CHAPTER - I

INTRODUCTION

1.1 General Background

Financial Market is the place where the financial instruments like share, bond and debenture are traded. "A financial market is a market for creation and exchange of financial assets if you buy or sell financial assets, you will participate in financial market in some way or other." (Pradhan, 2002:24). There are different types of financial markets. Each market serves a different set of customer or deal with different types of security. Transfer of capital between savers and those who need capital take place in different t ways like direct transfer, indirect transfer through investment banks and indirect transfer through financial intermediaries.

Investment has significant role for the well development of the country, which is the final result of the income, expenditure of the saving. Saving is impossible without earning, earning is impossible without investment and investment is completely depends upon the mobilization of savings either directly by the savers or indirectly through the financial intermediaries. Investment can be categorized into two categories, real investment and financial investment. Real investment deals with investment in real assets such as land building or in fixed property whereas financial investment deals with the investment in financial markets such as securities.

Financial markets can be divided into money markets and capital markets. Money markets are the markets for debt security with maturities of less than one year. Money markets basically involve the trading of short securities. Money markets are sometimes classified as organized and unorganized markets. The organized or formal money markets an institutional mechanism for the transaction of short-term

securities and commercial banks, finance companies and other savings/credit unions are the players in the money markets. Local merchants, indigenous bankers and relatives come under the informal sector or unorganized sector. A survey conducted by Nepal Rastra Bank in 1992 revealed that the formal sector market provides only 20 percent of the total credit demand of the rural sector. This implies that the financial markets of the country are yet to develop. Capital markets are the markets for long term debt and corporate stock. Capital Markets are also classified as primary markets and secondary markets. Primary markets are involved. Secondary markets are markets in which existing/outstanding securities are traded among by the SEBO/N and the other services such as managers, underwriting and listing of corporate stocks are provided by licenses company/bodies. NEPSE is the only one organized stock markets which provides floor for the trading (buy and sell) of securities already issued.

Summary and classification of Financial Markets

1	Nature of claim----------	a.	Debt Market
		b.	Equity Market
2	Maturity of claim----------	a.	Money Market
		b.	Capital Market
3	Seasoning of claim----------	a.	Primary Market
		b.	Secondary Market
4	Timing of deliver----------	a.	Cash or spot market
		b.	Forward or futures Market
5	Organizational structure----------	a.	Exchange traded market
		b.	Over the counter Market

1.1.1 Constituent of Capital Market in Nepal

Securities Board, Nepal (SEBO/N)

Security board, Nepal was established on 26th May 1993, under the provision of the securities exchange Act, 1983. It was established with the objective of promoting and protecting the interest of investors by regulating the securities market. It also assumes the responsibility of development of securities market in the country, besides regulatory role. Board has identified the policy development, legal and regulatory reform, standardizing disclosures, bringing enforcement to ensure compliance and promoting broad based market as a priority area to reform. The private sector has also been participating equally in establishing sound system in securities exchange. In private sector – investors, listed companies, financial and market intermediaries and in government sectors 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 Association of Chartered Accountants have been playing vital role in promoting the capital market of the country.

The objective 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 capital market by making securities transactions fair, healthy, efficient and responsible.

Nepal Stock Exchange (NEPSE)

Nepal Stock Exchange was established on 1993 under securities exchange Act, 1983.Nepal Stock Exchange was known as securities exchange centre earlier. Securities exchange centre was established with an objective of facilitating and

promoting the growth of capital markets. The major task undertaken by Nepal Stock exchange are brokerage, undertaking, managing public issue, marking market for government bonds and other financial services. Nepal Stock Exchange is a non-profit organization operating under Securities Exchange Act 1983.

It was established with joint effort of Nepal Industrial Development Corporation and Nepal Rastra Bank to mobilize the public saving for ensuring public ownership in the shares public limited companies. In order to promote the stock exchange business, the centre made a series of studies in the beginning regarding both the public limited companies and undertaking the business of buying and selling of securities.

According to the Securities Act, 1983, the board of directors of NEPSE of Nepal Government and different institutional investors nominate nine directors, among them six directors. Two from the licensed members and the General Manager of the NEPSE are the Ex-officer Director of the board. The authorized capital of exchange is Rs. 50 million and Rs.34.91 million are subscribed by Nepal Government/Nepal Rastra Bank, Nepal Industrial and Development Corporation and licensed members. At present, there are 27 member's broker and one market maker; besides this, it has licensed both dealers as primary and secondary market. At present 135 companies have listed their securities. NEPSE has adopted an "computerized System". It means transactions of securities are conducted on the computer auction principle on trading floor, where the price is determined when bid and offer price match. It has fixed the board lot of 10 shares if the face value is Rs. 100 or 100 shares if the value is Rs.10. The opening price of the day shall not be more or less than 10% of the previous trading day's closing price. It can be changed within the limit of 5% in each consecutive transaction. It has adopted a T+3 systems, which mean that settlement of transaction, should be done 3 working

days following the transaction per day. The rate of brokerage on equity ranges from 0.75% to 1% depending on the traded amount.

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

1.1.2 Securities Market

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

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

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

Primary Market

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

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

Secondary Market

Secondary Market is the marketing which securities are traded that has been issued at some previous point of time. In other words, where outstanding securities are traded is referred to as the secondary market or more popularly known as the stock market. Share or stock market is a major component of securities market. Stock market is a medium through which corporate sector mobilizes funds to finance productive projects by issuing shares in the market. The efficient collection of small amounts of savings and transferring funds into the competitive and efficient

uses requires a well functioning capital market to facilitate the process. Thus, secondary market deals with previously issued shares mainly traded through stock exchange, over the counter market or direct sealing.

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

1.2 Statement of the Problem

Capital market investment in this present context plays a major role in the economic development of the country. The stage of development of capital market in any country and it effective growth depends upon the aggregate economic condition, saving and investment opportunities etc.

There are various institutions involved in the capital market but they are not showing positive and good performance as per the investor's expectations. On the other hand, the investors are responsible for not having self control, self judgment in the choice of the securities for investment. Besides that price earning are not made available to the investors cannot identify good and bad stocks. Thus having lack of adequate information and knowledge about the certain companies, investors are unsystematically investing in sticks.

Existing economic imbalance, political instability, ineffective implementation of the liberal economic policy of the country have generated negative symbols in the

economy. The price of the securities especially common stocks have been randomly fluctuating and declining over the past years. Consequently, some companies were liquidated and some are operating hardly in the market. The problem of Nepali stock market have not been diagnosed and identified. The policy makers are unable to make the appropriate policy for the development of the stock market. Most of the government level efforts for the development of the stock market have poorly contributed.

There are two approaches regarding the share price movement in the market. The first approach assumes that the market is inefficient in pricing of shares, in which the technical analysis theory argues that the analysis of the historical prices and trading of stocks provide meaningful information and which also provide the idea of future price movements to the investors. It attempts to explain and forecast changes in security price by studying the market data rather than information about a company or its prospects.

The second approach, the efficient market theory, which argues that market, is efficient in pricing the shares. In a situation where stock price movement follows random walks and every point in time actual prices represent good estimate of its intrinsic values, general investors tend to select any security randomly to form his/her optimum portfolio. As the best investment decision strategy in such market will be random selection of securities.

The present study will try to examine the weak form of efficient market by hypothesis. It will also find out whether the price fluctuation is significantly correlated with past price movements. It also intends to explore ideas as to whether the stock market is efficient in pricing of shares or not.

More specifically, this study is expected to answer the following research questions:

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

1.3 Objective of the Study

Investors require proper knowledge of share price i.e. how it is formed, why does it fluctuate, what factors are responsible for the determination of its price and so on. Furthermore, this study is proposed to meet the following objective:

- To determine the major financial indicators that has major influence on MPS.
- To examine and evaluate the relationship between MVPS with the variables financial indicators like EPS, DPS and BVPS..
- To study whether stocks of the sampled companies are over-priced, under-priced or equilibrium price.
- To study investor's response regarding the change of stock price.
- To identify qualitative as well as quantitative factors affecting the stock price in NEPSE.

1.4 Limitation of the Study

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

- The study will confine only to Listed Companies of Nepal Stock Exchange and its members.
- This research mainly based on secondary data as well as primary data, which have been collected from books, financial statement and report of the security board of Nepal (SEBON) and Nepal Stock Exchange and selected company's annual reports, company's web site and other publications and questioner. The study covers the information of only few fiscal years data.
- Foreign information and rules affecting the share market is ignored.
- Studies and reference were also extremely limited in the prospective of Nepalese stock market.

Significance of the Study

- The study may draw the attraction from every corner of entrepreneurs and investors and other academicians and also other interested parties.
- This study is extremely helpful to the financial managers of corporate firms to know about the movement and price formation of stock of their share price with respect to change in financial position of the firms.
- This study is very useful to potential investors who are interested to know the effect of price trend, volume of stock and impact of signaling factors in NEPSE index.

1.5 Rationale Behind Study

There is no logical or scientific reason behind the determination of share price in Nepalese share market. But it is determined in assumption or say in bidding procedure. This may be the cause of demise of the investors, shareholders, government body and other related party. So, this research paper could be fruitful to all concerned parties as it provides the insights on the determination of market value of stock. In Nepalese context, it has been graced that the major determinant of stock price is decided by the political situation of the country. The poor state of development of financial market in Nepal can be attributed to its financial system which is basically bank dominated.

1.6 Chapter Scheme

This study has been organized over altogether five chapters. Starting from Introduction, Review of Literature, Research methodology, Presentation & Analysis of data and summary, to conclusion & Recommendation as get of the entire study. A brief outline of this chapter has been outlined as under.

1. Introduction

The First Chapter entitled ***"Introduction"*** introduces the subject, present the research problem, reason for studying, objective of the study, along with limitation.

2. Review of Literature

The Second Chapter entitled ***"Review of Literature"*** concerned with the study of Stock Price have been reviews & presented.

3. Research Methodology

The Third Chapter discussed the ***"Research Methodology"*** used in the study. It comprises research design, nature & source of data, data gathering method and analytical tools used.

4. Presentation and Analysis of Data

The Fourth Chapter deals with the "***Presentation & Analysis of Data***" & scoring the empirical finding out the study through definite course of research methodology.

5. Summary, Conclusion and Recommendation

The Last Chapter i.e. "***Summary"*** of the study, which is followed by the basic conclusion of the study based in the fourth chapter on the basic of these conclusion and recommendation has also been presented for consideration.

CHAPTER - II

REVIEW OF LITERATURE

Over the decades many financial economists have suggested models to describe price data could be systematically analyzed with computers, the various theories about security price movement were largely conjectures. This chapter highlights on the literature that is available in the topic. Especially it includes those study conducted inside the country i.e. NEPSE and some of the available studies outside the country are also reviewed. The first section of this chapter describes about the theories of stock price behavior. It includes fundamental analysis, Technical Analysis and the efficient market theories. The second section confined to review of those literatures carried out previously. This section includes the studies conducted in the foreign context as well as Nepalese context.

2.1 Conceptual Framework of Financial Market

2.1.1 Capital Market

In Capital Market long term borrowing takes place. The primary instruments of the capital market are equity share, bond and debt. Therefore it includes both the new issue market and the old market. Capital market is concerned with long term finance: widely it consists of series of channels through which the saving of the community are made available for industrial and commercial enterprises and authorities. It is concerned with that private saving, individual as well as corporate, that are turned into investment through new capital issue and also new public loan floated by government and semi government bodies. In capital market demands for fund comes from agriculture, industry, trade and government while the supply of funds comes from individual or corporate savings, institutional investors and surplus of government.

The history of capital market is not so old for Nepalese context. The Capital Market was developed by the establishment of Security Exchange Center on 2033 B.S. The number or listed companies and their trading were very negligible until the government of Nepal has made economic reforms along with broad financial policy in the process of economic liberalization. The privatization of public entities has been started and various banking and finance companies as well as other companies in the private sector are being established with local and foreign investments. As they were established as public companies, these companies have to issue some of their share of the general public. So, the development of this security market in Nepal takes its pace only the establishment of these banking and finance companies.

2.1.2 Security Market

"Security Market interchangeably known as the integral part of capital market is in fact basis of the economy of country. The most effective use of idle and surplus resources can be brought into practice only by means of market mechanism. Security market, a structural network of savers and users of fund, is such a market mechanism which mobilized the fund of savers to the users and thus this financialiation boosts the industrialization and trading activities, which will bring the positive result to the economy as a whole". (Sharma; 2002:16)

"There are two important functions of securities market, namely the raising of funds in form of shares and debentures and trading in the securities already issued by companies. While the finest aspect is obviously much more important from the point of view of economic growth, the second aspects is also considerably important. In fact, if facilities for transferring of existing securities are abundant, the raising of new capital is considered assisted as the buyer of a new issue of security become confident that whenever he wants to get cash he can find a buyer of the security without much difficulty. This aspect is called the liquidity of the

stock market. Thus the liquidity of the stock market affects the raising of new capital from the market". (Levine; 1992:33)

"Security market sets a price for the securities it trades and makes it easy for people to trade them. Securities market facilitates the sale and resale of transferable securities. The security market can be defined as a mechanism for bringing together buyer and sellers of financial assets to facilitate trading. Securities market is classified into two: the market in which new securities are sold is called the primary market and the market in which existing securities are resold is called the secondary market. Secondary markets are created by brokers, dealers and market makers. Brokers bring buyer and seller together with themselves actually buying or selling: dealers set price at which they themselves are ready to buy and sell (bid and ask price respectively). Broker and dealer come together organized market or in stock exchange". (Gitman; 1992: 457)

2.1.3 Stock Exchange

"The stock exchange is an institution where quoted securities are exchanged between buyer and sellers. The stock exchange provides market in a wide range of traded securities, generally of medium to long-term maturities, issued by companies, government and public organizations". (Winfield; 1985: 22)

Most of the investors are attracted to the equity shares because of its marketability and liquidity. One may like to buy more shares or selling existing shares from time to time when he is in need of money or when he wants to shuffle his portfolio. Since the stock exchange is a place where a large number of buyers and sellers congregate, one can, by and large, easily find his counterpart for sale or purchase of shares. The investor can convert his shares into cash at the prevailing market price readily. The existence of stock exchange facilitates al these functions without which it is almost impossible to do so.

"The key function of securities exchange is to create a continuous market for securities at a price that is not very different from the price at which they were previously sold. The continuity of securities market provides the liquidity necessary to attract investor's funds. Without exchanges, investors might have to hold debt securities to maturity and equity securities indefinitely. It is doubtful that many people would be willing to invest under such conditions. A continuous market also reduces the volatility of security prices further enhancing liquidity". (Gitman; 1992: 458)

The securities exchanges help to allocate scare fund to the best uses. That is by disclosing the price behavior o securities and requiring the disclosure of certain corporate financial data; they allow investors to access the securities risk and return and to move their fund into the promising investments. An efficient market is one that allocates fund to most productive uses. Along with this, there is lot of functions of security exchange such as ready market and continuous market, evaluation of securities, safety of transactions, canalization of savings and widening the share ownership etc. However, besides these functions, there are three things as security exchange must do:

- Determine a fair price for the securities it trades or price discovery function
- Enable transaction to be made at as low cost as possible or minimization of transaction cost.
- Enable transaction to be made at this price quickly and easily or provision for liquidity.

Main Function of Stock Exchange: Price Discovery

Security is a legal representation of the right to receive future benefits under conditions. Its value depends on expectation of the amount of those benefits and

evaluation of risk involved. Expectation and evaluation reflect both the information available and conclusions people draw from that information. Since the market may quite big, no single buyer or seller can influence the price of a share to any significant extent.

Price discovery is the process of arriving at fair prices for securities. Fair price indicates the compromise between fair offer price (lowest price at which any well informed trade willing to sell) and fair bid price (highest price any well informed buyer is willing to pay). Different markets do this in different way and different ways of organizing a market affect how closely the market approaches the ideal of fair prices. However, a very important fact that should not be forgotten is the concept of ideal market or market efficiency, which also the necessary pre-condition for approaching to the fair price. In an ideal market value of securities equal its price of securities and prices reflects all available information about the market.

In the securities market there is a great importance of demand and supply for price fixation. The price of a given stock is determined exclusively by the interacting forces of supply and demand converting on such stock at a given time, that the price and volumes of its past transaction are meaningful indications of the probable relationship of the future and demand pressure it is likely to encounter in the market and that such relationship is the most important element in determine the probable direction the price movements. (Ackerman; 1980: 85)

“The stock exchange produces through its continuous process of evaluation, prices of securities as close as possible to investment value based on present and future income yielding prospects of various enterprises, capitalized at notional rate of interest the rate which will prevail if and when all the liquid savings are employed into productive purposes”. (Gupta; 1982: 148)

2.1.4 Price Determination

The share price is determined in the floor by the interaction of market forces i.e. demand and supply. The price is determined by the point of equilibrium between supply and demand, the shifting of this balance results in incessant adjusting of price in search of the ever changing new equilibrium. Then market price moves upward and downward. There are many other reasons that causes the stock price fluctuation major of them are economic, non-economic and market factors.

Dividend is the most important factors on the determination of stock price. Dividends are strongly influenced by the earnings power of the firm. There is a very close correlation between corporate earnings and dividends. Earning power, in turn, is strongly influenced by interest rates. In this way, the most fundamental factor in stock price fluctuation lies in changes in corporate earnings, which together with interest rates and business cycle trends, contribute to making up the economic factors influencing stock price.

The next influencing factors are non economic factors including changes in political conditions, such as administrative changes, change in the weather and other natural conditions, and changes in cultural conditions, such as technological advance and the like. Similarly the other influencing factors are market factors, or internal factors of the market, considering to eh tone of the marked and supply-demand relations, may be cited as the third category, that influences the stock prices, Besides these factors the stock prices are influenced by the corporate performance of the company, company's policy regarding the capitalization of earnings as well as government rules and signaling effect of the market.

2.1.5 Theory of Price Behavior

The forces of supply and demand interact to determine a stock market price. If demand is high and supply is low then the price of stock goes up and vice-versa.

There are essentially two schools of thought to explain the stock price behavior. They are:

i) Inefficient Market Theory
ii) Efficient Market Theory

2.1.5.1 Inefficient Market Theory

Conventional approach has considered that market in inefficient, which includes technical analysis theory. “Prior to the development of the efficient market theory, investors were generally divided into two groups, Fundamentalists Technicians.” (Reilly;1986:347) The two groups are analyzed as follows:

2.1.5.1.1 Technical Analysis

Technical analysis is based on the widely accepted premise that security prices are determined by the supply of and demand for securities. The tools of technical analysis are therefore designed to measure supply and demand. Typically, technical analysts record historical financial data on charts, study these charts in an effort to find meaningful patterns to predict future prices. Some charting techniques are used to predict the movements of a singles security; some are used to predict the movements of a market index; and some are used to predict both the action of individual securities and the market action. The basic assumptions underlying technical analysis are listed below:

- Market value is determined solely by the interaction of supply and demand.
- Supply and demand is governed by numerous factors, both rational and irrational.
- Aside from the effected of minor fluctuations in the market, stock prices tend to move in trends that persist for appreciable lengths of time.
- Changes in trends are caused by shifts in supply and demand.

- Shifts in supply and demand, no matter why they occur, can be detected sooner or later in charts of market action.
- Some chart patterns tend to recur, and these recurring patterns can be used to forecast price movements.

Technical theory involves study of the past volume and price data of the securities to predict future price fluctuations. Technical analysis theory of share price behavior is based on past market information. On the assumption that history tends to repeat itself, it is believed that knowledge of past patterns of share prices will help to predict future prices under similar circumstances. It involves the study of past market behavior with reference to various financial and economic variables are to forecast the future. The changes occur in financial and economic variables are to be adjusted in the right of the present situation. Technical analysts or chartist, as they are commonly called, believe that they can discern patterns in price or volume movements and that by observing and studying the past behavior patterns of given stocks, they can use this accumulated historical information to predict the future price movements in the security. Technical analysis comprises many different subjective approaches, but all have one thing in common that is belief that these past movements are very useful in predicting future movements. Technical analyst believes in the theory behind chart formations and patterns. They read charts much like ancient astrologers read the stars, looking for “head and shoulders” formations. These, they believe, reflect the patterns of buying and selling, accumulation and distribution or market psychology.

Stock prices always move in trends because of an imbalance between supply and demand. When the supply of a stock is greater than the demand the trend will be down as there are more sellers than buyers; when demand exceeds supply the trend will be up as buyers “bid up” the price; and if the forces of supply and demand are nearly equal, the market will move side ways in what is called a

“trading range”. Eventually, new information will enter the market and the market will begin to trend again either up or down, depending on whether the new information is taken as positive or negative. Trend which are very brief are called minor trends; and trends lasting for a period of months are major trends. By analyzing trend lines we can determine what trend is in force. It helps us to act safe in market both in bullish and bearish market.

Price move in trends indicates, there exist an inequality between the forces of supply and demand. Such changes in the forces of supply and demand are usually readily identifiable by the action of the market itself as displayed in the prices. Certain patterns or formations that appear on the charts have a meaning and can be interpreted in terms of probable future trend development.

2.1.5.1.2 Dow Theory

The Dow Theory is one of the oldest and most famous technical tools and was originated by Charles Dow, who founded the Dow Jones Company and was the editor of The Wall Street Journal around 1900. The Dow Theory is used to predict traversal and trends in the market as a whole or for individual securities. According to Charles Dow, the market is always considered as having three movements, all going at the same time. The first is the narrow movement form day to day. The second is the short-swing, running from two weeks to a month or more; the third is the main movement covering at least four years in duration.

Dow Theory practitioners refer to these components as:

1 Primary Trends

They are commonly called bear or bull markets. Delineating primary trends is the primary goal of the DOW theorists.

2 Secondary Movements

Secondary movements are sometimes, called corrections which last only a few months.

3 Tertiary Movements

"These are simply the daily fluctuations. The Dow Theory asserts that daily fluctuations are essentially meaningless random wiggles. Nonetheless, the chartists should plot the asset's price r the market average each day in order to trace out the primary and secondary trends". (Francis; 1986:524)

2.1.5.1.3 Fundamental Analysis

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

Fundamentalists forecast stock price on the basis of economic, industry and company statistic. The principal decision variables ultimately take form of earrings and value with as risk-return framework based upon earning power and the economic environment. "Fundamental analysts believe in companies" earnings, their management, economic outlook, firms' competitor's market conditions and many other factors." (Francis; 1986:624)

The objective of fundamental security analysis is to appraise the intrinsic value of a security. The intrinsic value is the true economic work of financial assets. "The fundamentalists maintain that any points of time every stock has an intrinsic value,

which should in principle be equal to the present value of the future stream of income from that stock discounted at an appropriate risk related rate of interest" (Bhalla; 983:283). Therefore the actual price of security is considered to be a function of a set of anticipation. Price changes as anticipation changes which in turn change, as a result of new information. In other words: a new piece of news released, securities market prices will adjust towards the new values. "The value of common stock is simply the present value of all the future income which the owners of the share holder receive" (Francis; 1986:398). And the actual rice should reflect intrinsic vale of the stock i.e. good anticipation of cash flows and capitalization rate corresponding to future time period. But in practice, first it is not known in advance what the appropriate discount rate should be for a particular stock. Therefore fundamentalists estimate their intrinsic value by studying in detail of all matters that is relevant to company. There are various models developed by fundamentalists to reflect the piece of the securities. Some of them are as follows:

2.1.5.1.4 Capital Assets Pricing Model (CAPM)

The basic foundation of the theory was laid down in the microeconomics studies of mean variance choice by Markowitz (1959) and Tobin (1958). The critical extension to equilibrium in the capital market, and the development of the CAPM, was accomplished by Sharpe (1964) and Lintner (1965) (Stephen; 1978:886). "Like the portfolio models of Markowitz and Tobin, the Sharpe-Lintner asset pricing model assumes a market of risk averse consumers who can make portfolio decisions on the basis of the means and standard deviations of one period portfolio returns, implicitly assuming that these standard deviations of one period portfolio returns, implicitly assuming that these standard deviations exist" (Fama; 1971:30). "The CAPM substantiated the idea that, in competitive equilibrium, assets earn premium over the risk less rate that increase with their risk, by showing that the determining influence on risk premium is the covariance between the assed and

the market portfolio rather the own or intrinsic risk of the asset". (Stephen; 1978:886) CAPM is concerned with two key questions:

- What is the relationship between risk and return for an efficient portfolio?
- What is the relationship between risk and return for an individual security?

The CAPM is based on the following assumptions:

- Individuals are risk averse
- Individuals seek to maximize the expected utility of their portfolios over a single period planning horizon.
- Individuals have homogeneous expectations they have identical subjective estimates if the means, variances and co-variances among returns, expected returns and standard deviations.
- Individuals can borrow and lend freely at a risk free rate of interest.
- The market is perfect; there are no taxes there are no transaction costs securities are completely divisible; the market is competitive.
- The quantity of risky securities in the market is given.

2.1.5.1.5 Gorden's Model

As per the Gorden's model about relationship of dividend policy and stock price, investors are no indifferent between current dividends and retention of earnings. An increase in dividend payout ratio leads to increase in the stock prices for the reason that investors consider the dividend yield is less risky than the expected capital gain. Similarly investors required rate of return increases as the amount of dividend decreases. This means that there exists a positive relationship between the amount of dividend and the stock prices.

The model is based on the following assumptions:

- The firm is an all-equity firm.
- No external financing is available.
- Internal rate of return r, appropriate discount rate (Ke) are constant.
- The firm and its stream of earnings are perpetual.
- The corporate tax, do not exist.
- The retention ratio (b) once decided upon is constant. Thus the growth rate (g=br) is constant forever.
- The discount rate is greater than growth rate, K>g.

As per this model, the relationship between stock price and dividend varies on the following stages:

a) Growth Firm (r>k)

In case of growth firm the share price tends to decline in correspondence with increase in payout ratio or decrease in payout ratio or decrease in retention ratio. It means high dividend leads to increase in share prices. Therefore dividends and stock price are negatively correlated in such firms.

b) Normal Firm(r=k):

The price of share remains constant regardless of change in dividend. It means dividend and stock price are free from each other in normal firm.

c) Declining Firm(r<k):

The share price tends to rise in correspondence with rise in dividend payout ratio. It means dividend and stock prices are positively correlated with each other in declining firm.

2.1.5.1.6 J.E. Walter's model:

As per the study of J.E. Walter on the relationship of dividend and stock price, dividend policy of a firm affects its stock price. The relationship between firm's internal rate of return and cost of capital are the determining factors to retain profits or distribution of dividend. The stock price will be increased with the increase in the retention ratio of the firm when the internal rate of return is greater that the cost of capital. Thus as per Walter Zero dividend policy will maximize the market value of share for growth firms.

Assumptions of Walter's model:

- Retained earnings constitute the exclusive sources of financing. The firm does resort to debt or equity financing.
- The firm's internal rate of return and its cost of capital are constant.
- Value of earning per share (EPS) and dividend per share (DPS) are remaining constant.
- The firm has perpetual life.
- The firm distributes its entire earnings or retains it for immediate reinvestment.

The relationship between stock price and dividend varies on the following stages:

a) Growth Firm (r>k)

If the firm's internal rate of return exceeds the cost of capital such firms are known as growth firms. The relationship between dividend and stock price is negative on such firms. It means that more dividends leads to decrease in stock price and zero dividends will maximize that market value of shares for such growth firms.

b) Normal Firm (r=k)

If the firm's internal rate or return and cost of capital are equal such firms are called normal firms and there is no role of dividend on such firm's stock price. Dividend payout ration does not affect the value of share whether the firm retains the profit or distributes dividend.

c) Declining Form (r<k)

If the firm's internal rate or return is less than cost of capital, such firms are known as declining firms. The relationship between dividend and stock price positive that is increase in dividend per share leads to increase in stock price of such firms.

Thus Walter concluded that when the firm is in growth stage then dividend is negatively correlated with price of share. Similarly, in normal firm there is no relationship between dividend and stock price. In the same way, there is positive relationship between dividend and price of stock in declining stage of firm.

2.1.5.2 Efficient Market Theory:

In a competitive market, the equilibrium price of any goods or services at particular movement in time is such that the available supply is equated to the aggregate demand. This price represents a consensus of the members trading in the market about the true worth of the good or service, based on all publicly available information. As soon as a new piece of relevant information becomes available, it is analyzed and interpreted by the market. The result is a possible change in the existing equilibrium price. The new equilibrium price will hold until yet another bit of information is available for analysis and interpretation. "The role of information is two fold: a) to aid in establishing a set of security prices, such that there exist an optimal allocation of securities among investors and b) to aid the individual investor, who faces a given set of prices in the selection of an optimal portfolio of securities." (Sharma; 2002:27)

The word “Efficiency” as applied to securities market has unfortunately been used to represent a variety of logically distinct concepts. In particular it means: A) exchange efficiency B) production efficiency and C) information efficiency. In this study, it is concerned only with informational efficiency. In an efficient market security price ‘fully reflect’ available information” (Fama; 1976:133). Regardless of the form of information, it is the key to the determination of stock prices; therefore it is the central issue of the efficient market concept.

An efficient market can exist if the following events occur:

1) A large number of rational, profit maximizing investors exist who actively participate in the market by analyzing, valuing and trading stocks these investors are price takers: that in one participant alone can not affect the price of a security.
2) Information is free of cost and widely available to market participants at approximately the same time.
3) Information is generated in a random fashion such that announcements are basically independent of one another
4) Investors react quickly and accurately to the new information, causing stock prices to adjust accordingly. (Charles; 1999:425)

In such a market, the current prices of a security obviously “Fully Reflect” all available information. Similarly, “in a perfect and competitive economy compared of rational individual with homogeneous beliefs about future prices, by any meaningful definition present security price must fully reflect all available information about future prices”. (Rubinstein; 1975:812)

In an efficient market, market participants, acting in their own self-interest, use available information to attempt to secure more desirable (higher returns, ceterisparibus) portfolio position. In doing so they collectively ensure that price

movements in response to new information are instantaneous and unbiased and will fully reflect all relevant information. Competition among participants to secure useful information will drive security prices form one equilibrium level to another so that the change in price in response to new information will be independent of the prior change in price. Price change will be random walk in response to the information.

"In an idle efficient market, every one knows all possible to know information simultaneously, interprets it similarly, and behaves rationally." (Bhalla; 1983:2). In such a world, the only price change that would occur is due to the result from new information. "An initial and very important premise of an efficient market is that there are large numbers of knowledgeable and profit maximizing investors adjust the information rapidly." (Reilly; 1986:166) "The degree of market efficiency has important implications for the economy and for the investment decision makers. In an economic sense, it is important that security prices provide accurate signals that can be used to allocate capital resources correctly. Mis-priced security result in incorrect allocation of capital." (Cheney; 1997:746).

In such a market, all prices are correctly stated and there are no "bargains" in the stock market. "Efficiency in this context means the ability of the capital markets to function so that prices of securities react rapidly to new information. Such efficiency will produce prices that are appropriate in terms of current knowledge and investors will be less likely to make unwise investments. A corollary is that investors will also be less likely to discover great bargains and thereby earn extraordinary high rates of return." (Bhalla; 1983:3).

The conclusion is that – "In an efficient market there are neither free lunches nor expensive dinners. It is not possible to systematically gain or lose abnormal profits from trading on the basis of available information" (Weston and Copland; 1996:934). No one can consistently do better than the average. "Efficient market

theorists believe that some do better then average because of luck. In fact they suggest that the 'traders'-those who buy and sell their stock frequently – do less well than the stock market averages by an amount equal to the commissions they pay" (Rubinstein; 1975:815).

One set of test of market efficiency examines the informational efficiency of security prices. Existing model of efficient markets imply that all relevant information regarding given stock is reflected in its current market price. This notion of market efficiency can be divided into three categories based on type of information used in making market decisions. They are explained as follows:

a) Weak Form Market Efficiency

"Weak form market efficiency hypothesizes that today's security prices fully reflect all information contained in historical security prices. This implies that no investor can earn excess returns by developing trading rules based on historical price or return information" (Weston and Copland; 1996:94)

b) Semi-strong Form Market Efficiency

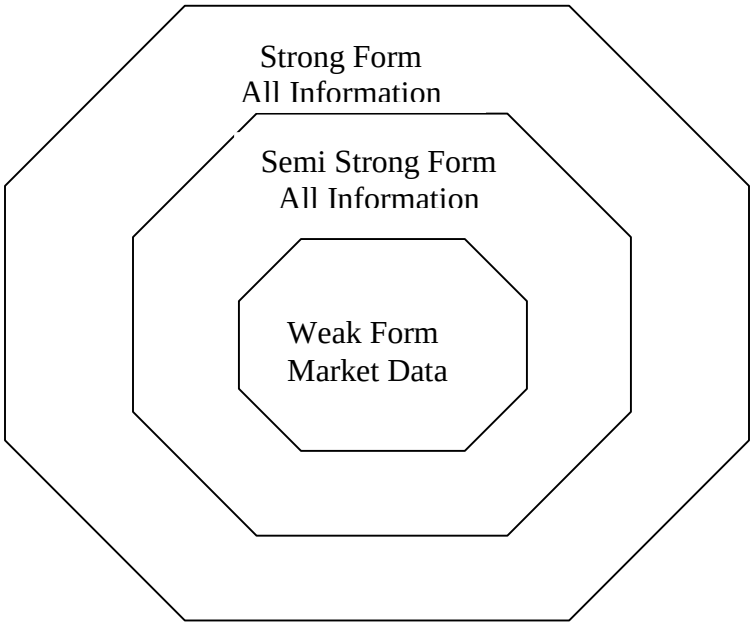
It says that security prices fully reflect all publicly available information. Thus, no investors could earn excess return using publicly available resources such as corporate annual reports, NEPSE price information or published investment advisory reports. It contains all publicly available data such as earnings, dividends, stock split announcements, new products development, financing difficulties and accounting changes. A market that quickly incorporates all such information into prices is said to be semi-strong efficient. "If the semi strong hypothesis is true then only a few than what could be earned by using a naïve buy and hold strategy." (Francis; 1986:608)

c) Strong Form Market Efficiency

"The most stringent form of market efficiency is the strong form, which asserts that price fully reflect al information, public and non public." (Jones; 1943:29) In such kind of market, no group or investors should be able to earn, over a reasonable period of time, excess rates of return by using publicly available information in a superior manner. "An extreme version of the strong form holds that all non public information, including information that may be restricted to certain groups such as corporate insiders and specialists on the exchanges, is immediately reflected in prices. In effect, this version refers to monopolistic access to information by certain market participants."

Figure No. 2.1

Market Efficiency in Three Information Level



These three hypotheses are not mutually exclusive; they differ only in the degree of market efficiency. It is notable point that a semi-strong efficient market encompasses the weak form of the hypothesis because price and volume data are part of the larger set of all publicly available information. Strong-form efficiency encompasses the weak and semi-strong forms and represents the highest level of

market efficiency. It is necessary for the weak form hypothesis to be true in order to the semi-strong and strong form hypothesis to be true.

2.2 Review of Journal and Articles

Articles, journal and bulletins are of great significances for thesis writing. So in order to make this study more comprehensive some articles related to stock price are consulted and reviewed.

Fama (1965), in his popular work *"The Behavior of Stock Market Price*" on the random walk model observed the daily proportionate prices of 30 individual stocks of the Dow Jones Industrial Average Index (DJIAI) for the period of 1957 to 1962. He employed the statically tools such as serial correlation and runs test to draw inference about depended of the price series. He calculated auto-correlation coefficient for daily changes in log prices for lag from 1 to 30 and found that the coefficient were almost close to zero in overall. The correlation coefficient for daily changes in average was +0.03, which is near to zero. But on the daily price changes, 11 out of 30 stocks had correlation coefficient more than twice their computed standard errors. The coefficient ranged from smallest 0.06 to largest 0.123. However Fama concluded, "Dependence as such a small order of magnitude is, from a practical point of view, probably unimportant for both the statistician and the investor." Fama also calculated serial correlation for lag from 1 to 10 for no-overlapping differencing intervals of four, nine and sixteen days to examine the possibility if price change across longer interval shows dependence. All the results are again not significantly different from zero.

Bachelier (1990), tested *"The Model In Commodity Prices"* and found that those prices followed a random walk. He presented the evidence that the commodity speculation in France was a 'Fair Game'. He also concluded that the certain price of a commodity was an unbiased certain estimate of its future price. After the first

discovery of the random walk model in 1990 by Louis Bachelier, empirical testing of the model in the stock market prices almost remained stagnant until 1960s.

Pradhan (1993), studied *"Stock Market Behavior in a Small Capital Market"* and concluded that large stocks have large PE ratios; large ratios of the market value to book of equity and smaller dividends. PE ratios and dividend ratio are more variable for smaller stocks where as market value to book value of equity is more variable for the large stocks.

Large stocks also have lower liquidity, higher leverage, lower profitability, and lower assets turnover interest coverage stocks. Smaller dividends, lower profitability, lower assets turnover, and lower interest coverage for large stock may be attributed to the fact that most of the large stocks are at their initial stage of operation. Stocks with large market value to book value of equity, large PE ratios and lower dividends. PE ratios are more variable for stocks with large market value to book value ratios and dividends ratios are more variable for stocks with smaller market value to book value.

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

Stock with large ratios large PE has large market value to book value of equity and smaller dividends ratios. However, their ratios of market value to book value of equity, and dividends are more variable for smaller stocks than for large stocks. Stocks with large PE ratios have lower liquidity, higher leverage, lower profitability, lower assets turnover, and lower interest coverage. However,

liquidity, leverage, earning turnover, and interest coverage are all more variable for stocks with smaller PE ratios as compared to large ones.

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

Robert and Nardin (1996), in the article *"Commonality in the Determinants of Expected Stock Returns"* presented with evidence that the determinants of the cross section of expected stock return were stable in their identify and influence from period to period and from country. The determinants were related to risk, liquidity, price level, growth potential and stock price history. Out of sample predications of expected returns, using moving average values for the pay-offs to these firm characteristics were strongly and consistently accurate. Two findings, however, distinguished their paper form others in the contemporary literature. First, the stock with higher expected and realized rate of return was unambiguously of lower risk than the stocks with lower returns. Second, they found that the important determinants of expected stock returns were strikingly common to the major equity markets of the world. Given the nature of the texts, it was highly unlikely that those results may be attributed to bias or data snooping. Consequently, the result seems to reveal a major failure in the efficient market hypothesis.

Panta (1999), analyzed in her study, *"Current Status Of Share Market In Nepal"*, the trend of Nepalese stock market and present state of primary and secondary market found satisfactory. According to her study, the development of stock market primarily depends on program and their implementation. In Nepal, the

overall policy environment has not been conducted to the development of stock market. Therefore, it is difficult to develop more efficient secondary market, trading system for both equity and debt securities.

Capital Market is a crucial element in the national economy. Its role in reinvigorating and boosting the economic activity in the country holds significant. The strategic plan released by securities board can, to a great extent, energize the investors, dealers by increasing investor interest in it. Security market experiences both boom and boast soon after the beginning of securities trading through broker's member in the stock exchange floor. Through the market started to function quickly boosting the price of share to an unexpected level, it could not sustained.

Karki (2001), made Study on *"ADB Experts Have Seen Many Obstacles To The Growth Of The Capital Market", finds* low level of investors' confidence and disclosure of poor and manipulated financial information. It also includes weak enforcements of regulation, absence of instructional investors, lack of diversity in range of financial instrument and the scope of active participation for the various intermediaries

SEBON states that it has made some attempts to address the issues through issuance of guidelines directives and disclosure formats to the market participants, codes of conduct for the stock brokers etc. it has also prepared a draft for the new securities exchange act which was presented to the Ministry of Finance in 1980 to initiate the necessary legislative process. However, it is still to be enacted by the parliament. Even though SEBON has made attempts to solve the problems, they are still there. It cannot escape of its duty to explain the present state of the market and deficiencies existing in the system. Taking necessary support from the government should take the required step to better coordinate the market participants to develop a healthy capital market in the country. Moreover it is

important to discipline the market participants and educate them of their moral duty to comply and make other comply with the prevailing rules and regulation. Only this can create the atmosphere where scandals like this one are repeated.

Share marketplace plays a fundamental role in channeling economy of an individual and a corporate region. On that account, it is a prolific zone of a country's financial system. In other words, share market is an important component of financial sector that provides and facilitates an ordinary exchange of long-term economic allegations. The concept of provincial market has also emerged in the stock exchange. If we can't move with the universal expansion we should at least consider the regional components. Establishing Credit Rating Agency (CRA) and Central Depository System (CDS) of securities' is another challenge. The ADB has clearly stated in its report that CRA and CDS are essential for the successful operation of the capital market.

Nepalese secondary market for the month of September remained unsatisfactory to the investors. True to the saying 'morning shows the day' the initiation of the market for the month was bad and remained so for the whole month. The first transaction for the month was made only on September 7 because of the public outrage of September 1 and its aftermath.

The market at the end August had turned bullish after the call-off of the indefinite blockade of the valley by the Moist but the bullish trend could not continue in the month of the September and in the first day of the transaction the market fell by 1.82 points. This trend continued and the NEPSE index dropped to 229.99 points on September 14. The index rose suddenly on the 15th September when the market sent that the Moist were calling off the indefinite closure of come 50 industries very soon. This bullish trend continued on the following two days as the industries opened on September 16 and the index reached 237.22 on September 17. But from

September 18 onwards the index declined continuously until September 28 due to political demonstration of four parties and two days Moist called strike in September end. The market gained marginally in the last two days of the month.

Shrestha (2001), made study on *"Return From Investment In Stock Is Not Short Run Phenomenon"*. "Investors have to learn few things before they make investment on stock. First of all they should know the financial health of that company. For example; if somebody want to invest in the share of Standard Charted Bank, he/she must see its balance sheet or at least paid-up capital, last year net profit, current year anticipated profit and calculate earning per share and price earning per share and price earnings ratio. These two numbers would give a fair idea about company health and then market price would judged through the discount factors based upon one of the sound company's data. Market price is equal to earning per share divided by discount factor. EPS can derived by dividing total net profit after tax by total number of shares and price earning ration by dividing market price per share by EPS. Lower the P/E ratio higher the chance of profit with capital gain and others."

Pradhan (2004), conducted the study on *"Nepal Stock Exchange's Securities Price Index"* (NEPSE Index) and revealed that during the month of June remained fluctuating. It remained bullish till June 10 reaching 216.75 and than it turned bearish continuously reaching the level of 211.31 on June 15. The rise was started with the appointment of new government and the main leader was commercial bank group the market dominating sector in the exchange understandable enough, the increase in the price was fueled by the expectation for early end of conflict between government and political parties, after the appointment of Deuba as a prime minister. But the publication of the third quarter financial result was no way less important factor for such positive impact on commercial bank sector as been in June 2004.

NEPSE index fell after reaching 216.75 on June 10 and plummeted to 211.31 over a short span of three days. This fall was however caused by notices published by some companies inviting application for their new issue as well as possible strike of the NEPSE employees and the wrangle among the political parties that delayed the formation of coalition of government.

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

The NEPSE index seems sensitive to political economical and financial sectors developments it has raised after the disclosure of financial situation by the companies and when there were positive signs of political stability and it decreased for some company shares. It shows that the investors are becoming aware about when to buy and sell the securities.

2.3 Review of Thesis

Under this section various master's level dissertation related to this study have been reviewed.

Khagendra Prasad Ojha (2000), has conducted a research on "*Financial Performance and Common Stock Pricing"*. The main objectives of his research were; to study and examine the difference of financial performance and stock

prices, to examine the relationship of dividends and stock price and to explore the signaling effects in stock price.

Nepalese stock market is in infancy stage, in general it is very new and just started to develop. Dominance of banking sector is prevalent in the market due to other industries including finance companies, insurance and manufacturing is not encouraging. Corporate firm with long history have a relatively stable profitability parameters that the firm established after the economic liberalization of 1990. Older firms have been issuing bonus share more times than the new one. Dividend per share is relatively more stable than the dividend payout ratio. That's why payout ratio and dividend yields have been highly fluctuating. Due to lack of proper investment opportunity most of the investors have directed their saving towards the secondary stock market. There is significant positive correlation between the dividends paid and stocks prices of banking and manufacturing industries. All other industries have not a perfect correlation between the dividends paid and stock prices. There is a positive correlation between the net worth per share and stock prices of banking, airline and hotel industries, there is no perfect correlation between the net worth per share and common stock price."

P.K. Poudyal (2002) *on "A Study on Share Price Behavior of Joint Venture Banks in Nepal"* is undertaken by using financial and statistical tools. To achieve the basic aim of this study, he set following objectives at the time of research.

- To identify the major financial indicators which affect on determining MPS.
- To examine and evaluate the relationship of MPS with various financial indicators like; EPS, NWPS, DPS and current years dividend.
- To identify whether stocks of the sampled companies are over priced, under- priced or equilibrium priced.

Major findings are:

- The growth rate analysis as a stand alone may not be adequate for the analysis of share prices behavior and may not represent the bank's performance in the secondary market.
- The ordinary least square equation of the book value per share on market value per share reveals that the independent variable does not fully explain the dependant variables on the basis of above mentioned two points; Nepal Stock Exchange operated in a weak form of efficient market hypothesis, including that the market prices move randomly. The market value per share does not accommodate all the available historical information.
- Having good track record of the financial position, the market potential investors buy the shares of joint venture commercial banks. Therefore, the shares of joint venture bans emerge as a blue-chip in the Nepalese Stock Market.
- The beta coefficient, which measures the risky ness 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 the other average stocks traded in the stock exchange.

Bachu Ram Dahal (2002), conducted a research on *"Stock Market Behavior of Listed Joint Stock Companies in Nepal"*. The study aims to find out the behavior of stock market in Nepal on the basis of secondary as well as primary data. His research objectives are: to study and analyze stock price and trend and volume of stock traded on the secondary market, to study analyze companies and maintenance of listed companies in Nepal stock exchange ltd., to study and analyze the investors views regarding the decision on stock investment, to study and examine the signaling factors' impact on stock price with the help of NEPSE

index and to suggest the abstract result to the interested parties related to stock market.

Major Findings of the Study

- Most of the investors were asked for their preference of investment sector major portion of them said that they were attached with banking sectors for investment.
- On analyzing primary data it was found that the stock market in Nepal is in developing stage, as investors are not well aware about the stock market.
- Investment process and its other factors like NEPSE index, price trend and investments facilitators are not doing their work in systematic way.
- The investors were not satisfied with their investment as they were asked whether they were satisfied or not to their investment.
- When investors were asked if they faced any difficulties in the stock market, majority of them replied that they were facing difficulties in Nepal stock market.
- It was found that investors in the stock market take the investment decision on the basis of market price of shares.
- The efficiency of stock markets' different parties, brokers, market makers, security exchange limited were not found efficient by analyzing interviewers' expression as they were not getting required support from these parties.
- On analyzing the price trend of two years NEPSE index in different months with the help of monthly trend showed that the price trend of different months of the year 2000 was in increasing trend, while that of year 2001 is in decreasing trends. So from this trend analysis we can say there is trend between two successive years.
- Volume of stock traded in stock exchange during the study period was found in increasing trend but in last year it was in decreasing trend.

Laxman Paudel (2003), conducted a research on "*The Movement of Stock Price Analysis of Joint Venture Commercial Banks*". Eight joint ventures commercial banks are taken as a sample banks on this study. His research objectives are: to examine the movement of stock price in relation to Nepal joint ventures commercial banks are either dependent or independent to historical prices stocks, to evaluate return and risk proportion of investments on stock of joint ventures commercial banks, to categorize the nature of stock tendency in relation to price stability, to study group wise overall behavior of NEPSE index, and to recommend for the improvement of stock market in Nepal.

Major findings of the Study

- Trade off relationship exits between the risk and return i.e. higher the risk higher the return and vice versa.
- There isn't an extreme relationship exits between MPPS with EPS and DPS.
- The variation of MC highly depends up on the PC and investment made by the banks.
- P-E ratio explains the investors' attitude of paying.
- Investors are not much aware of risk and return portfolio of the investment. They are added their funds on the basis of assumption and expectations rather than analysis.
- A risk aversion investor prefers secured and safe return by bearing of less risk; whereas a risk taking investor would like bearing of additional risk to maximize his return.
- The stocks of all sampled companies are under priced since their expected rate of returns is higher than the respective required rate of returns. Since the stocks are under priced therefore it is better to buy and hold the stock.

He also concludes that the NEPSE index is highly influenced by government policies, programs and the mode of its implementation. Regarding this, it observed

that conversion of securities into NEPSE and the establishment of SEBON in 1993, which reflects government policy to reform the capital market and foreign investment under the extended structural adjustment, introducing of modern open-out-cry system, liberalization policy have inspired and motivated the investors to do investment in securities. As a result, share prices significantly increased to a peak in the initial periods.

Khem Raj Adhikari (2004), conducted his research on *"Share Price Behavior of Joint Venture Banks In Nepal."* His research objectives are: to analyze the market share price behavior of joint venture banks in Nepalese stock market, to examine how safe or risky to invest on joint ventures bank's share and to analyze the sensitivity of the shares in relation to the market with the help of beta coefficient.

Major Findings

- The market share and the growth rates of different banking indicators used are not completely captured by the market value of these banks.
- NEPSE operates in a weak from of efficient hypothesis indicates by that the market price more randomly.
- Most of the banks are offering each dividend every year which may not applicable to others types of non-banking firms.
- In the security market line analysis it was found their all the banks under study are still under priced hence the potentially of each bank in beating the market still remains same.
- The average realized rate of return of all these banks are not the same over the sample period. Therefore the coefficient of variation can be preferred over the standard deviation as measurement of risk on the basis of co-efficient variation NSBIL shares can be considered as more risky where as NBL shares can be considered as less risky.

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

- Nepalese investors have not adequate education about the capital market. They do not have good knowledge and information to analyze the scenario and to forecast share price. Perhaps due to this reason stock price in NEPSE rather shows irrational behavior.
- In NEPSE, DPS, BPS & EPS individually do not have constituent relationship [with the market price of the share among the listed companies. The pricing behavior varies from one company to another. But EPS, BPS & DPS, jointly have significant effect in market price of the share. So, there may be other major factors affecting the share price significantly. NEPSE is in its primary stage, adopting open out cry system for stock trading and stockbrokers lack professionalism to create investing opportunities in NEPSE.
- Commercial banking sector has dominated the overall performance of NEPSE. Manufacturing & processing, trading and hotel sectors have weak performance. So, financial intermediaries are strong but their ultimate investment is suffering.
- Companies' performances (earning, dividend, book value, risk etc) information disclosed , timely AGM , political stability, national economy, demand & supply situation, strikes, demonstrations, ceasefire and peace talks (and their outbreak) are the major factors affecting the share price in NEPSE, according to the respondent of survey. Interest rate, retention ratio, cost of equity, tax rate, gold price , value of US $, global economy, market liquidity, season, day of the weak, size of the firm, change in the management do not significantly affect the price of the share in NEPSE.

- There is deficiency of proper laws and policies regarding the capital market. Shareholders are feeling unsecured to invest in security markets due to poor regulatory mechanism to protect shareholders interests. The implementation of existing laws is weak.
- Listed companies do not provide sufficient information (financial as well as non financial) to their shareholders and they are not able to act according to the shareholders' interests. The performance of most of the listed companies is not transparent.
- Since NEPSE is in increasing trend, in spite of unfavorable environment for investment, Nepalese citizens have a huge amount of scattered fund remained unproductive, which can be used in the industrial development through capital market to accelerate the economic growth of the nation.
- With the existing Maoist problem, industrial development and capital market development is impossible. So, the peaceful solution of the Maoist problem is preliminary condition for capital market and economic development in Nepal.

Niranjan Phuyal (2006), has conducted research on "*Stock Price Behavior of Selected Banking and Insurance Companies"* He has tried to show the functional relationship of MPS with other financial indicators: DPS, EPS, NWPS and price appreciation along with the fundamental concept of stock market. He has attempted to show the behavior of chartists (Technicians) and fundamentalists in relation to projection of equity prices. To achieve the basic aim of this study, he set following objectives at the time of research. to identify the major financial indicators which affect on determining MPS, to examine and evaluate the relationship of MPS with various financial indicators like; EPS, NWPS, DPS and current years dividend, to identify whether stocks of the sampled companies are over priced, under- priced or equilibrium priced, to study the singling and

informational effect on share price and to examine Nepalese investors' response on the change of stock.

To achieve the above objective, he has taken 5-year financial data of 5 leading commercial Banks, 3 finance companies and 2 Insurance companies. He applied econometric model to show the relationship between the independent variables and their linear impact on MPS. Correlation coefficient and regression equations were calculated and derived to estimate future MPS. However, this study covered very few variables due to which the inferences drawn might lead to wrong conclusion. In research design, he explained, "To draw inferences on the market performance of stock market and price formation, different measures have been used, while collecting and interpreting relevant data, facts and figures with a view to systematic data collection and data's interpretation. Simple statistical tools have been used to finish this research works, which represent the explanatory and descriptive analysis of the relevant information and data." Nevertheless, this study tries to explore the determinants of equity price by way of showing the functional relationship between the equity price and financial indicators along with the fundamental knowledge of stock market in Nepalese context. The major findings of this study are given below:

- Nepalese investors have limited knowledge about security market. It lacks of professional investors.
- Most of the stocks of banking and finance companies are under valued in the stock market.
- Investors are trading the stocks without proper analysis of the financial indicators.
- The price fluctuating trend is not predictable by general investors.
- Signaling factors should be analyzed on regular basis by the concerned authority so that the future movements of price can be predicted from the side of analyst and investors.

Devaki Pathak (2006), has conducted research on *"Stock Price Movement of Listed Companies on Securities Market in Nepal"*. The study is based on descriptive as well as analytical where descriptive approach will be utilized mainly for conceptualization of the problem and analytical approach will be followed mainly to analyze the effect and cause of price movement of various listed companies in NEPSE. The objectives of the study were: to analyze the trend of the Nepalese stock market, to examine the stock market situation in Nepal, to analyze the related variable of the stock price movement and to examine and study the impact of the signaling factors and the stock price with the help of NEPSE Index.

The major findings of his study were:

- On analyzing the rend of 4 years NEPSE index in different months with the help of monthly trend, showed that the index in the year 2000 was in increasing trend, 2001 was in decreasing, 2002 was sometime increasing and 2003 was rapidly decreasing trend. So from this trend analysis we can say that there is negative correlation between 4 years.
- While analyzing the rate of listing new companies it was seen that there was increasing trend from the 1994/95 to the year 2000/01.
- Studying the sector wise monthly analysis for one fiscal year (2002/03), it was found that there exist unsystematic activities of the Nepalese stock price.

Pankaj Khadka (2007), had done research on *"Issue of Rights Share and Its Effect on General Market Price in Nepalese Context."* His study based on Rights Share and effect on market price. The objectives of his study are as follows: to evaluate the significant changes in share price after the announcement of right offering, to examine the procedure and mechanism of rights issue in the context of Nepal, to analyze the problems associated with rights issue in Nepal and to recommend appropriate implications on the basis of findings.

His Research findings are as follows:

- Rights share issue is comparatively new practice in Nepal. Therefore only those sample companies whose market prospects are good are able to increase the market capitalization through right issue but small and now reputed companies faces lots of problems in this regard.
- The rights issue practice is mainly dominated by the banking and finance sectors. There are hardly few causes found of other sectors practicing the right issue.
- The issuing of rights share has a long process. There is no time framework. The right announcement date, book closer date/ex-right date, right issue and closing dates are differing from one company to another. The announcement date and right issue date varies company to company. This makes the illusion to the investor and affects the market price of the related stock and it's hard to study the price behavior of market price.
- There is significant difference in the share price before and after the ex-rights dates in most of the sample company but they don't follow the theory of right offering exactly.
- According to the theory, the share price after ex-right date will decrease by the value of a right but most of the sample company market share price didn't decrease accordingly.
- Shareholders of Nepalese companies lack the knowledge about the right share and its impact on their wealth position. Due to this free movement of share movement of share price during rights on and ex-right is not confirmed.
- Under subscription of rights share is common phenomena as rights is not transferable in Nepal.
- Most of the finance company doesn't show significant change in the price before and after ex-right date.
- Market imperfection is found through out the study period.
- Company Act is not adequate regarding the issue procedure of right share and allotment.

CHAPTER – III

RESEARCH METHODILOGY

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

3.1 Research Design

In order to make any type of research a well-set research design is necessary to fulfill the objectives of the study. Generally, research design means definite procedure and techniques which guides to study and provide ways for research viability. It is arrangements for collection and analysis of data. To achieve the objective of this study, descriptive and analytical research design has been used. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been adopted to determine the relation between corporate performance and stock price of listed companies in the NEPSE.

3.2 Variables

A variable is a symbol to which numerals or values are assigned. So, the variables can take on values. This research intends to identify the factors that affect share price in NEPSE. So, the market price of the share is the dependant variable, which is affected by many variables, such variables are regarded as the independent

variables in the study. The entire factors that affects the market price of shares , such as, earnings, dividends, interest rate, liquidity, book value of share, economy of the nation, peace & prosperity, rumors and whims etc. are the independent variables.

3.3 Population and Sample

This study has been totally confined to the institutions listed in the Nepal stock exchange. Total numbers of organization listed are 135. These listed organizations according to their nature of business are categorized into six groups also called sectors. These sectors are;

1. Banking
2. Finance
3. Insurance
4. Hotel and Service
5. Manufacturing
6. Trading

This study has been limited to the 3 banking, 3 finance, 3 insurance and 3 manufacturing sector. The purposive sampling method is applied in the study to select the listed stocks of the NEPSE. Fourteen organizations have been selected from the population of 135 listed stocks. The selected stocks are as follows:

Banking sector

1. Standard Chartered Bank Ltd.
2. Bank of Kathmandu Ltd.
3. Kumari Bank Ltd.

Finance Sector

4. People Finance
5. Nepal Share Market
6. Kathmandu Finance

Insurance Sector

7. National Life & General Insurance
8. Everest Insurance
9. Neco Insurance

Other Sector

10. Bottler Nepal Ltd.
11. Uni Lever Nepal
12. Nepal Lube Oil

.

3.4 Sources of Data

Data have been obtained from secondary sources. The sources of secondary data are AGM reports of listed companies, SEBO/N, NEPSE, and other concerned organizations, bulletins, publications, researches, journals, unpublished thesis reports, newspapers, journals, and internet. The sample period cover the period of five years commencing from 2002/03 to 2006/07. Using these data financial performance as well as relation has been developed. The facilities available at Nepal Commerce Campus Library, Central Library and concerned agencies researcher used which have a wide range of related books journals and other publication.

3.5 Data Collection Techniques

The researcher has visited the different libraries, concerned companies, NEPSE, SEBO-N and other useful book stores; and collected related publications and periodicals. Official websites were searched in order to collect required information. Furthermore, secondary data related to common stocks of concerned companies have been downloaded from the official website of NEPSE, http://www.nepalstock.com.

3.6 Data Analysis Tools

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

3.6.1 Financial Tools

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

Holding Period Return

Generally, single period return or holding period return is represented by R and expressed in terms of percentage basis. It is calculated as

$$\text{HPR} = \frac{\text{Ending Price - Beginning Price + Cash Dividend}}{\text{Beginning Price}}$$

Symbolically,

$$\text{HPR} = \frac{P_t - P_{t-1} + D_t}{P_{t-1}} = \text{Capital Gain + Dividend Yield}$$

Where, P_t = Price of a stock at time t

P_{t-1} = Price of a stock at time t-1

D_t = Dividend per share at time t

Risk and Return Analysis of Market

Return on Market

Annual return on market is the average return of market based on the index of market. It is denoted by R_m. Under this study, NEPSE index will be used. It is a

value weighted index and comprises of all the stocks listed in NEPSE. The NEPSE index is used for the study.

$$\text{Annual Market Return } (R_m) = \frac{\text{Ending NEPSE Index - Beginning NEPSE Index}}{\text{Beginning NEPSE Index}}$$

$$\text{Average Market Return } (\overline{R_m}) = \frac{\sum R_m}{N}$$

where $\sum R_m$ = Summation of annual market return

N = Number of observations

Risk of Market Return

Risk of market return is also measured by the standard deviation of the returns of market. The standard deviation of market returns is computed as

$$\text{Standard Deviation } (\pm_m) = \sqrt{\frac{\sum \left(R_m - \overline{R_m}\right)^2}{N-1}}$$

Market Sensitivity Analysis

Covariance

The covariance measures how two variables co-vary. It is a measure of the absolute association between two variables. Here, how the returns of individual stocks and the market return co-vary will be measured by covariance between the return of individual stocks and market return. It is computed as

$$\text{Cov}\left(R_j, R_m\right) = \frac{\sum \left(R_j - \overline{R_j}\right)\left(R_m - \overline{R_m}\right)}{N-1} = \circ_{jm} \pm_j \pm_m$$

If two variables are independent, their covariance is zero.

3.6.2 Statistical Tools

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

Correlation Coefficient

When the relationship is of quantities nature, the appropriate statistical tool for discovering and measuring the relationship and expressing it in a brief formula is known as correlation. If the values of the variables are directly proportional then the correlation is said to be positive. On the other hand, if the values of the variables are inversely proportional, the correlation is said to be negative, but the correlation is said to be negative, but the correlation coefficient always remains within the limit of + 1 to – 1. By Karl person, the simple correlation coefficient (R)

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

Where,

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

'r' lies between +1 to -1

When r = +1, there is perfect positive correlation

When r= -1, there is perfect negative correlation

When r = 0, there is no correlation

When r lies between 0.7 to 0.999 9 (or -0.7 to -0.999), there is high degree of positive or negative correlation

When r lies between 0.5 and 0.699, there is moderate degree of correlation

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

Coefficient of (Multiple) Determination (R^2)

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

$$\text{Coefficient of Determination } \left(R^2\right) = \frac{\text{Explained Variation}}{\text{Total Variation}}$$

Regression Equation of X on Y

The regression equation is expressed as;

$$Y = a + bx$$

We shall get the normal equation for estimating 'a' and 'b' as

$$\sum Y = na + b\sum X$$
$$\sum XY = a\sum X + b\sum X^2$$

Where,

Y= the value of dependent variable

a = Y-intercept

b = slope of the trend line/coefficient of regression

X = value of independent variable

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 independent Y for a unit change in the value of the independent variable X. In other words, it is represent the rate of change. The convenient way to calculate the variable of 'b' is as;

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

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

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

Test of Regression Coefficient by t-Test

It was developed for the significant contribution in the theory of sampling applicable in case of small samples. When population variance is not known, the test is commonly known as student's t-test and is based on the t-distribution. As the sample size gets larger, the shape of the t-distribution loses its flatness and becomes approximately equal to the normal distribution.

For applying t-test in context of small samples, the t-value is calculated first of all and then compared with table value't' at certain level of significance for given degree of freedom. If the calculated value of 't' exceeds the table value say ($t_{0.05}$) it

infers that the difference is significant at 5% level but if ‘t’ is less than the concerning table value of ‘t’, the difference is not treated as significant.

The test is used when two condition are fulfilled;

- The sample size is less than 30.
- The population standard deviation must be unknown.

Let r be the observe sample correlation coefficient a sample of n pairs of observations from bivarate normal population. In order to test whether the sample correlation coefficient is significant of any correlation between the variables in the population, t-test for significance of an observed sample correlation coefficient is applied. The steps for testing of significance of an observed sample correlation coefficient are as follows.

Null Hypothesis(H_o): $\rho = 0$ that is population correlation coefficient is zero. In other words, the variable are insignificantly correlated in the population i.e. ‘r’ is not significant of correlation in the population.

Alternative Hypothesis(H_1): $\rho \neq 0$ that is population correlation coefficient is not zero. In other words, the variable are significantly correlated in the population i.e. ‘r’ is significant of correlation in the population.

Test Statistic, under H_o, the test statistic is

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

i.e. follows t-distribution with (n-2) d.f., n being the sample.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is the backbone of the research. In this chapter, both the primary and secondary data are presented in systematic manner. The sources of data were company brochure, annual reports, NEPSE website, SEBO/N website and library, and different companies and stock brokers (questionnaire). Those collected data are presented in systematic formats and analyzed using different appropriate tools and techniques. In this chapter, in addition to that the relationship of the variables is presented in graphs and figures. The analysis of data consists of organizing, tabulating and performing statistical analysis. In this chapter, the secondary as well as primary data, collected from different sources are presented in understandable form and analyzed separately using both qualitative and quantitative measures whichever is appropriate.

Table 4.1

Listed Companies by the End of the Fiscal Year 2006/07

S.No.	Sectors	Number of Listed Companies	Company Percent
1	Commercial Bank	15	11.11
2	Development Bank	16	11.85
3	Finance Company	53	39.26
4	Insurance Company	16	11.85
5	Hotel	4	2.96
6	Mfg. & Process. Co.	21	15.56
7	Trading Company	5	3.70
8	Other Company	5	3.70
Total		**135**	**100**

Source: SEBO Annual Report 2006/07

Classification of Listed Companies

Out of 135 listed companies, NEPSE classified 15 commercial bank, 16 development banks, 53 finance company, 16 insurance company, 4 hotel, 21 manufacturing and processing company, 5 trading company and 5 other company listed in the NEPSE out of 135 only 12 companies are taken for the study

Table 4.2
Listed Companies under Study

.

S. No.	Name of the Sample Companies
1	SCBNL Bank Ltd.
2	Bank of Kathmandu Ltd.
3	Kumari Bank Ltd
4	Kathmandu Finance
5	Nepal Share Market
6	People Finance
7	National Life & General Insurance Co. Ltd
8	Everest Insurance Co. Ltd
9	NECO Insurance Co. Ltd
10	Unilever Nepal Ltd
11	Nepal Lube Oil
12	Bottlers Nepal Ltd

4.2 Relationship Between EPS, DPS & BVPS to MVPS

To analyze the relationship of EPS, DPS and BVPS to MVPS, it is assumed that the market price of share is influenced with the changes in EPS, DPS and BVPS. So, MVPS is the dependant variable; whereas EPS, DPS & BVPS are independent variables. Here in this section, relationship of EPS, DPS & BVPS with MVPS is determined separately to each of the sampled listed companies. The correlation analysis is performed to determine the relationship of EPS, DPS, & BVPS with MVPS. To determine the effect of EPS, DPS & BVPS on MVPS, simple correlation as well as their coefficient of determination are calculated. For the test

of hypothesis of simple and multiple coefficient; calculated t-value are compared with the tabulated t-value at 5% level of significance. To determine the magnitude of the effects of the independent variables to the dependant 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 (MVPS being dependant variable and EPS, DPS and BVPS being independent variables).

4.3 Analysis of Financial Indicator

4.3.1 Standard Chartered Bank of Nepal

Table 4.3 summarizes the financial performances of SCBNL over last five Years and table 4.4 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.3
Summary of the Financial Performance of SCBNL

Year	MVPS	EPS	DPS	BVPS
2002/03	1640	149.3	100	403.15
2003/04	1745	143.55	110	399.25
2004/05	2345	143.14	120	422.37
2005/06	3775	175.84	140	468.22
2006/07	5900	167.35	130	512.12
Total	**15405.00**	**779.18**	**600.00**	**2205.11**
Mean	**3081.00**	**155.84**	**120.00**	**441.02**
SD	**1791.05**	**14.90**	**15.81**	**48.27**
CV	**58.13%**	**9.56%**	**13.18%**	**10.5%**

Source: Annual Report of SCBNL

For SCBNL, it is found from the table and figure 4.1 that the BVPS and EPS are in the increasing trend till the year 2006/07. BVPS and EPS are very less volatile with 10.5% coefficient of variation (CV) of BVPS and 9.56% CV of EPS. In

comparison to these, DPS is little bit more volatile with 13.18% of CV where as MVPS is highly volatile with 58.13% CV in the last five Years period.

Similarly, while comparing SCBNL with Industrial benchmark (i.e. the average performance of selected 12 companies) it is revealed that for MVPS, mean MVPS of SCBNL 3081is greater than industrial mean of MVPS 705.68, Standard deviation of MVPS 1791.05 is higher than industrial standard deviation 347.92 and Coefficient of Variation 58.13 is more than industrial CV 43.54. This result shows that MVPS has very good performance. For EPS, its mean is higher 155.84 than industrial average 43.05, coefficient of variation 9.56 is lesser than industrial average 64.30 but standard deviation 14.90 is lesser than industrial SD 15.84, thus, is good however it is no more risky than industrial average EPS. For DPS SCBNL mean 120is greater than industrial average mean 23.83, standard deviation 15.81 is greater than industrial average SD 17.13 and less Coefficient of variation 13.18 is lesser than industrial CV 87.51. It proves that SCBNL BVPS is satisfactory. Finally, for BVPS, SCBNL mean BVPS 441.02 is greater than industrial average 230.03, standard deviation 48.27 is greater than industrial average 54.84 and CV 10.95 is also lesser than industrial average 23.15. Thus, BVPS has very good performance. Thus, in overall, SCBNL has very good performance in the last five Years

Table 4.4
Relationship of EPS, DPS and BVPS with MVPS of SCBNL

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.7638	0.5835	2.050	3.182	Not Significance
MVPS Vs DPS	0.7438	0.5532	1.927	3.182	Not Significance
MVPS Vs BVPS	0.9924	0.9854	14.505	3.182	Significance

Source: Appendix (2, 3 & 4)

Where,

T–table value is at 5% level of significance (n-2 = 5-2 = 3 degree of freedom)

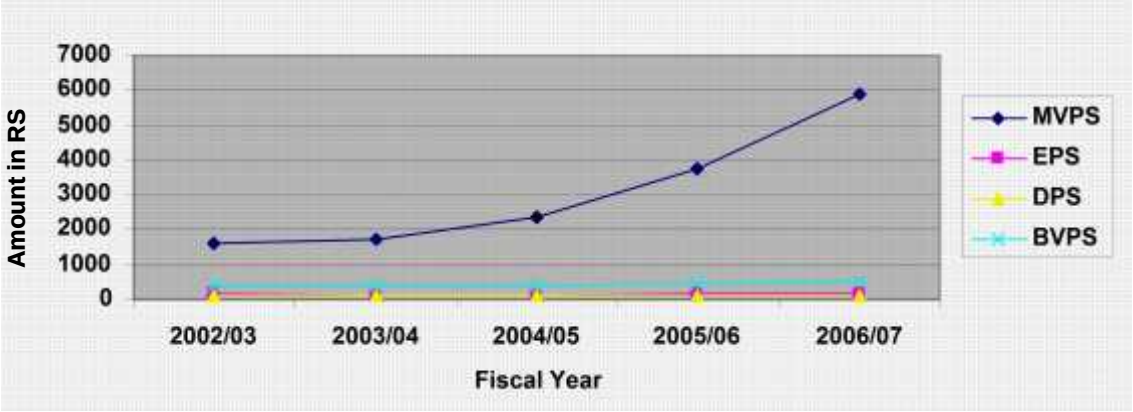
r = correlation coefficient

r^2 = coefficient of (simple) determination

Looking at the simple correlation analysis, MVPS of SCBNL is positively correlated with DPS meaning that increasing the DPS, MVPS increases and vice versa. On the other hand, MVPS is positively correlated with BVPS and EPS. However, there is high degree of correlation. The coefficient of simple determination shows that 55.32% of changes in the MVPS is explained by DPS, where as only 98.54% and 58.35% of the changes in the MVPS is explained by BVPS and EPS respectively. Even though, the MVPS is affected by DPS, BVPS and EPS, the degree of correlation are not significant at 5% level of confidence for two independent variables and significant with BVPS even the MVPS is relatively more positively correlated with EPS, DPS and BVPS.

The linear relationship of EPS, DPS, BVPS and MVPS of SCBNL is presented in the figure 4.1.

Figure 4.1
Relationship of MVPS with EPS, DPS and BVPS of SCBNL



From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.5
Simple Regression Equation of SCBNL

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = -11231.259 + 91.842EPS
2	MVPS Vs DPS	MVPS = -7029 + 84.250 DPS
3	MVPS Vs BVPS	MVPS = -13166.085 + 36.840 BVPS

The regression constant -11231.259 implies that when EPS is zero, MVPS is -11231.259. The constant for EPS 91.842 implies that when EPS increases by Rs 1, MVPS increases by Rs 91.842 and vice versa. The simple correlation coefficient is 0.7638.

The regression constant -7029 implies that when DPS is zero, MVPS is -7029. The constant for DPS 84.250 implies that when DPS increases by Rs 1, MVPS increases by Rs 84.250 and vice versa. The simple correlation coefficient is 0.7438.

The regression constant -13166.085 implies that when BVPS is zero, MVPS is -13166.085. The constant for BVPS 36.840 implies that when BVPS increases by Rs 1, MVPS increases by Rs 36.840 and vice versa. The simple correlation coefficient is 0.9929.

4.3.2 Bank of Kathmandu

Table 4.6 summarizes the financial performances of BOK over last five Years and table 4.7 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.6
Summary of the Financial Performance of BOK

Year	MVPS	EPS	DPS	BVPS
2002/03	198	17.72	5	192.52
2003/04	295	27.5	10	218.38
2004/05	430	30.1	15	213.6
2005/06	850	43.67	18	230.67
2006/07	1375	43.5	20	162.81
Total	**3148.00**	**162.49**	**68.00**	**1017.98**
Mean	**629.60**	**32.50**	**13.60**	**203.60**
SD	**485.35**	**11.12**	**6.11**	**26.64**
CV	**77.09%**	**34.23%**	**44.91%**	**13.08%**

Source: Annual Report of BOK

It is revealed from above tables and figure 4.2 that the BOK has not consistent performance over the five Years period. MVPS is more volatile with 77.09% of CV. In comparison to MVPS, EPS and DPS are less volatile with 34.23% CV of EPS and 44.91% CV of DPS. On the other hand, BVPS has relatively consistence performance with lower CV of 13.08%.

For MVPS of BOK, mean MVPS is lesser, SD is lesser, and CV is also lesser than that of industrial average indicates clearly that MVPS of BOK isn't satisfactory. For EPS, mean EPS is lesser, SD and CV are lesser than industrial; average meaning that it is not satisfactory. For DPS, BOK has higher mean of DPS, greater SD and lesser CV, so DPS can be taken as a good performer. And finally for BVPS of BOK, mean BVPS is greater, and SD and CV are lesser than that of industrial average, meaning that is also good. Thus, it is revealed from above analysis that BOK has good performance in last five Years

The linear relationship of EPS, DPS and BVPS to MVPS of BOK are presented in figure 4.2

Figure 4.2
Relationship of MVPS with EPS, DPS and BVPS of BOK

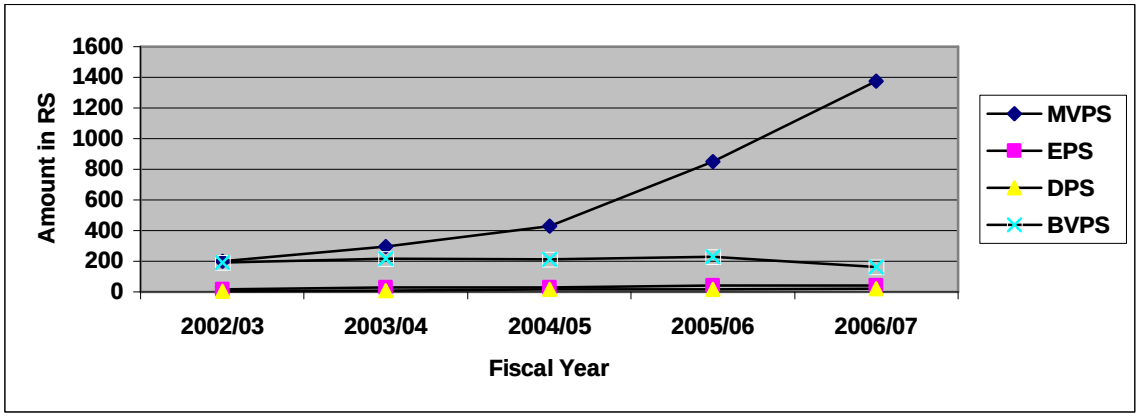


Table 4.7
Relationship of BVPS, EPS and DPS with MVPS of BOK

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.8887	0.7898	3.357	3.182	Significance
MVPS Vs DPS	0.8752	0.7660	3.134	3.182	Not Significance
MVPS Vs BVPS	0.5144	0.2646	-1.039	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with the independent variables EPS, DPS and BVPS which indicates that on increasing EPS, DPS and BVPS, MVPS also increases and vice versa. BVPS is less correlated to MVPS than the EPS & DPS. The coefficient of determination shows that the 5% of changes in the MVPS is explained by BVPS, 78.98% of changes in the MVPS is explained by EPS and this ratio to DPS is 76.60%.The simple correlation of coefficients of DPS & BVPS with MVPS are not significant at 5% level of significance but significant at 5% level of significance with the correlation of coefficients of EPS with MVPS.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.8
Simple Regression Equation of BOK

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = -630 + 11.55 EPS
2	MVPS Vs DPS	MVPS = -316.311 + 69.552 DPS
3	MVPS Vs BVPS	MVPS = 2537.832 – 9.373 BVPS

The regression constant -630 implies that when EPS is zero, MVPS is -630. The constant for EPS 11.55 implies that when EPS increases by Rs 1, MVPS increases by Rs 11.55 and vice versa. The simple correlation coefficient is 0.887.

The regression constant -316.311 implies that when DPS is zero, MVPS is -316.311. The constant for DPS 69.552 implies that when DPS increases by Rs 1, MVPS increases by Rs 69.552 and vice versa. The simple correlation coefficient is 0.8752.

The regression constant 2537.832 implies that when BVPS is zero, MVPS is -2537.832. The constant for BVPS – 9.373 implies that when BVPS increases by Rs 1, MVPS decreases by Rs 9.373 and vice versa. The simple correlation coefficient is -0.5144.

4.3.3 Kumari Bank Limited

Table 4.9 summarizes the financial performances of KBL over last five Years and table 4.10 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.9
Summary of the Financial Performance of KBL

Year	MVPS	EPS	DPS	BVPS
2002/03	0	3.26	0	112.25
2003/04	0	9.74	0	114.03
2004/05	369	17.58	0	141.11
2005/06	443	16.59	22.1	149.22
2006/07	830	22.7	22.1	148.69
Total	**1642.00**	**69.87**	**44.20**	**665.30**
Mean	**328.40**	**13.97**	**8.84**	**133.06**
SD	**347.16**	**7.56**	**12.10**	**18.48**
CV	**105.71%**	**54.11%**	**136.93%**	**13.89%**

Source: Annual Report of KBL

It is revealed from above tables and figure 4.3 that the KBL has not consistent performance over the five Years period. MVPS is highly volatile with 105.71% of CV. In comparison with MVPS, EPS are less volatile with 54.11% CV of EPS. On the other hand, BVPS had relatively consistence performance with lower CV of 13.89%.

Similarly, the comparative analysis of KBL with industrial benchmark reveals the following results:

For MVPS of KBL, it is less risky but mean is less than industrial average and more volatile. For EPS of KBL, mean is less than industrial average, risk level as well as CV is also less. Similarly, looking at DPS, the factors mean & SD are less than that of industrial average and CV are more than that of industrial average. Finally, the BVPS shows the result that mean, risk and CV of BVPS is less than industry average. Thus, in overall, KBL does not have good performance in the last five Years

The linear relationship of EPS, DPS and BVPS to MVPS of KBL are presented in figure 4.3

Figure 4.3
Relationship of MVPS with EPS, DPS and BVPS of KBL

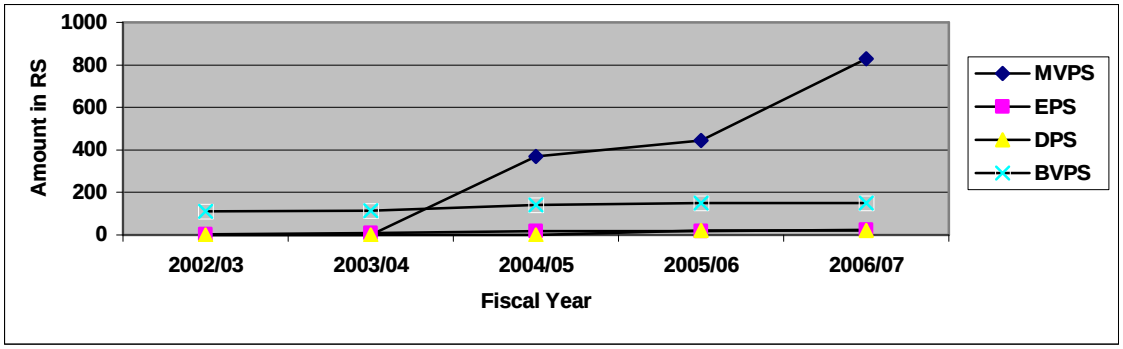


Table 4.10
Relationship of BVPS, EPS and DPS with MVPS of KBL

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.9268	0.8590	4.276	3.182	Significance
MVPS Vs DPS	0.8102	0.6564	2.394	3.182	Not Significance
MVPS Vs BVPS	0.900	0.8108	3.586	3.182	Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with all the independent variables (i.e. EPS & BVPS) which indicates that on increasing EPS and BVPS, MVPS also increases and vice versa. MVPS is more correlated to EPS than the BVPS. The coefficient of determination shows that the 85.90% of changes in the MVPS is explained by EPS, 81.08% of changes in the MVPS is explained by BVPS and this ratio to DPS is 65.64%.The simple correlation of coefficients of DPS with MVPS are not significant at 5% level of significance. But EPS and BVPS is more positively correlated with MVPS than others and significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.11
Simple Regression Equation of KBL

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = -266.232 + 42.553 EPS
2	MVPS Vs DPS	MVPS = 123 + 23.235 DPS
3	MVPS Vs BVPS	MVPS = -1922.873 + 16.919 BVPS

The regression constant -266.232 implies that when EPS is zero, MVPS is -266.232. The constant for EPS 42.553 implies that when EPS increases by Rs 1, MVPS increases by Rs 42.553 and vice versa. The simple correlation coefficient is 0.9268.

The regression constant 123 implies that when DPS is zero, MVPS is 123. The constant for DPS 23.235 implies that when DPS increases by Rs 1, MVPS increases by Rs 23.235 and vice versa. The simple correlation coefficient is 0.8102.

The regression constant -1922.873 implies that when BVPS is zero, MVPS is -1922.873. The constant for BVPS 16.919 implies that when BVPS increases by Rs 1, MVPS increases by Rs 16.919 and vice versa. The simple correlation coefficient is 0.99004.

4.3.4 National Life & General Insurance Co.

Table 4.12 summarizes the financial performances of BOK over last five Years and table 4.13 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.12
Summary of the Financial Performance of NL&GI

Year	MVPS	EPS	DPS	BVPS
2002/03	460	43.58	0	275
2003/04	270	59.03	0	294.37
2004/05	431	40.27	0	100
2005/06	304	34.83	0	250
2006/07	720	48.56	0	561
Total	**2185.00**	**226.27**	**0.00**	**1480.37**
Mean	**437.00**	**45.25**	**0.00**	**296.07**
SD	**177.65**	**9.18**	**0.00**	**166.73**
CV	**40.65%**	**20.28%**	**0.00**	**56.31%**

Source: Annual Report of NL&GI

It is revealed from above tables and figure 4.4 that the NL& GI has not consistent performance over the five Years period. BVPS is highly volatile with 56.31% of CV. In comparison to BVPS, MVPS and EPS are less volatile with 40.65% CV of MVPS and 20.28% CV of EPS. On the other hand, DPS had relatively no performance with lowest CV of 0%.

Similarly, comparative analysis of NL& GI with industrial benchmark reveals the following information:

For NL& GI, MVPS has good performance; EPS is good, mean EPS is a bit more than industrial average. Likewise, DPS is no satisfactory and its level of consistence is very low and last but not least, BVPS is satisfactory as well. Therefore, NL& GI in overall have satisfactory performance.

The linear relationship of EPS, DPS and DPS to MVPS of NL& GI are presented in figure 4.4

Figure 4.4
Relationship of MVPS with EPS, DPS and BVPS of NL&GI

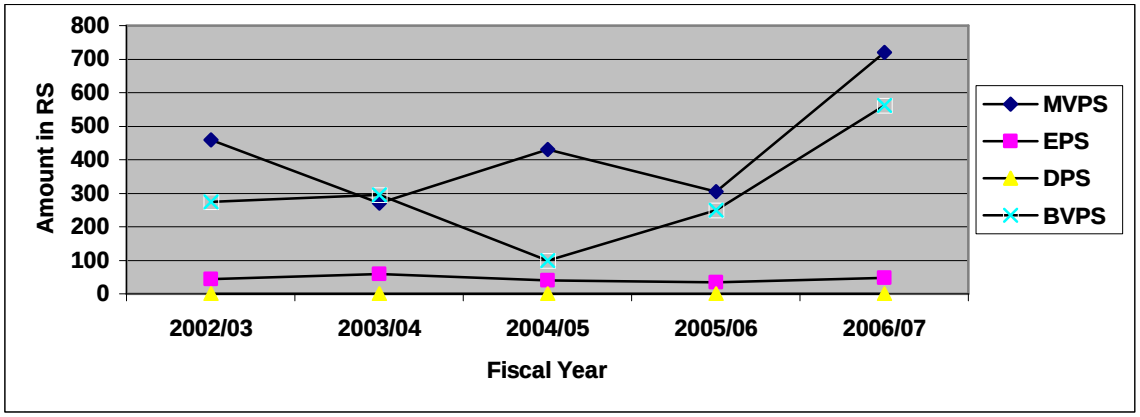


Table 4.13
Relationship of BVPS, EPS and DPS with MVPS of NL&GI

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.0020	0.00004	0.003	3.182	Not Significance
MVPS Vs DPS	0	0	0	3.182	Not Significance
MVPS Vs BVPS	0.6928	0.4799	1.664	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with the independent variables EPS & BVPS which indicates that on decreasing EPS and BVPS, MVPS also decreases and vice versa. MVPS is a zero to DPS. The coefficient of determination shows that the 0 of changes in the MVPS is explained by DPS, 47.99% of changes in the MVPS is explained by BVPS and this ratio to EPS is 0.004%.The simple correlation of coefficients of DPS, BVPS and EPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.14
Simple Regression Equation of NL&GI

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 435.281 + 0.038 EPS
2	MVPS Vs DPS	MVPS = 0 + 0DPS
3	MVPS Vs BVPS	MVPS = 218.465 + 0.738 BVPS

The regression constant 435.281 implies that when EPS is zero, MVPS is 435.281. The constant for EPS 0.038 implies that when EPS increases by Rs 1, MVPS increases by Rs 0.038 and vice versa. The simple correlation coefficient is 0.0020.

The regression constant 0 implies that when DPS is zero, MVPS is 0. The constant for DPS 0 implies that when DPS increases by Rs 1, MVPS increases by Rs 0 and vice versa. The simple correlation coefficient is 0.

The regression constant 218.465 implies that when BVPS is zero, MVPS is 218.465. The constant for BVPS 0.738 implies that when BVPS increases by Rs 1, MVPS increases by Rs 0.738 and vice versa. The simple correlation coefficient is 0.6928

.

4.3.5 Everest Insurance Company

Table 4.15 summarizes the financial performances of EI over last five Years and table 4.16 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.15
Summary of the Financial Performance of EI

Year	MVPS	EPS	DPS	BVPS
2002/03	610	61.73	100	510
2003/04	350	33.73	0	200
2004/05	325	20.9	50	150
2005/06	305	13.94	0	188
2006/07	290	10.25	0	145.92
Total	**1880.00**	**140.55**	**150.00**	**1193.92**
Mean	**376.00**	**28.11**	**30.00**	**238.78**
SD	**132.73**	**20.82**	**44.72**	**153.42**
CV	**35.30%**	**74.06%**	**149.07%**	**64.25%**

Source: Annual Report of EI

It is revealed from above tables and figure 4.5 that the EI has not consistent performance over the five Years period. DPS is highly volatile with 149% of CV. In comparison to DPS, MVPS, EPS & BVPS are less volatile with 35.30% CV of MVPS, 64.25% CV of BVPS as well as 74.06% CV of EPS.

The comparative analysis of EI performance with industrial benchmark yields the following results:

For MVPS of EI, it's mean is lesser than that of average otherwise good, for EPS, it is more similar to MVPS, for DPS, it has the same case as of MVPS but CV is more than that of industry average and finally, for BVPS, mean is greater than industry average and risk and CV is lesser than that of industry average. Thus, in overall, the good performance of EI is lacked by lower mean of independent variables in the last five Years period.

The linear relationship of EPS, DPS and BVPS to MVPS of EI are presented in figure 4.5

Figure 4.5
Relationship of MVPS with EPS, DPS and BVPS of EI

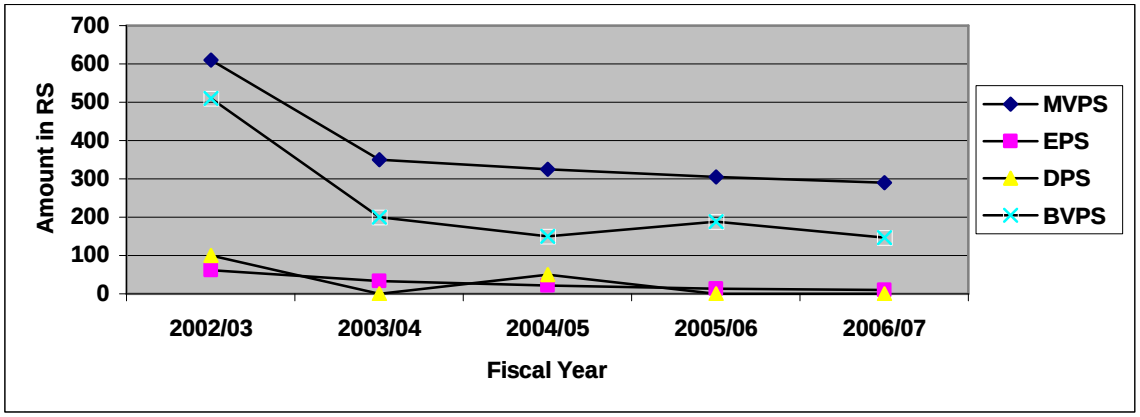


Table 4.16
Relationship of BVPS, EPS and DPS with MVPS of EI

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.9618	0.9250	6.084	3.182	Significance
MVPS Vs DPS	0.8781	0.7711	3.179	3.182	Not Significance
MVPS Vs BVPS	0.9894	0.9790	11.824	3.182	Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with independent variables EPS, DPS & BVPS which indicates that on increasing EPS, DPS & BVPS, MVPS also increases and vice versa. On the other hand DPS is least correlated with MVPS. The coefficient of determination shows that the 92.50% of changes in the MVPS is explained by EPS, 77.11% of changes in the MVPS is explained by DPS and 97.90% of changes in the MVPS is explained by BVPS. The simple correlation of coefficients of EPS and BVPS with MVPS are significant at 5% level of significance. The simple correlation of coefficients of DPS with MVPS is not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.17
Simple Regression Equation of EI

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 203.629 + 6.132 EPS
2	MVPS Vs DPS	MVPS = 297.813 + 2.606 DPS
3	MVPS Vs BVPS	MVPS = 171.595 + 0.856 BVPS

The regression constant 203.629 implies that when EPS is zero, MVPS is 203.629. The constant for EPS 6.132 implies that when EPS increases by Rs 1, MVPS increases by Rs 6.132 and vice versa. The simple correlation coefficient is 0.9618.

The regression constant 297.813 implies that when DPS is zero, MVPS is 297.813. The constant for DPS 2.606 implies that when DPS increases by Rs 1, MVPS increases by Rs 2.606 and vice versa. The simple correlation coefficient is 0.8781.

The regression constant 171.595 implies that when BVPS is zero, MVPS is 171.595. The constant for BVPS 0.856 implies that when BVPS increases by Rs 1, MVPS increases by Rs 0.856 and vice versa. The simple correlation coefficient is 0.9894.

4.3.6 NECO Insurance Company

Table 4.18 summarizes the financial performances of NECO over last five Years and table 4.19 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.18
Summary of the Financial Performance of NECO

Year	MVPS	EPS	DPS	BVPS
2002/03	112	12.12	10	185.04
2003/04	110	8.2	0	85
2004/05	110	2.73	0	110
2005/06	90	0.59	0	209.7
2006/07	260	3.72	0	261
Total	**682.00**	**27.36**	**10.00**	**850.74**
Mean	**136.40**	**5.47**	**2.00**	**170.15**
SD	**69.68**	**4.64**	**4.47**	**72.30**
CV	**51.08%**	**84.77%**	**223.61%**	**42.49%**

Source: Annual Report of NECO

It is revealed from above tables and figure 4.6 that the NECO has not consistent performance over the five Years period. DPS is highly volatile with 223.61% of CV. In comparison to DPS, EPS, MVPS & BVPS are volatile in decreasing rate with 84.77 CV of EPS, 51.08 CV of MVPS as well as 42.49% CV of BVPS.

The comparison of NECO with industrial benchmark gives the following clues:

For MVPS of NECO, mean and risk is less and volatility more than the industrial average meaning that MVPS does not seem good. For EPS, mean and SD is lesser CV is more than industrial average. DPS is more or less similar to the EPS but its CV is more than industry average. Finally, BVPS seems lesser in mean and higher in risk and volatility with industrial average. Thus, in overall, the NECO do not reach the industrial benchmark because of lower mean of independent variables

The linear relationship of EPS, DPS and BVPS to MVPS of NECO are presented in figure 4.6

Figure 4.6
Relationship of MVPS with EPS, DPS and BVPS of NECO

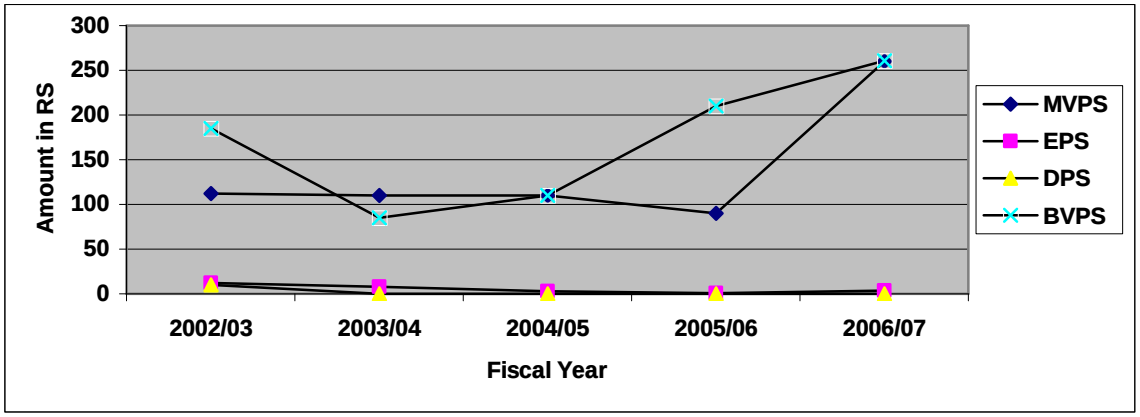


Table 4.19
Relationship of BVPS, EPS and DPS with MVPS of NECO

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.1175	0.0138	-0.0205	3.182	Not Significance
MVPS Vs DPS	0.1958	0.0383	-0.042	3.182	Not Significance
MVPS Vs BVPS	0.6385	0.4077	1.437	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with independent variables EPS, DPS & BVPS which indicates that on increasing EPS, DPS & BVPS, MVPS also increases and vice versa. MVPS has high degree of positive correlation with independent variable BVPS, low degree of positive correlated with independent variable DPS and EPS. The coefficient of determination shows that the 3.83% of changes in the MVPS is explained by DPS, 40.77% of changes in the MVPS is explained by BVPS. The simple correlation of coefficients of EPS, DPS & BVPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.20
Simple Regression Equation of NECO

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 146.056 – 1.765 EPS
2	MVPS Vs DPS	MVPS = 142.50 – 3.050 DPS
3	MVPS Vs BVPS	MVPS = 31.694 + 0.615 BVPS

The regression constant 146.056 implies that when EPS is zero, MVPS is 146.056. The constant for EPS –1.765 implies that when EPS increases by Rs 1, MVPS decreases by Rs 1.765 and vice versa. The simple correlation coefficient is -0.1175.

The regression constant 142.50 implies that when DPS is zero, MVPS is 142.50. The constant for DPS –3.050 implies that when DPS increases by Rs 1, MVPS decreases by Rs 3.050 and vice versa. The simple correlation coefficient is -0.1958.

The regression constant 31.694 implies that when BVPS is zero, MVPS is 31.694. The constant for BVPS 0.615 implies that when BVPS increases by Rs 1, MVPS increases by Rs 0.615 and vice versa. The simple correlation coefficient is 0.6385.

4.3.7 Kathmandu Finance

Table 4.21 summarizes the financial performances of KFL over last five Years and table 4.22 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.21
Summary of the Financial Performance of KFL

Year	MVPS	EPS	DPS	BVPS
2002/03	235	21.35	16	154.4
2003/04	205	31.25	10.53	155
2004/05	171	2.76	0	138.93
2005/06	138	17.97	10.53	138.93
2006/07	203	20.04	15	175.31
Total	**952.00**	**93.37**	**52.06**	**762.57**
Mean	**190.40**	**18.67**	**10.41**	**152.51**
SD	**37.02**	**10.26**	**6.34**	**14.99**
CV	**19.45%**	**54.93%**	**60.88%**	**9.83%**

Source: Annual Report of KFL

It is revealed from above tables and figure 4.7 that the KFL has not consistent performance over the five Years period. DPS is more volatile with 60.88% of CV. In comparison to DPS, EPS, MVPS &BVPS are volatile in decreasing rate with 54.93% CV of EPS, 19.45% CV of MVPS and relatively low degree of volatility i.e. 9.83% CV of BVPS.

The comparison of KFL with industrial Benchmark gives the following clues:

For MVPS of KFL, mean, level of risk and volatility is less than the industrial average meaning that MVPS does seem good. For EPS, mean and SD as well as CV is lesser than industrial average. DPS, mean, SD and CV are less than industrial average and finally BVPS mean, risk and volatility is less than the industrial average so that BVPS does seem good. The level of risk seems very lower. Thus, in overall, the KFL does not reach the industrial benchmark because of lower mean of independent variables.

The linear relationship of EPS, DPS and BVPS to MVPS of KFL are presented in figure 4.7

Figure 4.7
Relationship of MVPS with EPS, DPS and BVPS of KFL

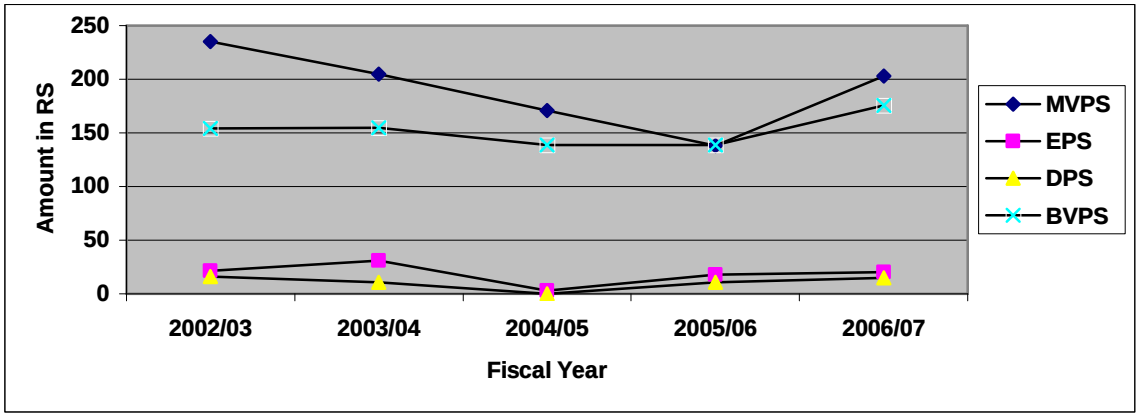


Table 4.22
Relationship of BVPS, EPS and DPS with MVPS of KFL

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.4382	0.1921	0.844	3.182	Not Significance
MVPS Vs DPS	0.5375	0.2889	1.104	3.182	Not Significance
MVPS Vs BVPS	0.6231	0.3882	1.380	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with all independent variables EPS, DPS & BVPS which indicates that on increasing EPS, DPS and BVPS, MVPS also increases and vice versa. It has low degree of correlation of EPS and moderate degree of correlation with DPS and BVPS with MVPS. The coefficient of determination shows that the 19.21% of changes in the MVPS is explained by EPS, 38.82% of changes in the MVPS is explained by BVPS and this ratio to DPS is 28.89%.The simple correlation of coefficients of EPS, DPS and BVPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.23
Simple Regression Equation of KFL

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 160.863 + 1.582 EPS
2	MVPS Vs DPS	MVPS = 157.711 + 3.140 DPS
3	MVPS Vs BVPS	MVPS = -44.364 + 1.539 BVPS

The regression constant 160.863 implies that when EPS is zero, MVPS is 160.863. The constant for EPS 1.582 implies that when EPS increases by Rs 1, MVPS increases by Rs 1.582 and vice versa. The simple correlation coefficient is 0.4382.

The regression constant 157.711 implies that when DPS is zero, MVPS is 157.711. The constant for DPS 3.140 implies that when DPS increases by Rs 1, MVPS increases by Rs 3.140 and vice versa. The simple correlation coefficient is 0.5375.

The regression constant -44.364 implies that when BVPS is zero, MVPS is -44.364. The constant for BVPS 1.539 implies that when BVPS increases by Rs 1, MVPS increases by Rs 1.539 and vice versa. The simple correlation coefficient is 0.6231.

4.3.8 Nepal Share Market

Table 4.24 summarizes the financial performances of NSM over last five Years and table 4.25 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.24
Summary of the Financial Performance of NSM

Year	MVPS	EPS	DPS	BVPS
2002/03	125	-2.32	20	103.04
2003/04	103	2.9	0	103
2004/05	120	10.94	10	106.88
2005/06	235	18.39	10	148.24
2006/07	300	22.11	20	133.66
Total	**883.00**	**52.02**	**60.00**	**594.82**
Mean	**176.60**	**10.40**	**12.00**	**118.96**
SD	**86.49**	**10.24**	**8.37**	**20.78**
CV	**48.97%**	**98.41%**	**69.72%**	**17.47%**

Source: Annual Report of NSM

It is revealed from above tables and figure 4.8 that the NSM has not consistent performance over the five Years period. EPS is more volatile with 98.41% of CV. In comparison to EPS, DPS, MVPS &BVPS are volatile in decreasing rate with 69.72% CV of DPS, 78.97% CV of MVPS and relatively low degree of volatility i.e. 17.47% CV of BVPS.

The comparison of NSM with industrial Benchmark gives the following information:

For MVPS of NSM, mean, level of risk are less and CV is more than the industrial average meaning that MVPS does not seem good. For EPS, mean and SD less than industrial average and CV are more than industrial average. DPS mean, risk and volatility are less than industrial average. But BVPS mean is lower than average industrial and risk & volatility are less. Thus, in overall, the KFL have not satisfactory performance than industrial benchmark.

The linear relationship of EPS, DPS and BVPS to MVPS of NSM are presented in figure 4.8

Figure 4.8
Relationship of MVPS with EPS, DPS and BVPS of NSM

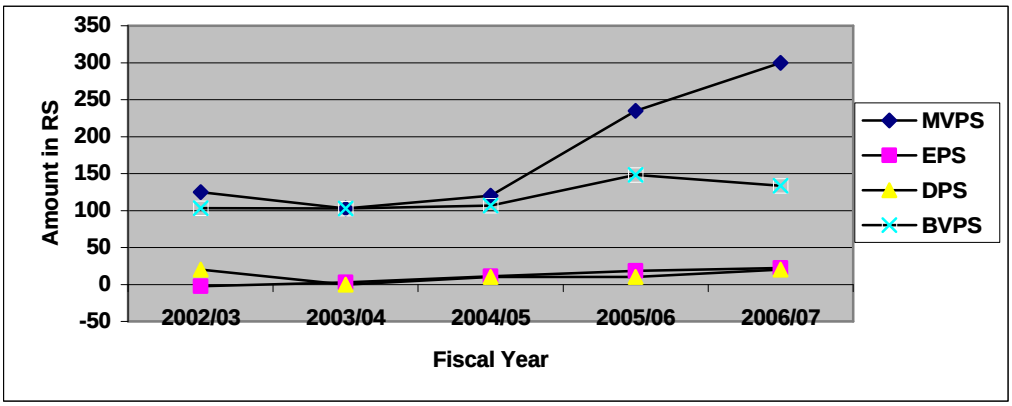


Table 4.25
Relationship of BVPS, EPS and DPS with MVPS of NSM

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.8722	0.7608	3.089	3.182	Not Significance
MVPS Vs DPS	0.5023	0.2523	1.006	3.182	Not Significance
MVPS Vs BVPS	0.8629	0.7446	2.957	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with EPS, DPS and BVPS, which indicates that on increasing EPS, DPS and BVPS, MVPS also increases and vice versa. There is high degree of correlation with MVPS and EPS and BVPs and low degree of correlated with MVPS and DPS. The coefficient of determination shows that the 74.46% of changes in the MVPS is explained by BVPS, 25.23% of changes in the MVPS is explained by DPS and this ratio to EPS is 76.08%.The simple correlation of coefficients of EPS, DPS and BVPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.26
Simple Regression Equation of NSM

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 99.944 + 7.368 EPS
2	MVPS Vs DPS	MVPS = 114.286 + 5.193 DPS
3	MVPS Vs BVPS	MVPS = -250.622 + 3.591 BVPS

The regression constant 99.944 implies that when EPS is zero, MVPS is 99.944. The constant for EPS 7.368 implies that when EPS increases by Rs 1, MVPS increases by Rs 7.368 and vice versa. The simple correlation coefficient is 0.8722.

The regression constant 114.286 implies that when DPS is zero, MVPS is 114.286. The constant for DPS 5.193 implies that when DPS increases by Rs 1, MVPS increases by Rs 5.193 and vice versa. The simple correlation coefficient is 0.5023.

The regression constant -250.622 implies that when BVPS is zero, MVPS is -250.622. The constant for BVPS 3.591 implies that when BVPS increases by Rs 1, MVPS increases by Rs 3.591 and vice versa. The simple correlation coefficient is 0.8629.

4.3.9 People Finance

Table 4.27 summarizes the financial performances of PFL over last Years and table 4.28 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.27
Summary of the Financial Performance of PFL

Year	MVPS	EPS	DPS	BVPS
2002/03	90	3.87	0	134.7
2003/04	104	10.93	10	104
2004/05	100	17.63	10	128.8
2005/06	111	9.72	10	128
2006/07	127	13.14	0.53	122.5
Total	**532.00**	**55.29**	**30.53**	**618.00**
Mean	**106.40**	**11.06**	**6.11**	**123.60**
SD	**13.79**	**5.02**	**5.34**	**11.78**
CV	**12.97%**	**45.44%**	**87.38%**	**9.53%**

Source: Annual Report of PFL

It is revealed from above tables and figure 4.9 that the PFL has not consistent performance over the five Years period. DPS is more volatile with 87.38% of CV. In comparison to DPS, EPS, BVPS & MVPS are volatile in decreasing rate with 45.44% CV of EPS, 12.97% CV of MVPS and relatively very low degree of volatility i.e. 9.53% CV of BVPS.

The comparison of PFL with industrial Benchmark gives the following information:

For MVPS of PFL, mean, level of risk& CV are less than the industrial average meaning that MVPS does not seem good. For DPS, seems not satisfactory at all. The mean of BVPS is less however SD and CV are lesser. The level of risk and volatility seems lower than the industrial benchmark. Talking about the EPS, mean, SD and CV are lesser than industrial benchmark. The level of risk seems rather satisfactory. Thus, in overall, the PFL does not have satisfactory performance than industrial benchmark.

The linear relationship of EPS, DPS and BVPS to MVPS of PFL are presented in figure 4.9

Figure 4.9
Relationship of MVPS with EPS, DPS and BVPS of PFL

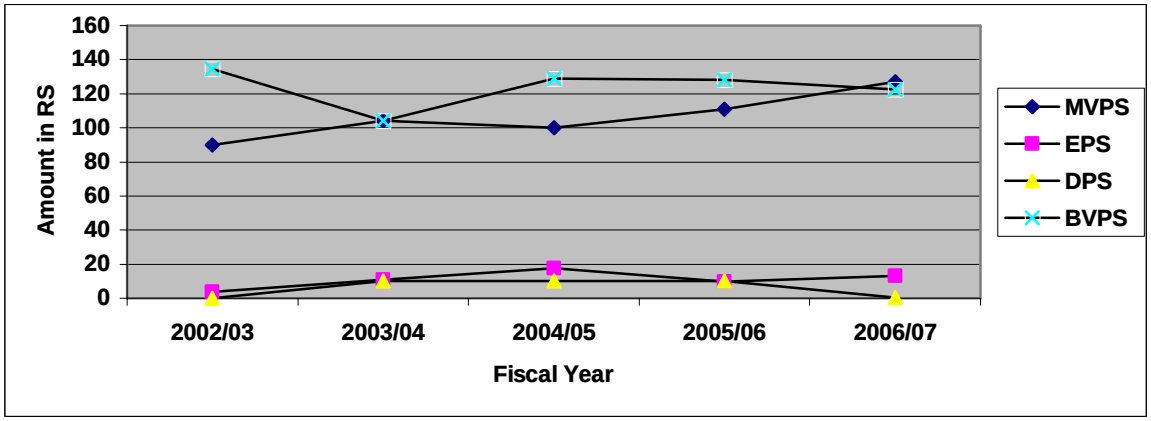


Table 4.28
Relationship of BVPS, EPS and DPS with MVPS of PFL

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.4070	0.1657	0.772	3.182	Not Significance
MVPS Vs DPS	0.1056	0.0111	-0.184	3.182	Not Significance
MVPS Vs BVPS	0.2626	0.0690	-0.471	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with of the independent variables EPS which indicates that on increasing EPS, DPS and BVPS, MVPS also increases and vice versa. There is low degree of correlation of MVPS with EPS, DPS and BVPS. The coefficient of determination shows that the 6.90% of changes in the MVPS is explained by BVPS, 1.11% of changes in the MVPS is explained by DPS and this ratio to EPS is 16.57%.The simple correlation of coefficients of EPS, DPS and BVPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.29
Simple Regression Equation of PFL

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 94.043 + 1.117 EPS
2	MVPS Vs DPS	MVPS = 108.067 – 0.273 DPS
3	MVPS Vs BVPS	MVPS = 144.417 - 0.308 BVPS

The regression constant 94.043 implies that when EPS is zero, MVPS is 94.043. The constant for EPS 1.117 implies that when EPS increases by Rs1, MVPS increases by Rs 1.117 and vice versa. The simple correlation coefficient is 0.4070.

The regression constant 108.067 implies that when DPS is zero, MVPS is 108.067. The constant for DPS –0.273 implies that when DPS increases by Rs 1, MVPS decreases by Rs 0.273 and vice versa. The simple correlation coefficient is -0.1056.

The regression constant 144.417 implies that when BVPS is zero, MVPS is 144.417. The constant for BVPS -0.308 implies that when BVPS increases by Rs 1, MVPS decreases by Rs 0.308 and vice versa. The simple correlation coefficient is -0.2626.

4.3.10 Unilever Nepal Limited

Table 4.30 summarizes the financial performances of ULN over last Years and table 4.31 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.30
Summary of the Financial Performance of ULN

Year	MVPS	EPS	DPS	BVPS
2002/03	1130	101.19	100	389.3
2003/04	1400	152.91	100	430.12
2004/05	2144	205.5	90	235.61
2005/06	1631	205.5	250	235.02
2006/07	3400	286	275	244.28
Total	**9705.00**	**951.10**	**815.00**	**1534.33**
Mean	**1941.00**	**190.22**	**163.00**	**306.87**
SD	**896.72**	**68.85**	**91.35**	**95.06**
CV	**46.20%**	**36.19%**	**56.04%**	**30.98%**

Source: Annual Report of ULN

It is revealed from above tables and figure 4.10 that the ULN has consistent performance over the five Years period. DPS are more volatile with 56.04% of CV. In comparison to DPS, MVPS, EPS & BVPS are less volatile with 46.20% CV of MVPS 36.19% CV of EPS. On the other hand, BVPS has relatively consistence performance with lower CV of 30.98%.

Similarly, the comparison of ULN with industrial benchmark yields the following results:

For MVPS of ULN, mean MVPS is higher, SD is higher, and CV is also higher than that of industrial average indicates clearly that MVPS of ULN is not so satisfactory. For EPS and DPS, mean and risk EPS & DPS is higher but CV is less than industrial average, average meaning that it is also satisfactory. For BVPS, ULN has higher mean of BVPS, higher SD and lower CV, so BVPS can be taken as a good performer. Thus, it is revealed from above analysis that ULN has good performance in last five Years

The linear relationship of EPS, DPS and BVPS to MVPS of ULN are presented in figure 4.10

Figure 4.10
Relationship of MVPS with EPS, DPS and BVPS of ULN

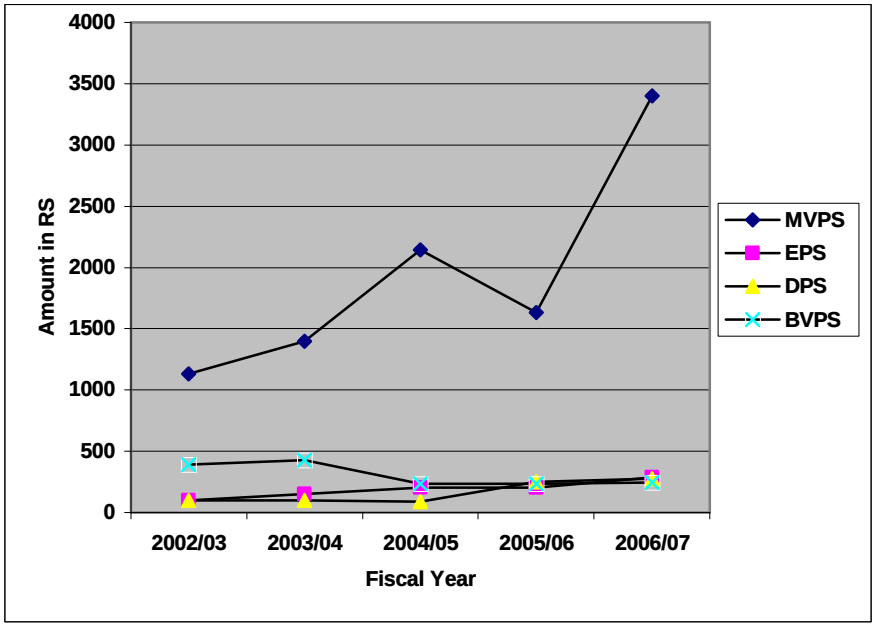


Table 4.31
Relationship of BVPS, EPS and DPS with MVPS of ULN

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.9334	0.8712	4.506	3.182	Significance
MVPS Vs DPS	0.6311	0.3983	1.409	3.182	Not Significance
MVPS Vs BVPS	0.6366	0.4052	-1.430	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with the independent variables EPS and DPS which indicates that on increasing EPS, DPS and BVPS, MVPS also increases and vice versa. EPS is more correlated to MVPS than the DPS & BVPS.The coefficient of determination shows that the 39.83% of changes in the MVPS is explained by DPS, 87.12% of changes in the MVPS are explained by EPS and this ratio to BVPS is 40.52%. The simple correlation of coefficients of EPS with MVPS is significant at 5% level of significance. The simple correlation of coefficients of DPS and BVPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.32
Simple Regression Equation of ULN

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = -371.603 + 12.158 EPS
2	MVPS Vs DPS	MVPS = 931.186 + 6.195 DPS
3	MVPS Vs BVPS	MVPS = 3783.732 – 6.005 BVPS

The regression constant -371.603 implies that when EPS is zero, MVPS is -371.603. The constant for EPS 12.158 implies that when EPS increases by Rs 1, MVPS increases by Rs 12.158 and vice versa. The simple correlation coefficient is 0.9334.

The regression constant 931.186 implies that when DPS is zero, MVPS is 931.186. The constant for DPS 6.195 implies that when DPS increases by Rs 1, MVPS increases by Rs 6.195 and vice versa. The simple correlation coefficient is 0.6311.

The regression constant 3783.732 implies that when BVPS is zero, MVPS is 3783.732. The constant for BVPS -6.005 implies that when BVPS increases by Rs 1, MVPS decreases by Rs 6.005 and vice versa. The simple correlation coefficient is -0.6366.

4.3.11 Nepal Lube Oil

Table 4.33 summarizes the financial performances of NLO over last 5 Years and table 4.34 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.33
Summary of the Financial Performance of NLO

Year	MVPS	EPS	DPS	BVPS
2002/03	480	30.5	15	189.36
2003/04	400	20.79	15	194.7
2004/05	350	1.52	0	200.05
2005/06	350	15.01	15	200.1
2006/07	480	14.71	10	200.83
Total	**2060.00**	**82.53**	**55.00**	**985.04**
Mean	**412.00**	**16.51**	**11.00**	**197.01**
SD	**65.35**	**10.54**	**6.52**	**4.93**
CV	**15.86%**	**63.85%**	**59.27%**	**2.50%**

Source: Annual Report of NLO

It is revealed from above tables and figure 4.11 that the NLO has not consistent performance over the five Years period. EPS is more volatile with 63.85% of CV. In comparison to EPS, DPS and MVPS are less volatile with 59.27% CV of DPS and 15.86% CV of MVPS. On the other hand, BVPS has relatively consistence performance with lower CV of 2.50%.

Similarly, the comparison of NLO with industrial benchmark yields the following results:

For MVPS of NLO, mean MVPS is slightly less, SD is lesser, and CV is also lesser than that of industrial average indicates clearly that MVPS of NLO is satisfactory. For EPS, mean EPS, SD and CV are lesser than industrial; average meaning that it is not satisfactory. For DPS, NLO has less mean of DPS, and lesser SD and CV, so DPS can be taken as a not so good performer. And finally for BVPS of NLO, mean BVPS, SD and CV are lesser than that of industrial average, meaning that is not good. Thus, it is revealed from above analysis that NLO has not so good performance in last five Years

The linear relationship of EPS, DPS and BVPS to MVPS of NLO are presented in figure 4.11

Figure 4.11
Relationship of MVPS with EPS, DPS and BVPS of NLO

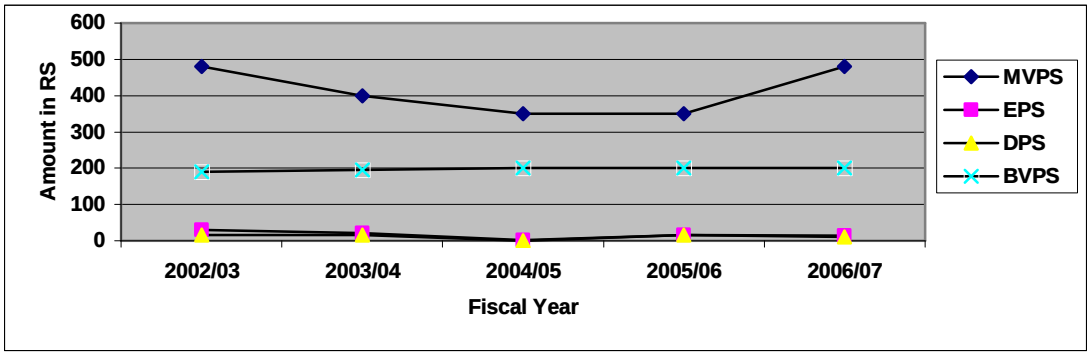


Table 4.34
Relationship of BVPS, EPS and DPS with MVPS of NLO

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.6534	0.4270	1.495	3.182	Not Significance
MVPS Vs DPS	0.3462	0.1199	0.639	3.182	Not Significance
MVPS Vs BVPS	0.4755	0.2261	-0.936	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis reveled that the MVPS is positively correlated with the independent variables DPS and EPS which indicates that on increasing BVPS, DPS, and EPS, MVPS also increases and vice versa. EPS is more correlated to MVPS than the DPS & BVPS. The coefficient of determination shows that the 11.99% of changes in the MVPS is explained by DPS, 22.61% of changes in the MVPS is explained by BVPS and this ratio to EPS is 42.70%.The simple correlation of coefficients of DPS, BVPS and EPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.35
Simple Regression Equation of NLO

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 4.052 + 2.710 EPS
2	MVPS Vs DPS	MVPS = 373.824 + 3.471 DPS
3	MVPS Vs BVPS	MVPS = 1653.482 – 6.302 BVPS

The regression constant 4.052 implies that when EPS is zero, MVPS is 4.052. The constant for EPS 2.710 implies that when EPS increases by Rs 1, MVPS increases by Rs 2.710 and vice versa. The simple correlation coefficient is 0.6534.

The regression constant 373.824 implies that when DPS is zero, MVPS is 373.824. The constant for DPS 3.471 implies that when DPS increases by Rs 1, MVPS increases by Rs 3.471 and vice versa. The simple correlation coefficient is 0.3462.

The regression constant 1653.482 implies that when BVPS is zero, MVPS is 1653.482. The constant for BVPS -6.302 implies that when BVPS increases by Rs 1, MVPS decreases by Rs 6.302 and vice versa. The simple correlation coefficient is -0.4755.

4.3.12 Bottlers Nepal Limited

Table 4.36 summarizes the financial performances of BNL over last 5 Years and table 4.37 shows the relationship (correlation) of EPS, DPS & BVPS to MVPS along with the significance of such relationship.

Table 4.36
Summary of the Financial Performance of BNL

Year	MVPS	EPS	DPS	BVPS
2002/03	700	24.94	10	357.09
2003/04	554	9.94	5	357.09
2004/05	635	9.95	0	373.11
2005/06	635	17.82	0	390.95
2006/07	743	-19.47	0	415.25
Total	**3267.00**	**43.18**	**15.00**	**1893.49**
Mean	**653.40**	**8.64**	**3.00**	**378.70**
SD	**72.04**	**16.91**	**4.47**	**24.75**
CV	**11.02%**	**195.79%**	**149.07%**	**6.54%**

Source: Annual Report of BNL

It is revealed from above tables and figure 4.12 that the BNL has consistent performance over the five years period EPS is more volatile with 195.79% of CV. In comparison to EPS, DPS and MVPS are less volatile with 149.07% CV of DPS and 11.02% CV of MVPS. On the other hand, BVPS has relatively consistence performance with lower CV of 6.54%.

Similarly, the comparison of BNL with industrial benchmark yields the following results:

For MVPS of BNL, mean MVPS is lesser, SD is lesser, and CV is also lesser than that of industrial average indicates clearly that MVPS of BNL is not satisfactory. For EPS, mean is lesser EPS, SD and CV are higher than industrial; average meaning that it is no satisfactory. For DPS, BNL has lesser mean and SD of DPS, and more CV, so DPS can't be taken as a good performer. And finally for BVPS of BNL, mean BVPS mean is greater, and SD and CV are lesser than that of industrial average, meaning that is also good. Thus, it is revealed from above analysis that BNL has not good performance in last five Years

The linear relationship of EPS, DPS and BVPS to MVPS of BNL are presented in figure 4.12

Figure 4.12
Relationship of MVPS with EPS, DPS and BVPS of BNL

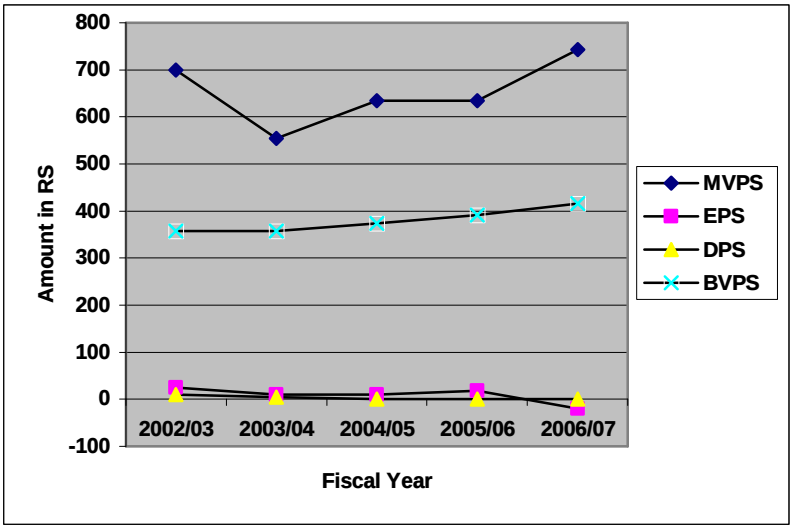


Table 4.37
Relationship of BVPS, EPS and DPS with MVPS of BNL

Variables	r	r^2	t-cal	t-table	Remarks
MVPS Vs EPS	0.7780	0.6054	-0.818	3.182	Not Significance
MVPS Vs DPS	0.0241	0.0006	-0.042	3.182	Not Significance
MVPS Vs BVPS	0.6019	0.3623	1.305	3.182	Not Significance

Source: Appendix (2, 3 & 4)

The simple correlation analysis revealed that the MVPS is positively correlated with the independent variables MVPS which indicates that on increasing EPS, DPS & BVPS, MVPS also increases and vice versa. EPS is more correlated to MVPS. The coefficient of determination shows that the 36.23% of changes in the MVPS is explained by BVPS, 0.06% of changes in the MVPS is explained by DPS and this ratio to EPS is 60.54%.The simple correlation of coefficients of DPS, BVPS and EPS with MVPS are not significant at 5% level of significance.

From the simple regression analysis, the regression equations are found (MVPS being dependant variable) as:

Table 4.38
Simple Regression Equation of BNL

S. No.	Variable	Regression Equation
1	MVPS Vs EPS	MVPS = 669.118 - 1.820 EPS
2	MVPS Vs DPS	MVPS = 654.563 – 0.387 DPS
3	MVPS Vs BVPS	MVPS = -9.901 + 1.752 BVPS

The regression constant 669.118 implies that when EPS is zero, MVPS is 669.118. The constant for EPS -1.820 implies that when EPS increases by Rs1, MVPS decreases by Rs 1.820 and vice versa. The simple correlation coefficient is -0.7780.

The regression constant 654.563 implies that when DPS is zero, MVPS is 654.563. The constant for DPS -0.387 implies that when DPS increases by Rs 1, MVPS decreases by Rs 0.387 and vice versa. The simple correlation coefficient is -0.0241.

The regression constant -9.901 implies that when BVPS is zero, MVPS is -9.901. The constant for BVPS 1.752 implies that when BVPS increases by Rs 1, MVPS increases by Rs 1.752 and vice versa. The simple correlation coefficient is 0.6019.

4.4 Price Situations of the Stocks of Listed Companies

Under this topic, we examine the pricing status of common stock i.e. whether common stocks are overpriced or under priced or equilibrium priced. The pricing status of stocks of particular firm is evaluated by comparing the required rate of return with actual realized rate of return. This chapter presents calculations of actual rate of return that a particular security has provided during the study period and its corresponding required rate of return. Comparison between the actual realized rate of return and required rate of return gives the way by which

classification of stocks- whether overpriced or under priced, is possible. The greater the beta of a security, greater will be the risk and the greater the expected return required. Likewise, the lower the beta, lower will be the risk, the more valuable it becomes and the lower the expected return required.

The beta coefficients, risk premiums and required rate of return on the stocks of listed companies have been summarized in Table 4.39. Required calculations have been shown in Annex

Table 4.39
Price Situations of Common Stock of Listed companies

Name of the Company	β	$\overline{Rf}$ (%)	$\overline{R}_m$ (%)	**Risk Premium** $\overline{R}_m - \overline{R}f$	**Required Rate of Return**	**Average Rate of Return**	**Status of the Stock**
SCBNL	0.66				19.74	38.31	Under Priced
BOK	0.85				24.28	50.16	Under Priced
KBL	0.79				22.85	23.68	Under Priced
NL&GI	1.97				51.02	14.57	Over Priced
EI	-0.56				-9.39	6.19	Under Priced
NECO	2.20				56.52	32.55	Over Priced
KFL	0.84	3.98%	27.86%	23.88%	24.04	0.45	Over Priced
NSM	0.76				22.13	28.03	Under Priced
PFL	0.36				12.58	7.51	Over Priced
ULN	1.37				36.70	39.29	Under Priced
NLO	0.69				20.46	1.17	Over Priced
BNL	0.28				10.67	2.58	Over Priced

Source: Appendix 5 and 6(i-xii)

From Table 4.39, it has been observed that the overall average market return is 27.86 %. The Treasury bill rate is 3.98%. The risk premium for the stocks of all the companies in the market is the difference between risk free rate and market rate of return i.e. 23.88%.

In banking sector actual realized rate of return of SCBNL is 38.31% where as required rate of return during the study period is 19.74%, which is far below than

actual realized rate of return. Therefore, stock of SCBNL during the study period is undervalued or under priced. Beta coefficient of SCBNL stock is 0.66, which is less than 1, which suggests that stock of SCBNL is defensive. Similarly, actual realized rate of return of BOK is 50.16% where as required return during the study period is 24.28% and the beta coefficient of the same period is 0.85. Comparing actual return with required return, it is clearly viewed that required return is far behind to actual return hence stock of BOK is under-priced. In the same way, beta coefficient is less than the market beta coefficient of 1 (Assumption). Thus the stock of BOK can be classified as defensive stock. Actual realized rate of return of KBL during the study period is 23.68%, which is significantly lower than its corresponding required rate of return of 22.85% during the same period. This shows that stock of KBL is also under priced and defensive. Defensive in the sense that, beta coefficient is 0.79 which is less than 1 (market bet coefficient).

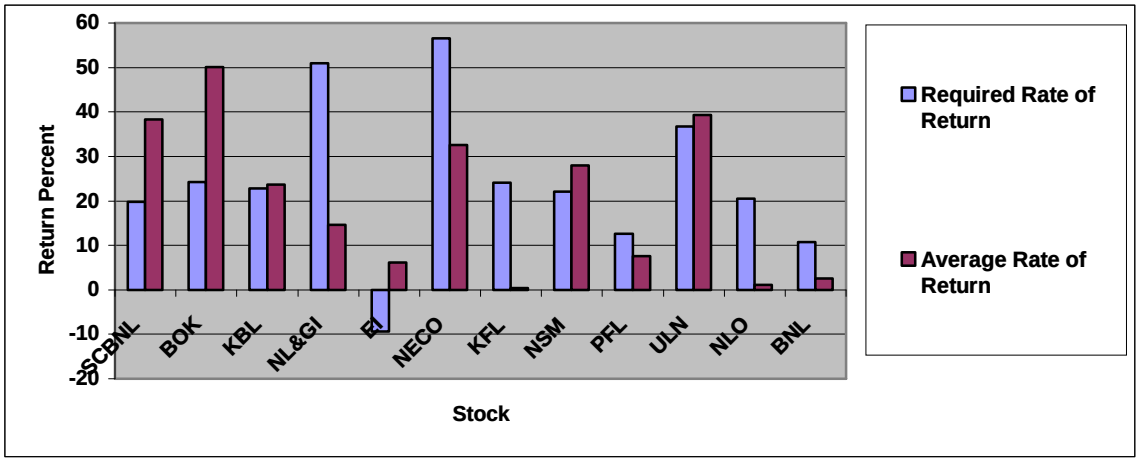
In insurance sector, actual realized return of NL&GI is 14.57% during the study period where as required return during the same period is 51.02%, which is more behind actual return. Hence stock of NL&GI is over priced. Beta coefficient is more than 1 i.e. 1.97 which shows that stock of NL&GI is aggressive. In the same way, actual realized return of EI is 6.19% where as required rate of return during the study period is -9.39%. Here required rate of return is less than the actual return. Hence stock of EI is under priced. Beta coefficient is less than 1 i.e. -0.56 which shows that stock of EI is defensive. Actual realized return of NECO is 32.55% where as required rate of return during the study period is 56.52%. Here actual return is less than required rate of return. Hence stock of NECO is over priced. Beta coefficient is less than 1 i.e. 2.20 which shows that stock of NECO is aggressive. In this way, stocks of insurance sector are under and over priced and have followed aggressive and defensive way as their beta coefficient indicated.

In finance sector, actual realized rate of return of KFL is 0.45% during the study period, where as required return during the same period is 24.04% which is remarkably above than actual realized return. In the same way, beta coefficient of KFL stock is 0.84, which is less than 1, which suggests that stock of KEL is defensive. Thus it can be concluded that stock of KFL is over priced. Actual realized rate of return of NSM is 28.03% during the study period, where as required return during the same period is 22.13% which is remarkably below than actual realized return. In the same way, beta coefficient of NSM stock is 0.76, which is less than 1, which suggests that stock of NSM is defensive. Thus it can be concluded that stock of NSM is under priced as well. Likewise, stock of PFL is also over priced and defensive because, actual return of 7.51% is drastically less than the required return of 12.58%, Similarly, Beta coefficient of PFL stock is 0.36, which is less than market beta coefficient of 1. If stock are under priced it pushes demand up to that level where stock's actual return must equal to required return.

Actual realized return of ULN is 39.29% during the study period where as required return during the same period is 36.70%, which is less behind actual return. Hence stock of ULN is under priced. Beta coefficient is more than 1 i.e. 1.37 which shows that stock of ULN is aggressive. In the same way, actual realized return of NLO is 1.17% where as required rate of return during the study period is 20.46%. Here required rate of return is higher than that of actual return. Hence stock of NLO is over priced. Beta coefficient is less than 1 i.e. 0.69 which shows that stock of NLO is defensive. Actual realized rate of return of BNL is 2.58%. The corresponding required return during the same period is 10.67%. Here the actual return is less than required return. Therefore, stock of BNL can be classified as over priced stock. Beta coefficient of BNL stock is 0.28, which is less than market beta coefficient of 1. This suggests that stock of BNL is over priced and defensive one.

Thus, in conclusion, it was found that the 3 banks taken as sample, 3 were under priced. Like wise, statuses of stocks of 2 insurance companies are over priced and 1 is under priced. Similarly, 3 finance companies taken as sample, 2 of them are over priced and one is under priced during the study period. And, statuses of stocks of 2 manufacturing are over priced and one is under priced. In this way, stocks of six sampled companies are under priced and six over priced during the study period. Some of the sampled companies' shares were not found reasonably priced during the study period. Stocks of one insurance company NL&GI, one finance company NECO and one manufacturing companies ULN are aggressive and other are defensive.

Figure 4.13
Required Rate of Return and Average Rate of Return of Stock of Listed Companies



The main reason behind the under valuation of the stocks of the sampled companies is that the price of the stock had approached the highest point without having any concrete financial causes yielding remarkable price appreciation during the study period. However, NEPSE index did not follow the same pattern and also the rate of return on Treasury bill issued by NRB rapidly decrease forcing it to limit within a lower level. In this way, Capital gain and market risk premium

is minimum. Therefore, actual returns of some sampled companies are significantly higher than required return. If our stock market really appraises financial information bidding practice and signaling effects surely discouraged which eventually reflects real actual return. In addition to it, too short study period is another reason of such irrelevant result. Nevertheless, this study has focused the existing status of stocks of Nepalese companies.

4.5 Analysis of Primary Data

This thesis involves primary data also which were collected through questionnaire. During the course of collecting primary data, the researcher visited the companies under the study as well as security brokers Among the various factors affecting the share price, twenty eight factors were considered and primary information was collected from thirty one [12 companies and 19 security brokers] institutions. The answers of the respondents were marked with + 2 to – 2 on the basis of the degree of agreement to disagreement of the respondents. (-2 for strongly disagree, -1 for disagree, 0 for undecided, 1 for agree and 2 for strongly agree; using five degree Likert -Type Scale. The summaries of the respondent's response for each of the identified factors are presented in this section separately.

4.5.1 Higher the Earnings (EPS), Higher the Share Price

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

Table 4.40
Higher the Earnings (EPS), Higher the Share Price

S. No.	Responses	No.	Percentage
1	Strongly Agree (SA)	4	12.90
2	Agree (A)	21	67.74
3	Undecided (U)	4	12.90
4	Disagree (D)	2	6.45
5	Strongly Disagree (SD)	0	0.00
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 80.64 % of the respondents were agree that the increased earnings increases the share price in the market. Only, 6.45% were disagreed and 12.90 % were undecided with the statement. So, the increase in EPS significantly increases the market price of the share and vice versa at 95 % level of significance.

4.5.2 Higher the Cash Dividend, Higher the Share Price

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

Table 4.41
Higher the Cash Dividend, Higher the Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	5	16.13
2	Agree (A)	19	61.29
3	Undecided (U)	3	9.68
4	Disagree (D)	3	9.68
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 77.42 % of the respondents were agree that the increased cash dividend increases the share price in the market. Only, 12.91% were disagreed and 9.68 % were undecided with the statement. So, the increase in cash dividend significantly increases the market price of the share and vice versa at 95 % level of significance.

4.5.3 Lower the growth Rate (g), Higher the Share Price

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

Table 4.42
Lower the Growth Rate (g), Higher the Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	0	0.00
2	Agree (A)	2	6.45
3	Undecided (U)	6	19.35
4	Disagree (D)	20	64.52
5	Strongly Disagree (SD)	3	9.68
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 6.45 % of the respondents were agree that the decreased growth rate increases the share price in the market. Only, 74.2% were disagreed and 19.35 % were undecided with the statement. So, the decrease in growth rate significantly increases the market price of the share and vice versa at 95 % level of significance.

4.5.4 Higher the Interest Rate (r), Higher the Share Price

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

Table 4.43
Higher the Interest Rate (r), Higher the Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	2	6.45
2	Agree (A)	17	54.84
3	Undecided (U)	7	22.58
4	Disagree (D)	4	12.90
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 61.29 % of the respondents were agree that the increase in interest rate increases the share price in the market. Only,

16.13% were disagreed and 22.58 % were undecided with the statement. So, the increase in interest rate does not significantly increase the market price of the share and vice versa at 95 % level of significance.

4.5.5 Higher the Retention Ratio, Better the Share Price

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

Table 4.44
Higher the Retention Ratio, Better the Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	2	6.45
2	Agree (A)	14	45.16
3	Undecided (U)	5	16.13
4	Disagree (D)	8	25.81
5	Strongly Disagree (SD)	2	6.45
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 51.61 % of the respondents were agree that the increase in retention ratio increases the share price in the market. Only, 32.62% were disagreed and 16.13 % were undecided with the statement. So, the increase in retention ratio does not significantly affect the market price of the share and vice versa at 95 % level of significance.

4.5.6 Stock Dividend Increases the Share Price

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

Table 4.45
Stock Dividend Increases The Share Price

S. No.	Responses	No.	Percentage
1	Strongly Agree (SA)	2	6.45
2	Agree (A)	15	48.39
3	Undecided (U)	5	16.13
4	Disagree (D)	8	25.81
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 54.84 % of the respondents were agree that the stock dividend increases the share price in the market. Only, 29.04% were disagreed and 16.13 % were undecided with the statement. So, the stock dividend significantly affects the market price of the share and vice versa at 95 % level of significance.

4.5.7 Higher Cost Of Equity Reduces The Share Price

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

Table 4.46
Higher Cost Of Equity (Ke) Reduces The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	2	6.45
2	Agree (A)	14	45.16
3	Undecided (U)	6	19.35
4	Disagree (D)	8	25.81
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 51.61 % of the respondents were agree that the higher cost of equity decreases the share price in the market. Only, 29.04% were disagreed and 19.35 % were undecided with the statement. So, the

higher cost of equity does not significantly affect the market price of the share and vice versa at 95 % level of significance.

4.5.8 Lower Personal Tax Rate Reduces The Share Price

The responses of the respondents for the affect of personal tax rate to the market price of share were found as shown in table.

Table 4.47
Lower Tax Rate Reduces The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	1	3.23
2	Agree (A)	7	22.58
3	Undecided (U)	7	22.58
4	Disagree (D)	14	45.16
5	Strongly Disagree (SD)	2	6.45
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 25.81 % of the respondents were agree that the lower tax rate decreases the share price in market. Whereas, 51.61% were disagreed and 22.58 % were undecided with the statement. So, the personal tax rate significantly affects the market price of the share at 95 % level of significance.

4.5.9 Fall In Gold Prices Causes Fall In The Share Price

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

Table 4.48
Fall In Gold Price Causes Fall In Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	0	0.00
2	Agree (A)	7	22.58
3	Undecided (U)	15	48.39
4	Disagree (D)	8	25.81
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 22.58 % of the respondents were agree that the fall in gold price causes fall in the share price in market. Whereas, 29.04% were disagreed and 48.39 % were undecided with the statement. So, change in gold price does not significantly decreases the market price of the share and vice versa at 95 % level of significance.

4.5.10 Instability of the Government Causes Fall In The Share Price

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

Table 4.49
Instability of Government Reduces The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	3	9.68
2	Agree (A)	22	70.97
3	Undecided (U)	4	12.90
4	Disagree (D)	2	6.45
5	Strongly Disagree (SD)	0	0.00
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 80.65 % of the respondents were agreed that instability of government causes fall in the share price in market. Whereas, 6.45% were disagreed and 12.90 % were undecided with the statement.

So, instability of the government significantly decreases the market price of the share and vice versa at 95 % level of significance.

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

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

Table 4.50
Strikes, Demonstrations Reduces The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	3	9.68
2	Agree (A)	23	74.19
3	Undecided (U)	2	6.45
4	Disagree (D)	2	6.45
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 83.87 % of the respondents were agreed that strike, demonstration etc. causes fall in the share price in market. Whereas, 9.68% were disagreed and 6.45 % were undecided with the statement. So, strike, demonstration etc. significantly decreases the market price of the share and vice versa at 95 % level of significance.

4.5.12 Cease-Fire/Peace Talks Affect Positively The Share Price

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

Table 4.51
Cease-Fire/Peace Talk Affect Positively To The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	4	12.90
2	Agree (A)	22	70.97
3	Undecided (U)	2	6.45
4	Disagree (D)	2	6.45
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 83.87 % of the respondents were agreed that cease-fire/piece talks affect positively the share price in market. Whereas, 9.68% were disagreed and 6.45 % were undecided with the statement. So, Cease-fire/peace talk significantly affects the market price of the share positively at 95 % level of significance.

4.5.13 Better The National Economy, Better The Share Price

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

Table 4.52
Better The National Economy, Better The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	4	12.90
2	Agree (A)	21	67.74
3	Undecided (U)	4	12.90
4	Disagree (D)	2	6.45
5	Strongly Disagree (SD)	0	0.00
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 80.64 % of the respondents were agreed that better national economy affect positively the share price in market.

Whereas, 6.45% were disagreed and 12.90% were undecided with the statement. So, better economy significantly affects the market price of the share positively at 95 % level of significance.

4.5.14 Better The Global Economy, Better The Share Price

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

Table 4.53
Better The Global Economy, Better The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	2	6.45
2	Agree (A)	12	38.71
3	Undecided (U)	10	32.26
4	Disagree (D)	6	19.35
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 45.16% of the respondents were agreed that better global economy affect positively the share price in market. Whereas, 23.18% were disagreed and 32.26% were undecided with the statement. So, better global economy does not significantly affect the market price of the share and vice versa at 95 % level of significance.

4.5.15 Share Price Is Lower In Monday Than On Friday

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

Table 4.54
Share Price Is Lower In Monday Than In Friday

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	2	6.45
2	Agree (A)	7	22.58
3	Undecided (U)	17	54.84
4	Disagree (D)	4	12.90
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 29.03% of the respondents were agreed that share price is lower on Sunday than on Thursday. Whereas, 16.13% were disagreed and 54.84% were undecided with the statement. So, the week of the day effect does not significantly affect the market price of the share and vice versa at 95 % level of significance.

4.5.16 Share Price Is Affected By Demand & Supply

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

Table 4.55
Share Price Is Affected By Demand And Supply

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	4	12.90
2	Agree (A)	20	64.52
3	Undecided (U)	2	6.45
4	Disagree (D)	4	12.90
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 77.42% of the respondents were agreed with lower share price is affected by demand and supply. Whereas, 16.13% were disagreed and 6.45% were undecided with the statement. So, the fact that

demand and supply of the stock significantly affects the market price of the share and vice versa at 95 % level of significance.

4.5.17 Rumors and Whims Affect The Share Price

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

Table 4.56
Rumors And Whims Affects The Share Price

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	4	12.90
2	Agree (A)	17	54.84
3	Undecided (U)	5	16.13
4	Disagree (D)	3	9.68
5	Strongly Disagree (SD)	2	6.45
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 67.74% of the respondents were agreed with share price is affected by rumors and whims. Whereas, 16.13% were disagreed and 16.13% were undecided with the statement. So, the fact that rumors and whims significantly affects the market price of the share and vice versa at 95 % level of significance.

4.5.18 Capital Market Is Not Developed Due To Poor Regulatory Mechanism

The responses of the respondents for capital market is not well developed due to poor regulatory mechanism were found as shown in table.

Table 4.57
Capital Market Is Not Well Developed Due To Poor Regulatory Mechanism

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	4	12.90
2	Agree (A)	17	54.84
3	Undecided (U)	5	16.13
4	Disagree (D)	4	12.90
5	Strongly Disagree (SD)	1	3.23
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 67.74% of the respondents were agreed with capital market is not well developed due to poor regulatory mechanism. Whereas, 16.13% were disagreed and 16.13% were undecided with the statement. So, the fact that capital market is not well developed due to poor regulatory mechanism is significant at 95 % level of significance.

4.5.19 Listed Companies Are Not Serious Towards Shareholder's Interests

The responses of the respondents for listed companies are not serious about shareholders interests were found as shown in table.

Table 4.58
Listed Companies Are Not Serious Towards Shareholder's Interest

S.No.	Responses	No.	Percentage
1	Strongly Agree (SA)	5	16.13
2	Agree (A)	16	51.61
3	Undecided (U)	3	9.68
4	Disagree (D)	5	16.13
5	Strongly Disagree (SD)	2	6.45
	Total	**31**	**100.00**

Source: Field Survey 2008

Form the primary responses it is found that 67.74% of the respondents were agreed with the fact that listed companies are not serious about shareholders interests. Whereas, 22.58% were disagreed and 9.68% were undecided with the

statement. So, the fact that listed companies are not serious about shareholders interests is significant at 95 % level of significance.

4.6 Empirical Findings of the Study

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

4.6.1 Findings from Secondary Data Analysis

The analysis of secondary data of 12 private companies gives the following results:

- For SCBNL, MVPS is positively correlated with EPS, DPS & BVPS. Except DPS, EPS and BVPS of these relationships are not significant at 5% level of significance except BVPS. DPS, EPS and BVPS are less volatile except MVPS. In overall, SCBNL has very good performance in the last five Years
- For BOK, MVPS is positively correlated with EPS, DPS and BVPS. However, the relationship is not significant at 5% level of significance with DPS and BVPS but significant with EPS. DPS and EPS as well as BVPS are less volatile than MVPS. It is revealed from analysis that BOK has good performance in last five Years
- For KBL, MVPS is positively correlated with all of the independent variables (i.e. DPS, BVPS & EPS); however, the degree of correlation shows significant at 5% level of significance except in DPS. The volatility of DPS are higher than that of EPS, MVPS & BVPS which has a good

performance. In overall, KBL does not have good performance in the last five Years

- While analyzing the NL& GI, MVPS is positively correlated with DPS, EPS & BVPS. The degree of correlation is moderate and low however these relationships are not significant at 5% level of significance. BVPS is a bit more volatile than DPS, MVPS & EPS. NL& GI in overall have satisfactory performance.
- For EIL, there exists of positive correlation of MVPS with independent variables EPS, DPS & BVPS. The t-test explains that these results show significance at 5% level of significance except with DPS. The performance of MVPS and BVPS are good. EPS is a bit more volatile where as DPS is more volatile which is not good. In overall, the good performance of EIL is lacked by lower mean of independent variables in the last five Years period.
- The analysis of NECO shows that there exists moderate degree of positive correlation in the performance of last five Years with BVPS and positive correlation with EPS & low degree of correlated with BVPS. Which shows different results that is the degree of correlation of DPS the independent variable is not significant at 5% level of significance. Talking about volatility, DPS is more volatile, EPS and MVPS have higher rate of volatility than BVPS which has relatively low degree of inconsistency. In overall, the NECO do not reach the industrial benchmark because of lower mean of independent variables.
- MVPS has positive correlation with DPS, BVPS and EPS for KFL. However, these degrees of correlation are not significant at 5% level of significance. BVPS has good performance and EPS and MVPS are less volatile than DPS. In overall, the KFL does not reach the industrial benchmark because of lower mean of independent variables.
- For NSM, MVPS has high degree of correlation with EPS and BVPS, and low correlation with DPS. But, t-test analysis shows that neither of them is

significant at 5% level of significance. BVPS consistent and good where as DPS, EPS and MVPS have higher volatility respectively. In overall, the NSM does not have satisfactory performance than industrial benchmark.

- PFL shows that, there exists low degree positive correlation of MVPS with EPS the independent variables and positive correlation with DPS & BVPS. However, these relationships are not significant at 5% level of significance. BVPS has very low where as DPS has higher degree of volatility. EPS and MVPS have got a bit higher inconsistency. In overall, the PFL does not have satisfactory performance than industrial benchmark.
- ULN shows that, there exists high degree positive correlation of MVPS with EPS the independent variables, moderate degree of positive correlation with DPS and positive correlation with BVPS. However, these relationships are not significant at 5% level of significance except with EPS. MVPS& EPS has very low where as DPS has higher degree of volatility. BVPS have got a bit lesser inconsistency. In overall, the ULN does not have satisfactory performance than industrial benchmark.
- NLO shows that, there exists moderate degree positive correlation of MVPS with EPS the independent variables, low degree of positive correlation with DPS and BVPS. However, these relationships are not significant at 5% level of significance. BVPS has very low where as EPS has higher degree of volatility. DPS & MVPS have got a bit lesser volatility than EPS. In overall, the NLO does not have satisfactory performance than industrial benchmark.
- BNL shows that, there exists moderate degree positive correlation of MVPS with BVPS, EPS and DPS the independent variables. However, these relationships are not significant at 5% level of significance. BVPS has very low where as DPS has higher degree of volatility. EPS & MVPS have got a bit lesser volatility than DPS. In overall, the BNL does not have satisfactory performance than industrial benchmark.

- Pricing status analysis of the stocks of sampled companies has shown that SCBNL, BOK, KBL, EI, NSM and ULN were under priced during the study period because actual returns were remarkably higher than required returns. But NL&GI, NECO, KFL, PFL, NLO and BNL were over priced during the study period because actual returns were lesser than required returns. Treasury bill's discount rate is decreasing rapidly because of high liquidity available in the market. Present situation of our country has heavily prohibited new investment opportunity, which ultimately supports to increase the degree of liquidity. This discount rate is considered as the risk free rate. In the same way, few companies among the listed companies in NEPSE are performing satisfactorily. Therefore, NEPSE index is declining rapidly, which eventually yield lower rate of market return. Thus, these all are the key reasons due to which required return is significantly lower during the study period.
- Though, beta coefficients are calculated to assign required return, these coefficients tell the nature or behavior of stocks whether individual stock is aggressive or defensives. The stock of SCBNL, BOK, KBL, EI, KFL, NSM, PFL, NLO and BNL are defensive because their beta coefficients are less than 1. Where as stock of NL&GI, NECO and ULN are aggressive because their beta coefficients are more than 1. Defensive stocks indicate that they are less volatile in compression to market where as aggressive stocks are more volatile than that of market return.

4.6.2 Empirical Findings from Primary Data Analysis

On the other hand, the analysis of primary data reveals the following results:

- MVPS is significantly affected by company's performance such as earnings, cash dividends payment, book value, risk associated with the company and growth rate at 95 % level of significance.

- When looking at, the other relevant factors to share piece such as interest rate, retention ratio, and cost of equity etc., these factors do not affect significantly whereas stock dividend significantly affects the share price at 5% level of significance.
- Similarly, the political, economic and environmental factors such as instability of government, strike and demonstrations, cease-fire, national economy, tax rate, etc. significantly affect the share price where as global economy insignificantly affect the share price at 5% level of significance.
- From other factors, gold prices, value of US$ exchange rate, seasonal factors like summer and winter, day of the week, change in management have insignificant impact on the share price.
- Similarly, size of the company, demand and supply, rumors and whims etc significantly affect the share price.
- While analyzing the response of capital market is not well developed in Nepal, Listed companies are not serious about shareholder's interests and NEPSE and SEBO are not able to protect share holders interest has shown significant implication at 5% level of significance.

CHAPTER - V

SUMMARY CONCLUSIONS & RECOMMENDATIONS

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

5.1 Summary

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

Securities Exchange Centre was established with an objective of facilitating and promoting the growth of capital markets. Before conversion into stock exchange it was the only capital markets institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. His Majesty's Government, under a program initiated to reform capital markets converted Securities Exchange Centre into Nepal Stock Exchange in 1993. Nepal Stock Exchange, in short NEPSE, is a non-profit organization, operating under Securities Exchange Act, 1983. After the restoration of democracy in 1990, HMG/N initiated privatization and economic liberalization, the industrial development as well as the capital market development process took a pace. However, with the initiation of Moist armed revolution, the industrial and capital market development process got a break. The

nation has been paralyzed in terms of economic development due to the lack of peace and security. Most of the government investment has been concentrated to maintain security only. Similarly, lack of political stability and Royal take over of February 1; has added fuel in this issue.

Nepalese capital market is still in primary stage. Most of the citizens are not aware of the basic knowledge regarding security market. As a result they have not been able to make investment and if even invested; are being exploited in the absence of proper knowledge. In spite of poor condition of the security market in Nepal, government of Nepal has not given priority in its current tenth five year plan. Government has not been able to create basic infrastructures, sound policies and laws and their effective implementation, for the capital market development. As a result, there is not transparency in the performance of the listed companies and the capital market due to which capital market is struggling to mature.

This phenomenon, in Nepalese context, is the primary focus of this study. The study will primarily look into the major financial performance indicators which are generally considered important for investors like EPS, DPS & BVPS. Efforts will be made to analyze the stock price in relation to these indicators. The researcher has tried to explore the determinants of share price of listed companies in NEPSE.

Second chapter is based on the literature survey on the area of the study on which conceptual review and review of related studies. Due to many limitation or restriction researchers have taken three commercial banks, three finance companies, three insurance and three other companies. The study is based on secondary data from the fiscal year 2002/03 to 2006/07. The data are collected from annual reports of concerned banks, finance companies, insurance companies

and related companies, financial statement, official records, periodicals, journals and bulletins, various published reports and relevant unpublished master's thesis.

For the fulfillments of the objectives of the study many analyses have been done. Both financial as well as statistical tools have been used to analyze and interpret the facts and information. Financial & statistical tools are used to reckoning and secondary data were compiled, processed, tabulated and graphed for better presentation. From which various finding have shown in above chapter from that finding conclusion have been drawn which are presented as below.

5.2 Conclusion

The corporate environment plays vital roles on improving the capital market of the nation. People invested in companies through primary market. They represent there fractional ownership of the company through their investment proportions. In general demand and supply set the prices of securities are influenced by various factors. One of the major factors is corporate performance. The company alone cannot do any super performance. Adequate knowledge and information regarding the capital market is lacking in Nepalese investors. This is precisely the reason why they are cheated by the concerned companies and the NEPSE shows rather irrational behavior. Most of the listed companies do not provide sufficient and timely information to NEPSE as well as their shareholders. And even the supplied information does not have similarity among NEPSE, Annual Report and their particular websites. Meaning that they try to attract potential investors by providing exaggerated information regarding their performances.

Adequate knowledge and information regarding the capital market is lacking in Nepalese investors. This is precisely the reason why they are cheated by the concerned companies and the NEPSE shows rather irrational behavior. Most of the listed companies do not provide sufficient and timely information to NEPSE as

well as their shareholders. And even the supplied information does not have similarity among NEPSE, Annual Report and their particular websites. Meaning that they try to attract potential investors by providing exaggerated information regarding their performances. From the secondary data analysis it is revealed that, pricing behavior differs company to company. Even though, DPS, BVPS and EPS jointly have significant effect on the share price, individually they do not have consistent relationship with MVPS. It means that there may be other major factors influencing and determining the share price significantly.

For SCBNL, MVPS is positively correlated with EPS, DPS & BVPS. Except DPS, EPS and BVPS of these relationships are not significant at 5% level of significance except BVPS. DPS, EPS and BVPS are less volatile except MVPS. In overall, SCBNL has very good performance in the last five Years. For BOK, MVPS is positively correlated with EPS and DPS and negative with BVPS. However, the relationship is not significant at 5% level of significance with DPS and BVPS but significant with EPS. DPS and EPS as well as BVPS are less volatile than MVPS. It is revealed from analysis that BOK has good performance in last five Years. KBL, MVPS is positively correlated with all of the independent variables (i.e. DPS, BVPS & EPS); however, the degree of correlation shows significant at 5% level of significance except in DPS. The volatility of DPS are higher than that of EPS, MVPS & BVPS which has a good performance. In overall, KBL does not have good performance in the last five Years. While analyzing the NL& GI, MVPS is positively correlated with DPS, EPS & BVPS. The degree of correlation is moderate and low however these relationships are not significant at 5% level of significance. BVPS is a bit more volatile than DPS, MVPS & EPS. NL& GI in overall have satisfactory performance. For EIL, there exists of positive correlation of MVPS with independent variables EPS, DPS & BVPS. The t-test explains that these results show significance at 5% level of significance except with DPS. The performance of MVPS and BVPS are good.

EPS is a bit more volatile where as DPS is more volatile which is not good. In overall, the good performance of EIL is lacked by lower mean of independent variables in the last five Years period.

The analysis of NECO shows that there exists moderate degree of positive correlation in the performance of last five Years with BVPS and negative correlation with EPS & low degree of correlated with BVPS. Which shows different results that is the degree of correlation of DPS the independent variable is not significant at 5% level of significance. Talking about volatility, DPS is more volatile, EPS and MVPS have higher rate of volatility than BVPS which has relatively low degree of inconsistency. In overall, the NECO do not reach the industrial benchmark because of lower mean of independent variables. MVPS has positive correlation with DPS, BVPS and EPS for KFL. However, these degrees of correlation are not significant at 5% level of significance. BVPS has good performance and EPS and MVPS are less volatile than DPS. In overall, the KFL does not reach the industrial benchmark because of lower mean of independent variables. For NSM, MVPS has high degree of correlation with EPS and BVPS, and low correlation with DPS. But, t-test analysis shows that neither of them is significant at 5% level of significance. BVPS consistent and good where as DPS, EPS and MVPS have higher volatility respectively. In overall, the NSM does not have satisfactory performance than industrial benchmark. PFL shows that, there exists low degree positive correlation of MVPS with EPS the independent variables and negative correlation with DPS & BVPS. However, these relationships are not significant at 5% level of significance. BVPS has very low where as DPS has higher degree of volatility. EPS and MVPS have got a bit higher inconsistency. In overall, the PFL does not have satisfactory performance than industrial benchmark. ULN shows that, there exists high degree positive correlation of MVPS with EPS the independent variables, moderate degree of positive correlation with DPS and negative correlation with BVPS. However,

these relationships are not significant at 5% level of significance except with EPS. MVPS& EPS has very low where as DPS has higher degree of volatility. BVPS have got a bit lesser inconsistency. In overall, the ULN does not have satisfactory performance than industrial benchmark. NLO shows that, there exists moderate degree positive correlation of MVPS with EPS the independent variables, low degree of positive correlation with DPS and negative correlation with BVPS. However, these relationships are not significant at 5% level of significance. BVPS has very low where as EPS has higher degree of volatility. DPS & MVPS have got a bit lesser volatility than EPS. In overall, the NLO does not have satisfactory performance than industrial benchmark. BNL shows that, there exists moderate degree positive correlation of MVPS with BVPS the independent variables, and negative correlation with EPS and DPS. However, these relationships are not significant at 5% level of significance. BVPS has very low where as DPS has higher degree of volatility. EPS & MVPS have got a bit lesser volatility than DPS. In overall, the BNL does not have satisfactory performance than industrial benchmark.

To arrive at concrete conclusion, pricing status of the common stocks of sampled companies has also been tested which strongly concluded that SCBNL, BOK, KBL, EI, NSM and ULN are under priced during the study period but NL&GI, NECO, KFL, PFL, NLO and BNL were over priced. The stock of SCBNL, BOK, KBL, EI, KFL, NSM, PFL, NLO and BNL are defensive because their beta coefficients are less than 1. Where as stock of NL&GI, NECO and ULN are aggressive because their beta coefficients are more than 1. Defensive stocks indicate that they are less volatile in compression to market where as aggressive stocks are more volatile than that of market return. If stocks are under priced, their demand in stock market heavily mounts up. Insufficient supply of stocks caused price to rise. At present, this situation is prevailing in Nepalese stock market due

to which equity price of banking sector has approached to maximum point with out having any concrete financial reason.

Whereas analysis of primary data (from view point of respondents) summarizes, company performance (EPS, book value, DPS, risk), information disclosed, timely AGM, other political and economic factors such as political stability, national economy, peace, strikes/bandhas, demand and supply situation of the share, cease-fire etc. are the some important factors having significance influence on the share price. Similarly, other relevant factors, interest rate, tax rate, seasonal factors, day of the week effect, gold price, global economy, value of US$, cost of equity, market liquidity, size of the firm and change in management do not have significant effect . Due to poor rules and regulations as well as effective regularity mechanism, one the one hand, shareholders are not confident enough to invest in the share whereas on the other hand, capital market has not been growing as per expectation. Similarly, lack of political stability, peace and Moist revolution has constrained the smooth development of security market.

The study concludes that the Nepalese stock market is in infancy stage. There is a gap between the theory and practice of investment in Nepalese stock market due to lack of proper study/analysis of stock market. Professionalism is lacking. In spite of the several constraints, the NEPSE has been growing gradually. The commercial banking sector is the best performer among the listed companies. We can't undermine the truth that with the presence of peace and political stability, the capital market gets far better soon. Thus, it can be concluded that four financial indicators EPS, DPS and BVPS heavily determine the equity price. Other extraneous factors also caused equity price to fluctuate. Investors must look after all factors, which explicitly or implicitly affect equity price so that they can arrive at rational decision.

5.3 Recommendations

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

- Perfect markets require that all information concerning future risks and returns of securities be readily available to all investors. As there exists various market imperfections, relevant information are not easily available to the investors. They are often published in national dailies, but most of the information is highly aggregated and not reliable. Because of the lack of technical knowledge, majority of the investors is unable to analyze the available information. As such, a single buyer and a single seller can affect the price of securities. NEPSE has to insure listed companies relevant information. Similarly, NEPSE can expand its service to regional and local level so that it gives the equal opportunity to all the potential investors. The existing manual method of security trading should be replaced with computerized method to ensure the accuracy and systematic. Investors should be provided with investment guidelines and relevant information through media. It should monitor the activities of brokers as well as listed companies.
- Lack of education and sufficient information is the main weakness of the investors. They should seek their right towards accurate and timely information, as well as for protection. Similarly, investors should be alert to exploit the opportunities through short term speculation. So, they are suggested to raise their voice and complain about the misconduct of relevant company or NEPSE, SEBON as well as of Government. They are encouraged to enrich their level of knowledge and make the investment opportunities fruitful.
- Brokers are suggested not only to look at their interests but also be sincere and cooperate with investors. Since they have greater level of practical

knowledge they should provide rational and accurate advices to their clients/investors and foster professionalism.

- Perfect markets require that all information concerning future risks and returns of securities be readily available to all investors. As there exists various market imperfections, relevant information are not easily available to the investors. They are often published in national dailies, but most of the information is highly aggregated and not reliable. Because of the lack of technical knowledge, majority of the investors is unable to analyze the available information. As such, a single buyer and a single seller can affect the price of securities. NEPSE has to insure listed companies relevant information. Similarly, NEPSE can expand its service to regional and local level so that it gives the equal opportunity to all the potential investors. The existing manual method of security trading should be replaced with computerized method to ensure the accuracy and systematic. Investors should be provided with investment guidelines and relevant information through media. It should monitor the activities of brokers as well as listed companies.
- Listed companies are requested to avail the accurate and timely information to concerned authorities as well as to investors. They should conduct timely AGM, and fulfill the requirement of concerned authorities. They should not provide gimmicks to attract the potential investors.
- Government should formulate as well as implement effective rules and regulations, code of conduct, for the gradual development of capital market. For this purpose national as well as international stock experts should be consulted. Similarly, it should encourage independent rating agencies so that the investors will have a confident Feature of financial health and future prospects of organizations/instruments. NEPSE should be given authority to take immediate action for wrongdoer companies. Government

should encourage the concerned body to organize programs, seminars time to time to create awareness among the investors.

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

BIBLIOGRAPHY

Books

Ackerman, I.L. (1980), *"How to Invest in Philippine Stock Market"*, New Delhi: Mc Graw- Hill Publishing Co. Ltd.

Bhalla V.K. (1983), *"Investment Management, Securities Analysis and Portfolio Management"*, New Delhi: S. Chand & Company Ltd.

Brealey, R.A. and Mayers, S.C. (1998), *"Principles of Corporate Finance"*, Prentice-Hall India Pvt. Ltd.

Charles, Jones P. (1999), *"Investment Analysis and Management"*, Bombay: Himalayan Publishing House.

Cheney, J. M. & Moses, E. A. (1997), *"Fundamental of Investments"*, St. Paul: West Publishing Company.

Copeland, T.E. & Weston, J.F. (1992), *"Managerial Finance"*, the Dryden Press.

Fama (1976), *"The Theory of Finance"*, New York: The Dreden Press

Fisher, D.E. & Jordan, R.J. (1992), *"Security Analysis & Portfolio Management"*, Prentice Hall of India.

Francis, J. K. (1986), "*Investment Analysis and Management"*, New York: McGraw Hill.

Gitman, L.J. (1992), *"Principles of Managerial Finance"*, New York: Harper & Row Publishes.

Gupta, S. C. (1982), *"Fundamentals of Statistics"*, Bombay: Himalaya Publishing House.

Gupta, S. P. (2000), *"Statistical Methods"*, New Delhi: Sultan Chand & Sons Publishers.

Levi, M.D. (1992), "*International Finance"*, Singapore: McGraw Hill Inc.

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

Pandey, I.M. (1995), *"Financial Management"*, New Delhi: Vikas Publishing House Pvt. Ltd.

Pradhan, R.S. (1994), *"Financial Management Practices in Nepal"*, New Delhi: Vikash Publishing House.

Pradhan, R.S. (2002), *"Financial Management"*, Kathmadu: Buddha Academic Enterprises.

Reilly F. (1986), *"Investments"*, Japan: The Dydren Press, CBS Publishing Ltd.

Sharma, P.K. & Chaudhary, A.K. (2002), *"Statistical Methods"*, Kathamdu: Khanal Books Prakashan.

Shrestha, M.K. (1980), *"Financial Management"*, Kathmandu: Curriculum development Centre, Tribhuvan University.

Weston, J. F. & Brigham, E. F. (1987), *"Essentials of Managerial Finance"*, Orlando: The Dryden Press.

Weston, J. F. & Copeland, T. E. (1996), *"Managerial Finance"*, Chicago: The Dryden Press.

Wolf, H. K. & Pant, P. R. (2000), *"Social Science Research and Thesis Writing"*, Kathmandu: Buddha Academic Enterprises

Journals Reports and Articles

A. H. Robert & L.B. Nardin, (1996), *"Commonality in the Determinants of Expected Stock Returns"*, **The Journal of Financial Economics,** Summer.

Fama, Eugene Fredaric, (1965),. *"The Behavior of Stock Market Price"*, **Journal of Business.**

Panta, Rekha, (1999), *"Current Status of Share Market in Nepal"*, **Business Age**, Kathmandu:Oct.

Pradhan, R. S., (1993), *"Stock Market Behavior in a Small Capital Market: A Case Study of Nepal"*, **The Nepalese Management Review**, Kathmandu: Vol. IX, Summer.

Pradhan, R.S., (2004), *"Nepal Stock Exchange Securities Price Index"*, **Business Age**, Kathmandu: May.

Shrestha, M.K., (2001), *"Return From Investment In Stock Is not Short Run Phenomenon"*, **Business Age,** Kathmandu: July.

Official Publications

BOK (2002/03-2006/07) Annual Report, Kathmandu.

Bottler Nepal Ltd. (2002/03-2006/07) Annual Report, Kathmandu.

Everest Insurance (2002/03-2006/07) Annual Report, Kathmandu.

Kathmandu Finance (2002/03-2006/07) Annual Report, Kathmandu.

Kumari Bank Ltd. (2002/03-2006/07) Annual Report, Kathmandu.

Neco Insurance (2002/03-2006/07) Annual Report, Kathmandu.

Nepal Lube Oil (2002/03-2006/07) Annual Report, Kathmandu.

Nepal Share Market (2002/03-2006/07) Annual Report, Kathmandu.

NEPSE, (Vol.1-10) Trading Reports, Kathmandu.

NG, (2006/07) Economic Survey, Kathmandu.

NL&GI (2002/03-2006/07) Annual Report, Kathmandu.

People Finance (2002/03-2006/07) Annual Report, Kathmandu.

SCBNL (2002/03-2006/07) Annual Report, Kathmandu.

SEBO/N (2002/03-2006/07) Annual Report, Kathmandu.

Uni Lever Nepal (2002/03-2006/07) Annual Report, Kathmandu.

Dissertations

Adhikari, Khemraj, (2004), "Share Price Behavior of Joint Venture Banks in Nepal", An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Dahal, B.R., (2002), "Stock Market Behavior of Listed Jont Stock Company in Nepal", An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Khadka, Pankaj, (2007), "Issue of Rights Shares and Its Effects on General Market Price in Nepalese Context", An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Neupane, Apar, (2004), *"Determinants of stock price in NEPSE"*, An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Ojha, K. P., (2002), *"Financial Performance and Common Stock Pricing"*, A mini Research, Kathmandu: Central Department of Management, Tribhuvan University.

Pathak, Devaki, (2006), "Stock Price Movement of Listed Companies on Security Market in Nepal", An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Phuyal, Nirajan, (2006), "Stock Price Behavior of Selected Banking and Insurance Company", An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Poudel, Laxman, (2003), "A Movement of Stock Price Analysis of Joint Venture Commercial Bank", An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Poudyal, P. K. (2002), *"Share Price Behavior of Joint Venture Banks in Nepal"*, An unpublished Masters Level Thesis, Kathmandu: Central Department of Management, Tribhuvan University.

Web Sites

www.blackwell_synergy.com
www.business.com
www.emraldinside.com
www.nepalstock.com.np
www.nrb.org.np
www.sebonp.com

APPENDIX – 7 I

QUESTIONNAIRE

1. Does Higher Earnings (EPS) Increase Higher the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

2. Does Higher Cash Dividend Increase the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

3. Does Lower growth Rate (g) Increase Higher the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

4. Does Higher Interest Rate (r) Increase Higher the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

5. Does Higher the Retention Ratio make better the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

6. Does Stock Dividend Increase the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

7. Does Higher Cost of Equity Reduce the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

8. Does Lower Personal Tax Rate Reduce the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

9. Does Fall in Gold Prices Cause Fall in the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

10. Does Instability of the Government Cause Fall In the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

11. Does Strikes, Demonstration etc. Cause Fall in the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

12. Do Cease-Fire/Peace Talks Affect Positively the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

13. Does Better the National Economy Make better the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

14. Does Better the Global Economy Make better the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

15. Is Share Price Lower In Monday than On Friday ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

16. Is Share Price Affected By Demand & Supply ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

17. Do Rumors and Whims Affect the Share Price ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

18. Is Capital Market Not Developed Due To Poor Regulatory Mechanism ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

19. Are Listed Companies not Serious Towards Shareholder's Interests ?

Strongly Agree ☐ Agree ☐ Undecided ☐

Disagree ☐ Strongly Disagree ☐

APPENDIX – 7

Summary of Primary Data

Variables	SA	A	U	D	SD	N
Higher the EPS, higher the share price	4	21	4	2	0	31
Higher the cash dividend, higher the share price	15	19	3	3	1	31
Lower the growth rate (g), higher the share price	0	2	6	20	3	31
Higher the interest rate (r), higher the share price	2	17	7	4	1	31
Higher the retention ration, better the share price	2	14	5	8	2	31
Higher cost of equity (Ke) reduces the share price	2	14	6	8	1	31
Lower tax rate reduces the share price	1	7	7	14	2	31
Fall in gold price causes fall in share price	0	7	15	8	1	31
Instability of government reduces the share price	3	22	4	2	0	31
Strikes, Demonstrations reduces the share price	3	23	2	2	1	31
Cease-fire/peace talk affect positively to the share price	4	22	2	2	1	31
Better the national economy, better the share price	4	21	4	2	0	31
Better the global economy, better the share price	2	12	10	6	1	31
Share price is lower in Monday than in Friday	2	7	17	4	1	31
Share price is affected by demand and supply	4	20	2	4	1	31
Rummers and Whims affects the share price	4	17	5	3	2	31
Capital market is not well developed due to poor regulatory mechanism	4	17	5	4	1	31
Listed companies are not serious towards shareholder's interest	5	16	3	5	2	31

Where, weight for: SA = 2, A = 1, U = 0, D = -1, SD = -2