YIELD BEHAVIOUR OF THE STOCK AND STOCK PRICING IN NEPSE

A THESIS

Submitted By:

Hemanta Bashyal

Tribhuvan University

Nepal Commerce Campus

Campus Roll No. 1149/063

T.U. Registration No. 7-1-25-296-2003

Exam Roll No: 4764/065

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In Partial Fulfillment of the Requirements for the Degree of Master of Business Studies (M.B.S.)

New Baneshwor, Kathmandu

June 2011

VIVA - VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

Hemanta Bashyal

Entitled

Yield Behavior Stock and Stock Pricing in NEPSE

and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the Degree of

Master of Business Studies (M.B.S)

<u>Viva – Voce Committee</u>

Head of Research Department : ..…….

Member (Thesis Supervisor) : ……

Member(External Expert) : ……

RECOMMENDATION

This is to certify that the thesis:

Submitted by

Hemanta Bashyal

Entitled

Yield Behavior Stock and Stock Pricing in NEPSE

has been prepared as approved by this department in the prescribed format of the **faculty of management**. This thesis is forwarded for examination.

Dr. Prakash Neupane Supervisor	Dr. Sushil Bhakta Mathema Head of the Department	Diwakar Pokhrel Campus Chief

DECLARATION

I hereby declare that this thesis entitled **Yield Behavior Stock and stock Pricing in NEPSE** 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 requirements for the Degree of Master of Business Studies (M.B.S) under the guidance and supervision of **Dr. Prakash Neupane**, Nepal Commerce Campus, Tribhuvan University,

_____

Hemanta Bashyal
Researcher
Tribhuvan University
Nepal Commerce Campus
Campus Roll No. 1149/063
T.U. Registration No. 7-1-25-296-2003

Date: June 2011

ACKNOWLEDGEMENTS

This thesis entitled **Yield Behavior Stock and Stock Pricing in NEPSE**, prepared for partial fulfillment of the requirements for the Degree of Master of Business Studies [M.B.S.] is an outcome of continuous and immeasurable cooperation and support of several hands. I would like to express my heartfelt gratitude to all for their support.

I express my sincere honor and special sense of gratitude to my academic supervisor, Lecturer **Dr. Prakash Neupane** for his generous guidance, thoughtful encouragement and brilliant insight throughout this research work. I would also like to thank **Dr. Sushil Bhakta Mathema**, Head of the Research Department, Nepal Commerce Campus for his encouragement, inspiration, valuable comments and special guidance on the preparation of this study. Thanks are also due to Tribhuvan University for providing opportunity to conduct this research and Dr Nav Raj Adhikari, Mr. Jeevan, and Mr Depak Sharma Staff of Security Board of Nepal, Mr. Nirajan Phuyal senior officer of NEPSE, all staff of the respective Companies and general public for providing necessary data and information without which the completion of dissertation could be impossible.

I appreciate the encouragement and enthusiastic support that I got from my Friends Mr. Aryal P., Mr. Bhurtel B. P., and Rizal B. I am grateful to my family members for their Encouragement and support throughout the course of study.

_____

Hemanta Bashyal

Researcher

Tribhuvan University

Nepal Commerce Campus

Campus Roll No. 1149/063

T.U. Registration No. 7-1-25-296-2003

TABLE OF CONTENTS

Viva- Voice Sheet
Recommendation Letter
Declaration
Acknowledgement
Table of Contents
List of Tables
List of Figures
Abbreviations

CHAPTER - I 1-6

INTRODUCTION 1

1.1 Introduction **1**

1.2 Historical Background of Study **1**

1.3 Statement of the Problem **3**

1.4 Objective of the Study **4**

1.5 Significance of the Study **4**

1.6 Limitation of the Study **4**

1.7 Organization of the Study **5**

CHAPTER - II 7-29

REVIEW OF LITERATURE 7

2.1 Introduction **7**

2.2 Conceptual Framework **7**

Claim on Income **9**

Claim to Assets **9**

Right to Control **9**

Voting Rights **9**

Preemptive Right **10**

Limited Liability **10**

Behavior of Stock Price **10**

2.3 Technical Analysis Theory **10**

2.4 Fundamental Analysis Theory **12**

2.5 Random Walk-Efficient Theory **13**

2.6 Level of Market Efficiency **13**

2.7 Review of Journal, Articles and Research Works **15**

2.8 Review of Master's Level Thesis of Tribhuvan University **20**

CHAPTER - III 30-38
RESEARCH METHODOLOGY 29
3.1 Introduction **29**
3.2 Research Design **30**
3.3 Data Source **30**
3.4 Population and Sample Size **31**
3.5 Tools of Analysis **31**
3.6 Different indicators of Corporate Yields **31**
3.6.1 Dividend per Share (DPS) **32**
3.6.2 Earnings per Share (EPS) **32**
3.6.3 Dividend Payout Ratio (DPR) **32**
3.7 Stock Valuation Model **33**
3.8 Different Statistical Tools **34**
3.9 Use of software **38**
3.10 Hypothesis of the Study **38**
CHAPTER - IV 39-72
DATA PRESENTATION AND ANALYSIS 38
4.1 Statistical Analysis **38**
4.1.1 Observation of Trend of Yielding Pattern and Market price **39**
4.2 Analysis of Market Response **42**
4.2.1 Bivariate Correlation Analysisof Market Price Per Share with Cash Dividend, Bonus Share, Right Issue, Net Worth, Earning Per Share **42**
4.2.2 Simple Regression Analysis **52**
4.3 Multiple Regression Analysis **58**
4.4 Primary Data Analysis **62**
Major Findings **71**
CHAPTER - V 73-75
SUMMARY, CONCLUSION AND RECOMMENDATIONS 73
5.1 Summary **73**
5.2 Conclusion **73**
5.3 Recommendations **74**

Bibliography
Annexes

List of Tables

Page No.

Table No: 4.1 Trend Analyses of Weighted Average Yield and Market Price Per Share 39
Table 4.2 Descriptive Statistics of Commercial Banking Industry in NEPSE 42
Table 4.3 Correlation Matrix of Commercial Banking Industries in NEPSE 43
Table 4.4 Descriptive Statistics of Hotel Industry in NEPSE 44
Table 4.5 Correlation Matrix of Hotel Industry in NEPSE 44
Table No: 4.6 Descriptive Statistics of Hydro Power Industry in NEPSE 45
Table No: 4.7 Correlation Matrix of Hotel Industry in NEPSE 45
Table No: 4.8 Descriptive Statistics of Trading Industry in NEPSE 46
Table No: 4.9 Correlation Matrix of Trading Industry in NEPSE 46
Table No: 4.10 Descriptive Statistics of Finance Industry in NEPSE 47
Table No: 4.11 Correlation Matrix of Finance Industry in NEPSE 47
Table No: 4.12 Descriptive Statistics of Insurance Industry in NEPSE 48
Table No: 4.13 Correlation Matrix of Insurance Industry in NEPSE 48
Table No: 4.14 Descriptive Statistics of Development Banking Industry in NEPSE 49
Table No: 4.15 Correlation Matrix of Development Banking Industry in NEPSE 49
Table No: 4.16 Descriptive Statistics of Manufacturing Industry in NEPSE 50
Table No: 4.17 Correlation Matrix of Development Banking Industry in NEPSE 50
Table No: 4.18 Descriptive Statistics of all Sector in NEPSE 51
Table No: 4.19 Correlation Matrix of all sector in NEPSE 51
Table No: 4.20 Role of EPS in Stock Pricing in NEPSE 62
Table No: 4.21 Role of Dividend Pattern in Stock Pricing in NEPSE 63
Table No: 4.22 Role of Net worth in Stock Pricing in NEPSE 64
Table No: 4.23 Role of Politics in Stock Pricing in NEPSE 65
Table No: 4.24 Role of Politics in Stock Pricing in NEPSE 66
Table No: 4.25 Role of Market Information in Stock Pricing in NEPSE 67
Table No: 4.26 Role of Liquidity Position in Stock Pricing in NEPSE 68
Table No: 4.27 Role of Rumors and Whims in Stock Pricing in NEPSE 69

List of Figures

Page No.

Figure 4.1 Trend analysis of Net worth 39

Figure 4.2: Trend Analysis of Cash Dividend 40

Figure 4.3 Trend Analysis of Bonus Share 40

Figure No: 4.4 Trend Analysis of Right Issue 41

Figure No: 4.5 Trend Analysis of Earning Per Share 41

Figure No: 4.6 Trend Analysis of Market Price Per Share 42

Figure No: 4.7 Regression Line between Market Price Per Share and Cash Dividend 53

Figure No: 4.8 Regression Line between Market Price Per Share and Bonus Share 55

Figure No: 4.9 Regression Line between Market Price Per Share and Right Issue 56

Figure No: 4.10 Regression Line between Market Price Per Share and Net Worth Per Share 57

Figure No: 4.11 Regression Line between Market Price Per Share and EPS 58

Figure No: 4.12 Scatter Matrix of all sector 60

Figure No: 4.13 Scatter Matrix of Manufacturing Industry 61

Figure No: 4.14 Role of Earning Pattern in Stock Pricing 63

Figure No: 4.15 Role of Dividend Pattern in Stock Pricing 64

Figure No: 4.16 Role of Net Worth in Stock Pricing 65

Figure No: 4.17 Role of Politics in Stock Pricing 66

Figure No: 4.18 Role of Risk in Stock Pricing 67

Figure No: 4.19 Role of Market Information in Stock Pricing 68

Figure No: 4.20 Role of Liquidity Position in Stock Pricing 69

Figure No: 4.21 Role of Rumors and Whims in Stock Pricing 70

Abbreviation

BOK	Bank of Kathmandu
BPC	Butwal Power Company
CHCL	Chilime Hydro Power Company Limited
CMB	Cosmic Merchant Banking
CV	Coefficient of Variance
DPS	Dividend Per Share
EBL	Everest Bank Limited
EPS	Earning Per Share
HBL	Himalayan Bank Limited
HGI	Himalayan General Insurance
ILFC	International Leasing and Finance Company Limited.
MPS	Market Price Per Share
NANIL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange
NIB	Nepal Investment Bank
NWPS	Net Worth Per Share
SCB	Standard Charter Bank
SEBON	Security Board of Nepal

CHAPTER - I

INTRODUCTION

1.1 Introduction

Nepal is a Developing Country where the Country is adopting Mixed Economy but slightly converting into market economy by means of economic liberalization and privatization. Industrial development is the backbone for economic development of the nation but it is in primitive stage in Nepal. Most of the institutions (manufacturing, service, trading, hotels etc) have been established as private listed companies. The industrial development process started in 1937 AD with Biratnagar Jute Mills and Nepal bank Ltd. Company Act was firstly introduced in 1964 and government issued bond on the same year (firstly). Nepal Securities Exchange Centre was established in 1976 and changed into Nepal Stock Exchange (NEPSE) in 1993. The public confidence on capital market and the economy as a whole is reflected by the value of share and volume of transaction in the market. The primary issue of shares provide source of financing to the corporate bodies, whereas the transaction of shares in the secondary market enhances liquidity in capital market. Savings in the hands of people could be diverted to productive investment through share market. This encourages private sector to invest in productive activities and speed up process of industrialization in the country.

1.2 Historical Background of Study

Every organization has their specific objectives for establishment. Some organizations have objective of profit maximization, other some have sales revenue maximization and another firm may have wealth (value) maximization objective. Now a day, the value maximization objective is assumed as the most superior objective than other, since it is long-term concept and incorporates both profit and sales maximization objective. Stock or share represents the values of listed companies. Thus the objective of the organization is share price maximization. The capital structure of a firm generally consists of equity share, preference share and debenture, but the equity share is the real ownership capital and the share price maximization is the value maximization, organizational objective and the manager's duty. The public confidence on capital market and the economy as a whole is reflected by the value of share and volume of transaction in the market. The primary issue of shares provide source of financing to the corporate bodies, whereas the transaction of shares in the secondary market enhances liquidity in capital market. Savings in the hands of people could be diverted

to productive investment through share market. This encourages private sector to invest in productive activities and speed up process of industrialization in the country. The history of securities market in Nepal is not very long. It was only after 1937, when Biratnagar Jute Mills Ltd and Nepal Bank Ltd floated equity shares to the general public, the securities market came into being in Nepal. Since then very few companies issued shares to general public until Company Act came into operation in 1951. In the absence of developed securities market, there were no secondary market to trade equity shares and government securities in Nepal. While some of the companies issued primary shares to general public, government issued Development Bonds and Savings Certificates. The first bond of five years' maturity period bearing six percent rate of interest was floated on February 12, 1964. The establishment of Securities Exchange Centre Ltd in 1976 was the significant event in the development of securities market in Nepal. The objective of the establishment of Securities Exchange Centre Ltd was to facilitate and promote the growth of capital market in Nepal. It was converted into Nepal Stock Exchange (NEPSE) in 1993, with the establishment of Securities Board. It is a non-profit making organization operating under Securities Exchange Act 1983. Brokers and market makers operate on the trading floor as per the Securities Exchange Act rules and by-laws of NEPSE. Nepal Stock Exchange started operation on 13 January 1994 though its licensed members. It has 204 listed companies and 16 Government Bond, 13 Corporate debenture, 1 Preferred Stock, 1 Mutual Fund and 57 Companies Promoter share is listed in NEPSE till May 2011. The objective of NEPSE is to facilitate and to promote the growth of capital markets. The securities listed in NEPSE are classified into 9 groups, 24 commercial banks, 71 finance companies, 4 hotels, 18 manufacturing and processing organizations, 4 trading organizations, 4 hydropower companies, 21 insurance companies, 56 development banks and 2 others. Among these 9 groups, commercial banks dominated over others.
(www.nepalstock.com, May 2011)

The Securities Board was established in 1993 under Section 1 of the Securities Exchange Act1983. Its main objectives are to systematize and regularize the transaction of securities and to develop stock exchange by protecting and promoting the interest of investors. The Nepal Stock Exchange is a trading (Operational) institution, whereas Securities Board is the regulatory body. Before the Board came into existence, the Securities Exchange Centre used to carry out both functions.

1.3 Statement of the Problem

Since Objectives of the firm is wealth maximization and the achievement of the organizational objective contributes to the national economy, it is important to determine the Yield Behavior of the stock to determine its stock price. In developed economies, the market price of a corporate share moves along with the profitability and earnings of that company, which in turn depends on overall economic performance and the future prospects. It is believed that market is efficient in pricing shares in such economies. However, in developing economies like ours the securities market is inefficient and thus share prices do not always reflect actual financial status of the corporate body. In such cases, even a small disturbance in the market may affect share price significantly. In our case, for the last few years it has been noticed that there is a significant fluctuations in prices of corporate shares even without significant changes in profitability situation of the company. Amongst the listed companies in the Nepal Stock Exchange, commercial banks always claim a lion's share in overall trading. The trading - in terms of volume and amount - of the commercial banks make up to 80 percent of total transactions. In this light the study of stock price behavior of commercial banks would reflect overall stock market in Nepal. Despite that market shares are mostly influenced by stock brokers and some handful of stock investors, the statistical calculations for this particular year show that share prices are positively correlated with earnings per share.

Does the market price of a corporate share moves along with the profitability and earnings of that company?

Does technical analysis theory argues that analysis of historical prices contains meaningful information while forecasting future price movement in light of NEPSE?

How earnings, book value, dividend, retained earning affects to the stock price of the company in NEPSE?

How earning and book value affect to the stock price?

What is the effect of the dividend to the stock price?

Whether other factors affects the share price or not?

Does unstable political situation affect Capital Market?

1.4 Objective of the Study

The main objective of this study is to identify the yield behavior of stock price in NEPSE and the distribution of the earning of the stock and their relationship with stock price. However, the specific objectives of the study are:

To evaluate and analyze the investor response regarding the change on earning to the stock price in NEPSE.

To evaluate and analyze the effect of dividend, bonus share, right issue to the stock price in NEPSE

To evaluate and analyze the yield Behavior of the Stock to the stock price in NEPSE.

To suggest and recommend on the basis of major findings to the concerning parties and agencies.

1.5 Significance of the Study

A few studies have been made on the securities listed in NEPSE. Most of the studies made up to present are related to financial performance evaluation, capital structure analysis, dividend policy, risk and return, and only the determinant of stock of commercial banks only. Most of them only focus on commercial banks only but none of the research works have yet been made on the perspectives of the yield behavior of stock market price. The study covers the regulatory trading system and structures of operation of the securities market in Nepal. It deals with the market prices and yield behavior of selected stocks listed in NEPSE. The selected 25 stocks from 8 groups are listed in Nepal Stock Exchange at least before five years. So the present study will be of substantial importance for portfolio managers, investors, planners, researchers, students, and policymakers to meet their personal and organizational objectives by identifying the yield of stock and its price in NEPSE, finally it contributes to the national economy by means of institutional development. It is expected that this work will be helpful to decision makers to maximize the value of their organization.

1.6 Limitation of the Study

This study will be based on the quota sampling from 9 sectors of companies listed in NEPSE. The sample size is 30 stocks from all groups from the population of 171 listed companies. The study covers only five years for identifying the effect of earning and dividend on stock price. The primary information will be collected to identify the qualitative aspects from the respondents such as university teachers and finance, experts, investors in stock, stockbrokers,

managers of limited companies etc. The reliability of the respondent's answer will not be tested. The yield behavior and their relationship of qualitative factors with the stock price will be identified but their degree of affection to the stock price will not be measured.

Though the study covers the market prices of shares and yield pattern of selected corporate bodies, it does not specifically deal with market prices of other securities like preference shares and Government Securities, bonds and debentures etc. This study deals with ordinary equity shares, their market prices and yield behavior. The study does not cover the analysis of capital structures, the cost of capital and financial flows of capital in the market.

The results of this study will be limited to the stock price behavior of sample size, mainly the relationship between the returns on the shares and the stock pricing. This study assumes that the individuals who responded to this survey are truthful. Since the data are mainly collected from the source, the study assumes that collected data, especially rated to yielding behavior is reliable, authentic and has not been manipulated.

1.7 Organization of the Study

This study is organized into five chapters to find out price and yield behavior of equity shares in Nepal. Chapters one to five consist of following, introduction, review of literature, research methodology, presentation and analysis of data and summary and conclusion and recommendation of the study. The rationale behind this kind of organization is to follow a simple research methodology approach.

Chapter one deals with major issues to be investigated along with background of the study, statement of the problem and objectives and scope of the study.

Chapter two includes a discussion on the conceptual frameworks and review of the major empirical works as well as review of Nepalese studies. The conceptual consideration and review of related literature conducted in this chapter provide a framework, with the help of which this study has been accomplished.

Chapter three describes the research methodology employed in the study. This chapter deals with research design, nature and sources of data, design of enterprises, method of the variables.

Chapter four consists of the presentation and analysis of data which deals with empirical analysis of the study. Section one describes the effects of the equity shares related with dividend per share, bonus share, earnings per share, right issue net worth share and dividend payout ratio.

Lastly, chapter five comprises the summary, conclusion and recommendation of the study. It provides the finding, result of the study. This chapter holds the whole analysis and investigation result. The bibliography and appendices are incorporated at the end of the study.

CHAPTER - II

REVIEW OF LITERATURE

This chapter reviews the literature related with the research topic, with more focus on the pricing behavior or equity shares. In this regard, an insight would be put on the theories, then on the researches conducted outside and inside the country. Furthermore, the theoretical underpinning of the concepts used during the analysis and the theories behind the share pricing would also be explained. A brief glimpse of the concept of common stocks, risk and return as well as findings of the previous studies would be presented. The review of literature has been divided into three categories namely introduction, theories of share pricing and review of articles, books and masters' level thesis.

2.1 Introduction

In this section, some of the basic literatures on the stock price behavior are reviewed. It Includes theories related to the research topic. In this section the following components would be broadly discussed:

Conceptual framework

Common stock (share)

Corporate firms

Features of common stock

2.2 Conceptual Framework

Before going into the core subject matter of stock price behavior of equity shares of commercial banks, it is imperative to acquaint with the general concepts of stock, share and other related matters and the general profiles of the companies under consideration. The following sub section to this study will examine the conceptual matters of the stock price and gives a general introduction of the companies under study.

2.2.1 Common Stocks (Shares)

Common stocks represent equity of the company. The holders of the common stock, known as shareholders or stockholders are the legal owners of accompany. The common stocks are the permanent and vital source of capital residual claim, in the sense that creditors and preferred stock holders must be paid as scheduled before common stockholders can receives any payments.

The common stocks are issued by the firms to raise ownership capital and the investors buy them, with the expectation that they get a share of profit periodically. The common stock legally represents the equity of business firm and the holders are the owners who share all the profits and losses of the business. They enjoy all earnings after meeting the obligations of interest on debts and dividends on preferred stocks. Thus they enjoy all net benefits of the business by assuming the risk of losing their capital.

In bankruptcy common stockholders are in principle entitled to any value remising after all other claimants have been satisfied. The great advantage of the corporate form of organization is the limited liability of its owner. Common stocks are generally "fully paid and non-assessable", meaning that common stockholders may lose their initial investment, but not more .that is if the corporation fails to meet its obligations, the stockholders cannot be forced to give the corporation the ends that age needed to pay off the obligations. However, as a result of such failure it is possible that the value of a corporations share will be negligible. This will result in the stockholders having lost an amount equal to the price previously paid to buy the shares. Common stock, like preferred stock, has no maturity date, and stockholders can liquidate their investment by selling their stocks in the secondary market.

2.2.2 Corporate Firms

A corporation exists when it is granted a charter or certificate of incorporation by a state. This document specifies the rights and obligations of stockholders. It may be amended with the approval of shareholders, perhaps by a majority or two-thirds vote, each share of stocks of which generally entitles its owner to one vote. Both the initial terms of the chapter and the terms of any must also be approved by the state in which the corporation is chartered (Weston & Copeland, 2002: 879). The ownership of a firms stock has typically been represented by a single certificate with the number of share certificate is usually registered with the name, address and holding or the material, annual and quarterly reports and other mailings are than sent directly to the investors taking into account the size of his or her holding.

Shares of stock by investors may be transferred to a new owner with the assistance of either the issuing corporation or, more commonly; its designated transferred agent .this agent will cancel the old stock certificate and issue a new one in its place made out the owner. Frequently, a register will make sure that this canceling and issuing of certificate has been

done properly. Usually, banks and trust companies act as transfer and registrars. Many stockholders have chosen to avoid these rather cumber some process. Instead depository arrangements are used which substitute computerized records for embossed certificates. However, the above mentioned process may not go exactly to the Nepalese practice but in the theoretical ground these are the producers to be followed when executing the share transactions (Weston &Copeland, 2002: 931-948).

2.2.3 Features of Common Stocks (Shares)

Claim on Income

The common stockholders have claim to residual income, which is earnings available for ordinary shareholders, after paying expenses, interest charges, taxes and preference dividends and retained earnings. Dividends are immediate cash flow to shareholders, whereas retained earnings are reinvested in the business. A company is not under algal obligation to distribute dividends out of the available earnings.

Claim to Assets

The common stockholders have a residual claim on the companies assets incase of liquidation. Out of the realized value of assets, first the claims of debt-holder and then preference shareholders are satisfied, and the remaining balance, if any, is paid to the common stockholders.

Right to Control

The ordinary shareholders have the legal power to elect directors to the board .if the board fails to protect their interest, they can replace the directors. They are able to participate in the management of the company through their voting right and right to maintain proportionate ownership.

Voting Rights

Common stockholders have the right to vote on stockholder matter, such as the selection of the board of directors, sale of fixed assets, merger of the company, amendment of corporate charter etc. when the stockholders need to cast vote in different matter in the company then either there present themselves or use proxy i.e. a proxy is a form that a shareholder can use it to transfer the voting right temporally to the others (Rabindra Bhattarai: 150).

Preemptive Right

Preemptive right does something before others. It is also a right of stockholders. In this right, the existing stockholders have right to purchase any additional shares issued by the company before they are offered to the public. If the preemptive right is contained in the firm's charter, then the firm must offer any new common stock to existing shareholders.If the charter does not prescribe a preemptive right, the firm has a choice of making the sale of the existing stockholders or to an entirely new set of investors. If it sells to the existing stockholder the stock issue is called right offering.The preemptive right gives holders of common stock the firstly option to purchase additional issues of common stock. The purpose of preemptive right is to protect the power of control of present stockholders (Rabindra Bhattarai: 151-152).

Limited Liability

The common stock holders are the true owners of the company, but their liability is limited to the amount of their investment in shares. If a stockholder has already fully paid the issue price of shares purchased, he has nothing more to contribute in the event of financial distress or liquidation. The limited liability feature of share encourages unwillingly investors to invest their funds in the company which helps company to raise funds (Pandey, 1995: 905-908).

Behavior of Stock Price

There are numerous reasons that cause the share price fluctuation. Of them major are economic, non-economic and other factors. The prices of securities are typically very sensitive, responsive to all events, both real and anticipated, that cast light into the market's future. Though all factors give rise to the observed movement of share prices, it would be very hard to find a completely accepted formation theory. There are two conventional theories of stock price behavior a) Technical analysis theory and b) Fundamental analysis theory and one another theory named as Random walk-efficient theory.

2.3 Technical Analysis Theory

Technical analysis theory studies the past price and volume data of stocks to forecast the future price movement. It is an alternative approach to predicting stock price behavior in literatures of investment management. Technical analysis is market-oriented philosophy and it can concentrate on the force of supply of and the demand for shares as reflected in the actions of market rather than the intrinsic worth of share.

Technical analysts maintain that the price of a share at any present time is the balance struck by buyers and sellers at a point of time of price movements. It is an alternative approach to predicting stock price behavior in literatures of investment management.

Technical analysis is market-oriented philosophy and it concentrates on the force of supply of and the demand for shares as reflected in the actions of market rather than the intrinsic worth of share. The analyst or prospective investors who analyze the securities to predict the future price of share on the basis of a study of its price movements in the past are known as technical analysts.

According to this theory, the price movement takes place on account of change in buying and selling pressures. This occurs on account of diverse internal and external factors (profits, political environment, predictions and the likes).prices stabilizes when equilibrium between buyers and sellers is achieved. They believe that a record of price movements over a period of time in the past. The whole theory is based on the assumptions that history repeats itself. That human nature does not change and thus man is likely to repeat his patterns of past movements themselves in the future" (Raghu, 1991:172).

The technical analysts believe that the forces of supply and demand reflect in patterns of price and volume of trading. By examination of these patterns, technical analysts predict whether prices are moving higher or lower, and even by how much. Therefore, the patterns or trend in prices is the basis of technical analysis. Various charts are prepared to determine trends and to determine whether prices age likely to rise or fall. Technician attempts to predicts short term price movements and thus makes recommendation concerning the timing of purchase and sales of either specific stock or groups of stocks (such as industries) or stocks in general. It is sometimes said that fundamental analysis is designed to answer the question 'what' and technical analysis to answer the question 'when?' (Sharpe Alexander and Bailey, 2001: 844). Technical analysis discerns past pattern or trends which they believe to repeat in the future and recommend for short-term speculation based its forecast of profitable pattern. The technical analysts estimate prices instead of values. They largely ignored 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 (Dahal, 2002: 30).

The main assumption of the technical analysis theory is:
Price is determined by the interaction of demand and supply.
Demand and supply are governed by various factors, both rational and irrational.
Series of prices contain trends that persist for appreciable length of time.
The change in trend caused by shifts in demand and supply are detectable in the analysis of past price and volume data and,
The patterns tend to repeat it

In other words, technical analysis believe that past patterns of market action will recur in future and can therefore be used for predictive purchase (Robert a. Levy, 348, vol: 22).

2.4 Fundamental Analysis Theory

Fundamental analysts forecast stock prices on the basis of economic, industry and company statistics. The principle decision variables ultimately take the form of earnings and dividends. The fundamentalists make a judgment of the stock's value with a risk return framework based upon earnings power and the economic environment.

Fundamental analysis approach involves working to analyze different factors such as economic influence industry factors, government action, firm's financial statement, its 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 who believes on fundamental facts to determine the intrinsic value of stock is popularly known as fundamental analysts or fundamentalist. A fundamentalist claims that at any point of time an individual stock has an intrinsic value, which equal to present value of the future cash flow from the security discounted at appropriate risk adjusted discount rate. "The value of the common stock is simply the present value of all future income which the owner of the share will receive" (Jack Clark Francis, 1986: 398).

The actual price should reflect intrinsic value of the stock 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 intrinsic 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).

“Fundamental analysis use different models like top down versus bottom up forecasting, probabilistic forecasting, econometric models, financial statement analysis etc. to estimate the value of security" (William F. Sharpe, Gordon J. Alexander and Jeffery V. Bailey, 1999: 853).

On the basis of such a study fundamentalist project a company ought 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 forming its present market value. Thus there is difference a gap between them fundamentalist reaches and investment decision by comparing this value with current market value, it is beloved that price will rises. In this situation, fundamentalist will acquire share as this difference present them with an opportunity to make a profit. Alternatively, if the intrinsic value is lower than the market value, the shares is over priced and is an indication to the fundamentalists to sell. Following this rule, they believe above average return can be attained, given that market is inefficiency in pricing the shares (Dahal, 2002: 27).

2.5 Random Walk-Efficient Theory

The third theory involves study of random walk or efficient market hypothesis. Ion 1990, a French mathematician, Louis Bachelier wrote a scientific paper suggesting that day to day security price fluctuation were random. His idea is known as random walk theory. But instead in the model did not begin until the publication of two papers, one by Roberts and the other Osborne in 1959. The random walk-efficient market theory is in completely at variance with the technician and fundamental analysis theory. a number of empirical researches have been done on varied set of data for different time periods to test the random-walk efficient market model for describing share price behavior (Fischer and Jordan, 2000: 553).

2.6 Level of Market Efficiency

Market efficiency refers to the liability of financial assets to quickly adjust and reflects all information that is relevant to value in its price. The subject to market efficiency involves a

through study of the efficient market hypothesis. The efficient market hypothesis has three sub hypotheses.
Weakly efficient market hypothesis.
Semi strong efficient market hypothesis.
Strong efficient market hypothesis

The weakly efficient market hypothesis states that stock prices fully reflect all security market information, which includes all historical data. The significant conclusion derived from the weak efficient market hypothesis is that past rates of return and any other security market information should have relationship with future stock prices or future rate of return. Two main types of empirical test have been performed to determine if the stock market is consistent with the weakly efficient market hypothesis. The first are tests for serial independence many test have been performed to see if stock price changes aware correlated overtime. While a small amount of autocorrelation in stock price changes has been found, not enough exists to make their study worthwhile in monetary sense. This is devising mechanical trading strategies using stock price to beat the market. While numerous mechanical trading rules have been investigated, none appear to help the investor beat the market.

Filter rules: A technical analysis technique stated as a rule for buying or selling stock according to past price movements. They are Eugene Fame and Marshall Blume filter rules and Sweeney filter rules.

Eugene Fama and Marshall Blume filter rule: Eugene Fama and Marshall Blume programmed their computer to trade through as mechanical security trading strategy called an x percent filter rule that operates as follows:-
If the price of a security rises at least x percent, buy and hold the security until its price drops at least x percent from a subsequent high. Then, liquidate the long position and assume a short position until the price rises x percent.

Richard J. Sweeney Filter Rules
If the price of a security rises at least x percent, buy and hold the security until its price drops at least x percent from a subsequent high. Then liquidate the long position and invest the proceeds in risk-free short term bonds until the price reaches its next trough and then rises x percent. Semi strong efficient market hypothesis:-the semi strong from of the market

efficiency hypothesis says that current security prices reflect all publicly available information. The semi strong market hypothesis is stipulated that all public information has its effect on market prices. No valuable investment information could be gained from reading such sources as the wall street journal or standard and Poor's publications if this second hypothesis is accurate.

The Strongly Efficient Market Hypothesis

The strongly efficient market hypothesis requires that security prices reflect all information. If the markets are strongly efficient, even those who posses inside information would not have investment information of any value.

2.7 Review of Journal, Articles and Research Works

This part of the literature review is devoted to review of major previous studies relating to stock prices in detail. There are large numbers of studies in foreign and Nepalese context but only few of them are briefly reviewed below. In order to make this study more comprehensive some articles, books, research articles and studies related to yield behavior and stock price movement are reviewed hereunder.

2.7.1 Foreign Context

International Monetary Fund (IMF) (1997), Policy Development and Review Development Division published a working paper entitled "**Determinants of Stock Prices: The Case of Zimbabwe**". The working paper examined the general relationship between stock prices and macroeconomic 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 consistently during that period.

Whereas sharp increases in stock prices during 1993-94 were mainly due to the shift of the risk premium that was caused by partial capital account liberalization, the movements of monetary aggregates and market interest rates explained the rapid increases of 1990"s in stock prices.

Jennergren and Korsvold (1975), "**The Non Random Character of Norweign and Swedish Stock Market Prices**" examined the daily price series of 15 stocks from Oslo stock

exchange (Norway) and 30 stocks from Stockholm stock exchange (Sweden) by using serial correlations and run analysis, during 1957, and found considerable dependence in both Norwegian and Swedish stock market prices. Based on their findings, they concluded, "Price changes are not independent random variable in the case of the majority of the 45 investigated Norwegian and Swedish Stocks. This implies that the random walk hypothesis is probably not a very accurate description of share price behavior on the Norwegian and Swedish stock markets.

Dorkery (2000), "**Some Consideration on the Governance and price Behaviour of the Warshaw Stock Exchange**" examined the governance and supervision of the Warsaw Stock Exchange (WSE) and investigated the price behavior of the market using variance ratio tests and the Z-test. The findings suggested that although an adequate infrastructure, both legal and physical, is in place, the behavior of the market cannot be said to follow a random walk process. The implications of such results were important not only for institutional and private investors who may make improper portfolio choices, but also for public policymakers. Since the existence of an inefficient market that do not reflect fundamentals is likely to impede the market's ability to play its role in allocating funds to the most productive sectors of the economy.

Gupta (1985) analyzed the "**Equity Share Price Behavior in India**" during the period from January 1971 to March 1976 and extensively tested the RWH. He used daily and weekly prices of 39 individual shares of two indices. He employed the autocorrelation analysis and run test and found the evidence in support of the RWH. He also concluded that the random walk model appeared to be an appropriate model even for the less developed country like India to describe the share price behavior (Gupta, reprinted in 1989:53-54).

Louis Bachelier (1990) first tested the random walk model. He tested the model in commodity prices and found that those prices followed a random walk. He presented the evidence that the commodity speculation in France was a 'fair game'. He also concluded that the certain price of a commodity was an un biased certain estimate of its future price. After the first discovery of the random walk model in 1990 by Louis bachelier, empirical testing of the model in the stock market prices almost remained stagnant until 1960s.There are large numbers of studies most of which are briefly reviewed below:

Cootner (1962), in his study explained "if any substantial group of buyers thought price were too low, their buying would force up the prices. The reverse would be true for sellers, except for appreciation due to earning retention the conditional expectation of tomorrow's price, given today's price is today's price. In such a world the only price change that would occur are those that result for new information. Since there is not reason to expect that information to be no-random in appearance, the period to period price changes of a stock are random movements, statistically independent of one another.

H V Roberts carried next study in 1959. He conducted stimulation test by comparing the accumulation of random number and the Dow Jones industrial average index for about one year stating from Dec 30, 1955 to Dec 28, 1956. He found similarity between these two series. He further observed that the first difference of these two series produce the same pattern. His work was significant in that he gave a number of methodological suggestions for testing what he calls the choice model. In particular, he suggested runs analysis for testing independence of price changes.

Granger and Morgenstern (1962), applied spectral methods of analysis to the weekly, monthly and volume series from the New York stock market using Dow Jones, standard and poor and other various indices as well as price series of individual stocks. The result confirmed the random walk hypothesis for weekly and monthly price data the New York stock market.

Fama's (1965) on the study of **Random Walk model** was one of the best definitive and comprehensive every study conducted. He observed the daily proportionate prices of 30 individual stocks of the Dow Jones industrial average index for the period of 1957 to 1962. He employed the statistical tools such as serial correlation and runs test to draw inference about dependence or the price series. He calculated auto-correlation coefficient for daily changes in log prices for lag from 1to 30 and found that the coefficient were almost close to zero in overall. The correlation coefficient for daily changes in average was +0.03, which is near to zero. But on the daily price changes, 11 out of 30 stocks had correlation coefficient more than twice their computed standard errors. The coefficient ranged from smallest 0.06 to largest 0.123. However Fama concluded," Dependence as such a small order of magnitude is, from a practical point of view, probably unimportant for both the statistician and the investor". Fama also calculated serial correlation for lag from 1 to 10 for no-overlapping

differencing intervals of four, nine and sixteen days to examine the possibility if price change across longer interval shows dependence. All the results are again not significantly different from zero.

Niarchos (1972), studied price series of 15 individual stocks from the Athens stock exchange (Greece) for the period from 1957-1968. He reported the average 1 lag serial correlation coefficient 0.036 for the individual stock prices. The coefficients for individuals stock were close to zero. So he concluded that the price fluctuations were random walks and past price has no meaningful information for future.

Roa (1988) conducted the study on the weekend prices of the eight blue chip stocks for five from July 1982 to June 1987. He applied serial correlation analysis, run test and filter rules. The results from all the tests supported the random walk hypothesis. Sweeney's (1988) study developed a filter rule was able to earn modest profit. He replicated Fama and Blume's test and found that the part of their filter rule that resulted in the short position usually generated the trading loses. In contrast, Sweeney found that the long run were often profitable.

2.7.2 Nepalese Context

Prof. Dr. Rahde Shyam Pradhan (1993), studied the market behavior in Nepal and concluded that large stocks have large PE ratios; large ratios of the market value to book of equity and smaller dividends. PE ratios and dividend ratio are more variable for smaller stocks where as market value to book value of equity is more variable for the large stocks. Large stocks also have lower liquidity, higher leverage, lower profitability, and lower assets turnover interest coverage stocks. Smaller dividends, lower profitability, lower assets turnover, and lower interest coverage for large stock may be attributed to the fact that most of the large stocks are at their initial stage of operation. Stocks with large market value to book value of equity, large PE ratios and lower dividends. PE ratios are more variable for stocks with large market value to book value ratios and dividends ratios are more variable for stocks with smaller market value to book value.

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

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

Stocks with large PE ratios have lower liquidity, higher leverage, lower profitability, lower assets turnover, and lower interest coverage. However, liquidity, leverage, earning turnover, and interest coverage are all more variable for stocks with smaller PE ratios as compared to large ones.Stocks paying higher dividends have higher liquidity, lower leverage, higher earnings and higher turnover and higher interest coverage. However, liquidity and leverage ratios are more variable for the stocks paying lower dividends while earnings, assets turnover and interest coverage is more variable for the stocks higher dividends.

A study conducted by **Pradhan and Balampaki** (2004), on the title of "**Fundamentals of Stock Return**" has given some important insight regarding nature of stock return in Nepal. This study deals with fundamentals of stock returns. It examines if dividend yield, capital gain yield and total yield are related to earnings yield, size, book to market ratio and cash flow yield. The study is based on pooled, crossed, sectional data of 40 enterprises whose stocks are listed in Nepal Stock Exchange Ltd. and traded in the stock market. The study reveals that earning yield and cash flow yield have significant impact on divided yield.

Other main findings of the study are, earning yield and cash flow yield have insignificant impact on book to market value whereas size has negative impact in dividend yield. In the case of earning yield and cash flow yield, cash flow yield have been found to be more informative than earning yield. Capital gain yield is positively influence by earning yield and size, whereas the same is negatively influence by book to market value and cash flow yield. Book to market value has been found to be statistically strong in predicting capital gain yield. Similarly, total yield is positively determined by earning yield and size whereas the same is negatively determined by book to market value and cash flow yield. Book to market value has been found to be more informative than other variables.

There are many loopholes in our stock exchange Act. Investor feels insecure here. A few years back there was a company called Nimrod Pharmaceuticals Company that floated in shares but where is it now? Similarly, it has been more than a year that Bansbari Leather has allotted its shares, but why didn‟t the company list its share in the market? It has been 3 years

that Gorakhkari Rubber Udhyog hasn‟t called for its AGM. Government remains 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).**

Investment in the capital market now has become very uncertain, sending the investor in search of avenues of more certain retains. The equity investment is considered riskier than investment in bond, preferred stock etc. the secondary market is not performing well. The NEPSE index is hovering around 208 and 215 since long. After great slump Nepal stock market in F/Y 2000/01, dissatisfaction has increased in the mind of investors. The NEPSE index on 23 Nov 2000 had reached the pick of 545.82 and after that it is continuously on the decline **(Business Age, March 2004, 42).**

"Lack of adequate and effective trading mechanism with Nepal stock exchange (NEPSE), the only secondary market in the country for securities transaction, is virtually blocking an early issuance of a new financial the securities board, the regulatory authority governing the stock market operations in the country conceded that lack of proper set up has prevented new entrants into the financial markets and the development of capital markets" **(The Kathmandu Post).**

2.8 Review of Master's Level Thesis of Tribhuvan University

In this section various master's level dissertation related to this study has been reviewed. Timilsina on "Dividend and stock prices: An empirical study" used pooled data of the sample companies run the multivariate and other regression models and revealed that there is positive relationship between dividend and stock prices and dividend have a predominant influence on stock price.

Shrestha, Surya Chandra (2007) conducted research on "stock price behavior in Nepal". This study has focused to examine the efficiency of the stock market in Nepal .the serial correlation coefficient of the daily price changes for 1and 2 days and runs of the series of daily price changes lead to conclude that successive price changes are not independent random variable for the 30 sample stocks lasted in the Nepal stock exchange (NEPSE). Therefore, the random walk theory is not suitable description for the stock price behavior in Nepal. The dependence in the series of price changes observed simply that the price changes observed simply that the price changes in the future market will not be independent from the

price changes of the previous days. it implies that information of the past price changes is helpful in predicting future price changes in a way that speculation through technical analysis can make higher expected profit that they would be under naïve-buy- and –hold strategy (i.e. average market return). Therefore, opportunities are available to sophisticated (both institution and individual) investors to earn high return in the market. The existence and participation of the sophisticated investors have dominated in the market that can cause prices to diverge significantly from intrinsic values because the very existence of the sophisticated traders causes to erase the opportunities of the persistence in prices which establish independence of successive price changes".

Ojha, Khagendra Prasad (2000) did a research on "Financial performance and common stock pricing". The main objectives of his research were to study and examine the difference of financial performance and stock prices, to examine the relationship of dividends and stock price, to explore the signaling effects in stock price.

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 firm established after the economic liberalization of 1990. Older firms have been issuing bonus share 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 highly fluctuating. Due to lack of proper investment opportunity most of the investors have directed their saving towards the secondary stock market. There is significant positive correlation between the dividends paid and stocks prices of banking and manufacturing industries. All other have not a perfect correlation between the net worth per share and common stock price".

Aryal, Mukti (1995) conducted research "the general behavior of stock market prices". The main objectives of this study were to discuss the main objectives of this study were to discuss the movement of stock market prices and develop the empirical probability distribution of successive price change of an individual common stock and a stock market as a whole. This study is based on secondary information obtained from Nepal stock exchange (NEPSE). This study converts almost 8 months periods (13 Jan 1994 to 13 Sept 1994) and took about 21

stocks listed in NEPSE. He has applied run test as statistical tools to analyze the data and get results. He has conducted that the assumption of independence, as predicted by random walk model of security price behavior, has been refuted at least for Nepalese context as the first approximation even in the rough way for early days of stock market operation. This rejection of hypothesis made clear that the knowledge of past and now become useful in predicting the future movements of stock market prices. The investors, on the floor of stock exchanges for security, can make higher expected price in the future based on these historical price series. In other words, the dependence nature of price series produced by general market fluctuation statistically implied, today's price change is positively depending upon yesterday price change. This implied that there is a sufficient lack of financial and market analysis that are sophisticated and superior in analyzing the general market fluctuations, predicting the occurrence of future potential and economic events that their eventual effects on prices series".

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

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.

To study and analyze the investors views regarding the decision on stock investment.

To suggest the findings of the study to the interested parties related to stock investment.

To study & examine the signalling factors impact on stock price with the help of NEPSE index.

The major findings of Baral are as follows:

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.

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.

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.
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.

Kiran Dhamala (2005) has conducted research on *"Determinants of Share Price in Nepalese Financial Market"*, submitted to Tribhuvan University. The main objectives of his studies are as follows:
To examine and evaluate the relationship of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.
To analyze the market trends of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.
To identify whether stocks of the sampled companies equilibrium priced or not.
To present some recommendations bases on the findings of the study.

The major findings of the research pointed out by Dhamala are as follows:
HBL's MPS is negatively correlated with major financial indicators. But it has positive relationship with DPS and DPR respectively.
NBL's MPS has positive relationship with EPS and ROE, whereas it has negative relation with other financial variables.
NBBL'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.
NIBL's MPS is reversely correlated with major financial variables. However, MPS and DPS is statistically significant at 1% level of significance.
SCNBL's MPS is negatively correlated with major financial indicators. But it has higher positive relationship with ROE.

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.
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.
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.

Aparna Giri (2006) has made a research on *"A study on Share Price Behaviour of Listed Commercial Banks"*, submitted to Tribhuvan University. The main objectives of her research are:
To provide a glimpse of the present Nepalese stock market.
To analyze the share price behaviour of the commercial banks listed at Nepal Stock Exchange.
To examine the risk involved in the common stock investment of the sample commercial banks.
To suggest viable option on the basis of finding.

The major findings of Giri are as follows:
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.
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.

Common stock of NBBL yields the highest realised 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.

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 realised 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 meanwhile, the statistical analysis regarding the risk and return of the sampled stocks show that most of the stocks seem to be risky than the average stock.

Prabin Shrestha (2008) has conducted research on *"Share Price Behaviour of Commercial banks listed in NEPSE"*, submitted to Tribhuvan University. The main objectives of his research are as follows:

To analyze the stock price movement of the NEPSE market.

To test the random walk or weak efficient market hypothesis.

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.

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.

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.

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.

There exists a low order serial dependence, which helps in certain extent to increase investor's expected profit.

After analyzing 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.

Similarly, **Mr. Nischal Regmi** (2007) submitted dissertation on *"Role of Financial Indicators in Determining Share Price in Nepalese Financial Market"* to Tribhuvan University. The main objectives of his research are:

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

To find out whether stocks of the sampled companies are equilibrium priced of not.

To identify qualitative factors affecting the stock price.

The major findings of Regmi are as follows:

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.

NIBL's MPS has negative correlation with all financial indicators.

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.

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.

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.

Prakriti Bhattarai (2009) submitted dissertation on "*Stock Price Behavior of Financial Institutions and Commercial Banks"* to Tribhuvan University. The main objectives of his research are:

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

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

To analyze the degree of risk involved in the common stocks investment of the sampled companies.

To identify whether stocks of the sampled companies equilibrium priced or not.

To analyze and have the comparative study about the performance of financial institution and commercial banks with regard to their profitability and liquidity position.

To present some recommendations based on the findings of the study.

The major findings of Bhattarai are as follows:

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.

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.

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.

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.

The coefficient of determination (r2) 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.

2.9 Research Gap

All the studies have mentioned about price and yield behavior of equity share in Nepal relating with DPS, EPS, NWPS, Bonus Share and Right Issue of commercial banking industry. These studies have pointed out the similarities between the findings. The conclusions of those researchers are that the price and yield of equity shares are not related with only these financial data but also influenced by rumors and manipulations. Therefore the

study is designed to highlight effect between yield behavior of the stock and its stock pricing among various Group of NEPSE.

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

The preceding section presented the background of study, defined research problems, annotated factors which may influence stock price behavior and presented theoretical underpinning for the study. In this section, the research methodology is described.

Furthermore, this section puts explanation on research design, research hypotheses and tools of analysis. Then, the section describes the population, sampling frame, procedure for surveys, and explains data analysis to be used to test hypotheses.

3.2 Research Design

To conduct the study, descriptive, survey and analytical research approach would be adopted. Descriptive approach is utilized for conceptualization, problem identification, conclusion and suggestions for the research. Survey method would be used to collect investor's perception on the stock pricing in Nepal. Analytical approach would be followed to the parametric and non-parametric test of the data.

This research would be divided into six sections. The first section will deal with the general subject matter of the topic. It includes the general introduction of the subject. The second section will deal with the review of literature. In this chapter the theoretical aspect as well as the existing practice of stock pricing would be discussed. The third chapter would deal with the Nepal Stock Exchange and Securities Board Nepal. The fourth chapter would deal with the secondary data and thus examine stock price behavior and its relationship with yield of the company and equity share, in specific. In this chapter the yield of the equity share would be calculated as the earning per share, profit per share, net worth per share and other accounting indicators that support the health of the corporate body. Each of these data would be compared with the market price of the equity share. Several statistical examinations would be carried out in this section. The penultimate fifth section would deal with the empirical study of the issue. Basis of this section would be the analysis of the responses, filled up by 50 responded, collected from judgmental sampling technique as stated earlier. The final and sixth chapter would include conclusions, summary, suggestions and recommendations.

3.3 Data Source

Various literatures by experts on securities markets will be reviewed to gain a thorough theoretical understanding of the subject matter. The data related to market price of the equity share and the yielding behavior of the concerned company would be collected mainly through secondary source. However, since this research cannot be completed without the study of share investor's perception on share pricing, a questionnaire would be formulated and get response from the selected sample of 50 share investors. The respondent would be selected

from judgmental sampling technique, with equal strata of both sexes. The response thus collected would be analyzed to study the investor's perception and use it to test the hypothesis.

3.4 Population and Sample Size

The population for this study includes the commercial banks operating in Nepal and those enlisted with the Nepal Stock Exchange (NEPSE) for the trading of their equity share in the secondary share market, i.e. NEPSE's trading floor. According to Nepal Stock Exchange there are It has 204 listed companies and 16 Government Bond, 13 Corporate debenture, 1 Preferred Stock, 1 Mutual Fund and 57 Promoter share till May 2011. The objective of NEPSE is to facilitate and to promote the growth of capital markets. The securities listed in NEPSE are classified into 9 groups, 24 commercial banks, 71 finance companies, 4 hotels, 18 manufacturing and processing organizations, 4 trading organizations, 4 hydropower companies, 21 insurance companies, 56 development banks and 2 others as on May 2011. Among these 9 groups, commercial banks dominated over others. The sample size includes six commercial banks, two hotels, three development banks, six finance companies, three insurance companies, two hydropower companies, one trading company and two manufacturing companies.

3.5 Tools of Analysis

On the basis of the secondary data collected regression could be run to establish the degree of correlation between market prices of the corporate shares and the yield behavior of the corporate bodies. For the purpose of the analysis the market prices would be taken as the dependant variable and yield as the independent variable. Statistical tests will be carried out to arrive at the result. Various accounting ratios such as profit per share, net worth per share, earnings per share would also be calculated to support the result derived by statistical analysis. In addition the following methodology will be adopted to collect the required information.

To observe operations in the trading floor

To develop necessary questionnaire to solicit responses from concerned industrialists and general public about the pricing and yield behavior of securities in Nepal

To collect other statistics from the secondary sources

3.6 Different indicators of Corporate Yields

In this section, we will put on simple explanation of seven different indicators of corporate yields – Dividend Per Share (DPS), Earning Per Share (EPS), Net Worth Per Share (NWPS) and Dividend Payout Ratio (DPR) Right share, Price earning ratio (PE Ratio) and BP ratio.

3.6.1 Dividend per Share (DPS)

Dividend per share is the net distributed profit to the shareholders. It is the ratio of distributed profit to the number of ordinary shares. It is calculated as:

$$\text{Dividend per share (DPS)} = \frac{\text{Amount Distributed to Equity Share}}{\text{Number of Equity Share}}$$

Dividend per Share and the Dividend Payout Ratio depend upon the firms' dividend policy, which further depends on several internal factors such as fund needs of the firm, liquidity, ability to borrow, nature of shareholders, and market conditions.

3.6.2 Earnings per Share (EPS)

Earnings per share measures the profit of equity shareholders in terms of per unit of shares .i.e. the amount that they have earned on every share held. It is calculated as the ratio of available profit to the number of outstanding shares.

$$\text{Earnings per share (EPS)} = \frac{\text{Net Profit}}{\text{Number of Existing equity shares}}$$

3.6.3 Dividend Payout Ratio (DPR)

This ratio shows the percentage of profit distribution to the shareholders in the form of dividend. It is the ratio between DPS and EPS

$$\text{Dividend Payout Ratio (DPR)} = \frac{\text{Dividend Per Share (DPS)}}{\text{Earning Per Share (EPS)}} \times 100\%$$

3.6.4 Net Worth per Share (NWPS)

Net Worth per Share is a measurement of the net worth of the company for each share of stock that has been issued. If this value is negative, this indicates that company's liabilities exceed its ability to pay them. An increasing net worth per share is a positive signal that the company has reduced its liabilities. The company may also have gone through a stock buy-back plan, reducing the number of shares, essentially making the net worth for each share more valuable.

3.6.5 Right Issue

Right Issue is the means of raising Capital by issuing shares to existing share holders as on their holding proportion. Issuing the right percentage of the ownership in the company remain constant but number of share outstanding and paid up capital of the company will be increased on the proportion of right issue. Generally right issue is issued in par to existing shareholders when company is planning to increase the capital of the company. After issuing right there be increase number of shares outstanding; will affect on earning per share of the company and Net worth of the Company.

3.7 Stock Valuation Model

Under the capitalization of earnings model, the market value of shares of a company is dependent on the earnings of the company. The rate of earning or the earning per share is capitalized by the normal rate of return in order to measure the present market value of the equity share. The normal rate of return in the rate-adjusted cost of capital (ke), which equates the present value of all expected future earnings with the current market price of share. “Cost of equity capital can be defined as the minimum rate of return that a company must earn on the equity financed portion of its investment in order to leave unchanged the market price of its stock (Horne 1988)”.

$Ke = I_b (1-t) + B_r + F_r$

Where, I_b = Risk-less bond interest rate

T = Income Tax rate applicable to this class of income

B_r = Premium for business risk defined as the probability of loss in profits (due to changes in demand arising from business competition, entry of volatility in earnings etc) or in supply (due to changes in the production technology, methods of productions, cost structures etc.)

F_r = Premium for Financial risk, connected with the profitability of loss in shareholders' return due to rise in market interest rate, risk of higher leverage etc.

3.8 Different Statistical Tools

The following are the major statistical tools that were used while carrying out this study.

3.8.1 Standard Deviation (SD)

The standard deviation is commonly used to measures the risk. It shows the deviation of actual mean with average mean. The standard deviation measures the absolute dispersion of variability of a distribution. The greater the variability or dispersion the greater would be the magnitude of the deviation of the value from their mean. The smaller the dispersion or variability, smaller would be the standard deviation. There would be high degree of uniformity in the observation and homogeneity in the series. Hence, the standard deviation is extremely useful in judging the representative ness of the mean

We can find the Standard Deviation from the following formulae.

$$SD(\sigma) = \sqrt{\frac{\sum x^2}{n} - \left(\frac{\sum x}{n}\right)^2}$$

Where,

x = value of the variable and

n = numbers of years.

Therefore, the standard deviation is used to analyze the stock position of finance company and commercial banks. The SD of seven companies are calculated and analyzed under the study.

3.8.2 Coefficient of Variance (CV)

The corresponding relative measure of dispersion is known as the coefficient of variation.

The series for which the coefficient of variation is greater is said to be more variable or conversely less consistent or less uniform. On the other hand the series for which coefficient of variation is less is said to be less variable or more consistent or more uniform. It is denoted by CV and obtained as follows:

$$\text{Coefficient of Variance (CV)} = \frac{\text{SD}(\sigma)}{\bar{X}} \times 100$$

Where SD is the Standard Deviation and

$\bar{x}$ = Mean of the series defined as $\frac{\sum x}{n}$

3.8.3 Karl Pearson's Coefficient of Correlation

It is statistical tool for measuring the magnitude of linear relationship between the two variables. Karl Pearson's measure, known as Personian correlation coefficient between two variables series x and y, denoted by r(x,y) or r_{xy}. r can be obtained as:

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

Where, r = correlation coefficient

n = no. of years.

$\sum X$ = Sum of Series X

$\sum Y$ = Sum of Series Y

$\sum XY$ = Sum of the product of X and Y variables

$_2\sum X$ = Sum of squares of Series X

$_2\sum Y$ = Sum of squares of Series Y

The value of coefficient of correlation always lies between +1&-1.when coefficient of correlation (r) = +1, it means there is perfect positive correlation between the variables, when (r) = -1, it means there is perfect negative correlation between the variables and (r) = 0 refers that there is no relationship between the given variables. The coefficient of correlation finds not only the magnitude of correlation but also its direction. The closer the value of 'r' to 1 or -1, the strong will be the relationship between variables and the closer the 'r' to 0, weak will be the relationship (Shrestha & Manandhar, 1999 (2056): 234).

3.8.4 Regression Analysis

Regression analysis helps the estimation or prediction of unknown variable on the basis of known value of other variable. It is used as a tool to determine the strength of relationship

between two variables. Thus, it is a statistical device, with the help of which we can estimate or predict the value of one variable when the value of other variable when the other variable is known. The unknown variables which we have to predict are called dependent variable and the variable whose value is known is called independent variable. The analysis used to describe the average relationship between two variables is known as simple regression analysis (Bajracharya, B.C., 2006).

3.8.5 Line of Regression

If there exists a relationship between two variables X and Y, the dots the scatter diagram will be concentrating around a certain curve and will be concentrating around a certain curve and if the curve is a straight line, it is said to be the line of regression and the relationship between two variables as the linear regression.

A line of regression gives the best estimate (in the least square sense) of one variable for any given value of other variable. So, there are two lines of regression referring as the line of regression of Y on X and the line of regression of X on Y respectively (Bajracharya, B.C., 2006).

3.8.6 Regression of Equation X on Y

The regression equation is expressed as

Y = a + bx

We shall get normal equations for estimating ‘a’ and ‘b’ as:

$$\sum Y = na + b\sum x$$

$$\sum XY = a\sum X + b\sum x_2$$

Where Y = value of dependant variable

a = Y intercept

b = Slope of the trend line/coefficient of regression

X = Value of independent variable

3.8.7 Coefficient of Regression

The coefficient 'b', which is the slope of line of regression of y on x is called the coefficient of regression of y on x. It represents the increment in the value of dependent y for a unit

change in the value of independent variable x. In other words, it represents the rate of change. The convenient way to calculate the variable of 'b' is as:

$$b = \frac{n\sum XY - \sum X \sum Y}{n\sum X^2 - \left(\sum X\right)^2}$$

Similarly the value of Y-intercept can be computed as

$$a = \frac{\sum X^2 \sum Y - \sum X \sum XY}{n\sum X^2 - \left(\sum X\right)^2}$$

3.8.8 Standard Error of Estimates

A measure of precision of the estimate so obtained from the regression equations is provided by standard error (SE) of the estimate. Standard error is a word analogous to standard deviation (which is dispersion of observation about the mean of the distribution) and gives us a measure of the scatterness of the observation about the line of regression.

Thus,

S_{YX} = Standard Error of Estimate of Y for given X.

$$S_{yx} = \sqrt{\frac{\sum (Y - Y_c)^2}{n}} = \delta_y (1 - r^2)^{1/2}$$

$$S_{yx} = \sqrt{\frac{\sum Y^2 - a\sum Y - b\sum XY}{n-2}}$$

3.8.9 Test of regression coefficient by t-Test

It was developed for the significant contribution in the theory of sampling applicable in case of small samples. When population variance is not known, the test is commonly known as student's t-test and is based on the t-distribution. As the sample size gets larger, the shape of the distribution loses its flatness and becomes approximately equal to the normal distribution. For applying t-test in context of small samples, the t-value is calculated first of all and then compared with table-value ‘t’ at certain level of significance for given degree of freedom. If the calculated value of ‘t’ exceeds the table value, it infers that the difference is significant at given level of significance. If computed value of 't' is less than the tabulated value of 't', the result is not treated as significant.

The t-test is used when two conditions are fulfilled:

The sample size is less than 30.

The population standard deviation must be known.

While using t-test we assume the following:

That population is approximately normal.

That the observations are independent and the samples are randomly drawn samples.

That there is no measure error.

That incase of two samples, population variance is regarded as equal if equality or the two population means is to be tested.

3.8.10 T-Test for Significance of an observed Sample Correlation Coefficient

Let r be the observed sample correlation coefficient a sample of n pairs of observations from bivariate normal population. In order to test whether the sample correlation coefficient is significant of any correlation between the variables in the population, t-test for significance of an observed sample correlation coefficient is applied.

3.9 Use of software

For simple analysis Ms Excel, SPSS and R software was used to run the Correlation and regression results and to check their significance. Standard errors and t values given by this software was used to accept or rejection the results.

3.10 Hypothesis of the Study

As stated earlier, this study puts insight into the relationship between market price of an equity share and its yielding pattern. As theories advocate a direct and strong relationship between yielding behavior of a corporate share and its market price in the secondary market, the null hypothesis of this study, denoted as H_0 can be written as,

H_0: There is no relationship between market price and yield of the stocks in NEPSE.

The alternative hypothesis of this study, denoted as H_1 could be written as

H_1: There exists relation between market price and yield of the stocks in NEPSE.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

4.1 Statistical Analysis

While carrying out statistical analysis, we will mainly focus on two major components. The first would use the stock valuation model to examine if the current market price of equity stock correspond the derived value of the shares. In the second part, we will see the relationship between market price of the equity shares with earning per share, dividend per share, dividend pay out ratio, and net worth per share. Amongst these four indicators, the study would evaluate which value would best suit in Nepalese share pricing system.

4.1.1 Observation of Trend of Yielding Pattern and Market price

Table No: 4.1 Trend Analysis of Weighted Average Yield and Market Price Per Share

Fiscal Year	Net Worth	Cash Dividend	Bonus Share	Right Issue	Earning Per Share	Market Price Per Share
2005/06	177.55	57.74	2.25	1.90	65.92	1035.962
2006/07	188.03	48.85	2.82	6.73	74.15	1470.081
2007/08	184.47	43.17	21.61	23.54	77.17	1882.682
2008/09	219.43	86.05	5.87	9.63	142.23	2096.764
2009/10	238.44	81.71	8.01	12.04	183.09	1721.388

To calculate Average Net worth, Cash Dividend Bonus Share, Right Issue and Market Price Per share of Various Fiscal Year (2005/06 to 2009/10) we have taken respective Net worth as weight.

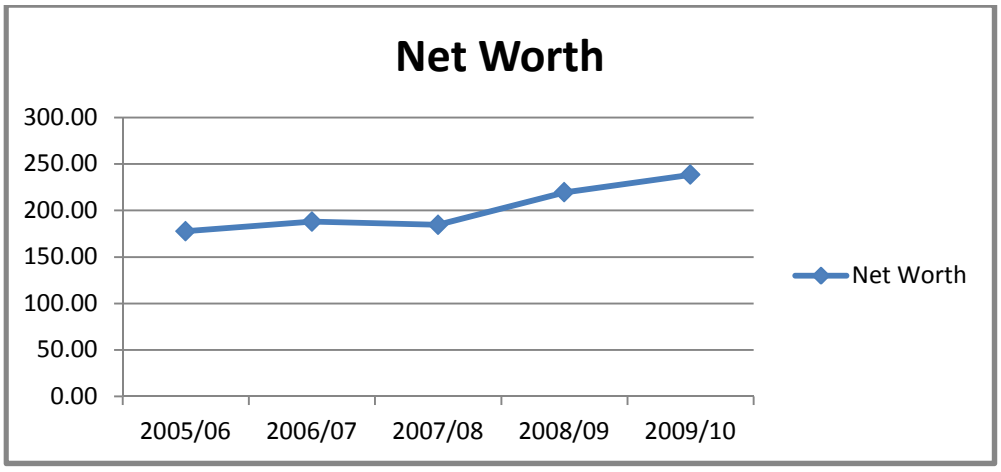


Figure 4.1 Trend analysis of Net worth

From Figure 4.1, it is found that the Net Worth per share is decreased in FY 2007/08 from 2006/07 and it tends increasing in the following years. It shows that average Net Worth of the companies is in increasing trend.

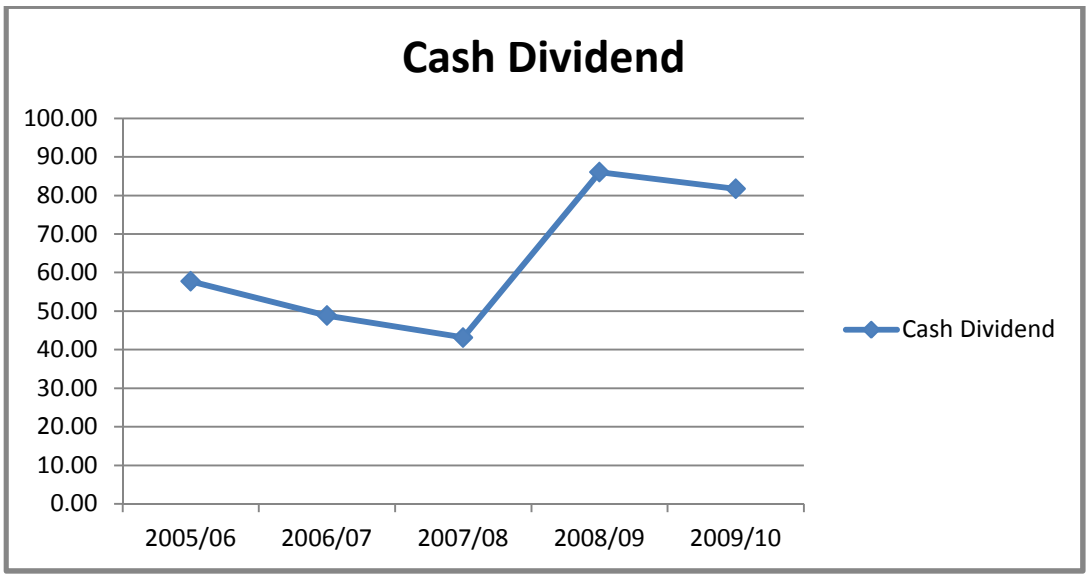


Figure 4.2: Trend Analysis of Cash Dividend

From the above Figure 4.2, average Cash Dividend per share is decreasing trend in fiscal year 2005/06 to 2007/08. In fiscal year 2008/09 Cash Dividend paid by the companies highly increased and in the following year it declines.

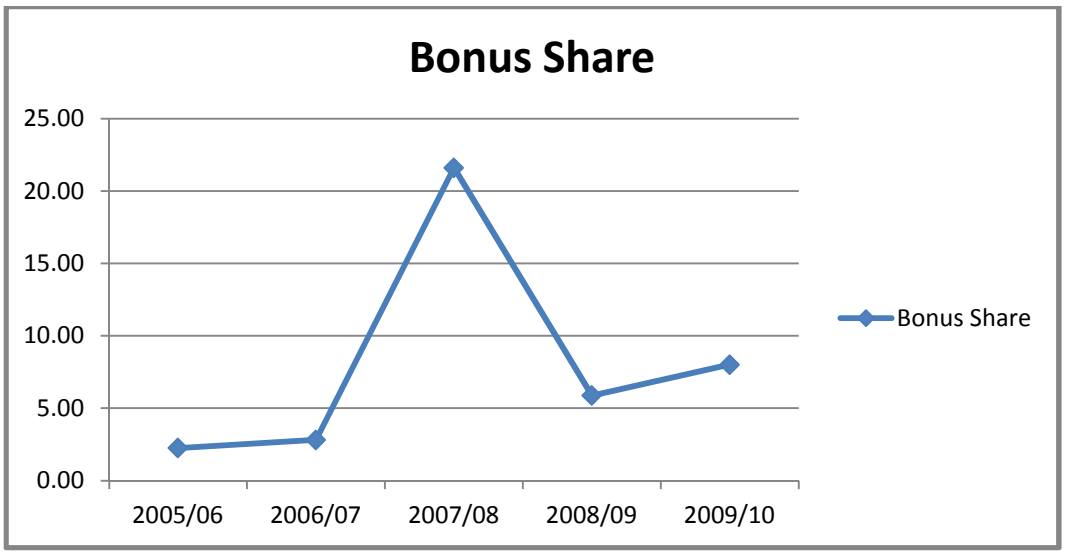


Figure 4.3 Trend Analysis of Bonus Share

In above Figure 4.3, Bonus Share declearde by the companies is increasing trend in fiscal year 2005/06 in fiscal year 2007/08 companies decleared bonus share highly and it decreased in 2008/09 and then increased in FY /10. From this Chart Bonus share decleared by the companies in various years is volatile.

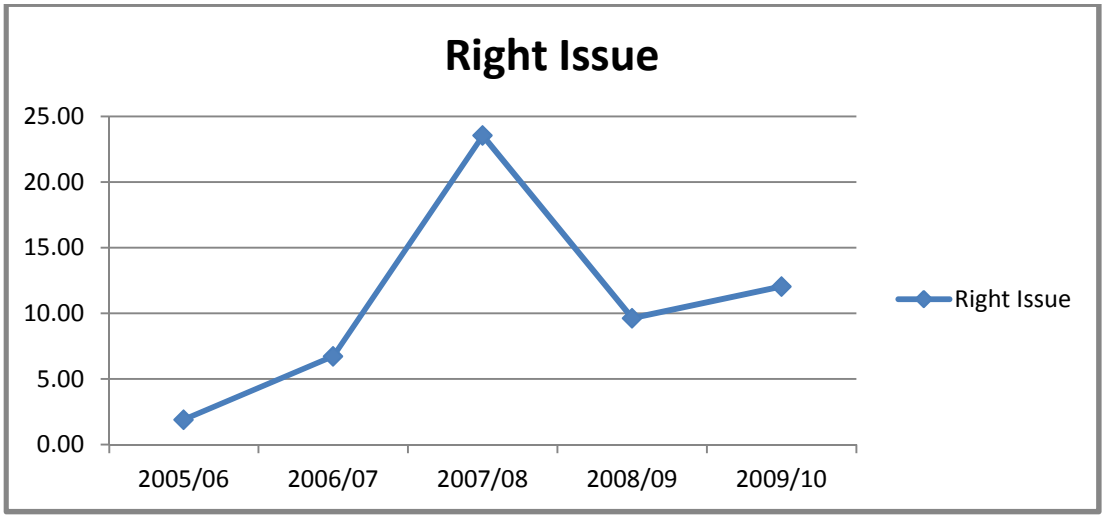


Figure No: 4.4 Trend Analysis of Right Issue

From the Figure 4.4, It seems Right Issue in the FY 200/06 to 2007/08 is increasing trend. In FY 2007/08 companies issued Higheer Right and Right issue in 2008/09 declined and it increases in 2009/10. Most of the companied issued right in 2007/08 in higher ratio.

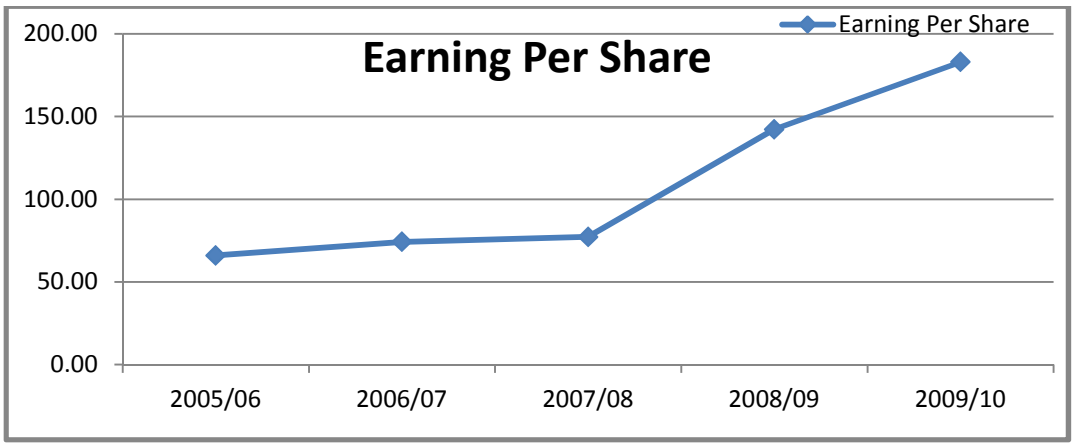


Figure No: 4.5 Trend Analysis of Earning Per Share

In above Figure No: 4.5, Earning Per Share of the companies is increasing trend. In FY 2008/09 Earnings Per Share is increased in higher ratio and after FY 2008/09 increasing ratio is decreased but it is still in increasing Trend.

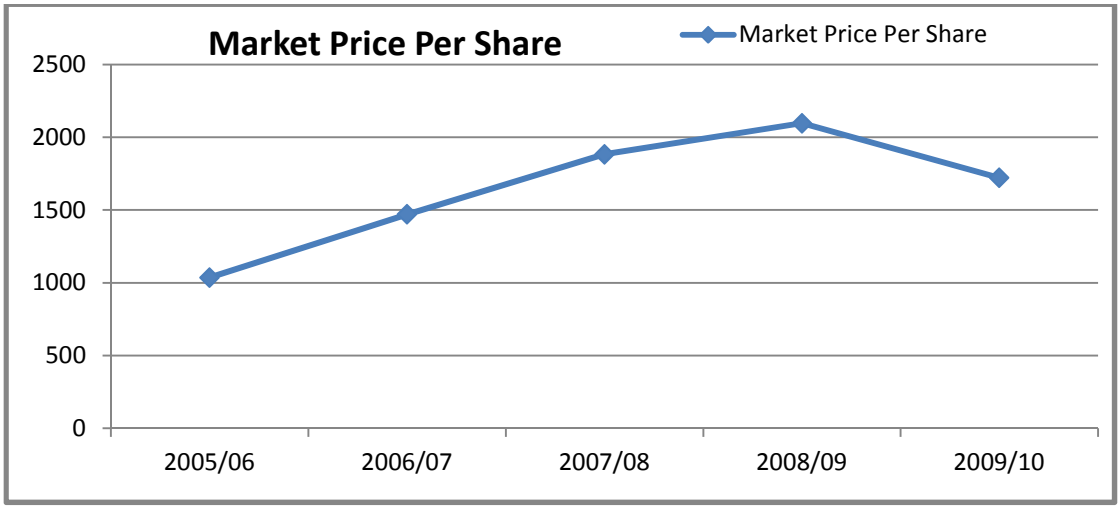


Figure No: 4.6 Trend Analysis of Market Price Per Share

In above Figure 5.6 Market Price Per Share is Bullish trend till FY 2007/08 and in 2008/09 its increasing ratio is decreased. In FY 2009/10 Market tends Bearish.

4.2 Analysis of Market Response

In this section, the regression analysis would be run for market price and the yield components for the data set of 2005/06 to see, what percent of the observed market value of share prices is explained by yield components. For the regression analysis, one explanatory variable would be either EPS or DPS and the other would be Net Worth per Share. If both EPS and DPS is included, or if Dividend Payout ratio and EPS/DPS is included as the explanatory variable the problem of multi-co-linearity would arise. So for simplicity two different set of simple and multiple regressions were run, the result of which is as follows.

4.2.1 Bivariate Correlation Analysisof Market Price Per Share with Cash Dividend, Bonus Share, Right Issue, Net Worth, Earning Per Share

Table 4.2 Descriptive Statistics of Commercial Banking Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	2463.4667	1869.54504	0.76	30
CashDividend	34.7713	37.24495	1.07	30
BonusShare	19.5115	18.58631	0.95	30
RightIssue	24.0000	63.82087	2.66	30
NetWorth	254.9947	107.96671	0.42	30
EPS	73.9180	42.85995	0.58	30

Table 4.3 Correlation Matrix of Commercial Banking Industries in NEPSE

		MPS	Cash Dividend	Bonus Share	Right Issue	Net Worth	EPS
MPS	Pearson Correlation	1	.800**	.480**	-.355*	.824**	.798**
	Sig. (1-tailed)		.000	.004	.027	.000	.000
Cash Dividend	Pearson Correlation	.800**	1	.073	-.271	.889**	.844**
	Sig. (1-tailed)	.000		.351	.073	.000	.000
Bonus Share	Pearson Correlation	.480**	.073	1	-.345*	.188	.270
	Sig. (1-tailed)	.004	.351		.031	.160	.075
Right Issue	Pearson Correlation	-.355*	-.271	-.345*	1	-.513**	-.562**
	Sig. (1-tailed)	.027	.073	.031		.002	.001
Net Worth	Pearson Correlation	.824**	.889**	.188	-.513**	1	.922**
	Sig. (1-tailed)	.000	.000	.160	.002		.000
EPS	Pearson Correlation	.798**	.844**	.270	-.562**	.922**	1
	Sig. (1-tailed)	.000	.000	.075	.001	.000	

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

a. Listwise N=30

The table given above (Table No 4.3) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net worth Per share and EPS of Commercial Banking Industry. It reflects that MPS of Commercial Banking Industry is positively correlated with DPS, BPS Net Worth and EPS. MPS is negatively correlated with Right Issue. It shows that there is significant relationship between MPS with Cash Dividend, Bonus Share, Right issue, Net worth and EPS. The above Table shows if there is 1% increased in Cash Dividend then MPS will increased by .8%. And so on in Bonus Share increased by 1% MPS will increased by .48%, Net Worth increased by 1% then MPS also increased by .335 % , If EPS is increased by 1% MPS also increased by .789%. If Right issue issued by 1% then MPS will decreased by .355%.

Table 4.4 Descriptive Statistics of Hotel Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	117.7000	76.91561	0.65	10
CashDividend	2.2629	4.77224	2.11	10
BonusShare	3.0000	6.74949	2.25	10
RightIssue	6.0000	18.97367	3.16	10
NetWorth	39.8450	23.83810	0.60	10
EPS	-1.4200	38.42801	-27.06	10

Table 4.5 Correlation Matrix of Hotel Industry in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	.689*	.668*	-.341	-.303	.180
	Sig. (1-tailed)		.014	.017	.167	.197	.309
CashDividend	Pearson Correlation	.689*	1	.946**	-.167	-.109	.163
	Sig. (1-tailed)	.014		.000	.323	.382	.327
BonusShare	Pearson Correlation	.668*	.946**	1	-.156	-.091	.154
	Sig. (1-tailed)	.017	.000		.333	.401	.336
RightIssue	Pearson Correlation	-.341	-.167	-.156	1	-.201	.687*
	Sig. (1-tailed)	.167	.323	.333		.289	.014
NetWorth	Pearson Correlation	-.303	-.109	-.091	-.201	1	-.769**
	Sig. (1-tailed)	.197	.382	.401	.289		.005
EPS	Pearson Correlation	.180	.163	.154	.687*	-.769**	1
	Sig. (1-tailed)	.309	.327	.336	.014	.005	

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).

a. Listwise N=10

The table given above (Table No 4.5) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net Worth per share and EPS of Hotel Industry. It reflects that MPS of Hotel Industry is positively correlated with Cash Dividend, Bonus Share and EPS. MPS is negatively correlated with Right Issue and Net worth. It shows that there is significant relationship between MPS with Cash Dividend, Bonus Share only at 5% level of significant. There is not significant relation of MPS with Right Issue Net worth and EPS. The above Table shows if there is 1% increased in Cash Dividend then MPS will increased by .689%.

And so on in Bonus Share increased by 1% MPS will increased by .668%, Net Worth increased by 1% then MPS be decreased by .303 % , EPS is increased by 1% MPS be decreased by .18%. If Right issue issued by 1% then MPS will decreased by .341%.

Table No: 4.6 Descriptive Statistics of Hydro Power Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	995.9220	484.89160	0.49	10
CashDividend	25.0000	10.80123	0.43	10
BonusShare	1.0000	3.16228	3.16	10
RightIssue	.0000	.00000		10
NetWorth	243.5190	115.45546	0.47	10
EPS	264.6850	649.39291	2.45	10

Table No: 4.7 Correlation Matrix of Hotel Industry in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	-.185	.068	.[a]	.168	-.611*
	Sig. (1-tailed)		.304	.426	.	.322	.030
CashDividend	Pearson Correlation	-.185	1	-.163	.[a]	-.393	.313
	Sig. (1-tailed)	.304		.327	.	.131	.189
BonusShare	Pearson Correlation	.068	-.163	1	.[a]	-.261	-.130
	Sig. (1-tailed)	.426	.327		.	.233	.360
RightIssue	Pearson Correlation	.[a]	.[a]	.[a]	.[a]	.[a]	.[a]
	Sig. (1-tailed)	.	.	.		.	.
NetWorth	Pearson Correlation	.168	-.393	-.261	.[a]	1	.114
	Sig. (1-tailed)	.322	.131	.233	.		.377
EPS	Pearson Correlation	-.611*	.313	-.130	.[a]	.114	1
	Sig. (1-tailed)	.030	.189	.360	.	.377	

a. Cannot be computed because at least one of the variables is constant.

*. Correlation is significant at the 0.05 level (1-tailed).

b. Listwise N=10

The table (Table No 4.7) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net Worth per share and EPS of Hydro Power Industry. It reflects that MPS of

Hydropower Industry is positively correlated with Bonus Share and Net worth. MPS is negatively correlated with Cash Dividend and EPS. The table shows that there is significant relationship of MPS with EPS only. The above Table shows if there is 1% increased in EPS then MPS will decreased by .611%.

Table No: 4.8 Descriptive Statistics of Trading Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	2708.0000	456.18034	0.17	5
CashDividend	54.0000	40.37326	0.75	5
BonusShare	19.0000	34.71311	1.83	5
RightIssue	.0000	.00000		5
NetWorth	155.7760	22.53745	0.14	5
EPS	75.8418	21.44819	0.28	5

Table No: 4.9 Correlation Matrix of Trading Industry in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	-.264	-.548	.[a]	.028	-.328
	Sig. (1-tailed)		.334	.170	.	.482	.295
CashDividend	Pearson Correlation	-.264	1	-.603	.[a]	-.285	.878*
	Sig. (1-tailed)	.334		.141	.	.321	.025
BonusShare	Pearson Correlation	-.548	-.603	1	.[a]	.451	-.601
	Sig. (1-tailed)	.170	.141		.	.223	.142
RightIssue	Pearson Correlation	.[a]	.[a]	.[a]	.[a]	.[a]	.[a]
	Sig. (1-tailed)	.	.	.	.	.	.
NetWorth	Pearson Correlation	.028	-.285	.451	.[a]	1	-.654
	Sig. (1-tailed)	.482	.321	.223	.		.116
EPS	Pearson Correlation	-.328	.878*	-.601	.[a]	-.654	1
	Sig. (1-tailed)	.295	.025	.142	.	.116	

a. Cannot be computed because at least one of the variables is constant.

*. Correlation is significant at the 0.05 level (1-tailed).

b. Listwise N=5

The table given above (Table No 4.9) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net worth Per share and EPS of Trading Industry. It reflects that MPS of

Trading Industry is positively correlated with Net Worth and EPS. MPS is negatively correlated with Cash Dividend, Bonus Share and Earning Per share. There is not any significant relationship of MPS with Cash Dividend, Bonus Share, Right Issue, Net Worth and EPS at 5% level of significant.

Table No: 4.10 Descriptive Statistics of Finance Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	318.2667	235.82649	0.74	30
CashDividend	2.4965	5.88435	2.36	30
BonusShare	8.8220	10.08222	1.14	30
RightIssue	47.6667	81.01440	1.70	30
NetWorth	124.2260	52.39714	0.42	30
EPS	15.6391	25.24608	1.61	30

Table No: 4.11 Correlation Matrix of Finance Industry in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	-.145	.107	.234	-.021	.180
	Sig. (1-tailed)		.222	.286	.107	.455	.171
CashDividend	Pearson Correlation	-.145	1	-.142	.168	.074	.010
	Sig. (1-tailed)	.222		.227	.187	.349	.479
BonusShare	Pearson Correlation	.107	-.142	1	.148	.294	.219
	Sig. (1-tailed)	.286	.227		.217	.058	.123
RightIssue	Pearson Correlation	.234	.168	.148	1	.017	.067
	Sig. (1-tailed)	.107	.187	.217		.464	.363
NetWorth	Pearson Correlation	-.021	.074	.294	.017	1	.759**
	Sig. (1-tailed)	.455	.349	.058	.464		.000
EPS	Pearson Correlation	.180	.010	.219	.067	.759**	1
	Sig. (1-tailed)	.171	.479	.123	.363	.000	

**. Correlation is significant at the 0.01 level (1-tailed).

a. Listwise N=30

The table given above (Table No 4.11) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net worth Per share and EPS of Finance Industry. It reflects that MPS of Finance Industry is positively correlated with Bonus Share Right Issue and EPS.

MPS is negatively correlated with Cash dividend and Net Worth. It shows that there is not any significant relationship between MPS with Cash Dividend, Bonus Share, Right issue, Net worth and EPS.

Table No: 4.12 Descriptive Stastics of Insurance Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	331.8667	209.75253	0.63	15
CashDividend	.3507	1.35813	3.87	15
BonusShare	10.8887	29.07189	2.67	15
RightIssue	24.0000	42.22389	1.76	15
NetWorth	209.2927	81.47766	0.39	15
EPS	27.0738	17.87424	0.66	15

Table No: 4.13 Correlation Matrix of Insurance Industry in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	-.062	.034	.382	.369	-.049
	Sig. (1-tailed)		.413	.452	.080	.088	.431
CashDividend	Pearson Correlation	-.062	1	-.104	-.157	-.199	-.044
	Sig. (1-tailed)	.413		.357	.288	.239	.438
BonusShare	Pearson Correlation	.034	-.104	1	.466*	-.232	-.314
	Sig. (1-tailed)	.452	.357		.040	.203	.127
RightIssue	Pearson Correlation	.382	-.157	.466*	1	-.419	-.503*
	Sig. (1-tailed)	.080	.288	.040		.060	.028
NetWorth	Pearson Correlation	.369	-.199	-.232	-.419	1	.482*
	Sig. (1-tailed)	.088	.239	.203	.060		.034
EPS	Pearson Correlation	-.049	-.044	-.314	-.503*	.482*	1
	Sig. (1-tailed)	.431	.438	.127	.028	.034	

*. Correlation is significant at the 0.05 level (1-tailed).

a. Listwise N=15

The table (Table No 4.13) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net worth Per share and EPS Insurance Industry. It reflects that MPS of Finance Industry is positively correlated with Bonus Share, Right Issue and Net worth. MPS is negatively correlated with Cash Dividend and EPS. The table shows that there is not any

significant relationship between MPS with Cash Dividend, Bonus Share, Right issue, Net worth and EPS. The null hypothesis is accepted.

Table No: 4.14 Descriptive Stastics of Development Banking Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	561.7857	338.73593	0.60	14
CashDividend	.9286	2.43261	2.62	14
BonusShare	1.4286	3.05625	2.14	14
RightIssue	46.7857	65.09186	1.39	14
NetWorth	113.9500	8.43446	0.07	14
EPS	10.9813	6.63977	0.60	14

Table No: 4.15 Correlation Matrix of Development Banking Industry in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	-.252	-.525*	-.211	-.268	-.462*
	Sig. (1-tailed)		.192	.027	.235	.177	.048
CashDividend	Pearson Correlation	-.252	1	.325	.054	.396	.560*
	Sig. (1-tailed)	.192		.128	.427	.081	.019
BonusShare	Pearson Correlation	-.525*	.325	1	-.091	.751**	.714**
	Sig. (1-tailed)	.027	.128		.378	.001	.002
RightIssue	Pearson Correlation	-.211	.054	-.091	1	-.043	.096
	Sig. (1-tailed)	.235	.427	.378		.442	.372
NetWorth	Pearson Correlation	-.268	.396	.751**	-.043	1	.887**
	Sig. (1-tailed)	.177	.081	.001	.442		.000
EPS	Pearson Correlation	-.462*	.560*	.714**	.096	.887**	1
	Sig. (1-tailed)	.048	.019	.002	.372	.000	

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).

a. Listwise N=14

The table (Table No 4.15) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net worth Per share and EPS of Development Banking Industry. The table reflects that MPS of Development Banking Industry is negatively correlated with Cash

Dividend, Bonus Share, Right issue, Net Worth and EPS. The table shows that there is significant relationship between Bonus share and EPS. The above Table shows if there is 1% increased in Bonus share MPD be decreased by .525% , If 1% increased in EPS then MPS be decreased by .462% at 5% level of significant.

Table No: 4.16 Descriptive Statistics of Manufacturing Industry in NEPSE

	Mean	Std. Deviation	CV	N
MPS	2136.9000	1703.71597	0.80	10
CashDividend	157.5000	170.39578	1.08	10
BonusShare	.0000	.00000		10
RightIssue	.0000	.00000		10
NetWorth	350.4030	255.51635	0.73	10
EPS	215.9605	223.12063	1.03	10

Table No: 4.17 Correlation Matrix of Development Banking Industry in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	.896**	.[a]	.[a]	.702*	.947**
	Sig. (1-tailed)		.000	.	.	.012	.000
CashDividend	Pearson Correlation	.896**	1	.[a]	.[a]	.576*	.862**
	Sig. (1-tailed)	.000		.	.	.041	.001
BonusShare	Pearson Correlation	.[a]	.[a]	.[a]	.[a]	.[a]	.[a]
	Sig. (1-tailed)	.	.		.	.	.
RightIssue	Pearson Correlation	.[a]	.[a]	.[a]	.[a]	.[a]	.[a]
	Sig. (1-tailed)	.	.	.		.	.
NetWorth	Pearson Correlation	.702*	.576*	.[a]	.[a]	1	.861**
	Sig. (1-tailed)	.012	.041	.	.		.001
EPS	Pearson Correlation	.947**	.862**	.[a]	.[a]	.861**	1
	Sig. (1-tailed)	.000	.001	.	.	.001	

**. Correlation is significant at the 0.01 level (1-tailed).

a. Cannot be computed because at least one of the variables is constant.

*. Correlation is significant at the 0.05 level (1-tailed).

b. Listwise N=10

The table (Table No 4.17) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net worth Per share and EPS of Manufacturing Industry. It reflects that MPS of Manufacturing Industry is positively correlated with DPS, Net Worth and EPS. It shows that there is significant relationship of MPS with DPS, Net Worth and EPS, Net worth and EPS. The above Table shows if there is 1% increased in Cash Dividend then MPS will increased by .896%., Net Worth increased by 1% then MPS also increased by .702 % , If EPS is increased by 1% MPS also increased by .947%.

Analysis of Correlation of Overall Market

Table No: 4.18 Descriptive Statistics of all Sector in NEPSE

	Mean	Std. Deviation	CV	N
MPS	561.7857	338.73593	0.60	14
CashDividend	.9286	2.43261	2.62	14
BonusShare	1.4286	3.05625	2.13	14
RightIssue	46.7857	65.09186	1.39	14
NetWorth	113.9500	8.43446	0.07	14
EPS	10.9813	6.63977	0.60	14

Table No: 4.19 Correlation Matrix of all sector in NEPSE

		MPS	CashDividend	BonusShare	RightIssue	NetWorth	EPS
MPS	Pearson Correlation	1	-.252	-.525*	-.211	-.268	-.462*
	Sig. (1-tailed)		.192	.027	.235	.177	.048
CashDividend	Pearson Correlation	-.252	1	.325	.054	.396	.560*
	Sig. (1-tailed)	.192		.128	.427	.081	.019
BonusShare	Pearson Correlation	-.525*	.325	1	-.091	.751**	.714**
	Sig. (1-tailed)	.027	.128		.378	.001	.002
RightIssue	Pearson Correlation	-.211	.054	-.091	1	-.043	.096
	Sig. (1-tailed)	.235	.427	.378		.442	.372
NetWorth	Pearson Correlation	-.268	.396	.751**	-.043	1	.887**
	Sig. (1-tailed)	.177	.081	.001	.442		.000
EPS	Pearson Correlation	-.462*	.560*	.714**	.096	.887**	1
	Sig. (1-tailed)	.048	.019	.002	.372	.000	

*. Correlation is significant at the 0.05 level (1-tailed).

**. Correlation is significant at the 0.01 level (1-tailed).

a. Listwise N=14

The table given above (Table No 4.19) shows the relation of MPS with Cash Dividend, Bonus Share, Right Issue, Net worth Per share and EPS of all Group of NEPSE except Other. It reflects that MPS is negatively correlated with Cash Dividend Bonus Share, Right Issue, Net worth and EPS. The Table shows that there is significant relation of MPS with Bonus Share and EPS. The above Table shows if there is 1% increased in Bonus Share increased by 1% MPS be decreased by .525%, If EPS is increased by 1% MPS be decreased by .462%.

4.2.2 Simple Regression Analysis

4.2.2.1 Relation between Cash Dividend and Market Price Per Share

Market Price Per Share and Cash Dividend Pearson's product-moment correlation

t = 8.582, df = 123, p-value = 3.397e-14

alternative hypothesis: true correlation is not equal to 0

95 percent confidence interval: 0.4889208 0.7111639

sample estimates: cor 0.6119845

Result: Due to p value is less than 0.05 (i.e.3.397e-14), the alternative hypothesis is accepted which mean there is significant relationship between Cash Dividend and Market Price Per Share.

Analysis of Variance Table (linear regression)

Response: Market Price Per Share

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Cash Dividend	1	95323870	95323870	73.65	3.394e-14 ***
Residuals	123	159195505	1294272		

---Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Due to Pr(>F) (i.e.3.394e-14) at 0.1% level of significant, the alternative hypothesis is accepted which mean there Market price per share is depend on cash dividend. Which Can Plot as:

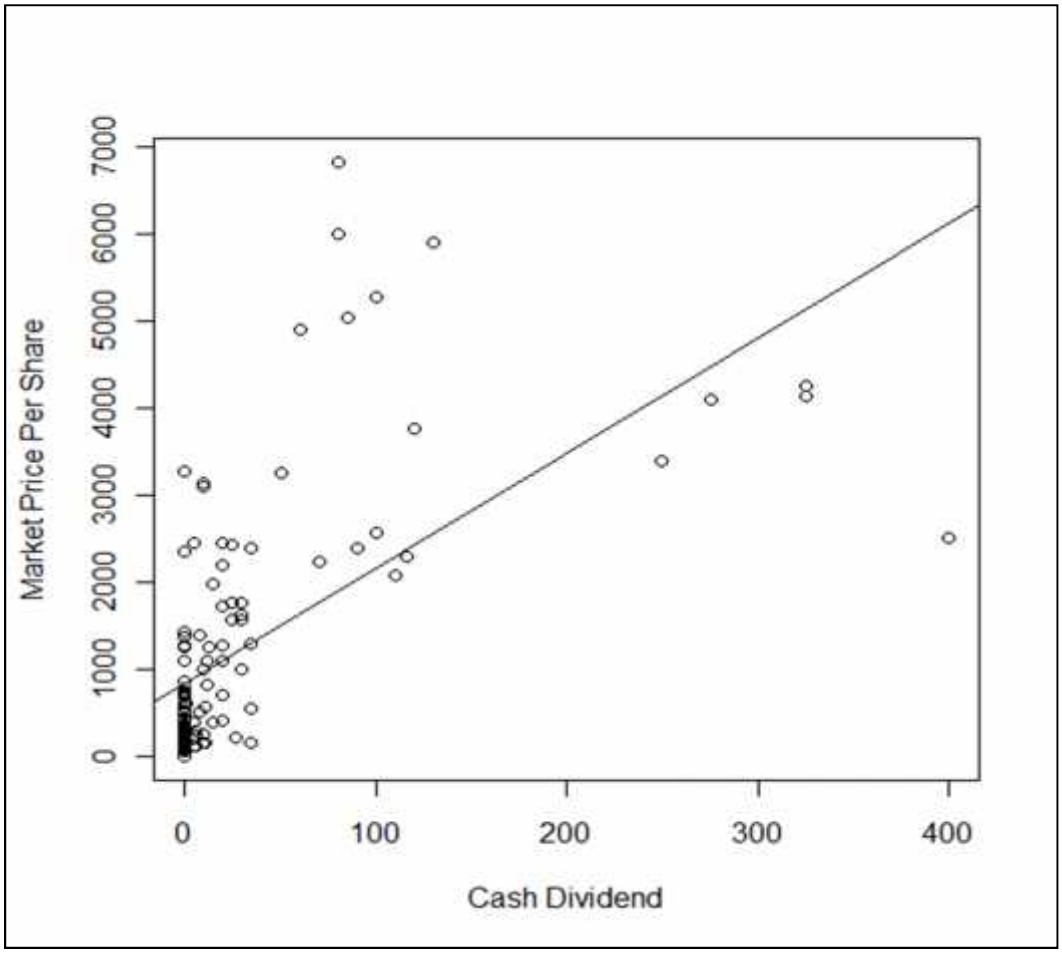


Figure No: 4.7 Regression Line between Market Price Per Share and Cash Dividend

4.2.2.2 Relation between Bonus Share and Market Price Per Share

Bonus Share and Market Price Per Share: Pearson's product-moment correlation

t = 3.7326, df = 123, p-value = 0.0002883
alternative hypothesis: true correlation is not equal to 0
95 percent confidence interval: 0.1518756 0.4683491
Sample estimates: cor 0.3189759

Result: Due to p value is less than 0.05 (i.e.0.0002883), the alternative hypothesis is accepted which mean there is significant relationship between Bonus Share and Market Price Per Share.

Analysis of Variance Table (linear regression)

Response: Market Price Per Share

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Bonus Share	1	25896233	25896233	13.932	0.0002883 ***
Residuals	123	228623142	1858725		

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Due to Pr(>F) (i.e.3.394e-14) at 0.1% level of significant, the alternative hypothesis is accepted which mean there Market price per share is depend on cash dividend. Which Can Plot as:

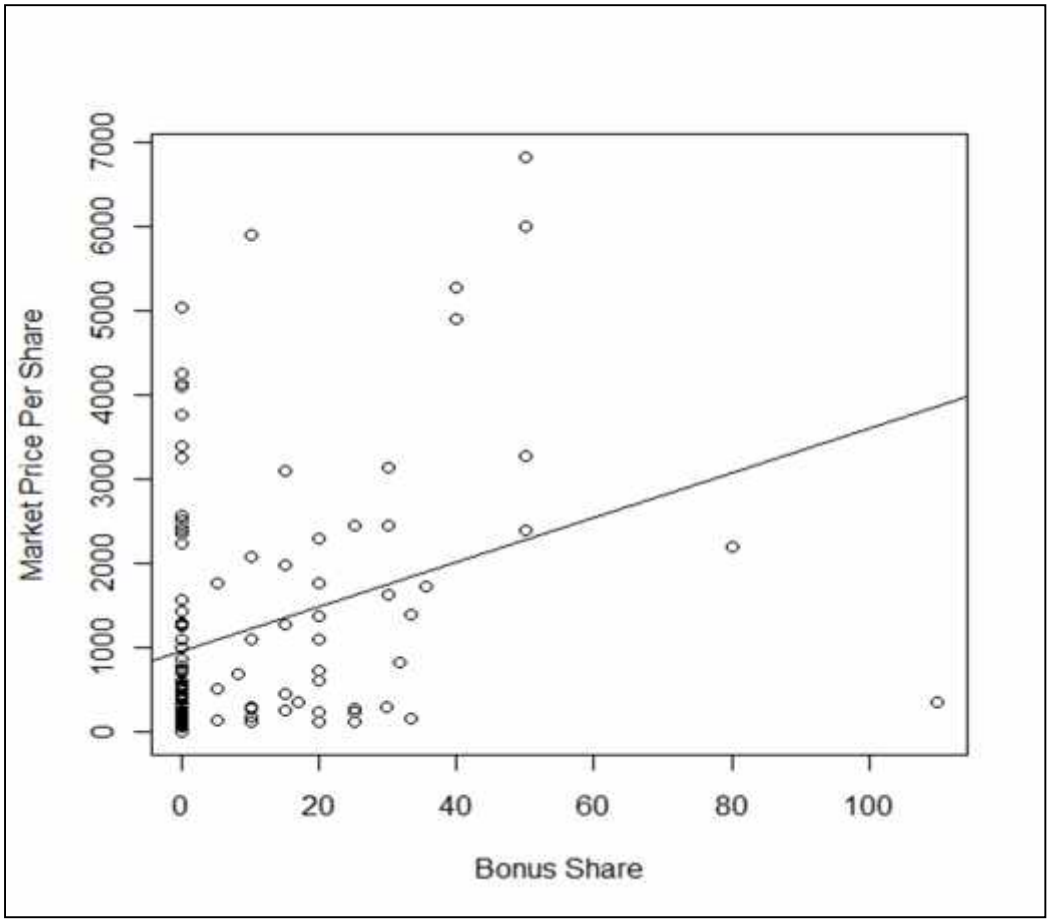


Figure No: 4.8 Regression Line between Market Price Per Share and Bonus Share

4.2.2.3 Relation between MARKET PRICE PER SHARE and Right Issue share issue

Market Price Per Share and Right Issue: Pearson's product-moment correlation

t = -2.4472, df = 123, p-value = 0.01581

alternative hypothesis: true correlation is not equal to 0

95 percent confidence interval: -0.37682470 -0.04143632

sample estimates: cor -0.2154759

Due to Pr(>F) (i.e.3.394e-14) at 0.1% level of significant, the alternative hypothesis is accepted which mean there with increase in rigth share market price per share decreases.

Analysis of Variance Table (linear regression)

Response: Market Price Per Share

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Right Issue	1	11817302	11817302	5.9889	0.01581 *
Residuals	123	242702073	1973188		

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Due to Pr(>F) (i.e.3.394e-14) at 1% level of significant, the alternative hypothesis is accepted which mean with increase in rigth share market price per share decreases.

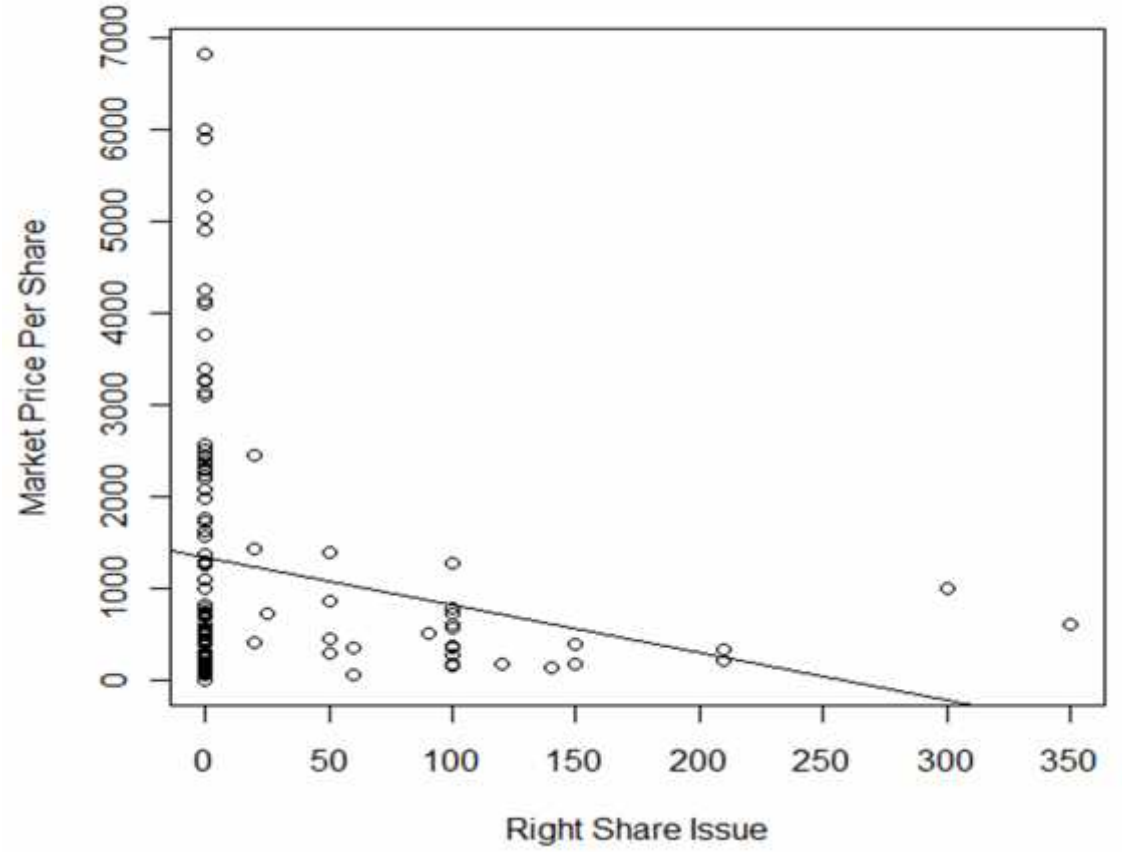


Figure No: 4.9 Regression Line between Market Price Per Share and Right Issue

4.2.2.5 Correlation between Net worth per share per share and market price

Market Price Per Share and Net Worth Per Share: Pearson's product-moment correlation

t = 9.5732, df = 123, p-value = 2.220e-16

alternative hypothesis: true correlation is not equal to 0

95 percent confidence interval: 0.5397494 0.7436944

sample estimates: cor 0.6534228

Analysis of Variance Table (linear regrression)

Response: Market Price Per Share

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Net Worth Per Share	1	108669944	108669944	91.645	< 2.2e-16 ***
Residuals	123	145849431	1185768		

Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

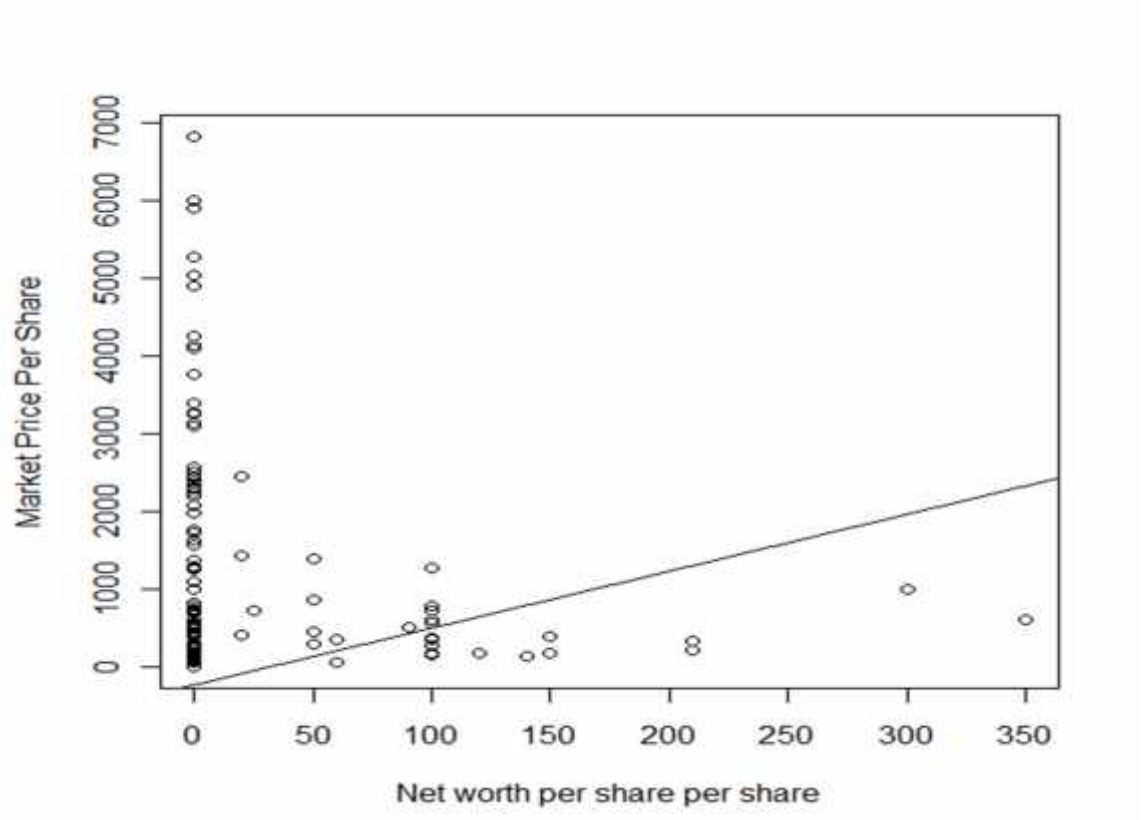


Figure No: 4.10 Regression Line between Market Price Per Share and Net Worth Per Share

4.2.2.6 Correlation between MARKET PRICE PER SHARE and EPS

Market Price Per Share and EPS: Pearson's product-moment correlation

t = 2.428, df = 123, p-value = 0.01663

alternative hypothesis: true correlation is not equal to 0

95 percent confidence interval: 0.03974667 0.37537166

sample estimates: cor 0.2138615

Analysis of Variance Table (Regression)

Response: Market Price Per Share

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
eps	1	11640884	11640884	5.8952	0.01663 *
Residuals	123	242878491	1974622		

Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

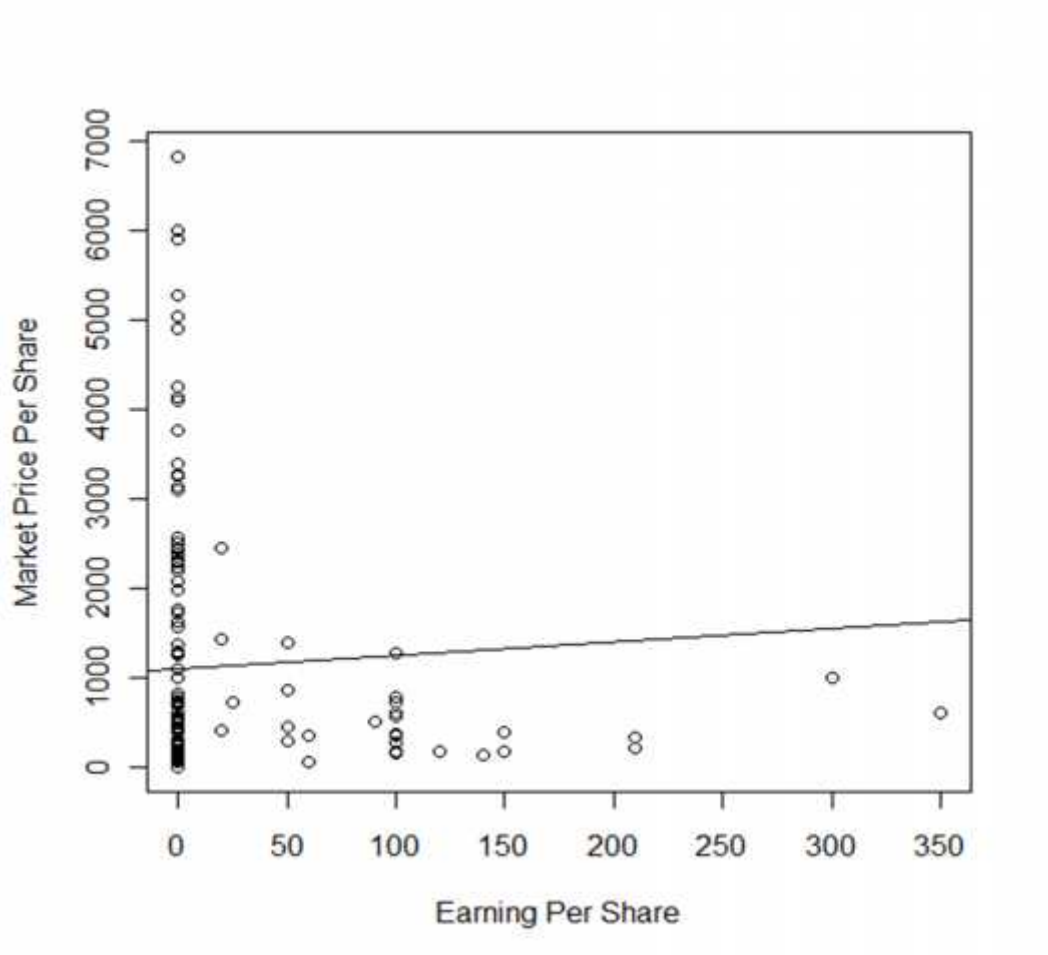


Figure No: 4.11 Regression Line between Market Price Per Share and EPS

The set of above table reveals that net worth per share (NWPS) – amongst the four indicators of yield of the company - best explains the market price behavior in the stock market. It explains 94.15 percent of the market price fluctuation in the stock market and the coefficient of NWPS is significant at 1 percent level of significance. Amongst the four indicators, the dividend payout ratio has the least explanatory capacity. We can see that the regression coefficient of DPY is not significant (t value is less than two and probability value is 0.223).

4.3 Multiple Regression Analysis

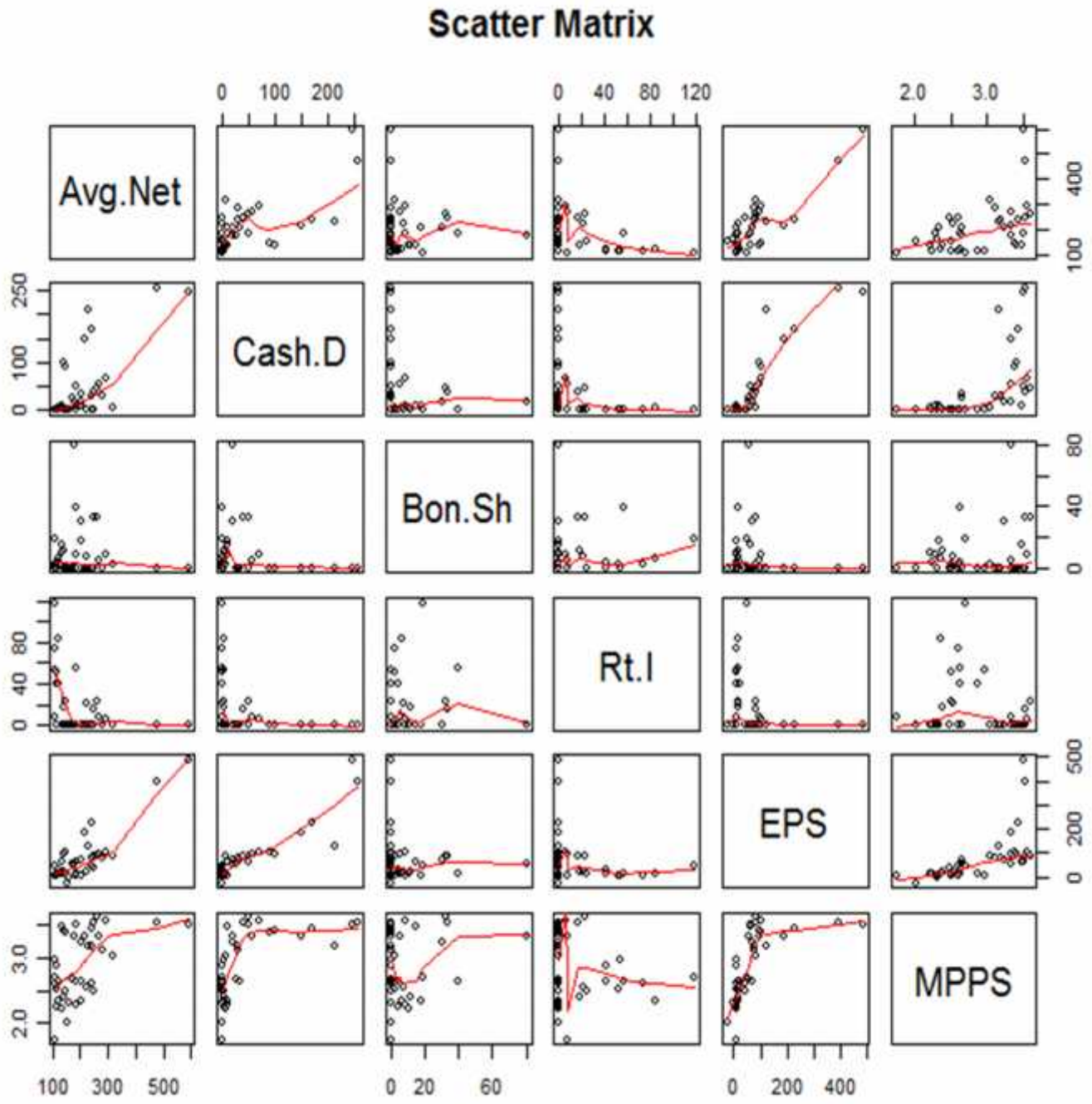
Multiple regression analysis for all sector

Response: MPPS

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
Net Worth	1	2.6365	2.63651	16.6409	0.0002578
***					
Cash Dividend	1	1.2065	1.20649	7.6151	0.0092554
**					
Bon Share	1	0.9206	0.92059	5.8105	0.0214861
*					
Right	1	0.0018	0.00181	0.0114	0.91553
EPS	1	0.1321	0.13208	0.8337	0.3676464
Residuals	34	5.3868	0.15844		

Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Using Multiple Regression Model the Variables NetWorth, Cash Dividend and Bonus Share were found Significant (ANOVA Table) . Which can presended in Scatter Matrix as:



Avg. Net- Net Worth Per Share	Cash.D- Cash Dividend Per Share	Bon.Sh- Bonus Share
Rt.I-Right Issue	EPS- Earning Per Share	MPPS- Market Price Per Share

Figure No: 4.12 Scatter Matrix of all sector

Manufacturing Industry

Analysis of Variance Table

Response: M.PS

	Df	Sum Sq	Mean Sq	F value	Pr(>F)
E.PS	1	23450338	23450338	103.3914	5.266e-05 ***
N.wps	1	1306869	1306869	5.7619	0.05327 .
C.Div	1	5758	5758	0.0254	0.87863
Residuals	6	1360868	226811		

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Using Multiple Regression Model the Variables EPS Significant (ANOVA Table).

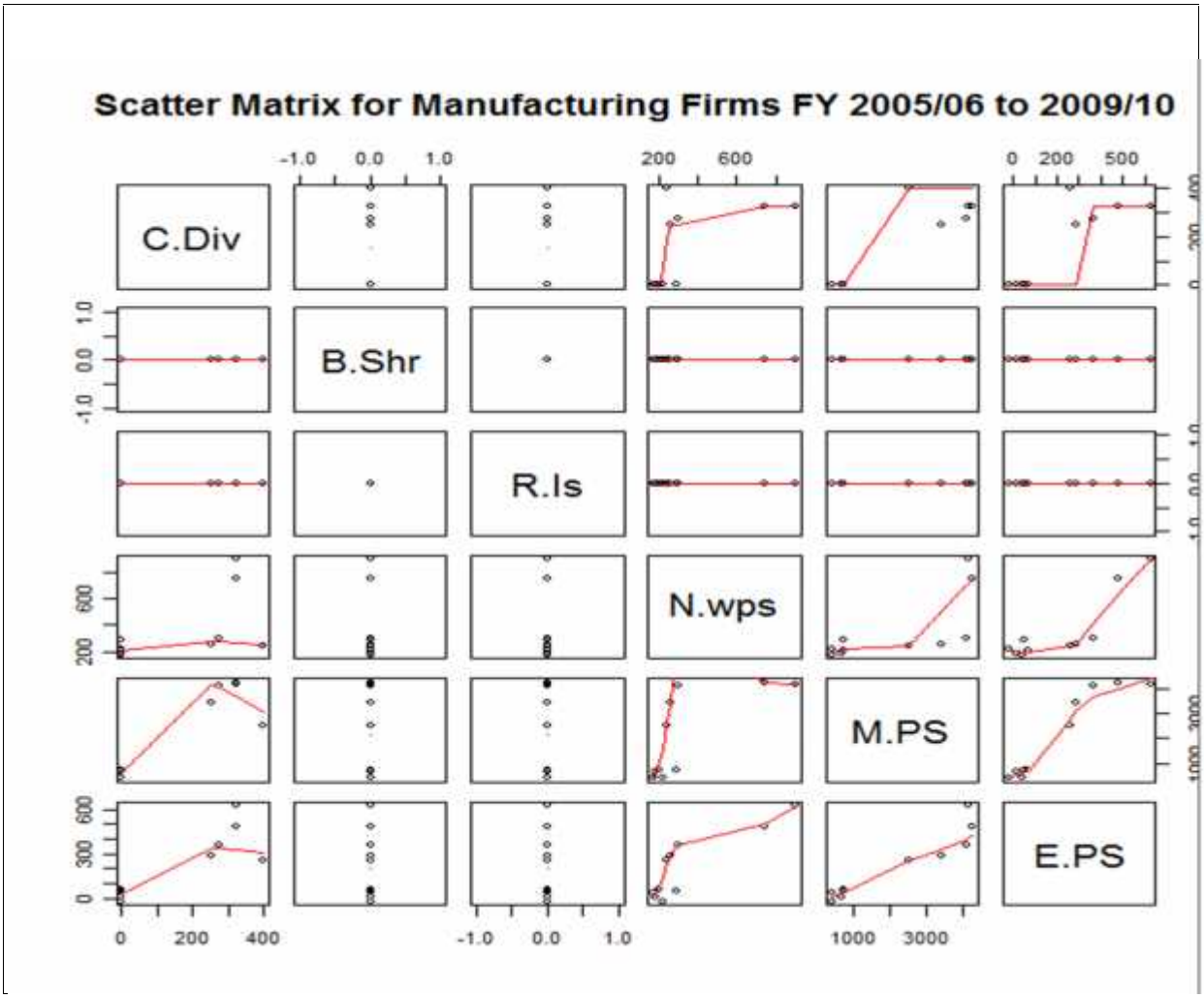


Figure No: 4.13 Scatter Matrix of Manufacturing Industry

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 NEPSE. Among these, 20 respondents were professional investors of Share investment, 15 were potential investors who are willing to invest in Share but have not invested yet 10 were graduate level student of Commerce and rest 5 were market analyzer and Professionals of Capital market.

4.4.2 Role of EPS in Stock Pricing in NEPSE

The responses for the question whether EPS is in the main factor for stock pricing or not gave the following results Presented in the following Table:

Table No: 4.20 Role of EPS in Stock Pricing in NEPSE

S.N.	Response	No of Respondent	Percentage
1	Strongly Agree	32	64
2	Agree	12	24
3	Undecided	4	8
4	Disagree	2	4
5	Strongly Disagree	0	0
Total		50	100

(Source: Field Survey, 2010)

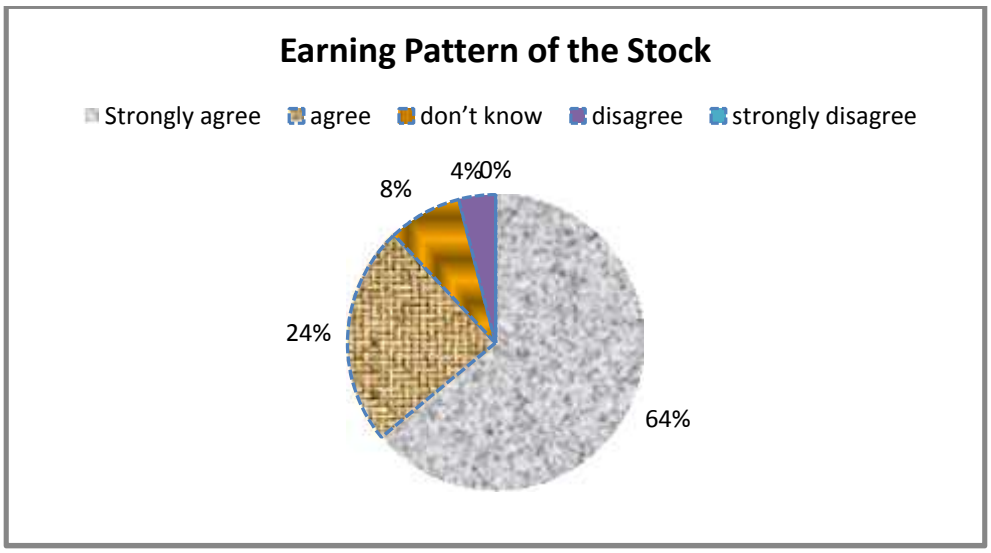


Figure No: 4.14 Role of Earning Pattern in Stock Pricing

Figure No. 4.12 shows that most of the respondents agreed that EPS is the main determiner of Share Price. 64% of the total respondents who agreed the statement strongly were highly convinced that EPS is the main determiner whereas 24% stated they agree the statement. In this way, 8% of the total respondent agreed the statement. Only remaining 4% stated they were either undecided or disagree. From this It can conclude that the investors think that EPS is the major tool for Nepalese investors analyze whether the organization is best enough to invest or not.

4.4.3 Role of Dividend Pattern in Stock Pricing in NEPSE

The responses of the respondents regarding the role of dividend pattern in Stock Pricing in NEPSE is summarized and presented in the following Chart.

Table No: 4.21 Role of Dividend Pattern in Stock Pricing in NEPSE

S. N.	Response	No of Respondent	Percentage
1	Strongly Agree	24	48
2	Agree	18	36
3	Undecided	5	10
4	Disagree	2	4
5	Strongly Disagree	1	2
Total		50	100

(Source: Field Survey, 2010)

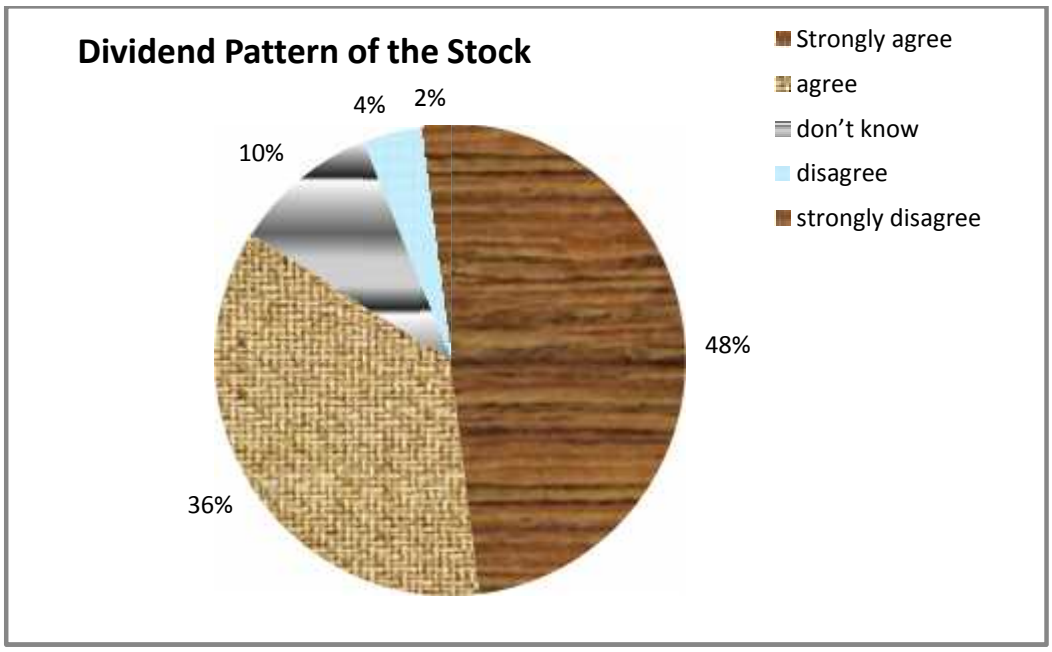


Figure No: 4.15 Role of Dividend Pattern in Stock Pricing

The above Chart describes that Dividend Pattern plays a great role on the Stock Pricing in NEPSE, 48% of the total respondents who agreed the statement strongly were highly convinced that Dividend Pattern is the main determiner whereas 36% stated they agree the statement. In this way, 10% of the total respondent agreed the statement. Only remaining 6% stated they were either undecided or disagree. From this It can conclude that the investors think that Dividend pattern is the major tool for Nepalese investors analyze whether the organization is best enough to invest or not. In other words Investor are expected dividend in their investment.

4.4.4 Role of Net Worth in Stock Pricing in NEPSE

Table No: 4.22 Role of Net worth in Stock Pricing in NEPSE

S.N.	Response	No of Respondent	Percentage
1	Strongly Agree	22	44
2	Agree	15	30
3	Undecided	6	12
4	Disagree	4	8
5	Strongly Disagree	3	6
Total		50	100

(Source: Field Survey, 2010)

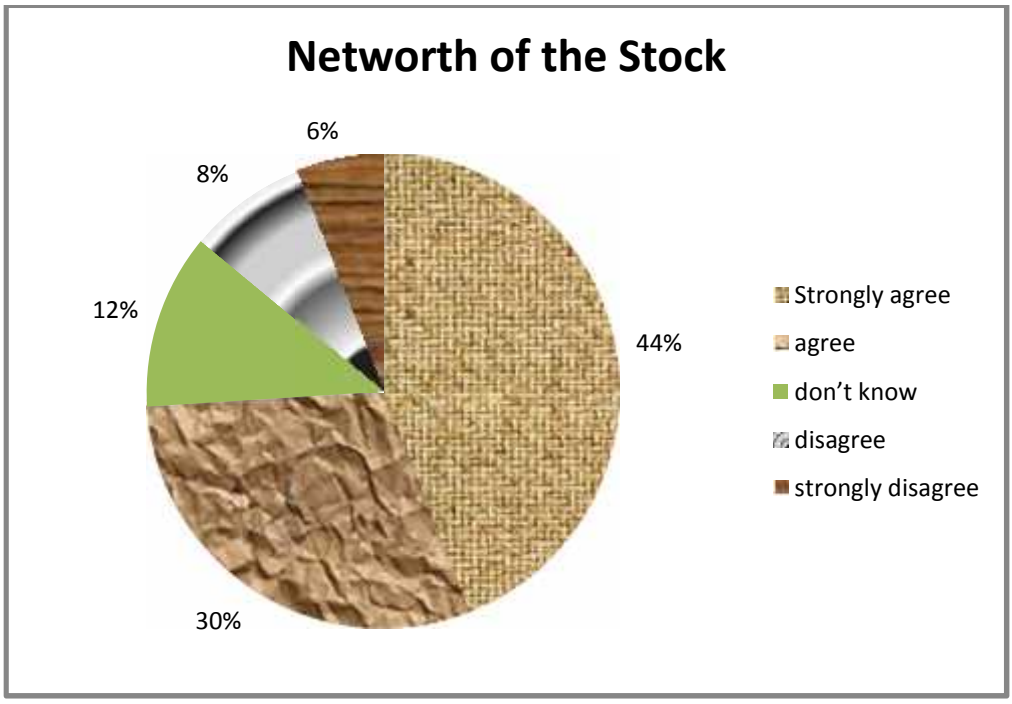


Figure No: 4.16 Role of Net Worth in Stock Pricing

The above Chart shows the Net worth of the stock plays vital roles in the stock Pricing. , 44% of the total respondents who agreed the statement strongly were highly convinced that Dividend Pattern is the main determiner whereas 30% stated they agree the statement. In this way, 10% of the total respondent agreed the statement. Only remaining 14% stated they were either undecided or disagree.

4.4.5 Role of the Politics and Stability of the Government in Stock Pricing in NEPSE

Table No: 4.23 Role of Politics in Stock Pricing in NEPSE

S.N.	Response	No of Respondent	Percentage
1	Strongly Agree	21	42
2	Agree	19	38
3	Undecided	3	6
4	Disagree	5	10
5	Strongly Disagree	2	4
Total		50	100

(Source: Field Survey, 2010)

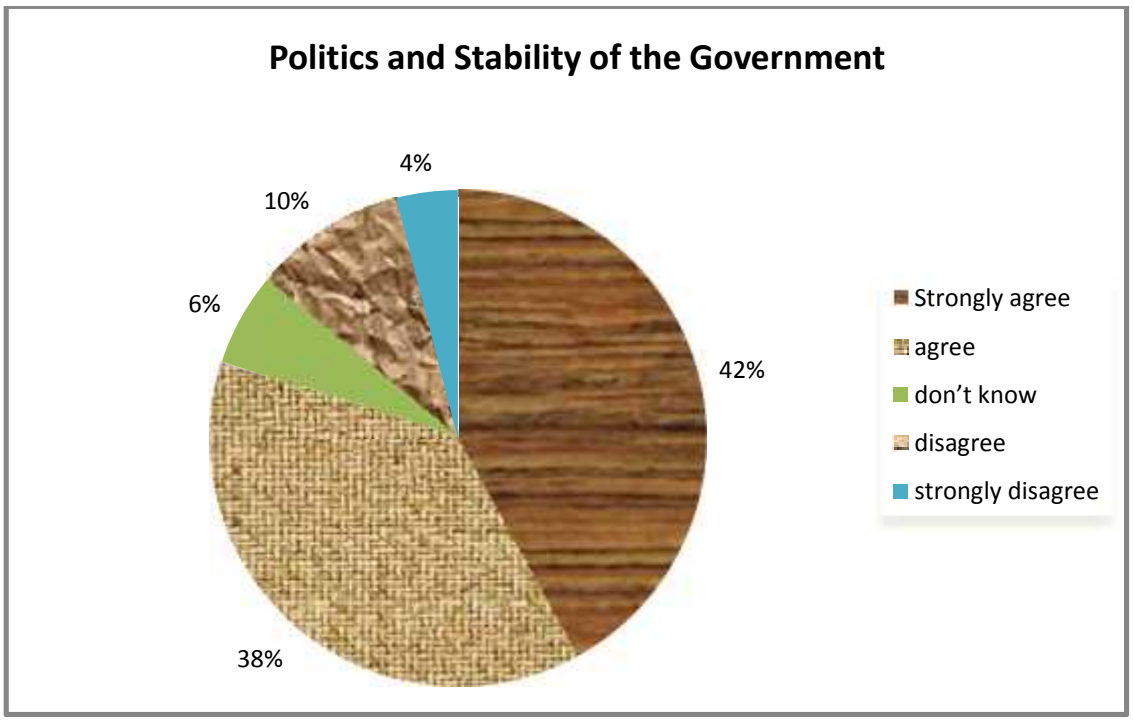


Figure No: 4.17 Role of Politics in Stock Pricing

The above Chart 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 80% of the total respondents agree they say that political situation cause the change in share price whereas 42% strongly agreed it. 6% were undecided and 14% said to disagree the statement.

4.4.6 Role of Risk Associated with the Stock in Stock Pricing

Table No: 4.24 Role of Politics in Stock Pricing in NEPSE

S.N.	Response	No of Respondent	Percentage
1	Strongly Agree	13	26
2	Agree	15	30
3	Undecided	11	22
4	Disagree	6	12
5	Strongly Disagree	5	10
Total		50	100

(Source: Field Survey, 2010)

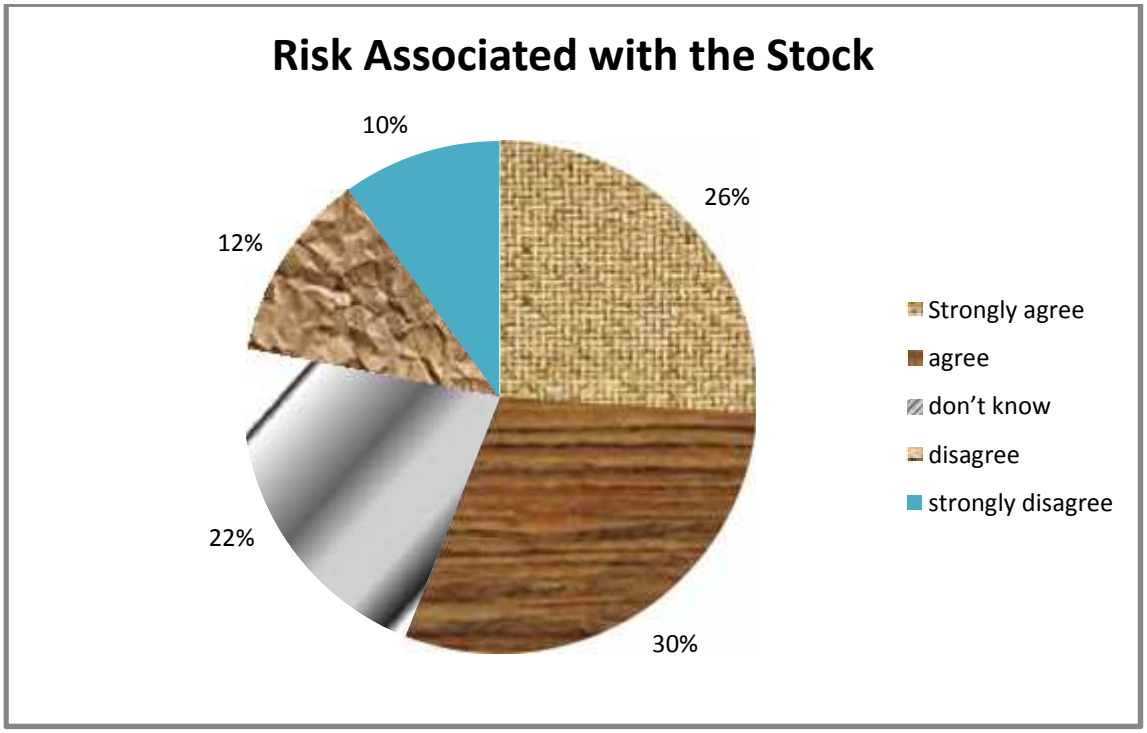


Figure No: 4.18 Role of Risk in Stock Pricing

The above Chart shows that the Risk associated of the stock is also responsible on the determination of share price if there is arises only calculated risk then the investor are willing to pay more for the same stock. It was revealed that 56% of the total respondents agree they say that risk associated with company cause the change in share price whereas 26% strongly agreed it. 22% were undecided and 22% said to disagree the statement.

4.4.7 Role of Market Information in Stock Pricing

Table No: 4.25 Role of Market Information in Stock Pricing in NEPSE

S.N.	Response	No of Respondent	Percentage
1	Strongly Agree	11	22
2	Agree	21	42
3	Undecided	7	14
4	Disagree	8	16
5	Strongly Disagree	3	6
Total		50	100

(Source: Field Survey, 2010)

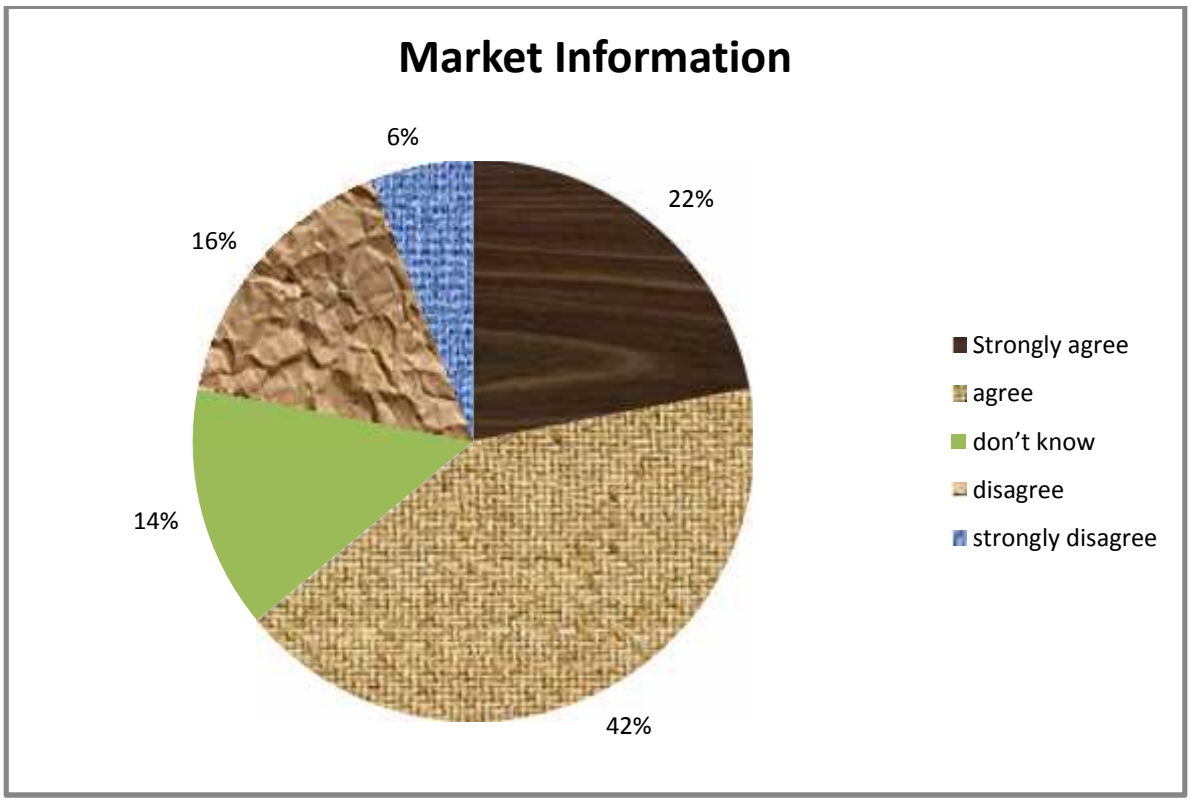


Figure No: 4.19 Role of Market Information in Stock Pricing

The above Chart shows that the Market Information towards the stock is also responsible on the determination of share price because positive news on market cause the increase in Share Price. It was revealed that 64% of the total respondents agree they say that risk associated with company cause the change in share price whereas 22% strongly agreed it. 14% were undecided and 22% said to disagree the statement.

4.4.8 Role of the Liquidity Position in the Market in Stock Pricing

Table No: 4.26 Role of Liquidity Position in Stock Pricing in NEPSE

S.N.	Response	No of Respondent	Percentage
1	Strongly Agree	13	26
2	Agree	17	34
3	Undecided	8	16
4	Disagree	7	14
5	Strongly Disagree	5	10
Total		50	100

(Source: Field Survey, 2010)

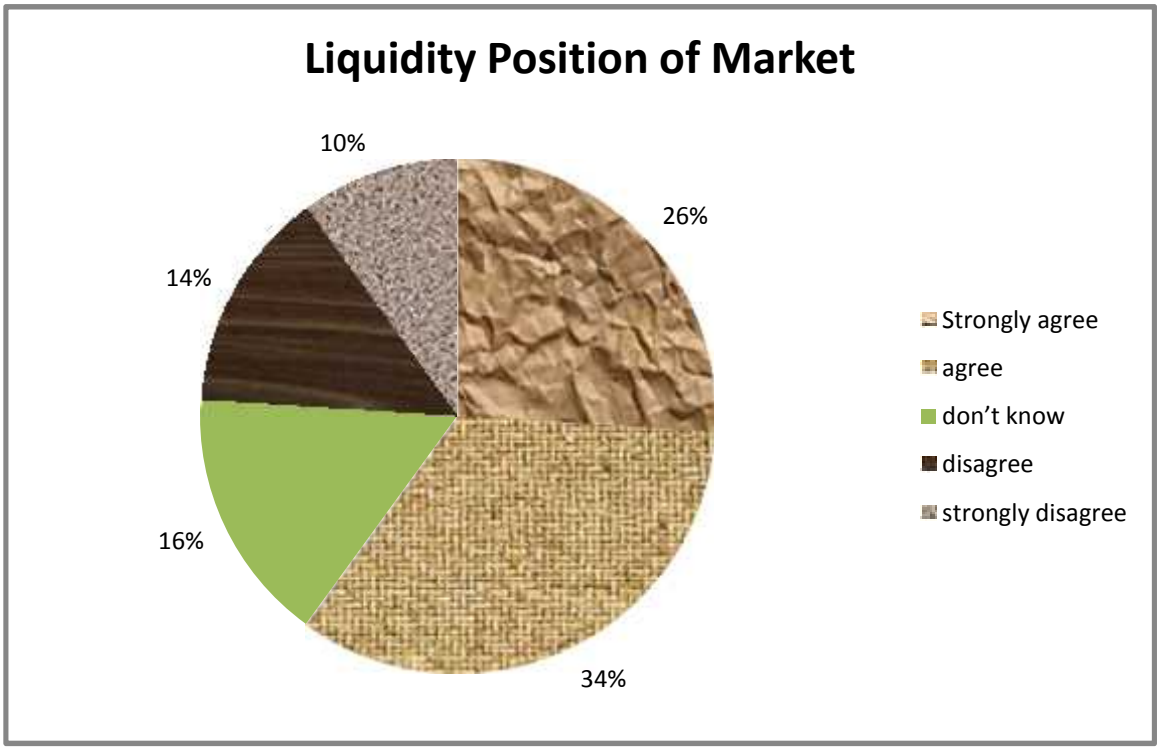


Figure No: 4.20 Role of Liquidity Position in Stock Pricing

The above Chart shows that the Liquidity Position of the Market also affect the share price because higher liquidity in market creates demand of the stock and it causes the increase in Share Price. It was revealed that 60% of the total respondents agree they say that the liquidity position of the market cause the change in share price whereas 26% strongly agreed it. 16% were undecided and 24% said to disagree the statement.

4.4.9 Role of Rumors and Whims of the Market in Stock Pricing

Table No: 4.27 Role of Rumors and Whims in Stock Pricing in NEPSE

S.N.	Response	No of Respondent	Percentage
1	Strongly Agree	15	26
2	Agree	18	30
3	Undecided	7	22
4	Disagree	4	12
5	Strongly Disagree	6	10
Total		50	100

(Source: Field Survey, 2010)

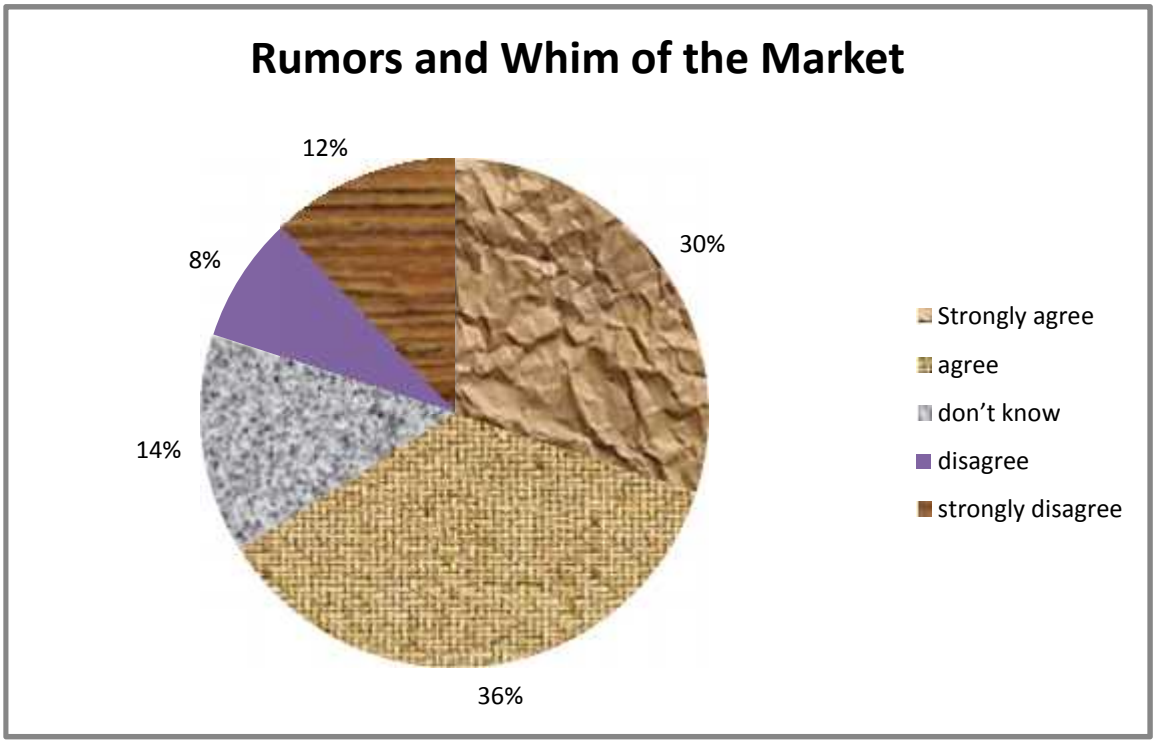


Figure No: 4.21 Role of Rumors and Whims in Stock Pricing

The above Chart shows that the Rumors and Whim affect the share price because rumors and whim speculates the market and positive Whim creates higher demand and vice versa. It was revealed that 66% of the total respondents agree they say that the rumours and whim affects the price of the stock whereas 30% strongly agreed it. 14% were undecided and 24% said to disagree the statement.

Major Findings

Primary Data Analysis

Most of the respondents agreed that EPS is the main determiner of Share Price; as well as Net worth of the stock, Dividend Pattern, Risk associated of the stock, Market Information towards the stock and Liquidity Position of the Market are important factors in determining the share prices.

Rumors and whim affect the share price because rumors and whim speculates the market and positive whim creates higher demand and vice versa. The national political environment is also responsible in share price determination because more political fluctuations cause the decrease in Share Price.

Secondary Data Analysis

Although in FY 2005/06 and 2006/07 Cash dividend per share decreased Market Price is in Bullish Trend because of the favorable Market Information and right declaration of the various companies. In FY2008/09 and 2009/10 Earnings Per Share is increased but Increasing ratio of the market share is decline in 2008/09 and in 2009/10 market tends bearish.

MPS of Commercial Banking Industry is positively correlated with DPS, BPS Net Worth and EPS. MPS is negatively correlated with Right Issue. It shows that there is significant relationship between MPS with Cash Dividend, Bonus Share, Right issue, Net worth and EPS.

MPS of Hotel Industry is positively correlated with Cash Dividend, Bonus Share and EPS. MPS is negatively correlated with Right Issue and Net worth. It shows that there is significant relationship between MPS with Cash Dividend, Bonus Share only at 5% level of significant. There is not significant relation of MPS with Right Issue Net worth and EPS

that MPS of Hydropower Industry is positively correlated with Bonus Share and Net worth. MPS is negatively correlated with Cash Dividend and EPS. The table shows that there is significant relationship of MPS with EPS only

MPS of Trading Industry is positively correlated with Net Worth and EPS. MPS is negatively correlated with Cash Dividend, Bonus Share and Earning Per share. There is not any significant relationship of MPS with Cash Dividend, Bonus Share, Right Issue, Net Worth and EPS at 5% level of significant.

MPS of Finance Industry is positively correlated with Bonus Share Right Issue and EPS. MPS is negatively correlated with Cash dividend and Net Worth. It shows that there is not any significant relationship between MPS with Cash Dividend, Bonus Share, Right issue, Net worth and EPS.

MPS of Finance Industry is positively correlated with Bonus Share, Right Issue and Net worth. MPS is negatively correlated with Cash Dividend and EPS. The table shows that there is not any significant relationship between MPS with Cash Dividend, Bonus Share, Right issue, Net worth and EPS. The null hypothesis is accepted.

MPS of Development Banking Industry is negatively correlated with Cash Dividend, Bonus Share, Right issue, Net Worth and EPS. The table shows that there is significant relationship between Bonus share and EPS

MPS of Manufacturing Industry is positively correlated with DPS, Net Worth and EPS. It shows that there is significant relationship of MPS with DPS, Net Worth and EPS, Net worth and EPS

MPS is negatively correlated with Cash Dividend Bonus Share, Right Issue, Net worth and EPS. The Table shows that there is significant relation of MPS with Bonus Share and EPS

For all sector for sample years Using Multiple Regression Model the Variables NetWorth, Cash Dividend and Bonus Share were found Significant with Market Price Per Share.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

A rational investor would purchase equity shares with an anticipation of good returns in future. The return could be in the form of capital gains, dividends or growth in terms of share holding. The decision to pricing of stock is not only guided by the financial performance of the institution; other developments taking place in the market, the entire economy and the financial system also are also determinant of stock Pricing.

The general understanding that share prices fluctuate with the financial performance of the institution may not always be true in the developing countries. The market imperfection, mainly due to distorted flow of information, lack of awareness of the investor, lack of skills to analyze the financial health and unhealthy market competition may lead to spurious decision while purchasing equity shares. There are some cases arises in market that stock prices of companies having less net worth and lower level of earnings per share are higher than those having higher net worth and higher earnings per share. Interestingly, Bullish Market trend was observed in declining trend of Net worth and dividend per Share where as Bearish Trend of the Market was observed for increasing Net worth and Earning Per Share. This is not true in the Efficient Market. In such market, the market price of a corporate share moves along with the financial performance of that company, which in turn depends on overall market performance and the future prospects. It is believed that market is efficient in pricing shares in such market.

5.2 Conclusion

This study examines the relationship between share prices and the yield of the company – measured in the form of Cash Dividend, Bonus Share, Right Issue, Net worth, Earning per Share. It is assumed that good relation between share prices and these indicators would mean that our stock market is efficient in stock pricing. Therefore this study has primarily focused on establishing interrelationship between market price of the stock and the yield indicators.

In this study, for the last few years it has been noticed that there is a significant fluctuations in prices of corporate shares even without significant changes in profitability situation of the company.

Market price should be positively correlated with other indicator except right share however in this case negative correlation of MPS is observed with other indicators. Whereas investor response that MPS and other indicators should be positively correlated.

5.3 Recommendations

The findings of the study reveal that change in market price of the stock is not significant when yield pattern of the stock fluctuates. This was mainly due to ignorance and improper access to financial health of the company. It is recommended that the investors should be conscious while purchasing equity shares. The following suggestions can be recommended regarding the share price of the Nepalese Stocks.

Since general public are unaware about the share and share market, an organized effort is necessary to aware the public about it. A separate department in NEPSE or an independent organization is recommended which analyze inform and create the awareness within the emerging potential investor about share and share Market through different approaches like seminars, conference or print and 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 a 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 future development of share market. A mechanism to take immediate action for the faulty company is to be established.

The investors are recommended to analyze the financial performance of the company before making their investment decision. They are required to boost their knowledge up regarding share and share market to get the expected returns from their investment at calculated level of risk.

An open policy to encourage and promote foreign investment in Nepalese stock would be fruit full to strengthen the share market of Nepal considering the fact of present globalization.

The public companies should provide up-to date information to the present and potential investors regularly so that investor could be informed.

For the clear and absolute result regarding the study a population study of whole share market for a longer period is required. This study provides only factual information about the relation between Yield behavior of the stock and stock pricing.

BIBLIOGRAPHY

Books:

Barley, Richard and Myers Steward C. (1999), "*Principles of Corporate Finance*", New York: McGraw Hill International Edition.

Bhattarai, Rabindra, (2005), "*Capital Structure Management, Theory & Practice*", Kathmandu: Dhaulagiri Books.

Bhattrai, Rabindra (2005), "*Investments, Theory & Practice*", Kathmandu: Dhaulagiri Books.

Blank, David (1992),"*Financial Market Analysis",* New York: McGraw Hill Series in Finance.

Brigham E. F., Gapenski L. C. (1999), *"Intermidiate Financial Management*", USA: The Dryden Press.

Chandan Jits (2002), "*Statistics for Business and Economics",* New Delhi: Vikas Publishing House.

Chaney, John M., and Edward A. Moses (1992), "*Fundamentals of Investments*", New York: West Publishing House.

Cheney, J., Moses E.A. (1998), "*Fundamentals of Investments*", New York: West Publishing Company.

Famma and Miller (2002), *"The Theory of Finance"*, New York: The Dryden Press.

Francis J.C., Sharpe W.F., Alexander G.J., Bailey J.V. (2003), *"Investments: Analysis and Management"*, New York: McGraw Hill.

Francis, J.C. (1991), *"Investments: Analysis and Management"*, New York: McGraw Hill.

Gitman, L. J. (2000), *"Principals of Managerial Finance"*, New York: Harper and Row Publishers.

Gujrati Damodar (1984), "*Basic Econometrics", (4th Edition).* New York: McGraw Hill International Book Company.

Gupta, S. C. (1999), *"Fundamentals of Statistics"*, New Delhi: Himalaya Publishing House.

Joshi, P. R. (2001), *"Research Methodology"*, Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.

Mahat R.S. (1981),"*Capital Market, and Industrial Finance in Nepal*", Kathmandu: Sajha Prakashan.

.

Pandey I.M. (1978), "*Financial Management*", New Delhi: Vikash Publishing House Pvt. Ltd.

Sundaram (1980), *"Stationary of Market Risk: Random Coefficient Test for individual Stocks"*, New Delhi: Prentice Hall of India.

Van Horne J.C. (2002), "*Financial Management & Policy*", New Delhi: Prentice Hall of India.

Van Horne, J.C. & Wachowicz, J. M. Jr. (2000), *"Fundamentals of Finance Management"*, New Delhi: Prentice Hall of India.

Weston & Brigham (1996), "*Essentials of Managerial Finance*", USA: The Dryden Press.

Weston, J.F., and Thomas, E. Copeland (1992), "*Managerial Finance*", New York: The Dryden Press.

Master's Level Thesis:

Bhatta, Gopal Prasad (1995)," A *Study of Performance of Listed Companies in Nepal*", Kathmandu: An Unpublished Master's Degree Thesis, TU.

Bhattrai, Prakriti, (2006), "*Stock Price Behavior of Financial Institutions and Commercial Banks*", Kathmandu: Tribhuvan university.

Dahal, Bachhu Ram (2002), "*Stock Market Behavior of Listed Joint Stock Companies in Nepal*", Kathmandu: An Unpublished Master's Degree Thesis, Shanker Dev Campus T.U.

Dhamala, Kiran. (2004), "*Determinants of Share Price in Nepalese Financial Market"*, Kathmandu: Tribhuvan University.

Gautam Rishi Raj (1998), "*Dividend Policy in Commercial Banks*", Kathmandu: An Unpublished Master's Degree Thesis, TU.

Giri, Aparna (2005), *"A Study on Share Price Behaviour of Listed Commercial Banks"*, Kathmandu: Tribhuvan University.

Ojha, Khagendra Prasad (2000), "*Financial Performance and Common Stock Financing*", Kathmandu: An Unpublished Master's Degree Thesis, TU.

Poudel Laxman (2001), "*A Study on Share Price Movements of Joint Venture Commercial Banks in Nepal*", Kathmandu: An Unpublished Master's Degree Thesis, TU.

Shrestha, Prabin (2006), *"Share Price Behaviour of Listed Commercial Banks Listed in NEPSE"*, Kathmandu: Tribhuvan University.

Shrestha, Surya Chandra (1999), "*A Study on Stock Price Behavior in Nepal*", Kathmandu: An Unpublished Master's Degree Thesis, Public Youth Campus TU.

Timilsina, Sadakar (1997), "*Dividend and Stock Prices and Empirical Study*, "An Unpublished Master's Degree Thesis, TU.

Journals and Articles:

Fama Eugene F. Jan (1965), "*The Behavior of Stock Market Prices",* Journal of Business. Vol. 37:34-105.

Gordon, Mayron J. (1962), "*The Investment, Financing and Valuation of Corporation*", Homewood III: Richard D. Irwin.

Michele, Roni, Richard H. Thaler and Wamack, L. Kent (1995) "*Price Reactions to Dividend Initiations and Omissions: Overreaction of Drift*", Journal of Finance XXVII: 209-218.

Nepal Stock Exchange (2005/06, 2006/07, 2007/08, 2008/09, 2009/10) *Annual Trading Report*

Securities Exchange Board of Nepal, *Annual Report (2004/05 to 2009/10).*

Shrestha, M.K. (1992), "*Shareholder's Democracy and Annual General Meeting Feedback"*, Kathmandu: Portfolio Nepal Analysis Publication.

Shrestha, Manohar K. (1999), "*Why Share Market is Inactive? Problems and Measures",* Nepal Bank Patrika, Nepal Bank Ltd. Vol. 28 No.7.

Timilsina, Y. (2001),"*Capital Market Development and Stock Price Behavior in Nepal*", *Economic Review*. Nepal Rastra Bank.

Walter, James E. (1963), *"Dividend Policy: It's Influence on the Value of Enterprise"*, Journal of Finance

Websites:

www.bseindia.com

www.cfainstitute.org

www.nepalsharemarket.com

www.nepalstock.com

www.nrb.org.np

www.nseindia.com

www.sebonp.com

Pro-forma of Structured Questionnaire

A survey of Yield Behavior of Stock and Stock Pricing in NEPSE

Name (optional):..... Position:..... Institution.....

Gender : M [ ] F [ ] Age: _____

Occupation (Tick Appropriate)

[ ] Professional Investor

[ ] Potential Investor

[ ] Market Analyzer

[ ] Others (Specify)

Academic Qualification (Tick Appropriate)

[ ] Under SLC

[ ] Higher Secondary

[ ] Graduate

[ ] Post Graduate

How far do you agree/disagree with the following statements? (Please tick -mark at the appropriate number as per following scheme)

1= strongly agree 2= Agree 3= don't know

4= Disagree 5= strongly disagree

SN	Statement	1	2	3	4	5
1	Higher the EPS, higher would be the share price.					
2	Higher the DPS/cash dividend, higher would be the share price.					
3	Higher the book value per share, higher would be the share price.					
4	Share price are also affected by the instability of the government					
5	Higher the risk associated with a Company, higher would be the share price.					
6	Information on favorable future prospect would increase market price of share.					
7	Share price increases with the increase in liquidity in market					
8	Rumors and whims affects share price					

Annex 2

Summary of Public Response Towards Questionare

SN	Statement	Strongly agree	agree	don't know	disagree	strongly disagree
1	Higher the EPS, higher would be the share price.	32	12	4	2	0
2	Higher the DPS/cash dividend, higher would be the share price.	24	18	5	2	1
3	Higher the book value per share, higher would be the share	22	15	6	4	3

	price.					
4	Share price are also affected by the instability of the government	21	19	3	5	2
5	Higher the risk associated with a Company, higher would be the share price.	13	15	11	6	5
6	Information on favorable future prospect would increase market price of share.	11	21	7	8	3
7	Share price increases with the increase in liquidity in market	13	17	8	7	5
8	Rumors and whims affects share price	15	18	7	4	6

(Source: Field Survey, 2010)

Annex 3

Industry		Fiscal Year	MPS	Cash Dividend	Bonus Share
Commercial Banking	SCB	2005/06	3775	120	0
		2006/07	5900	130	10
		2007/08	6830	80	50
		2008/09	6010	80	50
		2009/10	3279	0	50
	HBL	2005/06	1100	11.5	20
		2006/07	1760	30	5
		2007/08	1980	15	15

		2008/09	1760	25	20
		2009/10	816	12	31.5557
		2005/06	2240	70	0
		2006/07	5050	85	0
		2007/08	5275	100	40
		2008/09	4899	60	40
	NABIL	2009/10	2384	35	50
		2005/06	1379	0	20
		2006/07	2430	25	0
		2007/08	3132	10	30
		2008/09	2455	20	30
	EBL	2009/10	1630	30	30
		2005/06	1260	12.58	0
		2006/07	1729	20	35.46
		2007/08	2450	5	25
		2008/09	1388	7.5	33.33
	NIB	2009/10	705	20	0
		2005/06	153	10.53	0
		2006/07	560	10.53	0
		2007/08	998	10	0
		2008/09	378	5	0
	Kist	2009/10	199	3.5	0
Hotels		2005/06	570	0	0
		2006/07	1260	0	0
		2007/08	2360	0	0
		2008/09	2070	110.5	10
	Soaltee	2009/10	2290	115.79	20
		2005/06	43	0	0
		2006/07	55	0	0
		2007/08	68	0	0
		2008/09	78	0	0
	Taragaung	2009/10	78	0	0
Hydropower		2005/06	540	35	0
		2006/07	1000	30	0
		2007/08	1559	25	0
		2008/09	1270	20	0
	Butwal Power	2009/10	1090	20	10
		2005/06	400	20	0
		2006/07	141.22	35	0
		2007/08	1562	30	0
		2008/09	1296	35	0
	Chilime	2009/10	1101	0	0
Trading		2005/06	2400	90	0
		2006/07	2575	100	0
	Bishal Bazar	2007/08	2201	20	80

		2008/09	3264	50	0
		2009/10	3100	10	15
Finance	Capital Merchant Banking and Finance	2005/06	98	0	0
		2006/07	175	0	10
		2007/08	1270	0	15
		2008/09	680	0	8
		2009/10	179	0	0
	CMB Finance	2005/06	120	0	25
		2006/07	122	0	0
		2007/08	182	0	0
		2008/09	518	0	0
		2009/10	175	0	0
	ILFC	2005/06	147	10	0
		2006/07	380	15	0
		2007/08	610	1.05	20
		2008/09	610	0	0
		2009/10	205	26.32	0
	Paschimanchal Finance	2005/06	250	10	15
		2006/07	273	0	10
		2007/08	293	0	29.66
		2008/09	297	0	0
		2009/10	193	0	0
	Premier	2005/06	120	6	20
		2006/07	235	6	20
		2007/08	443	0	15
		2008/09	343	0	17
		2009/10	295	0.526	10
	Yeti	2005/06	220	0	0
		2006/07	225	0	25
		2007/08	245	0	0
		2008/09	370	0	0
		2009/10	275	0	25
Insurance	HGI	2005/06	189	0	0
		2006/07	300	0	0
		2007/08	345	0	110
		2008/09	285	5.26	0
		2009/10	234	0	0
	National Life	2005/06	431	0	0
		2006/07	700	0	0
		2007/08	720	0	20
		2008/09	598	0	0
		2009/10	486	0	0
	Alliance	2005/06	102	0	0
		2006/07	111	0	0

		2007/08	154	0	0
		2008/09	180	0	0
		2009/10	143	0	33.33
Development Bank	Gorkha	2005/06		0	0
		2006/07	429	0	0
		2007/08	860	0	0
		2008/09	717	0	0
		2009/10	403	0	0
	Paschimanchal	2005/06	103	5	10
		2006/07	132	0	5
		2007/08	511	8	0
		2008/09	780	0	0
		2009/10	320	0	0
	Sanima	2005/06	450	0	0
		2006/07	450	0	0
		2007/08	1430	0	0
		2008/09	783	0	0
		2009/10	497	0	5
Manufacturing	Uniliver	2005/06	2500	400	0
		2006/07	3400	250	0
		2007/08	4100	275	0
		2008/09	4250	325	0
		2009/10	4149	325	0
	Botlers Nepal Tarai	2005/06	400	0	0
		2006/07	400	0	0
		2007/08	700	0	0
		2008/09	742	0	0
		2009/10	728	0	0

Source: Annual Report of Respective companies FY 2005/06 to 200