

CHAPTER – I

INTRODUCTION

1.1 General background

Equity market can be defined as the market in which shares of public companies are issued and traded either through exchanges or over-the-counter. Equity investments provide several other benefits such as dividend income, capital gain, limited liability, control and ownership, however, equity investments are solely dependent on share prices because they serve as indicators on whether investors should invest in a particular share. This is particular true because share prices are used as proxies to signal the overall strength and financial health of a company. In addition, share prices also inform the public on management's performance (Enow& Brijlal, 2016). One of the major avenues of investment that has the potential of yielding considerable returns to investors is the investment in equity shares. It is also a source of finance for the capital requirements of firms. Returns from such equity investments are however subject to vary, depending upon various factors such as the performance of the particular stock, the market conditions, etc. Knowledge of such factors and their possible impact on share prices is highly appreciable as it would help investors make wise investment decisions and enable firms to enhance their market value. Equity markets are also important in sustaining growth in an industry and a country's economy as a whole and serves as a measurement tool for future growth(Nirmala, Sanju &Ramachandran, 2011).

Fluctuation in stock prices may occur due to the supply and demand forces but there is no foolproof or perfect system that indicates the exact movement of stock prices(Bhattarai,2014). It is a generally accepted phenomenon that investors are risk averse and the volatility of their investments cause great concern to them as it is a measure of the intensity of risk they bear. However, from an investor's point of view it is advisable to have knowledge and awareness about the determinants of share price in order to make an optimum investment decision(Sharif, Purohit& Pillai, 2015).The stock market is all about dynamics and that is why investors and fund managers have been time

and again confronted with the problem of accurately predicting the stock prices so as to earn decent returns. Investment in shares offers the benefit of liquidity as well as the opportunity to beat the market and earn high returns. But the task of predicting share prices is far from simple. Share price movement is not independent in nature and both intrinsic as well as extrinsic factors have been established to exercise influence over stock price movements. (Malhotra and Tandon, 2013). Share prices convey information to the outside world about the current and future performance of firms, it is imperative for the managers of the firms to pay due attention to the factors that influence share prices. This would help them to enhance their firm value in the market. Consideration of such factors by investors is also warranted while investing their funds, since this would aid them in making wise investment decisions and invest in stocks that yield good profits.

Financial markets can be divided into money markets and capital markets. Money markets are the markets for debt security with maturities of less than one year. Money markets basically involve the trading of short securities. Money markets are sometimes classified as organized and unorganized markets. The organized or formal money markets an institutional mechanism for the transaction of short-term securities and commercial banks, finance companies and other savings/credit unions are the players in the money markets. Local merchants, indigenous bankers and relatives come under the informal sector or unorganized sector. A survey conducted by Nepal Rastra Bank in 1992 revealed that the formal sector market provides only 20 percent of the total credit demand of the rural sector. This implies that the financial markets of the country are yet to develop. Capital markets are the markets for long term debt and corporate stock. Capital Markets are also classified as primary markets and secondary markets. Primary markets are involved in the trading of first time issued security. Secondary markets are markets in which existing/outstanding securities are traded among by the SEBON and the other services such as managers, underwriting and listing of corporate stocks are provided by licenses company/bodies. NEPSE is the only one organized stock markets which provides floor for the trading (buy and sell) of securities already issued.

1.1.1 Constituent of Capital Market in Nepal

Security exchange board of Nepal

The history of securities market began with the floatation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd. in 1937. Introduction of the Company Act in 1964, the first issuance of Government bond in 1964 and the establishment of Securities Exchange Center Ltd. in 1976 were other significant development relating to capital markets(Introduction:Nepal security exchange board, 2016). After 1993 the securities exchange limited changed into Nepal stock exchange (NEPSE). SEC has provided facilities to trade the government securities and few corporation securities like share and debenture. At that time only 10 companies were listed in SEC and SEC itself provided the facilities of brokers and dealer. As a result, there was absence of effective secondary market to ensure the liquidity to the securities. HMG Nepal brought the change in the structure of NEPSE by dividing it into two distinct entities securities exchange board of Nepal (SEBON) and NEPSE at the policy level in 1993(Gurung, 2004).

Members of NEPSE were permitted to act as intermediates in buying and selling of government bonds and securities of listed corporations. At present there are 50 member brokers and 2 market makers and listed corporation in NEPSE. Now the types of securities trading on NEPSE are being wider than before. Share, debenture, corporate bonds, and mutual funds are trading on NEPSE.

1.1.2 Security Market

In simple sense, securities market is a place where people buy and sell financial instruments. There, financial instruments may be in form of government bonds, corporate bonds or debentures, ordinary share, preference shares etc. So far securities market is concerned; it is an important constituent of capital market. It has a wide term embracing the buyers and sellers and all the agencies and institutions that assist the sale and resale of corporate securities. Although securities are concerned in few locations, they refer more to mechanism rather than to place designed to facilitate the exchange of securities. This securities market can be defined as a mechanism for bringing together buyers and sellers

of financial assets in order to facilitate trading. In order to allocate capital efficiently and maintain higher degree of liquidity in securities, the securities market should be efficient enough in pricing the shares solely by economic considerations based on publicly available information.

An efficient market is one where current price of the shares gives the best estimates of its true transferred from one to another a fair price through the organized brokerage system. The major functions of securities market is to provide ready and continuous market for purchases and sales of securities at competitive price thereby, importing future market ability and liquidity. It is a medium through which scattered savings and scarce resources are transferred to productive areas that ultimately help in the economic development and industrialization of the nation.

PrimaryMarket

PrimaryMarkets denote the market mechanism for the original sale of securities by an issuer to the public. It is the marketing which the securities are sold at the time of their initial issuance. In other words, a market for a newly issued securities time of their initial issuance is called primary market. Corporate bodies issue new securities in the primary market. Securities available for the first time are offered through the primary securities market. The issuer may be a brand new company or one that has bees in business for many years. The securities offered might be a new type for the issuer or additional amount of security - used frequently in the past. The key is that these securities absorb a new fund for the coffers of the issuers.

All the securities whether in the money market or capital market, are initially issued in the primary market. This is the only market, in which the corporate or government issuer is directly involved in the transaction and receives direct benefits from the issue, which is the company actually receives the proceeds from the sale of securities

Secondary Market

Secondary Market is the marketing which securities are traded that has been issued at some previous point of time. In other words, where outstanding securities are traded is referred to as the secondary market or more popularly known as the stock market. Share or stock market is a major component of securities market. Stock market is a medium through which corporate sector mobilizes funds to finance productive projects by issuing shares in the market. The efficient collection of small amounts of savings and transferring funds into the competitive and efficient uses requires a well-functioning capital market to facilitate the process. Thus, secondary market deals with previously issued shares mainly traded through stock exchange, over the counter market or direct dealing.

Secondary market in simple sense, are markets in which existing, already outstanding securities are traded between investors. It is the market that creates the price and allow for liquidity. If secondary market did not exist, the investors would have no place to sell their assets. Without liquidity many people would not invest at all. The corporations whose securities are being traded are not involve in secondary market transactions and thus do not receive any funds from such a sale. The function of secondary market is to provide liquidity for the securities purchased in the primary market.

1.1.3 Brief introduction of sample banks

For this research work five commercial banks are selected as sample. Their brief introduction as follows:

Nepal investment bank limited

Nepal investment bank (NIBL) is a famous commercial bank of Nepal. NIBL previously known as a Nepal Indosuez Bank limited. This bank was established on 1986 as a joint venture between Nepalese and French partners. In April 2002 French partner withdraw their investment from NIBL, then after name of bank was changed as Nepal Investment Bank. The mission of this bank is to become a leading bank of Nepal and delivering world class service through the blending of state of the art technology and visionary management in partnership with competent and committed staff. By all those

commitments, NIBL want to increase the value of share. They ensure that they always follow the principles of corporate governance, ethical standard, and professional integrity.

NMB bank limited

NMB bank limited (NMB) commanded its operations as 'A' class bank from 2008. In relatively short period of time, bank has been able to proof itself as a leading banking institution of Nepal. The vision of this bank is to establish itself as a leader in banking sector by providing a range of financial services. Those services are suitable for addressing the present requirement of financial market and customers with high priority on customer care while simultaneously embracing the interest of all stakeholders and value of good corporate citizen. To achieve those visions bank established the different ten points of mission. This bank also committed to adopt every internal and external change that involves over the time. They emphasize on delighting customers through innovations in products and services, and always rise above to meet the challenges faced by customers over the changing time.

Nabil Bank Limited

Nabil Bank Limited was established on July 1984, as the nation's first private sector bank. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. To achieving those objective Nabil provides a full range of commercial banking services through its 52 branches. In addition to this, Nabil has presence through over 1300 Nabil Remit agents throughout the nation. Nabil bank limited as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes international standard banking software that supports the E-channels and E-

transactions. Nabil is moving forward with a Mission to be “**1st Choice Provider of Complete Financial Solutions**” for all its stakeholders; Customers, Shareholders, Regulators, Communities and Staff. Nabil is determined in delivering excellence to its stakeholders in an array of avenues, not just one parameter like profitability or market share. It is reflected in its Brand Promise “**Your Bank at your service**”.

Everest bank limited

Everest bank limited (EBL) started operation in 1994. EBL operates with partnership with Punjab National bank (PNB) and it holds 20% equity of EBL. This bank started with specific vision of being cost effective and customer friendly institutions, providing the comprehensive financial and related services moreover, integrate the frontiers of technology and servicing the various segments of society. Likewise, the bank was committed to excellence in corporate value. To fulfill those visions of corporation, EBL formulated some specific missions, which are to be leading financial intuition with excellence professional service motivated team work and use technology to be a catalytic of social economic development of Nepal. The operation of this bank is guided by their views and objectives. Views and objectives of EBL are to extend professional and efficient banking services to various segments of the society. The bank is providing customers friendly services through its branches. All the branches of the bank are connected through anywhere branch banking system (ABBS) which enables customers for operational transactions from any branches. During the operation, this bank was able to get the award of “bank of the year 2006”.

Siddhartha Bank limited

Siddhartha bank limited (SBL) established in the year 2002. SBL has been serving in the country with comprehensive innovative and quality banking service for the last fourteen years. SBL entered in the Nepalese banking sector as 17th commercial bank of the country, it has developed a country wide network of 48 branches, 3 extension counters and 63 ATMs. This bank was established with vision which is to be financially sound, operationally efficient and to keep abreast with technological development. In order to

fulfill this vision, the bank formulate the mission. SBL desires to be one of the leading banks of the industry by fulfilling the interest of the stakeholders and also aims to provide total customers satisfaction by offering innovating products, developing and retaining highly motivated and committed staffs. By fulfilling all mission of bank, bank wanted to be in the place of pride for all its stakeholders.

1.2 Focus of the study

The major drawback for our stock market is the regulatory system and information transparency are not certainly proficient to get the confidence of the investors and provide the sufficient basis for analyzing the data without anomalies. Beside this, Govt. and Nepal Rastra Bank do not playing the desired role to create the stable market with expected outcome of investors. In addition, investors have also lack of knowledge (fundamental and technical) about capital market. As a result, they cannot cut a good figure from share market. There are some determinants which have great impact on share price. How these determinants influence share price have been shown through the paper. An investor can make their investment decision by taking information from this report. Moreover, the stock market authority might find the results helpful in avoiding any unexpected catastrophe, controlling market strategies, improving the stock market industry, and assessing the degree to which the stock market may need to be reformed.

1.3 Statement of the Problem

Capital market investment in this present context plays a major role in the economic development of the country. The stage of development of capital market in any country and its effective growth depends upon the aggregate economic condition, saving and investment opportunities etc. There are various institutions involved in the capital market but they are not showing positive and good performance as per the investor's expectations. Having lack of adequate information and knowledge about the companies and stock market, investors are unsystematically investing in stock and unable to identify valuable or invaluable stock.

Existing economic imbalance, political instability, ineffective implementation of the liberal economic policy of the country have generated negative symbols in the economy. The price of the securities especially common stocks have been randomly fluctuating and declining over the past years. Consequently, some companies were liquidated and some are operating hardly in the market. The problem of Nepal stock market have not been diagnosed and identified. The policy makers are unable to make the appropriate policy for the development of the stock market. Most of the government level efforts for the development of the stock market have poorly contributed.

Investment on different sectors is guided by future return from that investment likewise; equity investment is motivated by future dividend gain and capital gain. Capital gain is outcome of increase in market price of share, if dividend yield and MPS have positive relation then only one factor which play vital role to determine the price of stock on secondary market is dividend. Dividend has no significant impacts on the stock pricing in most of the banks, MPS and EPS as well as MPS and DPS (including bonus share) have positive and significant correlation however this finding does not apply for all banks.

Moreover, Stock price is determined by demand and supply. To specify exactly what factors are responsible to determine the stock price is a controversial/unpredictable issue. The stock price fluctuates time to time and stock exchange reacts with the environmental changes. This study has try to identify the determinants of stock price and find out the degree of affection of those determinants. More specifically, this study is expected to answer the following research questions;

1. What are the major determinants of the stock price in NEPSE?
2. How dividend Payout ratio and dividend yield affect the stock price?
3. What is the effect of earning per share and price earnings ratio on share price?
4. Does the size of firm in terms of total employees affect the stock price?

1.4 Purpose of the study

Investors require proper knowledge of share price i.e. how it is formed, why does it fluctuate, what factors are responsible for the determination of its price and so on. A few studies have been made regarding securities listed in NEPSE. However, most of the studies made up to present capital structure analysis, dividend policy and risk and return etc. but sufficient researches have not been done to provide core perspective on the determinants of stock price. This study aims to identify the factors respective for determinants of stock price and their relationship with the stock price, so that it will give a better insight into the stock price. Furthermore, this study is proposed to meet the following objectives;

1. To determine the major financial indicators that has major influence on stock price.
2. To investigate the effect of dividend payout ratio and dividend yield on share prices.
3. To assess the effect of earning per share and price earnings ratio on share price.
4. To find out the effect of size of the firm in terms of total employees on share price.

1.5 Significance of the study

A few studies have been made on the securities listed in NEPSE. Most of the studies made up present on capital market are related to financial performance evaluation, capital structure analysis, dividend policy, risk and return etc. However, none of the researches has yet been made on the core perspectives of the determinants of the stock price. Therefore, the present study has been of substantial importance for investors, planners, researchers, students and policy makers to meet their personal and organizational objectives. This study attempts to construct the relation of MPS of the Nepalese commercial banks to the major financial indicators like DY, EPS, P/E ratio, DPR, Size etc. The relation is hoped to show the status of Nepalese commercial banks with respect

to the determinants of share price. These findings may be helpful to the potential investors to make the better investment decision.

Likewise, this thesis provides the information about the position of share price in share industry. Moreover, the industrial average regarding different financial indicators are helpful to compare with the individual banks. This information is expected to be helpful to the managers of the respective banks. Finally, the research intends to help the national economy through mobilization of idle capital of average Nepalese in productive sectors to accelerate the economic growth and to reduce dependency on foreign assistance.

1.6 Limitation of the study

The study has some limitations; basically the study is done for the partial fulfillment of Masters of Business Studies. Time constraints, financial problem and lack of research experience have been the primary limitation and other limitations are as follows;

1. Mostly secondary data are used on this study, so accuracy of finding depending on accuracy of secondary data.
2. This research only covers those commercial banks which are listed in NEPSE. By this reason, finding of research may be applied on banking sectors only.
3. This study takes into account the only latest available seven years data for analyzing stock price determinants.
4. Foreign information and rules affecting the share market is ignored.
5. The non - availability of various reference and resources act as constraints.
6. There are various financial indicators affect the stock price only few are taken under study.

1.7 Chapter plan

This study is organized over altogether five chapters:

Chapter I entitled introduction deals with the subject matter of study with general background, the research problem, reason for studying, objective of the study along with limitation and chapter plan.

Chapter II entitled literature review concerned with the study of effect of DPR, EPS, DY, P/E ratio and size of firm on stock price. This chapter of review of conceptual framework about the study, review of related studies taken over different period of times in the past in the national and international context and finally it also deals with previous studies of various scholars related are relevant this study. At the last of this chapter it also includes the concluding remarks which focused into the research gap.

Chapter III The third chapter discussed the methodology used in the study. It comprises research design, nature and source of data, data gathering method and analytical tools used.

Chapter IV deals with the presentation and analysis of data and scoring the empiric finding out study through definite course of research methodology.

The last chapter is chapter V which encompasses summary, conclusion, and implication of the study. Finally after this chapter study is completed.

CHAPTER – II

LITERATURE REVIEW

2.1 Review of literature

In Nepal now a day, price of stocks is being more volatile than before this event has attracted many researchers to conduct research on this matter. So, researcher has selected the topic as “determinants of stock price of commercial banks in Nepal”. After selecting this topic of the research, researcher study different magazines, journals, newspapers, book to collect the information about the subject matter. This process of studying different materials, which are concerned with topic, is known as review of literature.

For understanding the relevant subject matter researcher mainly reviewed articles and books. Investors essentially buys stock to obtain its future return (dividend return, capital return) apart from this form of fraud and swindles can play vital role for investors to purchase the price of stock (Komaroni, 2006). Likewise, future expected return helps to increase value of stock that help to increase demand of stock, as a result demand of stock will increase. Price of stock ultimately determined by the interaction of supply and demand of stock in market (Clarkson, 1965). Stock price follow a specific ways of changing its price for the long period which called random walk theory of stock price (Fama, 1965). From the research of Fama, price of stock walk randomly that mean dividend gain and capital gain also follow this randomness. By concluding these researches, demand and supply play a vital role to determine price of stock.

The determinants of equity share prices have been a subject of great interest these days. Moreover, it is a subject of immense curiosity especially a banking sector to identify the factors that influence share prices. A number of studies have been undertaken to identify the factors influencing stock prices in different stockmarkets. The pioneering work on determinants of share prices by Collins (1957) for US banks identified dividend, net profit, operating earnings, and book value as the factors influencing share prices. Following Collins, there have been various attempts to identify the determinants of stock

prices for different markets. The firm's book value, earning per share and price-earnings ratio are having a significant positive association with firm's stock price while dividend yield is having a significant inverse association with the market price of the firm's stock. (malhotra and tondon, 2013).

The prices of the stock are determined by economic activity, exchange rate, inflation, interest rate, money supply and exchange rate. Regardless of the measure of stock market prices used, the investigation revealed that there is a positive relationship between stock market prices on one hand, and money supply, economic activity on the other hand. An increase in money supply and economic activity causes stock market prices to increase. Inflation increases are associated with decreases in stock market prices (Eita, 2011). The stock prices are not stable and fluctuate excessively in relation to the news about fundamentals (as dividends) primarily due to market irrationality. Thus, it is asserted that understanding the impact of various fundamental variables on stock price is very much helpful to investors as it will help them in taking profitable investment decisions (Shiller, 1981).

2.2 Review of articles

A good number of empirical studies have been conducted to find out the determinants of stock prices in different countries. Different studies carried over different time periods across different markets have given varying results. Some recent studies related to the determinants of stock prices have been reviewed here.

Uddin (2009) analyzed the relationship of microeconomic factors with the stock price by using multiple regression analysis. This research found a significant linear relationship among market return and some microeconomic factors such as net asset value per share, dividend percentage, earning per share of bank leasing, and insurance companies. The study of Nirmala, Sanju and Ramachandran (2011) identified the determinants of share prices in the Indian market. The study used panel data pertaining to three sectors viz., auto, healthcare and public sector undertakings over the period 2000-2009 and employs the fully modified ordinary least squares method. They found that dividend, price-

earnings ratio and leverage are significant determinants of share prices for all the sectors under consideration. Further, profitability was found to influence share prices only in the case of auto sector.

Sharma (2011) examined the empirical relationship between equity share prices and explanatory variables such as: book value per share, dividend per share, earning per share, priceearnings ratio, dividend yield, dividend payout, size in terms of sale, and net worth for the period 1993-94 to 2008-09. The results revealed that earning per share, dividend per share, and book value per share has significant impact on the market price of share. Furthermore, results of the study indicated that dividend per share and earnings per share being the strongest determinants of market price, so the results of the study supports liberal dividend policy and suggests companies to pay regular dividends. Focusing on Pakistan Khan (2012) investigated the different determinants of share prices and the relationship of these determinants with the share prices of Karachi Stock Exchange (KSE) 100 index of Pakistan. 5 quantitative determinants, namely Book to Market (B/M) ratio, Price Earning (P/E) ratio, Dividend, Gross Domestic Product (GDP), and Interest Rate were selected to find out the direction and strength of relationship. A sample of 34 companies has been randomly selected from 34 sectors of KSE. Ten years' (2000-2009) data has been collected for the sample companies. The tools used for analysis are Linear Multiple Regression and Correlation Model. It has been concluded that all the factors selected have positive and significant relationship with share prices except Interest rate and B/M ratio. The rise in GDP, dividend and P/E ratio leads to rise in share prices. B/M ratio and interest rate are negatively related to share prices.

Malhotra and Tandon (2013) attempted to determine the factors that influence stock prices in the context of National Stock Exchange (NSE) of 100 companies. A sample of 95 companies was selected for the period 2007- 2012 and linear regression model was used. The results indicated that firms' book value, earning per share, and price-earnings ratio are having a significant positive association with firm's stock price while dividend yield is having a significant inverse association with the market price of the firm's

stock. Geetha and Swaminathan (2015) attempted the study taking four auto mobile and IT industries as a sample (listed in BSE and NSE) for the period of five years. Hence this paper is an attempt to analyze the influencing factors which affects the movement of stock price either upward or down trend. Four company specific factors EPS, book value, P/E ratio and dividend yield have chosen to compare the performances of stock price movements in the market. His study conclude that book value, earnings per share and price earnings have significant effect on share price But the dividend per share doesn't have positive or negative effect towards the market price.

Mandol and Imran (2009) conducted the research on "Determinants of Stock Price: A Case Study On Dhaka Stock Exchange" and The objective of this study is to analyze the factors influence in determining the share price of some companies listed in DSE. The study also analyze the influence of liquidity, leverage, profitability, growth, size of the firm and dividend rate on market price per common share. The study reveals that some qualitative factors namely, company goodwill; market sentiments; company announcements; AGM; unexpected circumstances; analysts' report; technical influence; print and electronic media; hype; change in government policy; international situation; political turmoil as well as some quantitative factors like, dividend; market capital; price/earnings ratio; EPS; net income; return on investment; retained earnings; merger; stock split; margin loan; demand & supply of stock; inflation; interest rates; exchange rates affect the stock price. This study also finds that price earnings ratio; stock price rumor; demand for the share; changes in government policies; economic conditions are the most influential internal; external; economic; political; and environmental factors respectively regarding stock price. In addition, this paper reveals that 65.0 percent of the variation in stock price is explained by cash flows, leverage, profitability, growth, market capitalization, and dividend. Equity investments offer considerable returns to investors and is considered to be a major source of capital for most large firms. However, these returns are subject to movement in share prices.

Enow and Brijlal(2016) conducted the research on “Determinants of Share Prices: the Case of Listed Firms on Johannesburg Stock Exchange” using fourteen companies listed on the Johannesburg stock exchange from 2009-2013. Using a multiple regression analysis, the result reveals that dividend per share, earnings per share, and price-earnings ratio accounts for 57.8% of share prices movements. Furthermore, earnings per share and price earnings are significantly positively correlated to share prices although dividend per share was not. This finding implies that, managers can create value for their shareholders by increasing dividend per share, earnings per share and price-earnings.

Sharif, Purohit and Pillai(2015) conducted the research on “Analysis of Factors Affecting Share Prices: The Case of Bahrain Stock Exchange” and used a panel data set of 41 companies listed in the Bahrain stock exchange for the period 2006-2010. The year 2006 is used as the first year of data collection as most of the companies were incorporated in 2005. Since the Bahrain bourse witnessed a turbulent period during the first half of 2010 due to political unrests causing 25.5% slump in the aggregate value of traded shares in the first half of 2010 and 7.59% drop in the Global Bahraini Index in the following year, the post-2010 period was deliberately ignored in this study. The estimation method is based on pooled OLS regression with robust standard errors, fixed effects and random effects models. Eight firm specific variables namely return on equity, book value per share, earnings per share, dividend per share, dividend yield, price earnings, debt to assets and controlled by firm size, have been studied to infer their impact on market price of shares in the respective market. The results indicate that the variables return on equity, book value per share, dividend per share, dividend yield, price earnings, and firm size are significant determinants of share prices in the Bahrain market. A high R^2 (0.80) revealed under both the applied models further documents the significant impact of these variables on the market price of shares. This suggests that investors can make optimum investment decisions and be assured fair returns if they consider these determinants which have evolved to be the significant contributors to the market price of shares in Bahrain.

Almumani(2014)is attempted to identify the quantitative factors that influence share prices for the listed banks in Amman Stock Exchange over the period 2005-2011 using empirical analysis of a set of independent and dependent variables. In the present study, the ratio analysis, Correlation and a linear multiple regression models have been selected to measure the individual as well as combined effects of explanatory variables on the dependent variables. The empirical findings shows that, there is a positive correlation between the independent variables DPS (correlation coefficient =.51), EPS (correlation coefficient =.84) BV (correlation coefficient=.81), PE (correlation coefficient =.81) and S (correlation coefficient =.57) and dependent variable MPS and it is also significant at 1% probability level. However, further empirical findings that, there is a significant positive relationship between EPS and the MPS of the listed banks in Jordan. This is evident in the t-statistics value of 2.29 and a $P>|t| = (.03)$. Moreover, moreover, there is a significant relationship between banks BV and MP. This is evident in the t-statistics value of (2.110 and the $P>|t| = .04$). Another empirical finding from the regression analysis shows a positive relationship between P/E and MP. This is evident in the t statistics value of (5.90 and the $P>|t| = .00$). Empirical findings from the regression analysis on the relationship between S and MPS indicate that there is an inverse relationship between S and MP. This is however evident in the t-statistics value of (-2.28 and $P>|t| = .03$).Finally, other variables (DPS and DPR) have insignificant impact on MPS.

Kodithuwakku (2016) carried out a study entitled”Impact of Firm Specific Factors on the Stock Prices: A Case Study on Listed Manufacturing Companies in Colombo Stock Exchange”.In this study an attempt has been made to identify the impact of firm specific factors on share prices of listed manufacturing companies. This study is primarily based on secondary data that were extracted from the annual reports of the 20 manufacturing companies listed in Colombo Stock Exchange (CSE) from 2010 to 2014. Balanced Panel Data (BPD) of these 20 manufacturing companies were analyzed by using the Pearson’s Correlation and Multiple Regression Model to identify the relationship between the selected firm specific factors and the stock prices. Further, primary data were collected from the Management of the selected companies through an open ended questionnaire

and the data were analyzed by using the descriptive method. The study found a positive relationship between the selected firm specific factors of Dividend per Share (DPS), Earning per Share (EPS) and Net Assets Value per Share (NAVS) and stock price.

Khan (2009) conducted research on the topic of “determinants of share price movements in Bangladesh: dividends and retained earnings”. In this research, researcher study about the relative importance of dividends, retained earnings, and other determinants in the explanation of stock prices in Bangladesh with particular stock price of the companies associated with Dhaka Stock Exchange (henceforth DSE), an emerging capital market of Bangladesh. The researcher applied several pre-reviewed models to examine the dynamic relations between stock price and different financial variables. Data for selected companies listed in DSE for the period from 2000 to 2006 were collected from the annual reports of the respective companies, daily price quotation of DSE. Researcher used different models to explain the dynamic relationships of market price of common stocks with the determinants of market share price like dividends, retained earnings, lagged price earnings ratio and market price of previous year. The results of the empirical analysis evidences that dividends, retained earnings and other determinants have dynamic relationship with market share price. Findings also suggest that the overall impact of dividend on stock prices is comparatively better than that of retained earnings and expected dividends play an important role in the determination of stock prices whatever determinants, like lagged price earnings ratio or lagged price, are considered.

Arshad, Arshad, Yousaf and Jamil (2015) conducted research on the title of “determinants of share prices of listed commercial banks in Pakistan”. During this research, researcher collected the data from listed commercial banks in Karachi stock exchange over the period 2007-2013. One of the unique features of this paper is to find out the impact of both internal and external factors on share price. Linear multiple regression analysis is used to determine whether the selected independent variables have influence on share prices or not. The results indicate that earning per share has more influence on share prices and it has positive and significant relationship with share prices, book to market

value ratio and interest rate have also significant but negative relation with share prices while other variables (gross domestic product, price earnings ratio, dividend per share, leverage) have no relationship with share prices.

Atiq, Rafiq and Roohullah (2010) conducted research on the title of "factors affecting stock price : a case study of Karachi stock exchange". This research undertake internal factors as earnings per share and dividend per share. The macro-economic variables are represented by the money supply, consumer price index, interest rates, and gross domestic product. A sample of 15 companies is selected from the financial sector in KSE. Eight years data is employed in this study which extends from the year 2001 to the year 2008. A Panel Data Regression with its two types: Random Effects and Fixed Effects models are used. Further, Weighted Least Squares (WLS) Regression is used for analysis in order to remove the problem of Autocorrelation. The results indicate the positive and statistically significant relation of money supply and earning per share with stock prices. The results for GDP are positive, and for interest rates are negative but not statistically significant.

One important research was conducted on Zimbabwe Stock Exchange (ZSE). That research entitled as "determinants of stock price: a case of Zimbabwe" which was conducted by the Oyama (1997). His study examines the general relationship between stock price and macroeconomic variables in Zimbabwe, using the revised dividend discount model, error-correction model, and multi-factor return-generating model. Despite the large fluctuation in stock prices since 1991, this analysis indicates that the Zimbabwe stock exchange has been functioning quite consistently during this period. Whereas sharp increases in stock prices during 1993-1994 were mainly due to the shift of risk premium that was caused by the partial capital account liberalization, the recent rapid increase in stock prices can be explained by the movements of monetary aggregates and market interest rates.

Javaid (2010) examined the effect of market variables on the movement stock prices in Pakistan. Asset pricing is considered as efficient if the asset prices reflect all available

market information. This study examined the extent to which some "information factors" or market indices affect the stock price. A simple regression model has been used to develop a relation between the variables (stock prices, earnings per share, gross domestic product, dividend, inflation and KIBOR) after testing for multi-collinearity among the independent variables. The three factors which are dividend, EPS, and KIBOR have a positive affect over the stock price, whereas GDP and inflation have a negative affect over the stock prices. Among the factors which are positively related can be ranked according to standardized betas which are EPS, dividend and KIBOR respectively. After these results it is concluded that two variables have a significant impact on stock prices which are Dividend and EPS. Other three variables have no significant impact on the market price.

2.3 Review of thesis

Neupane (2004) studied on the topic of determinants of stock price in Nepal stock exchange by the using the data from the BS 2054/55 to BS 2059/60 and 11 samples are selected from the population of 108. This research conducted by the using the historical and descriptive research design. In this research different type of hypothesis are tested on the dependency of stock price on the other independent variable like EPS, Book value per share, dividend amount, and researcher test the effectiveness of sampling as well.

The objectives of this research were Nepalese investors have not adequately educated to analyze the movement of stock market. DPS, BPS and EPS individually do not have consistent relationship with the MPS but those factors jointly made the effects on the MPS of the listed corporation likewise, corporate performance and MPS of corporation depend on timely Annual General Meeting (AGM), political stability, national economy, situation of demand and supply, strikes/demonstrations, case-fire, and pace talk however, according to the respondents of the survey interest rate, retention ratio, cost of equity, tax rate, gold price, and value of dollar global economy market liquidity, season, day of week, size of firm, changing management do not significantly effects the share price.

Bohora (2011) has made a thesis entitled “Determinants of the stock prices in Nepal Stock Exchange”. The main objective of this study is to examine the inter-relation of MPS with BVPS, EPS, DPS and other financial indicators. To achieve this objective, both the analytical and descriptive research designs have been adopted. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been used to determine factors determining stock prices of commercial banks in the NEPSE. Primary and secondary data have been collected for this study. A questionnaire was presented to the 50 respondents. The respondents were from the NEPSE courtyard those have either invested in share or willing to invest in share soon. This study has been conducted using various analytical tools like coefficient of variation, coefficient of determination, multiple regression analysis and t-test. This study examined that market price per share of most of the banks is insignificantly correlated with the indicators (DPS, BVPS and EPS) in most of the cases. This implies that they individually do not influence the share price but they jointly influence the share price. There can be other factors influencing the share price. EPS and DPS are the major factors influencing the share price. Besides these, political situation, annual general meeting, assets structure and capital structure of the organization also influence the share price of the company.

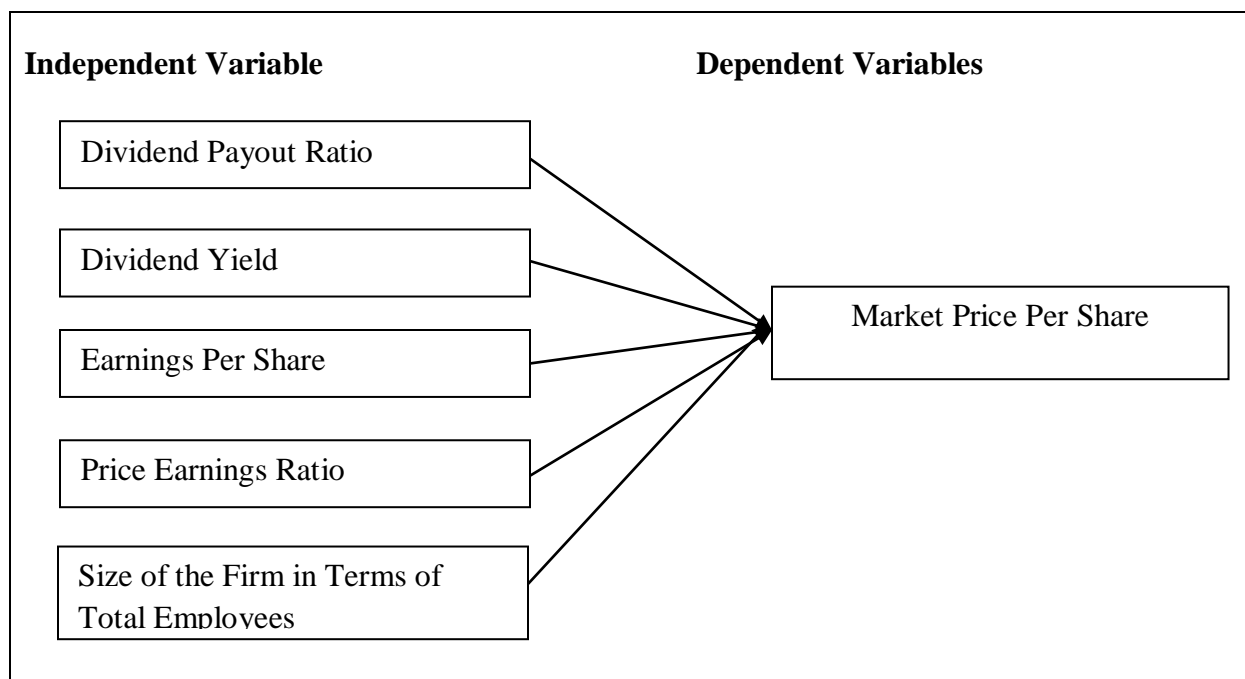
Paudel (2003) has conducted research on “A study of the movement of stock prices of joint ventures commercial banks”. This study was conducted by aiming to examine the movement of the stock market price in relation to Nepal joint venture commercial banks are either dependent or independent to historical prices of the stock similarly, evaluate return and risk proportion of investment on stock on joint ventures commercial banks, categorize the nature of stock tendency in relation with price stability likewise, study group wise behaviour of NEPSE index at last this study was conducted for recommend for improvement of stock market in Nepal. The study findings are listed as follows:

1. MPS is the dependent variable and movement occurs on the base of companies' information or historical information and it's significant at 1% level of significance.

2. The variation the dependent variable MPS is not highly dependent on the independent variable BVPS and having large portion of standard error of estimates which is depicted by the statistics of insignificance.
3. The regression model of MPS on EPS and DPS is not fitted for each sampled banks. That explains these banks takes place due to variation in EPS and DPS as according to explanation of F-test statistics.
4. The stocks of the sample companies are under-priced since their expected rate of return is higher than the respective required rate of return. Since the stocks are under-priced it is better to buy and hold the stock.

2.4 Conceptual Framework

The conceptual frame work is designed to understand the factor that may affect the market price per share. The extant literature available strongly supports the movement of stock price as a consequence of firm specific factors. In view of theory and major empirical evidences, it is expected that the market price per share of commercial banks may be influenced by dividend payout ratio, dividend yield, earnings per share, price earnings ratio and size of the bank in terms of total staffs. The conceptual framework developed to test the effect of these variables on the market price per share of listed commercial banks of Nepal in this study.

Figure 2.1: Conceptual Framework

In the above figure, the independent variables (dividend payout ratio, dividend yield, earnings per share, price earnings ratio and size of the firm in terms of total employees) are assumed to affect the dependent variable, share price of commercial banks. The independent variables are selected depending upon prior theoretical and empirical grounds.

CHAPTER - III

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. It refers to the various sequential steps that are to be adopted by a researcher during the course of studying the problem with certain objectives. This chapter is concerned with the procedures and techniques used in the objectives of the study. It includes research design, population and sample, nature and sources of data, methods of data collection and data analysis tools.

3.1 Research Design

In order to make any type of research a well-set research design is necessary to fulfill the objectives of the study. Generally, research design is specification of methods and procedures for acquiring the information needed to structure of solve the problems. It is arrangements for collection and analysis of data. To achieve the objective of this study, analytical and descriptive research design has been used for the purpose of empirical evaluation of determinants of stock prices of listed commercial banks in NEPSE. Some financial and statistical tools have been applied to examine the facts.

3.2 Sample and Population

Now, 28 commercial banks (including government owned, private and joint venture) are operating in Nepal. Due to time, resource and complexity of methodology it is not possible to study all of them regarding the research topic. Therefore, this research, rely on some sample which are taken from this population by using convenience sampling method. This sampling method widely used when the time and resource for conducting research are limited. Sample of this study is 5 commercial banks which are Nepal Investment Bank Limited, NMB Bank Limited, Nabil Bank Limited, Everest Bank Limited, and Siddhartha Bank Limited. While choosing the sample, researcher chooses 3

samples from highly popular as better performance and two banks from good performer bank for maintain representativeness of sampling. NIBL, EBL, and NABIL selected as better performer which bank pay total dividend higher than 20%. SBL and NMB are selected as good performers which are in profit during the period of 2009-2013. As a result, the total population of the research is 28 and sample size of this research is 5 which represented the 17.85% of total population.

Table 3.1 Lists of sample Banks

S.N.	BANKS NAME	Abbreviation
1.	Nepal Investment Bank Limited	NIBL
2.	NMB Bank Limited	NMB
3.	Nabil Bank Limited	NBL
4.	Everest Bank Limited	EBL
5.	Siddhartha Bank Limited	SBL

3.3 Nature and source of data

The research is mainly based on the secondary data which includes the annual reports of the banks under study, economic reports published by Nepal Rastra Bank, the stock price listed in the NEPSE. Economic survey published from Ministry of finance, financial status report published from World Bank. Besides these, the data are also collected from various Newspapers, Magazines, and journals published by the concerned agencies as well as website of NEPSE (www.nepalstockexchange.com)

3.4 Data analysis tools and techniques

To analyze the data in this research, the researcher has used some financial and statistical tools, which are as follows:

3.4.1 Financial tools

Market price per share (MPS)

It is the average price of the share derived from the financial year high and low has been considered as market price. It is the current price at which an asset or service can be bought or sold. Where, High Price = Highest market price during the financial year, Low Price = Lowest market price during the financial year.

$MPS = (\text{High Price of the share in a year} + \text{Low Price of the share in a year})/2$

Dividend Payout Ratio (DPR)

It is the percentage of earnings paid to shareholders in dividends. The DPR provides an indication of how much money a company is returning to shareholders. The part of the earnings not paid to investors is left for investment to provide for future earnings growth. High growth firms in early life generally have low or zero payout ratios. In fact, more mature companies tend to have a higher payout ratio. DPR is calculated as follows:

$$DPR = \frac{DPS_{t,n}}{EPS_{t,n}}$$

$EPS_{t,n}$

Where $DPS_{t,n}$ is the dividend per share of company t in the year n and $EPS_{t,n}$ is the earning per share of company t in the year n.

Dividend Yield (DY)

It is the return earned by an equity shareholder by way of dividends. A financial ratio that shows how much a company pays out in dividends each year relative to its share price. In the absence of any capital gains, the dividend yield is the return on investment for a stock. It is a way to measure how much cash flow you are getting for each dollar invested in an equity position - in other words, how much "bang for your buck" you are getting from dividends. Investors who require a minimum stream of cash flow from their investment portfolio can secure this cash flow by investing in stocks paying relatively

high, stable dividend yields. Dividend yield is used to calculate the earnings on investment (shares) considering only the returns in the form of total dividends declared by the company during the year. Its reciprocal is the Price/Dividend ratio. It has positive correlation with dependent variable market price. DY is calculated as follows:

$$DY = \frac{DPS_{t,n} * 100}{MPS_{t,n}}$$

Where $DPS_{t,n}$ is the dividend per share of company t in the year n and $MPS_{t,n}$ is the market price of the share of company t in the year n.

Earning per share (EPS)

It refers to the ratio of the profit after tax of the company for any financial year after payment of preference dividend. The equity shareholders are the sole claimants to the net of the corporation after making payment of dividend to the preference shareholders. The significance of this ratio flows from the fact that higher the earnings per share the more is the scope for a higher rate of dividend and also of retained earnings, to build up the inner strength of the company.

$$EPS = \frac{\text{Net Profit After Tax} - \text{Preference Dividend}}{\text{No. of outstanding shares}}$$

Price Earnings Ratio (P/E)

This ratio enables an investor to make appropriate calculation of the time required to cover his investment in a company's stock. P/E ratio expresses the relationship between the market price of a company's share and its earnings per share. It indicates the extent to which the earnings of each share are covered by its price. It can be calculated as:

$$P/E \text{ ratio} = \frac{MPS_{t,n}}{EPS_{t,n}}$$

Where $MP_{St,n}$ is the market price per share of company t in the year n and $EP_{St,n}$ is the earning per share of company t in the year n .

Size of firm (In terms of total employees)

Size is an important financial measure used to represent the volume of the bank. The size of the firm can be measured in many ways, for example, through turnover, paid-up capital, capital employed, total assets, net sales, market capitalization, total numbers of staffs etc. In the present study bank size is measured by total number of employees.

3.4.2 Statistical tools:

- I. Mean (\bar{X})** An average is the statistical measure of central tendency; it represents the entire series by a single value, which can be substituted for each and every value in the series without causing any change in total magnitude of the series. It shows the characteristics of the whole group. Generally, the average value lies somewhere in between the two extreme i.e. the largest and the smallest items.

$$\text{Mean } (\bar{X}) = \frac{\text{Sum of Observations } (\sum x)}{\text{Number of Observations } (n)}$$

- II. Standard deviation (σ)** The measurement of scatterness of the data of figure in a series about an average is known as dispersion. The standard deviation measures the absolute dispersion. The greater amount of dispersion reflects the high standard deviation. A small standard deviation means a high degree of uniformity of observation as well as homogeneity of a series and vice-versa. Symbolically,

$$\text{Standard Deviation } (\sigma) = \sqrt{\frac{\sum (X - \bar{X})^2}{N}}$$

III. Coefficient of correlation

Correlation analysis is the statistical tool that can be used to describe the degree to which one variable is linearly related to another. The coefficient of correlation measures the

direction of relationship between two sets of figures. It is the square root of the coefficient of determination. Correlation can either be negative or positive. If both variables are changing in the same direction, then correlation is said to be positive but when the variations in the two variables take place in opposite direction the correlation is termed as negative. In the study, coefficient of correlation is calculated between stock price and earning per share, likewise dividend payout ratio, dividend yield Price, earnings ratio and size of the firm.

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \sqrt{n \sum y^2 - (\sum y)^2}}$$

Where,

n= number of observation in series X and Y

$\sum X$ = sum of the observation in series X

$\sum Y$ = sum of the observation in series Y

$\sum X^2$ = sum of squared observation in series X

$\sum Y^2$ = sum of squared observation in series Y

IV. Coefficient of Determination (r^2)

The coefficient of determination is the primary way we can measure extent, or strength of association that exists between two variables. It is the measure of degree of linear association between variables one of which happen to be independent and other dependent variable. It measures the percentage of total variation in dependent variable explained by independent variables. The coefficient of determination value can be ranging from zero to one. If regression line is estimator, r^2 is zero when there is no correlation. In this research coefficient of determination is calculated to know the degree of correlation of market price per share with earnings per share, dividend payout ratio likewise price earnings ratio and so on.

The result of correlation is always lies between +1 and -1. However, in the real world the chance of getting perfect positive (+1) and perfect negative correlation (-1) all most impossible. If

correlation is near to +1 which means high degree of positive correlation. Likewise, if correlation is near to -1 which means high degree of negative correlation.

V. Regression equation

Regression equation is the straight-line equation. It shows the dependency of dependent variable on independent variable. Mainly this equation can be classifying into two types which are 1). Simple regression equation 2). Multiple regression equation. In this research mainly multiple regression equation is used.

a) Multiple regression Analysis

In multiple regression analysis two or more independent variables are used to estimate the values of dependent variables. It is the extension of simple regression techniques. This study investigates that market price of the equity share as a function of dividend payout ratio, dividend yield, earning per share, price earnings ratio, and size. To achieve this objective a multiple regression model is specified as:

$$MPS = \beta_0 + \beta_1EPS + \beta_2DY + \beta_3DPR + \beta_4PE + \beta_5S + S.E.E$$

Where,

- MPS represents Market price per share
- EPS represents Earning per share
- DY represents dividend yield
- DPR represents dividend payout ratio
- PE represents price earnings ratio
- S represents size of the firms in terms of total employees
- S.E. E represents Standard error of estimation
- β_0 = constant term
- β_1 to β_5 = regression coefficient for respective variables

The regression constant (β_0) which is the intercept of the model represents the average level of dependent variable when independent variable has a value of zero. In other words, it indicates the mean or average effects on dependent variable if all the variables omitted from the model. This term has partial meaning only if a zero value for the independent variable is possible.

The regression coefficient ($\beta_1, \beta_2, \beta_3$ etc) are a parameter, which indicates the marginal relationship between independent variable values of dependent variable holding constant effect of all other independent variables in the regression model. The coefficient specifies a part of change in the dependent variable regarding part of change in the independent variables.

Practically, the perfect prediction is not possible with the help of regression equation. To measure the reliability of the estimating equation, statisticians have developed the standard error of estimate (S.E.E). It measures the variability, or scatter of the observed values around the regression line. It also measures the reliability of the estimating equation, indicating the variability of the observed values differ from their predicated values on the regression line.

The larger the value of S.E.E., the greater the scattering or dispersion of points around the regression line, conversely, if S.E.E. is equals to zero, then, there is no variation about the line and the correlation will be perfect. So, we expect the estimating equation to be a 'perfect' estimator of the dependent variable. In that case, all the data points would lie directly on the regression line and no points would be scattered around it. Similarly, the smaller the S.E.E., the closer will be the dots to the regression line and the better the estimates based on the equation for this line. Thus, with the help of standard error of estimate, it is possible for ascertaining how well and representative the regression line is as a description of the average relationship between two series.

Software used: while conducting this research researcher was used different types of software. SPSS program was used to derive the result of multiple regressions between the

six variables like MPS, EPS, DY, DPR, P/E and S. MPS of company was treated as the dependent variable likewise; EPS, DY, DPR P/E and S are treated as independent variable. For other arrangement of data, researcher was used the excel program.

3.5 Research Hypothesis

A hypothesis is a statement about the relationship between two or more variables which needs to be investigating for truth. It is basically a working assumption. If the relationship between two variables is found as the hypothesis predicts, then the hypothesis is supported and a new theory has been suggested. A good hypothesis states as clearly as possible the expected relationship between two variables and defines these variables in operational and measurable terms.

3.5.1 Alternative Hypothesis

A complementary statement of null hypothesis is called alternative hypothesis. In other words, the assumption of significant difference between actual and claimed value of a population parameter is called alternative hypothesis. For this study, following hypothesis are made.

1. H1: There is significant relationship between market price per share and dividend payout ratio.
2. H2: There is significant relationship between market price per share and dividend yield.
3. H3: There is significant relationship between market price per share and earning per share.
4. H4: There is significant relationship between market price per share and price earnings ratio.
5. H5: There is significant relationship between market price per share and size of the firm in terms of total employees.

CHAPTER - IV

RESULTS

4.1 Commercial Banks in Nepal

A commercial bank is a type of bank/financial institution that provides services such as accepting deposits, making business loans and offering basic investment products. Commercial banks comprise the largest group of depository institutions in size. They perform functions similar to those of saving institutions and credit unions; that is, they accept deposits and make loans. However, they differ in their composition of assets and liabilities, which are much more varied. Commercial banks liabilities include several types of non-deposit sources of funds, while their loans are broader in range, including consumer, commercial and real estate loans. Commercial banks are established to improve people's economic welfare and facility, to provide loan to agriculture, industry and commerce, to offer banking services to the people and the country. Commercial bank has been playing a great role for the economic development of the country directly or indirectly.

Bank of Venice established in 1157 A.D. is the first commercial bank in the world. In the beginning, commercial banks functions were confined to accepting deposit and giving loans. However, their functions have now increased manifold. Commercial banks are found operating throughout the world. Nepal Bank Limited established on 30th karkit 1994 B.S. is the first commercial bank in Nepal. There are 28 commercial bank in Nepal till March 2017.

4.2 Relationship of MPS with DPR, DY, EPS, P/E and SIZE

To analyze the Relationship of independent variables(MPS with DPR, DY, EPS, P/E and SIZE, it is assumed that the market price of share is influenced by the changes in DPR, DY, EPS, P/E and SIZE. So, MPS is dependent variable, whereas DPR, DY, EPS, P/E and SIZE are independent variables. Here in this section, relationship of DPR, DY, EPS,

P/E and SIZE with MPS is determined separately to each of the sample banks. The coefficient of correlation analysis is performed to determine the relationship between MPS with DPR, DY, EPS, P/E and SIZE. To determine the effect of DPR, DY, EPS, P/E and SIZE on MPS, Pearson correlation as well as their coefficient of determination are calculated.

4.3 Descriptive Statistics Analysis

In this section descriptive statistics for the dependent variable; Market price per share and explanatory variables of sample banks of the year 2008/09 to 2014/15 involved in the regression model are presented in table 4.1.

Table 4.1 Descriptive Statistics

Banks	Tools	MPS	EPS	PER	Staff	DY	DPR
NIBL	Minimum	511.00	27.60	13.20	766.00	0.24	5.50
	Maximum	1388.00	52.55	37.10	969.00	4.85	63.94
	Mean	795.29	39.21	20.80	889.14	2.41	43.45
	S.D	303.98	8.53	8.26	64.68	1.61	22.57
	C.V	0.3822	0.2174	0.3971	0.0727	0.6697	0.5194
NMB	Minimum	180	2.61	13.98	126	0	0
	Maximum	515	25.05	112.93	357	4.62	93.9
	Mean	349.00	13.19	40.93	234.29	1.75	33.92
	S.D	152.55	8.34	36.72	85.31	2.13	41.78
	C.V	0.4371	0.6322	0.8971	0.3641	1.2151	1.2317
NABIL	Minimum	1252	57.24	16.21	505	0.36	11.95
	Maximum	4899	106.76	45.89	742	2.95	59.12
	Mean	2307.14	79.85	28.00	648.71	1.67	39.93
	S.D	1237.97	16.24	10.86	88.31	0.94	14.83
	C.V	0.5366	0.2034	0.3879	0.1361	0.5334	0.3714
EBL	Minimum	1033	78.04	11.67	534	0.15	1.78
	Maximum	2631	100.16	30.58	696	4.57	60.11
	Mean	1793.43	89.69	20.10	621.14	1.87	34.40
	S.D	629.95	8.30	7.32	62.39	1.58	24.19
	C.V	0.3513	0.0925	0.3641	0.1004	0.8458	0.7032
SBL	Minimum	270	19.82	10.07	168	0.08	2.78
	Maximum	1000	38.63	43.7	525	4.74	64.53.
	Mean	549.57	27.33	20.49	361.57	2.06	31.49
	S.D	283.03	8.12	10.91	105.71	1.69	22.40
	C.V	0.5150	0.2971	0.5325	0.2924	0.8198	0.7113

Findings from the descriptive statistics as presented in table 4.1 shows that, Nepal Investment Bank Limited MP mean has been obtained 795.29 over the study period. This variable has minimum value of 511.00 and maximum one at 1388.00 during the study period. However, in terms of standard deviation this ratio registered 303.98 during the study period. The coefficient of variation is registered at 0.3822 during the study period. On the other hand, EPS has obtained mean 39.21 over the study period. This variable has minimum value of 27.60 and maximum value at 52.55 during the study period. In terms of standard deviation EPS registered 8.53 during the study period. The coefficient of variation is registered at 0.2174 during the Study period. Also, the table shows that, PER has obtained mean 20.80 times over the study period. This variable has minimum value of 13.20 times and maximum at 37.10 times during the study period. In terms of standard deviation PER registered 8.26 during the study period. The coefficient of variation is registered at 0.3971 during the Study period. Similarly Staff mean has obtained 889.14 over the study period. This variable has minimum value of 766.00 and maximum value at 969.00 during the study period, in terms of standard deviation staff registered at 64.68 during the study period. The coefficient of variation is registered at 0.0727 during the study period. The variable DY has obtained mean 2.41 over the study period. This variable has minimum value of 0.24 and maximum value at 4.85 during the study period, in terms of standard deviation DY registered 1.61 during the study period. The coefficient of variation is registered at 0.6697 during the study period. Moreover, DPR has obtained mean 43.45 over the study period. This variable has minimum value of 5.50 and maximum value at 63.94 during the study period, in terms of standard deviation DPR registered 22.57 during the study period. The coefficient of variation is registered at 0.5194 during the study period.

The NMB bank limited MP mean has been obtained 349.00 over the study period. This variable has minimum value of 180.00 and maximum one at 515.00 during the study period. However, in terms of standard deviation this ratio registered 152.55 during the

study period. The coefficient of variation is registered at 0.4371 during the study period. On the other hand, EPS has obtained mean 13.19 over the study period. This variable has minimum value of 2.61 and maximum value at 25.05 during the study period. In terms of standard deviation EPS registered 8.34 during the study period. The coefficient of variation is registered at 0.6322 during the Study period. Also, the table shows that, PER has obtained mean 40.93 times over the study period. This variable has minimum value of 13.98 times and maximum at 112.93 times during the study period. In terms of standard deviation PER registered 36.72 during the study period. The coefficient of variation is registered at 0.8971 during the study period. Similarly Staff mean has obtained 234.29 over the study period. This variable has minimum value of 126.00 and maximum value at 357.00 during the study period, in terms of standard deviation staff registered at 85.31 during the study period. The coefficient of variation is registered at 0.3641 during the study period. The variable DY has obtained mean 1.75 over the study period. This variable has minimum value of 0 and maximum value at 4.62 during the study period, in terms of standard deviation DY registered 2.13 during the study period. The coefficient of variation is registered at 1.2151 during the study period. Moreover, DPR has obtained mean 33.92 over the study period. This variable has minimum value of 0 and maximum value at 93.90 during the study period, in terms of standard deviation DPR registered 41.78 during the study period. The coefficient of variation is registered at 1.2317 during the study period.

The Nabil bank limited MP mean has been obtained 2307.14 over the study period. This variable has minimum value of 1252.00 and maximum one at 4899.00 during the study period. However, in terms of standard deviation this ratio registered 1237.97 during the study period. The coefficient of variation is registered at 0.5366 during the study period. On the other hand, EPS has obtained mean 79.85 over the study period. This variable has minimum value of 57.24 and maximum value at 106.76 during the study period. In terms of standard deviation EPS registered 16.24 during the study period. The coefficient of variation is registered at 0.2034 during the study period. Also, the table shows that, PER has obtained mean 28.00 times over the study period. This variable has minimum value

of 16.21 times and maximum at 45.89 times during the study period. In terms of standard deviation PER registered 10.86 during the study period. The coefficient of variation is registered at 0.3879 during the study period. Similarly Staff mean has obtained 648.71 over the study period. This variable has minimum value of 505.00 and maximum value at 742.00 during the study period, in terms of standard deviation staff registered at 88.31 during the study period. The coefficient of variation is registered at 0.1361 during the study period. The variable DY has obtained mean 1.67 over the study period. This variable has minimum value of 0.36 and maximum value at 2.95 during the study period, in terms of standard deviation DY registered 0.94 during the study period. The coefficient of variation is registered at 0.5629 during the study period. Moreover, DPR has obtained mean 39.93 over the study period. This variable has minimum value of 11.95 and maximum value at 59.12 during the study period, in terms of standard deviation DPR registered 14.83 during the study period. The coefficient of variation is registered at 0.3714 during the study period.

The Everest bank limited MP mean has been obtained 1793.43 over the study period. This variable has minimum value of 1033.00 and maximum one at 2631.00 during the study period. However, in terms of standard deviation this ratio registered 629.95 during the study period. The coefficient of variation is registered at 0.3513 during the study period. On the other hand, EPS has obtained mean 89.69 over the study period. This variable has minimum value of 78.04 and maximum value at 100.16 during the study period. In terms of standard deviation EPS registered 8.30 during the study period. The coefficient of variation is registered at 0.0925 during the study period. Also, the table shows that, PER has obtained mean 20.10 times over the study period. This variable has minimum value of 11.67 times and maximum at 30.58 times during the study period. In terms of standard deviation PER registered 7.32 during the study period. The coefficient of variation is registered at 0.3641 during the study period. Similarly Staff mean has obtained 621.14 over the study period. This variable has minimum value of 534.00 and maximum value at 696.00 during the study period, in terms of standard deviation staff registered at 62.39 during the study period. The coefficient of variation is registered at

0.1004 during the study period. The variable DY has obtained mean 1.58 over the study period. This variable has minimum value of 0.15 and maximum value at 4.57 during the study period, in terms of standard deviation DY registered 1.58 during the study period. The coefficient of variation is registered at 0.8458 during the study period. Moreover, DPR has obtained mean 34.40 over the study period. This variable has minimum value of 1.78 and maximum value at 60.11 during the study period, in terms of standard deviation DPR registered 24.19 during the study period. The coefficient of variation is registered at 0.7032 during the study period.

The Siddhartha bank limited MP mean has been obtained 549.57 over the study period. This variable has minimum value of 270.00 and maximum one at 1000.00 during the study period. However, in terms of standard deviation this ratio registered 283.03 during the study period. The coefficient of variation is registered at 0.5150 during the study period. On the other hand, EPS has obtained mean 27.33 over the study period. This variable has minimum value of 19.82 and maximum value at 38.63 during the study period. In terms of standard deviation EPS registered 8.12 during the study period. The coefficient of variation is registered at 0.2971 during the Study period. Also, the table shows that, PER has obtained mean 20.49 times over the study period. This variable has minimum value of 10.07 times and maximum at 43.70 times during the study period. In terms of standard deviation PER registered 10.91 during the study period. The coefficient of variation is registered at 0.5325 during the Study period. Similarly Staff mean has obtained 361.57 over the study period. This variable has minimum value of 168.00 and maximum value at 525.00 during the study period, in terms of standard deviation staff registered at 105.71 during the study period. The coefficient of variation is registered at 0.2924 during the study period. The variable DY has obtained mean 2.06 over the study period. This variable has minimum value of 0.08 and maximum value at 4.74 during the study period, in terms of standard deviation DY registered 1.69 during the study period. The coefficient of variation is registered at 0.8198 during the study period. Moreover, DPR has obtained mean 31.49 over the study period. This variable has minimum value of 2.78 and maximum value at 64.53 during the study period, in terms of standard deviation

DPR registered 22.40 during the study period. The coefficient of variation is registered at 0.7113 during the study period.

4.4 Correlation Analysis

The Pearson co-efficient of correlation is used to assess the relationship between market price of share and earnings per share, price earnings ratio, Size in terms of staff, dividend yield, and dividend payout ratio of sample banks of the year 2008/09 to 2014/15 at 1% and 5% level of significance. The Pearson correlation analysis results have been presented in the following Table.

Table 4.2: Pearson Correlation Analysis of NIBL

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.128	.892**	-.556	-.250	.324
	Sig. (2-tailed)		.784	.007	.195	.589	.479
EPS	Pearson Correlation		1	-.329	-.093	.692	.646
	Sig. (2-tailed)			.471	.843	.085	.117
PER	Pearson Correlation			1	-.494	-.579	-.028
	Sig. (2-tailed)				.260	.173	.953
S	Pearson Correlation				1	-.099	-.369
	Sig. (2-tailed)					.832	.415
DY	Pearson Correlation					1	.803*
	Sig. (2-tailed)						.030
DPR	Pearson Correlation						1
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

It is quite clear from Table 4.2 that the share price of NIBL is significantly positively related to EPS, PER and DPR which means that these variable move together with share prices. However, share price is significantly negatively related to Staff and dividend yield.

Table 4.3: Pearson Correlation Analysis of NMB

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.466	.211	.360	-.633	-.571
	Sig. (2-tailed)		.292	.650	.427	.127	.180
EPS	Pearson Correlation		1	-.727	.861*	.030	-.040
	Sig. (2-tailed)			.064	.013	.949	.931
PER	Pearson Correlation			1	-.589	-.564	-.516
	Sig. (2-tailed)				.165	.187	.236
S	Pearson Correlation				1	-.275	-.382
	Sig. (2-tailed)					.551	.398
DY	Pearson Correlation					1	.936**
	Sig. (2-tailed)						.002
DPR	Pearson Correlation						1
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

The Pearson correlation analysis result of NMB as presented in Table 4.3 shows that, there is a positive correlation between dependent variable share price and independent variables EPS, PER and Staff which means that these variable move together with share prices. However, share price is significantly negatively related to dividend yield and dividend payout ratio.

Table 4.4: Pearson Correlation Analysis of NABIL

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.694	.894**	-.672	-.607	-.171
	Sig. (2-tailed)		.083	.007	.098	.149	.715
EPS	Pearson Correlation		1	.322	-.511	.043	.253
	Sig. (2-tailed)			.481	.241	.926	.548
PER	Pearson Correlation			1	-.522	-.850*	-.381
	Sig. (2-tailed)				.229	.015	.399
S	Pearson Correlation				1	.334	.186
	Sig. (2-tailed)					.464	.690
DY	Pearson Correlation					1	.755*
	Sig. (2-tailed)						.050
DPR	Pearson Correlation						1
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

It is quite clear from Table 4.4 that the share price of NABIL is significantly positively related to EPS and PER which means that these variable move together with share prices. However, share price is significantly negatively related to Staff, dividend yield and dividend payout ratio.

Table 4.5: Pearson Correlation Analysis of EBL

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.103	.958**	.235	-.297	.124
	Sig. (2-tailed)		.827	.001	.612	.518	.792
EPS	Pearson Correlation		1	-.181	-.749	-.012	.051
	Sig. (2-tailed)			.697	.053	.979	.914
PER	Pearson Correlation			1	.467	-.314	.084
	Sig. (2-tailed)				.290	.492	.859
S	Pearson Correlation				1	-.229	-.032
	Sig. (2-tailed)					.621	.945
DY	Pearson Correlation					1	.874*
	Sig. (2-tailed)						.010
DPR	Pearson Correlation						1
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

The Pearson correlation analysis result of EBL as presented in Table 4.5 shows that, there is a positive correlation between dependent variable share price and independent variables EPS, PER and Staff which means that these variable move together with share prices. However, share price is significantly negatively related to dividend yield and dividend payout ratio.

Table 4.6: Pearson Correlation Analysis of SBL

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.417	.839*	-.327	-.868*	-.797*
	Sig. (2-tailed)		.352	.018	.475	.011	.032
EPS	Pearson Correlation		1	-.135	.601	-.479	-.541
	Sig. (2-tailed)			.772	.153	.276	.210
PER	Pearson Correlation			1	-.732	-.678	-.594
	Sig. (2-tailed)				.061	.094	.160
S	Pearson Correlation				1	.080	.046
	Sig. (2-tailed)					.865	.922
DY	Pearson Correlation					1	.927**
	Sig. (2-tailed)						.003
DPR	Pearson Correlation						1
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

It is quite clear from Table 4.6 that the share price of SBL is significantly positively related to EPS and PER which means that these variable move together with share prices. However, share price is significantly negatively related to Staff, dividend yield and dividend payout ratio.

Table 4.7: Pearson Correlation Analysis of Whole Banking Industry

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.796**	.120	.286	-.261	-.011
	Sig. (2-tailed)		.000	.494	.095	.129	.948
EPS	Pearson Correlation		1	-.245	.472**	-.035	.057
	Sig. (2-tailed)			.156	.004	.840	.745
PER	Pearson Correlation			1	-.368*	-.494**	-.369*
	Sig. (2-tailed)				.029	.003	.029
S	Pearson Correlation				1	.069	.096
	Sig. (2-tailed)					.695	.582
DY	Pearson Correlation					1	.864**
	Sig. (2-tailed)						.000
DPR	Pearson Correlation						1
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

The Pearson correlation analysis result as presented in Table 4.7 shows that, there is a positive correlation between dependent variable share price and independent variables EPS, PER and Staff which means that these variable move together with share prices. However, share price is significantly negatively related to dividend yield and dividend payout ratio.

4.5 Regression Analysis

In this section regression coefficients were estimated using multiple regressions analysis for the dependent variable; Market price per share and explanatory variables of sample banks of the year 2008/09 to 2014/15 involved in the regression model. Findings from the regression analysis are shown in following tables:

The Model is: $MPS = \beta_0 + \beta_1EPS + \beta_2DY + \beta_3DPR + \beta_4PE + \beta_5S + S.E.E$

Table 4.8: Regression Results on the Determinants of Share Price of NIBL

Variables	B	Std. Error	Beta	T	Sig.
(Constant)	-637.410	146.334		-4.356	0.144
EPS	14.658	0.851	0.411	17.224	0.037
P/E	35.181	2.240	0.956	15.706	0.040
S	0.079	0.116	0.017	0.684	0.618
DY	-27.638	17.144	-0.147	-1.612	0.353
DPR	2.808	0.959	0.208	2.929	0.209
R	1				
R-Square	1				
Adjusted R Square	0.998				
F	722.918				
Sig. Prob. (F-statistic)	0.028				

Source: Results are drawn from SPSS-21.

The R-Square which is often referred to as the coefficient of determination of the variables is 1. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 100% of the variability in the share prices of banks. This means that the model explains about 100% of the systematic variation in the dependent variable. That is, about 0% of the variations in market price of the NIBL bank is accounted for by other factors not captured by the model. This result is complimented by the adjusted R- square of about 99.9%, which in essence is the proportion of total variance that is explained by the model.

Similarly, findings from the Fishers ratio (i.e., the F-Statistics) which is a proof of the validity of the estimated model as reflected in Table.4.8, indicates that, the F is about 722.918 and a p-value or F(sig) that is equal to 0.028, this invariably suggests clearly that simultaneously the explanatory variables are significantly associated with the dependent variable. That is, they strongly determine the behavior of the market values of share prices.

Table 4.9: Regression Results on the Determinants of Share Price of NMB

Variables	B	Std. Error	Beta	T	Sig.
(Constant)	1721.387	815.695		2.110	.282
EPS	37.625	5.657	2.057	6.651	.095
P/E	-6.050	4.822	-1.456	-1.255	.428
S	-5.599	2.313	-3.131	-2.420	.249
DY	-56.704	19.620	-.791	-2.890	.212
DPR	-6.189	3.988	-1.695	-1.552	.364
R	.996				
R-Square	.991				
Adjusted R Square	.949				
F	23.272				
Sig. Prob. (F-statistic)	.156				

Source: Results are drawn from SPSS-21.

The R-Square which is often referred to as the coefficient of determination of the variables is 0.991. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 99.1% of the variability in the share prices of banks. This means that the model explains about 99.1% of the systematic variation in the dependent variable. That is, about 0.9% of the variations in market price of the NMB bank is accounted for by other factors not captured by the model. This result is complimented by the adjusted R- square of about 94.9%, which in essence is the proportion of total variance that is explained by the model.

Similarly, findings from the Fishers ratio (i.e., the F-Statistics) which is a proof of the validity of the estimated model as reflected in Table.4.9, indicates that, the F is about 23.272 and a p-value or F(sig) that is equal to 0.156, this invariably suggests clearly that simultaneously the explanatory variables are not significantly associated with the dependent variable. The regression model does not fit at 5% level of significance.

The coefficient of earning per share against MPS was 37.625. This indicates that there was a direct relationship between independent variable EPS and MPS. On the other hand the coefficient of price earning, staff, dividend yield, and dividend payout is -6.050, -5.599, -56.704 and -6.189 respectively. This reveals that there is an inverse relationship between price earning, staff, dividend yield, and dividend payout variable with MPS.

Table 4.10: Regression Results on the Determinants of Share Price NABIL

Variables	B	Std. Error	Beta	T	Sig.
(Constant)	-2246.073	2545.031		-.883	.540
EPS	29.883	12.232	.392	2.443	.247
P/E	95.894	52.286	.841	1.834	.318
S	-1.054	2.057	-.075	-.512	.699
DY	206.791	754.862	.157	.274	.830
DPR	-4.466	23.722	-.053	-.188	.882
R	.994 ^a				
R-Square	.989				
Adjusted R Square	.933				
F	17.673				
Sig. Prob. (F-statistic)	.179				

Source: Results are drawn from SPSS-21.

The R-Square which is often referred to as the coefficient of determination of the variables is 0.989. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 98.9% of the variability in the share prices of banks. This means that the model explains about 98.9% of the systematic variation in the dependent variable. That is, about 1.1% of the variations in market price of the NABIL bank is accounted for by other factors not captured by the model. This result is complimented by the adjusted R- square of about 93.3%, which in essence is the proportion of total variance that is explained by the model.

Similarly, findings from the Fishers ratio (i.e., the F-Statistics) which is a proof of the validity of the estimated model as reflected in Table.4.10, indicates that, the F is about 17.673 and a p-value or F(sig) that is equal to 0.179, this invariably suggests clearly that simultaneously the explanatory variables are not significantly associated with the dependent variable. The regression model does not fit at 5% level of significance.

The coefficient of earning per share, price earnings and dividend yield against MPS was 29.883, 95.894 and 206.791 respectively. This indicates that there was a direct relationship between independent variable and these dependent variables. On the other hand the coefficient of staff, and dividend payout is -1.054 and -4.466 respectively. This reveals that there is an inverse relationship between staff and dividend payout variable with MPS.

Table 4.11: Regression Results on the Determinants of Share Price EBL

Variables	B	Std. Error	Beta	T	Sig.
(Constant)	-300.918	926.679		-.325	.800
EPS	13.077	5.286	.172	2.474	.245
P/E	83.991	4.862	.976	17.276	.037
S	-1.288	.699	-.128	-1.842	.317
DY	-72.422	60.898	-.181	-1.189	.445
DPR	4.894	3.676	.188	1.331	.410
R	1.000 ^a				
R-Square	.999				
Adjusted R Square	.995				
F	265.610				
Sig. Prob. (F-statistic)	.047 ^b				

Source: Results are drawn from SPSS-21.

The R-Square which is often referred to as the coefficient of determination of the variables is 0.999. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 99.9% of the variability in the share prices of banks. This means that the model explains about 99.9% of the systematic variation in the dependent variable. That is, about 0.01% of the variations in market price of the EBL bank is accounted for by other factors not captured by the

model. This result is complimented by the adjusted R- square of about 99.5%, which in essence is the proportion of total variance that is explained by the model.

Similarly, findings from the Fishers ratio (i.e., the F-Statistics) which is a proof of the validity of the estimated model as reflected in Table.4.11, indicates that, the F is about 265.61 and a p-value or F(sig) that is equal to 0.047, this invariably suggests clearly that simultaneously the explanatory variables are significantly associated with the dependent variable. That is, they strongly determine the behavior of the market values of share prices.

The coefficient of earning per share, price earnings and dividend payout against MPS was 13.077, 83.991 and 4.894 respectively. This indicates that there was a direct relationship between independent variable and these dependent variables. On the other hand the coefficient of staff and dividend yield is -1.288 and -72.422 respectively. This reveals that there is an inverse relationship between staff and dividend yield variable with MPS.

Table 4.12: Regression Results on the Determinants of Share Price SBL

Variables	B	Std. Error	Beta	T	Sig.
(Constant)	-767.925	166.013		-4.626	.136
EPS	20.309	1.928	.582	10.536	.060
P/E	28.400	2.908	1.095	9.766	.065
S	.318	.231	.119	1.376	.400
DY	-8.139	19.436	-.049	-.419	.748
DPR	2.619	1.120	.207	2.338	.257
R	1.000				
R-Square	.999				
Adjusted R Square	.994				
F	209.653				
Sig. Prob. (F-statistic)	.052				

Source: Results are drawn from SPSS-21.

The R-Square which is often referred to as the coefficient of determination of the variables is 0.999. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 99.9% of the variability in the share prices of banks. This means that the model explains about 99.9% of the systematic variation in the dependent variable. That is, about 0.01% of the variations in market price of the SBL bank is accounted for by other factors not captured by the model. This result is complimented by the adjusted R- square of about 99.4%, which in essence is the proportion of total variance that is explained by the model.

Similarly, findings from the Fishers ratio (i.e., the F-Statistics) which is a proof of the validity of the estimated model as reflected in Table.4.12, indicates that, the F is about 209.653 and a p-value or F(sig) that is equal to 0.052, this invariably suggests clearly that simultaneously the explanatory variables are not significantly associated with the dependent variable at 5% level of significance, but significant at 10% level of significance. This model does not fit for Siddhartha bank limited.

Table 4.13: Regression Results on the Determinants of Share Price of Industry

Variables	B	Std. Error	Beta	T	Sig.
(Constant)	-355.362	357.378		-.994	.328
EPS	25.162	2.944	.814	8.547	.000
P/E	11.188	5.370	.218	2.083	.046
S	-.113	.387	-.028	-.292	.772
DY	-359.687	114.914	-.569	-3.130	.004
DPR	19.980	6.454	.517	3.096	.004
R	.899				
R-Square	.808				
Adjusted R Square	.775				
F	24.477				
Sig. Prob. (F-statistic)	.000				

The R-Square which is often referred to as the coefficient of determination of the variables is 0.808. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 80.8% of the variability in the share prices of banking industry. This means that the model explains about 80.8% of the systematic variation in the dependent variable. That is, about 19.2% of the variations in share price of whole banking industry in Nepal are accounted for by other factors not captured by the model. This result is complimented by the adjusted R- square of about 77.5%, which in essence is the proportion of total variance that is explained by the model.

Similarly, findings from the Fishers ratio (i.e., the F-Statistics) which is a proof of the validity of the estimated model as reflected in Table.4.13, indicates that, the F is about 24.477 and a p-value or F(sig) that is equal to 0, this invariably suggests clearly that simultaneously the explanatory variables are significantly associated with the dependent variable. That is, they strongly determine the behavior of the market values of share prices. But staff F(sig) value is 0.772 means no of staff does not significant, it does not affect the share price.

The coefficient of earning per share, price earnings and dividend payout against MPS was 25.162, 11.188 and 19.980 respectively. This indicates that there was a direct relationship between independent variable and these dependent variables. On the other hand the coefficient of staff and dividend yield is -0.113 and -359.687 respectively. This reveals that there is an inverse relationship between staff and dividend yield variable with MPS.

4.6 Major Findings

- EBL has more consistency in MPS, EPS and PER with 35.13%, 9.25% and 36.41% CV respectively. Similarly, STAFF of NIBL, DY and DPR of NABIL are more consistent with 7.27%, 56.29% and 37.14% CV respectively in comparison to other sample Banks.
- MPS of NABIL has more fluctuating performance with 53.66% CV. Similarly, EPS, PER, STAFF, DY and DPR of NMB have more fluctuating with 63.22%,

89.71%, 36.41%, 121.51% and 123.71% CV respectively in comparison to other sample Banks.

- EPS of NABIL is highly positively correlated with MPS (0.694) and EPS of EBL is low degree positively correlated with MPS (0.103). However the study of (Almumani, 2014) and (Javid, 2010) shows that there was moderately positive correlated EPS and DPS with MPS.
- PER of EBL is highly positively correlated with MPS (0.958) and PER of NMB is low degree positively correlated with MPS (0.211).
- STAFF of NMB is low degree positively correlated with MPS (0.360) and STAFF of NABIL is moderate degree negatively correlated with MPS (-0.672).
- DY of NIBL is low degree negatively correlated with MPS (-0.250) and DY of SBL is highly negatively correlated with MPS (-0.868).
- DPR of NIBL is low degree positively correlated with MPS (0.324) and DPR of SBL is highly negatively correlated with MPS (-0.737) in comparison to other sample Banks.
- MPS of whole industry is positively correlated with EPS, PER and STAFF with 0.796, 0.120 and 0.286 correlation factor respectively whereas DY and DPR are negatively correlated with MPS with -0.261 and -0.011 correlation factor respectively. The findings of (Malhotra and Tandon, 2013) also found that book value, earning per share and price earning have significant effect on share price but dividend per share doesn't have positive or negative effect towards the market price. Similarly, the study of (Sharif, Pauohit and Pillai, 2015) had found that some determinants (ROE, BVPS, DPS, DY, P/E Ratio and Size fo the Form) are significant determinants of share price in Bahrain market.

CHAPTER - V

CONCLUSION

5.1 Summary

This study attempts to identify the quantitative factors that influences share prices of the listed commercial banks in NEPSE over the period 2008/09 to 2014/15. Generally stock price is determined by demand and supply of common stock. EPS, DPS, DPR, BVPS, P/E ratio, DY, Size of the firm etc. are the several factors those determine the stock price. But for this study earnings per share, price earnings ratio, size of the firm in terms of no of staff, dividend yield and dividend payout ratio have been taken as independent variables and market price per share has been taken as dependent variable. This study tries to find out the relationship between dependent variable and independent variables. To achieve the objectives of this study, analytical research design has been used.

For this study population is 28 and sample size is 5 commercial banks which are selected through simple random sampling technique. Some financial and statistical tools have been applied to examine facts and determining factors of stock price. The study is based on secondary data only. And data are collected from annual reports of related commercial banks and other websites.

To measure the variation in the distribution, CV is calculated. To analyze the relationship between MPS with EPS, P/E ratio, Size (In terms of staff), DY and DPR, it is assumed that the market price of stock is affected by the changes in EPS, P/E ratio, S, DY and DPR and coefficient of correlation analysis is performed. To examine the dependability of dependent variable on independent variables, coefficient of determination is measured. To test the significant relation between dependent variable and independent variable, t-test is measured. For the test of hypothesis, calculated t-value is compared with the tabulated t-value at 5% level of significance.

5.2 Conclusion

From the industry analysis, it is revealed that the MPS is significant with earnings per share means the earnings per share affect the share price of commercial banks in Nepal. Price earnings ratio also significant with MPS so price earnings ratio also affect share price of commercial banks in Nepal. But staff is insignificant with MPS means no of staff does not affect the share price of commercial banks in Nepal. Dividend yield is significant with MPS, dividend yield affect the share price of commercial banks in Nepal. Dividend payout ratio is also significant with MPS, dividend payout ratio also affect share price of commercial banks in Nepal. Finally it is found that the earnings per share, price earnings ratio, and dividend yield and dividend payout ratio are the significant determinants of share price for all the banks under consideration.

5.3 Implications

Implications of this research mean how stakeholders use the finding of research in their practical life as suggestion. Implications of this study are stated as follows:

1. Investors are required to boost their knowledge up regarding share and share market to get expected returns from their investment. They should not consider only DPS but consider the both DPS and rate of return from reinvestment of banks because for them, return from reinvestment will be beneficial than present dividend.
2. Commercial Banks are suggested that they should maintain the consistency in EPS, PER, DY and DPR. This study concluded that the EPS is strongest factor of determining the stock price of commercial banks with 0.798 correlation with MPS. So, banks are suggested that they should increase their earnings per share.
3. It would be better if stock brokers expand their services not only in Kathmandu valley and limited cities but all over Nepal, so that all the interested investors easily get access to stock market.
4. This study covers the stock market of commercial banks only. For the clear and absolute result regarding the determinants of share price, a population study of

whole share market for a longer time period is required. So, it is recommended to further researchers to conduct future study by using more sample size, advanced methodology, large no. of observations.

5.

Appendix I: Descriptive Statistics of Sample Banks

1. Nepal Investment Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	7	511.0	1388.0	795.286	303.9823
EPS	7	27.60	52.55	39.2100	8.52545
PER	7	13.20	37.10	20.8029	8.26120
S	7	766.0	969.0	889.143	64.6824
DY	7	.24	4.85	2.4071	1.61206
DPR	7	5.50	63.94	43.4457	22.56672

2. NMB Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	7	180.0	515.0	349.000	152.5462
EPS	7	2.61	25.05	13.1900	8.33844
PER	7	13.98	112.93	40.9329	36.72104
S	7	126.0	357.0	234.286	85.3106
DY	7	.00	4.62	1.7514	2.12804
DPR	7	.00	93.90	33.9171	41.77538

3. Nabil Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	7	1252.0	4899.0	2307.143	1237.9673
EPS	7	57.24	106.76	79.8457	16.23781
PER	7	16.21	45.89	27.9971	10.85903
S	7	505.0	742.0	648.714	88.3057
DY	7	.36	2.95	1.6657	.93719

DPR	7	11.95	59.12	39.9314	14.82530
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4. Everest Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	7	1033.0	2631.0	1793.429	629.9457
EPS	7	78.04	100.16	89.6914	8.29891
PER	7	11.67	30.58	20.1014	7.31873
S	7	534.0	696.0	621.143	62.3870
DY	7	.15	4.57	1.8657	1.57810
DPR	7	1.78	60.11	34.3971	24.18896

5. Siddhartha Bank Limited

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	7	270.0	1000.0	549.571	283.0323
EPS	7	19.82	38.63	27.3300	8.11686
PER	7	10.07	43.70	20.4871	10.90921
S	7	168.0	525.0	361.571	105.7101
DY	7	.08	4.74	2.0600	1.68888
DPR	7	2.78	64.53	31.4914	22.39603

Appendix II: Summary of Correlation Analysis of Sample Banks

1. Nepal Investment Bank Limited

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.128	.892**	-.556	-.250	.324
	Sig. (2-tailed)		.784	.007	.195	.589	.479
	N	7	7	7	7	7	7
EPS	Pearson Correlation	.128	1	-.329	-.093	.692	.646
	Sig. (2-tailed)	.784		.471	.843	.085	.117
	N	7	7	7	7	7	7
PER	Pearson Correlation	.892**	-.329	1	-.494	-.579	-.028
	Sig. (2-tailed)	.007	.471		.260	.173	.953
	N	7	7	7	7	7	7
S	Pearson Correlation	-.556	-.093	-.494	1	-.099	-.369
	Sig. (2-tailed)	.195	.843	.260		.832	.415
	N	7	7	7	7	7	7
DY	Pearson Correlation	-.250	.692	-.579	-.099	1	.803*
	Sig. (2-tailed)	.589	.085	.173	.832		.030
	N	7	7	7	7	7	7
DPR	Pearson Correlation	.324	.646	-.028	-.369	.803*	1
	Sig. (2-tailed)	.479	.117	.953	.415	.030	
	N	7	7	7	7	7	7

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

2. NMB Bank Limited

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.466	.211	.360	-.633	-.571
	Sig. (2-tailed)		.292	.650	.427	.127	.180
	N	7	7	7	7	7	7
EPS	Pearson Correlation	.466	1	-.727	.861*	.030	-.040
	Sig. (2-tailed)	.292		.064	.013	.949	.931
	N	7	7	7	7	7	7
PER	Pearson Correlation	.211	-.727	1	-.589	-.564	-.516
	Sig. (2-tailed)	.650	.064		.165	.187	.236
	N	7	7	7	7	7	7
S	Pearson Correlation	.360	.861*	-.589	1	-.275	-.382
	Sig. (2-tailed)	.427	.013	.165		.551	.398
	N	7	7	7	7	7	7
DY	Pearson Correlation	-.633	.030	-.564	-.275	1	.936**
	Sig. (2-tailed)	.127	.949	.187	.551		.002
	N	7	7	7	7	7	7
DPR	Pearson Correlation	-.571	-.040	-.516	-.382	.936**	1
	Sig. (2-tailed)	.180	.931	.236	.398	.002	
	N	7	7	7	7	7	7

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

3. Nabil Bank Limited

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.694	.894**	-.672	-.607	-.171
	Sig. (2-tailed)		.083	.007	.098	.149	.715
	N	7	7	7	7	7	7
EPS	Pearson Correlation	.694	1	.322	-.511	.043	.253
	Sig. (2-tailed)	.083		.481	.241	.926	.584
	N	7	7	7	7	7	7
PER	Pearson Correlation	.894**	.322	1	-.522	-.850*	-.381
	Sig. (2-tailed)	.007	.481		.229	.015	.399
	N	7	7	7	7	7	7
S	Pearson Correlation	-.672	-.511	-.522	1	.334	.186
	Sig. (2-tailed)	.098	.241	.229		.464	.690
	N	7	7	7	7	7	7
DY	Pearson Correlation	-.607	.043	-.850*	.334	1	.755*
	Sig. (2-tailed)	.149	.926	.015	.464		.050
	N	7	7	7	7	7	7
DPR	Pearson Correlation	-.171	.253	-.381	.186	.755*	1
	Sig. (2-tailed)	.715	.584	.399	.690	.050	
	N	7	7	7	7	7	7

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

4. Everest Bank Limited

	MPS	EPS	PER	S	DY	DPR	
MPS	Pearson Correlation	1	.103	.958**	.235	-.297	.124
	Sig. (2-tailed)		.827	.001	.612	.518	.792
	N	7	7	7	7	7	7
EPS	Pearson Correlation	.103	1	-.181	-.749	-.012	.051
	Sig. (2-tailed)	.827		.697	.053	.979	.914
	N	7	7	7	7	7	7
PER	Pearson Correlation	.958**	-.181	1	.467	-.314	.084
	Sig. (2-tailed)	.001	.697		.290	.492	.859
	N	7	7	7	7	7	7
S	Pearson Correlation	.235	-.749	.467	1	-.229	-.032
	Sig. (2-tailed)	.612	.053	.290		.621	.945
	N	7	7	7	7	7	7
DY	Pearson Correlation	-.297	-.012	-.314	-.229	1	.874*
	Sig. (2-tailed)	.518	.979	.492	.621		.010
	N	7	7	7	7	7	7
DPR	Pearson Correlation	.124	.051	.084	-.032	.874*	1
	Sig. (2-tailed)	.792	.914	.859	.945	.010	
	N	7	7	7	7	7	7

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

5. Siddhartha Bank Limited

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.417	.839*	-.327	-.868*	-.797*
	Sig. (2-tailed)		.352	.018	.475	.011	.032
	N	7	7	7	7	7	7
EPS	Pearson Correlation	.417	1	-.135	.601	-.479	-.541
	Sig. (2-tailed)	.352		.772	.153	.276	.210
	N	7	7	7	7	7	7
PER	Pearson Correlation	.839*	-.135	1	-.732	-.678	-.594
	Sig. (2-tailed)	.018	.772		.061	.094	.160
	N	7	7	7	7	7	7
S	Pearson Correlation	-.327	.601	-.732	1	.080	.046
	Sig. (2-tailed)	.475	.153	.061		.865	.922
	N	7	7	7	7	7	7
DY	Pearson Correlation	-.868*	-.479	-.678	.080	1	.927**
	Sig. (2-tailed)	.011	.276	.094	.865		.003
	N	7	7	7	7	7	7
DPR	Pearson Correlation	-.797*	-.541	-.594	.046	.927**	1
	Sig. (2-tailed)	.032	.210	.160	.922	.003	
	N	7	7	7	7	7	7

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

6. Whole Banking Industry

		MPS	EPS	PER	S	DY	DPR
MPS	Pearson Correlation	1	.796**	.120	.286	-.261	-.011
	Sig. (2-tailed)		.000	.494	.095	.130	.948
	N	35	35	35	35	35	35
EPS	Pearson Correlation	.796**	1	-.245	.472**	-.035	.057
	Sig. (2-tailed)	.000		.156	.004	.841	.745
	N	35	35	35	35	35	35
PER	Pearson Correlation	.120	-.245	1	-.368*	-.494**	-.369*
	Sig. (2-tailed)	.494	.156		.029	.003	.029
	N	35	35	35	35	35	35
S	Pearson Correlation	.286	.472**	-.368*	1	.069	.096
	Sig. (2-tailed)	.095	.004	.029		.694	.582
	N	35	35	35	35	35	35
DY	Pearson Correlation	-.261	-.035	-.494**	.069	1	.863**
	Sig. (2-tailed)	.130	.841	.003	.694		.000
	N	35	35	35	35	35	35
DPR	Pearson Correlation	-.011	.057	-.369*	.096	.863**	1
	Sig. (2-tailed)	.948	.745	.029	.582	.000	
	N	35	35	35	35	35	35

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Appendix III: Summary of Regression Analysis of Sample Banks

1. Nepal Investment Bank Limited

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	DPR, PER, S, EPS, DY ^b	.	Enter

a. Dependent Variable: MPS

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	1.000 ^a	1.000	.998	12.3832	1.000	722.918	5	1	.028

a. Predictors: (Constant), DPR, PER, S, EPS, DY

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	554278.084	5	110855.617	722.918	.028 ^b
	Residual	153.345	1	153.345		
	Total	554431.429	6			

a. Dependent Variable: MPS

b. Predictors: (Constant), DPR, PER, S, EPS, DY

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-637.410	146.334		-4.356	.144
	EPS	14.658	.851	.411	17.224	.037
	PER	35.181	2.240	.956	15.706	.040
	S	.079	.116	.017	.684	.618
	DY	-27.638	17.144	-.147	-1.612	.353

DPR	2.808	.959	.208	2.929	.209
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a. Dependent Variable: MPS

2. NMB Bank Limited

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	DPR, EPS, PER, DY, S ^b		Enter

a. Dependent Variable: MPS

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.996 ^a	.991	.949	34.4919	.991	23.272	5	1	.156

a. Predictors: (Constant), DPR, EPS, PER, DY, S

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	138432.306	5	27686.461	23.272	.156 ^b
	Residual	1189.694	1	1189.694		
	Total	139622.000	6			

a. Dependent Variable: MPS

b. Predictors: (Constant), DPR, EPS, PER, DY, S

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1721.387	815.695		2.110	.282
	EPS	37.625	5.657	2.057	6.651	.095
	PER	-6.050	4.822	-1.456	-1.255	.428

S	-5.599	2.313	-3.131	-2.420	.249
DY	-56.704	19.620	-.791	-2.890	.212
DPR	-6.189	3.988	-1.695	-1.552	.364

a. Dependent Variable: MPS

3. Nabil Bank Limited

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	DPR, S, PER, EPS, DY ^b	.	Enter

a. Dependent Variable: MPS

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.994 ^a	.989	.933	320.7783	.989	17.673	5	1	.179

a. Predictors: (Constant), DPR, S, PER, EPS, DY

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9092480.131	5	1818496.026	17.673	.179 ^b
	Residual	102898.726	1	102898.726		
	Total	9195378.857	6			

a. Dependent Variable: MPS

b. Predictors: (Constant), DPR, S, PER, EPS, DY

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2246.073	2545.031		-.883	.540

EPS	29.883	12.232	.392	2.443	.247
PER	95.894	52.286	.841	1.834	.318
S	-1.054	2.057	-.075	-.512	.699
DY	206.791	754.862	.157	.274	.830
DPR	-4.466	23.722	-.053	-.188	.882

a. Dependent Variable: MPS

4. Everest Bank Limited

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	DPR, S, PER, EPS, DY ^b	.	Enter

a. Dependent Variable: MPS

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	1.000 ^a	.999	.995	42.3261	.999	265.610	5	1	.047

a. Predictors: (Constant), DPR, S, PER, EPS, DY

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2379198.219	5	475839.644	265.610	.047 ^b
	Residual	1791.496	1	1791.496		
	Total	2380989.714	6			

a. Dependent Variable: MPS

b. Predictors: (Constant), DPR, S, PER, EPS, DY

Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
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	B	Std. Error	Beta		
(Constant)	-300.918	926.679		-.325	.800
1 EPS	13.077	5.286	.172	2.474	.245
PER	83.991	4.862	.976	17.276	.037
S	-1.288	.699	-.128	-1.842	.317
DY	-72.422	60.898	-.181	-1.189	.445
DPR	4.894	3.676	.188	1.331	.410

a. Dependent Variable: MPS

5. Siddhartha Bank Limited

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	DPR, S, EPS, PER, DY ^b	.	Enter

a. Dependent Variable: MPS

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	1.000 ^a	.999	.994	21.4027	.999	209.653	5	1	.052

a. Predictors: (Constant), DPR, S, EPS, PER, DY

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	480185.638	5	96037.128	209.653	.052 ^b
	Residual	458.076	1	458.076		
	Total	480643.714	6			

a. Dependent Variable: MPS

b. Predictors: (Constant), DPR, S, EPS, PER, DY

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-767.925	166.013		-4.626	.136
	EPS	20.309	1.928	.582	10.536	.060
	PER	28.400	2.908	1.095	9.766	.065
	S	.318	.231	.119	1.376	.400
	DY	-8.139	19.436	-.049	-.419	.748
	DPR	2.619	1.120	.207	2.338	.257

a. Dependent Variable: MPS

6. Whole Banking Industry

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	DPR, EPS, PER, S, DY ^b	.	Enter

a. Dependent Variable: MPS

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.899 ^a	.808	.775	466.286	.808	24.477	5	29	.000

a. Predictors: (Constant), DPR, EPS, PER, S, DY

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26609479.665	5	5321895.933	24.477	.000 ^b
	Residual	6305245.878	29	217422.272		
	Total	32914725.543	34			

a. Dependent Variable: MPS

b. Predictors: (Constant), DPR, EPS, PER, S, DY

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-355.362	357.378		-.994	.328
EPS	25.162	2.944	.814	8.547	.000
PER	11.188	5.370	.218	2.083	.046
S	-.113	.387	-.028	-.292	.772
DY	-359.687	114.914	-.569	-3.130	.004
DPR	19.980	6.454	.517	3.096	.004

a. Dependent Variable: MPS

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