese stock market. Usually the price of common stock in primary market is par value but in secondary market it may be any price .The price of common stock are largely influenced by different market related factors. Therefore here the studies made upon the various related factors that are major are caused of changes of stock price in secondary market. After consulting the literature available in T.U library, Shaker Dev Campus library, what I found was there still many thing to be done in the field of investor's interest. I found some research work some close to the research what I have done, but the no. of sample size was very less , only five years data were taken, closely market related factors are only few, traditional tools of analysis are used, Because of that I thought of consulting research work on similar topic but with intensive coverage.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Methodology

Research methodology refers to the various sequential steps that are to be adopted by a researcher during the course of studying a problem with certain objectives. It tends to solve the search problem in a systematic way. Hence, the overall research method adopted by the researcher is mentioned. These study covers quantitative methodologies in a greater extend 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. The purpose, hypothesis or research question and format are covered in this research.

3.2 Research Design

Research design refers to the definite procedure and techniques which guides to study and provide ways for research viability. It is arrangements for collection and analysis of data.

A plan of study or blue print for study that presents a series of guide posts to enable the researcher to progress in the right direction in order to achieve the goal is called a research design or strategy *(Joshi; 2001: 12).*

The main objective of this study is to examine the interrelation of MPS with NWPS, EPS, DPS and other financial indicators. To achieve this objective, descriptive and exploratory research designs have been adopted. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been used to determine factors determining stock prices of commercial banks in the NEPSE.

3.3 Study Population

As per the data of 2012-08-07, there are 219 public companies that are listed with Nepal Stock Exchange Ltd. (NEPSE) consisting 72 from finance companies, 18 from

manufacturing, 26 from commercial banking sector, 21 from insurance company, 4 from trading, 68 from Development Banks, 4 from hotel, 4 from hydropower and 2 from other sectors.

Since the study concentrates only on the determinants of stock price of Commercial Banks of Nepal, Only Commercial Banks listed in NEPSE are taken for the study. Some of the Commercial Banks, here included in the study, are established within the period of study years; hence all the data are not available for analysis from 2005/06 to 2010/11 for these banks. For such only the available data are analyzed. This study covers these commercial banks:

Table No. 3.1

Name of Commercial Banks Listed in NEPSE

S.N.	**Name of the Commercial Banks**	**emarks**
1.	Nabil Bank Ltd.	
2.	Nepal Investment Bank Ltd.	
3.	Standard Chartered Bank Ltd.	
4.	Himalayan Bank Ltd.	
5.	Nepal SBI Bank Limited	
6.	Nepal Bangladesh Bank Ltd.	
7.	Everest Bank Ltd	
8.	Bank of Kathmandu	
9.	Nepal Industrial And Co.Bank	
10.	Machhachapuchhre Bank Ltd	
11.	Laxmi Bank Limited	
12.	Kumari Bank Ltd	
13.	Lumbini Bank Ltd.	
14.	Nepal Credit And Com. Bank	
15.	Siddhartha Bank Limited	
16.	NMB Bank Ltd.	
17.	Bank of Asia Nepal Limited	
18.	Citizens Bank International Limited	
19.	KIST Bank Limited	

20.	Grand Bank Nepal Ltd.	
21.	Sanima Bank Ltd.	
22.	Global Bank Limited	
23.	Prime Commercial Bank Limited	
24.	Sunrise Bank Limited	
25.	Agricultural Development Bank Ltd	
26.	Janata Bank Nepal Ltd.	

3.4 Sources of Data

For the effective and efficient findings, both Primary and Secondary data has been collected as source of data. For the purpose of Primary Data, a questionnaire was presented to the 50 respondents. The respondents were from the NEPSE courtyard who have either invested in Share or willing to invest in Share soon. The secondary data are collected from different sources of related companies and organizations as follows:

- ► The year-ended equity share data sheet showing MPS, NWPS, EPS, DPS, Balance Sheet, Profit and Loss a/c etc.
- ► Information relevant to the study available in various web-sites.
- ► Relevant books, journals, magazines, reports, bulletins etc.
- ► Previous thesis and studies.

3.5 Data Collection Techniques

A questionnaire was prepared and sample survey was made to identify the viability of question. Then the final questionnaire containing 12 sets of questions was prepared and primary data was collected by presenting the questionnaire to 50 respondents - all either professional investor or potential investor or market analyzer of the NEPSE floor. All the respondents thoroughly filled the questionnaire, which has been analyzed in the following chapters in qualitative and qualitative way.

For the collection of secondary data, the official website of Nepal Stock Exchange, www.nepalstock.com was visited from where the financial reports of the concerned companies and other relevant information were taken. Likewise, the website of Nepal Rastra Bank, www.nrb.org.np was visited and the required data were downloaded.

The financial statements of the concerned organisations are taken from the Library of Security Board of Nepal [SEBO/N], NEPSE and the Share Departments of respective Banks.

In the same way, frequent visits were made to Central Library, TU, Saraswoti Campus Library, Shanker Dev Campus Library and Peoples Campus Library to review different books and previous studies. Similarly, in order to collect relevant documents, frequent visits are made to NEPSE office, SEBO office, Nepal Rastra Bank and respective banks etc.

3.6 Data Processing

Data gathered in this way have been verified and simplified for the purpose of analysis first. Then it has been arranged and presented in a systematic way. Moreover, it has been checked, edited and tabulated in such ways that provide convenience for computation and interpretation.

The relevant data have been inserted in meaningful tables. Only the data that are relevant to the study have been presented in the tabular form in the understandable way and unnecessary data have been excluded. Wherever the data suits, different types of charts and diagrams have been made to clarify the tabulated data in systematic way. An attempt has been made to find out the conclusion from the available data, with the help of various financial as well as statistical tools.

3.7 Data Analysis Tools

Several tools and techniques and used to analyze the Primary and Secondary data collected from various sources for obtaining the logical conclusion. The following financial as well as statistical tools have been used to analyze the data:

3.7.1 Statistical Tools

Statistical tools measure the data and give the result in numeric form which helps to analyze the data in logical way. The following statistical tools have been used in this study.

3.7.1.1 Average/Mean

Average, in general, is calculated by adding all the numbers of all observations and dividing by the total number of observations. It is in fact, a value which is represented to stand for whole group of which it is a part, as typical of al the values in the group.

3.7.1.2 Standard Deviation

The standard deviation (σ) is the other measure of investment risk. It is absolute measures of dispersion. The smaller the standard deviation the lower will be the degree of risk of the stock. In other words, a small standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series and vice versa. The formula for calculating the standard deviation is:

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{1}{n}\sum(x - \bar{x})^2}$$

3.7.1.3 Coefficient of Variation

The coefficient variation (CV) is the other useful measure of risk. It is the standard deviation divided by the expected return, which measures risk per unit of return. It provides a more meaningful basis for comparison when the expected returns on two alternatives are not the same. If investors believe that the rate of return should increase as the risk increase, then the coefficient of variation provides a quick summary of the relative trade-off between expected return and risk. It is hence used to compare the variability between two or more series.

$$\text{Coefficient of Variation (CV)} = \frac{\sigma}{\bar{x}} \times 100$$

3.7.1.4 Karl Pearson's Coefficient of Correlation

“Karl Pearson's Coefficient of Correlation is a statistical tool for measuring the intensity or magnitude of linear relationship between the two variables series. Karl Pearson's measure, known as Personian Correlation Coefficient between two variables (Series) X and Y, usually denoted by 'r(X,Y)' or 'rxy' or simply 'r' can be obtained as;

$$r = \frac{n\sum XY - \sum X \sum Y}{\sqrt{\{n\sum X^2 - ((X^2)\} \times \{n\sum Y^2 - ((Y^2)\}}}$$

Where,

n : Number of observation in series X and Y

ΣX : Sum of observations in series X

ΣY : Sum of observations in series Y

ΣX^2 : Sum of squared observations in series X

ΣY^2 : Sum of squared observations in series Y

ΣXY : Sum of product of observations in series X and Y

The value of correlation coefficient 'r' lies between -1 to 1, i.e. $-1 \leq r \leq 1$. If r = 1, there is perfect positive relationship. If r = -1, there is perfect negative relationship. If r = 0, there is no correlation at all." *(Gupta; 1999: 519-521)*

"The closer the value of 'r' is 1 or -1 , the closer the relationship between the variables and the closer 'r' is to 0, the less close relationship" *(Shrestha and Manandhar; 1999:23*

3.7.1.5 Coefficient of Determination

"The coefficient of determination between the two variable series is a measure of linear relationship between them and indicates the amount of one variable which is associated with or accounted for another variable. It gives the percentage variation in the dependent variable that is accounted for by the independent variable. Moreover, it gives the ratio of the explained variance to the total variance and it is given by square of the correlation coefficient, i.e.'r2'." *(Gupta; 1999: 585)*

Thus,

$$r^2 = \frac{\text{Explained veriance}}{\text{Total Variencce}}$$

3.7.1.6 T- Test

T-test, commonly known as Student's T-Distribution, is used when sample size is equal to or less than 30, the parent population from which the sample is drawn is normal, the population standard deviation is unknown. In order to test the significance of an observed sample correlation coefficient, the following procedure has been applied:

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

$$t = \frac{r}{\sqrt{1 - r^2}} \times \sqrt{(n - 2)}$$

Where, r = simple correlation coefficient

N = number of observation

S. N. Methods of Data Presentation

The collected data are presented in simple and clear way summarizing in table, charts and diagrams wherever applicable. Then, it has been analyzed in a systematic way using various statistical, mathematical and financial tools and techniques.

CHAPTER IV
DATA PRESENTATION AND ANALYSIS

4.1 Commercial Banks of Nepal

Commercial Banks refers to the bank which accepts deposits of the publics and organizations, grants loan to them against securities, providing financial agency services to the clients/customers as requested. Nepal Bank Ltd. Was established as the first Commercial Bank in Nepal in 1994 B.S. The Rastriya Banijya Bank was established in 2022 under Rastriya Banjya Bank Act, 2021. After the restoration of democracy in the country, the government adopted liberal economic policy and as a result, many commercial banks came into existence. The list of Commercial Banks of Nepal is presented in ANNEX V .

4.1.1 Listing of Commercial Banks in NEPSE

Among the 32 Commercial Banks of Nepal 26 Commercial Banks are listed in NEPSE for share transaction under Group 'A'. This classification is made as per the provision of 'Securities Listing By-Laws, 1996' and listing is done according to their profit track record for the last three years, book value and paid up value ratio, financial strength are the basis of their classification. The criteria for the classification of the listed companies in Group 'A' as per Listing By-Laws 1996 are given below:

1. The paid-up capital of the company must be at least Rs. 20.00 million
2. The number of equity shareholder must be at least 1000
3. The company must have made the public floatation as per bye-laws 9(ka) sub byelaws (4).
4. The company must be in profit since last three years.
5. The book value of the share should not be less than its paid up value.
6. Submission of the financial statement within six months from the closure of the F/Y is required.

The company failed to meet above criteria are subjected to either de-listed from the list of NEPSE or degrade it into the Group 'B'.

4.2 Relationship between EPS, DPS and BPS to MPS

The relationship of EPS, DPS and BPS with MPS is determined separately to each of the sampled listed companies in this section. For their analytical purpose, the Market Price of Share (MPS) is assumed to be influenced with the fluctuation occurred in EPS, DPS and BPS. Hence, MPS is taken as dependent variable whereas EPS, DPS and BPS are taken as independent variable. The correlation analysis is performed to determine the relationship of EPS, DPS and BPS with MPS. To determine the effect of DPS, EPS, and BPS on MPS, simple correlation as well as their coefficient of determination are calculated. Calculated t-value is compared with the tabulated t-value at 95% level of significance. To determine the magnitude of the effects of the independent variables to the dependant variable. In addition to that, multiple correlation coefficient, multiple coefficient of determination, are analyzed during the correlation and regression analysis.

4.3 Analysis of Financial Indicators

4.3.1 Bank of Kathmandu

The table given below Table No. 4.2 shows the financial summary of Bank of Kathmandu over the last five years and the relationship of EPS, DPS and BPS to MPS along with the significance of such relationship.

Table 4.1

Summary of the Financial Performance of BOK

Year	MPS	DPS	BPS	EPS
2006/2007	1375	20	164.68	43.50
2007/2008	2350	42.11	222.51	59.94
2008/2009	1825	47.37	206.25	54.68
2009/2010	840	30	175.40	43.08
2010/2011	570	34	179.13	44.51
Mean	1392	34.69	189.59	49.14
SD	647.57	9.52	21.41	6.93
CV	46.49	27.43	11.29	14.10

(Source : Annual Reports of Bank of Kathmandu)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

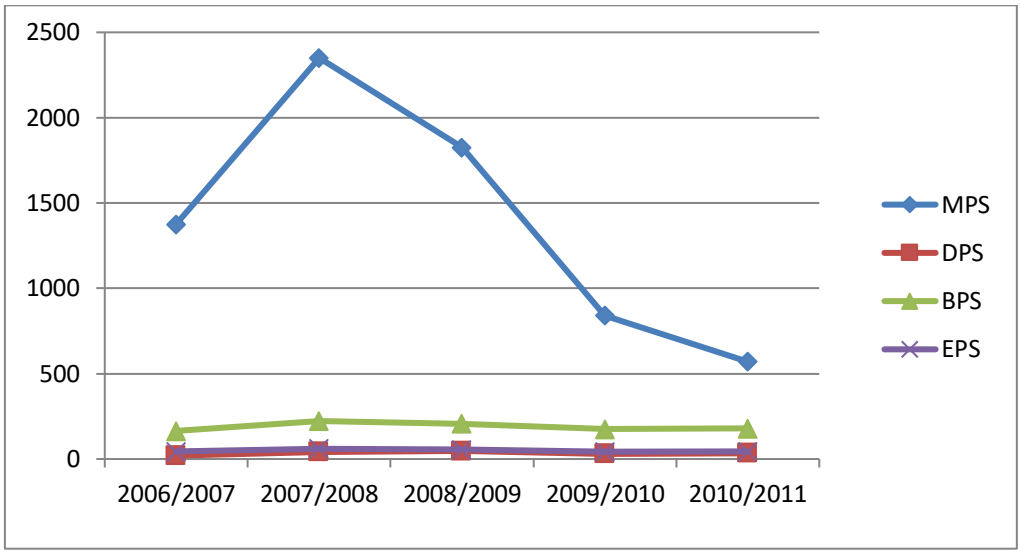
The table (Table No. 4.1) presents the detail financial summary of Bank of Kathmandu throughout the last Five years. As table shows, the bank distributed its profit to the shareholders as dividend for every year over the study period. It distributed Rs. 20 per share on 2006/007 as dividend , 42.11per share on 2007/2008 and 47.37,30,34 respectively. Since the company distributed less dividends in the later year, it shows that the company is in worse financial strength in the later years. So It can be seen in table that the Market Price per Share of the company first increases and decreases gradually thereafter.

The Market price per share seems to be much volatile for the company with the coefficient of variation 46.49 % whereas the Book value per share seems to be less volatile with the coefficient of variation 11.29%. The distribution of dividend per Share and Earning per share are moderately volatile with the coefficient of variation 27.43% and 14.10% respectively. It tends to describe that MPS is comparatively more fluctuated than others.

The industry average of CV of MPS, BPS, DPS and EPS equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that MPS, and DPS of this bank have higher degree of CV than that of industry. It means they are more volatile in than average banks. But BPS and EPS of this bank seems to be less volatile than that of industry average. The following line chart (Figure No.4.1) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Relationship of MPS, DPS, EPS and EPS

Figure No. 4.1: Relationship between MPS, DPS, BPS and EPS of BOK



The relation of MPS with BPS, DPS and EPS has been presented in the following table (Table No. 4.3):

Table 4.2

Relationship of BPS, EPS and DPS with MPS of BOK

Variables	**r**	**r^2**	**t-cal**	**t-table**	**Remarks**
MPS vs. DPS	0.52	0.27	1.05	2.571	significant
MPS vs. BPS	0.80	0.64	2.30	2.571	significant
MPS vs. EPS	0.89	0.80	3.44	2.571	significant

Where,

r : Coefficient of Correlation

r_2 : Coefficient of Determination

t-cal : Student's t-value

t-table: Tabulated value of Student's t-distribution (at 95% level of significance, n-2 i.e. 5-2=4 Degree of Freedom ? about standard error)

Table No. 4.2 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is positively correlated with DPS, BPS and EPS. It means rise in these indicators (DPS, BPS and EPS) results the rise in MPS. Among these three indicators, Earning

per Share seems to be more positively correlated with the Market Price per share. Likewise, Book Value per Share is positively correlated second to EPS. DPS is less correlated with MPS in comparison with others. Hence, a little rise in Earning per Share causes bigger increase in MPS. Though in smaller amount, the increase in BPS and DPS also increases MPS. Despite this, it can be observed from t-calculation that none of these correlations is significant at 95% level of confidence

4.3.2 Everest Bank Ltd.

The financial performance of Everest Bank Ltd. for the past five years has been summarized in the following table. It tends to show the relationship of EPS, DPS and BPS to MPS along with their significance.

Table No. 4.3

Summary of the Financial Performance of EBL

Year	MPS	DPS	BPS	EPS
2006/2007	2430	10	106.15	78.42
2007/2008	3132	20	158.12	91.82
2008/2009	2455	30	220.54	99.99
2009/2010	1630	30	275.71	100.16
2010/2011	1094	50	36772	83.18
Mean	2148.2	26	225.64	90.71
SD	710.1	8	203.85	19.6
CV	33.05	30.76	90.33	21.60

(Source: Annual Reports of EBL)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

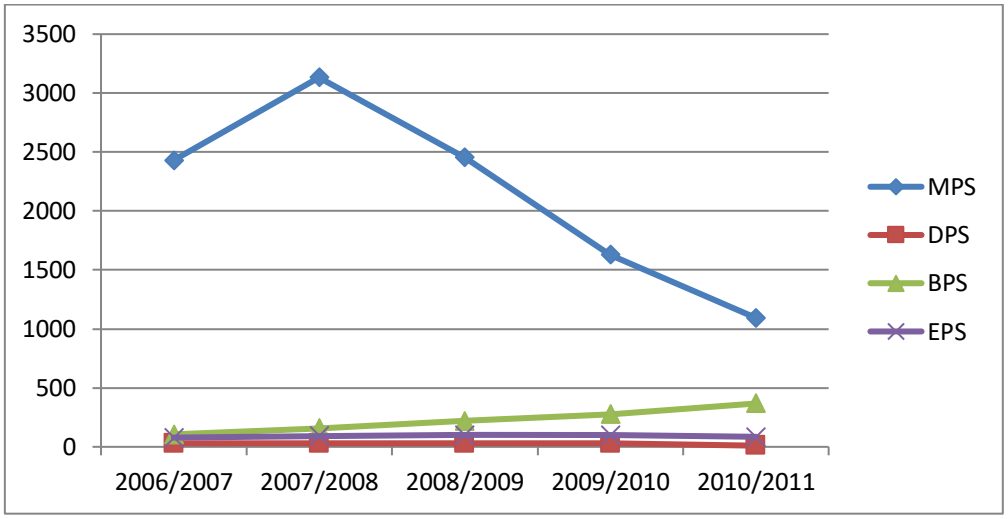
The above table (Table No. 4.3) presents the summary of financial performance of Everest Bank Limited for the last five years. From the table, it can be revealed that the bank has not consistent figure over the period. The MPS has been first increased and then decreased. The MPS as well as EPS seems to be in increasing order in the later

years. The bank has distributed Dividend every year in this period at the different rate Rs. 10 per share on 2006/07, Rs. 20 per share on 2007/08 and 30,30,50 respectively . Moderate coefficient of variation (30.76%) of DPS clears that the DPS distribution is Moderate volatile and consistent. In comparison with DPS, MPS, BPS and EPS possess low degree of Coefficient of Variation.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that MPS, DPS and EPS of this bank have higher degree of CV than that of industry. It means they are more volatile in than average banks. But BPS of this bank seems to be less volatile than that of industry average.

The following line chart (Figure No.4.2) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure No. 4.2: Relationship between MPS, DPS, BPS and EPS of EBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table (Table No. 4.6):

Table 4.4

Relationship of BPS, EPS and DPS with MPS of EBL

Variables	r	r^2	t-cal	t-table	Remarks
MPS vs. DPS	0.742	0.55	1.90	2.571	Significant
MPS vs. BPS	-1.278	1.63	-2.79	2.571	Insignificant
MPS vs. EPS	0.158	0.024	0.277	2.571	Significant

Table No. 4.4 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is positively correlated (0.742) with DPS whereas negatively correlated with BPS (-1.278) and EPS (0.155). It means that if the DPS paid Rs. 100, MPS increase by Rs. to rs. 74.2 . Similarly, Rs. 100 change in BPS and EPS will fluctuate MPS in the different direction by Rs. -127.80 and Rs. 15.80. In this way, EPS is less correlated with MPS than others. But it can be observed from t-calculation that both the correlation of MPS with DPS and BPS are insignificant but the correlation with EPS is significant at 95% level of confidence. The coefficient of determination shows that 55% of changes in MPS is explained by DPS whereas 163% and 24% is explained by BPS and EPS respectively.

4.3.3 Himalayan Bank Limited

The following table outlines the major financial performance of Himalayan Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table No. 4.5

Summary of the Financial Performance of HBL

Year	MPS	DPS	BPS	EPS
2006/2007	1740	15.00	264.74	60.66
2007/2008	1980	25	247.95	62.74
2008/2009	1760	12	256.52	61.90
2009/2010	816	11.84	226.79	31.80
2010/2011	575	16.84	199.77	44.66
Mean	1374.2	40.44	239.15	52.35
SD	565.67	3.36	44.78	12.1
CV	41.16	8.30	18.72	23.11

(Source : Annual Report of HBL)

Where,

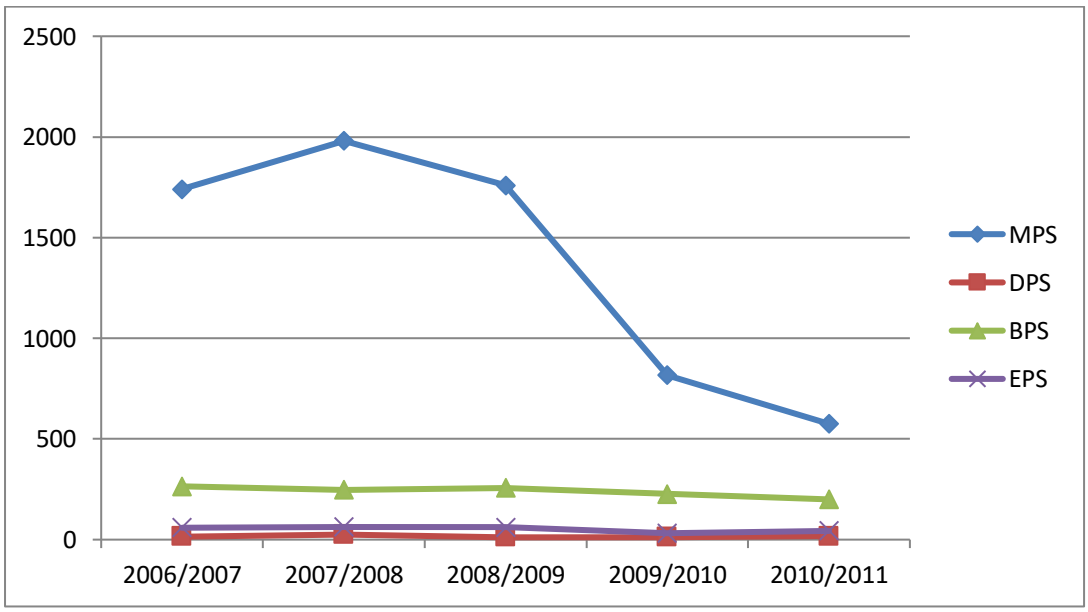
SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.5) presents the summary of financial performance of Himalayan Bank Limited for the last five years. From the table, it can be revealed that the performance of the bank was decreasing trend at the study period. It means the data shows decreasing financial performance in 2nd year increase and then it was declined. The DPS seems to be in decreasing order in the later years. Among these four indicators, MPS has more Coefficient of Variation whereas DPS has the lowest one. Here, the low degree of Coefficient of Variation of these indicators explains the more consistency of the banking performance in comparison with other banks.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that this bank has less volatile MPS, BPS, DPS and EPS in comparison with whole industry. Less volatility in these indicators of this bank implies more consistency in the financial performance. The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS (Figure No.4.3).

Figure No. 4.3: Relationship between MPS, DPS, BPS and EPS of HBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table (Table No. 4.7):

Table No. 4.6

Relationship of BPS, EPS and DPS with MPS of HBL

Variables	R	r^2	t-cal	t-table	Remarks
MPS vs. DPS	0.91	0.83	3.82	2.571	Significant
MPS vs. BPS	0.90	0.81	3.60	2.571	Significant
MPS vs. EPS	0.88	0.78	3.24	2.571	Significant

The relation of MPS with DPS, BPS and EPS is shown in Table No. 4.7. It shows that MPS of Himalayan Bank is positively correlated with DPS, EPS BPS. Both the correlation with DPS, BPS and EPS are significant. It indicates that drop in DPS and EPS results the drop in MPS and vice versa. If DPS decrease by Rs. 100, the MPS will be decreased by Rs. 91 . In the same way, Rs. 100 decrease in EPS results the decrease of Rs. 88 in MPS. Since BPS is positively correlated with MPS, it fluctuates in the positive way to that of DPS and EPS. If BPS decreases by Rs 100, then the MPS will be decrease by Rs. 90.

4.3.4 Kumari Bank Limited

The summarized form of financial performance of Kumari Bank Ltd. for the last five years has been presented in the following table (Table No. 4.7).

Table No. 4.7

Summary of the Financial Performance of KBL

Year	MPS	DPS	BPS	EPS
2006/2007	830	21.5	137	22.7
2007/2008	1005	10.53	128	16.35
2008/2009	700	10.58	137	22.04
2009/2010	468	12	137	24.24
2010/2011	266	8.44	138	15.67
Mean	653.8	12.61	135.4	20.2
SD	261.31	4.58	3.72	3.50
CV	39.96	36.32	2.74	17.32

(Source : Annual Report of Kumari Bank Limited)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.7) presents the summary of financial performance of Kumari Bank Limited for the last five years. From the table, it can be revealed that the performance of the bank was increasing and decreasing trend at the study period. It means the data shows decreasing financial performance in 2nd year and then it was increasing and decreasing. The DPS seems to be in decreasing order in the later years. Among these four indicators, MPS has more Coefficient of Variation whereas BPS has the lowest one. Here, the low degree of Coefficient of Variation of these indicators explains the more consistency of the banking performance in comparison with other banks.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that this bank has less volatile MPS, BPS, DPS and EPS in comparison with whole industry. Less volatility in these indicators of this bank implies more consistency in the financial performance. The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS (Figure No.4.4).

Figure No. 4.4: Relationship between MPS, DPS, BPS and EPS of KBL

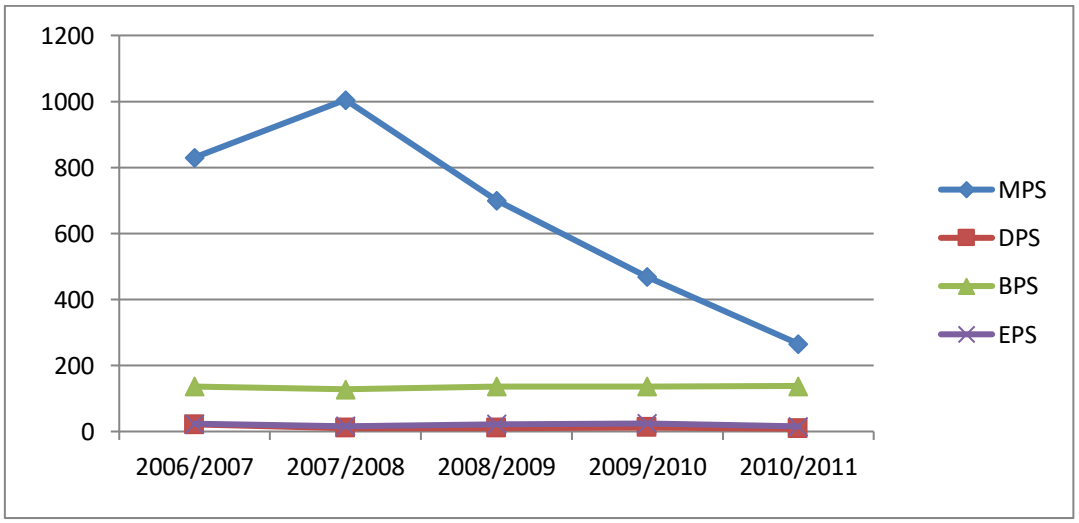


Table No. 4.8

Relationship of BPS, EPS and DPS with MPS of KBL

Variables	r	r^2	t-cal	t-table	Remarks
MPS vs. DPS	0.41	0.17	0.77	2.571	Significant
MPS vs. BPS	-0.73	0.53	-1.06	2.571	Significant
MPS vs. EPS	0.03	0.001	0.05	2.571	Significant

Table No. 4.8 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is positively correlated with DPS, BPS and EPS. It means rise in these indicators (DPS, BPS and EPS) results the rise in MPS. Decrease in these indicators (DPS, BPS and EPS) results the decrease in MPS. Among these three indicators, DPS seems to be more positively correlated with the Market Price per share. Likewise, Book Value per Share is positively correlated second to BPS. EPS is less correlated with MPS in comparison with others. Hence, a little decrese in Earning per Share causes little decrease in MPS. Though in smaller amount, the increase in BPS and DPS also decreases MPS. Despite this, it can be observed from t-calculation that none of these correlations is significant at 95% level of confidence

4.3.5 Laxmi Bank Limited

The financial performance of Laxmi Bank Ltd. for the past three years has been summarized in the following table. It tends to show the relationship of EPS, DPS and BPS to MPS along with their significance.

Table No. 4.9

Summary of the Financial Performance of LBL

Year	MPS	DPS	BPS	EPS
2006/2007	690.00	0	115.65	10.75
2007/2008	1,113.00	21.05	125.44	16.45
2008/2009	1,062.00	5.26	122.23	20.70
2009/2010	570.00	13.00	118.51	24.12
2010/2011	340.00	15.79	130.97	23.25
Mean	755	13.77	122.56	19.05
SD	294.3	5.1	5.35	4.93
CV	38.98	37.02	4.36	25.87

(Source : Annual Report of LBL)

Where,

SD : Standard Deviation

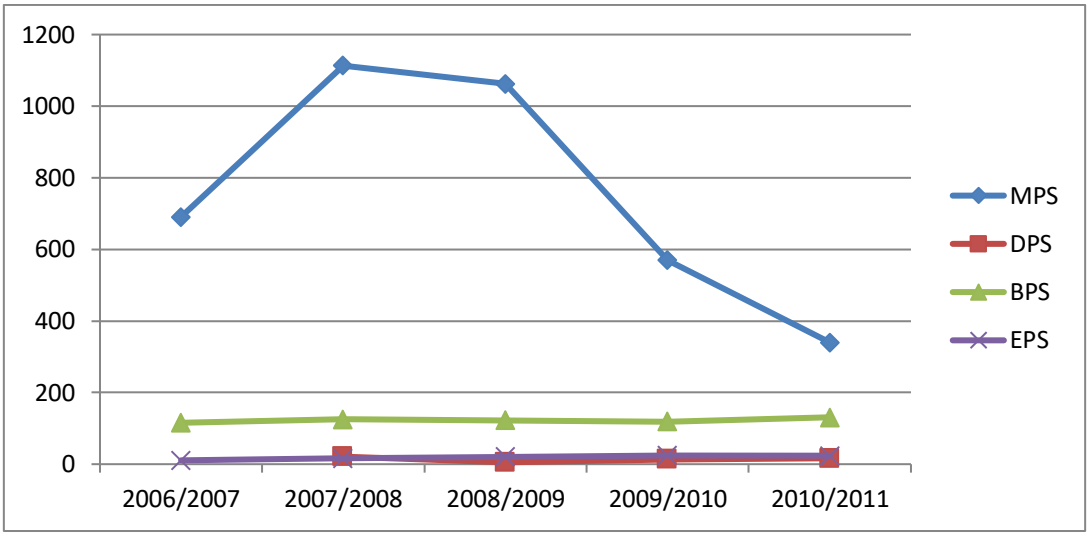
CV : Coefficient of Variation

The above table (Table No. 4.9) reveals the summary of financial performance of Laxmi Bank Limited for the last five years. From the table, it can be revealed that the performance of the bank was increasing and decreasing trend at the study period. It means the data shows decreasing financial performance in 2nd year and then it was increasing and decreasing. The DPS seems to be in decreasing order in the later years. Among these four indicators, MPS has more Coefficient of Variation whereas BPS has the lowest one. Here, the low degree of Coefficient of Variation of these indicators explains the more consistency of the banking performance in comparison with other banks.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that EPS of this bank have higher degree of CV than that of industry. It means they are more volatile in than average banks. But MPS and BPS of this bank seems to be less volatile than that of industry average.

The following line chart (Figure No. 4.5) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure No. 4.5: Relationship between MPS, DPS, BPS and EPS of LBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table (Table No. 4.11):

Table 4.10

Relationship of BPS, EPS and DPS with MPS of LBL

Variables	**R**	**r^2**	**t-cal**	**t-table**	**Remarks**
MPS vs. DPS	-0.016	0.0002	-0.016	2.571	Insignificant
MPS vs. BPS	-0.172	0.029	-0.302	2.571	Insignificant
MPS vs. EPS	-0.142	0.020	-0.248	2.571	Insignificant

Table No. 4.10 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is negatively correlated with DPS, BPS and EPS. It means increase in these indicators (DPS, BPS and EPS) results the decrease in MPS. Decrease in these indicators (DPS, BPS and EPS) results the increase in MPS. Among these three indicators, DPS seems to be less negatively correlated with the Market Price per share. Likewise, Book Value per Share is negatively correlated second to BPS. BPS

is less correlated with MPS in comparison with others. Hence, a little decrease in Earning per Share causes little increase in MPS. Though in smaller amount, the increase in BPS and DPS also decreases MPS. Despite this, it can be observed from t-calculation that none of these correlations is significant at 95% level of confidence

4.3.6 Global Bank Limited

The table given below Table No. 4.12 shows the financial summary of Global Bank Limited over the last five years (after the company started share operation) and the relationship of EPS, DPS and BPS to MPS along with the significance of such relationship.

Table 4.11

Summary of the Financial Performance of GBBL

Year	MPS	DPS	BPS	EPS
2006/2007	-	-	92.05	-7.49
2007/2008	-	-	103.4	8.91
2008/2009	570	-	104.9	2.63
2009/2010	260	-	103.2	4.95
2010/2011	209	6.67	113.9	14.06
Mean	207.8	6.67	103.48	4.61
SD	163.65	0	6.93	7.18
CV	78.75	0	6.69	155.68

(Source : Annual Reports of Global Bank Limited)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

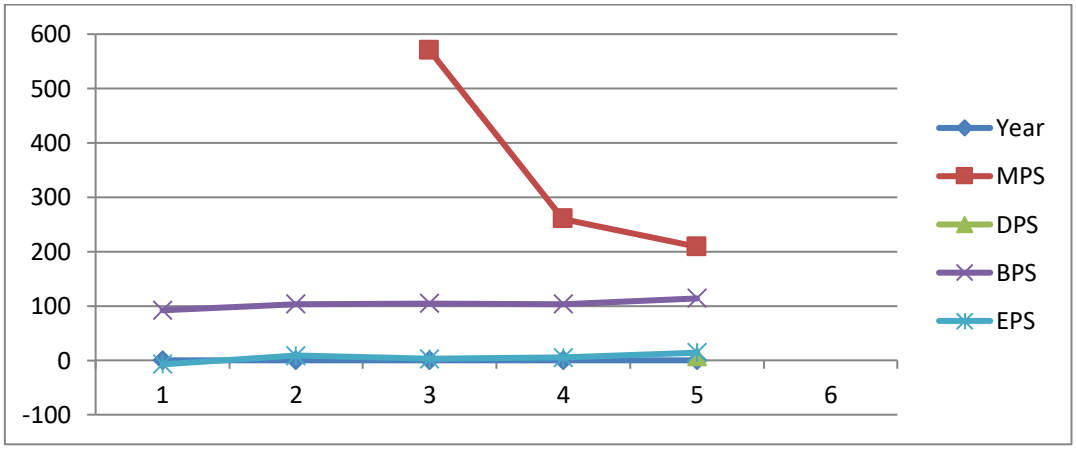
Table No. 4.11 presents the detail financial summary of Global Bank Limited (GBBL) for the past five years. As table shows, the bank has distributed its profit to the shareholders Rs. 6.67 per share on 2010/011 only. MPS, BPS and EPS of the company are increased each year showing the better financial strength in later years.

The highest Coefficient of Variation (155.68%) is the variation of EPS. This indicates that EPS is most volatile than others. The second is MPS and is equal to 78.75%. The Coefficient of Variations of MPS and BPS are 78.75% and 6069% respectively. Standard Deviation of MPS seems to be highest (163.65%) among these indicators. But the Standard deviation of EPS seems to be the least one (6.93%).

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that MPS and EPS of this bank have higher degree of CV than that of industry. It means they are more volatile in than average banks. But BPS of this bank seems to be less volatile than that of industry average.

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure No. 4.6: Relationship between MPS, DPS, BPS and EPS of GBBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table:

Table 4.12

Relationship of BPS, EPS and DPS with MPS of GBBL

Variables	r	r2	t-cal	t-table	Remarks
MPS vs. DPS	0	0	0	2.571	Insignificant
MPS vs. BPS	-0.020	0	0	2.571	Insignificant
MPS vs. EPS	-0.233	0.05	-0.41	2.571	Insignificant

The relation of MPS with DPS, BPS and EPS is shown in Table No. 4.12. It illustrates that MPS is Negative correlated with BPS and EPS. It means rise in these indicators (BPS and EPS) results the decrease in MPS. Among these two indicators, Book Value per Share seems to be more negative correlated with the Market Price per share. Likewise, Earning per Share is negative correlated next to BPS. Hence any rise in Book value i.e. Market Capitalization or Earning per Share or Dividend per Share causes bigger decrease in MPS. T-calculation for the correlation of these indicators shows that the T-value for BPS and EPS are significant whereas DPS is insignificant at 95% level of confidence.

4.3.7 NABIL Bank Limited

The following table outlines the major financial performance of NABIL Bank Limited over the past five years from 2006/07 to 2010/11. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table No. 4.13

Summary of the Financial Performance of NABIL

Year	MPS	DPS	BPS	EPS
2006/2007	5,050	100	418	137.08
2007/2008	5,275	60	354	115.86
2008/2009	4,899	35	324	113.44
2009/2010	2,384	30	265	83.81
2010/2011	1,252	30	225	70.67
Mean	3772	85	317.2	104.17
SD	1639.47	36.5	67.5	23.84
CV	43.46	42.94	21.27	22.88

(Source : Annual Reports of NABL)

Where,

SD : Standard Deviation

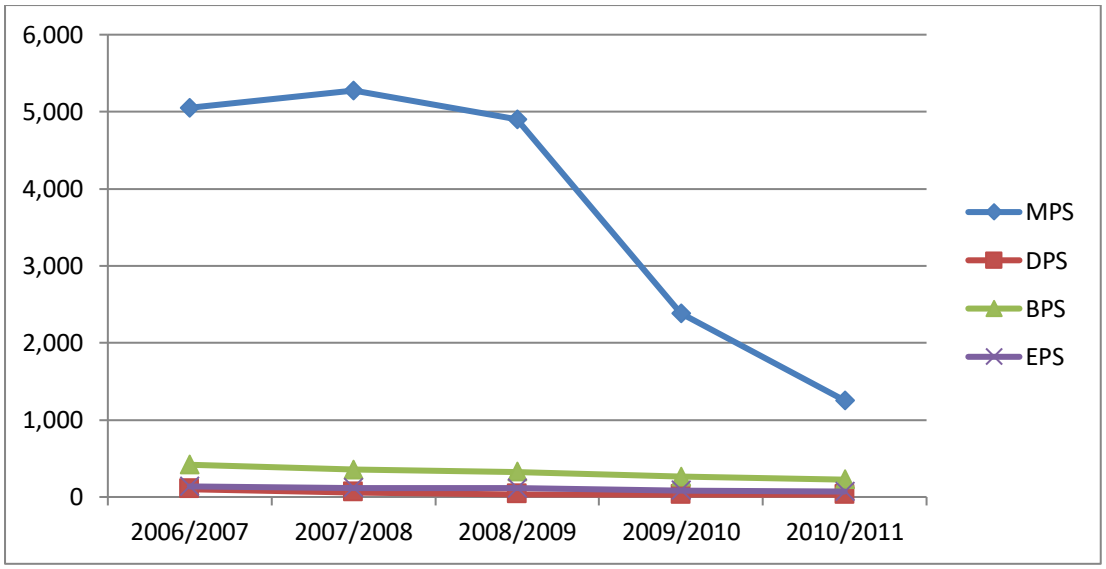
CV : Coefficient of Variation

The above table presents the summary of financial performance of NABIL Bank Limited for the last five years. From the table, it can be revealed that Market Price per Share was higher to 5275 on 2007/08 from 5050 on 2010/11. But after this it has been continuously decreasing each year till 2010/11. The organization is distributing its DPS each year in decreasing trend. Likewise, the BPS and EPS are also is decreasing trend. It shows that poorer in its performance each year. Standard Deviation of MPS, DPS, BPS and EPS are 163.94%, 36.50%, 67.53% and 23.84% respectively. In the same way, Coefficient of Variation of MPS, DPS, BPS and EPS are 43.46, 42.94, 21.27 and 22.88 respectively. It indicates that BPS is less volatile among these indicators whereas MPS is most volatile.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that DPS and EPS of this bank have higher degree of CV than that of industry. It means they are more volatile in than average banks. But MPS and EPS of this bank seems to be less volatile than that of industry average.

The following line chart (Figure No. 4.7) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure No. 4.7: Relationship between MPS, DPS, BPS and EPS of NABIL



The relation of MPS with BPS, DPS and EPS has been presented in the following table:

Table 4.14

Relationship of BPS, EPS and DPS with MPS of NABIL

Variables	r	r^2	t-cal	t-table	Remarks
MPS vs. DPS	-0.053	0.002	-0.053	2.571	Insignificant
MPS vs. BPS	0.680	0.463	1.60	2.571	Significant
MPS vs. EPS	0.404	0.163	0.765	2.571	Significant

The table given above (Table No. 4.14) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NABIL Bank is positively correlated with BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are -0.053, 0.68 and 0.404. It means if DPS rise by Rs. 100, the MPS will be decrease by Rs. 0.2. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 46.30 and Rs. 16.30 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

4.3.8 Nepal Industrial and Commercial Bank Ltd.

The following table shows the major financial performance of Nepal Industrial and Commercial Bank Limited over the past six years from 2006/07 to 2010/11. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table No. 4.15

Summary of the Financial Performance of NICBL

Year	MPS	DPS	BPS	EPS
2006/2007	950	21.05	139	24.01
2007/2008	1284	21.05	138	25.75
2008/2009	1126	15.79	146	27.83
2010/2010	626	26.32	135	34.30
2010/2011	520	20.00	152	37.80
Mean	901.2	20.84	142	29.93
SD	290	3.35	6.16	5.25
CV	32.17	16.07	4.33	17.53

(Source: Annual Reports of NICBL)

Where,

SD : Standard Deviation

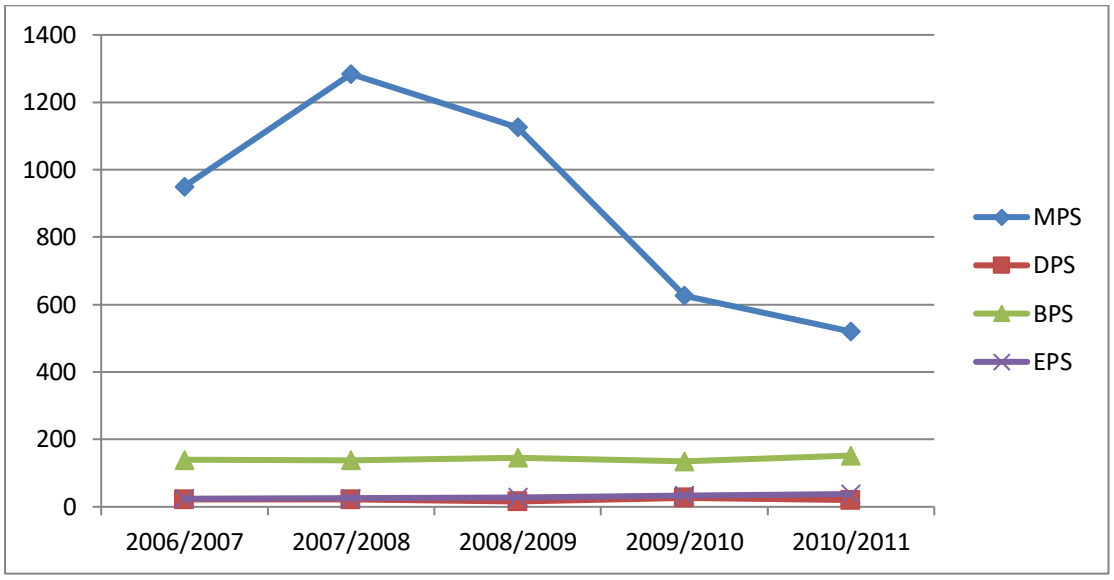
CV : Coefficient of Variation

The above table presents the summary of financial performance of Nepal Industrial and Commercial Bank Limited for the last five years. From the table, it can be revealed that the Market Price per Share was in increasing order on 2006/07 but decreasing from 2007/08. Then in the following years, it has been decreased to some extent. The company distributed the dividend of Rs. 21.05 per share on 20006/07 and then distributed to 2010/11 at the rate of Rs. 21.05, Rs.15.79, Rs.26.32 and Rs. 20.00 respectively. The trend of BPS seems to be decrease and increasing for the last year i.e. 2010/11. The table shows that the Coefficient of Variation of MPS, DPS, BPS and EPS are 32.19%, 16.07%, 4.33% and 17.53% respectively. This indicates that the BPS has low degree of volatility (4.33%) among these four indicators. In contrast, MPS has highest Coefficient of Variation (32.17%) followed by EPS (17.53%) and DPS (16.07%).

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that MPS and DPS of this bank have lower degree of CV than that of industry. It means they are less volatile in than average banks.

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure No. 4.8: Relationship between MPS, DPS, BPS and EPS of NICBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table:

Table No. 4.16

Relationship of BPS, EPS and DPS with MPS of NICBL

Variables	r	r^2	t-cal	t-table	Remarks
MPS vs. DPS	-0.45	0.21	-0.87	2.571	Insignificant
MPS vs. BPS	-0.298	0.088	-0.54	2.571	Insignificant
MPS vs. EPS	-0.861	0.742	-2.94	2.571	Insignificant

The relation of MPS with DPS, BPS and EPS is shown in Table No. 4.16. It shows that MPS of Nepal Industrial and Commercial Bank Limited is negatively correlated with all three indicators DPS, BPS and EPS. It indicates that if DPS or BPS or EPS decreases, MPS increases. Among these, BPS has the low degree of correlation (-0.298%) whereas the degree of correlation is bit higher than that of BPS in the case of DPS (-0.45%) and EPS (-0.861%). It means that if DPS rise by Rs. 100, the MPS will be fall by Rs. 45. In the same way, Rs. 100 increase in BPS and EPS results the decrement of Rs. -29.8 and Rs. -86.10 in MPS. The coefficient of determination shows that the 74.20% of changes in the MPS is explained by EPS, 8.80% of changes

in MPS is explained by BPS and the ratio to DPS is 21%. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

4.3.9 Nepal Investment Bank Limited

The following table outlines the major financial performance of Nepal Investment Bank Limited over the past five years from 2006/07 to 2010/11. The relationship of MPS with DPS, BPS and EPS has been shown in the table.

Table No. 4.17

Summary of the Financial Performance of NIBL

Year	MPS	DPS	BPS	EPS
2006/2007	1,729	30	234	62.57
2007/2008	2450	40.83	223	57.87
2008/2009	1388	20	162	37.42
2010/2010	705	25	190	52.55
2010/2011	515	50	171	48.84
Mean	1357.4	33.16	196	51.85
SD	702.57	10.88	63.16	8.56
CV	51.75	32.80	32.22	16.50

(Source: Annual Reports of NIBL)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

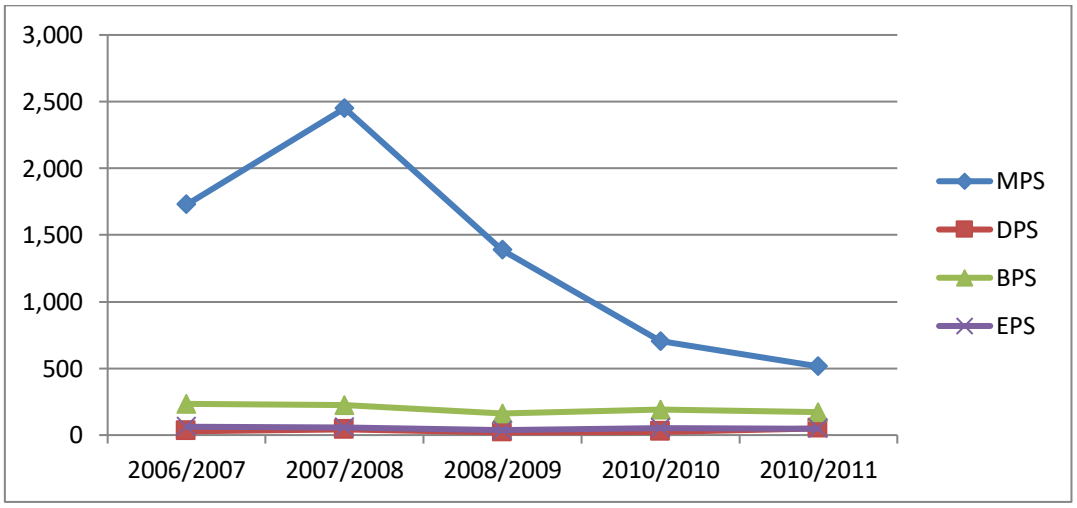
The above table presents the summary of financial performance of Nepal Investment Bank Limited for the last five years (2006/07 to 2010/11). The table shows that Market Price per Share was increase to Rs. 2450 (2007/08) from 1729 (2006/07) firstly. After that MPS of this bank seems to be downs in the following years. The bank has distributed different amount of DPS over the period. The data shows that the rate of dividend distribution and BPS of the organization is not consistent. EPS of the company is in increasing and decreasing trend. The Coefficient of Variation of MPS

is 51.75% whereas that of DPS is 32.80%. In the same way it is 32.22% for BPS and 16.50% for EPS. It indicates that the degree of variability is highest in MPS and hence is more volatile than others. EPS bears the low degree of volatility in comparison to others. DPS and BPS has almost equal degree of variation.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that all the financial indicators - MPS, BPS, DPS and EPS have high degree of CV than that of industry average. It means they are high volatile than average banks which in fact show the less consistencies in the bank's financial performance.

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure No. 4.8: Relationship between MPS, DPS, BPS and EPS of NIBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table:

Table No. 4.18

Relationship of BPS, EPS and DPS with MPS of NIBL

Variables	r	r^2	t-cal	t-table	Remarks
MPS vs. DPS	-0.053	0.002	-0.09	2.571	Insignificant
MPS vs. BPS	0.68	0.463	1.60	2.571	Significant
MPS vs. EPS	0.404	0.163	0.76	2.571	Significant

The table given above (Table No. 4.18) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Nepal Investment Bank Limited is negatively correlated with DPS and positively correlated BPS and EPS. It indicates that raise in DPS fall in MPS these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are -0.053, 0.68 and 0.404 . It means if DPS rise by Rs. 100, the MPS will be fall by Rs. 5.30. If Rs. 100 increase in BPS and EPS results the increment of Rs. 68 and Rs. 40.40 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

4.3.10 Siddhartha Bank Limited

The following table provides the information about the major financial performance of Siddhartha Bank Limited over the past five years from 2006/07 to 2010/11. The relationship of MPS with DPS, BPS and EPS has been shown in the table.

Table No. 4.19

Summary of the Financial Performance of SBL Bank

Year	MPS	DPS	BPS	EPS
2006/2007	778	15.79	132.28	15.88
2007/2008	1090	15.79	129.02	17.29
2008/2009	1000	15.79	134.29	22.89
2009/2010	444	10.03	146.43	21.99
2010/2011	270	15.79	126.55	19.82
Mean	716.4	14.63	133.71	19.57
SD	315.36	2.3	6.89	2.67
CV	44.02	15.71	5.15	13.64

(Source : Annual Report of SBI Bank)

Where,

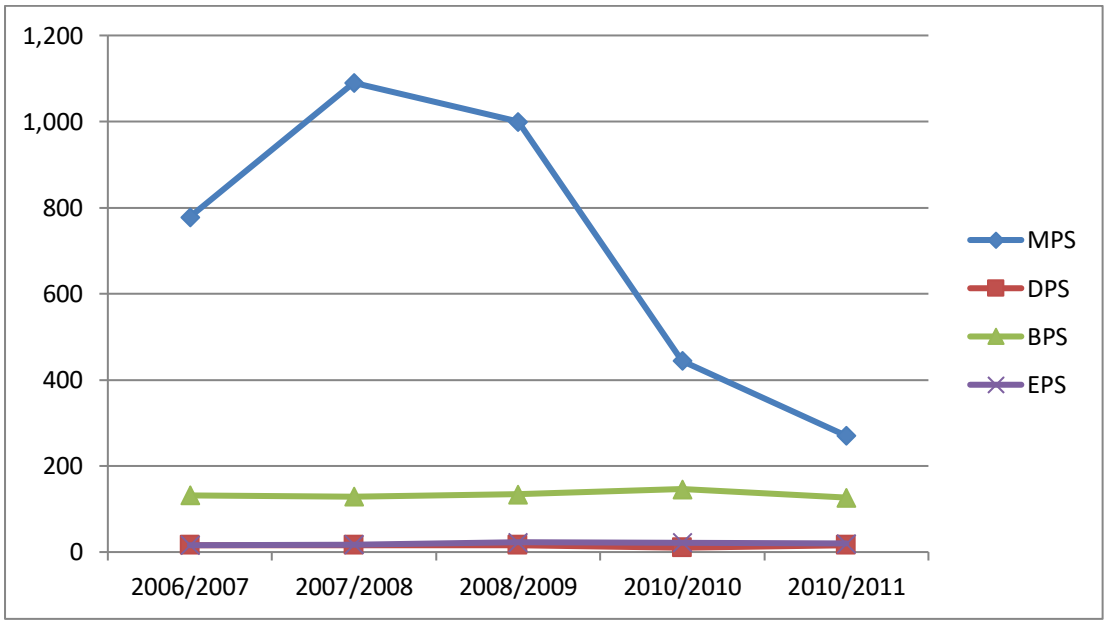
SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.19) presents the summary of financial performance of Siddhartha Bank Limited for the last five years (2006/07 to 2010/11). The table shows that Market Price per Share was increased first and then decreased gradually. The bank distributed dividend to its shareholder every year. The bank distributed dividend on 2006/07, 2007/08 and 2008/09 Rs. 15.79 and 2009/10 and 2010/11 at the rate of Rs. 10.03 and Rs. 15.79 to each share respectively. The EPS of the company has been increasing and decreasing over the study period. The volatility of MPS (44.02%) seems highest among other indicators. Likewise, volatility of DPS, BPS and EPS are 15.71%, 5.15% and 13.64 % respectively.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 44.98%, 19.71%, 24.74% and 32.82% respectively. This shows that MPS and EPS of this bank have higher degree of CV than that of industry. It means they are more volatile in than average banks. But BPS and DPS of this bank seems to be less volatile than that of industry average. The following line chart (Figure No. 4.10) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure No. 4.10: Relationship between MPS, DPS, BPS and EPS of SBL Bank



The relation of MPS with BPS, DPS and EPS has been presented in the following table:

Table No. 4.20

Relationship of BPS, EPS and DPS with MPS of SBL Bank

Variables	r	r^2	t-cal	t-table	Remarks
MPS vs. DPS	0.432	0.186	0.82	2.571	Significant
MPS vs. BPS	-0.178	0.032	0.31	2.571	insignificant
MPS vs. EPS	-0.215	0.046	0.38	2.571	insignificant

The table given above (Table No. 4.20) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Siddhartha Bank Limited is positively correlated with DPS, and negatively correlated with BPS and EPS. It indicates that raise in DPS results the rise in MPS and vice versa. But the raise in BPS and EPS results the decrease in MPS. The simple correlation coefficient of DPS, BPS and EPS are 0.432, -0.178 and -0.215. It means if DPS rise by Rs. 100, the MPS will be raised by Rs. 43.20 and . In the same way, Rs. 100 increase in BPS and EPS results the decrease of Rs.17.8 and 21.50 respectively in MPS . T-value of correlation with these indicators indicates that degree of correlation is significant at 95% level of confidence for DPS whereas insignificant for BPS and EPS.

4.4 Primary Data Analysis

For the purpose of collecting primary data, a questionnaire having a set of 12 questions were prepared and presented to 50 respondents. The respondents were selected randomly from the group of Share-Known personalities – especially from the Share buyer/purchasers in NEPSE floor and College Students. The questions contained variety in types. From Question No. 1 to 6, the degree of agreement over the statements was asked to mention, and according to their degree of agreement the score was provided from +2 to -2. Remaining questions were of Multiple Choice Type in which the respondents were asked to choose the best alternative from the list.

4.4.1 Classification of Respondents

A total of 50 respondents were surveyed randomly from the floor of NEPSE to conclude the different behavior of Share Price of Nepalese Commercial Banks. Among these, 32 respondents were professional investors of Share investment, 15 were potential investors who are willing to invest in Share but have not invested yet and rests 3 were market analyzer. Likewise, the respondents can be classified in terms of their age and sex as given in Table No. 4.21.

Table No. : 4.21
Classification of Respondents

S. N.	Basis of Classification	Number	Percentage
1	***Occupation***		
	Professional Investors	32	64
	Potential Investors	15	30
	Market Analyzer	3	6
	Total	50	100
2	***Age***		
	Below 25	6	12
	25 to 40	34	68
	40 above	10	20
	Total	50	100
3	***Sex***		
	Male	39	78
	Female	11	22
	Total	**50**	**100**

(Source: Field Survey, 2012)

As given in table, 78% of the respondents were male where as 22% were female. Similarly, 12% of the respondents were from the age group below 45 years, 68% were between 25 to 40 years and 20% were 40 above.

4.4.2 Purpose of Share Investment

The first question asked the respondents to declare their purpose of the investment. Table No. 4.23 shows the results of the responses:

Table No 4.22

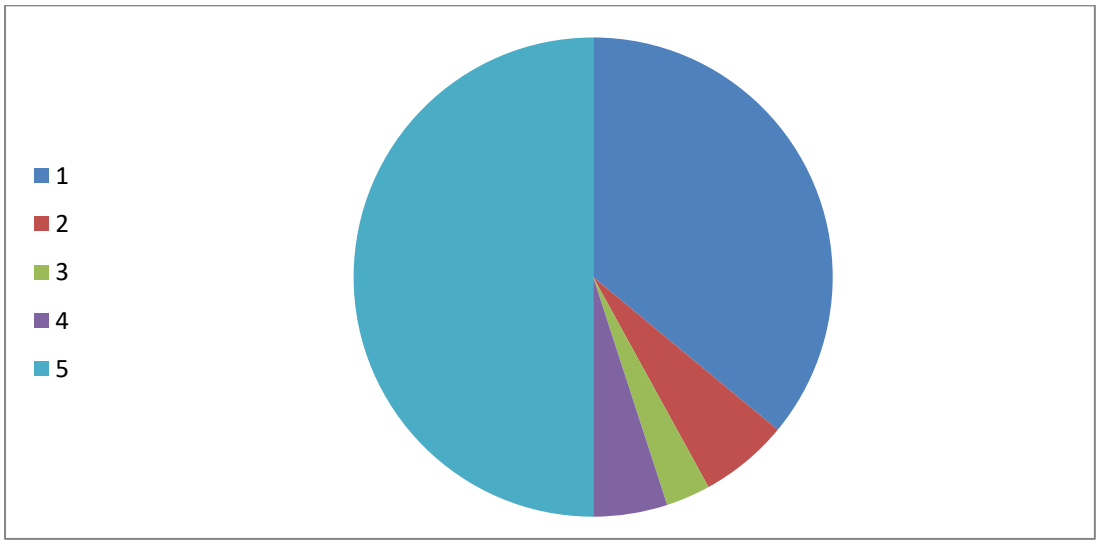
Purpose of Share Investment

S. N.	Responses	No. of Respondents	Percentage
1	To earn profit	**36**	**72%**
2	For safe investment	**6**	**12%**
3	For capital gain	**3**	**6%**
4	To help capital mobilization	**5**	**10%**
Total		**50**	**100%**

(Source: Field Survey, 2011)

The above table shows the number of respondents and their percentage relating the purpose of share investment in Nepalese Share Market. It clears that majority (72%) of Nepalese investors invest their savings for the purpose of earning maximum profit. They believe that share investment is an important way of earning profit and hence they invest. Only 12%, 6% and 10% of the respondents gave the response as they invest their savings for the purpose of making money safe, to earn capital gain and to help the capital mobilization respectively. It can be shown in pie-chart (Figure No. 4.11) as follows:

Figure No. 4.11: Purpose of Share Investment



4.4.3 Reason of Public attraction in Commercial Banks

The reason for the attraction towards the investment in Commercial Banks of Nepal was as a next question. The responses were obtained as shown in Table No. 4.24.

Table No. 4.23

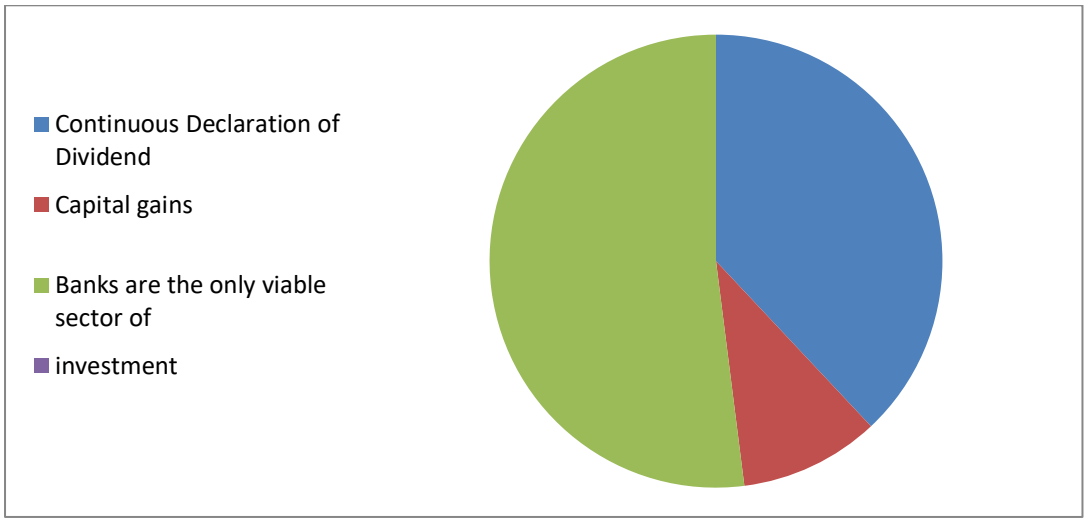
Reason of Public attraction in Commercial Banks

S. N.	Responses	No. of Respondents	Percentage
1	Continuous Declaration of Dividend	19	38
2	Capital gains	5	10
3	Banks are the only viable sector of investment	26	52
Total		**50**	**100**

(Source: Field Survey, 2012)

The above table shows the different reasons for the greater attraction of general public toward the investment in the Shares of Commercial Banks. It shows that a slight higher percentage (52%) - in comparison with others, of total respondents are convinced to declare that banks are the only viable sector of investment and hence they are being the attraction of all. Likewise, 38% of the total respondents stated that they tend to invest in Commercial Banks due to their continuous declaration dividend. And rest (10%) said that the capital gains is the main cause that attracts the general public for share investment in Commercial Banks. It has been shown in the following chart (Figure No. 4.12).

Figure No. 4.12: Reason of Public attraction in the Shares of Commercial Banks



4.4.4 Public Awareness about Share Investment

The percentage of public awareness among the 50 respondents about share investment has been revealed in following table no.4.24.

Table no.4.24

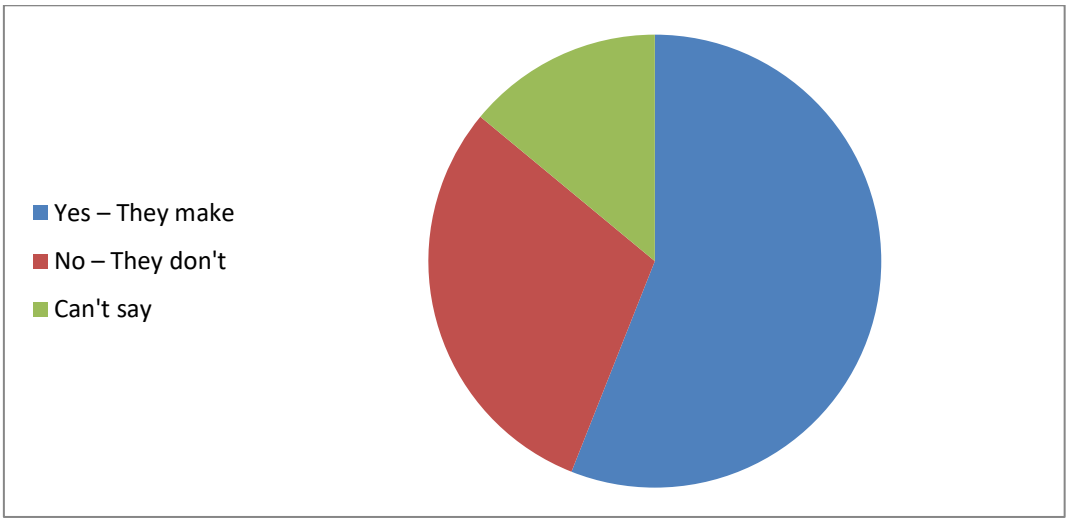
Public Awareness about Share Investment

S. N.	Responses	No. of Respondents	Percentage
1	Yes – They make	28	56%
2	No – They don't	15	30%
3	Can't say	7	14%
Total		**50**	**100**

(Source: Field Survey, 2012)

It has been revealed from the study 6% the Nepalese investors are aware about the share market e shares, 30% of the respondents said that they are investing in share without proper knowledge about share. They said that they are investing in Share because they are influenced by some relatives or friends to earn profit. Rest 14% of the respondents wanted to say nothing about this. It has been shown in Pie- chart (Figure No.4.13) as follows:

Figure No. 4.13: Public Awareness on Share Investment



4.4.5 Status of Present Laws & Policies

The responses for the perfection of present laws and policies about buying and selling of share revealed the following results:

Table No. 4.25

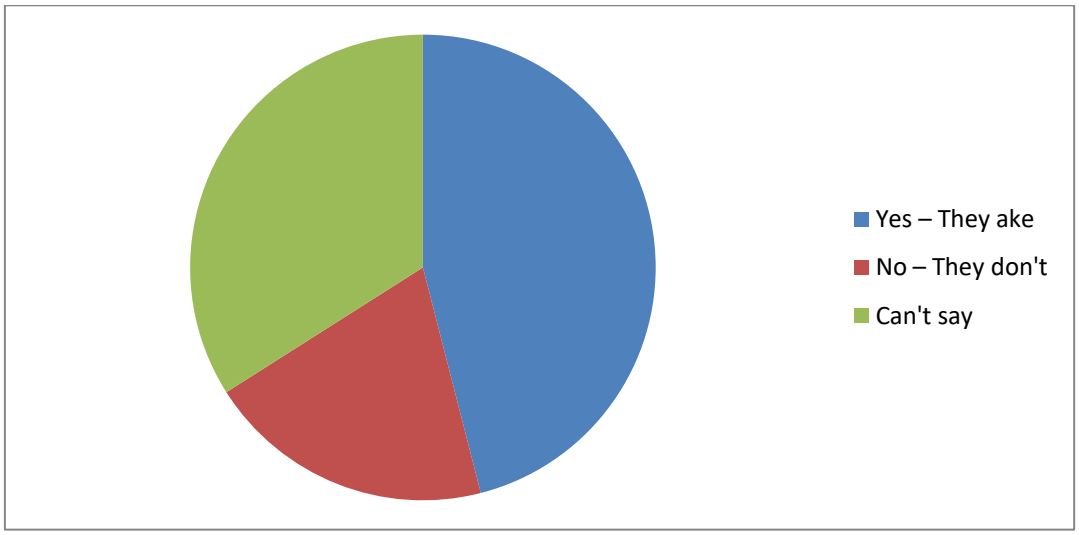
Status of Present Laws & Policies

S. N.	Responses	Number	Percentage
1	Yes – They ake	23	56%
2	No – They don't	10	20%
3	Can't say	17	34%
Total		50	100

(Source: Field Survey, 2012)

Table No. 4.25 shows that almost half (46%) of the investors feel themselves that the prevailing laws and policies regarding buying and selling of share are perfect. About one fifth (20%) of the respondents said that they don't know anything about the laws and policies. And 34% of the respondents said the present laws and policies are not perfect to regulate the Share Market proficiently. It can be depicted in the form of Pie-chart below (Figure No. 4.14):

Figure No. 4.14: Status of Present Laws and Policies



4.4.6 Role of EPS in the Determination of Share Price

The responses for the question whether EPS is the main determiner of Share Price or not gave the following results:

Table No. 4.26

Higher EPS indicates Higher Share Price

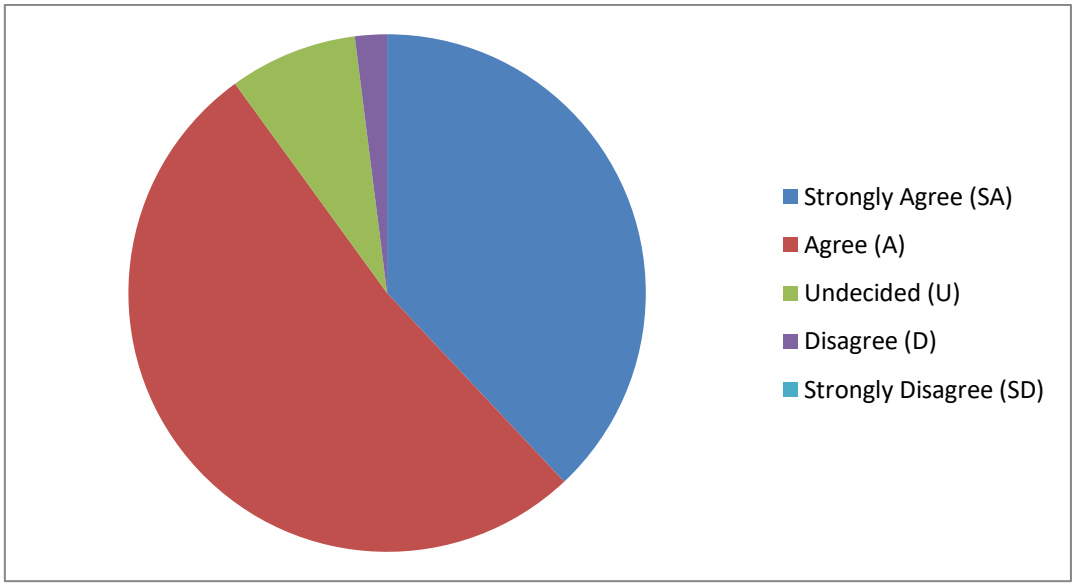
S.N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	19	38%
2	Agree (A)	26	52%
3	Undecided (U)	4	8%
4	Disagree (D)	1	2%
5	Strongly Disagree (SD)	0	0%
Total		50	100

(Source: Field Survey, 2012)

Table No. 4.26 shows that most of the respondents agreed that EPS is the main determiner of Share Price. 38% of the total respondents who agreed the statement strongly were highly convinced that EPS is the main determiner whereas 52% stated they the statement. Only remaining 10% stated they were either undecided (8%) or disagree (2%) . From this we can conclude that the investors think that EPS is

the major tool for the Nepalese investors to analyze whether the organization is best enough to invest or not. It can be presented in chart as follows (Figure No. 4.16).

Figure No. 4.15: Higher EPS indicates Higher Share Price



4.4.7 Role of Dividend Pattern in the Determination of Share Price

The responses of the respondents regarding the role of dividend pattern in the determination of share price are summarized and presented in Table No. 4.27.

Table No. 4.27

Role of Dividend pattern in Share Price Determination

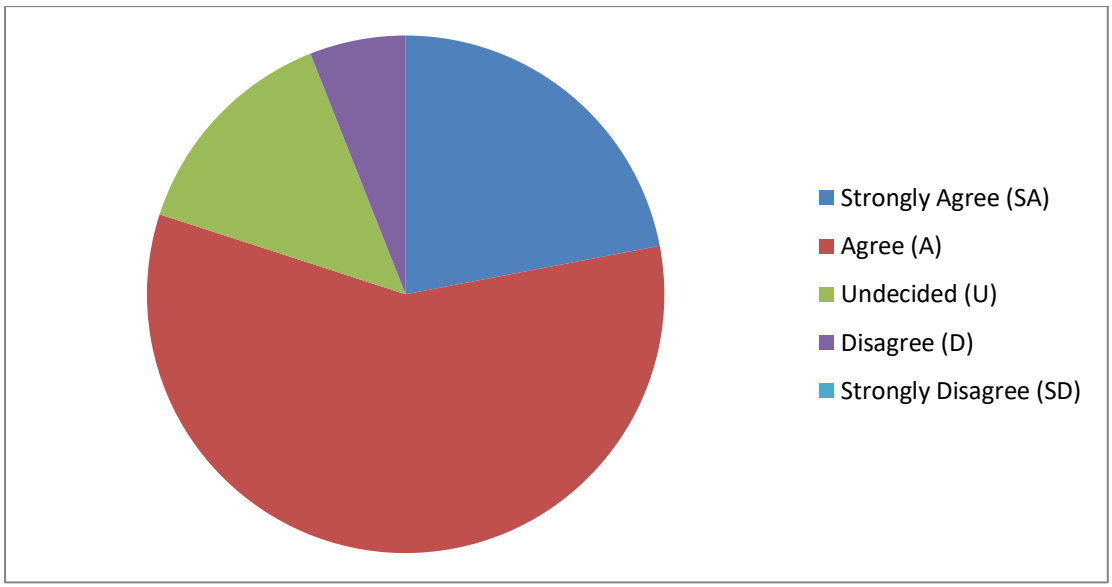
S. N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	11	22%
2	Agree (A)	29	58%
3	Undecided (U)	7	14%
4	Disagree (D)	3	6%
5	Strongly Disagree (SD)	0	0%
Total		**50**	**100**

(Source: Field Survey, 2012)

Table No. 4.28 clears that Dividend pattern plays a great role on the termination Share Price, 58% of the respondents agreed that higher rate of Dividend results the good Share Price, 22% of the respondents strongly agreed the statement that dividend

pattern in Share Price determination. The remaining 16% percent stated that either they were undecided (14%) regarding the matter or disagree (6%). It has been presented in the form of pie – chart (figure No. 4.16) as follows:

Figure No. 4.16: Dividend Pattern matters in Share Price Determination



4.4.8 Role of Company Assets Structure

The following table (Table No. 4.28) shows the responses gained against the statement that Company Assets Structure indicates higher Share Price.

Table No. 4.28

Role of Company Assets Structure in Share Price Determination

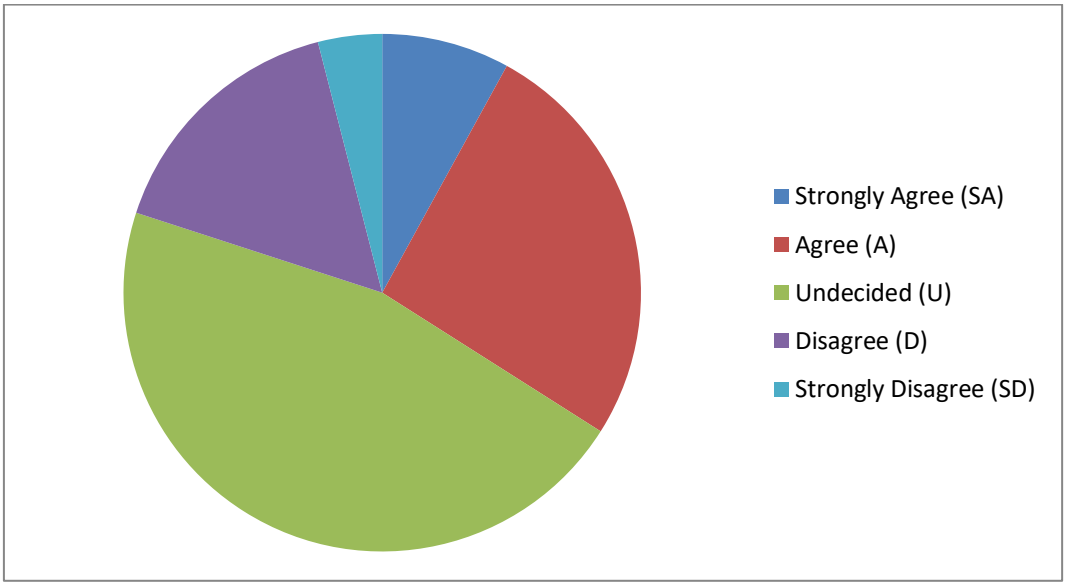
S. N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	4	8%
2	Agree (A)	13	26%
3	Undecided (U)	23	46%
4	Disagree (D)	8	16%
5	Strongly Disagree (SD)	2	4%
Total		**50**	**100**

(Source: Field Survey, 2012)

The above table shows that the Company Assets Structure plays no important role in the determination of Share Price in the view of the respondents neither agrees nor disagree the statement and choose to say undecided. Only 8% were strongly agreed

whereas 26% choose to agree the statement. The percentage of the respondents who choose disagree and strongly disagree were 16% and 4% respectively. Figure No. 4.18 shows the graphical explanation of the above result.

Figure No. 4.17: Role of Company Assets Structure in Share Price Determination



4.4.9 Role of Capital Structure

The responses of the respondents regarding the role of Capital Structure in the determination of share price are summarized and presented in the table given below:

Table No. 4.29

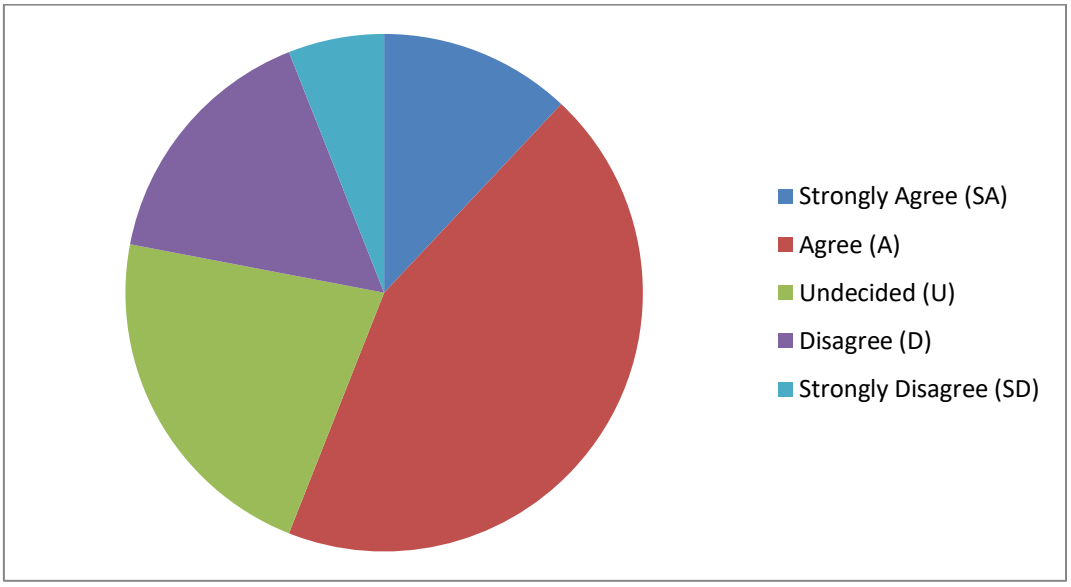
Good Capital Structure indicates higher Share Price

S. N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	6	12%
2	Agree (A)	22	44%
3	Undecided (U)	11	22%
4	Disagree (D)	8	16%
5	Strongly Disagree (SD)	3	6%
Total		**50**	**100**

(Source: Field Survey, 2012)

The above table (Table No. 4.30) shows that the Capital Structure of organization is responsible their share price. More than half (12% strongly agreed and 44% agreed) of the respondents agreed that better Capital Structure is responsible for the higher Share Price. 22% were undecided whereas 16% and 6% were disagree and strongly disagree to the statement. It has been presented in graphical form in FigureNo. 4.18.

Figure No. 4.18: Role of Capital Structure in Share Price



4.4.10 Role of Political Fluctuation

The role of political fluctuation in Share Price was observed and found the results as shown in Table No. 4.30.

Table No. 4.30

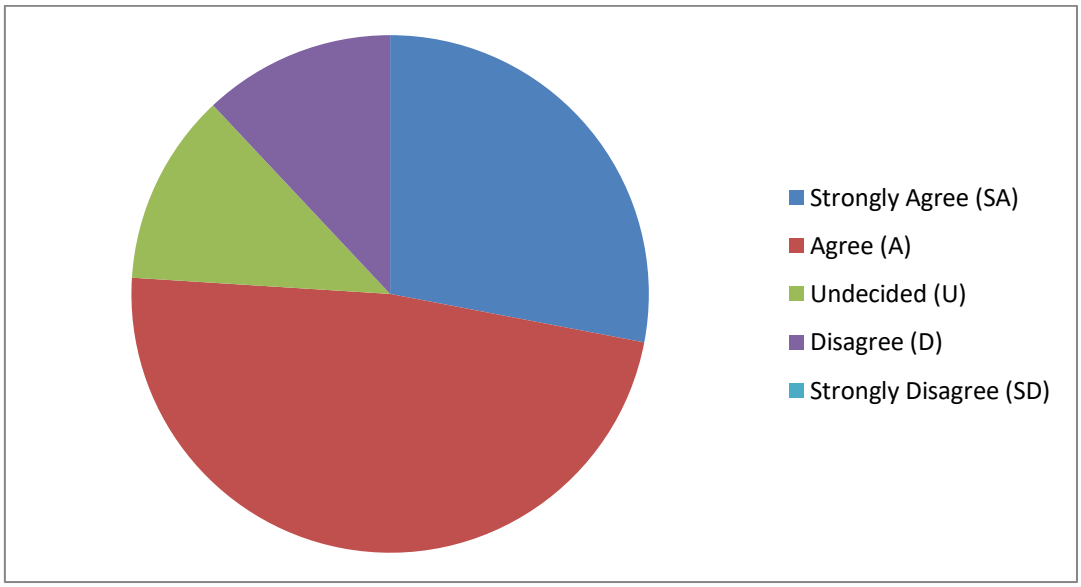
Political Situation Change the Share Price

S. N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	14	28%
2	Agree (A)	24	48%
3	Undecided (U)	6	12%
4	Disagree (D)	6	12%
5	Strongly Disagree (SD)	0	0%
Total		**50**	**100**

(Source: Field Survey, 2012)

The above table shows that the national political environment is also responsible on the determination of share price because more political fluctuation cause the decrease in Share Price. It was revealed that 48% of the total respondents agree the say that political situation cause the change in share price whereas 28% strongly agreed it. 12% were undecided and 12% said to disagree the statement. It is presented in graphical form in Figure No. 4.19.

Figure No. 4.19: Role of Political Situation Change in Share Price



4.4.11 Effect of AGM and BOD Election in Share Price

The following table (Table No. 4.31) shows the effect of Annual General Meeting and Election of Board of Director in Share Price.

Table No. 4.31

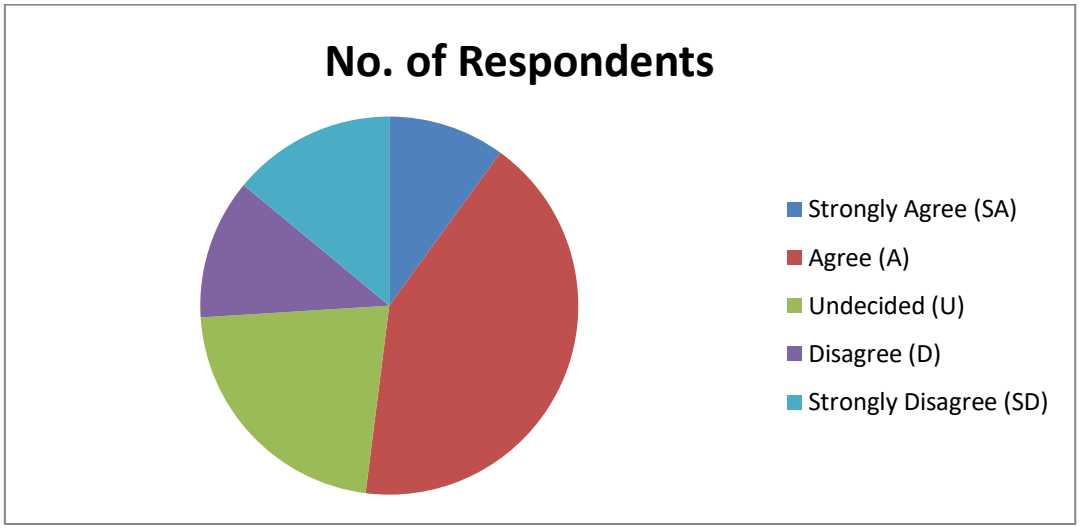
AGM and Election of BOD effect on Share Price

S.N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	5	10%
2	Agree (A)	21	42%
3	Undecided (U)	11	22%
4	Disagree (D)	6	12%
5	Strongly Disagree (SD)	7	14%
Total		**50**	**100**

(Source: Field Survey, 2012)

The above table shows that the Annual General Meeting and election of Board of Directors influences the Share Price. It was observed that 42% of the total respondents were agreed and 10% were strongly agreed. In the same way, 22% of the respondents were undecided and there were 12% and 14% respectively under disagreed and strongly disagreed group. It has been presented in pie-chart below (Figure No. 4.20):

Figure No. 4.20: Effect of AGM and Election of BOD in Share Price



4.4.12 Company Risk vs. Share Price

The respondents gave the following results (Table No. 4.32) against the statement that whether the higher risk of the company results higher share price or not.

Table No. 4.32

Higher the risk, More the Share Price

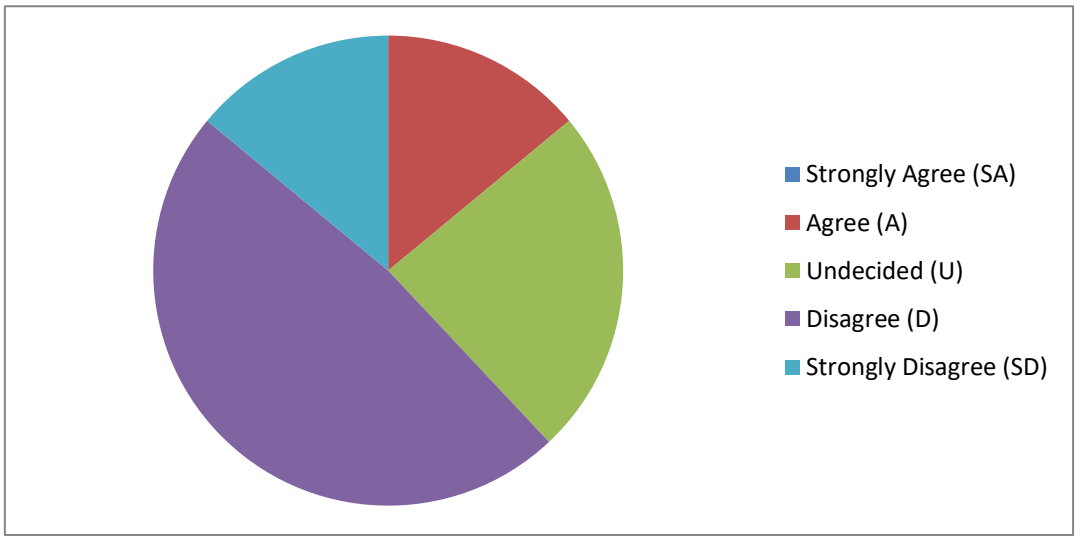
S. N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	0	0%
2	Agree (A)	7	14%
3	Undecided (U)	12	24%
4	Disagree (D)	24	48%
5	Strongly Disagree (SD)	7	14%
Total		**50**	**100**

(Source: Field Survey, 2012)

The above table (Table No. 4.32) shows that the Annual General Meeting and election of Board don't significantly influence the Share Price of the company. 48% of the respondents disagreed that the higher risk of company result increases in Share Price whereas 24% were undecided. Likewise, 14% agreed the statement and 14% strongly disagreed the statement.

The figure given below (Figure No. 4.21) shows the respondents response against the risk factor of share price change.

Figure No. 4.21: Role of Risk in Share Price Determination



4.4.13 Most Influential Determinant of Share Price

On the basis of the responses collected from the respondents, the different indicators which influence share price has been ranked as follows in the table no.51. The detailed ranking has been presented in *ANNEX IV*.

Table No. : 4.33

Most Influential Determinant of Share Price

Indicator	**1**	**2**	**3**	**4**	**5**	**6**	**Total**
EPS	25	18	4	2	0	1	50
DPS	18	23	7	2	0	0	50
ASSETS	0	0	2	4	18	26	50
CAPITAL	0	3	6	6	21	14	50
PPOLITICAL	4	5	21	10	6	4	50
AGM	3	1	10	26	5	5	50
TOTAL	**50**	**50**	**50**	**50**	**50**	**50**	**300**

4.5 Major finding of the study

On the study primary as well as secondary data analyzed, the major findings of the study can be summarized as below:

- MPS of BOK is much volatile in comparison to DPS, BPS and EPS. Bank of Kathmandu has positive correlation with between their Market price per share and DPS, BPS and EPS. This indicates that they directly affect the Share Price of BOK.
- DPS and EPS are positively correlated in the case of Everest Bank Limited whereas BPS is negatively correlated. This indicates that increase in DPS of this Bank don't contribute on the increase of Share Price rather it decreases it. But increase in DPS and EPS increase the share price and vice versa. This indicates that they directly affect the share price of EBL.
- In the case of Himalayan Bank Limited, MPS is positively correlated with DPS,BPS and EPS. The volatility of DPS, EPS and BPS seems to be less than MPS.
- DPS, BPS and EPS are negatively correlated in the case of Laxmi Bank. This indicates that increase in DPS, BPS and EPS of this Bank don't contribute on the increase of Share Price rather it decreases it. Volatility of MPS seems to be more than DPS, BPS and BPS in the case of this bank.
- NABIL Bank's MPS is more volatile than other indicators like DPS, BPS and EPS. The MPS of this Bank is negative correlated with DPS and positive

correlated with BPS and EPS meaning these indicators influence their share price directly.

- For Nepal Industrial and Commercial Bank DPS, BPS and EPS are negatively correlated with MPS . This indicates that increase in DPS, BPS and EPS of this Bank don't contribute on the increase of Share Price rather it decreases it. Volatility of MPS seems to be more than DPS, BPS and BPS in the case of this bank.
- BPS and EPS are positively correlated in the case of Nepal Investment Bank Limited whereas DPS is negatively correlated. This indicates that increase in DPS of this Bank don't contribute on the increase of Share Price rather decreases it. But increase in BPS and EPS increase the share price and vice versa. This indicates that they directly affect the share price of EBL.
- BPS and EPS are negative correlated in the case of Siddhartha bank Limited whereas DPS is positively correlated. This indicates that increase in BPS and EPS of this Bank don't contribute on the increase of Share Price rather decreases it. But increase in DPS increase the share price and vice versa. This indicates that they directly affect the share price of SBL.
- The correlation between MPS and other indicators are found to be insignificant for most of Banks. It shows that they individually influence very less but jointly they influence a lot. There can be other factors which influence the share price of the organization.
- On the basis of Standard Deviation it can be concluded that Market Price per Share of Nabil Bank and Everest Banks seems to be more risky .The higher CVs of Global IME bank and Nepal Investment Banks show that their Market Prices are more volatile than others.
- Dividend per Share is more volatile in case of Nabil Bank and Laxmi Bank Limited in comparison to other banks.
- Basically, most of the investors are intended to maximize their profit through share investment. They think share as a good sector of investment assuming that it gives a good return in short and long term.
- Investment in Nepalese Commercial Bank is the first choice of Share investors. It is because the banks are better controlled, and they distribute a good rate of dividend. It is found the investors think that banks are better managed hence

making good rate of profit. They distribute regular dividend which attracts them to invest in the commercial banks.

- The majority of the investors declare themselves as informed investors but still Nepalese investors lack the proper knowledge about the share market.
- The majority of Nepalese investors found to be either unknown about laws or like to say imperfect policies causing the problem in share market.
- The investors perceive the increase in EPS as better performance of the organization and hence they increase the demand of Share which causes the increase in share price. Majority of the investors are convinced that higher EPS cause higher share price.
- Dividend pattern plays a great role on share price movement. Higher the DPS, more will be the Share Price. Most of the investors like to analyses the Dividend pattern of the company before they invest in their shares.
- Company assets structure and capital structure of the company plays a moderate role on share price movement. The potential investors tend to consider the assets and capital structure of the organization second to EPS and DPS analysis.
- Political fluctuation cause change in Share Price. They influence share market in a very direct way. It means that fluctuating political situation badly damage the share price of an organization whereas stable political condition of the country is much favorable for upward movement of Share Price.
- AGM and Election of BOD also plays moderate role on share price movement. Good signaling after General Meeting could influence the market price of share.
- The risk of organization does not significantly influence the share price. Most of the Nepalese investors are risk avoider, who never wants to see the risky organization for their investment.

CHAPTER V
SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary

Nepalese Stock Market is in developing stage. Most of the general public i.e average citizens are still unaware about it. Though Share Market plays a vital role on the action of capital in national economy, in the case of Nepal, it is still crawling towards the betterment.

The history of Security Market in Nepal is not old. It was started with the floatation of by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. in 1937. Introduction Act in 1964, the first issuance of Government Bond in 1964 and the establishment of Securities Exchange Center Ltd. in 1976 were other significant regarding the Capital Market.

Investors invest their savings in the Common Stock of public companies through Primary and Secondary Markets. Generally, the investors aimed to maximize their from their investment. But due to the lack of proper knowledge and poor or performance of Nepalese Capital Market, the investors may not achieve the returns as expected. Only the few educated city dwellers know what share market is and how they are regulated. Besides, government has not prioritized the development of capital market sufficiently.

The prime objective of this study is to find out the major determinants of Share Price of Nepalese Commercial Banks. Hence, all 15 commercial banks presently listed in NEPSE are taken in consideration for the purpose. Market Price of these banks has been analytically tested here to compare with other financial indicators like DPS, EPS and BPS. For such analysis secondary data has been gathered from the different sources and different statistical tools have been used to analyze these. Not only this, a set of question of presented to 50 respondents aiming to collect primary data related to share price of Nepalese commercial banks. The result of the responses has been analyzed thoroughly in this thesis.

5.2 Conclusion

On basis of Primary and Secondary data analysis, the following conclusions have achieved:

- Due to the inadequate knowledge regarding the share market among Nepalese investors, capital market of Nepal has not been well developed yet.
- The investors generally tend to earn profit from share and they think that EPS and DPS are prime factor to be analyzed and to be considered on investing their savings on Share Price.
- Most investors are unknown to laws and policies regarding share market. Poor rules and regulations as well as ineffective regularity mechanism of market makers are the problems of Nepalese Capital Market.
- Market Price per Share of Most of the Banks are insignificantly correlated with all the indicators (DPS, BPS and EPS) in most of the cases. This implies that they individually don't influence the share price but they jointly influence the Share Price. There can be other factors to which influence the share price.
- EPS and DPS are the major influence of the Share Price. Besides this, political situation, annual general meeting, assets structure and capital structure of the organization also influence the share price of the company.
- The commercial bank is the first choice of Nepalese investors. But the lack of systematized and managed regulatory system is required for the further improvement of share market.
- The reputed and established commercial banks have very good trend of their financial performance whereas new banks are penetrating their market. Most of the banks are operating in profit in recent years though they suffered some losses during their initial stages. Still, the investors are positive towards the shares of these banks.

5.3 Recommendations

The following suggestions can be recommended regarding the share price of Nepalese commercial banks on the basis of the data analysed in the previous sections:

- Since general public's are unaware about the share and share market, an organized effort is necessary to aware the public's about it. A separate Department in NEPSE or an independent organization is recommended which

analyses inform and create the awareness within the emerging potential investors about share and share market through different approaches like seminar, conference or print, air media.

- To control the speculation in share, an effective control mechanism is necessary. A clear system is to be employed to evaluate and punish such speculations so that no further influence can be observed in Share Price due to artificial reason. The government should create rational and sincere environment within share brokers and share traders for controlling such speculations.
- Government should formulate and implement a rigid rules and regulations for the further development of Share Market. A mechanism to take immediate action for the faulty company is to be established.
- The investors are recommended to receive a clear picture of their financial track before investing in the company. They should be alert and aware about The misconduct of relative company, brokers, NEPSE or government. They are required to boost their knowledge up regarding share and share market to get the expected returns from their investment
- An open policy to encourage and promote foreign investors in share price would be fruitful to strengthen the share market of Nepal considering the fact of present sent globalization.
- For the clear and absolute result regarding the determinants of share price, a population study of whole share market for a longer study period is require This gives the only factual information about the actual determinants of share price.
- The public companies should provide up-to-date information to the present and potential investors regularly so that they can be an informed investor.

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ANNEX I

Questionnaire

Dear Sir/Madam**,**

This is to bring your kind information that is an attempt to identify the root Determinants of Share price of Nepalese commercial banks *listed in NEPSE for the partial fulfillment of Thesis required for MBS degree , TU.* You are kindly requested to fill up the following questionnaire with best answer in your view. I would be great full to you for the contribution of your valuable time and effort.

Please note that all the questions are related to the Share Price Movement of Commercial Banks listed in NEPSE.

Name : _____Sex : M [ ] F [ ] Age : _____

Occupation (Tick One):

□Professional investor

□ Potential Investor

□ Market Analyzer

□other (Specify)

Academic Qualification (Tick Appropriate):

□ under SLC

□ Higher Secondary

□Graduate

□post Graduate

Questions:

Please Tick the best alternative (QN 1-4)

1. Which one do you think is major purpose to invest in Company Stocks ?

□ To earn maximum profit

□Safe investment

□Safe investment

□Help Capital mobilization

□Other (if Any)…….

2. It has been observed that the share investors of Nepal are highly attracted in the shares of Commercial Banks for their investment. What do you think is the prime cause of this?

□ Continuous Declaration of Dividend

□ Capita gain

□ Banks are the only viable sector of investment

3. Do you think that Nepalese investors make investment decision after the analysis of relevant indicators?

Yes [ ] No [ ] Can't Say [ ]

4. In your experience the prevailing laws and policies regarding the buying and selling of shares are sound?

□ Yes

□ No

□ Don't Know

Please indicate with the appropriate letter(s) in the gap to which extent do you agree with the following statements by filling in the blanks provided. ***(QN 5-11)***

SA for Strongly Agree

A for Agree

U for Undecided

D for Disagree

SD for Strongly Disagree

5. Earnings per share is the main determiner of Share Price because higher EPS indicates higher Share Price……
6. Dividend Pattern plays vital role on the determination of Share Price because higher the DPS, more will be the share price ……
7. Good Company Assets structure indicates higher share price……
8. Better Capital Structure results higher share price ……
9. Political situation also cause the change in share price ……

10. Annual General Meeting and the election of Board of Director influence the share price ……
11. Higher the risk of the company, higher will be the share price……..

Please Rank 1, 2, 3,..., 6.(1 for the best factor)

12. Which of the following do you think affects the share price of the company ?

Earning per Share

Dividend pattern (Dividend per share)

Company Assets

Political Situation

AGM/Election of BOD

Thank you for your time and effort

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Master's in Business Studies
Shankar Dev Campus
Roll N. 885/063
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ANNEX II

List of Respondents

S.N.	Name of Respondents	Sex	Occupation
1	Anil Tiwari	**M**	Potential Investor
2	Anjan Aryal	**M**	Professional Share Investor
3	Arjun Adhikari	**M**	Professional Share Investor
4	Bhimsen Mainali	**M**	Professional Share Investor
5	Bikash Thapaliya	**M**	Professional Share Investor
6	Deep Baral	**M**	Potential Investor
7	Deepak Kadel	**M**	Professional Share Investor
8	Dhan Bahadur Gurung	**M**	Potential Investor
9	Dinesh Sharma	**M**	Professional Share Investor
10	Dipendra Pudasaini	**M**	Professional Share Investor
11	Dorje Lama	**M**	Professional Share Investor
12	Durga Simkhada	**M**	Potential Investor
13	Ishwor Timilsian	**F**	Professional Share Investor
14	Janaki Sharma	**F**	Professional Share Investor
15	Kalpana Budhathoki	**F**	Professional Share Investor
16	Kapil K.C.	**M**	Professional Share Investor
17	Kopila Bhatta	**F**	Professional Share Investor
18	Lalita Bishwakarma	**F**	Professional Share Investor
19	Lankeshwor Chaudhary	**M**	Professional Share Investor
20	Laxman Basnet	**M**	Professional Share Investor
21	Mahesh Bhattarai	**M**	Professional Share Investor
22	Maheshwor Yadhav	**M**	Professional Share Investor
23	Parashuram Bhetwal	**M**	Potential Investor
24	Prabhu Raj Basnet	**M**	Potential Investor
25	Prakash Dhungana	**M**	Professional Share Investor
26	Pukar Thapa	**M**	Potential Investor
27	Rabina Sharma	**F**	Potential Investor
28	Rabindra Bhattarai	**M**	Market Analyzer
29	Rajendra Sapkota	**M**	Professional Share Investor

30	Ram Bahadur Ghaley	**M**	Potential Investor
31	Ramesh Kumar Karki	**M**	Market Analyzer
32	Rishi Raj Gautam	**M**	Market Analyzer
33	Rohini Kunwar	**M**	Professional Share Investor
34	Sabita K.C.	**F**	Potential Investor
35	Sailesh Chaudhary	**M**	Professional Share Investor
36	Sandhya Gurung	**F**	Professional Share Investor
37	Sanjaya Singh Thakuri	**M**	Professional Share Investor
38	Shristi Shrestha	**F**	Professional Share Investor
39	Srijana Paudel	**F**	Potential Investor
40	Subash Bagale	**M**	Professional Share Investor
41	Sudip Shah	**M**	Market Analyzer
42	Sujeet T akar	**M**	Professional Share Investor
43	Suman Aryal	**M**	Potential Investor
44	Sunder Ojha	**M**	Professional Share Investor
45	Suresh Gayawali	**M**	Professional Share Investor
46	Sushila Bhattarai	**F**	Potential Investor
47	Suvash Shrestha	**M**	Professional Share Investor
48	Thakur Singh	**M**	Potential Investor
49	Thule Rana Magar	**M**	Potential Investor
50	Upendra Upadhaya	**M**	Professional Share Investor

ANNEX III

Classification of Respondents of Survey (Q.N. 1-4)

S.N.	Stem	Professional Investor	Potential Investor	Market Analyzer	Total
1	a.	25	9	2	36
		(78)	(60)	(67)	(72)
	b.	2	3	1	6
		(6)	(20)	(33)	(12)
	c.	2	1	0	3
		(6)	(6)	0	(6)
	d.	3	2	0	5
		(9)	(13)	0	(10)
	Total	**32**	**15**	**3**	**50**
		(100)	**(100)**	**(100)**	**(100)**
2	a.	14	4	1	19
		(44)	(27)	(33)	(38)
	b.	2	3	0	5
		(6)	(20)	0	(10)
	c.	16	8	2	26
		(50)	(53)	(67)	(52)
	Total	**32**	**15**	**3**	**50**
		(100)	**(100)**	**(100)**	**(100)**
3	a.	21	7	0	28
		(66)	(47)	(0)	(56)
	b.	8	5	2	15
		(25)	(33)	(67)	(30)
	c.	3	3	1	7
		(9)	(20)	(33)	(14)
	Total	**32**	**15**	**3**	**50**
		(100)	**(100)**	**(100)**	**(100)**
4	a.	15	7	1	23
		(47)	(47)	(33)	(46)
	b.	7	3	0	10
		(22)	(20)	0	(20)
	c.	10	5	2	17
		(31)	(33)	(67)	(34)
	Total	**32**	**15**	**3**	**50**
		(100)	**(100)**	**(100)**	**(100)**

Note	
a.	**S.N. refers to question number.**
b.	Stem refers to the options of the answer.
c.	The figure in bracket refers to the percentage of respective no. of respondents.

ANNEX IV

Rank wise No. of Responses of Survey (Q.No. 12)

S. N.	Indicators	Basis	Rank						Total	Weighted value
			1	2	3	4	5	6		
1	EPS	Total	25	18	4	2	0	1	50	87
		Professional Investor	17	13	1	1	0	0	32	50
		Potential Investor	6	4	3	1	0	1	15	33
		Market Analyzer	2	1	0	0	0	0	3	4
2	DPS	Total	18	23	7	2	0	0	50	03
		Professional Investor	11	14	5	2	0	0	32	62
		Potential Investor	6	3	1	0	0	0	15	25
		Market Analyzer	1	1	1	0	0	0	3	6
3	Assets	**Total**	**0**	**0**	**2**	**4**	**18**	**26**	**50**	**268**
		Professional Investor	0	0	2	2	10	18	32	172
		Potential Investor	0	0	0	2	7	6	15	79
		Market Analyzer	0	0	0	0	1	2	3	17
4	Capital	**Total**	**0**	**3**	**6**	**6**	**21**	**14**	**50**	**237**
		Professional Investor	0	2	4	3	15	8	32	151
		Potential Investor	0	1	2	2	6	4	15	70
		Market Analyzer	0	0	0	1	0	2	3	16
5	Political	**Total**	**4**	**5**	**21**	**10**	**6**	**4**	**50**	**171**
		Professional Investor	3	3	14	7	4	1	32	55
		Potential Investor	1	1	6	3	2	2	15	55
		Market Analyzer	0	1	1	0	0	1	3	11
6	AGM	**Total**	**3**	**1**	**10**	**26**	**5**	**5**	**50**	**194**
		Professional Investor	2	1	6	16	3	4	32	125
		Potential Investor	1	0	4	7	2	1	15	57
		Market Analyzer	0	0	0	3	0	0	3	12

ANNEX V

Market price per Share (MPS)

BOK	EBL	HBL	LBL	NABL	NICBL	NIBL	SBL	GBBL	KBL	TOTAL	MEAN
1375.00	2430.00	1740.00	690.00	5050.00	950.00	1729.00	778.00	0	830.00	15572.00	1557.20
2350.00	3132.00	1980.00	1113.00	5275.00	1284.00	2450.00	1090.00	0	1005.00	19679.00	1967.90
1825.00	2455.00	1760.00	1062.00	4899.00	1126.00	1388.00	1000.00	570.00	700.00	16785.00	1678.50
840.00	1630.00	816.00	570.00	2384.00	626.00	705.00	444.00	260.00	468.00	8743.00	874.30
570.00	1094.00	575.00	340.00	1252.00	520.00	515.00	270.00	209.00	266.00	5611.00	561.10
6960.00	10741.00	6871.00	3775.00	18860.00	4506.00	6787.00	3582.00	1039.0	3269.00	66390.00	6639.00
1392.00	2148.20	1374.20	755.00	3772.00	901.20	1357.40	716.40	207.80	653.80	13278.00	1327.80
647.57	710.10	565.67	294.30	1639.47	290.00	702.57	315.36	163.65	261.31	5590.00	559.00
46.49	33.05	41.16	38.98	43.46	32.17	51.75	44.02	78.75	39.96	449.79	44.98

Dividend per Share DPS

BOK	EBL	HBL	LBL	NABL	NICBL	NIBL	SBL	GBBL	KBL	TOTAL	MEAN
	10.00	15.00		100.00	21.05	30.00	15.79	0.00	21.50	233.34	23.33
42.11	20.00	25.00	21.05	60.00	21.05	40.83	15.79	0.00	10.53	256.36	25.64
47.37	30.00	12.00	5.26	35.00	15.79	20.00	15.79	0.00	10.58	191.79	19.18
30.00	30.00	11.84	13.00	30.00	26.32	25.00	10.03	0.00	12.00	188.19	18.82
34.00	50.00	16.84	15.79	30.00	20.00	50.00	15.79	6.67	8.44	247.53	24.75
173.48	140.00	80.68	55.10	255.00	104.21	165.83	73.19	6.67	63.05	1117.21	111.72
34.69	26.00	40.44	13.77	85.00	20.84	33.16	14.63	6.67	12.61	287.81	28.78
9.52	8.00	3.36	5.10	36.50	3.35	10.88	2.30	0.00	4.58	83.59	8.36
27.43	30.76	8.30	37.02	42.94	16.07	32.80	15.71	0.00	36.32	247.35	24.74

Book Value per share (BPS)

BOK	EBL	HBL	LBL	NABL	NICBL	NIBL	SBL	GBBL	KBL	TOTAL	MEAN
164.68	106.15	264.74	115.65	418.00	139.00	234.00	132.28	92.05	137.00	1803.55	180.36
222.51	158.12	247.95	125.44	354.00	138.00	223.00	129.02	103.40	128.00	1829.44	182.94
206.25	220.54	256.52	122.23	324.00	146.00	162.00	134.29	104.90	137.00	1813.73	181.37
175.40	275.71	226.79	118.51	265.00	135.00	190.00	146.43	103.20	137.00	1773.04	177.30
179.13	367.72	199.77	130.97	225.00	152.00	171.00	126.55	113.90	138.00	38208.32	3820.83
947.97	37532.52	1195.7	612.80	1586.00	710.00	980.00	668.57	517.45	677.00	45428.08	4542.81
189.59	225.64	239.15	122.56	317.20	142.00	196.00	133.71	103.48	135.40	1804.73	180.47
21.41	203.85	44.78	5.35	67.50	6.16	63.16	6.89	6.93	3.72	429.75	42.98
11.29	90.33	18.72	4.36	21.27	4.33	32.22	5.15	6.69	2.74	197.10	19.71

Earning per share(MPS)

BOK	EBL	HBL	LBL	NABL	NICBL	NIBL	SBL	GBBL	KBL	TOTAL	MEAN
43.50	78.42	60.66	10.75	137.08	24.01	62.57	15.88	−7.49	22.70	455.57	45.56
59.94	91.82	62.74	16.45	115.86	25.75	57.87	17.29	8.91	16.35	472.98	47.30
54.68	99.99	61.90	20.70	113.44	27.83	37.42	22.89	2.63	22.04	463.52	46.35
43.08	100.16	31.80	24.12	83.81	34.30	52.55	21.99	4.95	24.24	421.00	42.10
44.51	83.18	44.66	23.25	70.67	37.80	48.84	19.82	14.06	15.67	402.46	40.25
245.71	453.57	261.76	95.27	520.86	149.69	259.25	97.87	30.55	101.00	2215.5	221.55
49.14	90.71	52.35	19.05	104.17	29.93	51.85	19.57	4.61	20.20	441.58	44.16
6.93	19.60	12.10	4.93	23.84	5.25	8.56	2.67	7.18	3.50	94.56	9.46
14.10	21.60	23.11	25.87	22.88	17.53	16.50	13.64	155.68	17.32	328.23	32.82

ANNEX VI

Operation Date of Nepalese Commercial Banks

S. N.	Name of the Commercial Banks	Operation Date (A.D.)
1.	Nepal Bank Limited	11/15/1937
2.	Rastriya Banijaya Bank	01/23/1966
3.	Agriculture Development Bank Ltd.	01/02/1968
4.	Nabil Bank Limited	1984/07/16
5.	Nepal Investment Bank Ltd.	1986/02/27
6.	Standard Chartered Bank Nepal	1987/01/30
7.	Himalayan Bank Limited	1993/01/18
8.	Nepal SBI Bank Limited	1993/07/07
9.	Nepal Bangladesh Bank Limited	1993/06/05
10.	Everest Bank Limited	1994/10/18
11.	Bank of Kathmandu Limited	1995/03/12
12.	NCC Bank Limited	1996/10/14
13.	Lumbini Bank Limited	1998/07/17
14.	Nepal Ind. & Commercial Bank Ltd.	1998/07/21
15.	Machha Puchchhre Bank Ltd .	2000/10/03
16.	Kumari Bank Limited	2001/04/03
17.	Laxmi Bank Limited	2002/04/03
18.	Siddhartha Bank Ltd.	2002/12/24
19.	Global Bank Limited	2007/01/02
20.	Citizens Bank International Ltd.	2007/06/21
21.	Prime Commercial Bank Ltd.	2007/09/24
22.	Sunrise Bank Ltd.	2007/10/12
23.	Bank of Asia Nepal Limited	2007/12/10
24.	Grand Bank Nepal Ltd.	2008/05/25
25.	NMB Bank Ltd.	2008/06/05
26.	KIST Bank Limited	2009/05/07
27.	Janata Bank Nepal Ltd.	2010/04/05
28.	Megha Bank Nepal Ltd.	2010/07/23
29.	Commerz & Trust Bank Nepal Ltd.	2010/09/20
30.	Civil Bank Ltd.	
31.	Century Bank Ltd.	
32.	Sanima Bank Ltd.	2004/02/25