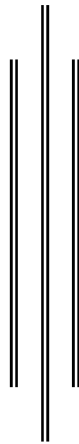


**A STUDY ON SHARE PRICE MOVEMENT  
OF  
COMMERCIAL BANKS IN NEPAL**

By:  
SURYA RAJ GAUTAM  
Shanker Dev Campus  
Campus Roll No: 1207/063  
T.U. Regd. No: 7-1-271-367-2000

A Thesis Submitted to:  
Office of the Dean  
Faculty of Management  
Tribhuvan University



In partial fulfillment of the requirement for the Degree of  
Master of Business Studies (MBS)

Kathmandu, Nepal  
September, 2010

## **RECOMMENDATION**

This is to certify that the Thesis

Submitted by:

**SURYA RAJ GAUTAM**

Entitled:

**A STUDY ON SHARE PRICE MOVEMENT OF  
COMMERCIAL BANKS IN NEPAL**

*has been prepared as approved by this Department in the prescribed format of the  
Faculty of Management. This thesis is forwarded for examination.*

.....

.....

.....

**Prof. Snehalata Kafle**   **Prof. Bisheshwor Man Shrestha**   **Prof. Dr. Kamal Deep Dhakal**  
(Thesis Supervisor)      (Head of Research Department)      (Campus Chief)

## **VIVA-VOCE SHEET**

We have conducted the viva –voce of the thesis presented

**By**

**SURYA RAJ GAUTAM**

**Entitled:**

**A STUDY ON SHARE PRICE MOVEMENT OF COMMERCIAL BANKS I  
N NEPAL**

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

**Master Degree of Business Studies (MBS)**

### **Viva-Voce Committee**

Head of Research Department: .....

Member (Thesis Supervisor): .....

Member (External Expert): .....

## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “**A Study on Share Price Movement of Commercial Banks in Nepal**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master Degree in Business Studies (M.B.S.) under the supervision of **Prof. Snehalata kafle** of Shanker Dev Campus.

.....

Researcher

Surya Raj Gautam

Shanker Dev Campus

T.U. Regd. No7-1-271-367-2000

Campus Roll No: 1207/ 063

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Surya Raj Gautam

September, 2010

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## **ABBREVIATION**

AGM	:	Annual General Meeting
AM	:	Arithmetic Mean
ATM	:	Automated Teller Machine
BOD	:	Board of Directors
BOK	:	Bank of Kathmandu
BPS	:	Book-Value per Share
B.S.	:	Bikram Sambat
Co.	:	Company
CV	:	Coefficient of Variation
DPS	:	Dividend per Share
EBL	:	Everest Bank Limited
EPS	:	Earning per Share
FNCCI	:	Federation of Nepalese Chamber of Commerce and Industries
F/Y	:	Fiscal Year
GDP	:	Gross Domestic Product
HBL	:	Himalayan Bank Limited
ICAN	:	Institute of Chartered Accountants of Nepal
i.e.	:	That is
KBL	:	Kumari Bank Limited
LBL	:	Laxmi Bank Limited
Ltd.	:	Limited
LUBL	:	Lumbini Bank Limited

MBL	:	Machhapuchhre Bank Limited
MPS	:	Market per Share
NA	:	Not Available
NABIL	:	NABIL Bank Limited
NBBL	:	Nepal Bangladesh Bank Limited
NCCBL	:	Nepal Credit and Commerce Bank Limited
NEPSE	:	Nepal Stock Exchange
NIBL	:	Nepal Investment Bank Limited
NICBL	:	Nepal Industrial and Commercial Bank Limited
NIDC	:	Nepal Industrial Development Corporation
NRB	:	Nepal Rastra Bank
NSBI	:	Nepal SBI Bank Limited
PNB	:	Punjab National Bank
Re.	:	Rupee
Rs.	:	Rupees
SEBON	:	Security Board of Nepal
SBL	:	Siddhartha Bank Limited
SCBL	:	Standard Chartered Bank Nepal Limited
TU	:	Tribhuvan University
UK	:	United Kingdom
USA	:	United States of America



# **CHAPTER I**

## **INTRODUCTION**

### **1.1 General Background**

Capital is the lifeblood of the business organizations. Every business enterprise requires short term, intermediate and long term capital for the smooth operation and expansion of the organizational activities. Among these types of fund, the long term funds plays highly significant role for future growth and prosperity of the organizations. The economy of the country largely depends upon the utilization of its resources and mobilization of capital. The mobilization of the capital is an important tool to utilize the resources and hence it affects the overall economy. The Financial institutions contribute the national economy by accumulating the capital funds to meet the financial needs of different productive sectors. They actively participate in the money market and the capital market, as both suppliers and demanders of the funds.

#### **Financial Market**

Financial Market can be defined as the centre which provides facilities for buying and selling of financial claims and services. Financial market includes the trading activities of financial institutions like Share, Bond, Debenture, etc. Hence it actually refers to the money market and capital market which facilitates the transfer of funds from the savers to users.

#### **Money Market**

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

#### **Capital Market**

The capital market is the market meant for long term securities issued by the government or a corporation. The capital markets typically involve the financial assets that have life spans of

greater than one year. There are various instruments or securities used in the capital market such as stock, bonds or debentures etc. Development and expansion of capital market is essential for the rapid growth of the country. The capital market helps in economic development by mobilizing long-term capital needed for productive sector. The capital market also consists of both non-securities market and securities market. Non-securities market refers that the mobilization of the financial resources by the financial institutions in the form of deposits and loans. It is the place where financial claims and obligations are brought and sold that have maturity period of more than one year. It can be further divided into two types Primary Market and Secondary Market.

### **Primary Market**

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

The issuer receives cash which may be invested in productive assets or retirement of debt. Corporate bodies issue new securities in the primary market hence, securities available for the first time are offered through the primary security market. The issuer may be a brand new company or that has been in business for years. The securities offered might be a new type for the issuer or additional amount of security- used in the past.

### **Secondary Market**

Secondary Market is the market in which securities are traded that has been issued in the past. Simply, secondary markets are markets in which existing outstanding securities are traded between the investors i.e. buyers and sellers. It creates the price and allow for liquidity. Thus,

Secondary Market mainly deals with previously issued shares traded through stock exchange, over the counter market or directly selling.

The function of the secondary market is to provide liquidity for securities purchased in the primary market. Once investors have purchased securities in the primary markets, they need a place to sell those securities. Without the liquidity of the secondary market, firms would have difficulty raising funds for productive purpose in the primary markets. Secondary Market is another term can be called as Security Market.

## **1.2 Security Board of Nepal [SEBON]**

Security Board of Nepal was established on May 26, 1993 under the provision of the Security Exchange Act, 1983. It was established with the objectives of the promoting and protecting the interests of investors by regulating the securities market. It also assumes the responsibility of development of securities market in the country, besides the regulatory role. Security Board has identified the policy development, legal and regulatory reform, stand arising disclosers, bringing enforcement to insure compliance and promoting broad based market as priority area to reform. The private sector has also been participating equally in establishing a sound system of security exchange. In private sector – investors, listed companies, financial and market intermediaries and in government sector – Ministry of Finance, Registrar of Companies (Ministry of Industry, Commerce and Supply), Nepal Rastra Bank, Nepal Stock Exchange, Federation of Nepalese Chamber of Commerce and Industries (FNCCI), Institute of Chartered Accountants of Nepal (ICAN) and Associations of Chartered Accountants have been playing vital role in promoting the capital market of the country

The objectives of the Board are to promote and protect the interest of the investors by regulating the issuance, sale and distribution of securities and purchase, sale or exchange of securities, to supervise, look after and monitor the activities of the stock exchange and other related firms on securities business, and to render contribution to the development of the capital market by making securities transactions fair, healthy, efficient and responsible.

### **1.3 Nepal Stock Exchange [NEPSE]**

The securities exchange centre was established with an objective of facilitating and promoting the growth of capital market. Before its conversion into stock exchange, it was only a capital market institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. In 1993, the centre was converted into Nepal Stock Exchange [NEPSE] with the basis objectives of imparting free marketability and providing liquidity to the government and corporative securities by facilitating transactions in its trading floor through market intermediaries, such as brokers, market makers etc. and it is a non profit organization , operating under securities exchange Act 1983. Government of Nepal (58.67%), Nepal Rastra Bank (34.60%), Nepal Industrial Development Corporation – NIDC (6.13%) and Licensed Members - General Public (0.60%) are the share holders of the NEPSE. It is the licensed dealer for Primary and Secondary market.

Presently, there are 27 valid members brokers (currently working 23 members) and 165 listed companies (20th Feb., 2010) in NEPSE. It has been adopting Fully Automatic system on trading shares. Hence, transactions are conducted on the open trading floor where price is determined when bid and offer match i.e. as per the demand and supply of the shares.

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

### **1.4 Commercial Bank**

As in any other economies, the commercials banks play a vital role in the economic development of the country through facilitating the intermediary process in between capital surplus and deficit units. The commercials bank plays a dual role of mobilizing as well as allocating the limited resources towards people's needs for the development of the economic

system. Financial business in any country is determined by political, social and economic factors. Moreover, level of economic development, banking awareness, growth and habits of population services provided by banks, level of urbanization and income distribution are other key factors affecting financial business. The history of modern bank begins from the establishment of Bank of Venice in 1157 A.D. Moreover, the growth of bank accelerated after the introduction of the Banking Act 1883 in the UK as it allowed opening of a joint stock company bank.

### **1.4.1 Commercial Banks in Nepal**

In Nepal, the history of modern banking was started from establishment of Nepal Bank Ltd, Which was established as first commercial bank in 1997. The bank played a dual role of commercial bank and central bank until the establishment of Nepal Rastra Bank. Nepal Rastra bank was established in 1956. The whole banking sector was dominated by two state owned commercial banks Nepal Bank ltd and Rstriya Banijya till establishment of Nabil Bank in 1984. Bank and banking activities accelerated only after the adoption of a liberal economic policy in the mid 80's and the establishment of Nepal Arab Bank ltd in 2041 B.S. as a first joint venture commercial bank. Subsequently other joint venture banks were established with collaboration of foreign banks. The joint venture banks operating in Nepal are Nepal SBI Bank Limited, Everest bank Limited, Standard Chartered Bank Limited, Himalayan Bank Limited etc. NIC Bank is the first fully Nepalese private sector's bank.

Currently there are 28 commercial banks operating in Nepal till establishment of Mega Bank Limited. There are some commercial banks like Commerz and Trust Bank Nepal Limited; Century Bank etc. are in pipeline to perform their activity. The history of Nepalese Commercial Banks with their operation date and Head office are presented in the following table

**Table: 1.1**  
**List of the Commercial Banks in Nepal**

S.N.	Names of commercial banks	Operation Date (A.D.)	Head Office
1.	Nepal Bank Limited	1937/11/15	Kathmandu
2.	Rastriya Banijya Bank	1966/01/23	Kathmandu
3.	Agriculture Development Bank Ltd.	1968/01/02	Kathmandu
4.	NABIL Bank Limited	1984/07/16	Kathmandu
5.	Nepal Investment Bank Limited	1986/02/27	Kathmandu
6.	Standard Chartered Bank Nepal Ltd.	1987/01/30	Kathmandu
7.	Himalayan Bank Limited	1993/01/18	Kathmandu
8.	Nepal SBI Bank Limited	1993/07/07	Kathmandu
9.	Nepal Bangladesh Bank Limited	1993/06/05	Kathmandu
10.	Everest Bank Limited	1994/10/18	Kathmandu
11.	Bank of Kathmandu Limited	1995/03/12	Kathmandu
12.	Nepal Credit and Commerce Bank Ltd	1996/10/14	Siddharthanagar
13.	Lumbini Bank Limited	1998/07/17	Narayangadh
14.	Nepal Industrial & Commercial Bank Ltd	1998/07/21	Biaratnagar
15.	Machhapuchhre Bank Limited	2000/10/03	Pokhara
16.	Kumari Bank Limited	2001/04/03	Kathmandu
17.	Laxmi Bank Limited	2002/04/03	Birgunj
18.	Siddhartha Bank Limited	2002/12/24	Kathmandu
19.	Global Bank Ltd.	2007/01/02	Birgunj
20.	Citizens Bank International Ltd.	2007/6/21	Kathmandu
21.	Prime Bank Ltd	2007/9/24	Kathmandu
22.	Sunrise Bank Ltd.	2007/10/12	Kathmandu
23.	Bank of Asia Nepal Ltd.	2007/10/12	Kathmandu
24.	Development Credit Bank Ltd.	2001/01/23	Kathmandu
25.	NMB Bank Ltd.	1996/11/26	Kathmandu
26.	KIST Bank Ltd.	2003/5/32	Kathmandu

(Source: [www.nrb.org.np](http://www.nrb.org.np))

## **1.4.2 Commercial Banks under Study**

In this study, fifteen commercial banks listed with the NEPSE are taken for analysis. The brief introduction of these banks is presented below:

### **1.4.2.1 Bank of Kathmandu**

Bank of Kathmandu started its operation in March 1995 with the objective to stimulate the Nepalese economy and take it to newer height. BOK also aims to facilitate the national economy and to become more competitive globally. This bank provides a full range of commercial banking services. It has 37 branch offices and its head office is located in Kamaladi, Kathmandu.

### **1.4.2.2 Everest Bank limited**

Everest Bank Limited (EBL) started its operation in 1994 with a view and objectives of extending professionalized and efficient banking services to various segments of the society. Punjab National Bank (PNB), the joint venture partner of the bank holds 20% equity of EBL. EBL provides a full range of commercial banking services. This bank has 26 branch offices and its head office is located in New Baneshwor, Kathmandu.

### **1.4.2.3 Himalayan Bank Limited**

Himalayan Bank Limited (HBL) was established in 1993 in joint venture with Habib Bank Limited of Pakistan. This bank was established by a few distinguished personalities of Nepal in partnership with employees Provident Fund and Habib Bank Limited of Pakistan. The Bank commenced its operations from January 1993. The bank's main objective is to be the Bank of first choice. Despite tough competition in the Nepalese banking sector, Himalayan Bank has been able to maintain a lead in the primary banking activities- Loans and Deposits. It provides a wide range of commercial banking services including industrial and merchant banking. It has 29 branch offices and its head office is located in Thamel, Kathmandu.

#### **1.4.2.4 Kumari Bank Limited**

It is a fully Nepalese owned bank. The bank came into existence as the fifteenth commercial bank of Nepal by starting its banking operation from April 13, 2001 with an objective of providing competitive and modern banking services in the Nepalese financial market. Share ownership of bank is 70% from promoters and remaining from general public. The bank has been providing wide range of modern banking service through 22 points of representations located in various urban and semi-urban part of the country.

#### **1.4.2.5 Laxmi Bank Limited**

Laxmi Bank Limited was incorporated in April, 2002 as the 16th commercial bank in Nepal with total assets of NPR 20 billion at April 2010 and 22 branches across the country. Laxmi bank is amongst the top financial institutions in the country in terms of size and quality of operations. In 2004 Laxmi merged with HISEF financial Limited, a first generation financial company which was the first merger in the Nepali corporate history.

#### **1.4.2.6 Lumbini Bank Limited**

Lumbini Bank Limited is a national level commercial bank offering a wide range of banking solutions and series meticulously customized to the needs of the customers. It was established in 1998. This is the first regional commercial bank in Nepal. Which started its operation from Narayangarh spreading its wings to further four more places at Hetauda, Butwal, Durbarmarg and Biratnagar. The bank has 9 branches.

#### **1.4.2.7 Machhapuchhre Bank Limited**

Machhapuchhre Bank Limited was registered in 1998 as the first regional commercial bank to start banking business from the western region of Nepal with its Head Office in Pokhara. The bank in last few years have really opened up with branches spread all around the country. At this stage it has its corporate office in Kathmandu and branch offices in other parts of Kathmandu and different parts of the country. The bank is operating its 40 branches now.



#### **1.4.2.8 NABIL Bank Limited**

Nabil Bank Ltd., the first foreign joint venture bank of Nepal started operation in July 1984. Nabil was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, Nabil provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed correspondent banks across the global.

#### **1.4.2.9 Nepal Credit and Commerce Bank Limited**

Nepal Credit & Commerce Bank formally registered as Nepal-Bank of Ceylon Ltd. (NBOC), commenced its operation on 14<sup>th</sup> October 1996 as a joint venture with Bank of Ceylon, Sri Lanka. It was the first largest authorized capital of NRS 1000 million. The Head Office of the bank is located at Siddharthanagar, Rupandehi, the birth place of LORD BUDDHA. While its corporate office is placed at Bagbazar, Kathmandu.

The name of bank was changed to Nepal Credit & Commerce Bank Ltd. On 10<sup>th</sup> September, 2002. Due to transfer of share and management of the Bank from bank of Ceylon, an undertaking of government of Sri Lanka to Nepalese promoters

#### **1.4.2.10 Nepal Bangladesh Bank Limited**

Nepal Bangladesh Bank Limited was established in June 1994 with an authorized capital of Rs 240 million and paid up capital of Rs 60 million as a joint venture with IFIC bank limited and Bank Asia Limited of Bangladesh. Its Head Office is situated at New Baneshwor. The prime objective of this bank is to render banking services to the different sectors like industries, traders, businessmen, priority sector, small enterprises and weaker section of the society and every other people who need banking service.

#### **1.4.2.11 Nepal Industrial and Commercial Bank Limited**

Nepal Industrial & Commercial Bank Limited commenced its operation on 21 July 1998 from Biratnagar. The bank was promoted by some of the prominent business houses of the country. The current shareholding pattern of the bank constitutes of promoters holding 50% of the share

while 49% is held by the general public. NIC bank has over 34000 shareholders. The bank has grown rapidly with 25 branches throughout the country while several branches are planned to open this year. All branches are inter-connected through v-sat and are capable of providing real time on-line transactions.

NIC bank was the first commercial bank in Nepal to have received ISO 9001:2000 certification for its quality management system standard in the year 2006.

#### **1.4.2.12 Nepal Investment Bank Limited**

Nepal Investment Bank Ltd. (NIBL), previously called as Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and its French partner Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, has acquired on April 2002 the 50% shareholding of Credit Agricole Indosuez in Nepal Indosuez Bank Ltd and its name changed to Nepal Investment Bank Ltd. The bank has following shareholding structure: A group of companies holding 50% of the Capital, Rastriya Banijya Bank holding 15% of the Capital, Rastriya Beema Sansthan holding 15% of the Capital and the remaining shares being held by the general public. NIBL has 18 branch offices and its head office is in Durbarmarg, Kathmandu.

#### **1.4.2.13 Nepal SBI Bank Limited**

Nepal SBI Bank Limited is the first indo-Nepal joint venture in the financial sector sponsored by three institutional promoter's namely state bank of India Employees Provided Fund an Agriculture Development Bank of Nepal through a memorandum of understanding signed on 17<sup>th</sup> July 1992. The bank was incorporated as a public limited company at the office of the company register on April 28, 1993 and was licensed by NRB on July 6, 1993. The bank commenced operation with effect from July 7, 1993 with one full-fledged office at Durbarmarg, Katmandu with 18 staff members.

#### **1.4.2.14 Siddhartha bank Limited**

Siddhartha bank limited commenced operations in 2002. The bank is promoted by a group of highly reputed Nepalese dignitaries having wide commercial experience. The environment of Nepalese banking sector is undergoing a rapid transaction. With liberalization in financial markets and integration of domestic market with external market, bank operations have become more complex and dynamic. The vision statement of the bank describes the core values and purpose that guide the bank as well as an envisioned future. Fundamentally in all dealing SBL earnestly believes in transparency, financial soundness, efficiency and better technology. SBL has 30 branches.

#### **1.4.2.15 Standard Chartered Bank Limited**

Standard Chartered Bank Nepal Limited (SCBL) has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group who has 75% ownership in the company with 25% shares owned by the Nepalese public. The bank enjoys the status of the largest international bank currently operating in Nepal. It has 11 branch offices and 4 extension counters in Nepal and its head office is located in New Baneshwor, Kathmandu.

### **1.5 Statement of the Problems**

Ordinary shares comprise the largest category of securities in the corporate business in Nepal listed with the Nepal Stock Exchange. Price of the common stock in the primary market is at par value, however, the price of the common stock in the secondary market is either under priced, over priced or at par and the stock price changes continuously in the secondary market due to internal (organizational) and external (political, economic, financial) factors. Moreover, the NEPSE index is sensitive to both internal and external factors.

The shares of the commercial banks play a vital role in the overall index of NEPSE and the overall index is highly influenced by the shares of the commercial banks. The sector wise contribution in total traded volume in NEPSE is mostly dominated by the financial sector. The

shares of the publicly quoted commercial banks seem to be the basis of investment to all potential investors.

Only few investors of Nepalese share market are aware of the causing agent of share price. It means that most of the investors are unknown about the financial performance of the company but tends to invest on the company without proper financial analysis. It causes the unusual relation of the financial indicators – EPS, BPS, DPS, etc. with the market price of the share. The market rumors relating the financial position of the company is the major analytic tool for the most of the Nepalese investors. That has caused that the MPS of the most of the foreign joint venture commercial bank are high in comparison with the other banks and manufacturing companies. In this context, the research problem of this study can be presented in the following points:

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

## **1.6 Objectives of the Study**

Primarily, this thesis is intended for the partial fulfillment of the requirement of the degree of Masters in Business Studies (MBS) as demanded by the faculty of Management, TU. Beside this, the general objectives of this study are listed below:

- ) To identify the prime determining factors of Share Price fluctuation of Nepalese Commercial Banks
- ) To examine and evaluate the relationship between MPS with the various financial indicators like EPS, BPS, DPS etc.
- ) To analyze the market trends of MPS of commercial banks with their financial indicators.
- ) To provide a set of recommendations based on the findings of the study to the concerned.

## **1.7 Importance of the Study**

The study focuses on the stock price movement of the commercial banks, so the study is particularly significant to the investors, managers, bankers, stock analyst, brokers, government officials, academicians, students and any other stakeholders who are interested in understanding the share price behavior of the commercial banks.

Investors invest money with the expectation of acquiring good returns from their investment. This study analyzes financial situation of the commercial banks and performance of its traded stock. Therefore, the study is significant to investors and general public to help them undertake rationale decisions while investing in the stock of the commercial banks. Moreover, the study provides insight over the financial position and capitalization status of the commercial banks. The bank management can analyze the financial position and performance of their traded stock to undertake necessary steps for its improvement. Since, the study provides general picture of the existing share market, it is significant to the government and the policy making agencies to prepare/ change policies in a timely manner for efficient functioning and growth of stock market.

In addition, the study would also be useful to stock analyst, brokers and any persons actively involved in stock market. Moreover, the study is significant to academicians and students who are willing to learn about the stock price behavior of the commercial banks and also to those who wanted to pursuer their career in banking or share business. Taking all the above issues into consideration, this study will analyze the stock price behavior of the listed commercial banks.

## **1.8 Limitations of the Study**

Due to the limitations of the time, cost and other resources this research work is not able to study the whole Nepalese capital market in details. The major limitation of the study is presented below:

- ) This study covers only the relevant data of six years i.e. from fiscal year 2003/2004 to 2008/2009.
  
- ) The study is based on Primary and Secondary Data. So the validity and reliability of the data depends upon their sources.
  
- ) The study is done for the particular fulfillment for MBS degree in Management, so it is not a comprehensive study.
  
- ) Only few financial and statistical tools are used in the study.
  
- ) For the purpose of study only common stocks or ordinary stocks are taken.
  
- ) The study has been designed (to concentrate on some of the banking sector, which is a part of total capital market). So the conclusion cannot be generalized on the total capital market.

## **1.9 Organization of the Study**

### **Chapter I [Introduction]**

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

### **Chapter II [Literature Review]**

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

### **Chapter III [Research Methodology]**

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

### **Chapter IV [Data Presentation and Analysis]**

This chapter consists of analysis, evaluation, presentation and finding of available data and information.

### **Chapter V [Summary, Conclusion and Recommendation]**

This chapter includes the summary, conclusion and the recommendation of the study.

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

## **CHAPTER II**

### **LITERATURE REVIEW**

Review of literature means reviewing research studies and other relevant propositions in the related area of the study so that all the past studies, their conclusions and deficiencies may be known and further research can be conducted. A short glance of past studies in common stock and their determiners are present in this section. In the context of Nepalese Financial Market, no sufficient studies have been made in the past related to share market. Most of the investors have no sufficient knowledge about the share market.

#### **2.1 Conceptual Framework (Review of Text Books)**

##### **2.1.1 Common stock**

Common stock is legal representation of equity for ownership position in a corporation. It lies under variable income security between two types of securities: fixed income and variable income and is a negotiable instrument. It can be bought and sold in the secondary market. The holders of common stock are called shareholders or stockholders. The common stock is the permanent and vital source of capital since they do not have a maturity date. As a return to the contribution of shareholders investment, they are entitled to dividends. It means, in the case of organizational profit, the shareholders are provided a certain sum of money as dividend. The amount or rate of dividend is fixed by the Board of Directors. Hence, the common stock is a kind of variable income security. Being the owner of the company, the shareholders bear the risk of ownership. They are entitled to dividends after the claim of outsiders are satisfied.

##### **2.1.2 Features of Common Stock:**

###### **Claim on Income:**

The common stockholders bear a right to claim on income, which is earning available for ordinary shareholders, after paying expenses, interest charges, taxes and preferred dividend, if any. The income may be distributed among shareholders in the form of dividend or retained earnings. Dividends are immediate cash flow to shareholders, whereas retained earnings are the



income reinvested in the organization. Which ultimately increase the net worth of Shareholders

**Claim on Assets:** The Common Stockholders have a residual claim on the company's assets in case of liquidation. Out of the realized value of assets, first the claims of debt-holders and then preference shareholders are satisfied, and the remaining balance, if any, is paid to the common stockholders.

**Right to control:**

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

**Voting Right:**

For each share of common stock owned, the common stockholder has the right to cast one vote at the Annual General Meeting of stockholder. Common stockholders have the right to vote on stockholders matter, such as the selection or the board of directors, sale of fixed assets, merger of the company etc.

**Pre – emptive Right:**

The law grants shareholders the right to purchase new share in proportion to their current ownership. Thus the pre-emptive right entitles a shareholder to maintain his proportionate share ownership in the company. The stockholder's option to purchase, a stated number of new shares at a specified price during a given period, is called right which can be exercised at a subscription price which is generally much below the current market price of shares.

**Limited Liability:**

The common stockholders are the true owner of the company, but their liability is limited to the amount of their investment in shares. If a stockholder has already fully paid the issue price of share purchased, s/he has nothing more to contribute in the event of financial distress or liquidation. The limited liability feature of share encourages unwilling investors to invest their funds in the company which helps company to raise funds. *(Pandey, 1999:905-908)*

Most of the investors are wise to invest their saving funds in stocks, with the expectation of future cash inflow as dividends and maximization of value of their holdings in the market. Dividends and value of the firm are linked with the earning power of the firms, which ultimately affects the market price of shares. So, brief discussions have been presented in the following paragraphs, on earning per share, dividend per share, book value per share and market price per share.

### **2.1.3 Advantages of Common Stock Financing**

There are several advantages of the corporation associated with the common stock financing, which can be mentioned as follows:

- ) Common Stock does not obligate the firm to make fixed payments to stockholders. If the company generates earnings and has no pressing internal needs, it can pay common dividends. Had it used debt, it would have incurred a legal obligation to pay interest on it, regardless of its operating conditions, its cash flow, and so on.
- ) Common stock provides a cushion against losses from the creditor's viewpoint, the sale of common stock increase the creditworthiness of the firm. This, in turn, raises its bond rating lowers its cost of debt, and increases its future ability to use debt.
- ) Common stock carries no fixed maturity date – it's never has to be 'repaid' as would a debt issue.
- ) If a company's prospects look bright, then common stock can often be sold on better terms than debt. Stock appeals to certain groups of investors because (a) it typically carries a higher expected total return (dividends plus capital gains) than does preferred stock or debt and (b) since stock represents the ownership of the firm, it provides the investor with a better hedge against unanticipated inflation than does preferred stock or bonds. Ordinarily, common stock increases in value when real asset values rise during inflationary periods.
- ) When a company is having operating problem, it often needs new funds to overcome its problem. However, investors are reluctant to supply capital to a troubled company, and if they do, they generally require some type of security. From a practical standpoint, this means that a firm which is experiencing problems can often obtain new capital only by

issuing debt, which is safer from the investor's standpoint. Corporate treasurers are well aware of this so they often have option to finance with common stock so as to maintain a reserve borrowing capacity- indeed surveys have indicated that maintenance of an adequate reserve of borrowing capacity is the primary consideration in most financing decisions. (*Western and Brigham, 1987:678-679*)

### **2.1.4 Disadvantages of Common Stock Financing**

The disadvantages of common stock financing can be summarized in the following points:

- ) The sale of common stock may extend voting right or control to the additional stock owners who are brought into the company. For this reason, additional equity financing is often avoided by small firms, whose owner-managers may be unwilling to share control of their companies with outsiders. Note, though, that firms can use special classes of common stock that do not carry voting rights.
- ) Common stock gives more owners the right to share in income. The use of debt enables the firm to acquire funds at a fixed cost, whereas common stock gives equal right to new stockholders to share in the net profits of the firm.
- ) The costs of underwriting and distributing common stock are usually higher than those for underwriting and distributing preferred stock or debt.
- ) The sale of new common stock may be perceived by investors as a negative signal, and hence cause the stock price to fall. (*Brigham and Gapenski, 1990:472*)

### **2.1.5 Right of Common Stock Holders**

#### **Right to income**

Common stockholders are entitled to share in the earning of the company only if cash dividends are paid. Shareholders also prosper from the market value appreciation of their shares but they are entirely dependent on the board of directors for the declaration of dividends that give them income from the company. Thus the priorities of common stockholders differ markedly from that of the creditors.

## **Voting Right**

Because the common stockholders of a company are its owners, they are entitled to elect a board of directors. In a large corporation, shareholders usually exercise only indirect control through the board of directors they elect. The board, in turn, selects the management and management actually controls the operations of the company. Voting can be done either in person at the shareholders annual meeting or by proxy.

## **Right to Purchase new Share**

A firm's corporate charter or state statute may require that a new issue of common stock or an issue of securities convertible into common stock be offered first to existing common stockholders because of their preemptive right.

### **2.1.6 Earning Per Share**

Earning per Share is calculated by dividing a company's net revenues by the outstanding shares. This gives a number that can be used to compare the earning of companies since it is unlikely any two companies will have the same number of shares outstanding. Accounting earnings that represent the different revenues and expenses, including the expenses associated with non-equity source of fund (such as interest to debt, dividend of preference shares) is known as total earning available for common stock. If this portion of income is divided by number of outstanding shares, we get earning per share. (*Sharp and Bailey, 2001:633*)

### **2.1.7 Retained Earning**

The total amount of earning of the firm that has not paid out as dividend through its history and indicated in the Balance Sheet as earning is known as Retained Earnings. These earnings are reinvested in the firm.

### **2.1.8 Dividend per Share**

Dividend per share is calculated by dividing the total dividend amount paid for the financial period by the number of ordinary shares in issue. The directors may pay an interim dividend during the accounting period and then recommend a final rate of dividend per share for approved by shareholders at the Annual General Meeting (AGM).

## **Forms of Dividend**

**Cash dividend:** Payment made in cash to shareholder are termed as cash dividends. Distribution of cash dividend causes the reduction in total assets and net worth of the company.

**Stock Dividend:** Distribution of bonus share as dividend to the stockholder is known as Stock Dividend. This increases the number of shares of the company.

### **2.1.9 Book Value per Share**

The book value of the equity reflects the historical costs of – brick and meters the physical assets of the company. A well run company with strong management and an organization that functions effectively should have a market value greater than the historical book value of its physical assets. (*Western & Brigham, 1987: 674*)

### **2.1.10 Market Value per Share**

Market value per Share is the current price at which the stock is traded. For activity traded stocks that have thin markets, prices are difficult to obtain. Even when obtainable, the information may reflect only the sale of a few shares of stock and non typing the market value of the form as a whole. For companies of this sort, care must be taken in interpreting market price information.

The market price of share gives the value of shares, and the value of the organization. The market price is that price in which shares are traded or the stock amount which is paid by the buyer to the seller to purchase the stock of company. Since the common stock holders are owner of organization and have least priority to claim in liquidation, the price is highly volatile very sensible to environmental factors.

Due to the market imperfection and uncertainty, shareholders may give a higher value to the near dividends and capital gains. Thus, payment of dividend may significantly affect the market price of shares. Higher dividends increase the value of shares and low dividends reduce the value. (*Pandey, 1995: 681*)

## **2.2 Review of the Journals and Articles**

Review of articles, journals, bulletins and previous studies are important for research. The review of articles and journals gives a clear insight on the developments and updates in the area of research. In this section, articles and journals related to Nepalese stock market and its behavior is reviewed.

*(Gurung, Dec 2004)* conducted a research on “Growth and Performance of Securities Market in Nepal”. His paper attempted to study the growth trend and analyze the performance of Nepalese securities market. Likewise, the variables such as number of listed and traded companies and their securities, number of transactions, trading turnovers, paid up value, market capitalization and NEPSE index were analyzed for the secondary market. His study on the securities market performance revealed that there was no synchronization among different securities market performance indicators, but it was true that they almost have depicted an erratic trend during the observed period. This indicated the unstable and poor performance of securities market. Relative to the overall economy, the size of securities market was very small and the liquidity of securities was also poor. The study suggested that the Nepalese capital market was passing through a bearish situation. The growth and performance of Nepalese securities market was not satisfactory though it was improving gradually.

*(Baral and Shrestha, 2006)* conducted a research on “Daily Stock Price Behavior of Commercial Banks in Nepal”. This study examines the stock price behavior of listed commercial banks by using the daily price movements of commercial banks sampled randomly in the fiscal year 2005/06. Observations of daily stock prices of sampled banks indicate that there is a large variation in their stock prices in the fiscal year 2005/06. They are not doing well in Nepalese stock market. Most of the serial coefficients are significantly deviated from zero and statistically insignificant. It signifies that the successive price changes are dependent. Therefore, the Nepalese stock market is inefficient in pricing the shares. Runs test results also show that the percentage of deviation between the observed and actual number of runs in the series of price changes is significant. It is obvious that the successive price changes are not random. Thus, RWH does not hold true in the context of Nepalese stock market.

(*Nepali Times, January 2008*) published an article on the “Stock Investment Behavior in Nepal”. The article stated that the problems at the NEPSE are twofold. The first is that it is basically an extension of the casino, with people speculating rather than investing wisely. The other is that the volume of stocks is too low. Globally, the development of stock markets has only worked well when guided by institutional investors rather than individuals. In Nepal we have individual investors, led by some rogue insiders, who have turned it into a punters den. The stock exchange has been relegated to a racecourse, with betting dependent on the alcohol content in one’s blood rather than rational thinking by one’s brain. It also states that the NRB should regulate the market and the financial sector as an ongoing exercise, not just a reaction to the latest problem. It is vital that the financial sector is seen to be stable if the country is to build credibility as a place to invest in. The business sector also needs to pull up its socks. Corporate governance should be a way of life if Nepali companies are to compete in the global arena. Relying on insider trading or dodgy legislation will not work in the long run. Looking ahead, the stock exchange must provide the necessary avenues to assist in funding Nepal’s economic growth, but this must be based on sound international practices. The article provides following suggestions: Make trading paperless to reduce speculation, Give the regulators stronger ongoing powers, Give favorable tax breaks to mutual funds and institutional investors so that individuals go through them instead of trading directly in the market, Acknowledge that stock investment is a long-term game and not a short-term gamble, and accept that decent returns will only occur if the market is health.

## **2.3 Review of Master’s Thesis**

We can easily find numerous studies conducted for the partial fulfillment of master's Degree. But we can't review all the studies. So some of them, which studies are relevant to this study, are reviewed in the following way.

(*Gurung,1999*) studied “Share Price Behavior of Listed Companies in Nepal” applies statistical tools like percentage, correlation coefficient, bar graphs and line charts for analytical purpose.

The main objectives of the study are:

- ) To provide the conceptual glimpses of capital market.
- ) To evaluate the trend of trading turnover.

- ) To analyze the trends in paid value and market capitalization.
- ) To analyze the behavior of NEPSE index.
- ) To analyze the share price behavior of listed companies.
- ) To identify the market behavior in Nepal.

The major findings of the study are:

- ) The correlation coefficient of 0.97 between the number of traded and listed companies is significant, where as it is negative in trading group and perfectly positive in the case of banking group.
- ) The market capitalization value is in erratic trend in every group in each year. The proportion of market capitalization of banking group is the highest amongst six groups.
- ) During the study, the number of transactions in banking group is the highest, whereas it is lower in other groups. Hence, the investment on banking group is highly attractive and liquid.
- ) The prices of shares are fluctuating during the study period.
- ) The capital market in Nepal was bullish in the initial periods but it turned bearish in the successive year. In the initial period, share prices, trading turnovers, market index as well as earnings have positively moved except market capitalization, but they have negatively moved in the subsequent years. Thus, now the capital market is passing through the bearish trend in Nepal. There is a lack of investor's opportunities and the economy is passing through the recession year by year.

(*Shrestha, 1999*) studied "A Study on Stock Prices Behavior in Nepal" was conducted with the following main objectives:

- ) To examine the efficiency of the stock market of Nepal
- ) To examine the serial correlation of successive daily price changes of the individual stocks.
- ) To determine whether the sequence of price changes are consistent with the changes of the series of random number expected under the independent Bernoulli process.



- ) To determine the efficiency of the stock market through the theoretical model of 'Efficient Market Hypothesis' in the stock market.

The major findings of the study on the basis of serial correlation and run test are:

- ) The price changes of the past and present can be very helpful to forecast future price changes. Therefore, there exists the sufficient amount of opportunities for the sophisticated investors.
- ) When log days increases, the mean value of serial correlation of coefficient is lower, that indicates that the past price changes may have low power to predict the future price changes in the long run.
- ) The price changes in the present and future stock market may not be independent of the price changes in the past and present respectively.
- ) There exist no profitable trading rules to make greater profit than they would make under the buy-and-hold strategy in their speculation through the information on past price changes
- ) Nepal stock market is not efficient in pricing shares.

*(Paudel, 2001)* studied "A Study on Share Price Movements of Joint Venture Commercial Banks in Nepal" is undertaken by using financial and statistical tools (standard deviation, correlation, beta, t-test, etc). The major objectives of the study are:

- ) To examine Nepal Stock Exchange Market and to judge whether the market shares of different banking indicators (book value per share and major financial ratio) explain the share price movements.
- ) To analyze the scenario why the shares of selected banks emerge as blue-chips to the potential investors and to make a conclusion on the basis of financial ratios analysis.
- ) To examine how risky the investments in commercial banks' shares are.

The main findings of the study are:

- ) The market share and the growth rates of different banking indicators used are not captured by the market shares of these banks.
- ) The ordinary least square equation of book value per share on market value per share reveals that the independent variable does not fully explain the dependent variable on the basis of the above mentioned two points; Nepal Stock Exchange operates in a weak form of efficient market hypothesis, indicating that the market prices move randomly. The market value per share does not accommodate all the available historical information.
- ) Having good track record of the financial position, the market potential investors buy the shares of joint venture commercial banks. Therefore, the shares of joint venture commercial banks emerge as blue-chip in the Nepalese stock market.
- ) The beta coefficient, which measures the riskiness of individual security in relative term, suggests that none of the shares of eight sampled banks are risky. Therefore, even a risk averter can go for making an investment in shares of these banks. The shares of publicly quoted joint venture commercial banks are less risky as compared to other average stocks traded in the stock exchange.

*(Gautam, 2005)* conducted a research on “A Study on the Behavior of Stock Market Price in Nepalese Security Market”. The main objectives of the research was to examine and study the price trend with the help of NEPSE index, volume of stock traded, impact of signaling factors on NEPSE, to find the correlation coefficient and regression analysis between the sampled companies and to analyze the closing market price of the sampled companies.

The major findings of the study were as follows: The price trend of the sampled companies was not in a predictable trend and the volume of the stock traded was in a fluctuating trend during the study period. The relationship between EPS and DPS and EPS and NWPS was positive. The regression analysis between the EPS and market price showed that all sample companies had positive regression coefficient which indicated that the price would increase at an average rate. The major signaling factors such as closure of major industries, closure of multinational companies and political demonstrations of four political parties played a major role in determining the NEPSE index. Gautam recommended formulating “Investors Protection Act” to

remove difficulties such as transaction facilities in the stock market. She also stressed on the need of adopting one window policy to provide all services while granting approval.

*(Baniya, 2008)* conducted a research on “*Share Price Behavior of Commercial Banks and Effect of Macroeconomic Variables in Nepalese Stock Market*”. The specific objectives of the study were to study and analyses stock price trend and behavior of the selected commercial banks; draw the main influencing factors of share price and to examine the impacts of GDP, rate of interest and rate of inflation on NEPSE Index. This study covered the period from FY 2001/02 to FY 2005/06. The researcher used monthly closing price of five commercial banks for analysis. Similarly, to establish the relationship between the NEPSE index and the macroeconomic variables GDP, rate of interest and rate of inflation during the study period were taken. The research used regression analysis to see the effect of macro-economic variables on the NEPSE.

The major findings of this study were as follows: The graphical analysis and volatility test showed that stock price behavior of sample commercial banks was not even, some showed fluctuating trend whereas other showed moderate trend. The results of run test showed market price of selected commercial banks were not random which indicated that market overreacted to the available information. There was no significant relationship between GDP and NEPSE

Which indicated that higher annual NEPSE index did not have positive relationship with GDP. Similarly there was no supporting evidence to prove that the change in the market interest rate on deposit could have affected the NEPSE Index. The degree of impact in stock price due to the change in interest rate was conditional on corporate environment. If the corporate environment was bright enough the fall in the market interest on deposit increased the security price in the stock market and vice-versa. The trend of NEPSE index and the rate of inflation was not supporting with each other which proved that there was no significant relationship between NEPSE index and the rate of inflation. Finally, the study concluded that NEPSE was not influenced by macro economic variables.

## **2.4 Research Gap**

The review of past studies shows that similar research on the share price behavior has been conducted by different researchers in the past. The review shows that most of the studies were focused on different listed companies and not particularly on the commercial banks. Few researches which focused on the share price behavior of the commercial banks have tried to analyze the banking share price comparing it with its own financial indicators and with macroeconomic variables. Moreover, the review also statistical tools such as correlation coefficient and regression analysis have often been used in most of these studies. Most of the thesis has taken sample of few commercial banks. Keeping in view the above research gap, this research has analyzed the share price behavior of the 15 commercial banks has been used as sample banks. This thesis also presents the view of 25 respondents through questionnaire containing 12 sets of questions.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Research methodology refers to the various sequential steps that are to be adopted by researchers during the course of studying a problem with certain objectives. It tends to solve the search problem in a systematic way. Hence, overall research method adopted by the researcher is mentioned. It covers quantitative methodologies in a greater extent and also uses the descriptive part based on both designed quantitative and qualitative research in a very clear and direct way using both financial and statistical tools. The purpose, hypothesis or research question and format are covered in this research.

#### **3.2 Research design**

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

A plan of study or blue print for study that presents a series of guide posts to enable the researcher to progress in the right direction in order to achieve the goal is called a research design or strategy

The main objective of this study is to examine the interrelation of MPS with BPS, EPS, DPS and other financial indicators. To achieve this objective, both the analytical and descriptive research design have been adopted to examine facts and descriptive techniques have been used to determine factors determining stock price of commercial banks in the NEPSE.

### **3.3 Population and Sample**

All companies listed with the Nepal Stock Exchange are considered to be the population of the study and the commercial banks listed and conducting share transactions in the NEPSE are taken as the sample of the study. At present there are 26 commercial banks listed with the NEPSE out of which following fifteen commercial banks are randomly selected for our analysis purpose.

1. Bank of Kathmandu
2. Everest Bank Limited
3. Himalayan Bank Limited
4. Kumari bank Limited
5. Laxmi Bank Limited
6. Lumbini Bank Limited
7. Machhapuchhre Bank Limited
8. Nabil Bank Limited
9. Nepal Credit and Commerce Bank Limited
10. Nepal Bangladesh Bank Limited
11. Nepal Industrial and Commercial Bank Limited
12. Nepal Investment Bank Limited
13. Nepal SBI Bank Limited
14. Siddhartha Bank Limited
15. Standard Chartered Bank Limited

As this study will try to explore the objectives set in the previous chapter, it is expected that this study will help analyze individual commercial banks performance in relation to that of the similar other businesses. This study is also aimed at producing tested effect of historical information on future price movements. Therefore, interested groups like the stock analyst, financial analyst, stock-brokers, and managers of the different companies as well as individuals can use the findings of this study. This study covers these Commercial Banks:

### **3.4 Sources of Data**

For the effective and efficient findings, both Primary and Secondary data has been collected as source of data. For the purpose of Primary Data, a questionnaire was presented to the 25 respondents were from the NEPSE courtyard that have either invested in share or willing to invest in share soon. The secondary data are collected from different sources of related companies and organizations as follows:

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

### **3.5 Data Collection Techniques**

As the study is based on primary and secondary data, Primary data has been collected through questionnaire distributed to the respondents and the response has been collected from the respondents duly filled and For the collection of secondary data, the official website of Nepal Stock Exchange, [www.nepalstock.com](http://www.nepalstock.com) was visited from where the financial reports of the concerned companies and other relevant information were taken. Likewise, the website of Nepal Rastra Bank, [www.nrb.org.np](http://www.nrb.org.np) was visited and required data was downloaded. The financial statements of the concerned organizations ate taken from the library of Security Board of Nepal, NEPSE and the share department of respective banks.

### **3.6 Data Processing**

Firstly, data gathered from the various sources have been verified and simplified for the purpose of analysis. Then it has arranged and presented in a systematic way. Moreover, it has been checked, edited and tabulated in such a way that provides convenience for further computation and interpretation.

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

### **3.7 Data Analysis Tools**

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

#### **3.7.1 Statistical Tools**

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

##### **3.7.1.1 Average/ Mean**

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

$$\text{Mean} = \frac{X}{n}$$

##### **3.7.1.2 Standard Deviation**

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

$$\dagger X \sqrt{\frac{(X - \bar{X})^2}{n}}$$



Where,

$\sigma$  XStandard Deviation

$N$  XNumber in X-series

$\bar{X}$  XMean

$n$  XNumber of Observations in a sample

### 3.7.1.3 Coefficient of Variance

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

$$CV = \frac{\sigma}{\bar{X}}$$

Where,

$CV$  X Coefficient of Variation

$\bar{X}$  X Mean

$\sigma$  = Standard Deviation

### 3.7.1.4 Correlation Coefficient

Correlation may be defined as the degree of linear relationship existing between two or more variables. Two variables are said to be correlated is accompanied by the change of another variable. If the increase (decrease) in the value of one variable on an average is associated with the increase (decrease) in the value of another variable, positive relationship is said to be existed. The relationship will be negative if increased (decreased) in the variable of one variable is

associated with the decreased (increased) in the value of another variable. But the correlation coefficient always remains within the limit of +1 to -1. By Karl Pearson, the simple correlation coefficient (between two variables say X and Y) is given by:

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

Where,

- r : Correlation between X and Y
- n : Number of observations in series X and Y
- $\sum X$  : Sum of observations in series X
- $\sum Y$  : Sum of observations in series Y
- $\sum X^2$  : Sum of square observations in series X
- $\sum Y^2$  : Sum of squared observations in series Y
- $\sum XY$  : Sum of product of observations in series X and Y

### 3.7.1.5 Coefficient of Determination

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

So the coefficient of determination = Square of correlation =  $(r^2)$

### 3.7.1.6 Regression Analysis:

#### Simple Regression Analysis

Regression is the estimation of unknown values or prediction of one variable from known values of other variables. It is a mathematical measure of the average relationship between two or more variables in term of the original units of the data. The known value which is used for prediction (or estimation) is called independent (or regression or predictor or explanatory) variables and the

unknown value that we are going to predict is called dependent (or regressed, predicted or explained) variable.

**Line of Regression of X on Y**

The line of regression of X on Y is the line which gives the best estimates of X for any given amount of Y. The regression equation is expressed as:

$$Y = a + bx$$

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

$$\sum Y = na + b \sum x \dots\dots\dots(i)$$

$$\sum XY = a \sum X + b \sum x^2 \dots\dots\dots(ii)$$

Where, Y = the value of dependent variable,

a = Y – intercept

b = Slope of the trend line/ coefficient of regression

X = Value of independent variable

**3.7.1.7 Coefficient of Regression**

The coefficient ‘b’ which is the slope of line of regression of Y on X is called the coefficient of regression of Y on X. it represents the increment in the value of the dependent variable Y for a unit change the value in value of the independent variable X in other words, it represents the rate of change. The convenient way to calculate the value of ‘b’ is as:

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

Similarly, the value of Y-intercept can be computed as:

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

## Multiple Regression Analysis

Multiple regression analysis consists of two or more independent variables. It derives an equation which provides estimates of the dependent variable from values of the two or more independent variables. It obtains a measure of the proportion of variance in the dependent variable which is explained by the independent variable and a measure of error involved in using the regression equation as a basic for estimation using this regression equation as a basic for estimation of the dependent variable.

The multiple regression equation of  $x_1$  on  $x_2$  and  $x_3$  is given below:

$$x_1 = a_1 + b_1x_2 + b_2x_3 \dots\dots\dots(i)$$

$$X_1 = na_1 + b_1 x_2 + b_2 x_3 \dots\dots\dots(ii)$$

$$x_1x_2 = a_1 x_2 + b_1 x_2^2 + b_2 x_2x_3 \dots\dots\dots(iii)$$

$$x_1x_3 = a_1 x_3 + b_1 x_2x_3 + b_2 x_3^2 \dots\dots\dots(iv)$$

Where,

$X_1$  = dependent variable

$X_2$  and  $X_3$  = Independent variables

$a_1$  = value of  $X_1$  when  $X_2$  and  $X_3$  equals to zero.

$b_1$  = Partial regression coefficient of  $X_1$  on  $X_2$  when  $X_3$  is constant

$b_2$  = Partial regression coefficient of  $X_1$  on  $X_3$  when  $X_2$  is constant

(i.e. amount of change in  $X_1$  per unit change in  $X_3$ , holding  $X_2$  constant)

### 3.7.1.8 T-Test

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

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

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

Where,

r = simple correlation coefficient

n = number of observations

### **3.8 Methods of Data Presentation**

The collected data are presented in simple and easily understandable tables. To make those data clear and more informative such data have been presented in figures like trend line and pie-chart whichever is relevant to explain the data more effectively, based on the nature of data. After presenting such data in the tables and figures, are analyzed using various statistical, mathematical and financial tools and technique.

# **CHAPTER IV**

## **DATA PRESENTATION AND ANALYSIS**

### **4.1 Introduction**

This chapter deals with data presentation, analysis and interpretation following the research methodology presented in the third chapter. Data presentation and analysis are the central steps of the study. The main purpose of this chapter is to analyze and elucidate the collected data to achieve the objective of the study following the conversion of unprocessed data to an understandable presentation. The chapter deals with the main body of the study.

Data presentation is the interpretation of the study. Data analysis summarizes the collected data and its interpretation presents the major findings of the study. Analysis is not complete without interpretation and interpretation cannot proceed without analysis. In this course of analysis, data gathered from various sources have been inserted in the tabular form and shown in diagram form. The data have been analyzed by using statistical tools. The results of the computation have also been summarized in appropriated tables.

### **4.2 Listing of Commercial Banks in NEPSE**

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

1. The paid-up capital of the company must be at least Rs.20 million
2. The number of equity shareholder must be at least 1000
3. The company must have made the public floatation as per bye-laws 9 (ka) sub-byelaws (4).
4. The company must be in profit since last three years.

5. The book value of the share should not be less than its paid up value.
6. Submission of the financial statement within six months from the closure of the fiscal year is required.

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

### **4.3 Annual Trend Analysis of NEPSE Index and Banking Index**

In this study, index has been used as measuring tool to determine whether the performance of stock market is remarkable or not. It focuses on the price of stocks that is increasing or decreasing in the market due to the various changing variables. Higher index implies the increase in market price of securities and the better performance of companies and vice versa.

The following table shows the annual trend analysis of the NEPSE Index and Banking Index.

**Table: 4.1**  
**Annual Trend Analysis of NEPSE Index and Banking Index**

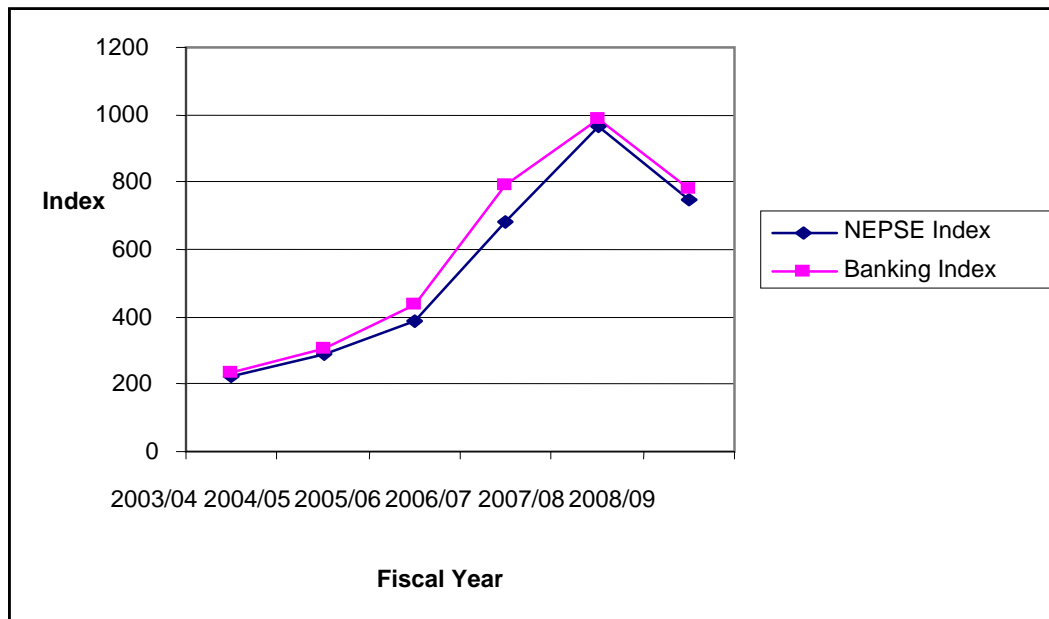
<b>Fiscal Year</b>	<b>NEPSE Index</b>	<b>% Change</b>	<b>Banking Index</b>	<b>% Change</b>
<b>2003/04</b>	222.04	-	231.97	-
<b>2004/05</b>	286.67	29.11	304.64	31.33
<b>2005/06</b>	386.83	34.94	437.49	43.61
<b>2006/07</b>	683.95	76.81	789.21	80.39
<b>2007/08</b>	963.36	40.85	985.65	24.89
<b>2008/09</b>	749.10	(22.24)	780.87	(20.78)

*(Source: Annual Reports of NEPSE)*

The above table shows the movement of NEPSE Index and Banking Index during the FY 03/04 to FY 08/09. The NEPSE Index shows an increasing trend except in FY 08/09 when it dropped from 963.36 in FY 07/08 to 749.10 in the FY 08/09. It shows that the market demonstrated a bullish trend till 07/08 but showed a bearish trend in FY 08/09.

Similarly, the Banking Index also shows an increasing trend except in the FY 08/09 when it dropped from 985.65 in FY 07/08 to 780.87 in FY 08/09. The Banking Index followed an increasing trend from FY 03/04 and reached up-to 985.65 in the FY 07/08. The Banking Index also showed a bearish trend in 08/09 but in overall showed a bullish trend during the study period.

Both the NEPSE and Banking Index has grown in an increasing number during the study period which shows satisfactory performance of the public limited companies listed in the stock exchanges including the commercial banks. The growth rate of the commercial banks is more than that of the NEPSE which indicates better performance of the commercial banks in comparison to the other public limited companies listed in the NEPSE. This trend also implies recovery economy in the country.



**Figure No.1: Annual Trend Analysis of NEPSE Index and Banking Index**

#### **4.4 Relationship between EPS, DPS and BPS to MPS**

The relationship of EPS, DPS and BPS with MPS is determined separately to each of the sampled listed companies in this section. For their analytical purpose, the Market Price of Share (MPS) is assumed to be influence with the fluctuation occurred in EPS, DPS and BPS. Hence,



MPS is taken as dependent variable whereas EPS, DPS and BPS are taken as independent variable. The correlation analysis is performed to determine the relationship of EPS, DPS and BPS with MPS. To determine the effect of DPS, EPS, and BPS on MPS, simple correlation as well as their coefficient of determination are calculated. For the test of hypothesis of simple and multiple coefficients, calculated t-value is compared with the tabulated t-value at 95% level of significance. To determine the magnitude of the effects of the independent variables to the dependent variable, simple and multiple regression analysis are made and the magnitude is identified after determining the regression equations. In addition to that, multiple correlation coefficient, multiple coefficient of determination, standard errors of estimate are analyzed during the correlation and regression analysis.

## 4.5 Analysis of Financial Indicators

### 4.5.1 Bank of Kathmandu

The table given below (Table: 4.2) shows the financial summary of Bank of Kathmandu over the last six years and the relationship of EPS, DPS and BPS to MPS along with the significance of such relationship.

**Table: 4.2**

**Summary of the Financial Performance of BOK**

Fiscal Year	MPS	DPS	BPS	EPS
2003/04	295	10	229.09	27.50
2004/05	430	15	171.83	30.10
2005/06	850	48	192.52	43.07
2006/07	1375	20	218.38	43.50
2007/08	2350	42.11	213.60	59.94
2008/09	1825	47.37	230.67	54.68
<b>Total</b>	<b>7125</b>	<b>182.48</b>	<b>1234.73</b>	<b>258.79</b>
<b>Mean</b>	<b>1187.5</b>	<b>30.41</b>	<b>205.79</b>	<b>43.13</b>
<b>SD</b>	<b>739.05</b>	<b>15.79</b>	<b>19.02</b>	<b>11.76</b>
<b>CV</b>	<b>62.24</b>	<b>51.92</b>	<b>9.24</b>	<b>27.26</b>

*(Source: Annual Reports of BOK)*

Where,

SD : Standard Deviation

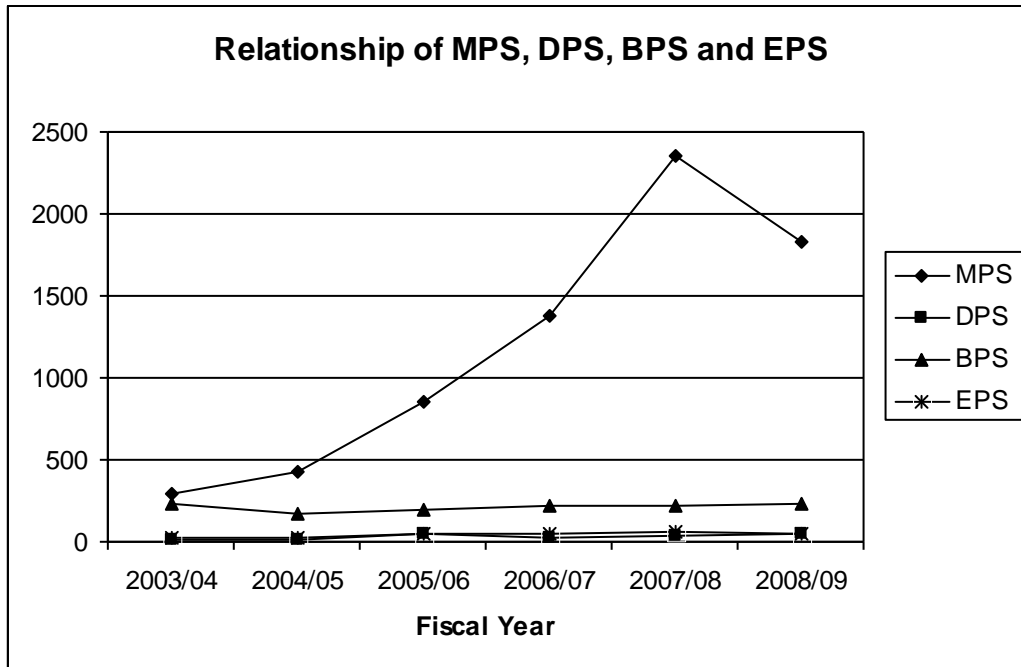
CV: Coefficient of Variation

The Above table presents the detail financial summary of Bank of Kathmandu throughout the last six years. As table shows, the bank distributed its profit to the shareholders as dividend for six times over the study period. It distributed Rs.10 per share on 2003/04 as dividend and it was increasing order at every year. Since the company distributed more dividends in the last year, it shows that the company is in better financial strength in the later years. It can be seen in table that the Book Value per Share of the company first decreases and increases gradually thereafter. The EPS of the Bank also in increasing trend but is decreased in fiscal year 2008/09.

The distribution of dividend seems to be much volatile for the company with the coefficient of variation 51.92% whereas the Book value per share seems to be less volatile with the coefficient of variation 9.24%.The market Price per Share and Earning per Share moderately volatile with the coefficient of variation 62.24% and 27.26% respectively. It tends to describe that DPS is comparatively more fluctuated than others.

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

The following line chart (Figure No. 2) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.2: Relationship between MPS, DPS, BPS and EPS of BOK**

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

**Table: 4.3**

**Relationship of BPS, EPS and DPS with MPS of BOK**

Variables	r	r <sup>2</sup>	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	0.663	0.439	238.604	31.2	1.771	2.776	Insignificant
MPS vs. BPS	0.662	0.437	-4107.43	25.723	1.766	2.776	Insignificant
MPS vs. EPS	0.974	0.949	-1452.16	61.208	8.598	2.776	Significant

*(Researcher's Analysis)*

Where,

r : Coefficient of Correlation

r<sup>2</sup> : Coefficient of Determination

t-cal : Student's t-value

t-table : Tabulated value of Student's t- distribution (at 95% level of Significance, n-2 i.e.6-2=4 Degree of Freedom)

a-value: Y-intercept of Regression equation (MPS- dependent intercept)

b-value: Slope of the line (Variable Intercept)

Table No 4.3 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is positively correlated with DPS, BPS and EPS. It means rise in these indicators (DPS, BPS and EPS) results the rise in MPS. Among these three indicators, Earning per Share seems to be high degree of positively correlation with the Market Price per share. Likewise, Dividend per Share is positively correlated second to MPS. BPS is less correlated with MPS in comparison with others. Hence, a little rise in book value i.e. Market Capitalization cause bigger increase in MPS. Though in smaller amount, the increase in DPS and EPS also increases MPS. T-value of correlation with these indicators indicates that degree of correlation is significant at 95% level of confidence for EPS whereas insignificant for BPS and DPS.

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given in Table No. 4.4.

**Table: 4.4**  
**Simple Regression Equation of BOK**

S.N.	Variables	Regression Equation
1	MPS vs. DPS	$MPS = 31.2 \text{ DPS} + 238.604$
2	MPS vs. BPS	$MPS = 25.723 \text{ BPS} - 4107.43$
3	MPS vs. EPS	$MPS = 61.208 \text{ EPS} - 1452.16$

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 238.604. This means that when DPS falls to zero, MPS equals to Rs. 238.604. Likewise, the constant for DPS equals to 31.2 meaning that when DPS increases/ decreases by Rs.1, MPS increases /decreases by Rs. 31.2 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -4107.43. This means that when BPS becomes zero, MPS will fall to Rs.-4107.43.

Likewise; the constant for BPS equals to 25.723 meaning that when DPS increases/decreases by Rs.1, MPS increases/ decreases by Rs.25.723 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to -1452.16. This means that when EPS falls to zero, MPS equals to Rs.-1452.16. Likewise, the constant for EPS equals to 61.208 meaning that when DPS increases/ decreases by Rs.1, MPS increases/ decreases by Rs. 61.208 and vice versa.

The **Multiple Regression** equation of MPS of Bank of Kathmandu on DPS and EPS is represented by the following equation.

#### MPS on DPS and EPS

$$\mathbf{MPS = 403.82 + 16.19 DPS + 8.82 EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS, MPS intercept i.e. multiple regressions constant as shown in the equation equals to 403.82. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs.403.82. The constant for DPS is 16.19 meaning that when DPS increases by Re.1, MPS will increase by Rs.16.19 keeping EPS constant. In the same way, if DPS holds constant and EPS increased by Re.1, MPS will increase by Rs.8.82 and vice versa.

#### **4.5.2 Everest Bank Limited**

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

**Table: 4.5**

**Summary of the Financial Performance of EBL**

<b>Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	680	0	171.52	45.58
<b>2004/05</b>	870	20	219.87	54.22
<b>2005/06</b>	1379	0	217.67	62.78
<b>2006/07</b>	2430	30	280.82	78.42
<b>2007/08</b>	3132	30	321.77	91.82
<b>2008/09</b>	2455	30	313.64	99.99
<b>Total</b>	<b>10946</b>	<b>110</b>	<b>1525.29</b>	<b>432.81</b>
<b>Mean</b>	<b>1824.33</b>	<b>18.33</b>	<b>254.22</b>	<b>72.14</b>
<b>SD</b>	<b>903.06</b>	<b>8.28</b>	<b>55.04</b>	<b>19.65</b>
<b>CV</b>	<b>49.50</b>	<b>45.17</b>	<b>21.64</b>	<b>27.24</b>

*(Source: Annual Reports of EBL)*

Where,

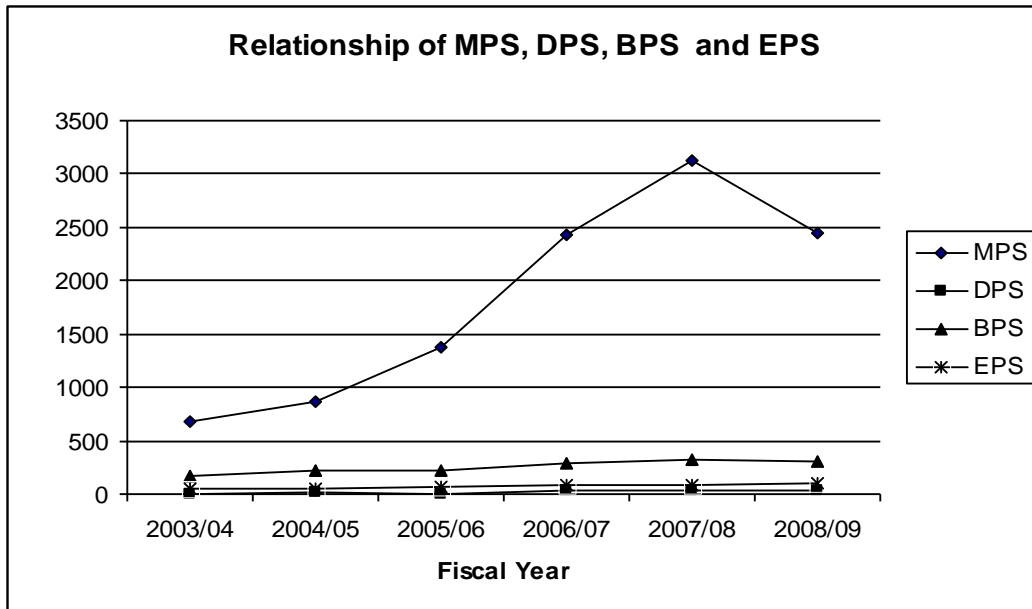
SD : Standard Deviation

CV: Coefficient of Variation

The above table (Table No.4.5) presents the summary of financial performance of Everest Bank Limited for the last six years. From the table, it can be revealed that the bank has not consistent figure over the period. The MPS has been increased first and then decreased at last. The MPS as well as EPS seems to be in increasing order in the later years. The bank has distributed dividend only four times within this period at Rs.20 and the similar rate of Rs.30 per share. High coefficient of covariance (49.50%) of MPS clears that the DPS distribution is highly volatile and inconsistent. In comparison with DPS, MPS, BPS and EPS possess low degree of Coefficient of Variance.

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

The following line chart (Figure No.3) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.3: Relationship between MPS, DPS, BPS and EPS of EBL**

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

**Table: 4.6**

**Relationship of BPS, EPS and DPS with MPS of EBL**

Variables	r	r <sup>2</sup>	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	-0.2186	0.0478	788.5	-7.550	-0.448	2.776	insignificant
MPS vs. BPS	0.7718	0.5957	-774.62	8.447	2.4275	2.776	Insignificant
MPS vs. EPS	0.9144	0.8361	-287.13	239417	4.5170	2.776	Insignificant

*(Researcher's Analysis)*

Table No. 4.6 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is negatively correlated (-0.2186) with DPS whereas positively correlated with BPS (0.7718) and EPS (0.9144). Its means that if the DPS rises by Rs.100, MPS falls by Rs.21.86 similarly, Rs.100 change in BPS and EPS will fluctuate MPS in the same direction by Rs.77.81 and 91.44 in this way, EPS are most correlated with MPS then others. But it can be observed from t-calculation

that none of these correlations is significant at 95% level of confidence. The coefficient of determination shows that 4.81% of change in MPS is explained by DPS whereas 59.57% and 83.61% is explained by BPS and EPS respectively.

The **simple regression** equation of DPS, BPS and EPS as dependent variable is given in table No.4.7:

**Table: 4.7**

<b>Simple Regression Equation of EBL</b>		
<b>S.N.</b>	<b>Variables</b>	<b>Regression Equation</b>
1	MPS vs. DPS	$MPS = -7.55 \text{ DPS} + 788.50$
2	MPS vs. BPS	$MPS = 8.45 \text{ BPS} - 774.62$
3	MPS vs. EPS	$MPS = 23.94 \text{ EPS} - 287.13$

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 788.50. This means that when DPS is zero, MPS equals to RS 788.50. Like wise, the constant for DPS equal to -7.55, meaning that when DPS increases by 7.55, MPS decreases by Rs.7.55 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -744.62. This means that when BPS became zero, MPS will fall to Rs.744.62 like wise, the constant for DPS equal to 8.45 means when BPS increases/decreases by Re. 1, MPS increases/decreases by Rs.8.45 and vice versa.

Likewise, the last equation indicates the regression equation of MPS on EPS. The regression constant equal to -287.13.this means that when EPS fall to zero, MPS equal to Rs.-287.13.in the same way, the constant for EPS equals to 23.94 meaning that when DPS increases/decreases by Re. 1, MPS increases/decreases by Rs.23.94 and vice versa.

The **Multiple Regression** equation of MPS of Everest Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS



$$\text{MPS} = -239.95 - 8.894 \text{ DPS} + 24.22 \text{ EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to -239.95. It implies that when DPS and EPS become zero, MPS would be equal to -239.95. The constant for DPS is -8.894 meaning that when DPS increases by Re.1, MPS will decrease by Rs.8.894 keeping EPS constant. In the same way, if DPS holds constant and EPS increases by Re.1, MPS will increase by Rs.24.22 and vice versa.

### 4.5.3 Himalayan Bank Limited

The following table outlines the major financial performance of Himalayan Bank Limited over the past six years from 2003/04 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table: 4.8**

**Summary of the Financial Performance of HBL**

Fiscal Year	MPS	DPS	BPS	EPS
2003/04	840	20	244.33	49.05
2004/05	920	31.58	239.59	47.91
2005/06	1100	35	228.72	59.24
2006/07	1740	40	264.74	60.66
2007/08	1980	45	247.95	62.74
2008/09	1760	43.56	256.52	61.90
<b>Total</b>	<b>8340</b>	<b>215.14</b>	<b>1481.85</b>	<b>341.5</b>
<b>Mean</b>	<b>1390</b>	<b>35.86</b>	<b>246.98</b>	<b>56.92</b>
<b>SD</b>	<b>450</b>	<b>7.70</b>	<b>11.56</b>	<b>6.0712</b>
<b>CV</b>	<b>32.37</b>	<b>21.47</b>	<b>48.68</b>	<b>10.67</b>

*(Source: Annual Report of HBL)*

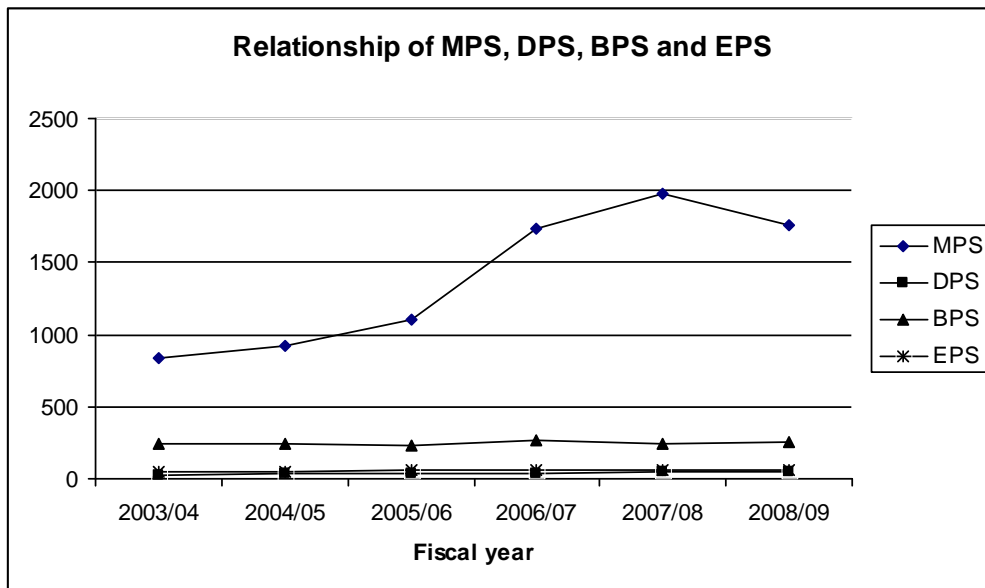
Where,

- SD : Standard Deviation
- CV : Coefficient of Variation

The above table (Table No.4.8) presents the summary of financial performance of Himalayan Bank Limited for the last six years. From the table, it can be revealed that the performance of the bank was lowered at mid term of study period. It means the data shows good financial performance first and then it was declined at year end. But in the recent years it has been improved. The DPS seems to be in increasing order in the later years with out decrease in 2008/09. Among these four indicators, DPS has more Coefficient of Variance whereas BPS has the lowest one. Here, the low degree of Coefficient of Variance of these indicators explains the more consistency of the banking performance in comparison with other banks.

The industry average of CV of MPS, BPS, DPS and EPS calculated by computer software equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that this bank has less volatile MPS, BPS, DPS and EPS in comparison with whole industry. Less volatility in these indicators of this bank implies more consistency in the financial performance.

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS (Figure No.4)



**Figure No.4: Relationship between MPS, DPS, BPS and EPS of HBL**

The relation of MPS with BPS, DPS and EPS has been presented in the following table (Table No. 4.9):

**Table: 4.9**

**Relationship of BPS, EPS and DPS with MPS of HBL**

Variables	r	r <sup>2</sup>	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.743	0.552	9.2729	427.4275	28.0728	2.776	Significant
MPS vs. BPS	-0.46	0.220	-0.4238	2432.638	-8.8232	2.776	Insignificant
MPS vs. EPS	0.613	0.376	10.023	121.2980	11.7220	2.776	Significant

*(Researcher's Analysis)*

The relation of MPS with DPS and EPS is shown in Table No. 4.9. It shows that MPS of Himalayan Bank is positively correlated with DPS and EPS but negatively correlated with BPS. Both the correlation with DPS and EPS are significant but the correlation with BPS seems to be insignificant at 95% level of confidence. It indicates that raise in DPS and EPS results the rise in MPS and vice versa. If DPS rise by Rs.100, the MPS will be raised by Rs.74.36. In the same way, Rs.100 increase in EPS results the increment of Rs.61.39 in MPS. Since BPS is negatively correlated with MPS, it fluctuates in the opposite way to that of DPS and EPS. If BPS increases by Rs.100, then the MPS will be decreased by Rs.46.92.

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given below (Table No.4.10):

**Table: 4.10**

**Regression Equation of HBL**

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS=-7.55 DPS+788.50
2	MPS vs. BPS	MPS= 8.45 BPS -774.62
3	MPS vs. EPS	MPS= 23.94 EPS-287.13

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 427.43. This means that when DPS falls to zero, MPS equals to Rs.427.43. Likewise, the constant for DPS equals to 8.72 implies that when DPS increases by Re.1, MPS increase Rs.8.72 an vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to 2432.298. This means that when BPS becomes zero, MPS will be equals to Rs.2152.298. Likewise, the constant for BPS equals to -8.72 meaning that when DPS increases by Re.1, MPS decreases by Rs.4.72 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 121.298. This means that when EPS falls to zero, MPS equals to Rs.121.298. Likewise, the constant for EPS equals to 14.708 meaning that when DPS increases/ decreases by Re.1, MPS increases/ decreases by Rs.11.728 and vice versa.

The **Multiple Regression** equation of MPS of Himalayan Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS

$$\text{MPS} = 612.2367 + 8.22 \text{ DPS} - 0.068 \text{ EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to 312.2367. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs.612.2367. The constant for DPS is 8.22 meaning that when DPS increase by Re.1, MPS will increases by Rs.8.22 keeping EPS constant. In the same way, the constant for EPS equals to -0.068 means if DPS holds constant and EPS increases by Rs.1, MPS will decreases by Rs.0.068 and vice versa.

#### **4.5.4 Kumari Bank Limited**

The summarized form of financial performance of Kumari Bank Ltd. for the last six years has been presented in the following table

**Table: 4.11**

**Summary of the Financial Performance of KBL**

<b>Fiscal Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	-	-	114	9.74
<b>2004/05</b>	269	-	141	17.58
<b>2005/06</b>	443	21.05	149	16.59
<b>2006/07</b>	830	21.05	137	22.70
<b>2007/08</b>	1005	10.53	128	16.35
<b>2008/09</b>	700	10.58	137	22.04
<b>Total</b>	<b>3247</b>	<b>63.21</b>	<b>806</b>	<b>105</b>
<b>Mean</b>	<b>541.167</b>	<b>10.54</b>	<b>134.33</b>	<b>17.5</b>
<b>SD</b>	<b>260.60</b>	<b>6.058</b>	<b>11</b>	<b>4.2824</b>
<b>CV</b>	<b>48.16</b>	<b>57.57</b>	<b>8.19</b>	<b>24.47</b>

*(Source: Annual Report of KBL)*

Where,

SD : Standard Deviation

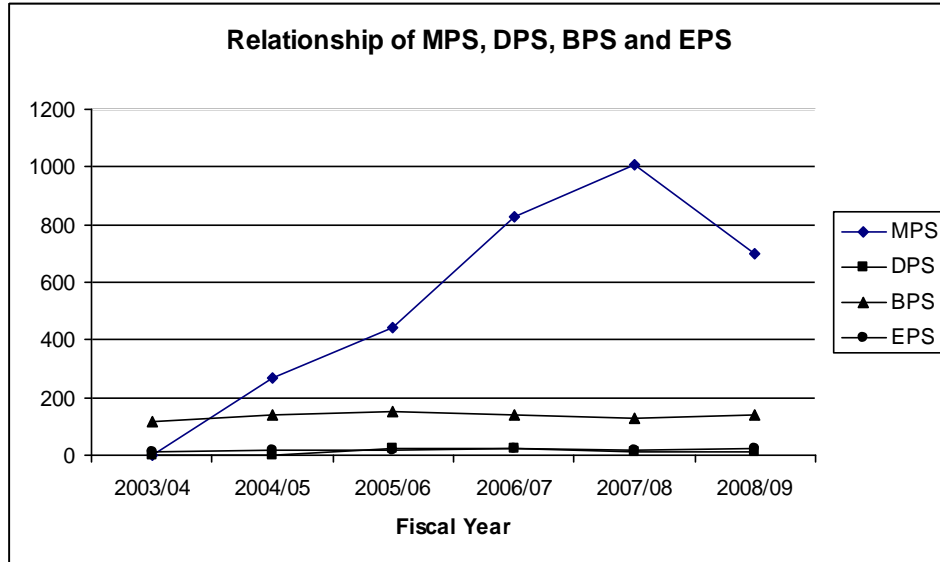
CV : Coefficient of Variation

The table given above shows the financial performance of Kumari Bank for the past six years. The market price per share of the organization is available only for the year 2004/05 and no data of the year 2008/09 is available because it is still not audited and hence not published out. The company didn't distribute any dividends within the first two years of study period. The average BPS of the company for the six years (excluding 2003/04 and 2008/09) is Rs.134.3 with the Standard Deviation of 11%. The Coefficient of Variance equals to 24.47 which indicates the volatility of EPS is 24.47%. The higher Standard Deviation of BPS in comparison with EPS denotes that BPS is more volatile than EPS.

The industry average of CV of MPS, BPS, DPS and EPS calculated by computer equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that EPS of this bank has higher

degree of volatility than that of industry. But BPS of this bank seems to be less volatile than that of industry average.

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS (Figure No.5)



**Figure No.5: Relationship between MPS, DPS, BPS and EPS of KBL**

#### 4.5.5 Laxmi Bank Limited

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

**Table: 4.12**

**Summary of the Financial Performance of LBL**

<b>Fiscal Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	156	-	101.28	1.9
<b>2004/05</b>	285	0	98.87	4.34
<b>2005/06</b>	368	0	106.41	5.80
<b>2006/07</b>	690	0	115.66	10.75
<b>2007/08</b>	1113	20	125.45	16.45
<b>2008/09</b>	1062	5	122.24	20.70
<b>Total</b>	<b>3654</b>	<b>25</b>	<b>504.06</b>	<b>59.94</b>
<b>Mean</b>	<b>612.34</b>	<b>4.17</b>	<b>168.02</b>	<b>10</b>
<b>SD</b>	<b>372.28</b>	<b>6.4753</b>	<b>3.14</b>	<b>6.73</b>
<b>CV</b>	<b>60.89</b>	<b>155.28</b>	<b>1.87</b>	<b>67.3</b>

*(Source: Annual Report of LBL)*

Where,

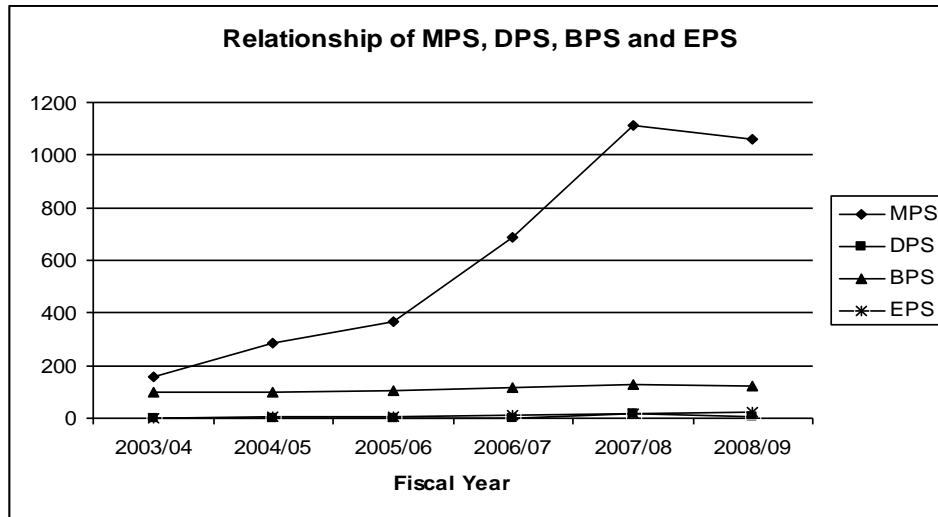
SD : Standard Deviation

CV: Coefficient of Variation

The above table (Table No.4.12) reveals the summary of financial performance of Laxmi Bank Ltd. for the last six years. The complete information of Laxmi Bank is available after 2003/04. Hence here we have considered the data after 2003/04. The bank has not distributed any kind of dividend yet except last two years. Hence, there is nothing to compare the relation of MPS with DPS. The table shows that the MPS is in increasing order since 2003/04 to till 2007/08. Likewise, the EPS is also in increasing trend in the later years. The coefficient of variance of MPS, BPS and EPS is 60.89%, 155.28% and 67.23% respectively. In comparison with other indicators the Coefficient of Variance of DPS is higher than others, which shows that it is more volatile than others. In this way, the data shows that BPS has the lowest degree of Coefficient of Covariance.

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

The following line chart (Figure No. 6) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.6: Relationship between MPS, DPS, BPS and EPS of LBL**

The relation of MPS with BPS, DPS and EPS has been presented in the following table (Table No. 4.13):

**Table: 4.13**

**Relationship of BPS, EPS and DPS with MPS of LBL**

Variables	r	r <sup>2</sup>	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	-	-	-	-	-	-	-
MPS vs. BPS	0.5678	0.3224	-2380.71	15.77	1.38	2.776	Insignificant
MPS vs. EPS	0.9998	0.9996	74.16	54.20	102.83	2.776	Significant

*(Researcher's Analysis)*

Table No. 4.13 shows the relation of MPS with BPS and EPS. The relation between MPS and DPS is not calculated because no DPS has distributed yet it shows that MPS is positively correlated (0.05678) but insignificant at 95% level of confidence with BPS. Likewise, MPS is positively correlated with EPS (0.9998) and highly significant at 95% level of confidence. It means that if the BPS rises by Rs.100, MPS will be raised by Rs.56.78. The MPS and EP'S are



almost perfectly correlated i.e. (0.9998) hence MPS will increase/ decreases in the same direction with almost equal value. The coefficient of determination shows that 32.24% of changes in MPS is explained by BPS whereas 99.96% is explained by EPS respectively.

The **Simple Regression** equation of BPS and EPS taking MPS as dependent variable is given in Table No.4.14:

**Table: 4.14**

**Simple Regression Equation of LBL**

S.N.	Variables	Regression Equation
1	MPS vs. BPS	$MPS = 25.41 BPS - 1685.71$
2	MPS vs. EPS	$MPS = 14.83 EPS + 206.16$

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on BPS. The regression constant equals to -1685.71. This means that when DPS is zero, MPS will be decreased to Rs.-1685.71. Likewise, the constant for DPS equals to 25.41, meaning that when DPS increases by Re.1, MPS decreases by Rs.25.41 and vice versa.

The second equation refers to the regression equation of MPS on EPS. The regression constant equals to 206.16. This means that when BPS becomes zero. MPS will be equal to Rs.206.16. Likewise, the constant for DPS equals to 14.83 means that when EPS increases/ decreases by Re.1, MPS increases/ decreases by Rs.14.83.

#### **4.5.6 Lumbini Bank Limited**

The summarized form of financial performance of Lumbini Bank Ltd. for the last six years has been presented in the following table. It shows the relationship of EPS, DPS and BPS to MPS along with their significance.

**Table: 4.15**

**Summary of the Financial Performance of LUBL**

<b>Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	-	0	84.71	5.33
<b>2004/05</b>	180	0	49	-39.35
<b>2005/06</b>	172	0	-144.42	-161.21
<b>2006/07</b>	505	0	-71.61	32.07
<b>2007/08</b>	631	0	29.5	32.91
<b>2008/09</b>	435	0	86.95	30.31
<b>Total</b>	<b>1923</b>	<b>0</b>	<b>34.13</b>	<b>-99.94</b>
<b>Mean</b>	<b>320.5</b>	<b>0.00</b>	<b>5.69</b>	<b>-16.66</b>
<b>SD</b>	<b>175076</b>	<b>0.00</b>	<b>85.44</b>	<b>83.96</b>
<b>CV</b>	<b>54.84</b>	-	<b>1501.58</b>	<b>-503.97</b>

*(Source: Annual Report of LUBL)*

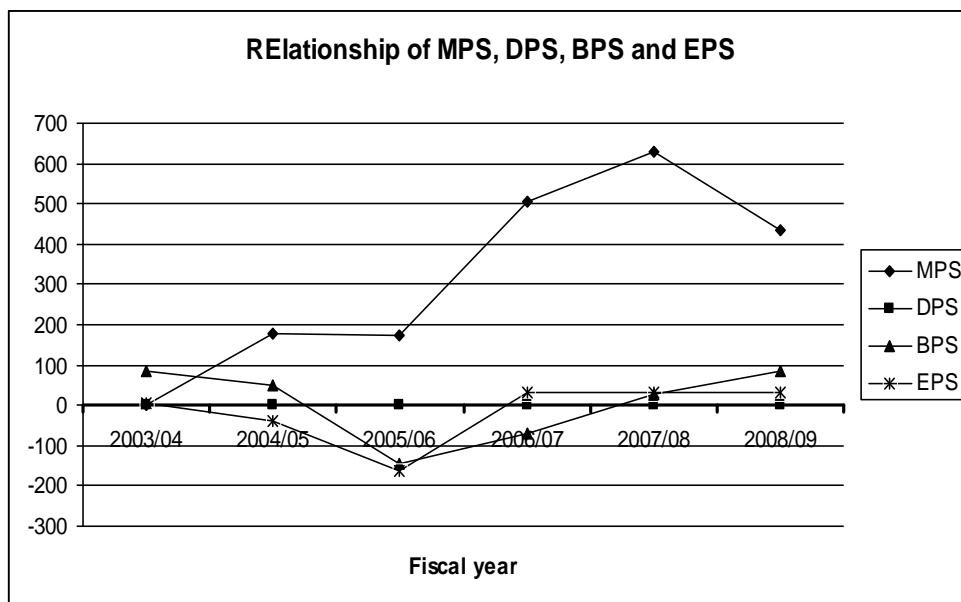
Where,

SD : Standard Deviation

CV: Coefficient of Variation

The table (Table No. 4.15) has given above shows the financial performance of Lumbini Bank Ltd. for the past six years. The market price per share of the bank is not available only for the year 2003/04. The company didn't distribute any dividend within the study period. The average BPS of the company for the six years is Rs.5.69 with the Standard Deviation of 54.84%. The high Coefficient of Variance (1501.58) indicates the high volatility of BPS. Standard Deviation of BPS seems to be highest (85.44%) among the indicators. This bank has less volatility in MPS and EPS whereas high in BPS than that of industry average.

The following line chart (Figure No. 7) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.7: Relationship between MPS, DPS, BPS and EPS of LUBL**

#### 4.5.7 Machhapuchhre Bank Limited

The table below shows the financial summary of Machhapuchhre Bank Ltd. over the last four years (after the company started share transactions) and the relationship of EPS, DPS and BPS to MPS along with the significance of such relationship.

**Table: 4.16**

#### Summary of the Financial Performance of MBL

Year	MPS	DPS	BPS	EPS
2003/04	-	-	-	-
2004/05	165	-	115.96	15.43
2005/06	320	15.79	130.23	18.43
2006/07	620	0	121.74	9.02
2007/08	1285	021.05	141.59	10.35
2008/09	420	-	114.94	8.33
<b>Total</b>	<b>2810</b>	<b>36.84</b>	<b>624.46</b>	<b>61.87</b>
<b>Mean</b>	<b>468.33</b>	<b>6.14</b>	<b>124.89</b>	<b>12.37</b>
<b>SD</b>	<b>366.58</b>	<b>7.25</b>	<b>9.96</b>	<b>3.69</b>
<b>CV</b>	<b>78.27</b>	<b>118.09</b>	<b>0.6187</b>	<b>29.81</b>

*(Source : Annual Report of MBL)*

Where,

SD : Standard Deviation

CV: Coefficient of Variation

Table No. 4.16 presents the detail financial summary of Machhapuchhre Bank Limited (MBL) for the past four years. As table shows, the bank has distributed its profit to the shareholders Rs.15.79 per share on 2005/06 only. MPS, BPS and EPS of the company are increased each year showing the better financial strength in later years.

The highest Coefficient of Variance (173.21%) is the variance of DPS. This indicates that DPS is most volatile than others. The second is EPS and is equal to 54.29%. The coefficient of Variation of MPS and BPS are 45.47% and 13.25% respectively. Standard Deviation of MPS seems to be the least one (6.17%)

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

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

**Table: 4.17**

**Relationship of BPS, EPS and DPS with MPS of MBL**

Variables	r	r <sup>2</sup>	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.759	0.5766	2.334	160.3333	10.1119	2.776	Insignificant
MPS vs. BPS	0.987	0.9757	12.664	-478.633	6.1838	2.776	Insignificant
MPS vs. EPS	0.971	0.9438	8.198	37.32968	14.3321	2.776	Insignificant

(Researcher's Analysis)

The relation of MPS with DPS, BPS and EPS is shown in Table No. 4.17. It illustrates that MPS is positively correlated with DPS, BPS and EPS. It means rise in these indicator (DPS, BPS and EPS) results the rise in MPS. Among these three indicators, Book Value per Share seems to be more positively correlated with the Market Price per Share. Likewise, Earning per Share is

positively correlated next to BPS, DPS is less correlated with MPS is comparison with others. Hence any rise in Book value i.e. Market Capitalization or Earning per Share or Dividend per Share causes bigger increase in MPS. T-calculation for the correlation of these indicators shows that r-value for BPS and EPS are significant whereas DPS is insignificant at 95% level of confidence.

The simple Regression equation of DPS, BPS and EPS taking MPS as dependent variable is given below:

**Table: 4.18**

**Simple Regression Equation of MBL**

S.N.	Variables	Regression Equation
1	MPS vs. DPS	$MPS = 10.11 \text{ DPS} + 160.33$
2	MPS vs. BPS	$MPS = -478.63 \text{ BPS} - 488.63$
3	MPS vs. EPS	$MPS = 14.33 + 37.33$

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 160.33 and the constant for DPS equals to 10.11. This means that when DPS falls to zero, MPS equals to Rs.160.33 and when DPS increases/ decreases by Re.1, MPS increases/ decreases by Rs.10.11 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -478.633. This means that when BPS becomes zero, MPS will fall to Rs.478.633. Likewise, 6.184 is the constant for BPS meaning that when DPS increases/ decreases by Re.1 and MPS increases / decreases by Rs.6.184 and vice versa.

Similarly, the last equation indicates the regression equation of MPS on EPS. 37.329 is the regression constant equals of MPS on EPS. This means that when EPS falls to zero, MPS equals to Rs.37.329. Likewise, the constant for EPS equals to 14.33 meaning that when DPS increases/ decreases by Re.1, MPS increases/ decreases by Rs.14.33 and vice versa.

The multiple Regression equation of MPS of Machhapuchhre Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS

$$\text{MPS} = 48.08 + 2.268 \text{ DPS} + 12.298 \text{ EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to 48.08. it implies that when DPS and EPS becomes zero, MPS would be equal to Rs.48.08. The constant for DPS is 2.268 meaning that when DPS increases by Re.1, MPS will increases by Rs.2.268 keeping EPS constant. In the same way, the constant for EPS equals to 12.298 means if DPS holds constant and EPS increases by Rs.1, MPS will increases by Rs.12.298 and vice versa.

### 4.5.8 NABIL Bank Limited

The following table outlines the major financial performance of NABIL Bank Limited over the past six years from 2003/04 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table: 4.19**

**Summary of the Financial Performance of NABIL**

Year	MPS	DPS	BPS	EPS
2003/04	1000	65	301	92.61
2004/05	1505	70	337	105.49
2005/06	2240	85	381	129.21
2006/07	5050	140	418	13.08
2007/08	5275	100	354	108.31
2008/09	4899	85	324	106.76
<b>Total</b>	<b>19969</b>	<b>545</b>	<b>2115</b>	<b>679.46</b>
<b>Mean</b>	<b>3328.167</b>	<b>90.833</b>	<b>352.5</b>	<b>113.24</b>
<b>SD</b>	<b>1786.561</b>	<b>24.375</b>	<b>38.318</b>	<b>15.14</b>
<b>CV</b>	<b>53.7</b>	<b>27.231</b>	<b>10.87</b>	<b>13.37</b>

*(Source : Annual Report of NABIL)*

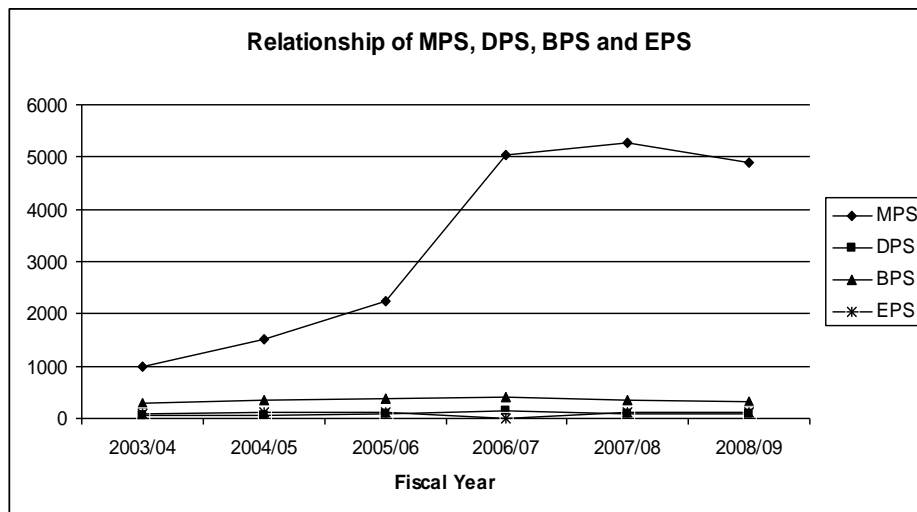
Where,

CV: Coefficient of Variation      SD : Standard Deviation

The above table presents the summary of financial performance of NABIL Bank Limited for the last six years. From the table, it can be revealed that Market Price per Share was lowered to 5275 on 2007/08 from 4899 on 2008/09. But before this it has been continuously increasing each year till 2007/08. The organization is distributing its DPS each year in increasing trend. It shows the betterment in its performance each year. Standard Deviation of MPS, DPS, BPS and EPS are 1786.561%, 24.375%, 38.318% and 15.14% respectively. In the same way, Coefficient of Covariance of MPS, DPS, BPS and EPS are 41.89, 51.67, 19.9 and 29.18 respectively. It indicates that BPS is less volatile among these indicators whereas DPS is most volatile.

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

The following line chart (Figure No.8) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.8: Relationship between MPS, DPS, BPS and EPS of NABIL**

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

**Table: 4.20**

**Relationship of BPS, EPS and DPS with MPS of NABIL**

Variables	r	r <sup>2</sup>	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	0.4763	0.2269	749.48	9.6852	0.7618	2.776	Insignificant
MPS vs. BPS	0.6429	0.4133	-631.313	6.6424	2.0341	2.776	Insignificant
MPS vs. EPS	0.6882	0.4736	26.89	15.5080	2.7489	2.776	Insignificant

*(Researcher's Analysis)*

The table given above (Table No.4.20) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NABIL Bank is positively correlated with DPS, BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are 0.4763, 0.6429 and 0.6882. it means if DPS rise by Rs.100, the MPS will be raised by Rs.47.63. in the same way, Rs.100 increase in BPS and EPS results the increment of Rs.64.29 and Rs.68.82 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given below:

**Table: 4.21**

**Simple Regression Equation of NABIL**

	Variables	Regression Equation
1	MPS vs. DPS	$MPS = 8.69 \text{ DPS} + 749.47$
2	MPS vs. BPS	$MPS = 6.25 \text{ BPS} - 631.424$
3	MPS vs. EPS	$MPS = 15.41 \text{ EPS} + 26.77$

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 749.47. This means that when DPS falls to zero, MPS equals to Rs.749.47. Likewise, the constant for DPS equals to 8.569 implies that when DPS increases by Re.1, MPS increases Rs.8.69 and vice versa.



The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -631.424. This means that when BPS becomes zero, MPS fall to -631.424. Likewise, the constant for BPS equals to 6.25 meaning that when DPS increases/decreases by Re.1, MPS increases/ decreases by Rs.6.25.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 26.77. This means that when E PS falls to zero, MPS equals to Rs.26.77. Likewise, the constant for EPS equal to 15.41 meaning that when DPS increases/decreases by Rs.15.41 and vice versa.

The **Multiple Regression** equation of MPS of NABIL Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS

$$\text{MPS} = -1425.36 - 44.89 \text{ DPS} + 67.38 \text{ EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to -1425.36. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs.-1425.36. The constant for DPS is -44.49 meaning that when DPS increases by Re.1, MPS will be decreases by Rs.34.89 keeping EPS constant. In the same way, the constant for EPS equals to 67.38 means if DPS holds constant and EPS increase by Re.1, MPS will increases by Rs.67.38 and vice versa.

#### **4.5.9 Nepal Credit and Commerce Bank Limited**

The following table outlines the major financial performance of NCC Ban k Limited over the past six years from 2003/04 to 2008/09.

**Table: 4.22**

**Summary of the Financial Performance of NCCBL**

<b>Fiscal Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	NA	0	0.027	0.06
<b>2004/05</b>	120	0	0.365	-0.74
<b>2005/06</b>	94	0	-0.044	-84.77
<b>2006/07</b>	316	0	-0.073	-16.57
<b>2007/08</b>	457	0	0.049	35.63
<b>2008/09</b>	335	0	0.078	29.35
<b>Total</b>	<b>1322</b>	<b>0</b>	<b>0.402</b>	<b>-36.364</b>
<b>Mean</b>	<b>220.33</b>	<b>-</b>	<b>0.067</b>	<b>-6.061</b>
<b>SD</b>	<b>131.871</b>	<b>-</b>	<b>0.45</b>	<b>36.02</b>
<b>CV</b>	<b>59.852</b>	<b>-</b>	<b>671.64</b>	<b>-594.355</b>

*(Source: Annual Report of NCCBL)*

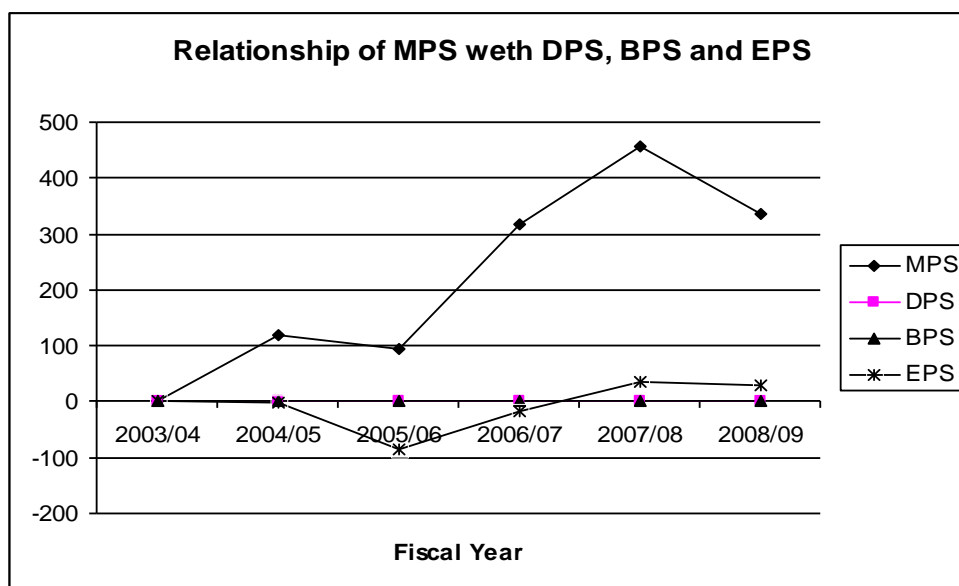
Where,

- SD : Standard Deviation
- CV : Coefficient of Variation
- NA : Not available

Nepal Credit and Commerce Bank Limited opened its share to the general public on 2060/61 for the first time. And no dividend has been distributed to its shareholders within the period of this study period. Till the date of preparation of this thesis, the General Meeting of the bank has been approved its financial report of fiscal year 2065/66. So data has been published out for this year, Hence, Due to the availability of required data, complete analysis has been made in this thesis. The available data regarding BPS and EPS shows that the organization is in little progress in later years, it has made the profit from its operation, the variability of BPS is 671.64% whereas that of EPS is -594.355 Such

high variability shows the inconsistency in these indicators. This bank has very high volatility of BPS and E PS in comparison with the average. This indicates the inconsistency in these indicators.

The following line chart (Figure No.9) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.9: Relationship between MPS, DPS, BPS and EPS of NCCBL**

#### 4.3.10 Nepal Bangladesh Bank Limited

The following table outlines the major financial performance of Nepal Bangladesh Bank Limited over the past six years from 2003/04 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table: 4.23**

**Summary of the Financial Performance of NBBL**

<b>Fiscal Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	354	-	182	0.73
<b>2004/05</b>	265	-	188	1.58
<b>2005/06</b>	199	-	-117	-
<b>2006/07</b>	550	-	-364	-
<b>2007/08</b>	1001	-	-295	80.16
<b>2008/09</b>	280	-	60	116.01
<b>Total</b>	<b>2642</b>	<b>-</b>	<b>-346</b>	<b>198.48</b>
<b>Mean</b>	<b>441.5</b>	<b>-</b>	<b>-57.60</b>	<b>33.08</b>
<b>SD</b>	<b>669.71</b>	<b>-</b>	<b>681.43</b>	<b>105.11</b>
<b>CV</b>	<b>151.69</b>	<b>-</b>	<b>-1181.6</b>	<b>318.95</b>

*(Source: Annual Report of NBBL)*

Where,

SD : Standard Deviation

CV: Coefficient of Variation

The above table presents the summary of financial performance of Nepal Bangladesh Bank Limited for the last six years. From the table, it can be revealed that Market Price per Share is in downward trend since 2000/01 after three years. Likewise, the Bank has not distributed its Dividend. The EPS of the organization is also continuously decreasing from the year 2004/05 to 2006/07. The downward trend of these indicators shows that the bank is experiencing some financial crisis in these years. The high variability of DPS and EPS shows that the Dividend payments as well as the earning per share of the company is not consistent through out the study period. In comparison, MPS and BPS has low degree of variability.

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

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

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

**Table: 4.24**

**Relationship of BPS, EPS and DPS with MPS of NBBL**

Variables	r	r <sup>2</sup>	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.9540	0.9100	6.3604	333.6	13.9345	2.776	Significant
MPS vs. BPS	0.9079	0.8243	4.3325	-1577.34	10.3802	2.776	Significant
MPS vs. EPS	0.9786	0.9577	9.5149	220.448	9.7886	2.776	Significant

*(Researcher's Analysis)*

The table given above (Table No 4.24) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Nepal Bangladesh Bank is positively correlated with DPS, BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are 0.9540, 0.9079 and 0.9786. it means if DPS rise by Rs.100, the MPS will be raised by RS. 95.40. In the same way, Rs.100 increase in BPS and EPS results the increment of Rs.90.79 in MPS respectively. The degrees of correlation of all the indicators with MPS are significant in 95% level of confidence.

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given in Table No.4.25:

**Table: 4.25**

**Simple Regression Equation of NBBL**

S.N	Variables	Regression Equation
1	MPS vs. DPS	MPS= 13.93.6 DPS+333.6
2	MPS vs. BPS	MPS= 10.38 BPS-1577.34
3	MPS vs. EPS	MPS= 9.7886 EPS+220.45

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 333.60. This means that when DPS falls to zero, MPS equals to 333.60. Likewise, the constant for DPS equals to 13.93 implies that when DPS increases by Rs.1, MPS increases Rs.13.93 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -15577.34. This means that when BPS becomes zero, MPS falls to -1577.34. Likewise, the constant for BPS equals to 10.38 meaning that when DPS increases/decreases by Rs.1, MPS increases/decreases by Rs.10.38.

In this way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 220.448. This means that when EPS falls to zero, MPS equals to Rs.220.448. Likewise, the constant for EPS equals to 9.789 meaning that when DPS increases/decreases by Rs.1, MPS increases/decreases by Rs.9.789 and vice versa.

The multiple Regression equation of MPS of Nepal Bangladesh Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS

$$\text{MPS} = 306.8 + 5.42 \text{ DPS} + 5.978 \text{ EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to 306.8. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs.306.8. The constant for DPS is 5.42 meaning that when DPS increases by Rs.1, MPS will increase by Rs.5.42 keeping EPS constant. In the same way, the constant for EPS equals to 5.978 means if DPS holds constant and EPS increases by Rs.1, MPS will decrease by Rs.5.978 and vice versa.

#### **4.3.11 Nepal Industrial and Commercial Bank Limited**

The following table shows the major financial performance of Nepal Industrial and Commercial Bank Limited over the past six years from 2003/04 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table: 4.26**

**Summary of the Financial Performance of NICBL**

Year	MPS	DPS	BPS	EPS
2003/04	218	0	124.09	13.65
2004/05	366	30	136.84	22.75
2005/06	496	10.53	127.74	16.1
2006/07	950	1.05	139.166	24.01
2007/08	1284	1.05	138.9	25.75
2008/09	1126	0.79	145.58	27.83
<b>Total</b>	<b>4440</b>	<b>43.42</b>	<b>811.51</b>	130.09
<b>Mean</b>	<b>740</b>	<b>7.24</b>	<b>135.2515</b>	<b>21.68</b>
<b>SD</b>	<b>400.19</b>	<b>10.389</b>	<b>7.23</b>	<b>5.1085</b>
<b>CV</b>	<b>54.08</b>	<b>143.44</b>	<b>5.35</b>	<b>23.56</b>

*(Source: Annual Report of NICBL)*

Where,

SD : Standard Deviation

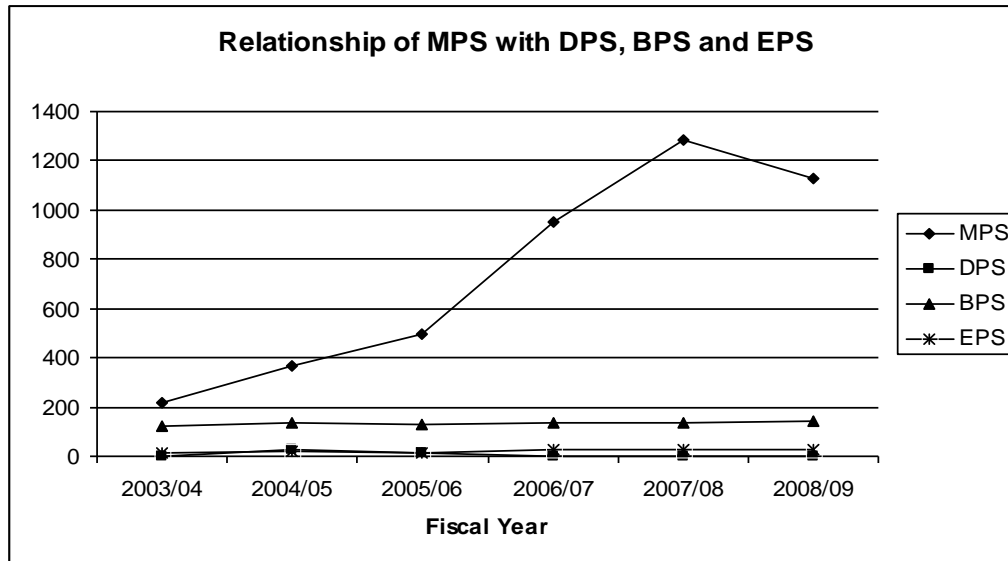
CV: Coefficient of Variation

The above table presents the summary of financial performance of Nepal Industrial and Commercial Bank Limited for last six years. From the table, it can be revealed that the Market price per share was in increasing order from 2000/01 to 2007/08. Then in the following years, it has been decreased to some extent. The company did not distribute the dividend on 2003/04 and then distributed on 2004/05 and 2005/06 at the rate of Rs.30 and Rs.10.53 respectively and it decrease following year. The trend of BPS seems to be increasing from 2003 to 2009. The table shows that Coefficient of Variance of MPS, DPS, BPS and EPS are 54.08%, 143.44%, 5.35% and 23.56% respectively. This indicates that the BPS has low degree of volatility (10.41%) among these four indicators. In constant, DPS has highest Coefficient of Variance (143.44%) followed by EPS (23.56%) and MPS (54.08%).

The industry average of CV of MPS, BPS, DPS and EPS calculated by 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that DPS and EPS of this bank have higher

degree of CV than that of industry. It means they are more volatile in than average banks. But MPS, BPS of this bank seems to be less volatile than that of industry average.

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



**Figure No.10: Relationship between MPS, DPS, BPS and EPS of NICBL**

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

**Table: 4.27**

**Relationship of BPS, EPS and DPS with MPS of NICBL**

Variables	r	r <sup>2</sup>	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.5713	0.3264	1.3923	277.044	5.5756	2.776	Insignificant
MPS vs. BPS	0.3325	0.1106	0.7051	-9.03528	2.8215	2.776	Insignificant
MPS vs. EPS	0.5337	0.2848	1.2622	233.6041	7.8937	2.776	Insignificant

*(Researcher's Analysis)*

The relations of MPS with DPS, BPS and EPS are shown in Table No.4.27. It shows that MPS of Himalayan Bank is positively correlated with all three indicators DPS, BPS and EPS. It indicated that if DPS BPS or EPS increases, MPS also increases. Among these, BPS has the low degree of correlation (33.25%) whereas the degree of correlation is bit higher than that of BPS in the case of DPS (57.13%) and EPS (53.37%). It means that if DPS rise by Rs.100, the MPS will be raised by Rs.57.13. in the same way, Rs.100 increase in BPS and EPS results the increment of Rs.33.25



and Rs.53.37 in MPS. The coefficient of determination shows that the 28.48% of change in the MPS is explained by EPS, 11.06% of changes in MPS are explained by BPS and the ratio to DPS is 32.64%. Despite this, the degree of correlation is not significant at 95% level of confidence for all these independent variables.

**Table: 4.28**

**Simple Regression Equation of NICBL**

S.N	Variables	Regression Equation
1	MPS vs. DPS	$MPS = 5.58 \text{ DPS} + 277.04$
2	MPS vs. BPS	$MPS = 2.82 \text{ BPS} - 9.04$
3	MPS vs. EPS	$MPS = 7.89 \text{ EPS} + 233.60$

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 277.04. This means that when DPS falls to zero, MPS equals to Rs.277.04. Likewise, the constant for DPS equals to 5.58 implies that when DPS increases by Re.1, MPS increases Rs.5.58 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -9.04. This indicates that when BPS becomes zero, MPS will fall to Rs.-9.04. Likewise, the constant for BPS equals to 2.82 meaning that when DPS increases by Re.1, MPS decreases by Rs.2.82 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 233.60. This means that when EPS falls to zero, MPS equals to Rs.233.60. Likewise, the constant for EPS equals to 7.89 meaning that when DPS increases/decreases by Re.1, MPS increases/decreases by Rs.7.89 and vice versa.

The **Multiple Regression** equation of MPS of NIC Bank Limited on DPS and E PS is represented by the following equation.

MPS on DPS and EPS

$$\text{MPS} = 256.58 + 3.976 \text{ DPS} + 2.96 \text{ EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to 256.58. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs.256.58. the constant for DPS is 3.976 meaning that when DPS increases by Re1, MPS will increases by Rs.3.976 keeping EPS constant. In the same way, the constant for EPS equals to 2.96 means if DPS holds constant and EPS increases by Re.1, MPS will increases by Rs.2.96 and vice versa

### 4.3.12 Nepal Investment Bank Limited

The following table outlines the major financial performance of Nepal Investment Bank Limited over the past six years from 2003/04 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been shown in the table.

**Table: 4.29**

**Summary of the Financial Performance of NIBL**

<b>Fiscal Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	940	15	246.89	51.7
<b>2004/05</b>	800	12.5	200.8	39.5
<b>2005/06</b>	1260	55.46	239.67	59.35
<b>2006/07</b>	1729	30	234	62.57
<b>2007/08</b>	2450	40.83	223	57.87
<b>2008/09</b>	1388	20	162	37.42
<b>Total</b>	<b>8567</b>	<b>173.79</b>	<b>1306.36</b>	<b>308.41</b>
<b>Mean</b>	<b>1427.83</b>	<b>28.97</b>	<b>217.73</b>	<b>51.40</b>
<b>SD</b>	<b>547.332</b>	<b>15.22</b>	<b>28.92</b>	<b>9.72</b>
<b>CV</b>	<b>38.33</b>	<b>52.50</b>	<b>13.28</b>	<b>18.90</b>

*(Source : Annual Report of NIBL)*

Where,

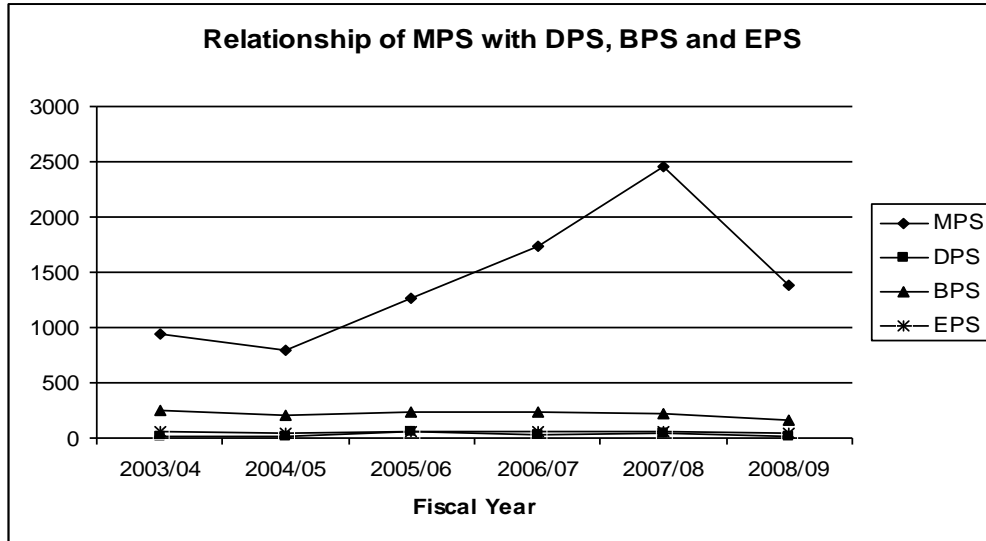
SD : Standard Deviation

CV: Coefficient of Variation

The above table presents the summary of financial performance of Nepal Investment Bank Limited for the last six years 2003/04 to 2008/09. The table shows that Market Price per Share was dropped to Rs.800 (2004/05) from 960 (2003/04) firstly. After this also the MPS of this bank seems to be fluctuating randomly ups and downs in the following years. The bank has distributed different amount DPS over the period. The data shows that the rate of dividend distributed and BPS of the bank is not consistent. EPS of the company is in increasing trend except the year 2004/05 and current year. The Coefficient of Covariance of MPS is 38.33% whereas that of DPS is 52.50%. In the same way it is 13.28% for BPS and 18.90% for EPS. It indicates that the degree of variability is higher in DPS and hence is more volatile than others. BPS bears the low degree of volatility in comparison to others. MPS and EPS have almost equal degree of variance.

The industry average of CV of MPS, BPS, DPS and EPS calculated by the help of computer equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that all the financial indicators MPS, BPS, DPS and EPS have low degree of CV than that of industry average. It means they are less volatile than average banks which in fact show the more consistencies in the bank's financial performance.

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



**Figure No.11: Relationship between MPS, DPS, BPS and EPS of NIBL**

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

**Table: 4.30**

**Relationship of BPS, EPS and DPS with MPS of NIBL**

Variables	r	r <sup>2</sup>	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.4213	0.117	0.891	917.289	4.1632	2.776	Insignificant
MPS vs. BPS	0.0928	0.010	0.2816	894.583	0.4897	2.776	Insignificant
MPS vs. EPS	0.4737	0.191	0.2621	474.821	9.6267	2.776	Insignificant

*(Researcher's Analysis)*

The table given above (Table No.4.30) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NIBL Bank is positively correlated with DPS, BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are 0.4213, 0.0928 and 0.4737.it means if DPS rise by Rs.100, the MPS will be raised by Rs.42.13. In the same way, Rs.100 increase in BPS and EPS results the increment of correlation are not significant at 95% level of confidence for all these independent variables.

The Simple Regression equation of DPS, BPS and EPS taking MPS as dependent variable is given below:

**Table: 4.31**

**Simple Regression Equation of NIBL**

S.N	Variables	Regression Equation
1	MPS vs. DPS	$MPS = 4.16 \text{ DPS} + 917.289$
2	MPS vs. BPS	$MPS = 0.489 \text{ BPS} + 894.58$
3	MPS vs. EPS	$MPS = 9.627 \text{ EPS} + 474.821$

*(Researcher's Analysis)*

The first equation is the regression equation of MPS on DPS. The regression constant equals to 917.289. This means that when DPS falls to zero, MPS equals to Rs.917.289. Likewise, the constant for DPS equals to 4.16 implies that when DPS increases by Re.1, MPS increases Rs.4.16 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to 894.58. This means that when BPS becomes zero, MPS will be Rs.894.58. Likewise, the constant for BPS equals to 0.4897 meaning that when DPS increases by Re.1, MPS increases by Rs.0.4897 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 9.627. Likewise, the constant for EPS equals to 474.821 meaning that when DPS increases/decreases by Re.1, MPS increases/decreases by Rs.474.821 and vice versa.

The **Multiple Regression** equation of MPS of Nepal Investment Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS

$$MPS = 464.75 - 1.05 \text{ DPS} + 11.89 \text{ EPS}$$

The above equation gives the results on MPS due to the joint effect on DPS and EPS. MPS intercepts i.e. multiple regressions constant as shown in the equation equals to 464.75. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs.464.75. The constant for DPS is – 1.05 meaning that when DPS increases by Re.1, MPS will decrease by Rs.1.05 keeping EPS constant. In the same way, the constant for EPS equals to 11.89 means if DPS holds constant and EPS increases by Re.1, MPS will increase by Rs.11.89 and vice versa.

#### 4.5.13 Nepal SBI Bank Limited

The following table provides the information about the major financial performance of SBI Bank Limited over the past six years from 2003/04 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been shown in the table.

**Table: 4.32**

**Summary of the Financial Performance of NSBI**

Fiscal Year	MPS	DPS	BPS	EPS
2003/04	307	0	146.8	14.26
2004/05	335	0	159.54	13.29
2005/06	612	5	151.78	18.27
2006/07	1176	47.59	178.04	39.35
2007/08	1511	-	160.57	28.33
2008/09	1900	42.11	194.68	36.18
<b>Total</b>	<b>58.41</b>	<b>94.7</b>	<b>991.41</b>	<b>149.68</b>
<b>Mean</b>	<b>973.5</b>	<b>15.783</b>	<b>165.235</b>	<b>24.947</b>
<b>SD</b>	<b>601.512</b>	<b>17.931</b>	<b>16.361</b>	<b>10.326</b>
<b>CV</b>	<b>61.8</b>	<b>113.6</b>	<b>9.902</b>	<b>41.4</b>

*(Source: Annual Report of NSBI Bank)*

Where,

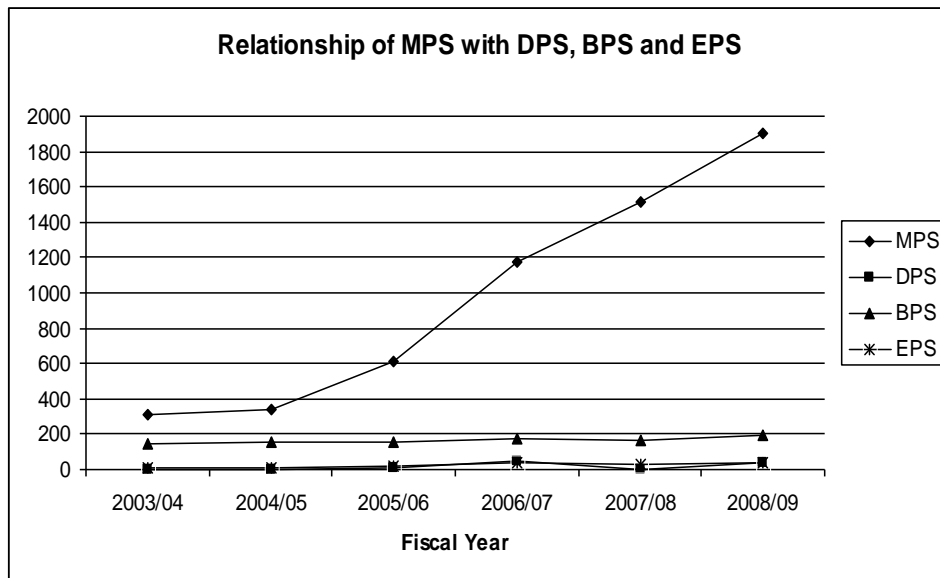
SD : Standard Deviation

CV: Coefficient of Variation

The above table (Table No. 4.32) presents the summary of financial performance of Nepal SBI Bank Limited for last six years (2003/04 to 2008/09). The table shows that Market Price per Share was increased gradually. The bank distributed dividend to its shareholders thrice year over the study period i.e. on 2005/06, 2006/07 and 2008/09 at the rate of Rs.5 and Rs47.59 and 42.11 to each share respectively. The EPS of the company has been increasing since the beginning continuously. The volatility of DPS (113.60%) seems highest among other indicators. Likewise volatility of MPS, BPS and EPS are 61.8%, 9.902% and 41.40% respectively.

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

The following line chart (Figure No.12) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.12: Relationship between MPS, DPS, BPS and EPS of NSBI**

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

**Table: 4.33**

**Relationship of BPS, EPS and DPS with MPS of NSBI**

Variables	r	r <sup>2</sup>	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	0.894	0.8004	357.56	41.3621	3.3628	2.776	Significant
MPS vs. BPS	0.672	0.4526	-2147.53	21.5893	1.7628	2.776	Insignificant
MPS vs. EPS	0.443	0.1960	1253.96	-42.7283	0.9478	2.776	Insignificant

*(Researcher's Analysis)*

The table given above (Table No.4.33) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Nepal SBI Bank is positively correlated with DPS, BPS and negatively correlated with EPS. It indicates that raises in DPS and BPS results the rise in MPS and vice versa. But the raise in EPS results the decrease in MPS. The simple correlation coefficient of DPS, BPS and EPS are 0.8947, 0.6728 and – 0.4432. It means if DPS or BPS rise by Rs.100, the MPS will be raised by Rs.89.47 and Rs.67.28 respectively. In the same way, Rs100 increase in EPS results the decrease of Rs 44.32 in MPS. T-value of correlation with these indicators indicates that degree of correlation is significant at 95% level of confidence of DPS whereas insignificant for BPS and EPS.

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given below:

**Table: 4.34**

**Simple Regression Equation of NSBI**

S.N	Variables	Regression Equation
1	MPS vs. DPS	MPS= 41.36 DPS+357.56
2	MPS vs. BPS	MPS= 21.59 BPS – 2147.53
3	MPS vs. EPS	MPS= - 42.72 EPS + 1253.96

*(Researcher's Analysis)*



The first equation given in Table no.4.34 is the regression equation of MPS on DPS. The regression constant equals to 357.56. This means that when DPS falls to zero, MPS equals to Rs.357.56. Likewise, the constant for DPS equals to 41.36 implies that when DPS increases by Re.1, MPS increases Rs.41.36 and vice versa.

The second equation of Table No.4.34 refers to the regression equation of MPS of BPS. The regression constant equals to -2147.53. This means that when BPS becomes zero, MPS will be decreased to -2147.53. Likewise, the constant for BPS equals to 21.59 meaning that when DPS increases by Re.1, MPS increases by Rs.21.59 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 1253.96. This means that when EPS falls to zero, MPS equals to Rs.1253.96. Likewise, the constant for EPS equals to -42.72 meaning that when DPS increases by Re.1, MPS decreases by Rs.42.72 and vice versa.

The Multiple Regression equation of MPS of Nepal SBI Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS

$$\text{MPS} = -7.178 + 54.64 \text{ DPS} + 25.94 \text{ EPS}$$

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to -7.178. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs.-7.178. The constant for DPS is 54.64 meaning that when DPS increases by Re.1, MPS will increase by Rs.54.64 keeping EPS constant. In the same way, the constant for EPS equals to 25.94 means if DPS holds constant and EPS increases by Re.1, MPS will increase by Rs.25.94 and vice versa.

#### 4.5.14 Siddhartha Bank Limited

The Table No.4.35 provides the information about the major financial performance of Siddhartha Bank Limited from 2003/04 to 2008/09.

**Table No. 4.35**

**Summary of the Financial Performance of SBL**

Year	MPS	DPS	BPS	EPS
2003/04	-	-	90.75	-
2004/05	-	-	110.83	20.08
2005/06	360	-	120.63	13.05
2006/07	778	15.79	132.29	15.88
2007/08	1090	15.79	130.39	17.29
2008/09	1000	10.53	134.29	22.89
<b>Total</b>	<b>3228</b>	<b>42.11</b>	<b>719.18</b>	<b>80.30</b>
<b>Mean</b>	<b>538</b>	<b>7.02</b>	<b>119.87</b>	<b>13.39</b>
<b>SD</b>	<b>318.8</b>	<b>5.262</b>	<b>15.29</b>	<b>10.39</b>
<b>CV</b>	<b>59.14</b>	<b>74.96</b>	<b>12.76</b>	<b>77.64</b>

*(Source : Annual Report of SBL)*

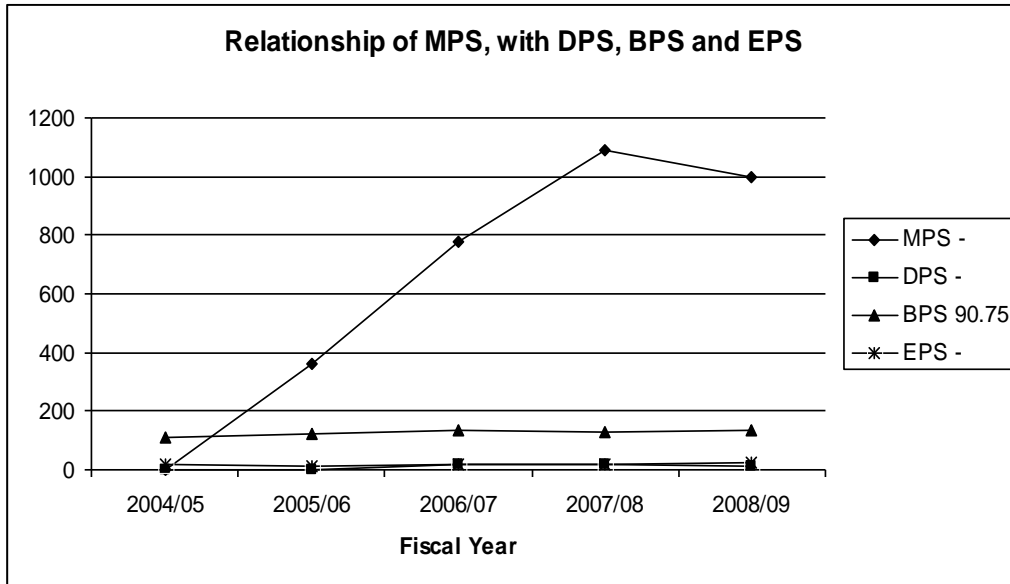
Where,

SD : Standard Deviation

CV: Coefficient of Variation

Siddhartha Bank opened its share to the general public on 2060/61 for the first time. And dividend has been distributed three times to its shareholders with in the study. Due to the unavailability of required data like DPS, MPS no complete analysis has been made in this thesis. The available data regarding BPS and EPS shows that the organization was in loss in former years whereas it has progressed and succeeds to increase its EPS. The BPS of bank remains fluctuating over the period. The coefficient of covariance of EPS equals to 77.64% and that of BPS equals to 12.76%. The high degree of CV of EPS shows the high volatility. The BPS of this bank has less degree of CV than that of industry average. But in contrast, EPS has higher degree of CV than that of industry average.

The following line chart (Figure No.13) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.13: Relationship between MPS, DPS, BPS and EPS of SBL**

#### 4.5.15 Standard Chartered Bank Limited

The following table (Table No.4.36) outlines the major financial performance of Standard Chartered Bank Limited over the past six years from 2003/04 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table No. 4.36**

**Summary of the Financial Performance of SCBL**

<b>Fiscal Year</b>	<b>MPS</b>	<b>DPS</b>	<b>BPS</b>	<b>EPS</b>
<b>2003/04</b>	1745	110	327.5	143.55
<b>2004/05</b>	2345	120	363.86	143.14
<b>2005/06</b>	3775	140	403.15	175.84
<b>2006/07</b>	5900	130	399.25	167.37
<b>2007/08</b>	6830	130	422.38	131.92
<b>2008/09</b>	6010	100	468.22	109.99
<b>Total</b>	<b>26605</b>	<b>730</b>	<b>2531</b>	<b>871.8</b>
<b>Mean</b>	<b>4434</b>	<b>122</b>	<b>421.84</b>	<b>145.3</b>
<b>SD</b>	<b>1932.3</b>	<b>13.44</b>	<b>59.61</b>	<b>21.81</b>
<b>CV</b>	<b>43.58</b>	<b>11.02</b>	<b>14.13</b>	<b>15</b>

*(Source: Annual Report of SCBL)*

Where,

SD : Standard Deviation

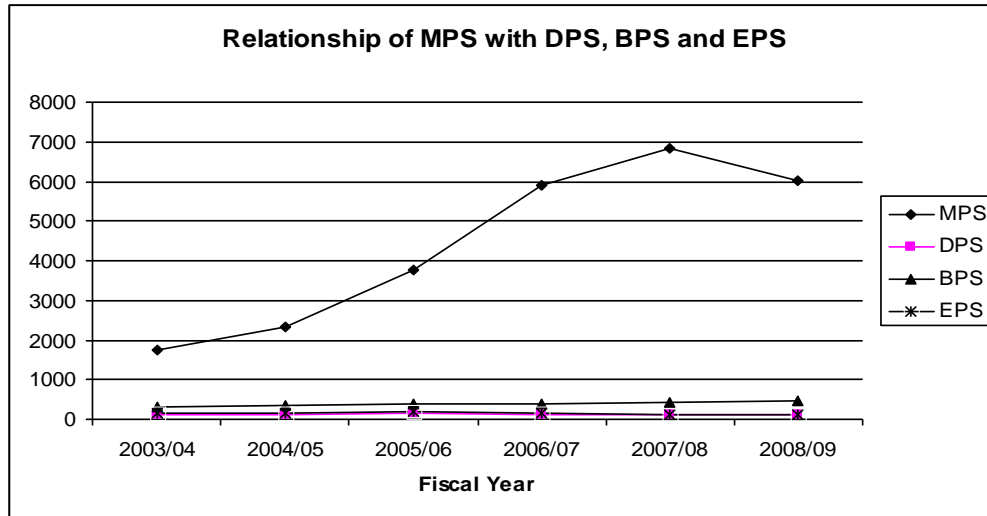
CV: Coefficient of Variation

The above table presents the summary of financial performance of Standard chartered Bank Limited from 2003/04 to 2008/09. From the table, it can be revealed that Market Price Per share was dropped to Rs.6010 on 2008/09 from Rs.6830 of 2007/08. but after this it has been continuously increasing each other year. The organization is distributing its DPS each year over the period. Likewise, the BPS and EPS are also is increasing trend except for the year 2008/09. Standard deviation of MPS, DPS, BPS and EPS are 1932.3%, 13.44%, 59.61% and 21.81% respectively. In the same way, Coefficient of Covariance of MPS, DPS, BPS and EPS are 43.58%, 11.02%, 14.13% and 15% respectively. It indicates that EPS is less volatile among all whereas DPS is most volatile one.

The industry average of CV of MPS, BPS, DPS and EPS as calculated by computer software equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that all the financial

indicators – MPS, BPS, DPS and EPS have low degree of CV than that of industry average. It means they are less volatile than average banks which in fact show the more consistent in the bank’s financial performance.

Figure No. 14 shows the linear relationship of Market Price per Share with BPS, DPS and EPS.



**Figure No.14: Relationship between MPS, DPS, BPS and EPS of SCBL**

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

**Table: 4.37**

**Relationship of BPS, EPS and DPS with MPS of SCBL**

Variables	r	r <sup>2</sup>	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	0.7944	0.6311	-2775	43.2957	2.6157	2.776	Insignificant
MPS vs. BPS	0.6806	0.4632	-2419.73	11.6352	1.8577	2.776	Insignificant
MPS vs. EPS	0.7489	0.5608	-2.776	38.3536	2.2601	2.776	Insignificant

*(Researcher’s Analysis)*

The table given above table shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Standard Chartered Bank is positively correlated with DPS, BPS and EPS. It means raise in these indicators results the rise in MPS and vice versa. The simple correlation of DPS, BPS and EPS are 0.7944, 0.6806 and 0.7489. Hence, if DPS rise by Rs.100, the MPS will be raise by Rs.79.44. in the same way, Rs.100 increase in BPS and EPS results the increment of Rs.68.06

and Rs.74.89 in MPS respectively. Despite this, the degree of correlation is not significant at 95% level of confidence for all these independent variables.

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given below:

**Table: 4.38**  
**Regression Equation of SCBL**

S.N.	Variable	Regression Equation
1	MPS vs. DPS	$MPS = 43.29 \text{ DPS} - 2775$
2	MPS vs. BPS	$MPS = 11.64 \text{ BPS} - 2419.73$
3	MPS vs. EPS	$MPS = 38.35 \text{ EPS} - 3420.18$

*(Researcher's Analysis)*

In Table No.4.38, the first refers to the regression equation of MPS on DPS. The regression constant equals to -2772. This means that when DPS falls to zero, MPS will drop by Rs.-2775. Likewise, the constant for DPS equals to 43.29 implies that when DPS increases by Re.1, MPS increases Rs.43.29 and vice versa.

The second equation is the regression equation of MPS on BPS. The regression constant equals to -2419.73. This means that when BPS becomes zero, MPS fall to -2419.73. Likewise, the constant for BPS equals to 11.64 meaning that when DPS increases/ decreases by Re.1, MPS increases/decreases by Rs.11.64.

Likewise, the last equation indicates the regression equation of MPS on EPS. The regression constant equals to -3420.18. This means that when EPS falls to zero, MPS will drops to Rs.-3420.18. Likewise, the constant for EPS equals to 38.35 meaning that when DPS increases by Re.1, MPS increases by Rs.38.35 and vice versa.

The **multiple Regression** equation of MPS of Standard Chartered Bank Limited on DPS and EPS is represented by the following equation.

MPS on DPS and EPS

$$\text{MPS} = -6828.57 - 70.41 \text{ DPS} + 116.82 \text{ EPS}$$

The above equation gives the result of MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to -6828.57. It implies that when DPS and EPS becomes Zero, MPS would be equal to Rs.-6828.57. The constant for DPS is -70.41 meaning that when DPS increases by Re.1, MPS will decrease by Rs.7.41 keeping EPS constant. In the same way, the constant for EPS equals to 116.82 means if DPS holds constant and EPS increases by Re.1, MPS will increase by Rs.116.82 and vice versa.

## **4.6 Primary Data Analysis**

For the purpose of collecting primary data, a questionnaire having a set of 12 questions were prepared and presented to 25 respondents. The respondents were selected randomly from the group of Share- Known personalities – especially from the share buyer/ sellers in NEPSE floor and College Students. The questions contained variety in types. From Question No.1 to 4, the questions were of Multiple Choice Type in which the respondents were asked to choose the best alternative from the list. From the question No.5 to 11, the degree of agreement over the statement was asked to mention. In question No.12 it is asked to respondent to Rank 1 to 6. The model of questionnaire is presented in APPENDIX - I

### **4.6.1 Classification of Respondents**

A total of 25 respondents were surveyed randomly from the floor of NEPSE to conclude the different behavior of Share Price of Nepalese Commercial Banks. Among these, 16 respondents were professional investors of Share investment where rests of 9 were potential investors who are willing to invest in share but have not invested yet. Likewise, the respondents can be classified in terms of their age and sex as given in Table No.4.39.

**Table: 4.39**  
**Classification of Respondents**

S.N	Basis of Classification	No. of Respondents	Percentage
1	<b>Occupation</b>		
	Professional Investors	16	64%
	Potential Investors	9	36%
	Total	25	100%
2	<b>Age</b>		
	Below 25	3	12%
	25 to 40	17	68%
	Above 40	5	20%
	Total	25	100
3	<b>Sex</b>		
	Male	19	76%
	Female	6	24%
	Total	25	100
4	<b>Academic Qualification</b>		
	Under SLC	1	4%
	Higher Secondary	3	12%
	Graduate	13	52%
	Post Graduate	8	32%
	Total	25	100

*(Source: Field Survey)*

As given in table, 76% of the respondents were male where as 24% were female. Similarly, 12% of the respondents were from the age group below 25 years, 68% were below 25 to 40 years and 20% were 40 above.

The general finding of the survey has been presented and analyzed below:



## 4.6.2 Purpose of Share Investment

The first question asked to the respondents to declare their purpose of the investment. Table No. 4.40 shows the results of the respondents:

**Table: 4.40**

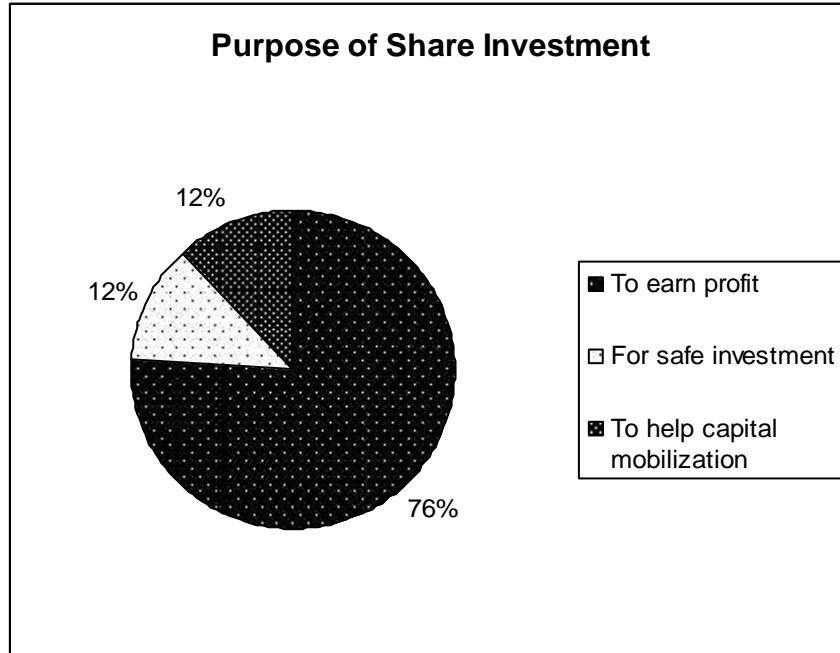
### **Purpose of Share Investment**

<b>S. N</b>	<b>Responses</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	To earn profit	19	76%
2	For safe investment	3	12%
3	To help capital mobilization	3	12%
	<b>Total</b>	<b>25</b>	<b>100</b>

*(Source: Field Survey)*

The above table shows the number of respondents and their percentage relating the purpose of share investment in Nepalese Share Market. It clears that majority (76%) of Nepalese investors invest their savings for the purpose of earning maximum profit. They believe that share investment is an important way of earning profit and hence they invest. Only 12% and 12% of the respondents gave the response as they invest their savings for the purpose of making money safe and to help the capital mobilization hence earning money respectively.

It can be shown in pie – chart (Figure No. 15) as follows:



**Figure No. 15: Purpose of Share Investment**

### 4.6.3 Reason of Public attraction in Commercial Banks

The reason for the attraction towards the investment in Commercial Banks of Nepal was as a next question. The responses were obtained as shown in Table No.4.41

**Table: 4.41**

#### Reason of Public attraction in Commercial Banks

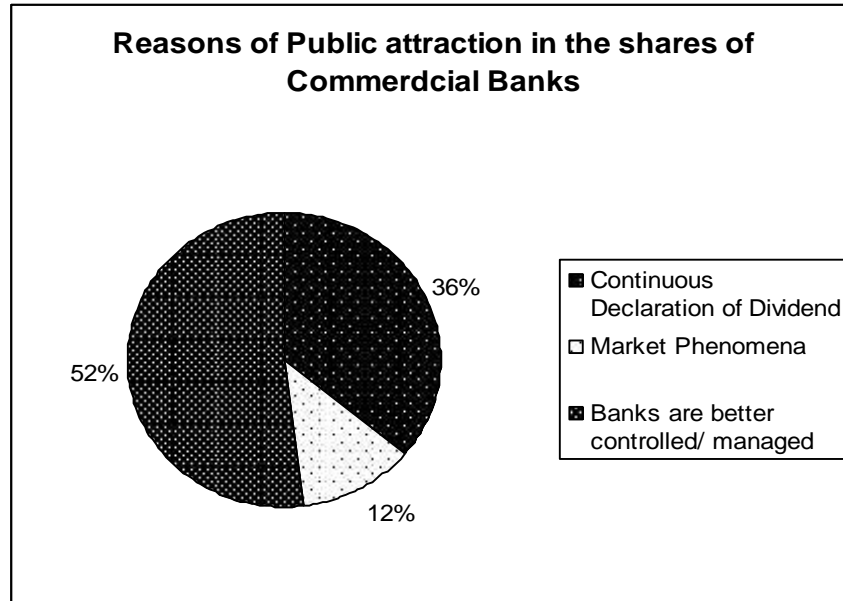
S.N.	Responses	No. of Respondents	Percentage
1	Continuous Declaration of Dividend	9	36%
2	Market Phenomena	3	12%
3	Banks are better controlled/ managed	13	52%
	Total	25	100

*(Source: Field Survey)*

The above table shows the different reasons for the greater attraction of general public toward the investment in the share of Commercial Banks. It shows that slight higher percentages (52%) in comparison with others, of total respondents are convinced to declare that banks are better managed and hence they are being the attraction of all. Likewise, 36% of the total respondents

stated that they tend to invest in Commercial banks due to their continuous declaration of dividend. And rest 12% stated that the market phenomenon is the main cause that attracts the general public for share investment in Commercial Banks.

It has been shown in the following chart (Figure No.16):



**Figure No.16: Reason of Public attraction in the Share of Commercial Banks**

#### **4.6.4 Public Awareness about Share Investment**

It has been revealed from the study that 56% of the Nepalese investors are aware about the share market and the market and the market phenomenon of the share. 40% of the respondents said that they are investing in share without proper knowledge about share. They said that they are investing in share because of they are influenced by some relatives or friends to earn profit. Rest 14% of the respondents wanted to say nothing about this.

The finding of the study has been shown in the following table:

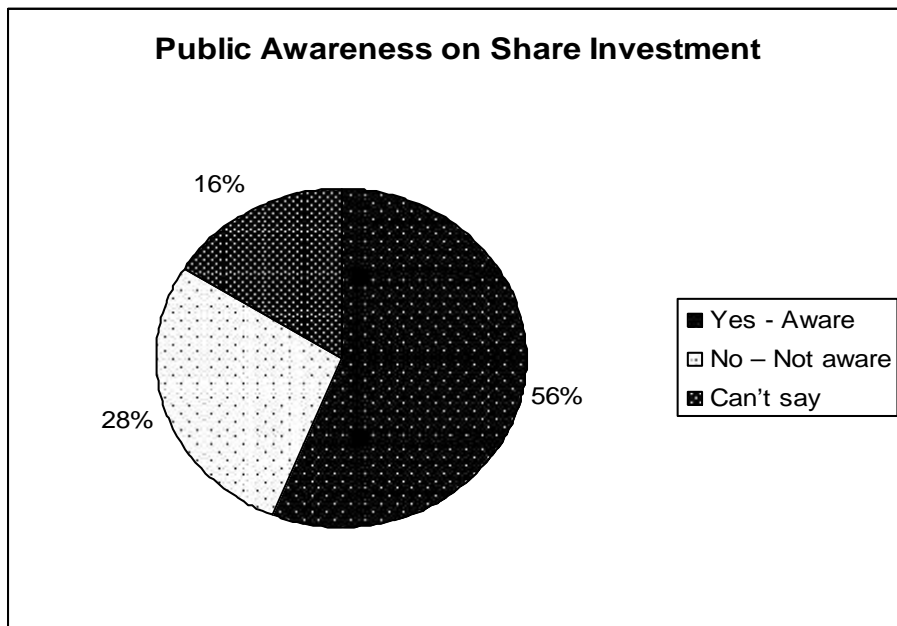
**Table: 4.42**

**Public Awareness about Share Investment**

S.N	Responses	No of Respondents	Percentage
1	Yes - Aware	14	56%
2	No – Not aware	7	28%
3	Can't say	4	16%
	<b>Total</b>	<b>25</b>	<b>100</b>

*(Source: Field Survey)*

The above finding can be presented in Pie – Chart as follows (Figure No.17):



**Figure No.17: Public Awareness on Share Investment**

**4.6.5 Status of Present Laws & Politics**

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

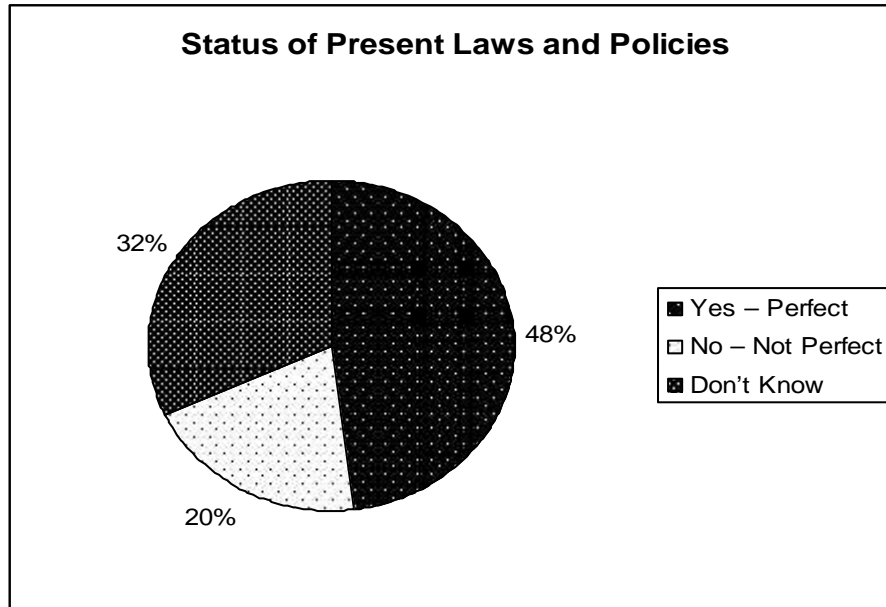
**Table: 4.43**

**Status of present Laws & Policies**

S.N	Responses	No of Respondents	Percentage
1	Yes – Perfect	12	48%
2	No – Not Perfect	5	20%
3	Don't Know	8	32%
	<b>Total</b>	<b>25</b>	<b>100</b>

*(Source: Field Survey)*

The table is presented in the form of Pie – Chart below (Figure No.18):



**Figure No.18: Status of Present Laws and Policies**

Table No.4.43 shows that almost half (48%) of the investors feel themselves that the prevailing laws and policies regarding buying and selling of share are perfect. About one fifth (20%) of the respondents said that they don't know anything about the laws and policies. And 32% of the respondents said the present laws and policies are not perfect to regulate the Share Market Proficiently.

#### 4.6.6 Role of EPS in the Determination of Share Price

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

**Table: 4.44**

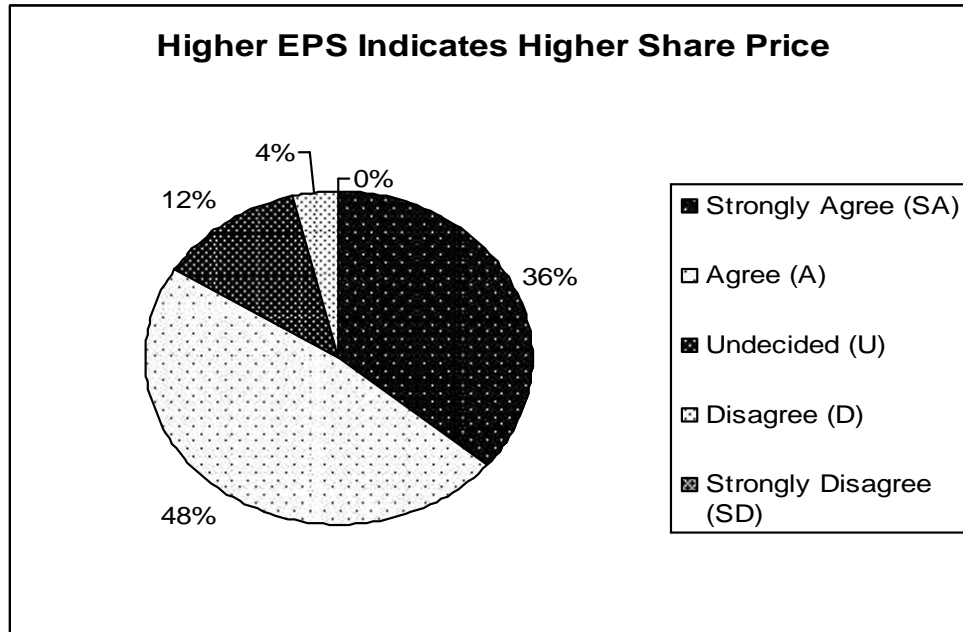
##### **Higher EPS Indicates Higher Share Price**

S.N	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	9	36%
2	Agree (A)	12	48%
3	Undecided (U)	3	12%
4	Disagree (D)	1	4%
5	Strongly Disagree (SD)	0	0%
	<b>Total</b>	<b>25</b>	<b>100</b>

*(Source: Field Survey)*

Table No.4.44 shows that most of the respondents agree that EPS is the main determiner of share price. 36% of the total respondents who agree the statement strongly were highly convinced that EPS is the main determiner whereas 48% stated they agree the statement. In this way, 84% of the total respondent agrees the statement. Only remaining 16% stated they were either undecided (12%) or disagree (4%). From this we can conclude that the investors think that EPS is the major tool for the Nepalese investors to analyze whether the organization is best enough to invest or not.

This can be presented in Pie -Chart as follows (Figure No.19):



**Figure No.19: Higher EPS indicates Higher Share Price**

#### 4.6.7 Role of Dividend Pattern in the Determination of Share Price

The responses of the respondents regarding the role of dividend pattern in the determination of share price are summarized and presented in Table No.4.45.

**Table: 4.45**

#### **Role of Dividend pattern in Share Price Determination**

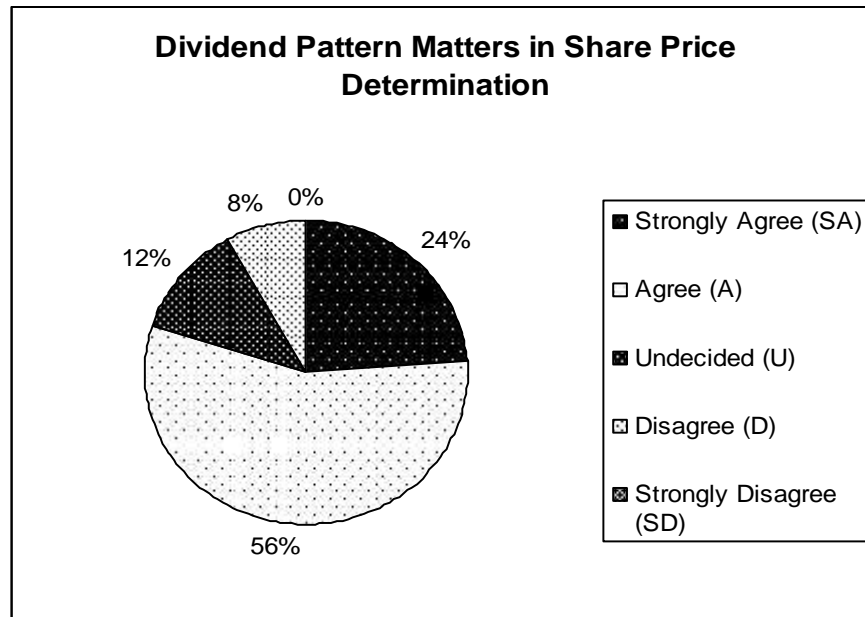
S.N	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	6	24%
2	Agree (A)	14	56%
3	Undecided (U)	3	12%
4	Disagree (D)	2	8%
5	Strongly Disagree (SD)	0	0%
	<b>Total</b>	<b>25</b>	<b>100</b>

*(Source: Field Survey)*

Table No.4.45 clears that Dividend pattern plays a great role on the determination of share price. In the field survey 56% of the respondents agree that higher rate of Dividend results the good

share price. 24% of the respondents strongly agreed the statement that dividend pattern in share price determination. The remaining 20% stated that either they were undecided (12%) regarding the matter or disagree (8%).

It has been presented in Figure No.20.



**Figure No.20: Dividend Pattern matters in share price determination**

#### 4.6.8 Role of Company Assets Structure

The following table (Table No.4.46) shows the responses gained against the statement that Company Assets Structure indicates higher share price.

**Table: 4.46**

#### **Role of Company Assets Structure in Share Price Determination**

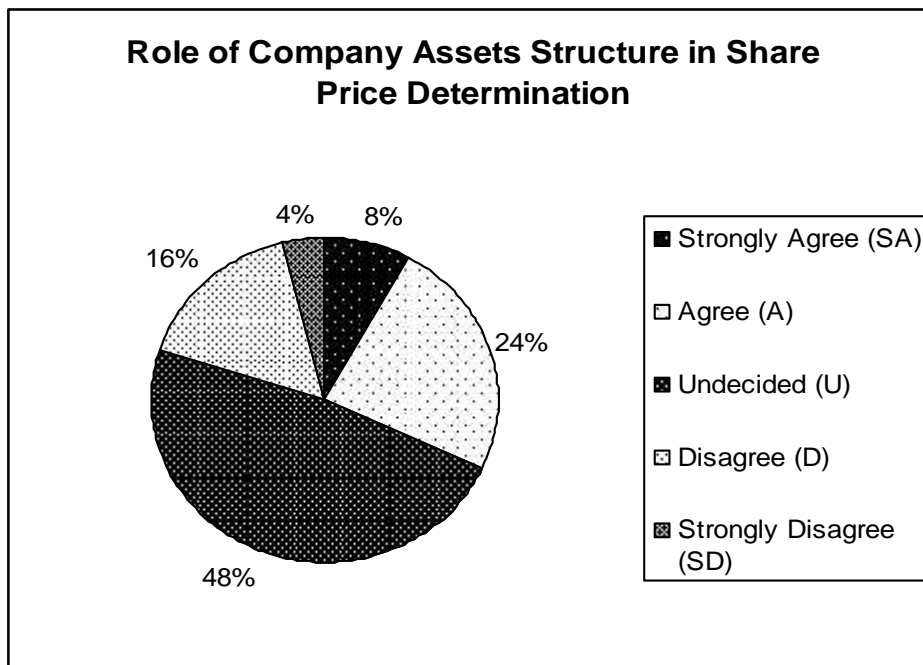
S.N	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	2	8%
2	Agree (A)	6	24%
3	Undecided (U)	12	48%
4	Disagree (D)	4	16%
5	Strongly Disagree (SD)	1	4%
	<b>Total</b>	<b>25</b>	<b>100</b>

*Source: Field Survey)*



The above table shows that the Company Assets Structure plays no important role in the determination of share price in the view of respondents. That is why, almost half (48%) of the respondents neither agrees nor disagree the statement and choose to say undecided. Only 8% were strongly agreed whereas 24% choose to agree the statement. The percentages of the respondents who choose disagree and strongly disagree were 16% and 4% respectively.

Figure No.21 shows the graphical explanation of the above results.



**Figure No.21: Role of Company Assets Structure in Share Price Determination**

#### **4.6.9 Role of Capital Structure**

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

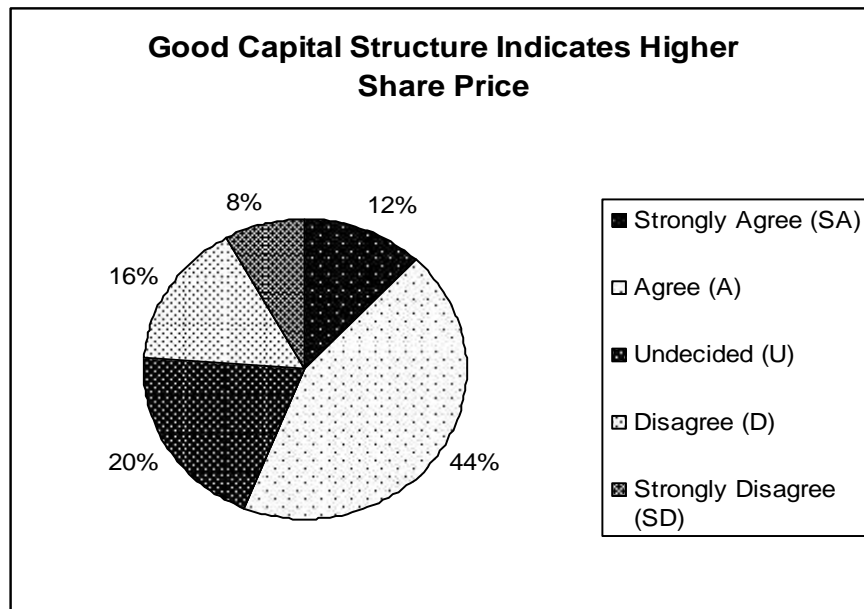
**Table: 4.47**

**Good Capital Structure Indicates Higher Share Price**

S.N	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	3	12%
2	Agree (A)	11	44%
3	Undecided (U)	5	20%
4	Disagree (D)	4	16%
5	Strongly Disagree (SD)	2	8%
	<b>Total</b>	<b>25</b>	<b>100</b>

*Source: Field Survey)*

The above table (Table No.4.47) shows that the Capital Structure of organization is responsible to determine their share price. More than half (12% strongly agreed and 44% agreed) of the respondents agree that better Capital Structure is responsible for the higher Share Price. 20% were undecided whereas 16% and 8% were disagreeing and strongly disagree to the statement. It has been presented in Graphical form in Figure No.22.



**Figure No.22: Role of Capital Structure in Share Price**

#### 4.6.10 Role of Political Fluctuation

The role of political fluctuation in Share Price was observed and found the results as shown in Table No.4.48.

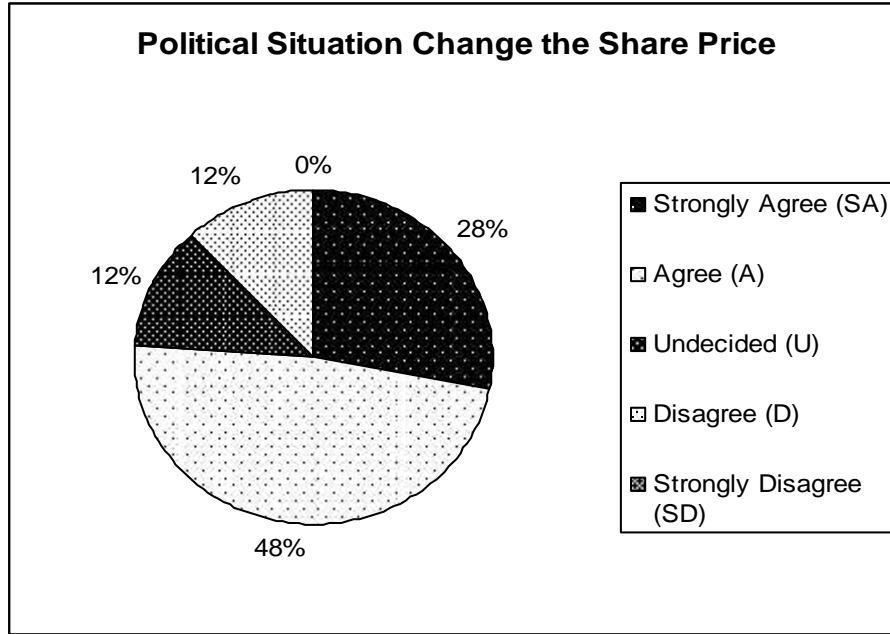
**Table: 4.48**

#### **Political Situation Changes the Share Price**

<b>S.N.</b>	<b>Responses</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Strongly Agree (SA)	7	28%
2	Agree (A)	12	48%
3	Undecided (U)	3	12%
4	Disagree (D)	3	12%
5	Strongly Disagree (SD)	0	0%
	<b>Total</b>	<b>25</b>	<b>100</b>

*Source: Field Survey)*

The above table shows that the national political environment is also responsible on the determination of share price because more political fluctuation cause the decrease in Share Price. It was revealed that 48% of the total respondent agree the say that political situation because the change in share price whereas 28% strongly agreed it. 12% were undecided and 12% said to disagree the statement. It is presented in graphical form in Figure No.23.



**Figure No.23: Role of Political Situation Change in Share Price**

#### 4.6.11 Effect of AGM and BOD Election in Share Price

The following table (Table No.4.49) shows the effect of Annual General Meeting and Election of Board of Directors in share price.

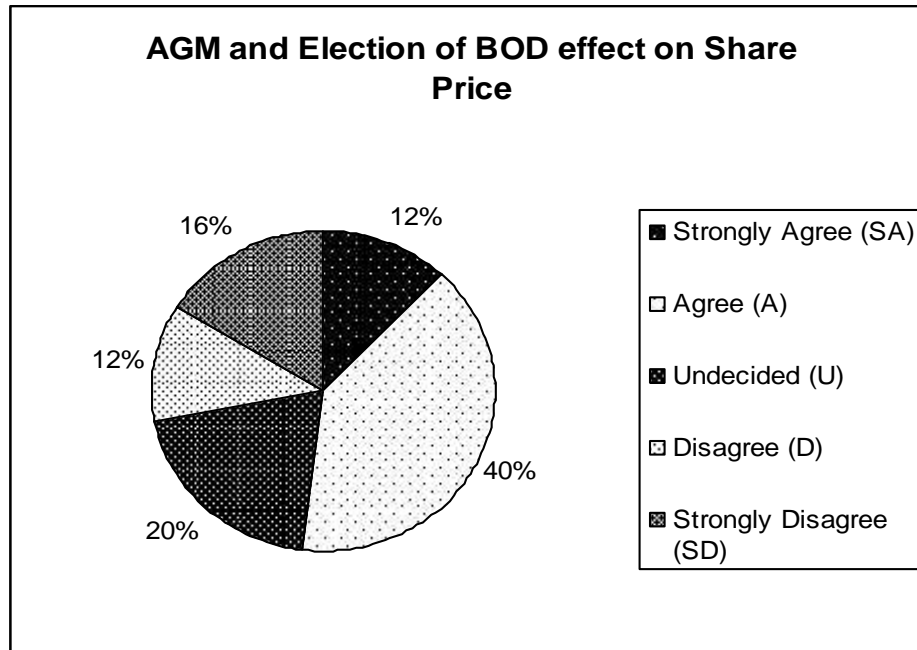
**Table: 4.49**

<b>AGM and Election of BOD effect on Share Price</b>			
<b>S.N</b>	<b>Responses</b>	<b>No. of Respondents</b>	<b>Percentage</b>
1	Strongly Agree (SA)	3	12%
2	Agree (A)	10	40%
3	Undecided (U)	5	20%
4	Disagree (D)	3	12%
5	Strongly Disagree (SD)	4	16%
	<b>Total</b>	<b>25</b>	<b>100</b>

*Source: Field Survey)*

The above table shows that the Annual General Meeting and election of Board of Directors influences the Share Price. It was observed that 40% of the total respondents were agreed and 12% were disagreed. In the same way, 20% of the respondents were undecided and there were

12% and 16% respectively under disagreed and strongly disagreed group. It has been presented in Pie – Chart below (Figure No.24):



**Figure No.24: Effect of AGM and BOD in Share Price**

#### 4.6.12 Company Risk vs. Share Price

The respondents gave the following results (Table No.4.50) against the statement that whether the higher risk of the company results higher share price or not.

**Table: 4.50**

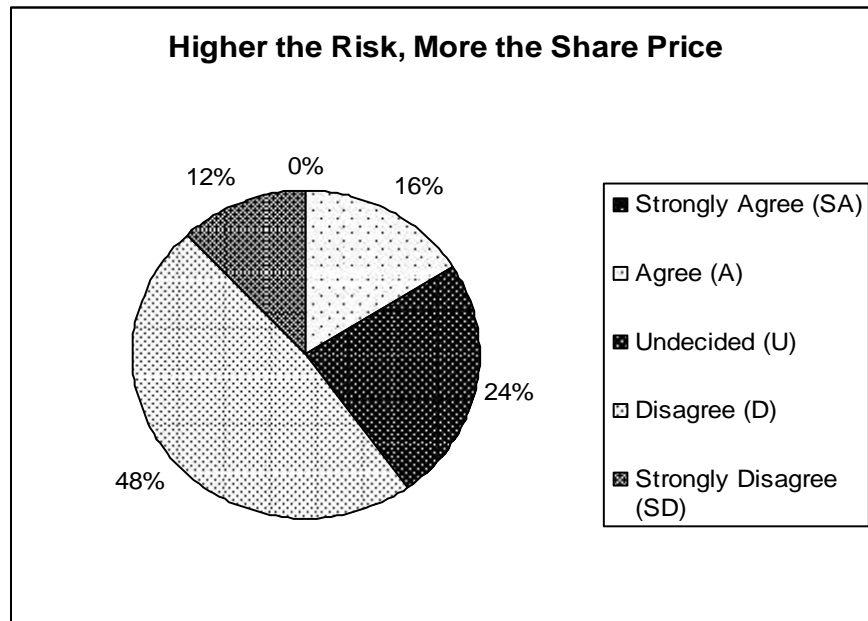
#### Higher the risk, More the Share Price

S.N.	Responses	No. of Respondents	Percentage
1	Strongly Agree (SA)	0	0%
2	Agree (A)	4	16%
3	Undecided (U)	6	24%
4	Disagree (D)	12	48%
5	Strongly Disagree (SD)	3	12%
	<b>Total</b>	<b>25</b>	<b>100</b>

*Source: Field Survey)*

The above table (Table No.4.50) shows that the Annual General Meeting and election of Board of Director don't significantly influence the share price of the company. 48% of the respondents disagreed that the higher risk of company result increases in share price whereas 24% were undecided. Likewise, 16% agreed the statement and 12% strongly disagreed the statement.

The figure given below (Figure No.25) shows the respondents response against the risk factor of share price change.



**Figure No.25: Role of Risk in Share Price Determination**

#### **4.6.13 Most Influential Determinant of Share Price**

The respondents were asked to rank the variables that influence the share price to conclude the most influencer of share price. The researcher got the following result.

**Table: 4.51**

**Most Influential Determinant of Share Price**

Variables	Rank						Total
	1	2	3	4	5	6	
EPS	12	9	2	1	1	0	25
DPS	9	11	4	1	0	0	25
Assets	0	0	1	2	9	13	25
Capital	0	2	3	3	10	7	25
Political	2	2	10	5	3	3	25
AGM	2	1	5	13	2	2	25
Total	25	25	25	25	25	25	-

*Source: Field Survey)*

Table No.4.51 shows the summary of respondent's response against the question to rank different variables that influence the share price. Rank 1 implies the most influencing factor and so on. It has also been interpreted in APPENDIX – III. As Table No.4.51 and APPENDIX-III shows, EPS is ranked to be the first determiner of share price. Likewise, DPS is the second determiner of share price followed by the political situation of the country. Likewise, AGM and election of BOD was chosen to the next determiner of share price followed by capital structure and assets structure respectively. Except for in the case of EPS and DPS, both professional and potential investors gave the same result and same ranking for all the variables. It was found the professional investors emphasize EPS but potential investors who are willing to invest in share price of bank in future emphasize DPS for their investment.

### **4.7 Major Findings of the Study**

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

- ) DPS of BOK is more volatile in comparison to MPS, BPS and EPS. Bank of Kathmandu has positively correlated between their Market Price per share and DPS, BPS. However, the relations are insignificant at 95% level of confidence.

- ) BPS and EPS are positively correlated in the case of Everest Bank Limited whereas DPS is negatively correlated. The relation is insignificant at 95% level of confidence. DPS is more volatile in comparison with MPS, BPS and EPS.
- ) In the case of Himalayan Bank Limited, MPS is positively correlated with DPS and EPS whereas negatively correlated with BPS. The relation with DPS and EPS are significant whereas relation with BPS is insignificant at 95% level of confidence. The volatility of MPS, EPS and BPS seems to be less than DPS.
- ) Laxmi Bank has not distributed any dividend yet. Volatility of BPS seems to be more than MPS and BPS in case of this bank.
- ) Lumbini Bank has not distributed dividend in the period of 2000/01 to 2005/06. The earning of this bank seems to be negative, meaning that the financial strength of this company is still not strong. Hence, the book value in the later year has been decreased and the total capitalization of the organization has also been decreased. MPS of this bank has significantly positive correlation with BPS but it has insignificant correlation with EPS at 95% level of confidence.
- ) Machhapuchhre Bank has positive correlation with DPS, BPS and EPS. Hence, they influence the Share Price positively. The trend of MPS, EPS and DPS shows that the company is in good trend in later years. However, the relation with DPS is insignificant at 95% level of confidence. The volatility of DPS is much more than other indicators like MPS, BPS and EPS.
- ) NABIL Bank's DPS is more volatile than other indicators like MPS, BPS and EPS. The MPS of this Bank is positively correlated with DPS, BPS and EPS meaning these indicators influence their share price directly. But the relation is insignificant at 95% level of confidence.
- ) The variability of BPS and EPS of NCC bank is very high. Due to the unavailability of required data, no relation of MPS can be observed for the NCC bank.
- ) MPS of Nepal Bangladesh Bank is positively correlated with all the indicators examined i.e. DPS, BPS and EPS. For NBBL and is significant at 95% level of confidence. The volatility of DPS is more than other indicators like MPS, BPS and EPS.
- ) For Nepal Industrial and Commercial Bank, the correlation coefficient is positive between MPS with BPS, EPS and DPS. However, the relation is insignificant at 95%



level of confidence, the relation is not significant. The volatility of DPS is higher than that of other indicator MPS, BPS and EPS.

- ) For Nepal Investment Bank, Market price is positively correlated with DPS, BPS and EPS. But at 95% level of confidence, the relation is not significant. The volatility of DPS is higher than that of other indicators MPS, BPS and EPS.
- ) The MPS of Nepal SBI Bank is positively correlated with DPS and BPS whereas negatively correlated with EPS. It shows that DPS and BPS are more responsible to increase the share price of the organization. The relation with BPS and EPS is insignificant at 95% level of confidence.
- ) The volatility of EPS of Siddhartha Bank is very high in comparison with that of BPS. Due to the unavailability of required data, no relation of MPS can be analyzed for this bank.
- ) The degree of CV for Standard Chartered Bank is less than that of other bank. It shows the consistency in these indicators. MPS of SCBL is positively correlated with DPS, BPS and EPS indicating that increase in these factors cause increase in MPS. However the relation is not significant at 95% level of confidence.
- ) The correlation between MPS and other indicators are found to be insignificant for most of the Banks.
- ) On the basis of Standard Deviation it can be concluded that Market Price per share of Nabil Bank and Standard Chartered Bank seems to be more risky. The higher CVs of Nepal SBI Bank and Nepal Bangladesh Bank show that their Market Prices are more volatile than others.
- ) Standard Deviation of Book Value per Share shows that Lumbini Bank and NCC Bank are riskier than others. Volatility of Book Value is greater in the case of NCC Bank and Lumbini Bank.
- ) Dividend per Share is more volatile in case of Nepal Bangladesh Bank and Machhapuchhre Bank Limited in comparison to other banks.
- ) Highest Standard Deviation and CV of Lumbini Bank and Nepal Bangladesh Bank imply that they are more volatile and inconsistent than others.

- ) Basically, most of the investors are intended to maximize their profit through share investment. They think share as a good sector of investment assuming that it gives a good return in short and long term.
- ) The majority of investors declare themselves as informed investors but still Nepalese investors lack the proper knowledge about the share market.
- ) The majority of Nepalese investors found to be either unknown about laws or likes to say imperfect policies causing the problem in share market.
- ) Majority of the investors are convinced that higher EPS cause higher share price.
- ) Dividend pattern plays a great role on share price movement. Higher the DPS, more will be the share price. Most investors like to analyze the dividend pattern of the bank before they invest in share.
- ) Company assets structure and capital structure of the company plays moderate role on share price movement, the potential investors tend to consider the assets and capital structure of the organization second to EPS and DPS analysis.
- ) Political fluctuation cause change in share price. They influence share market in a very direct way. It means that fluctuating political situation badly damage the share price of an organization whereas stable political condition of the country is much favorable for upward movement of share price.
- ) AGM and Election of BOD also plays moderate role on share price movement. Good signaling after General Meeting could influence the market price of share.
- ) The risk of organization does not significantly influence the share price. Most of the Nepalese investors are risk avoider, who never wants to see the risky organization for their investment.

# **CHAPTER V**

## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents the summary, conclusions and recommendation derived from analysis of the study. The study was conducted to find out the movement of stock price of commercial banks. The chapter consists of three sections; the first section provides the summary of the study; the second section draws the conclusion of the study. Finally, the third section proposes recommendations to solve the problems observed on the basis of the findings

### **5.1 Summary**

The study deals about the share price behavior of listed commercial banks in Nepal. The Nepalese capital market is in the developing phase. Different new technologies are adopted and uses. Central depository system is upcoming technologies in Nepalese market. Different political philosophies and rules and regulations governed by the government used to affect the Nepalese capita market time and again. Nepalese Stock Market is in developing stage. Generally speaking, most of the people citizens are still unaware of stock market. Though share market plays the vital role on mobilization of capital in national economy, in the case of Nepal, it is still crawling towards the betterment.

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

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

The emerging trend of Nepalese share market shows that new investors are being very interested in share investment. But it has been observed that most of the investors are interested to invest their savings in commercial banks. There is very less interest in other manufacturing or service sectors of business.

The prime objective of this study is to find the major determinants of Share Price of Nepalese Commercial Banks. Hence, all 15 Commercial Banks presently listed in NEPSE are taken in consideration for the purpose. Market Price of these banks has been analytically tested here to compare with other financial indicators like DPS, EPS and BPS. For analytical purpose, secondary data was gathered from different sources and different statistical tools have been used to analyze the same. Not only this, a set of question of 12 questions were prepared and presented to 25 respondents to collect primary data related to share price on Nepalese Commercial Banks. Response from respondents has been analyzed thoroughly in this thesis.

This study is focused on the analysis of the relation of MPS with the major financial indicators like BPS, DPS and EPS. The trend of MPS has been tested for the period of last six years. On the basis of such data, the determinants of share price have been observed. Different statistical as well as financial tools have been used to interpret the data in scientific manner.

This study shows that MPS is positively correlated with DPS, BPS and EPS in most of the cases. But they seem to be insignificant because other factors rather than these financial indicators are also affecting the Share Price. Theoretically, when earning, dividends and book value increases, the market per share also increases and vice versa. But it is not always true that other factors are also responsible to determine the share price.

It has been revealed that the individual indicators do not significantly influence the share price. It may be influenced by these indicators to some extent but not always and not for all the banks. The combine effect of these financial indicators may influence the share price. However, it has been revealed that EPS is the first factor that determines the share price followed by DPS. Likewise there are other factors too that directly influence the share price. For example, the

managerial position of the organization, company assets and capital framework, national and international political as well as social scenario are other factors that determine the share price.

This study covers the analysis of share price determiners of Nepalese commercial banks for the period of past six years.

## 5.2 Conclusion

After analyzing the Primary and Secondary data, the following conclusions have been achieved:

- ) Due to the inadequate knowledge of share market among Nepalese investors, capital market of Nepal has not been well developed yet.
- ) The investors generally tend to earn profit from share and they think that EPS and DPS are prime factors to be analyzed and to be considered before investing their savings on Share Price.
- ) Most investors are known about laws and policies regarding share market. Poor rules and regulations as well as ineffective regulatory mechanism of market are the problems of Nepalese Capital Market.
- ) The MPS of most of the banks are found to be correlated with other individual financial indicators like BPS, EPS and DPS insignificantly. This shows that they individually rarely influence share price but they have combine effect on it. There can be other factors which influence the share price of the organization.
- ) The reason why commercial banks are only the attractive sector to invest, in the view of investors is that they are better managed and control, that is why they are in profit and distribute good rate of dividend.
- ) Market price per share of most of the banks is insignificantly correlated with all the indicators (DPS, BPS and EPS) in most of the cases. This implies that they individually don't influence the share price but they jointly influence the share price. There can be other factors to which influence the share price.
- ) EPS and DPS are the major influencer of the share price. Besides this, political situation, annual general meeting, assets structure and capital structure of the organization also influence the share price of the company.

- ) The commercial banks are the first choice of Nepalese investors. But the systematized and managed regulatory system is required for further improvement of share market.
- ) The reputed and established commercial banks have very good trend of their financial performance whereas new banks are penetrating their market. Most of the banks are operating in profit in recent years though they suffered some losses during their initial stages. Still, the investors are positive towards the share of these banks.

### **5.3 Recommendations**

On the basis of analysis and findings of the study, following strategies have been recommended to overcome weakness, inefficiency and to improve the overall stock market in Nepal.

- ) At present the service of the market is limited to Kathmandu only. The issuance of some legislation in 2007 governing stock market opened a door for the establishment of another stock exchange. SEBON should conduct a study on the feasibility and need for and establishment of regional stock exchange to the general public.
- ) To promote a healthy and competitive share market and to check monopoly and undue speculation it is important to have adequate market intermediaries in the stock exchange. Although the NEPSE is in the process of increasing the stock brokers to 50, it is important that the NEPSE conduct a proper research to ensure that there are enough brokers and market intermediaries for a competitive
- ) Since general publics are unaware about the share and share market, an organized effort is necessary to aware the publics about it. A separate department in NEPSE or an independent organization is recommended which analyzes, inform and create the awareness within the emerging potential investors about share and share market through different approaches like seminar, conference or print, air media.
- ) To control the speculation in share, an effective control mechanism is necessary. A clear system is to be employed to evaluate and punish such speculations so that no further influence can be observed in share price due to artificial reasons. The government should create a rational and sincere environment within share brokers and share traders for controlling such speculations.

- ) The investors perceive the increase in EPS as better performance of the organization and hence they increase the demand of share which ultimately causes the increase in share price.
- ) Government should formulate and implement a rigid rules and regulations for the further development of share market. A mechanism to take immediate action against fraud companies is to be established.
- ) The investors are recommended to receive a clear picture of their financial track before investing. They should be alert and aware about the misconduct of relative company, brokers, NEPSE or government. They are required to boost their knowledge up regarding share and share market to get the expected returns from their investment.
- ) An open policy to encourage and promote foreign investors in share price would be fruitful to strengthen the share market of Nepal considering the fact of present globalization.
- ) For more specific result regarding the determinants of share price, a population study of whole share market for a longer study period is required. This gives the only factual information about the actual determinants of share price.
- ) All stakeholders are required to be provided up-to date information to the present and potential investors regularly so that they can be an informed about the market scenario, potentials and their investment.

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# APPENDIX - I

## Questionnaire

Dear sir/ Madam,

This is to bring your kind information that this is an attempt to identify the root determinants of share price of Nepalese Commercial Banks listed in NEPSE for the partial fulfillment of Thesis required for MBS degree, TU. Please you are kindly requested to fill up the following questionnaire with the best answer in your view. I would be grateful to you for the contribution of your valuable time and efforts.

Thank you.

Surya Raj Gautam

(Researcher)

Master of Business Studies

Shanker Dev Campus, T.U.

### **Respondents:**

Name: \_\_\_\_\_ Sex: M [ ] F [ ] Age: \_\_\_\_\_ Years

### **Occupation (Tick One):**

- Professional Share Trader
- Others and interested in share investment
- None of others

### **Academic Qualification (Tick appropriate):**

- Under SLC
- Higher Secondary
- Graduate
- Post Graduate

## **Questions:**

*Please Tick the best alternative (Q.No.1 to 4)*

1. Which one do you think is major purpose of Nepalese to invest in financial market?

To earn maximum profit

Safe investment

Help capital mobilization

Others (if any).....

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

Continuous Declaration of Dividend

Market Phenomenon

Banks are better controlled/ managed

Others .....

3. Do you think that Nepalese investors are aware about the share investment decision?

Yes

No

Can't Say

4. Do you think that the prevailing laws and policies regarding the buying and selling of shares are perfect?

Yes

No

Don't Know

*Please indicate with the appropriate letter(s) in the gap to which extent do you agree with the following statements by filling in the blanks provided. (Q.No.5 to 11)*

SA for Strongly Agree

A for Agree

U for Undecided

D for Disagree

SD for Strongly Disagree

5. EPS is the main determiner of Share Price because higher EPS indicates higher Share Price.....

6. Dividend Pattern plays vital role on the determination of Share Price because higher the DPS more will the Share Price.....
7. Good Company Assets Structure indicates higher share price.....
8. Better Capital Structure results share price.....
9. Political situation also cause the change in share price.....
10. Annual General Meeting and the election of Board of Director influence the share price.....
11. Higher the risk of the company, higher will be the share price.....

*Please Rank 1, 2, 3... (Q.No.12)*

12. Which of the following do you think affect the share price of the company? Rank 1, 2,3,4,5 and 6 to each heading [1for the best factor]

- Earning per Share
- Dividend per Share
- Company Assets
- Capital Structure
- Political Situation
- AGM/ Election of BOD

## APPENDIX – II

### List of Respondents

S.N	Name of Respondents	Age	Sex	Occupation	Academic Qualification
1	Dol Raj Pathak	27	M	Professional Investor	Post Graduate
2	Umesh Paudel	29	M	Professional Investor	Graduate
3	Raju Dumre	28	M	Professional Investor	Graduate
4	Puspa Gyawali	41	M	Potential Investor	Under SLC
5	Arjun Gautam	30	M	Professional Investor	Higher Secondary
6	Baburam Gautam	50	M	Potential investor	Higher Secondary
7	Arjun Raj Gautam	30	M	Professional Investor	Higher Secondary
8	Umesh Paudel	31	M	Professional Investor	Post Graduate
9	Shankar Pandey	28	M	Professional Investor	Post Graduate
10	Yogendra Panthi	30	M	Professional Investor	Post Graduate
11	Gururaj Pandey	35	M	Professional Investor	Post Graduate
12	Kamal Neupane	31	M	Professional Investor	Post Graduate
13	Shyam Subedi	26	M	Professional Investor	Post Graduate
14	Dinesh Pandey	47	M	Potential Investor	Post Graduate
15	Surya Prasad Subedi	42	M	Potential Investor	Graduate
16	Anju Dhakal	44	F	Potential Investor	Graduate
17	Maya Gaire	26	F	Professional Investor	Graduate
18	Ganesh Dhakal	30	M	Professional Investor	Graduate
19	Sangita Bhusal	26	F	Professional Investor	Graduate
20	Ritika Pantha	23	F	Potential Investor	Graduate
21	Krishna Prasad Sharma	22	M	Potential Investor	Graduate
22	Bhagawati Joshi	27	F	Potential Investor	Graduate
23	Amit Chaudhary	26	M	Professional Investor	Graduate
24	Narayan Pandey	27	M	Potential Investor	Graduate
25	Sharmila Subedi	23	F	Professional Investor	Graduate

## APPENDIX – III

### Rank wise No of Responses of Survey Result

<b>Bank of Kathmandu</b>						
Market Price per Share	295	430	850	1375	2350	1825
Dividend Per Share	10	15	48	20	42.11	47.37
Book value per Share	229.09	171.83	192.52	218.38	213.60	230.67
Earning per Share	27.50	30.10	43.07	43.50	59.94	54.68
<b>Everest Bank Limited</b>						
Market Price per Share	680	870	1379	2430	3132	2455
Dividend Per Share	-	20	-	30	30	30

S.N.	Variables	Rank						Total	Weighted Value	Meant Wt.	Overall Rank
		1	2	3	4	5	6				
1	<b>EPS</b>	12	9	2	1	0	1	25	46	1.84	<b>1</b>
2	<b>DPS</b>	9	11	4	1	0	0	25	47	1.88	<b>2</b>
3	<b>Assets</b>	0	0	1	2	9	13	25	134	5.36	<b>6</b>
4	<b>Capital</b>	0	2	3	3	10	7	25	117	4.68	<b>5</b>
5	<b>Political</b>	2	2	10	5	3	3	25	89	3.56	<b>3</b>
6	<b>AGM</b>	2	1	5	13	2	2	25	93	3.72	<b>4</b>

Book value per Share	171052	219.87	217.67	280.82	321.77	313.64
Earning per Share	45.58	54.22	62.78	78.42	91.82	99.99
<b>Himalayan Bank Limited</b>						
Market Price per Share	840	920	1100	1740	1980	1760
Dividend Per Share	20	31.58	35	40	45	43.56
Book value per Share	244.33	239.59	228.72	264.74	247.95	256.52
Earning per Share	49.05	47.91	59.24	60.66	62.74	61.90
<b>Kumari Bank Limited</b>						
Market Price per Share	-	269	443	830	1005	700
Dividend Per Share	-	-	21.05	21.05	10.53	10.58
Book value per Share	114	141	149	137	128	132
Earning per Share	9.74	17.58	16.59	22.7	16.35	22.04
<b>Laxmi Bank Limited</b>						
Market Price per Share	156	285	368	690	1113	1062
Dividend Per Share	-	-	-	-	20	5
Book value per Share	101.28	98.87	106.41	115.66	125.45	12.24
Earning per Share	1.9	4.34	5.8	10.75	166.45	20.7
<b>Lumbini Bank Limited</b>						
Market Price per Share	-	180	172	505	631	435
Dividend Per Share	-	0	0	0	0	0
Book value per Share	84.71	49	-144.42	-71.61	29.5	86.95
Earning per Share	5.33	-39.35	-161.21	32.07	32.91	30.31
<b>Machhapuchhre Bank Limited</b>						
Market Price per Share	-	265	320	620	1285	420
Dividend Per Share	-	-	15.79	-	21.05	-
Book value per Share	-	116	130	122	142	115
Earning per Share	-	15.43	18.74	9.02	10.35	8.33

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Indicators/Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
<b>NABIL Bank Limited</b>						
Market Price per Share	1000	1505	22.40	5050	5275	4899
Dividend Per Share	65	70	85	140	100	85
Book value per Share	301	337	381	418	354	324
Earning per Share	92.61	105.49	129.21	137.08	108.31	106.76
<b>NCC Bank Limited</b>						
Market Price per Share	-	120	94	316	457	335
Dividend Per Share	-	-	-	-	-	-
Book value per Share	0.027	0.365	-0.044	-0.073	0.049	0.078
Earning per Share	0.06	-0.74	-84.77	-16.57	35.53	29.35
<b>Nepal Bangladesh Bank Limited</b>						
Market Price per Share	354	265	199	550	1001	280
Dividend Per Share	-	-	-	-	-	-
Book value per Share	182	188	-117	-364	-295	60
Earning per Share	0.73	1.58	-	-	80.16	116.01
<b>Nepal Industrial and Commerce Bank Limited</b>						
Market Price per Share	218	366	496	950	1284	1126
Dividend Per Share	0	30	10.53	1.05	1.05	0.79
Book value per Share	124.09	136.84	127.44	139.16	138.029	145.58
Earning per Share	13.65	22.75	16.1	24.01	25.75	27.83
<b>Nepal Investment Bank Limited</b>						
Market Price per Share	940	800	1260	1729	2450	1388
Dividend Per Share	15	12.5	55.46	30	40.83	20
Book value per Share	247	201	240	234	223	162
Earning per Share	52	40	59.35	62.57	58	37.42
<b>Nepal SBI Bank Limited</b>						
Market Price per Share	307	335	612	1176	1511	1900
Dividend Per Share	0	0	5	47.59	-	42.11
Book value per Share	146.8	159.54	151.78	178.04	160.57	194.68
Earning per Share	14.26	13.29	18.27	29.35	28.33	36.18
<b>Siddhartha Bank Limited</b>						
Market Price per Share	-	-	360	778	1090	1000
Dividend Per Share	-	-	-	15.79	15.79	10.53
Book value per Share	90.75	110.83	120.63	132.29	130.39	134.29
Earning per Share	-8.89	20.08	13.05	15.88	17.29	22.89
<b>Standard Chartered Bank Limited</b>						
Market Price per Share	1745	2345	3775	5900	6830	6010
Dividend Per Share	110	120	140	130	130	100
Book value per Share	399.25	422.38	468.22	52.11	401.52	327.53
Earning per Share	143.55	143.14	175.84	167.36	131.92	109.99

## APPENDIX – V (A)

### Calculation of Mean, Standard Deviation, CV of MPS, DPS, BPS and EPS of BOK

Fiscal Year	MPS (W)	DPS (X)	BPS (Y)	EPS (Z)	$(W - \bar{W})^2$	$(X - \bar{X})^2$	$(Y - \bar{Y})^2$	$(Z - \bar{Z})^2$
2003/04	295	10	207.72	27.50	796556.25	416.57	3.72	244.30
2004/05	430	15	171.83	30.10	573806.25	237.47	1153.28	169.78
2005/06	850	48	192.52	43.07	113906.25	309.41	175.83	0.00
2006/07	1375	20	218.38	43.50	35156.25	108.37	158.51	0.14
2007/08	2350	42.11	213.60	59.94	1351406.25	136.89	60.99	282.58
2008/09	1825	47.37	230.67	54.68	406406.25	287.64	619.01	133.4
	W	X	Y	Z	$(W - \bar{W})^2$	$(X - \bar{X})^2$	$(Y - \bar{Y})^2$	$(Z - \bar{Z})^2$
	= 7125	= 182.48	= 1234.73	= 258.79	= 3277237.5	= 1496.35	= 2171.34	= 830.2

#### Calculation of Mean, of MPS, DPS, BPS and EPS

$$\text{Mean of MPS (W)} = \bar{W} = \frac{W}{n} = \frac{7125}{6} = 1187.5$$

$$\text{Mean of DPS (X)} = \bar{X} = \frac{X}{n} = \frac{182.48}{6} = 30.41$$

$$\text{Mean of BPS (Y)} = \bar{Y} = \frac{Y}{n} = \frac{1234.73}{6} = 205.79$$

$$\text{Mean of EPS (Z)} = \bar{Z} = \frac{Z}{n} = \frac{258.79}{6} = 43.13$$

**Calculation of Standard Deviation of MPS, DPS, BPS and EPS**

$$\text{Standard Deviation of MPS (W)} = \dagger_w X \sqrt{\frac{(W Z \bar{W})^2}{n}} = \sqrt{\frac{3277237.5}{6}} = 739.05$$

$$\text{Standard Deviation of DPS (X)} = \dagger_x X \sqrt{\frac{(X Z \bar{X})^2}{n}} = \sqrt{\frac{1496.35}{6}} = 15.79$$

$$\text{Standard Deviation of BPS(Y)} = \dagger_x X \sqrt{\frac{(Y Z \bar{Y})^2}{n}} = \sqrt{\frac{2171.34}{6}} = 19.02$$

$$\text{Standard deviation of EPS (Z)} = \dagger_x X \sqrt{\frac{(Z Z \bar{Z})^2}{n}} = \sqrt{\frac{830.20}{6}} = 11.76$$

**Calculation of CV of MPS, DPS, BPS and EPS:**

$$\text{CV of MPS (W)} = CV_w X \frac{\dagger_w}{\bar{W}} = \frac{739.05}{1187.5} = 62.24\% \quad \text{CV OF BPS (Y)} = CV_y X \frac{\dagger_y}{\bar{Y}} = \frac{19.02}{205.79} = 9.24\%$$

$$\text{CV of DPS (X)} = CV_x X \frac{\dagger_x}{\bar{X}} = \frac{15.79}{30.41} = 51.92\% \quad \text{CV of EPS (Z)} = CV_z X \frac{\dagger_z}{\bar{Z}} = \frac{11.76}{43.15} = 27.26\%$$

Fiscal Year	MPS (W)	DPS (X)	BPS (Y)	EPS (Z)	W <sup>2</sup>	X <sup>2</sup>	Y <sup>2</sup>	Z <sup>2</sup>	WX	WY	WZ
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2003/04	295	10	207.72	27.5	87025	100	43147.6	756.25	2950	61277.4	8112.5
2004/05	430	15	171.83	30.1	184900	225	29525.55	906.01	6450	73886.9	12943
2005/06	850	48	192.52	43.07	722500	2304	37063.95	1855.02	40800	163642	36609.5
2006/07	1375	20	218.38	43.5	1890625	400	47689.82	1892.25	27500	300272.5	59812.5
2007/08	2350	42.11	213.60	59.94	5522500	1773.25	45624.96	3592.80	98958.5	501960	140859
2008/09	1825	47.37	230.67	54.68	3330625	2243.92	53208.65	2989.90	86450.25	420972.75	99791
	W = 7125	X =182.48	Y =1234.73	Z =258.79	W <sup>2</sup> =11738175	X <sup>2</sup> =7046.17	Y <sup>2</sup> =256260.53	Z <sup>2</sup> =11992.23	WX =263108.75	WY =1522011.55	WZ =358127.5

### APPENDIX – V (B)

#### Calculation of Correlation Coefficient, Coefficient of Determination, Regression Analysis and t-value between MPS and other financial indicators

##### A. Calculation of Coefficient of Correlation

Correlation between MPS(W) and DPS(X)

$$r_{WX} = \frac{N \sum WX - \sum W \sum X}{\sqrt{N \sum W^2 - (\sum W)^2} \sqrt{N \sum X^2 - (\sum X)^2}} = \frac{6 \times 263108.75 - (7125)(182.48)}{\sqrt{6 \times 11738175 - 7125^2} \sqrt{6 \times 7046.17 - 182.48^2}} = 0.663$$

Correlation between MPS(W) and BPS(Y)

$$r_{WY} = \frac{N \sum WY - \sum W \sum Y}{\sqrt{N \sum W^2 - (\sum W)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}} = \frac{6 \times 1522011.55 - (7125)(1234.73)}{\sqrt{6 \times 11738175 - 7125^2} \sqrt{6 \times 256260.53 - 1234.73^2}} = 0.662$$

Correlation between MP(W) and EPS(Z)

$$r_{XZ} = \frac{N \sum WZ - (\sum W)(\sum Z)}{\sqrt{N \sum W^2 - (\sum W)^2} \sqrt{N \sum Z^2 - (\sum Z)^2}} = \frac{6 \times 358127.5 - (7125)(258.79)}{\sqrt{6 \times 11738175 - 7125^2} \sqrt{6 \times 11992.23 - 7125^2}} = 0.974$$

*B. Calculation of Coefficient of Determination*

Coefficient of Determination between MPS (W) and DPS(X) =  $r^2 = (0.661)^2 = 0.439$

Coefficient of Determination between MPS (W) and BPS(Y) =  $r^2 = (0.532)^2 = 0.438$

Coefficient of Determination between MPS (W) and EPS (Z) =  $r^2 = (0.914)^2 = 0.949$

*C. Simple Regression Analysis*

Simple Regression analysis of MPS on DPS

Here,

Independent Variable = DPS = X

Dependent Variable = MPS = W

Regression Equation of MPS on DPS is

$$W = a + bX$$

Where,

a = Regression Constant

b = Regression Coefficient (Slope of the regression line)

According to the principle of the least squares, two normal equations for estimating (a) and (b) is:

$$\sum W X n a + \sum X \Gamma b = \sum X \dots\dots\dots (I)$$

$$\sum X W X a + \sum X \Gamma b = \sum X^2 \dots\dots\dots (II)$$

Solving these two normal equations we get,

$$b = \frac{\sum WX - \frac{\sum W \sum X}{n}}{\sum X^2 - \frac{(\sum X)^2}{n}} = \frac{6 \times 263108.8 - \frac{7125 \times 182.48}{33}}{42277.02 - \frac{33298.95}{3}} = 31.20$$

Substituting the value of (b) on equation I

$$\sum W X n a + \sum X \Gamma b = \sum X$$

$$7125 = 6a + 31.20 \times 182.48$$

$$a = 238.604$$

*[Note: Similar procedure has been applied to calculate the parameters of Simple Regression Analysis, MPS on BPS and MPS on EPS]*

D . To Find the Calculated Value for t-test

t-value of MPS Vs .DPS

$$t X \frac{r\sqrt{n Z2}}{\sqrt{1 Zr^2}} X \frac{0.663\sqrt{6 Z2}}{\sqrt{1 Z0.439}} = 1.771$$

t-value of MPS Vs. BPS

$$t X \frac{r\sqrt{n Z2}}{\sqrt{1 Zr^2}} X \frac{0.662\sqrt{6 Z2}}{\sqrt{1 Z0.438}} = 1.766$$

t-value of MPS Vs. EPS

$$t X \frac{r\sqrt{n Z2}}{\sqrt{1 Zr^2}} X \frac{0.974\sqrt{6 Z2}}{\sqrt{1 Z0.948}} = 8.59$$

E Calculation of Multiple Regression Analysis, Coefficient of Determination of MPS on DPS and EPS of BOK

The values of constants a<sub>1</sub>, b<sub>1</sub> and b<sub>2</sub> can be obtained by solving following three normal equations simultaneously

$$X_1 Xna_1 \Gamma b_1 X_2 \Gamma b_2 X_3 \dots\dots\dots (I)$$

$$X_1X_2 Xa_1 X_2 \Gamma b_1 X_2^2 \Gamma b_2 X_2X_3 \dots\dots\dots (II)$$

$$X_1X_3 Xa_1 X_3 \Gamma b_1 X_2X_3 \Gamma b_2 X_3^2 \dots\dots\dots (III)$$

Solving equation I, II and III we get

Intercept ( $a_1$ ) = 403.82  
Regression Coefficient of ( $b_1$ ) = 16.19  
Regression Coefficient of ( $b_2$ ) = 8.82

*[Note: Similar procedure has been applied to calculate Mean, Standard Deviation, Coefficient of Variation, Coefficient of Correlation, Coefficient of Determinations, Simple Regression Analysis, t-value, Multiple Regressions for other Banks*