CHAPTER I
INTRODUCTION

1.1 Background of the Study

The world's economic sector is dynamic and hence is changing rapidly. Economic sector plays vital role for development the nation. Nepal is one of the least developed South East Asian countries lying between two economic giants, India & China. Nepal is comparatively a small country but rich in natural beauty, cultural heritage and diverse biology and environment .not one should forget is that the country is full of hydro energy.

The dominant factor that determines the economic strength of a country is how capable the country is in utilizing its resources. The inefficient and improper utilization of the resources affects the country's development adversely (like Nepal is facing now). Mobilization of the capital is an effective tool that helps in the proper and efficient utilization of the resource and hence it affects the overall economy of the country directly.

The financial institutions contribute in the national economy by accumulating the capital to meet the financial requirement of the different productive sectors. In both of the capital and the money market these financial institutions participate actively playing the role of both the suppliers and the demanders of the funds.

Secondary Market is one kind of capital market where securities are traded which has already been issued in the past. The secondary market, also known as the aftermarket, is the financial market where previously issued securities and financial instruments such as stock, bond, option and futures are bought and sold. Simply, secondary markets are markets in which existing outstanding securities are traded between the investors i.e. buyers and sellers. It creates the price and allow for liquidity. Thus, Secondary Market mainly deals with previously issued shares traded through stock exchange, over the counter market or direct selling.

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

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

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

Stock Market is a market for long term capital where both new capitals can be raised by companies and where existing shares can also be bought and sold. By providing a second hand market for investors to sell their shares, it facilitates the raising of new capital on the new issues market. "The stock exchange also provides a market for government loans and securities, and increasingly involved in the buying and selling in securities in the overseas companies. On the market, the main operators are the market makers who trade in a group of share, and the stock brokers who act as agents for their clients, who are the investors who are actually buying and selling shares." *(Famma & Miller; 2002: 225)* Hence, the stock exchange is one of the forms of secondary market where the shares of listed companies are transferred one hand to other mobilizing the funds to finance the productive sectors. It creates and enhances liquidity in the securities.

"Security Board, Nepal [SEBON], regulator of Nepalese Security market, was established on June 7, 1993, as an apex regulator of securities markets in Nepal. The main objective of SEBON is to regulate and develop the securities market and protect investor's rights. As per the Securities Related Act, 2006, the major functions, duties, and power of the SEBON are as follows.

- Register securities of public companies.
- Provide license to operate stock exchanges.
- Provide license to operate securities business.
- Permit the operation of collective investment schemes and investment fund programme.
- Draft regulations, issue directives and guidelines.
- Supervise and monitor stock exchanges and securities business activities.

- Take legal action against the non-compliance companies, and securities businesspersons.
- Conduct research, study and awareness programmes regarding securities markets.
- Coordinate and cooperate with other domestic as well as international securities related regulatory agencies.
- Formulate policies and programmes related to securities markets and advice the Government of Nepal as and when required." (SEBON; 2008/09)

"Nepal Security Board promotes and protects the interest of the investors by regulating the issuance, sale and distribution of securities and purchase, sale and exchange of securities, to supervise, look after and monitor the activities of the stock exchange and the other related firms on securities business, and to render contribution to the development of the capital market by making securities transactions fair, healthy, efficient and responsible." (*SEBO/N; 2003/04)*

Nepal Stock Exchange, in short NEPSE, is established under the company act, operating under Securities Exchange Act, 1983. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through member, market intermediaries, such as broker, market makers etc. NEPSE opened its trading floor on 13th January 1994. Government of Nepal, Nepal Rastra Bank, Nepal Industrial Development Corporation and licensed members are the shareholders of NEPSE.

In Nepal security Market centre was established in 1970 A D. It was the first and foremost step taken by the Nepalese government for the development of securities Market in Nepal. Immediately after those securities, Exchange Act was passed and securities Market centre was changed into Securities Exchange Centre (SEC), the history of securities Market began with the flotation of shares by Biratnagar Jute Mills ltd and Nepal Bank ltd in 1937 AD. After the introduction of the Company Act 1964, the issue of government bond in 1964 and the establishment of securities Exchange centre ltd in 1967 were among other significant developments resulting to Capital Markets.

Securities Exchange Centre was established with an objective of facilitating and promoting the growth of capital Markets. Before conversion into stock exchange it was the only Capital Market institution under taking the job of brokering, underwriting managing public issues, market making for government bonds and other financial services. Nepal Government, under a program initiated to reform capital markets converted Securities Exchange Center into Nepal Stock Exchange in 1993.

His majesty's Government (presently changed into Nepal Government) under a program initiated to reform Capital Market Converted securities Exchange (NEPSE) in 1993. NEPSE is a nonprofit making organization operating under Securities Exchange ACT 1983. Members of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and listed corporate securities. At present, there are 23 member brokers and 2 market makers, who operate on the trading floor as per the Securities Exchange Act, 1983, rules and bye-laws. Besides this, NEPSE has also granted membership to issue and sales manager securities trader (Dealer). Issue and sales manager works as manager to the issue and underwriter for public issue of securities whereas securities trader (Dealer) works as individual portfolio manager. At present there are 11 sales and issue manager and 2 dealers (Secondary market). Presently, there are 27 valid members brokers (currently working 23 members) and 277 listed companies in NEPSE. It has been adopting 'Open Out Cry' system on trading shares. Hence, transactions are conducted on the open trading floor where price is determined when bid and offer match i.e. as per the demand and supply of the shares. NEPSE the only Stock Exchange in Nepal introduced fully automated screen based trading since 24th August, 2007. The NEPSE trading system is called 'NEPSE Automated Trading System '(NATS) is a fully automated screen based trading system, which adopts the principle of an order driven market.

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

examine the different determiners of the share price relating the MPS with major financial indicators.

1.2 Statement of the Problem

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

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

1.3 Objectives of the Study

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

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

1.4 Importance of the Study

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

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

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

1.5 Limitations of the Study

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

- Though this thesis tends to explore the major determinants of Market Price of Share, it is limited on the analysis of Share Price of Nepalese Commercial Banks only.
- This study covers only the relevant data of past five years i.e. from Fiscal Year 2004/05 to 2008/09 and where available from fiscal year 2005/06 to 2009/10.
- This study is limited to the analysis of MPS of Nepalese Commercial Banks.
- The study is based Primary and Secondary Data. So the validity and reliability of the data depends upon their source.

1.6 Organization of the Study

This study has been organized into five Chapters.

Chapter I [Introduction]

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

Chapter II [Literature Review]

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

Chapter III [Research Methodology]

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

Chapter IV [Presentation and Analysis of Data]

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

Chapter V [Summary, Conclusion and Recommendations]

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

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

CHAPTER II
LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Common Stock

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

2.1.2 Features of Common Stock:

i. Claim on Income:

"The Common Stockholders bear a right to claim on income, which is earning available for ordinary shareholders, after paying expenses, interest charges, taxes and preferred dividend, if any. The income may be distributed among shareholders in the form of dividend or retained earnings. Dividends are immediate cash flow to shareholders, whereas retained earnings are the income reinvested in the organization, which ultimately increase the net worth of shareholders. Claim on Assets: The Common Stockholders have a residual claim on the company's assets in case of liquidation. Out of the realized value of assets,

first the claims of debt-holders and then preference shareholders are satisfied, and the remaining balance, if any, is paid to the common stockholders.

ii. Right to control:

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

iii. Voting Right:

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

iv. Pre-emptive Right:

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

v. Limited Liability:

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

2.1.3 Rights of Common Stockholders

i) Right to income

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

ii) Voting Right

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

iii) Right to Purchase new Share

A firm's corporate charter or state statute may require that a new issue of common stock or an issue of securities convertible into common stock be offered first to existing common stockholders because of their pre-emptive right. If the pre-emptive right applies to a particular firm existing common shareholders would have the right to preserve their proportionate ownership in the corporation. Thus, if the corporation issues common stock, the common shareholders must be given the right to subscribe to the new stock so that they can maintain their pro rata interest in the company." *(Van Horne and Wachonicz; 2000: 561-564)*

2.1.4 Earning per Share (EPS)

Earning per Share (EPS) is calculated by dividing a company's net revenues by the outstanding shares. This gives a number that can be used to compare the earnings of companies since it is unlikely any two companies will have the same number of shares outstanding. "Accounting earnings that represent the different revenues and expenses, including the expenses associated with non-equity source of funds (such as interest to debt, dividend of preference shares) is known as total earning available for

common stock. If this portion of income is divided by number of outstanding shares, we get earning per share." *(Francis, et al.; 2001: 622)*

2.1.5 Retained Earning

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

2.1.6 Dividend per Share

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

Forms of Dividend

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

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

2.1.7 Book Value per Share [BPS]

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

2.1.8 Market Value per Share

“Market value per share is the current price at which the stock is traded. For activity traded stocks that have thin markets, prices are difficult to obtain. Even when obtainable, the information may reflect only the sale of a few shares of stock and not typing the market value of the form as a whole. For companies of this sort, care must be taken in interpreting market price information.” *(Van Horne and Wachonicz; 1996: 561-64)*

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

Due to the market imperfection and uncertainty, shareholders may give a higher value to the near dividends and capital gains. Thus, payment of dividend may significantly affect the market price of shares. Higher dividends increase the value of shares and low dividends reduce the value.” *(Pandey; 1999: 681)*

2.2 Reviews of Previous Studies

Different studies have been conducted in the field of share price determinants by various researchers in the past. Some of them have been reviewed in this study in order to avoid possible duplication and bridge the gap.

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

$$\text{Present Value } P_o = \frac{Cashflow}{(1+k)} + \frac{Cashflow}{(1+k)^2} + \ldots + \frac{Cashflow_T}{(1+k)^T} \quad \ldots\ldots\ldots(i)$$

The present value model shown in equation (i) says that the present value at time = 0 equals the discounted present value of all the investment's future cash flows at times t=1,2,3,…T, where T is the terminal (or final) period in the investment’s life. The

convention k represents a risk-adjusted discount rate. The cash flows could be cash dividends from a common stock." *(Francis, et al.; 2003: 208)*

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

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

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

Similarly, Professor **James E. Walter** argues that "dividend policies almost always affect the value of the enterprise .The investment policy of a firm cannot be separated from its dividend policy, which is just the opposite of what MM said. The key argument in a support of the relevant proposition of the model is the relation between the return of firm's investment or its internal rate of return (r) and its cost of capital

(k). As long as the internal rate is greater than the cost of capital (k), the stock price will be enhanced by retention and will vary inversely with dividend payout.

The basic assumptions of the model are:

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

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

$$P = \frac{DPS}{K} + \frac{r(EPS - DPS)/K}{K}$$

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

Where: P=price of share;

EPS= earning per share;

r= internal rate of return;

K= cost of capital.

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

Growth firms (r>K)

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

Normal Firms (R=K)

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

Declining Firms (r<k)

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

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

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

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

The market value of share is equal to the present value of the future streams of dividends. A simplified version of Gordon's model can be symbolically expressed as;

$P\ X\frac{EPS(1 Z b)}{Ke Z b \mid r}$, where: P = Price of Share; EPS = Earning Per Share; b = retention ratio; 1-b = Dividend payout ratio; K_e = Capitalization rate or cost of capital; b x r = growth rate.

First Case: Growth Firm

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

Second Case: Normal Firm

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

Third Case: Declining Firm

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

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

Another study conducted by **Pettit** on "Dividend Announcements, Security Performance and Capital Efficiency" has the objective of providing further support or evidence about the validity of the efficient market hypothesis by estimating the speed and accuracy, with which market price reacts to announcements of changes in the level of dividend payment. He analyzed 625 announcement dates of all dividend changes collected from New York Stock Exchange for the period of January 1964 through January 1968, within which 1000 dividend changes were announced and daily price information was also studied for 135 announcements in 1967-1969. For analysis, the market model is used. The study draws the conclusion that "the market makes use of announcements of changes in dividend payments in assessing the value

of a security and most of the information implicit in the announcement is rejected in the securities' price as of the end of the announcement period" *(Pettit; 1972: 63),* and the study strongly supports the proposition that the market is reasonably efficient both on a monthly and daily basis.

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

Sundaram on "Stationary of Market Risk: Random Coefficient Test for individual Stocks" is undertaken by analysing 891 individual bonds, containing quarterly rates of return from the fourth quarter of 1968 through the third quarter of 1973 for every corporate bond listed in the NYSE, in order to test whether the market risk of a given stock over a given time series is stationary. Or whether the market risk follows random walk and knows the effect of portfolio diversification on non –stationary of the market risk of portfolios. The cross – sectional correlation and regression estimate tools are used for the study. Finally, the study concludes that "investor may be willing to pay a premium for positive skewness assets in their portfolios, that the inference that co-skewness in addition to variation is required to explain individual assets prices, which is significantly affected by the different market indexes used and other testing and estimation procedures, and that the estimated risk- free rate of return is significantly higher than the actual risk free rate of return." *(Sundaram; 1980: 215)*

2.3 Review of Master's Thesis

Number of thesis relevant to this study has been reviewed for the purpose of finding previous studies and their findings. Some of the important findings are presented here below:

Mahesh Mainali (2003) has conducted research on "*A study of share price behaviour of listed commercial banks"*, submitted to Shanker Dev Campus. The main objectives of his research are:

a. To provide a glimpse of the present Nepalese stock market.
b. To analyse the share price behaviour of the commercial banks listed in NEPSE.
c. To examine the risk involved in the common stock investment of the sampled commercial banks.
d. To suggest viable option on the basis of findings.

The major findings of Mainali are:

a. Large number of correlation coefficients of the daily log price changes of 10 commercial banks stocks for the sample period significantly departed from zero. This implies that past and present price changes can screen outcome valuable information in forecasting future price changes. Therefore there exists sufficient amount of opportunity for the sophisticated investors.
b. Because of the persistence in the stock price movements professionals traders either individual or institutional can beat the market. therefore to make greater profit than naïve buy and hold strategy acute fundamental and other analysis are required which accurately predict the appearance of the new information in the market and have impact on the price.
c. There exist significant differences in the actual and expected numbers of runs for the series of daily closing price changes of the sampled commercial banks. So, the result of runs test is also consistence with the result of serial correlation. Therefore today's price change is dependent upon the impact of yesterdays price change.
d. Through the coefficient of variation analysis, it is found that there is highest percentage of per unit risks for the stocks of SBI. Due to negative realized return NIC and NBBL are more aggressive to market changes as revealed by the highest beta coefficient of 3.93. Similarly stocks of other banks excluding NBL and NIC are also aggressive since their respective beta coefficient are higher than that of average stock.

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

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

The major findings of Baral are as follows:

a. Studying the annual trend analysis of Nepalese stock price market, it was found that stock price trend is decreasing from many years as smoothly but from one year price of stock is decreasing as rapidly.

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

Gurudatta Paudel (2003) has conducted research on "A study of the movement of stock prices of joint ventures commercial banks", submitted to Shanker Dev Campus. The main objectives of his studies are as follows:

a. To examine the movement of the stock market price in relation to Nepal joint venture commercial banks are either dependent or independent to historical prices of the stock.
b. To evaluate return and risk proportion of investment on stock on joint ventures commercial banks.

c. To categorize the nature of stock tendency in relation with price stability.
d. To study group wise behaviour of NEPSE index.
e. To recommend for improvement of stock market in Nepal.

The major findings of his research are as follows:

a. MPPS is the dependent variable and movement occurs on the base of companies information or historical information and its significant at 1% level of significance.
b. The variation the dependent variable MPS is not highly dependent on the independent variable BVPS and having large portion of standard error of estimates which is depicted by the statistics of insignificance.
c. The regression model of MPS on EPS and DPS is not fitted for each sampled banks. That explains these banks takes place due to variation in EPS and DPS as according to explanation of F-test statistics.
d. The stocks of the sample companies are underpriced since their expected rate of return is higher than the respective required rate of return. Since the stocks are underpriced it is better to buy and hold the stock.

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

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

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

a. HBL's MPS is negatively correlated with major financial indicators. But it has positive relationship with DPS and DPR respectively.
b. NBL's MPS has positive relationship with EPS and ROE, whereas it has negative relation with other financial variables.

c. NBBL's MPS is positively correlated with EPS, NWPS and DPS which are statistically significant at 1% and 5% levels of significance. Further, MPS is positively correlated with DPR and ROE.
d. NIBL's MPS is reversely correlated with major financial variables. However, MPS and DPS is statistically significant at 1% level of significance.
e. SCNBL's MPS is negatively correlated with major financial indicators. But it has higher positive relationship with ROE.
f. AFCL's MPS has positive correlation with main financial variables except ROE, with which it has negative relationship. But no such relationship is statistically significant.
g. KFL's MPS has positive relationship with major financial variables except DPR and ROE, with which it has opposite relationship. The relationship of MPS with EPS and NWPS is statistically significant at 5% level.
h. NHDL's MPS has positive relationship with main financial indicators, but such relationship is not statistically significant.

Rekha Gautam (2005) has made a research on *"A study on the behaviour of the stock market prices in NEPASE"*, submitted to Shanker Dev Campus. The main objectives of her research are:

a. To study and analyse the stock price trend and the volume of stock trade in NEPSE.
b. To study and analyse the stock price of the listed companies in NEPSE.
c. To study and analyse the investors views regarding the investment in Nepal.
d. To study and analyse the signalling factors impact on stock price with the help of NEPSE index.
e. To find out the correlation coefficient of the sample companies.
f. To forecast the future market price using regression analysis.

The major findings of her research are:

a. On analyzing compared T-Test for signalling factor with reference to major three events it was found that signalling effects had played major role in fluctuation of the share price.
b. The calculated value of the correlation coefficient showed that there is positive correlation coefficient between EPS and NWPS; and DPS and NWPS of all sample companies.

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

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

The major findings of Giri are as follows:

a. Large number of serial correlation of the daily log price changes of ten commercial banks' stocks for the sample period is significantly departed from zero. This depicts that past and present price changes can screen out some valuable information in forecasting future price changes. Thus there exists sufficient opportunity for the sophisticated investors.
b. Because of the persistence in the stock price movements, professional traders either individual or institutional can beat the market. Therefore to make more profit, acute fundamental and other analyses are required which accurately predicts the appearance of the new information in the market, which has impact on the prices than the naïve buy and hold strategy.
c. Common stock of NBBL yields the highest realised rate of return of 76.06% whereas it is negative in case of NBL and NIC stocks. Regarding the total risk, NBBL is the riskiest among all stocks as it consists of highest 142% of the total risk, whereas NIC is recorded as least risky as it contains only 5.03% of the total risk. Similarly, the stocks of BOK and EBL fall into the second and third position in terms of standard deviation.
d. Through the coefficient of variation analysis, it is found that there is highest percent of per unit risk for the stocks of SBI. Due to negative realised returns,

NIC and NBL have negative coefficient of variation. Stocks of NBBL are more aggressive to market changes as revealed by the highest beta coefficient of 3.93.

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

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

The major findings of Shrestha are as follows:

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

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

a. To examine and evaluate the relationship of MPS with various financial indicators like NWPS, EPS, DPS, ROE, etc.
b. To analyze the market trends of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.
c. To find out whether stocks of the sampled companies are equilibrium priced of not.
d. To identify qualitative factors affecting the stock price.

The major findings of Regmi are as follows:

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

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

a. To study the present position of the financial institution and joint venture banks.
b. To examine and evaluate the relationship of MPS with various financial indicators like EPS, NWPS, DPS and DPR.
c. To analyze the degree of risk involved in the common stocks investment of the sampled companies.
d. To identify whether stocks of the sampled companies equilibrium priced or not.

e. To analyze and have the comparative study about the performance of financial institution and commercial banks with regard to their profitability and liquidity position.
f. To present some recommendations based on the findings of the study.

The major findings of Bhattarai are as follows:

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

Samir Khand (2006) submitted the dissertation on *"Stock Prices movement in NEPSE"* to Shanker Dev Campus. The basic objectives of his research are:

a. To study about the occurring trend of stock price movement and volume of stock trade in NEPSE.
b. To find out the movement of the stock price in Nepal Stock Market with the effect different financial dependent and independent variables like DPS, EPS, etc.

He has classified his major findings in two parts, findings from secondary data and findings from primary data.

The findings from secondary data are:

a. Correlation between MPS and EPS is 52.80%. That means MPS of each company goes up and down with the increase and decrease with EPS, but it is not the single whole factor for share price movement trading in NEPSE.
b. From the analysis of Price Earning Ratio, market to book value ratio when treated as the independent variable, the analysis shows insignificant. That means it doesn't play the vital role.
c. DPS does not show any impact in the share price of the trading companies in NEPSE because F-Test shows insignificant result. Whereas in the case of banking sector it plays a vital role.

The findings from the primary data are:

a. Higher the DPS, higher is the fluctuation in the market price.
b. Banking sector has distributed the dividend to attract the investors but in other trading companies are not distributing higher dividend.
c. Company's announcement of the earning will help to increase the market price of the share.

2.4 Research Gap

Since the above mentioned studies on share price behaviour in Nepal offer limited findings, more extensive testing measures, more close time period (in most of the study data were taken as weekly or monthly basis which is not real representation of the market) and adjustment of necessary variables are needed in order to be more conclusive about the efficiency of Nepalese stock market.

Most of the studies on share price behaviour conducted in the context of Nepal were based on secondary sources of information only. No study has been conducted on price behaviour related to stock market efficiency by using share brokers and individual investors as primary sources of information. There was a need to conduct a survey with the share brokers, market analyzers and individual investors who are the major stakeholders of the stock market, in order to find out more subjective facts on share price behaviour which cannot be tested through the use of the secondary source of information. The present study is conducted to fulfil such gaps.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Methodology

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

3.2 Research Design

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

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

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

3.3 Scope of the Study Population

As per the data of 5th may, 2008, there are 144 public companies that are listed in Nepal Stock Exchange Ltd. (NEPSE) consisting 55 from finance companies, 21 from manufacturing, 15 from commercial banking sector, 16 from insurance company, 5 from trading, 22 from Development Banks, 4 from hotel, and 6 from other sectors.

Since the study concentrates only on the determinants of stock price of Commercial Banks of Nepal, all the Commercial Banks listed in NEPSE are taken for the study. Some of the Commercial Banks, here included in the study, are established within the period of study years; hence all the data are not available for analysis from 2000/01 to 2006/07 for these banks. For such only the available data are analyzed. Though Nepal Bank Limited was once listed in NEPSE, but due to continuous loss it is de-listed now, and hence excluded in this study.

This study covers these commercial banks:

Table No. 3.1

Sample of Commercial Banks taken for study

S.No.	Name of the Commercial Banks	S.No.	Name of the Commercial Banks
1.	Bank of Kathmandu Limited	2.	Nabil Bank Limited
3.	Everest Bank Limited	4.	NCC Bank Limited
5.	Himalayan Bank Limited	6.	Nepal Bank Ltd.
7.	Kumari Bank Limited	8.	Nepal Ind. & Commercial Bank Ltd.
9.	Laxmi Bank Limited	10.	Nepal Investment Bank Ltd.
11.	Lumbini Bank Limited	12.	Nepal SBI Bank Limited
13.	Macha Puchchhre Bank Ltd	14.	Siddhartha Bank Ltd.
15.	Standard Chartered Bank Nepal	16.	NMB Bank Ltd.
17.	KIST Bank Ltd.	18.	Development Credit Bank Ltd
19.	Prime Commercial Bank Ltd..	20.	Citizen bank International Ltd.
21.	Sunrise Bank Ltd		

3.4 Sources of Data

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

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

3.5 Data Collection Techniques

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

For the collection of secondary data, the official website of Nepal Stock Exchange, www.nepalstock.com was visited from where the financial reports of the concerned companies and other relevant information were taken. Likewise, the website of Nepal Rastra Bank, www.nrb.org.np was visited and the required data were downloaded. The financial statements of the concerned organisations are taken from the Library of Security Board of Nepal [SEBO/N], NEPSE and the Share Departments of respective Banks.

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

3.6 Data Processing

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

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

3.7 Data Analysis Tools

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

3.7.1 Statistical Tools

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

3.7.1.1 Average/Mean

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

3.7.1.2 Standard Deviation

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

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

3.7.1.3 Coefficient of Variation

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

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

3.7.1.4 Karl Pearson's Coefficient of Correlation

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

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

Where,

n	:	Number of observations in series X and Y
∑X	:	Sum of observations in series X
∑Y	:	Sum of observations in series Y
$\sum X^2$	:	Sum of squared observations in series X
$\sum Y^2$	:	Sum of squared observations in series Y
∑XY	:	Sum of product of observations in series X and Y

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

"The closer the value of 'r' is 1 or -1, the closer the relationship between the variables and the closer 'r' is to 0, the less close relationship." *(Shrestha and Manandhar; 1999: 234)*

3.7.1.5 Coefficient of Determination

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

$$r^2 \; X \frac{\text{Explained Variance}}{\text{Total Variance}}$$

3.7.1.6 Regression Analysis

Simple Regression Analysis

Regression is the estimation of unknown values or prediction of one variable from known values of other variables. It is a mathematical measure of the average relationship between two or more variables in terms of the original units of the data. The known value which is used for prediction (or estimation) is called independent (or regresser or predictor or explanatory) variables and the unknown value that we are going to predict is called dependent (or regressed, predicted or explained) variable. *(Pant & Chaudhary; 2055: 237)*

Line of regression of X on Y

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

$$Y = a + bx$$

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

$$\sum Y = na + b \sum x \text{ …….(i)}$$

$$\sum XY = a\sum X + b\sum x^2 \text{ …….(ii)}$$

Where, Y = the value of dependent variable,

a = Y-intercept

b = Slope of the trend line/coefficient of regression

X = Value of independent variable

3.7.1.7 Coefficient of Regression

The coefficient ‘b’, which is the slop 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 variable Y for a unit change the value in value of the independent variable X. In other words, it represents the rate of change. The convenient way to calculate the value of ‘b’ is as:

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

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

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

Multiple Regression Analysis

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

The multiple regression equations is explained by :

$$X_1 = a + b_1 X_2 + b_2 X_3 \text{ ……..(i)}$$

Where, a = point of intercept on Y-axis = The value of X_1 when $X_2=X_3=0$

b1 = Slope of X_1 with variable X_2 holding variable X_3 constant = corresponding change in X_1 for each unit change in X_2 while X_3 is held constant

b_2= Slope of X_1 with variable X_3 holding variable X_2 constant = Corresponding change in X_1 for each unit change in X_3 while X_2 is held constant.

X_1 = Dependent variable

X_2 and X_3 = Independent variable

The values of constants a, b_1 and b_2 are determined by solving simultaneously following three normal equations obtained by the method of least squares.

$$\sum X_1 = na + b_1\sum X_2 + b_2 \sum X_2 \ldots\ldots\ldots\ldots\ldots\ldots\text{(ii)}$$

$$\sum X_1X_2 = a\sum X_2 + b1\sum X_2^2 + b_2 \sum X_2X_3 \ldots\ldots\ldots\ldots\text{(iii)}$$

$$\sum X_1X_3 = a\sum X_3 + b1\sum X_2X_3 + b_2\sum X_3^2 \ldots\ldots\ldots\ldots\text{(iv)}$$

We get the multiple regression equation (i) by putting the values we get from solving equation ii, iii and iv.

3.7.1.8 Standard Error of Estimate

The regression equations enable us to estimate the value of the dependent variable of the dependent variable for any given value of the independent variable. With the help of regression equations, perfect estimations are impossible.

In such a case, standard error of estimate is used to measure the reliability of the estimating equation. The standard error of estimate is similar to the standard deviation. Both of these are measure of dispersion. The standard deviation measures the dispersion of a set of observations about the mean. The standard error of estimate, on the other hand, measures the variability, of scatter, of the observed values around the regression line. There are two standard error of estimate namely standard error of estimates namely standard error of estimate of Y on X and standard error of estimate of X on Y. *(Pant & Chaudhary; 2055: 260)*

The formula for calculating the standard error of estimate of Y on X is defined by;

$$S_{y.x}\ X\sqrt{\frac{\text{f}Y\ Z Y_C \text{Å}}{n\ Z2}}$$

$$S_{y.x}\ X\sqrt{\frac{Y2\ Z a \quad Y\ Z b \quad XY}{n\ Z2}}$$

3.7.1.9 T- Test

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

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

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

Where, r = simple correlation coefficient

N = number of observation

3.8 Methods of Data Presentation

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

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

4.1 Commercial Banks of Nepal

Commercial Banks refers to the bank which accepts deposits of the publics and organizations, grants loan to them against securities, providing financial agency services to the clients/customers as requested. Nepal Bank Ltd. Was established as the first Commercial Bank in Nepal in 1994 B.S. The Rastriya Banijya Bank was established in 2022 under Rastriya Banjya Bank Act, 2021. After the restoration of democracy in the country, the government adopted liberal economic policy and as a result, many commercial banks came into existence. The list of Commercial Banks of Nepal is presented in Table No. 4.1.

Table: 4.1

Nepalese Commercial Banks

S.No.	Name of the Commercial Banks	S.No.	Name of the Commercial Banks
22.	Bank of Kathmandu Limited	23.	Nabil Bank Limited
24.	Everest Bank Limited	25.	NCC Bank Limited
26.	Himalayan Bank Limited	27.	Nepal Bangladesh Bank Limited
28.	Kumari Bank Limited	29.	Nepal Ind. & Commercial Bank Ltd.
30.	Laxmi Bank Limited	31.	Nepal Investment Bank Ltd.
32.	Lumbini Bank Limited	33.	Nepal SBI Bank Limited
34.	Macha Puchchhre Bank Ltd	35.	Siddhartha Bank Ltd.
36.	Standard Chartered Bank Nepal	37.	NMB Bank Ltd.
38.	KIST Bank Ltd.	39.	Bank of Asia Nepal Pvt. Ltd.
40.	Development Credit Bank Ltd.	41.	Citizen bank International Ltd.
42.	Global Bank Ltd.	22.	Prime Commercial Bank Ltd.
23.	Sunrise Bank Ltd.	24.	Rastriya Banijya Bank Ltd.
25.	Agricultural Bank Ltd.	26.	Nepal Bank Ltd.

(Source: Report of NRB)

4.1.1 Listing of Commercial Banks in NEPSE

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

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

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

4.2 Relationship between EPS, DPS and BPS to MPS

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

4.3 Analysis of Financial Indicators

4.3.1 Bank of Kathmandu

The table no. 4.2 details the financial summary of Bank of Kathmandu over the period of last five years. It shows the relationship of EPS, DPS and BPS with MPS.

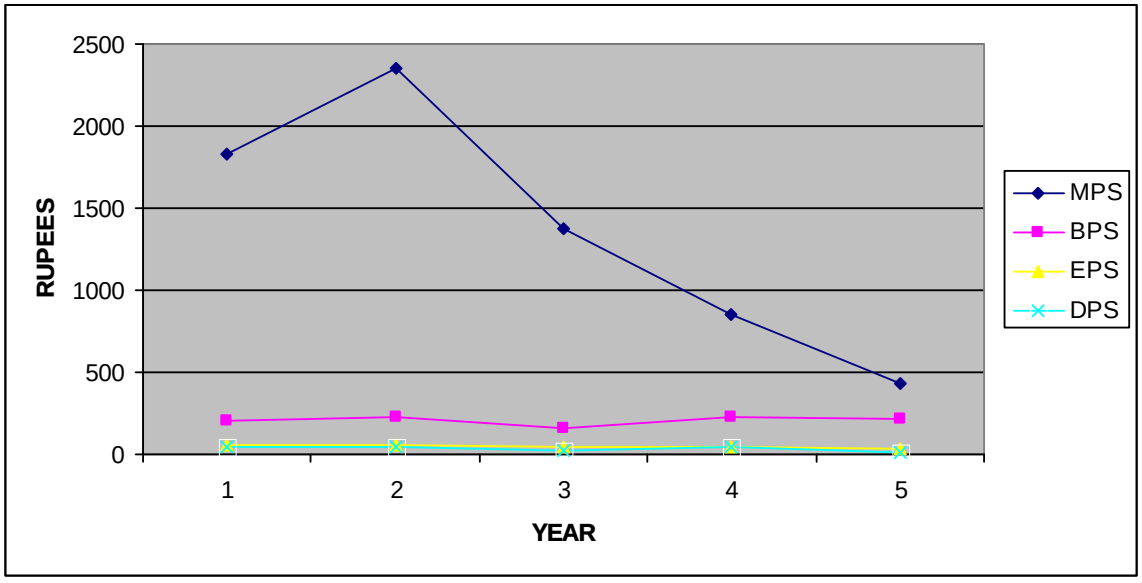
Table 4.2
Summary of financial performance of BOK

YEAR	MPS	BPS	EPS	DPS
2004/2005	430	213.6	30.1	15
2005/2006	850	230.67	43.67	48
2006/2007	1375	164.68	43.5	20
2007/2008	2350	222.51	59.94	42.11
2008/2009	1825	206.25	54.68	47.37
MEAN	1366	207.542	46.378	34.496
SD	761.8021	25.66352	11.54817	15.7821
C.V	55.76882	12.36546	24.90009	45.75053

(Source: Annual report 2008/09)

As the table reads, the dividend payout of the company has in each year except on year 2005/06 where the dividend is maximum at Rs.48 and the dividend is minimum at year 2004/05 at Rs.15. In average BOK distributed Rs.34.496 over the period and as the dividend rate is in increasing trend the company is in better financial strength. MPS of BOK seems the most volatile as the coefficient of the variation is gratest with 55.77%. And BPS is less volatile with the C.V. of 12.37%. It describes that the MPS is comparatively more fluctuating than that of others.

Figure 4.1
Relationship between MPS, DPS, BPS and EPS of BOK



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.3
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.510509	0.260619	1.028324	515.9401	24.64227	1.86	INSIGNIFICANT
MPS vs BPS	-0.0492904	0.00243	-0.08548	1669.664	-1.46315	1.86	INSIGNIFICANT
MPS vs EPS	0.9594652	0.920573	5.896669	-1569.42	63.2934	1.86	SIGNIFICANT

Where,

r : Coefficient of Correlation

r^2 : Coefficient of Determination

t-cal : Student's t-value

t-table : Tabulated value of Student's t-distribution (at 95% level of significance, n-2 i.e. 5-2=3 Degree of Freedom ? about standard error)

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

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

Table No. 4.3 shows the relation of MPS with DPS, BPS and EPS. It shows that two indicators, Earning per Share seems to be more positively correlated with the Market Price per share. Likewise, Book Value per Share is negatively correlated second to MPS is positively correlated with DPS and EPS but is negatively correlated with BPS. It means rise in these indicators (DPS and EPS) results the rise in MPS. Among these MPS. DPS is less correlated with MPS in comparison with others. Hence, a little rise in earning per Share causes bigger increase in MPS. Though in smaller amount, the increase DPS also increases MPS. Despite this, it can be observed from t-calculation that none of these correlations is significant at 95% level of confidence except MPS with EPS.

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

Table No. 4.4

Simple Regression Equation of BOK

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 515.94+24.64 DPS
2	MPS vs. BPS	MPS = 1669.66-1.46 BPS
3	MPS vs. EPS	MPS = -1569.42+63.29 EPS

The first equation is the regression equation of MPS on DPS. The regression constant equals to 515.94. This means that when DPS falls to zero, MPS equals to Rs. 515.94. Likewise, the constant for DPS equals to 24.64 meaning that when DPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 24.64 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to 1669.66. This means that when BPS becomes zero, MPS will fall to Rs. 1669.66. Likewise, the constant for BPS equals to -1.46 meaning that when BPS increases/decreases by Re. 1, MPS increases/decreases by Rs. -1.46 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to -1569.42. This means that when EPS falls to zero, MPS equals to Rs. -1569.42. Likewise, the constant for EPS equals to 63.29 meaning that when EPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 63.29 and vice versa.

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

MPS on DPS and EPS

MPS = -1794.25 – 19.56 DPS + 82.69 EPS

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to -1794.25. The constant for DPS is -19.56 meaning that when DPS increases by Re. 1, MPS will decrease by Rs. -19.56 keeping EPS constant. In the same way, if DPS holds constant 82.69 hence indicating EPS increases by Re. 1, MPS will increase by Rs. 82.69 and vice versa.

4.3.2 Everest Bank Ltd.

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

Table 4.5

Summary of the Financial Performance of EBL

YEAR	MPS	BPS	EPS	DPS
2005/2006	1379	217.7	72.78	25
2006/2007	2430	280.8	78.42	10
2007/2008	3132	321.8	91.82	20
2008/2009	2455	345.2	99.99	30
2009/2010	1630	331.9	100.16	30
MEAN	2205.2	299.48	88.634	23
SD	704.5131	51.6635	12.5263	8.3666
C.V	31.94781	17.25107	14.13262	36.37652

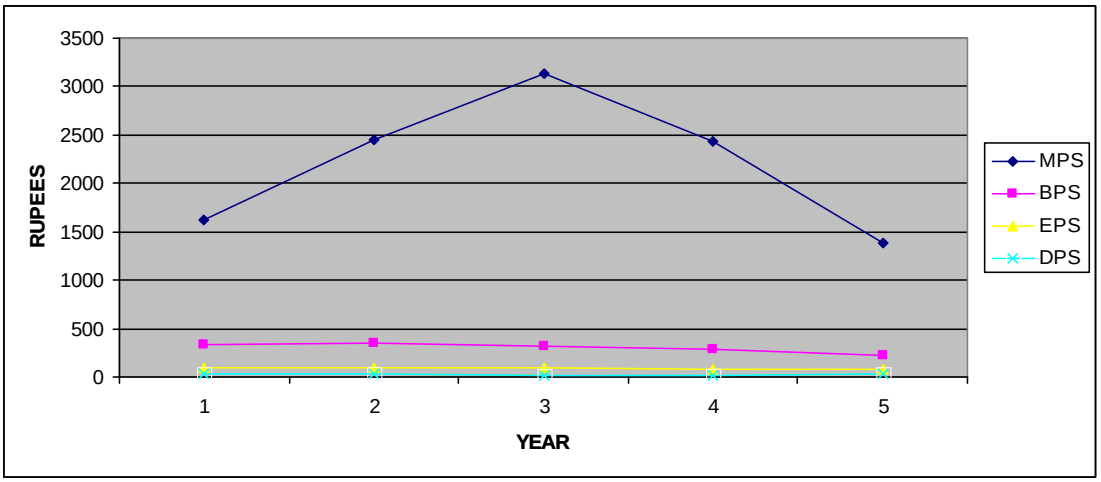
(Source: Annual report 2009/10)

The above table 4.5 presents the summary of financial performance of Everest Bank Limited for the last five years. The table showed that the MPS of EBL has followed increasing trend over the period. The MPS ranged from Rs. 1379 in the fiscal year 2005/06 to Rs. 3132 in the fiscal year 2007/08 and the goes on decreasing to Rs. 1630 on the year 2009/10. Similarly, the EPS of the bank has also followed increasing trend and reached to Rs. 100.16 in the fiscal year 2009/10 from Rs. 72.78 in the fiscal year 2005/06. However, the DPS remained constant (Rs. 30) in the last two fiscal years after a continuous increase for fiscal year 2006/07 and that year it has decreased from 25 preceding fiscal year. BPS increased for the first four years and slightly decreased in the fifth year however it was increasing till the fourth year. High coefficient of variation (36.37%) of DPS clears that the DPS is highly volatile and inconsistent in comparison with BPS (17.25%) and EPS (14.13%) and the second volatile is MPS around 5% less than DPS.

The following line chart (Figure 4.2) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

Figure 4.2

Relationship between MPS, DPS, BPS and EPS of EBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table 4.6:

Table 4.6

Relationship of BPS, EPS and DPS with MPS of EBL

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	-0.4085672	0.166927	-0.77532	2996.482	-34.4036	1.86	INSIGNIFICANT
MPS vs BPS	0.5276886	0.278455	1.075986	50.18242	7.195865	1.86	INSIGNIFICANT
MPS vs EPS	0.2822178	0.079647	0.509528	798.34	15.87269	1.86	INSIGNIFICANT

Table 4.5 shows the relation of MPS with DPS, BPS and EPS. The table shows that MPS is positively correlated with BPS and EPS but is negatively correlated with DPS. Likewise the calculated t-value of all variables is Less than the tabulated t-value (1.86).

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given in Table 4.7:

Table 4.7

Simple Regression Equation of EBL

S.No.	Variables	Regression Equation
1	MPS vs. DPS	2996.48-34.4 DPS
2	MPS vs. BPS	50.18+7.195 BPS
3	MPS vs. EPS	798.34+15.87 EPS

The first equation is the regression equation of MPS on DPS. The regression line of MPS on DPS indicates that the per rupee increase in DPS leads to an decrease of Rs-34.4in MPS. Similarly, the second regression equation of MPS on BPS indicates that the per rupee increase in BPS causes Rs. 7.195 increase in MPS and the third equation of MPS on EPS implies that per rupee increase in EPS raises Rs. 15.87 increase in MPS. Comparing three variables, it clarifies that EPS is the most influencing factor for MPS in Everest Bank Limited.

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

MPS on DPS and EPS

MPS = 668.38 + 37.09 DPS -76.10 EPS

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to 668.38. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. 668.38. The constant for DPS is 37.09 meaning that when DPS increases by Re. 1, MPS will decreases by Rs. 37.09 keeping EPS constant. In the same way, if DPS holds constant and EPS increases by Re. 1, MPS will decrease by Rs. -76.10 and vice versa.

4.3.3 Himalayan Bank Limited

The following table outlines the major financial performance of Himalayan Bank Limited over the past five years from 2004/05 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table 4.8

Summary of the Financial Performance of HBL

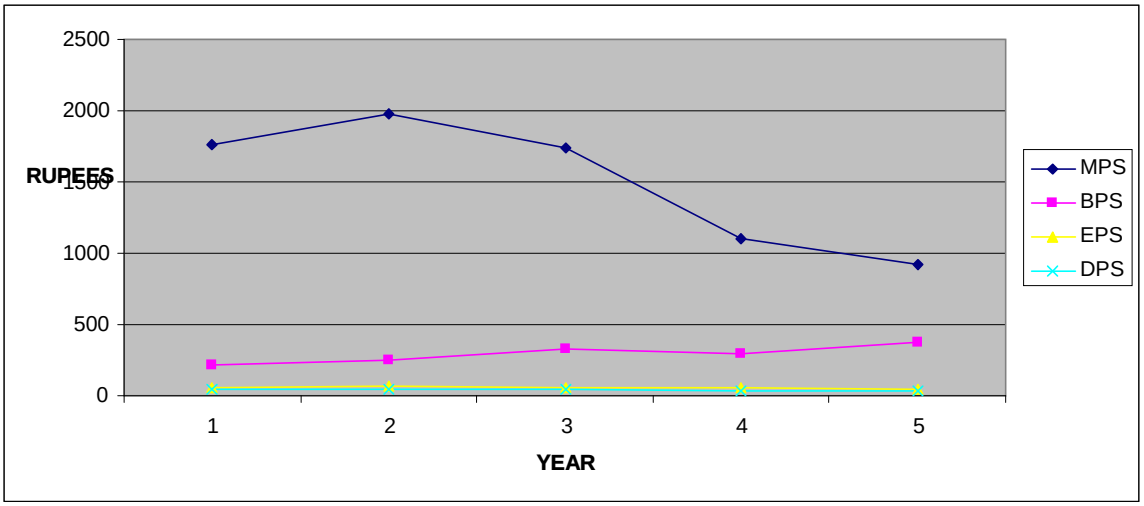
YEAR	MPS	BPS	EPS	DPS
2004/05	920	372.32	47.91	31.58
2005/06	1100	296.19	59.24	35
2006/07	1740	326.51	60.66	40
2007/08	1980	244.64	62.74	45
2008/09	1760	210.91	61.96	43.46
MEAN	1500	290.114	58.502	39.008
SD	461.5192	64.14938	6.068576	5.655698
C.V	30.76795	22.11178	10.37328	14.49882

(Source: Annual report 2008/09)

The above table 4.7 presents the summary of financial performance of Himalayan Bank Limited for the last five years. The table revealed that the MPS of HBL increased in each fiscal year and ranged from Rs. 920 in the fiscal year 2004/05 to Rs. 1980 in the fiscal year 2007/08 and falls to RS 1760 in year 2008/09. Likewise, the DPS is increasing throughout the period and ranged from Rs. 31.58 in the fiscal year 2004/05 to Rs. 45 in the fiscal year 2007/08 and falls to 43.46 on the year 2008/09. Also, EPS increased during the period and ranged from Rs. 47.91 in the fiscal year 2004/05 to Rs. 62.74 in the year 2007/08 and in the fiscal year 2008/2009 it falls to 61.96. However, BPS is been found fluctuating reached to Rs. 210.91in the fiscal year 2008/09. Comparing the coefficient of variation, there is highest fluctuation in MPS (C.V. 30.76%) and lowest fluctuation in EPS (C.V. 10.37%) compared with other variables, DPS (C.V. 14.49%) and BPS (C.V. 22.11%).

Figure 4.3

Relationship between MPS, DPS, BPS and EPS of HBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table 4.8:

Table 4.9

Relationship of BPS, EPS and DPS with MPS of HBL

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.9753226	0.951254	7.651381	-1604.6	79.58878	1.86	SIGNIFICANT
MPS vs BPS	-0.7075839	0.500675	-1.73439	2976.876	-5.09067	1.86	INSIGNIFICANT
MPS vs EPS	0.8300769	0.689028	2.578208	-2193.11	63.12789	1.86	SIGNIFICANT

Table 4.9 shows that MPS of Himalayan Bank is positively correlated with DPS (0.975)and EPS (0.8301) but is negatively correlated with BPD (-0.707). It indicates

that raise in DPS and EPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will be raised by Rs. 97.53. In the same way, Rs. 100 increase in EPS results the increment of Rs. 83 and in MPS respectively. In addition, the t-statistics indicates that the relationship between DPS and EPS with MPS is statistically significant, as the calculated value is higher than the tabulated value at 95% level of significance with 5 degree of freedom. But the relation of MPS with BPS is statistically insignificant.

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

Table 4.10

Regression Equation of HBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS=-1604.6+79.59 DPS
2	MPS vs. BPS	MPS = 2976.88-5.09BPS
3	MPS vs. EPS	MPS = -2193.11 + 63.12 EPS

The first equation is the regression equation of MPS on DPS. The regression constant equals to -1604.6. This means that when DPS falls to zero, MPS equals to Rs. -1604.6. Likewise, the constant for DPS equals to 79.59 implies that when DPS increases by Re. 1, MPS increases Rs. 79.59 and vice versa. Similarly, the second regression equation of MPS on BPS indicates that per rupee increase in BPS leads to Rs. 5.09 decrease in BPS and the third equation of MPS on EPS indicates that one rupee increase in EPS leads to Rs. 63.12 increase in MPS and vice versa also if EPS reduces to zero the MPS will decrease to RS -2193.11.

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

MPS on DPS and EPS

MPS = -6256.66 + 77.14 DPS + 83.16 EPS

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to -6255.66. The multiple regression equation of MPS on DPS and EPS indicates that if other variable remains constants, per rupee increase in DPS leads to an increase of Rs. 77.14 increase in MPS and 83.16 rupees increases in MPS on per rupee increase in EPS, if DPS and other variable remaining constant.

4.3.4 Kumari Bank Limited

The summarized form of financial performance of Kumari Bank Ltd. for the five years has been presented in the following table 4.10.

Table 4.11

Summary of the Financial Performance of KBL

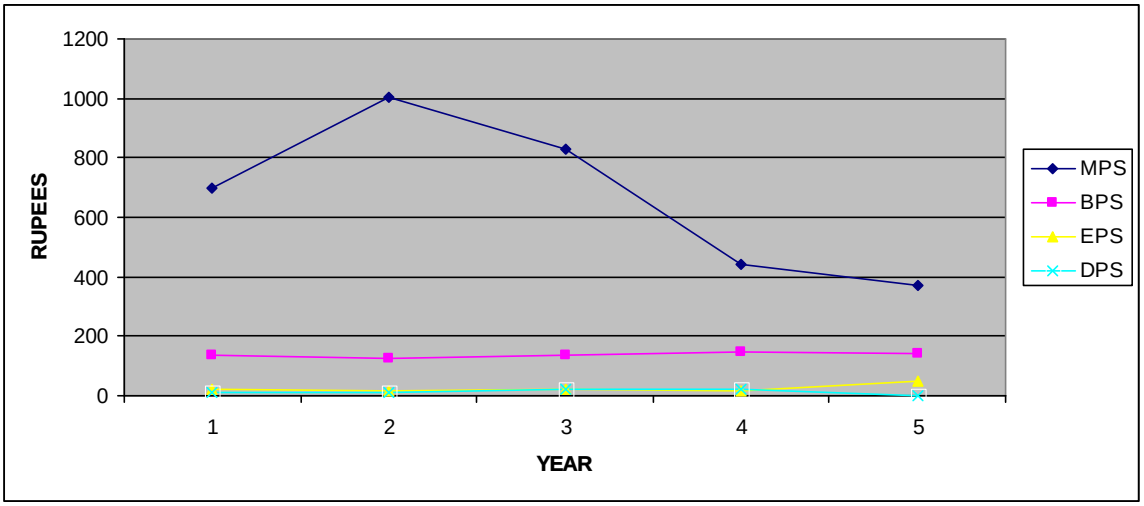
YEAR	MPS	BPS	EPS	DPS
2004/05	369	141	47.91	0
2005/06	443	149	16.59	21.05
2006/07	830	137	22.7	21.05
2007/08	1005	128	16.35	10.59
2008/09	700	137	22.04	10.58
MEAN	669.4	138.4	25.118	12.654
SD	264.9779	7.602631	13.08053	8.798735
C.V	39.58439	5.493231	52.07631	69.53323

(Source: Annual report 2008/09)

The table given above shows the financial performance of Kumari Bank for the five years. The company didn't distribute any dividend for the first years and paid Rs. 21.05 in each fiscal year 2005/06, 2006/07, Rs. 10.59 on 2007/08 amd Rs.10.58 on 2008/2009. The average MPS of the company for the five years period is Rs. 669.40 with the C.V. of 39.58%. Similarly, KBL earned Rs. 25.118 in average per share. The coefficient of variation in EPS equals to 52.07 which indicates the volatility of EPS is 24.73%. Comparing the coefficient of variation, DPS fluctuated highest by 69.53% than other variables, MPS, BPS and EPS.

Figure 4.4

Relationship between MPS, DPS, BPS and EPS of KBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table 4.11:

Table 4.12

Relationship of BPS, EPS and DPS with MPS of KBL

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.2672843	0.071441	0.480429	567.543	8.04939	1.86	INSIGNIFICANT
MPS vs BPS	-0.8610944	0.741484	-2.93337	4823.076	-30.0121	1.86	INSIGNIFICANT
MPS vs EPS	-0.6016239	0.361951	-1.30454	975.5221	-12.1874	1.86	INSIGNIFICANT

Table 4.11 shows the relation of MPS with BPS and EPS. The table shows that MPS is positively correlated (0.9776) with DPS only, however the calculations are insignificant at 5% level of significance. Likewise, MPS is highly positively correlated with EPS (0.97261) and highly significant at 5% level of significance.

The **Simple Regression** equation of BPS and EPS taking MPS as dependent variable is given in Table 4.12:

Table 4.13

Simple Regression Equation of KBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS=567.54+8.05 DPS
2	MPS vs. BPS	MPS = 4823.08-30.01 BPS
3	MPS vs. EPS	MPS = 975.52-12.18 EPS

The first equation is the regression equation of MPS on DPS. The regression constant equals to 567.54. This means that when DPS falls to zero, MPS equals to Rs. 567.54. Likewise, the constant for DPS equals to 8.05 implies that when DPS increases by Re. 1, MPS increases Rs. 8.05 and vice versa. Similarly, the second regression equation of MPS on BPS indicates that per rupee increase in BPS leads to Rs. 30.01 decrease in BPS and the regeression constant 4823.08 shows that if BPS falls to zero the MPS will be Rs. 4823.08. The third equation of MPS on EPS indicates that one rupee increase in EPS leads to Rs. 12.18 decrease in MPS and vice versa also if EPS reduces to zero the MPS will be RS 975.52.

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

MPS on DPS and EPS

MPS = 219.47 + 25.36 DPS -14.79 EPS

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to **219.47**. The multiple regression equation of MPS on DPS and EPS indicates that if other variable remains constants, per rupee increase in DPS leads to an increase of Rs. 25.36 increase in MPS and 14.79 rupees increases in MPS on per rupee increase in EPS, if DPS and other variable remaining constant.

4.3.5 Laxmi Bank Limited

The following table outlines the major financial performance of Laxmi Bank Limited over the past five years from 2004/05 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table 4.14

Summary of the Financial Performance of LBL

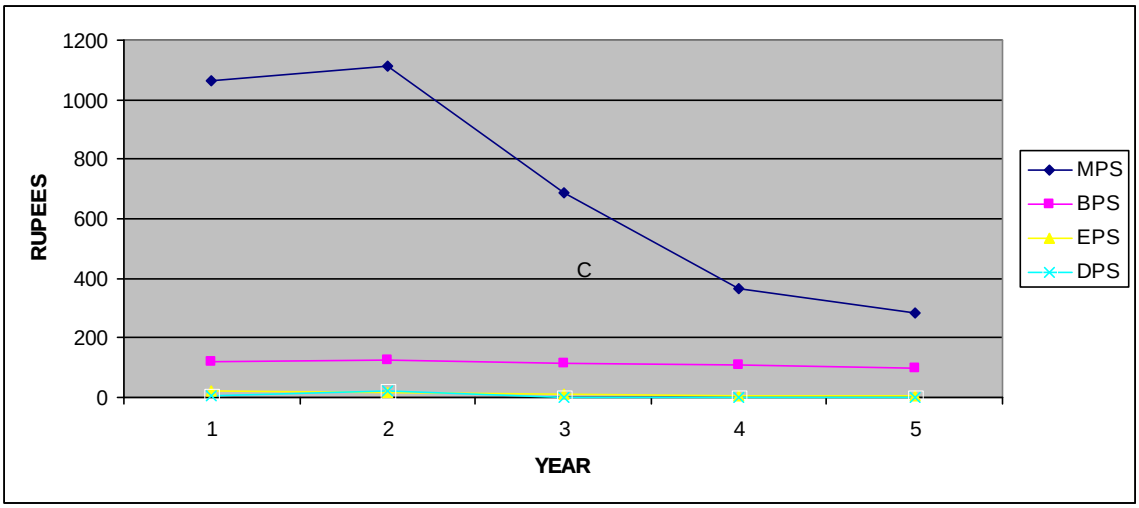
YEAR	MPS	BPS	EPS	DPS
2004/05	285	98.87	4.34	0
2005/06	368	106.4	5.8	0
2006/07	690	115.66	10.75	0
2007/08	1113	125.44	16.45	22
2008/09	1062	122.23	20.7	5
MEAN	703.6	113.72	11.608	5.4
SD	382.1313	11.04137	6.953457	9.528903
C.V	54.31087	9.709256	59.90229	176.4612

(Source: Annual report 2008/09)

The above table 4.13 presents the summary of financial performance of Laxmi Bank Limited for the last five years. The table revealed that the MPS of LBL increased in each fiscal year and ranged from Rs. 285 in the fiscal year 2004/05 to Rs. 1113 in the fiscal year 2007/08 and falls to RS 1062 in year 2008/09. The company didn't paid DPS for first three years and paid Rs 22 on the fourth year and on the last year it paid dividend of Rs 5. EPS increased during the period and ranged from Rs. 4.34 in the fiscal year 2004/05 to Rs. 20.7 in the year 2008/09. However, BPS is been found increasins till the year 2007/08 and decreases to Rs. 122.23 in the fiscal year 2008/09. Comparing the coefficient of variation, there is highest fluctuation in DPS (C.V. 176.46%) and lowest fluctuation in BPS (C.V. 9.71 %) compared with other variables, EPS (C.V. 59.90%) and MPS (C.V. 54.31%).

Figure 4.5

Relationship between MPS, DPS, BPS and EPS of LBL



The relation of MPS with BPS, DPS and EPS has been presented in the following table 4.14:

Table 4.15

Relationship of BPS, EPS and DPS with MPS of LBL

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.7414127	0.549693	1.913666	543.0452	29.73238	1.86	SIGNIFICANT
MPS vs BPS	0.97734	0.955193	7.997151	-3142.96	33.82482	1.86	SIGNIFICANT
MPS vs EPS	0.9638306	0.928969	6.263811	88.74901	52.96787	1.86	SIGNIFICANT

The above table shows that MPS is positively correlated with all the variables DPS (0.74), BPS (0.98) and EPS (0.96) indication per rupee rise in each variable will make MPS to rise and vice-versa accordingly to the value. In addition, the t-statistics indicates that the relationship between DPS,BPS and EPS with MPS is statistically significant, as the calculated value is higher than the tabulated value at 95% level of significance with 5 degree of freedom.

Table 4.16

Simple Regression Equation of LBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS=543.05+29.73 DPS
2	MPS vs. BPS	MPS = -3412.96+33.82 BPS
3	MPS vs. EPS	MPS = 88.74+52.96 EPS

The first equation is the regression equation of MPS on DPS. The regression constant equals to 543.05. This means that when DPS falls to zero, MPS equals to Rs. 543.05. Likewise, the constant for DPS equals to 29.73 implies that when DPS increases by Re. 1, MPS increases Rs. 29.73 and vice versa. Similarly, the second regression equation of MPS on BPS indicates that per rupee increase in BPS leads to Rs. 33.82 increase in MPS and the regression constant -3412.96 shows that if BPS falls to zero the MPS will be Rs.-3412.96. The third equation of MPS on EPS indicates that one rupee increase in EPS leads to Rs. 52.96 increase in MPS and vice versa also if EPS reduces to zero the MPS will be RS 88.74.

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

MPS on DPS and EPS

MPS = -124.92 + 66.13 DPS +11.27 EPS

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to **-124.92** indicating if DPS and EPS falls to zero the mps will fall to Rs. -124.92. The multiple regression equation of MPS on DPS and EPS indicates that if other variable remains constants, per rupee increase in DPS leads to an increase of Rs. 66.13 increase in MPS and Rs.11.27 rupees increases in MPS on per rupee increase in EPS, other variable remaining constant.

4.3.6 Lumbini Bank Limited

The following table outlines the major financial performance of Laxmi Bank Limited over the past five years from 2004/05 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table 4.17

Summary of the Financial Performance of LUBL

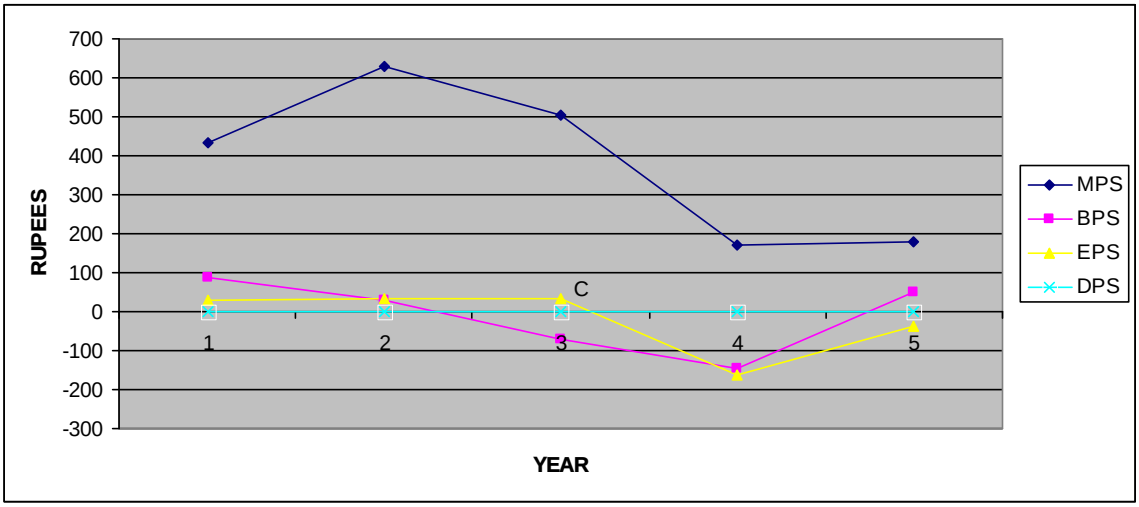
YEAR	MPS	BPS	EPS	DPS
2004/05	180	49	-39.35	0
2005/06	172	-144.41	-161.21	0
2006/07	505	-71.61	32.07	0
2007/08	631	29.5	32.91	0
2008/09	435	86.95	30.31	0
MEAN	384.6	-10.114	-21.054	0
SD	202.9835	95.26585	84.18875	0
C.V	52.77782	941.921	399.871	0

(Source: Annual report 2008/09)

The above table 4.16 presents the summary of financial performance of Lumbini Bank Limited for the last five years. The table revealed that the MPS of LUBL increased in each fiscal year and ranged from Rs. 172 in the fiscal year 2005/06 to Rs. 631 in the fiscal year 2007/08 and falls to RS 435 in year 2008/09. The company didn't paid DPS throughout the period. EPS increased during the period and ranged from Rs. -161.21 in the fiscal year 2005/06 to Rs. 32.91 in the year 2007/08. However, BPS is been found to be fluctuating throughout the period from Rs. -144.41 in the fiscal year 2005/06 to Rs 86.95. Comparing the coefficient of variation, there is highest fluctuation in BPS and lowest fluctuation in DPS as company didn't paid any dividend.

Figure 4.6

Relationship between MPS, DPS, BPS and EPS of LBL



The relation of MPS with BPS, DPS and EPS has been presented in the table 4.17:

Table 4.18

Relationship of BPS, EPS and DPS with MPS of LUBL

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0	0	0	0	0	1.86	
MPS vs BPS	0.306471	0.093924	0.557658	391.2044	0.653	1.86	INSIGNIFICANT
MPS vs EPS	0.8166419	0.666904	2.450798	426.0546	1.968966	1.86	SIGNIFICANT

The above table shows that MPS is positively correlated with all the variables BPS (0.31) and EPS (0.82) indicating per rupee rise in each variable will make MPS to rise and vice-versa accordingly to the value. In addition, the t-statistics indicates that the relationship between DPS with MPS is statistically insignificant and with EPS is significant at 95% level of significance with 5 degree of freedom.

Table 4.19

Simple Regression Equation of LUBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	----------
2	MPS vs. BPS	MPS = 391.20+0.653 BPS
3	MPS vs. EPS	MPS = 426.06+1.97 EPS

The first equation is the regression equation of MPS on DPS but company didn't paid any dividend throughout the period.The constant for BPS equals to 0.653 implies that when DPS increases by Re. 1, MPS increases Rs. 0.653 and vice versa and regression constant for the equation is 391.20 indicating if BPS falls to zero the MPS will be RS. 391.20. Similarly, the third regression equation of MPS on EPS indicates that per rupee increase in BPS leads to Rs. 1.97 increase in MPS and the regeression constant 426.06 shows that if BPS falls to zero the MPS will be Rs426.06.

The **Multiple Regression** equation of MPS of Laxmi Bank Limited on DPS and EPS is not calculated as the company didn't paid dividend throughout the period.

4.3.7 Nabil Bank Limited

The following table outlines the major financial performance of Nabil Bank Limited over the past five years from 2004/05 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table 4.20

Summary of the Financial Performance of NABIL

YEAR	MPS	BPS	EPS	DPS
2005/06	2240	337	129.21	85
2006/07	5050	381	137	140
2007/08	5275	418	108.31	100
2008/09	4899	324	106.76	85
2009/10	2384	265	78.61	70
MEAN	3969.6	345	111.978	96
SD	1519.931	58.15926	22.78787	26.78619
C.V	38.28927	16.85776	20.35031	27.90228

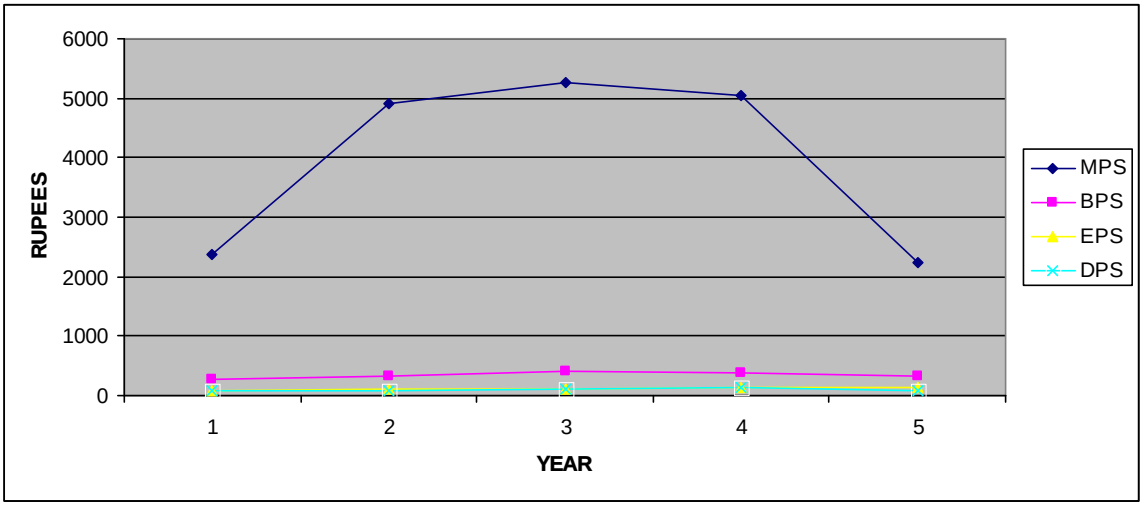
(Source: Annual report 2009/10)

The above table 4.19 presents the summary of financial performance of Nabil Bank Limited for the last five years. The table revealed that the MPS of NBL increased till fiscal year and began fall and ranged from Rs. 2240 in the fiscal year 2005/06 to Rs. 5275 in the fiscal year 2007/08 and falls to RS 2382 in year 2009/10. Same trend can be seen on the DPS of the company which ranges from Rs. 85 to Rs140. EPS increased till the year 2006/07 from Rs.129.21 to Rs. 137 and began falling till it reaches Rs 78.61 in the fiscal year 2009/2010. BPS is been found increasing till the year 2007/08 and decreases to Rs. 418 in the fiscal year 12009.10 it reaches Rs. 265. Comparing the coefficient of variation, there is highest fluctuation in EPS (C.V. 38.29%) and lowest fluctuation in BPS (C.V. 16.86 %) compared with other variables, EPS (C.V. 20.35%) and MPS (C.V. 27.90%).

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

Figure 4.7

Relationship between MPS, DPS, BPS and EPS of NABIL



The relation of MPS with BPS, DPS and EPS has been presented in the following Table 4.20.

Table 4.21

Relationship of BPS, EPS and DPS with MPS of NABIL

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.6311657	0.39837	1.409416	531.4286	35.81429	1.86	SIGNIFICANT
MPS vs BPS	0.7221764	0.521539	1.808342	-2541.69	18.87332	1.86	INSIGNIFICANT
MPS vs EPS	0.2923245	0.085454	0.529448	1786.276	19.49779	1.86	INSIGNIFICANT

The table shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NABIL Bank is positively correlated with DPS, BPS and EPS. It indicates that rise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of MPS with DPS, BPS and EPS are 0.631, 0.722 and 0.292 respectively. It means if DPS rise by Rs. 100, the MPS will be raised by Rs. 63.1. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 72.2 and Rs. 29.2 in MPS respectively. Despite this, the degrees of correlation of MPS with DPS are significant at 95% level of confidence as the calculated t-value of each variable is greater than the tabulated t-value.

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

Table 4.22

Regression Equation of NABIL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 531.43 + 35.81 DPS
2	MPS vs. BPS	MPS = -2541.69 + 18.87 BPS
3	MPS vs. EPS	MPS = 1786.28+ 19.50 EPS

The table shows that per rupee increase in DPS leads to Rs. 35.81 increase in MPS if the other variable (531.43) remains constant. Similarly, per rupee increase in BPS causes Rs. 18.87 increase in MPS if the variable, -2541.69, remains constant. Likewise, MPS increases by Rs. 19.50 with the per rupee increase in EPS, if other variable, 1786.28 remains neutral. The simple regression equations delineate that DPS is the most sensitive factor of MPS than EPS and BPS in case of NABIL.

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

MPS on DPS and EPS

MPS = -3467.74 + 21.09 DPS +52.87 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is direct relationship of MPS with EPS and DPS, and inverse relationship between EPS and MPS. The equation shows that per rupee increase in DPS leads to Rs. 21.09 increase in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads

to Re. 52.87 decrease in MPS, if DPS remains constant. Regression constant -3467.74 indicates if DPS and EPS falls to zero MPS will be Rs. -3467.74.

4.3.8 Nepal Credit and Commerce Bank Limited

The following table outlines the major financial performance of Nepal Credit and Commerce Bank Limited over the past five years from 2004/05 to 2008/09. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

Table 4.23

Summary of the Financial Performance of NCCB

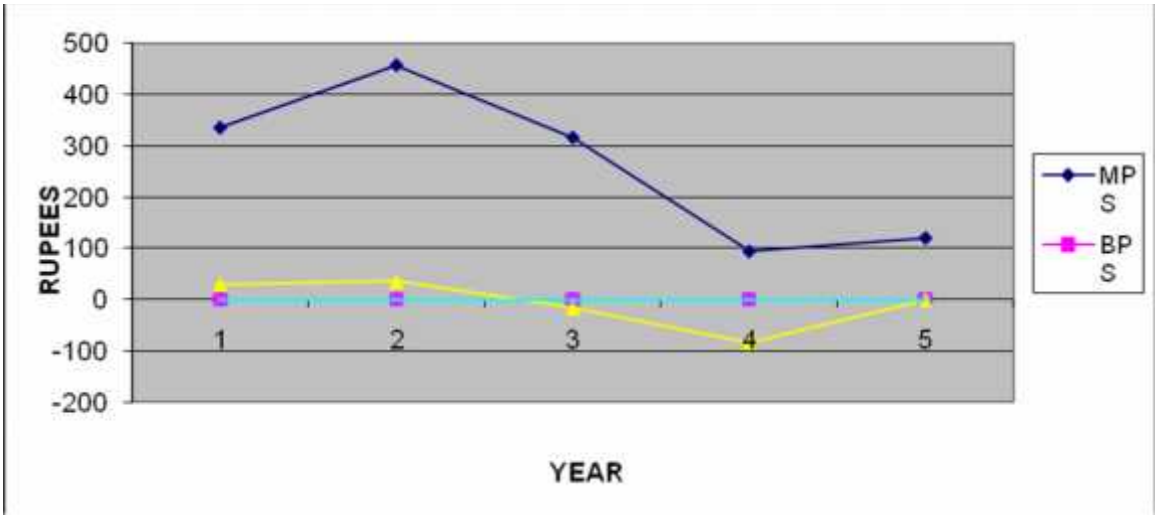
YEAR	MPS	BPS	EPS	DPS
2004/05	120	0.078	-0.074	0
2005/06	94	0.049	-84.77	0
2006/07	316	-0.073	-16.56	0
2007/08	457	-0.044	35.63	0
2008/09	335	0.037	29.35	0
MEAN	264.4	0.0094	-7.2848	0
SD	153.8093	0.06457	48.28501	0
C.V	58.17296	686.9161	-662.819	0

(Source: Annual report 2008/09)

The above table presents the summary of financial performance of Nepal Credit and Commerce Bank Limited for the last five years. The table revealed that the MPS of NBL has been fluctuating throughout the period from Rs. 94 in yr. 2005/06 to Rs. 457 in yr. 2008/09.The company didn't distribute any dividend throughout the period due to negative EPS in former three years where as it earned Rs. 35.63 and Rs. 29.35 in fiscal year 2007/08 and 2008/09 respectively . BPS is been found to be less than a rupees throughout the period indicating the worst financial condition of the company.

Figure 4.8

Relationship between MPS, DPS, BPS and EPS of NCCB



The relation of MPS with BPS, DPS and EPS has been presented in the following Table 4.23.

Table 4.24

Relationship of BPS, EPS and DPS with MPS of NCCB

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0	0	0	0	0	1.86	
MPS vs BPS	-0.7360884	0.541826	-1.88354	280.882	-1753.4	1.86	INSIGNIFICANT
MPS vs EPS	0.7585972	0.57547	2.016589	282.0035	2.41647	1.86	INSIGNIFICANT

The table shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NCCB is positively correlated with EPS and is negatively correlated with BPS. It indicates that rise in EPS results the rise in MPS and vice versa. The simple correlation coefficient of MPS with EPS is 0.736. It means if EPS rise by Rs. 100, the MPS will be raised by Rs. 73.6. In the same way, Rs. 100 increase in BPS and EPS results the decrease of Rs. 75.86 in MPS respectively. Despite this, the degrees of correlation of MPS with EPS are significant at 95% level of confidence as the calculated t-value of each variable is greater than the tabulated t-value.

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

Table 4.25

Regression Equation of NCCBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	----------
2	MPS vs. BPS	MPS = 280.82 -1753.4BPS
3	MPS vs. EPS	MPS = 282+ 2.42 EPS

The table shows that per rupee increase in BPS leads to Rs. 1753.4 increase in MPS if the other variable (280.82) remains constant. Similarly, per rupee increase in EPS causes Rs. 2.42 increase in MPS if the variable, 282, remains constant.

4.3.9 Nepal Industrial and Commercial Bank

The table no. 4.25 details the financial summary of Nepal Industrial and Commercial Bank over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

Table 4.26
Summary of financial performance of NICB

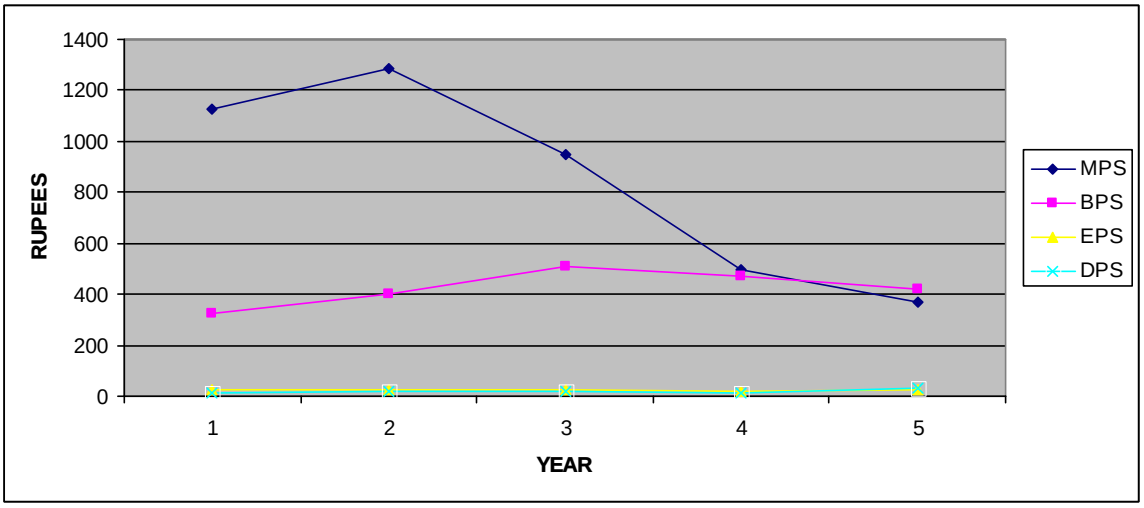
YEAR	MPS	BPS	EPS	DPS
2004/05	366	422.38	22.75	30
2005/06	496	468.22	16.1	10.53
2006/07	950	512.12	24.01	21.05
2007/08	1284	401.52	25.75	21.05
2008/09	1126	327.53	27.83	15.79
MEAN	844.4	426.354	23.288	19.684
SD	398.104	69.83422	4.448856	7.230331
C.V	47.14638	16.3794	19.10364	36.73202

(Source: Annual report 2008/09)

As the table reads, on year 2004/05 the dividend is maximum at Rs.30 and the dividend is minimum at year 2005/06 at Rs.10.53.In average **NICB** distributed Rs.34.496 over the period and as the dividend rate is in increasing trend the company is in better financial strength.

MPS of NIC seems the most volatile as the coefficient of the variation is gratest with 47.15%. And BPS is less volatile with the C.V. of 16.37%. It describes that the MPS is comparatively more fluctuating than that of others.

Figure 4.9
Relationship between MPS, DPS, BPS and EPS of NICB



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.27

Relationship of MPS,DPS,BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	-0.182	0.0331	-0.32094	1041.863	-10.0317	1.86	INSIGNIFICANT
MPS vs BPS	-0.381	0.145	-0.71384	1770.531	-2.17221	1.86	INSIGNIFICANT
MPS vs EPS	0.734	0.539	1.87137	-684.981	65.67249	1.86	SIGNIFICANT

Where,

r : Coefficient of Correlation

r^2 : Coefficient of Determination

t-cal : Student's t-value

t-table : Tabulated value of Student's t-distribution (at 95% level of significance, n-2 i.e. 5-2=3 Degree of Freedom ? about standard error)

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

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

Table No. 4.26 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is positively correlated with EPS. It means rise in results the rise in MPS. Earning per Share seems to be more positively correlated with the Market Price per share. Likewise, BPS and DPS is negatively correlated to EPS. Despite this, it can be observed from t-calculation that none of these correlations is significant at 95% level of confidence except EPS.

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

Table 4.28

Regression Equation of NICB

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 1041.863 -10.03 DPS
2	MPS vs. BPS	MPS = 1770.53-2.17BPS
3	MPS vs. EPS	MPS = -684.98+ 65.67 EPS

The table shows that per rupee increase in DPS leads to Rs. 10.03 decrease in MPS and if DPS falls to zero the MPS will be Rs. 1041.86. Similarly, per rupee increase in BPS causes Rs. 2.17decrease in MPS if BPS falls to Zero MPS will be 1770.5. MPS increases by Rs. 65.67 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. -684.98. The simple regression equations delineate that EPS is the most sensitive factor of MPS than DPS and BPS in case.

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

MPS on DPS and EPS

MPS = -1135.12 + 109.14 DPS -28.56 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is direct relationship of MPS with DPS and inverse with EPS, and inverse relationship between EPS and MPS. The equation shows that per rupee increase in DPS leads to Rs. 109.14 increase in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Re. 28.56 decrease in MPS, if DPS remains constant. Regression constant -1135.12 indicates if DPS and EPS falls to zero MPS will be Rs. -1135.12.

4.3.10 Nepal Merchant Bank

The table no. 4.28 details the financial summary of Nepal Merchant Bank over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

Table 4.29
Summary of financial performance of NMB

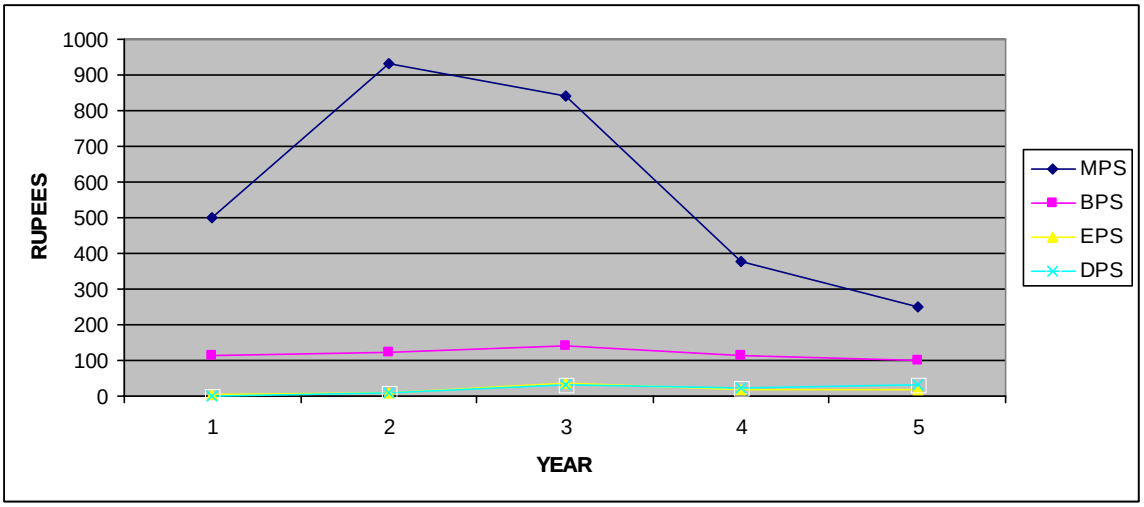
YEAR	MPS	BPS	EPS	DPS
2004/05	250	99.24	16.02	31.58
2005/06	376	115.68	18.25	24.29
2006/07	840	142.24	37.57	30
2007/08	930	121.35	7.28	10.53
2008/09	499	111.75	4.42	0
MEAN	579	118.052	16.708	19.28
SD	294.6065	15.77315	13.0188	13.5977
C.V	50.88195	13.36119	77.91954	70.52747

(Source: Annual report 2008/09)

As the table reads, the dividend payout of the company has in each year except on year 2004/05 where the dividend is maximum at Rs.31.58 and the dividend is minimum at year 2008/95 at Rs.0. In average NMB distributed Rs.19.28 over the period and as the dividend rate is in increasing trend the company is in better financial strength.

EPS of NMB seems the most volatile as the coefficient of the variation is greatest with77.92%. And BPS is less volatile with the C.V. of 13.36%. It describes that the EPS is comparatively more fluctuating than that of others.

Figure 4.10
Relationship between MPS, DPS, BPS and EPS of NMB



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.30
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	-0.2368128	0.05608	-0.42218	677.9212	-5.13077	1.86	INSIGNIFICANT
MPS vs BPS	0.7879218	0.620821	2.216264	-1158.32	14.71658	1.86	SIGNIFICANT
MPS vs EPS	0.1976392	0.039061	0.349209	504.2744	4.472442	1.86	INSIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.. It shows that MPS of Nepal Merchant Bank is positively correlated with BPS (0.788)and EPS (0.197) but is negatively correlated with DPS (-0.237). It indicates that raise in BPS and EPS results the rise in MPS and vice versa. If BPS rises by Rs. 100, the MPS will be raised by Rs. 78.8. In the same way, Rs. 100 increase in EPS results the increment of Rs. 19.76 and in MPS respectively. In addition, the t-statistics indicates that the relationship between BPS with MPS is statistically significant, as the calculated value is higher than the tabulated value at 95% level of significance with 5 degree of freedom. But the relation of MPS with DPS and EPS is statistically insignificant.

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

Table 4.31

Regression Equation of NMB

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 667.92 -5.13 DPS
2	MPS vs. BPS	MPS = -1158.32+14.71 BPS
3	MPS vs. EPS	MPS = 504.27+ 4.47 EPS

The table shows that per rupee increase in DPS leads to Rs. 5.13 decrease in MPS and if DPS falls to zero the MPS will be Rs. 667.92. Similarly, per rupee increase in BPS causes Rs14.71 increase in MPS if BPS falls to Zero MPS will be Rs. -1158.32. MPS increases by Rs. 4.47 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. 504.27. The simple regression equations delineate that BPS is the most sensitive factor of MPS than DPS and EPS.

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

MPS on DPS and EPS

MPS = 898.65 + 4.34 DPS -20.34 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is direct relationship of MPS with DPS, and inverse relationship between EPS and MPS. The equation shows that per rupee increase in DPS leads to Rs. 4.34 increase in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Re. 20.34 decrease in MPS, if DPS remains constant. Regression constant 898.65 indicates if DPS and EPS falls to zero MPS will be Rs. 898.65.

4.3.11 Nepal Investment Bank

The following table details the financial summary of Nepal Investment Bank over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

Table 4.32

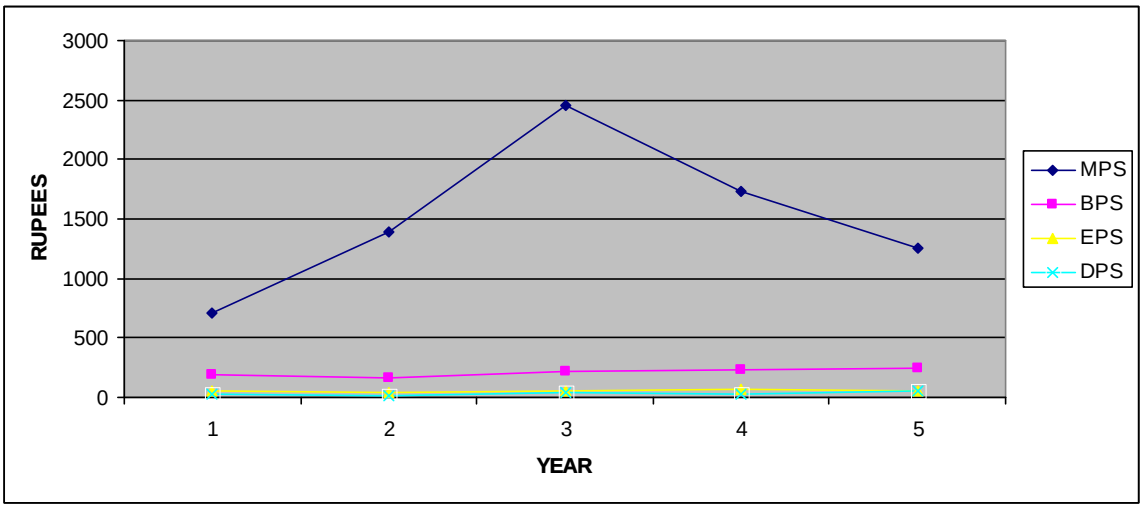
Summary of financial performance of NIB

YEAR	MPS	BPS	EPS	DPS
2004/05	1260	239.67	59.35	55.46
2005/06	1729	234.37	62.57	30
2006/07	2450	223.17	57.87	40.83
2007/08	1388	162.35	37.42	20
2008/09	705	190.33	52.55	25
MEAN	1506.4	209.978	53.952	34.258
SD	643.6041	32.80657	9.925116	14.14079
C.V	42.72465	15.62381	18.3962	41.27733

(Source: Annual report 2008/09)

As the table shows the EPS of the company reaches to the peak Rs.62.57 at the year 2005/06 and the lowest earning is at yr. 2007/08 at Rs. 37.42 and the average EPS throughout the period is Rs. 53.95. Regarding DPS the highest was paid on yr. 2004/05 of Rs. 55.46 and lowest was paid on yr.2007/008 of Rs. 20 with average throughout the period of Rs. 34.26. Watching at the BPS the highest was at yr 2004/05 Rs. 239.67 and the lowest was on yr 2007/08 Rs. 162.35 and with average of Rs. 209.98 throughout the period. EPS has highest C.V. 42.72 % which is just about a percent more than of DPS which shows EPS and DPS of the company is fluctuating more that other.

Figure 4.11
Relationship between MPS, DPS, BPS and EPS of NIB



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.33
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.2509827	0.062992	0.449089	1115.063	11.42323	1.86	INSIGNIFICANT
MPS vs BPS	0.3782551	0.143077	0.707741	-51.7764	7.420665	1.86	INSIGNIFICANT
MPS vs EPS	0.2882927	0.083113	0.521478	497.7874	18.69463	1.86	INSIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.. It shows that MPS of Nepal Merchant Bank is positively correlated with DPS (0.25), BPS (0.378)and EPS (0.288). It indicates that raise in DPS, BPS and EPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will be raised by Rs. 25. Rs.

100 increase in BPS will make MPS to rise by Rs. 27.83.In the same way, Rs. 100 increase in EPS results the increment of Rs. 28.82 and in MPS respectively. In addition, the t-statistics indicates that the relationship between BPS with MPS is statistically insignificant, as the calculated value is less than the tabulated value at 95% level of significance with 5 degree of freedom.

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

Table 4.34

Regression Equation of NMB

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 1115.063 +11.42 DPS
2	MPS vs. BPS	MPS = -51.78+7.42 BPS
3	MPS vs. EPS	MPS = 497.79+ 18.69 EPS

The table shows that per rupee increase in DPS leads to Rs. 11.42 increase in MPS and if DPS falls to zero the MPS will be Rs. 1115.06. Similarly, per rupee increase in BPS causes Rs. 7.42 increase in MPS if BPS falls to Zero MPS will be Rs. -51.78. MPS increases by Rs. 18.69 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. 407.79. The simple regression equations delineate that DPS is the most sensitive factor of MPS than BPS and EPS .

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

MPS on DPS and EPS

MPS = 258.05 + 19.8 DPS +5.26 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is direct relationship of MPS with DPS and EPS. The equation shows that per rupee increase in DPS leads to Rs. 19.8 increase in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Re. 5.26 increase in MPS, if DPS remains constant. Regression constant 258.05 indicates if DPS and EPS falls to zero MPS will be Rs. 258.05.

4.3.12 Nepal SBI Bank Limited

The following table details the financial summary of Nepal SBI Bank over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

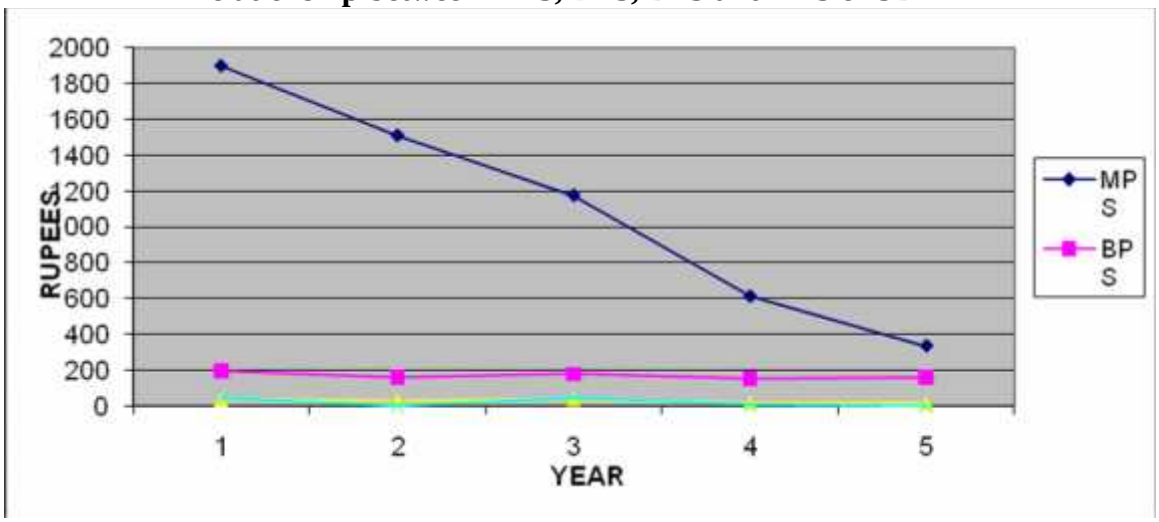
Table 4.35
Summary of financial performance of NSBI

YEAR	MPS	BPS	EPS	DPS
2004/05	335	159.54	13.29	0
2005/06	1511	160.57	28.33	0
2006/07	1176	178.04	39.35	47.59
2007/08	1388	162.35	37.42	20
2008/09	1900	194.68	36.18	42.11
MEAN	1106.8	168.922	27.084	18.94
SD	639.8896	17.30779	11.21055	23.81933
C.V	57.81438	10.24603	41.39177	125.762

(Source: Annual report 2008/09)

As the table shows the EPS of the company reaches to the peak Rs.39.35 at the year 2006/07 and the lowest earning is at yr. 2004/05 at Rs. 13.29 and the average EPS throughout the period is Rs. 27.08. Regarding DPS the highest was paid on yr. 2006/07 of Rs. 47.59 and lowest was paid on yr.2007/08, 2005/06, 2004/05 of Rs. 0 with average throughout the period of Rs. 18.94. Watching at the BPS the highest was at yr 2008/09 Rs. 194.68 and the lowest was on yr 2005/06 of Rs. 151.78 and with average of Rs. 168.92 throughout the period. MPS of the company has been increasing throught out the period from Rs. 335 to Rs. 1900. DPS has highest C.V. 125.76 %, then after MPS (57.81%), EPS (41.39%) and BPS (10.25%), which shows DPS of the company is fluctuating more than other.

Figure 4.12
Relationship between MPS, DPS, BPS and EPS of SBI



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.36
Relationship of MPS,DPS,BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.561302	0.31506	1.174711	821.2041	15.07898	1.86	INSIGNIFICANT
MPS vs BPS	0.7541534	0.568747	1.98909	-3603.07	27.88195	1.86	SIGNIFICANT
MPS vs EPS	0.8215906	0.675011	2.496214	-163.325	46.89577	1.86	SIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.35. It shows that MPS of Nepal Merchant Bank is positively correlated with DPS (0.56)13, BPS (0.7542)and EPS (0.8216). It indicates that raise in DPS, BPS and EPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will be raised by Rs. 56.13; Rs. 100 increase in BPS will make MPS to raise by Rs. 75.42.In the same way, Rs. 100 increase in EPS results the increment of Rs. 82.16 and in MPS respectively. In addition, the t-statistics indicates that the relationship between MPS with BPS and EPS is statistically insignificant, as the calculated value is greater than the tabulated value at 95% level of significance with 5 degree of freedom.

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

Table 4.37

Regression Equation of NSBI

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 821.20 +15.08 DPS
2	MPS vs. BPS	MPS = -3603.7+27.88 BPS
3	MPS vs. EPS	MPS = -163.33+ 46.9 EPS

The table shows that per rupee increase in DPS leads to Rs. 15.08 increase in MPS and if DPS falls to zero the MPS will be Rs. 821.20. Similarly, per rupee increase in BPS causes Rs. 27.88 increase in MPS if BPS falls to Zero MPS will be Rs. -3603.7. MPS increases by Rs. 46.9 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. -163.33.

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

MPS on DPS and EPS

MPS = 727.22 + 25 DPS -15.72 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is direct relationship of MPS with DPS and inverse relation with EPS. The equation shows that per rupee increase in DPS leads to Rs. 25 increase in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. -15.72 decrease in MPS, if DPS remains constant. Regression constant 727.22 indicates if DPS and EPS falls to zero MPS will be Rs. 727.22.

4.3.13 Standard Chartered Bank Nepal Limited

The following table details the financial summary of SCBNL over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

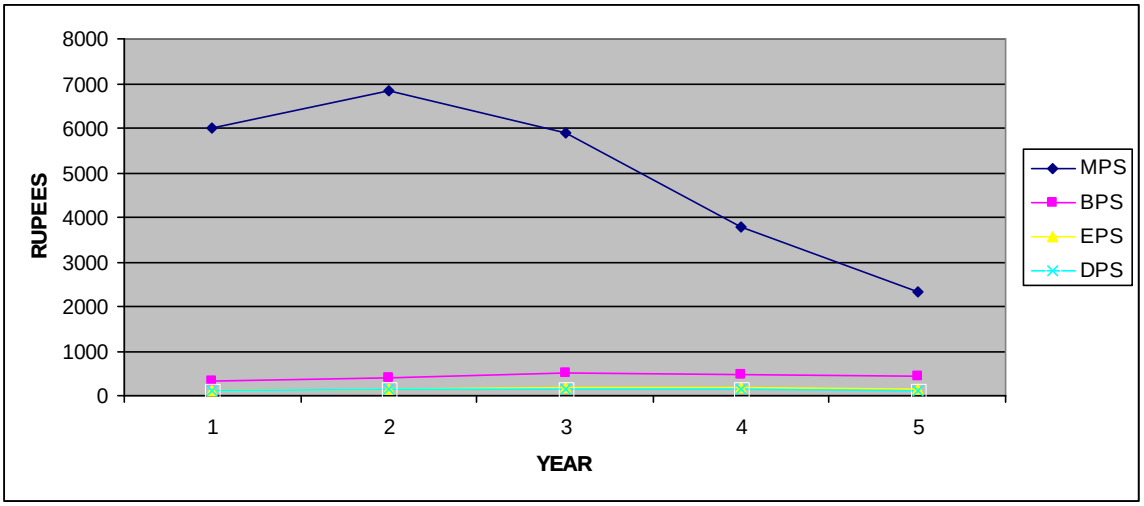
Table 4.38
Summary of financial performance of SCBNL

YEAR	MPS	BPS	EPS	DPS
2004/05	2345	422.38	143.14	120
2005/06	3775	468.22	175.84	140
2006/07	5900	512.12	167.37	130
2007/08	6830	401.52	131.92	130
2008/09	6010	327.53	109.99	100
MEAN	4972	426.354	145.652	124
SD	1852.345	69.83422	26.69102	15.16575
C.V	37.25553	16.3794	18.3252	12.23044

(Source: Annual report 2008/09)

As the table shows the EPS of the company reaches to the peak Rs.175.84 at the year 2005/06 and the lowest earning is at yr. 2008/09 at Rs. 109.99 and the average EPS throughout the period is Rs. 145.65. Regarding DPS the highest was paid on yr. 2005/09 of Rs. 140 and lowest was paid on yr.2008/09 of Rs. 100 with average throughout the period of Rs. 124. Watching at the BPS the highest was at yr 2006/07 Rs. 512.12 and the lowest was on yr 2008/09 of Rs. 327.53 and with average of Rs. 426.35 throughout the period. MPS of the company has been increasing throught out the period till yr. 2007/08 from Rs. 2345 to Rs. 9830 and then it falls to Rs. 6010 in yr 2008/009. EPS has highest C.V. 37.25 %, then after EPS (18.32%), BPS (16.38%) and DPS (12.23%), which shows EPS of the company is fluctuating more than othe

Figure 4.13
Relationship between MPS, DPS, BPS and EPS of SCBNL



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.39
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	-0.1498636	0.022459	-0.26254	7241.739	-18.3043	1.86	INSIGNIFICANT
MPS vs BPS	-0.2102783	0.044217	-0.37254	7350.036	-5.57761	1.86	INSIGNIFICANT
MPS vs EPS	-0.3636301	0.132227	-0.67611	8647.639	-25.2358	1.86	INSIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.38.. It shows that MPS of SCBNL is negatively correlated with DPS (-0.1498), BPS (-0.2102)and EPS (-0.3636). It indicates that raise in DPS, BPS and EPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will fall by Rs. 14.98; Rs. 100 increase in BPS will make MPS to fall by Rs. 21.02.In the same way, Rs. 100 increase in EPS results the decrement of Rs. 36.36 and in MPS respectively. In addition, the t-statistics indicates that the relationship between MPS with BPS and EPS is statistically insignificant, as the calculated value is not greater than the tabulated value at 95% level of significance with 5 degree of freedom.

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

Table 4.40

Regression Equation of SCBNL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 7241 -18.34DPS
2	MPS vs. BPS	MPS = 7350.36-5.57 BPS
3	MPS vs. EPS	MPS = 8647.64-25.24 EPS

The table shows that per rupee increase in DPS leads to Rs. 18.34 decrease in MPS and if DPS falls to zero the MPS will be Rs. 7241. Similarly, per rupee increase in BPS causes Rs. 5.57 decrease in MPS if BPS falls to Zero MPS will be Rs. 7350.36. MPS decreases by Rs. 25.24 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. 8647.64.

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

MPS on DPS and EPS

MPS = -18905.5 -1.67 DPS +184.76 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is direct relationship of MPS with EPS and inverse relation with DPS. The equation shows that per rupee increase in DPS leads to Rs. 1.67 decrease in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 184.76 increase in MPS, if DPS remains constant. Regression constant -18905.5 indicates if DPS and EPS falls to zero MPS will be Rs. -18905.5.

4.3.14 Siddhartha Bank Limited

The following table details the financial summary of Siddhartha Bank Limited, over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

Table 4.41
Summary of financial performance of SBL

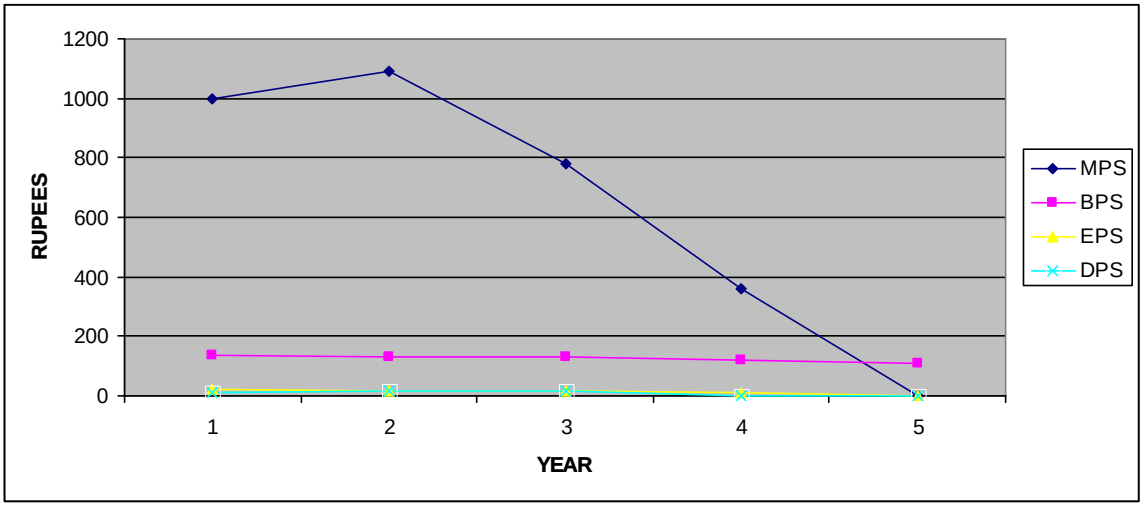
YEAR	MPS	BPS	EPS	DPS
2004/05	0	110.83	0	0
2005/06	360	120.63	13.05	0
2006/07	778	132.28	15.88	15.79
2007/08	1090	130.39	17.29	15.78
2008/09	1000	134.29	22.89	10.53
MEAN	645.6	125.684	13.822	8.42
SD	457.9812	9.822183	8.51667	7.980154
C.V	70.93885	7.814983	61.61677	94.77617

(Source: Annual report 2008/09)

As the table shows the EPS of the company has been increasing and reaches to 22.98 from zero with average EPS throughout the period of Rs. 13.82. the company didn't paid in any dividend for first two years and the paid Rs 15.78 for two years and on the last year it paid Rs. 10.53 with average throughout the period of Rs. 8.42. Watching at the BPS it is high at yr. 2008/09 Rs. 134.29 and lowest at yr.2004/05 Rs. 110.83 with

average of Rs. 125.68. MPS of the company has been increasing throught out the period till yr. 2007/08 from Rs. 0 to Rs. 1090 and then it falls to Rs. 1000 in yr 2008/009. DPS has highest C.V. 94.77 %, then after MPS (70.93%), EPS (61.62%) and BPS (7.81%), which shows DPS of the company is fluctuating more than other.

Figure 4.14
Relationship between MPS, DPS, BPS and EPS of SBL



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.42
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.8779686	0.770829	3.176579	221.3445	50.38664	1.86	SIGNIFICANT
MPS vs BPS	0.9474414	2.187577	5.1293	580.7946	4.836223	1.86	SIGNIFICANT
MPS vs EPS	0.9083076	0.825023	3.760994	-29.5211	48.84395	1.86	SIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.41. It shows that MPS of Siddhartha Bank Limited is positively correlated with DPS (0.87796), BPS (0.9474)and EPS (0.9083). It indicates that raise in DPS, BPS and EPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will be raised by Rs. 87.80; Rs. 100 increase in BPS will make MPS to rise by Rs. 94.74.In the same way, Rs. 100 increase in EPS results the increment of Rs. 90.83 and in MPS respectively. In addition, the t-statistics indicates that the relationship between MPS with BPS and EPS is statistically significant, as the calculated value is greater than the tabulated value at 95% level of significance with 5 degree of freedom.

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

Table 4.43

Regression Equation of Siddhartha Bank

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 221.34+50.39DPS
2	MPS vs. BPS	MPS = 580.79+4.84 BPS
3	MPS vs. EPS	MPS = -29.52+48.84 EPS

The table shows that per rupee increase in DPS leads to Rs. 50.39 increase in MPS and if DPS falls to zero the MPS will be Rs. 221.34. Similarly, per rupee increase in BPS causes Rs. 4.84 increase in MPS if BPS falls to Zero MPS will be Rs. 580.79. MPS increases by Rs. 48.84 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. -29.52.

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

MPS on DPS and EPS

MPS = -640.29 + 75.98 DPS +28 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is direct relationship of MPS with DPS and EPS. The equation shows that per rupee increase in DPS leads to Rs. 75.98 increase in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 28 increase in MPS, if DPS remains constant. Regression constant -640.29 indicates if DPS and EPS falls to zero MPS will be Rs. -640.29.

4.3.15 DCBL Limited

The following table details the financial summary of DCBL Limited over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

Table 4.44

Summary of financial performance of DCBL

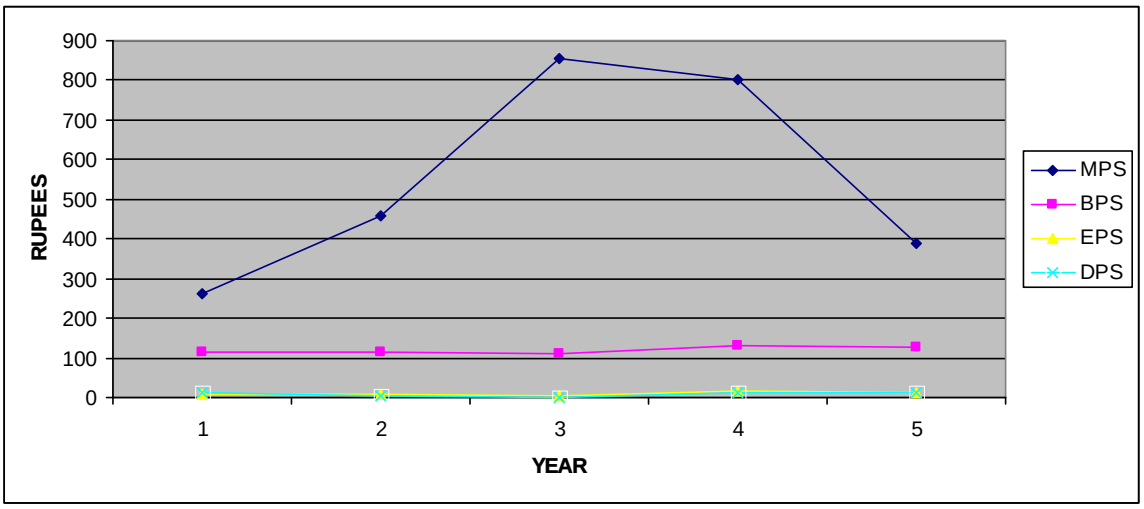
YEAR	MPS	BPS	EPS	DPS
2004/05	390	126.68	13.68	12.63
2005/06	800	129.22	16.78	12.63
2006/07	855	110.33	4.96	0
2007/08	460	112.94	6.23	5.26
2008/09	260	116.37	9.07	10.53
MEAN	553	119.108	10.144	8.21
SD	261.3809	8.399135	4.997162	5.490032
C.V	47.26599	7.051697	49.26225	66.87006

(Source: Annual report 2008/09)

The above table 4.43 presents the summary of financial performance of DCBL Limited for the last five years. The table revealed that the MPS of DCBL increased till

fiscal year 2006/07and began fall and ranged from Rs. 390 in the fiscal year 2004/05 to Rs. 855 in the fiscal year 2006/07 and falls to RS 2260 in year 2008/09. DPS of the company ranges from Rs. 0 to Rs112.63. BPS increased in the year 2005/06 from Rs.119.11 to Rs. 129.22 and falls to Rs. 110.33 in the fiscal year 2006/07 and again increases till it reaches Rs. 116.37 on 2008/09. EPS is been found increasing till the year 2005/06 and reaches Rs. 16.78. Then after decreases to Rs. 4.96 and again began increasing till it reaches Rs. 9.07 in the fiscal year 20008/09. Comparing the coefficient of variation, there is highest fluctuation in DPS (C.V. 66.87%) and lowest fluctuation in BPS (C.V. 7.95 %) compared with other variables, EPS (C.V. 49.26%) and MPS (C.V. 47.27%).

Figure 4.15
Relationship between MPS, DPS, BPS and EPS of DCBL



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.45
Relationship of MPS, DPS,BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	-0.4379038	0.19176	-0.84366	724.1674	-20.8486	1.86	INSIGNIFICANT
MPS vs BPS	-0.0013289	1.77E-06	-0.0023	557.9259	-0.04136	1.86	INSIGNIFICANT
MPS vs EPS	0.0336558	0.001133	0.058327	535.1425	1.760398	1.86	INSIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.. It shows that MPS of Siddhartha Bank Limited is positively correlated with EPS (0.0336) and negatively correlated with DPS (-0.4379)and BPS (-0.0013). It indicates that raise in EPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will decrease by Rs. 43.79; Rs. 100 increase in BPS will make MPS to fall by Rs. 0.13.In the same way, Rs. 100 increase in EPS results the increment of Rs. 3.36 and in MPS

respectively. In addition, the t-statistics indicates that the relationship between MPS with BPS and EPS is statistically insignificant, as the calculated value is greater than the tabulated value at 95% level of significance with 5 degree of freedom.

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

Table 4.46

Regression Equation of DCBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 724.17-20.85DPS
2	MPS vs. BPS	MPS = 557.92-0.041 BPS
3	MPS vs. EPS	MPS = 535.14+1.76 EPS

The table shows that per rupee increase in DPS leads to Rs. 20.85 increase in MPS and if DPS falls to zero the MPS will be Rs. 724.17. Similarly, per rupee increase in BPS causes Rs. 0.041 increases in MPS if BPS falls to Zero MPS will be Rs. 557.92. MPS increases by Rs. 1.76 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. -535.14.

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

MPS on DPS and EPS

MPS = 1335.394 -0.77DPS -98.71 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is inverse relationship of MPS with DPS and EPS. The equation shows that per rupee increase in DPS leads to Rs. 0.77 decrease in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 98.71 increase in MPS, if DPS remains constant. Regression constant 1335.39 indicates if DPS and EPS falls to zero MPS will be Rs. 1335.39.

4.3.16 Citizens Bank International Limited

The following table details the financial summary of Citizens Bank International Limited over the period of last three years. It shows the relationship of MPS, DPS and BPS with EPS.

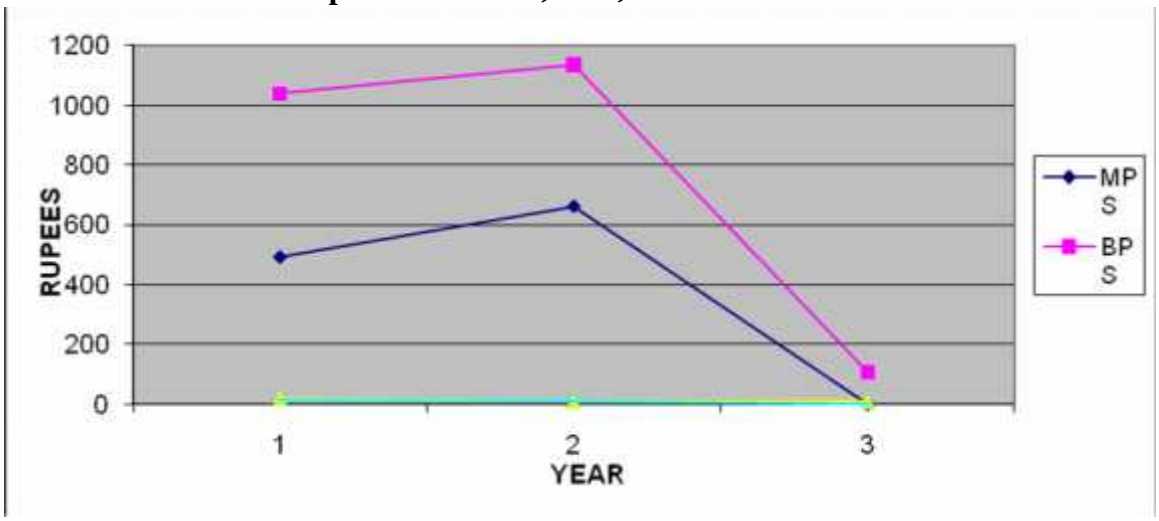
Table 4.47
Summary of financial performance of CBIL

YEAR	MPS	BPS	EPS	DPS
2007/08	0	107.04	8.79	0
2008/09	660	1134.07	9.58	10
2009/10	491	1038.83	19.36	12.63
MEAN	230.2	455.988	7.546	4.526
SD	342.8416	567.4642	5.887804	6.663755
C.V	148.932	124.4472	78.02549	147.2328

(Source: Annual report 2008/09)

The company started its operation 88 days prior to fiscal year 2007/2008 hence data of former three years is presented in the table. Where MPS rose from Rs. 0 to Rs.660 in year 2008/2009 and then falls to Rs. 491 in year 2009/2010, same trend is found on BPS but EPS and DPS had been found increasing throughout the period.

Figure 4.16
Relationship between MPS, DPS, BPS and EPS of CBIL



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.48
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.943996	0.891129	4.955343	11.47069	48.32729	1.86	SIGNIFICANT
MPS vs BPS	0.9864151	0.973015	10.40058	-20.0124	0.548726	1.86	SIGNIFICANT
MPS vs EPS	0.6915433	0.478232	1.658217	22.19646	27.56474	1.86	INSIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.47. It shows that MPS of Citizens Bank international Limited is positively correlated with EPS (0.6915), with DPS (0.9439)and BPS (0.9864). It indicates that raise in EPS, DPS and BPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will decrease by Rs. 94.39; Rs. 100 increase in BPS will make MPS to rise by Rs. 98.64.In the same way, Rs. 100 increase in EPS results the increment of Rs. 69.15 and in MPS respectively. In addition, the t-statistics indicates that the relationship between MPS with BPS and DPS is statistically significant, as the calculated value is greater than the tabulated value at 95% level of significance with 5 degree of freedom.

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

Table 4.49

Regression Equation of DCBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 11.47+48.32DPS
2	MPS vs. BPS	MPS = -20.01+0.55 BPS
3	MPS vs. EPS	MPS = 22.19+27.56 EPS

The table shows that per rupee increase in DPS leads to Rs. 48.32 increase in MPS and if DPS falls to zero the MPS will be Rs. 11.47. Similarly, per rupee increase in BPS causes Rs. 0.55 increase in MPS if BPS falls to Zero MPS will be Rs. -20.01. MPS increases by Rs. 27.56 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. 22.19.

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

MPS on DPS and EPS

MPS = -714.73 -40.31DPS +275.99 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is inverse relationship of MPS with DPS and direct relation with EPS. The equation shows that per rupee increase in DPS leads to Rs. 40.31 decrease in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 275.99 increase in MPS, if DPS remains constant. Regression constant -714.73 indicates if DPS and EPS falls to zero MPS will be Rs. -714.73.

4.3.17 Kist Bank Limited

The following table details the financial summary of Kist Bank Limited over the period of last five years. It shows the relationship of MPS, DPS and BPS with EPS.

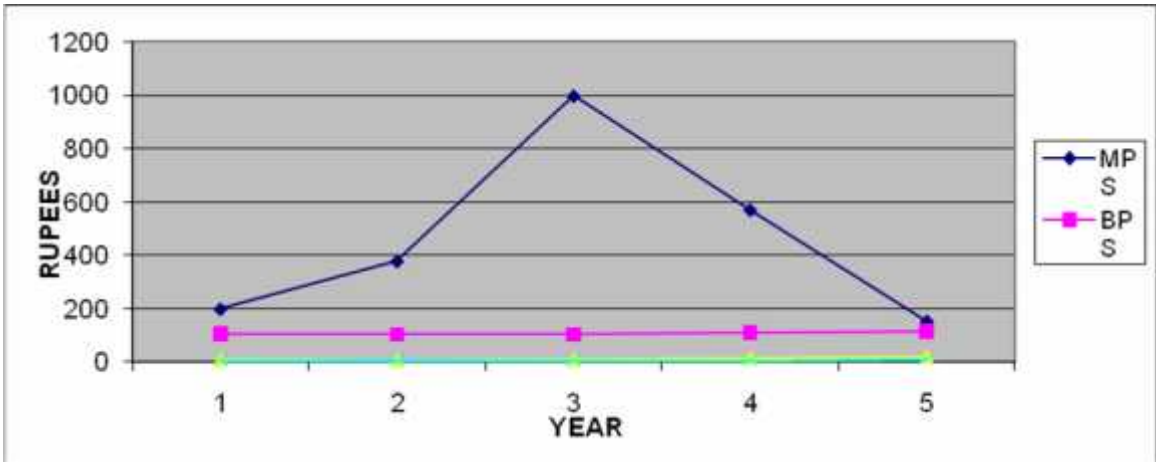
Table 4.50
Summary of financial performance of KIST

YEAR	MPS	BPS	EPS	DPS
2004/05	153	114.6	18.55	10.53
2005/06	570	109.53	13.13	5
2006/07	998	103.29	5.91	5
2007/08	378	102.26	4.48	3.5
2008/09	199	104.64	7.21	5
MEAN	459.6	106.864	9.856	5.806
SD	343.015	5.144651	5.868951	2.7195
C.V	74.63338	4.814204	59.54698	46.83948

(Source: Annual report 2008/09)

The above table 4.49 presents the summary of financial performance of Kist Bank Limited for the last five years. The table revealed that the MPS of DCBL increased till fiscal year 2006/07and began fall and ranged from Rs. 153 in the fiscal year 2004/05 to Rs. 998 in the fiscal year 2006/07 and falls to RS 199 in year 2008/09. DPS of the company ranges from Rs. 3.5 to Rs10.53. BPS is found to be decreasing till 2007/08 and then again increase on the yr. 2008/09. EPS is also showing the trend similar to BPS and ranged from 18.55 in 2004/05 then goes on decreasing till it reaches Rs. 4.48 at the yr 2007/08 the increases to Rs. 7.21 2008/09. The company paid Rs. 5 as dividend for three years, paid 10.53 on yr 2004/05 and Rs.3.5 on 2007/08.Comparing the coefficient of variation, there is highest fluctuation in MPS (C.V. 74.63%) and lowest fluctuation in BPS (C.V. 4.81 %) compared with other variables, EPS (C.V. 59.54%) and DPS (C.V. 46.83%).

Figure 4.17
Relationship between MPS, DPS, BPS and EPS of Kist Bank Limited.



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.51
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	-0.4215932	0.177741	-0.80529	768.3413	-53.1762	1.86	INSIGNIFICANT
MPS vs BPS	-0.4315925	0.186272	-0.8287	3534.723	-28.776	1.86	INSIGNIFICANT
MPS vs EPS	-0.4098611	0.167986	-0.77827	695.6968	-23.9546	1.86	INSIGNIFICANT

The above table shows that the relation that MPS has with other independent variables are negative meaning increase in these variables results in the decrease to the MPS and vice-versa. Also the t-test result shows that the relationship of MPS with independent variables is insignificant and the calculated value of t is less than tabulated value of t.

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

Table 4.52

Regression Equation of Kist Bank Limited

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 768.34-53.18DPS
2	MPS vs. BPS	MPS = 3534.72-28.776 BPS
3	MPS vs. EPS	MPS = 695.69-23.95 EPS

The table shows that per rupee increase in DPS leads to Rs. 53.18 decrease in MPS and if DPS falls to zero the MPS will be Rs. 768.34. Similarly, per rupee increase in BPS causes Rs. 28.77 increase in MPS if BPS falls to Zero MPS will be Rs. 3534.72. MPS decreases by Rs. 23.95 with the per rupee increase in EPS and if EPS falls to Zero MPS will be Rs. 695.69.

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

MPS on DPS and EPS

MPS = 1260.80 -61.24DPS -34.03 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is inverse relationship of MPS with DPS and direct relation with EPS. The equation shows that per rupee increase in DPS leads to Rs. 61.24 decrease in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 34.03 increase in MPS, if DPS remains constant. Regression constant 1260.80 indicates if DPS and EPS falls to zero MPS will be Rs. 1260.80.

4.3.18 Prime Commercial Bank Limited

The following table details the financial summary of Prime Commercial Bank Limited over the period of last three years. It shows the relationship of MPS, DPS and BPS with EPS.

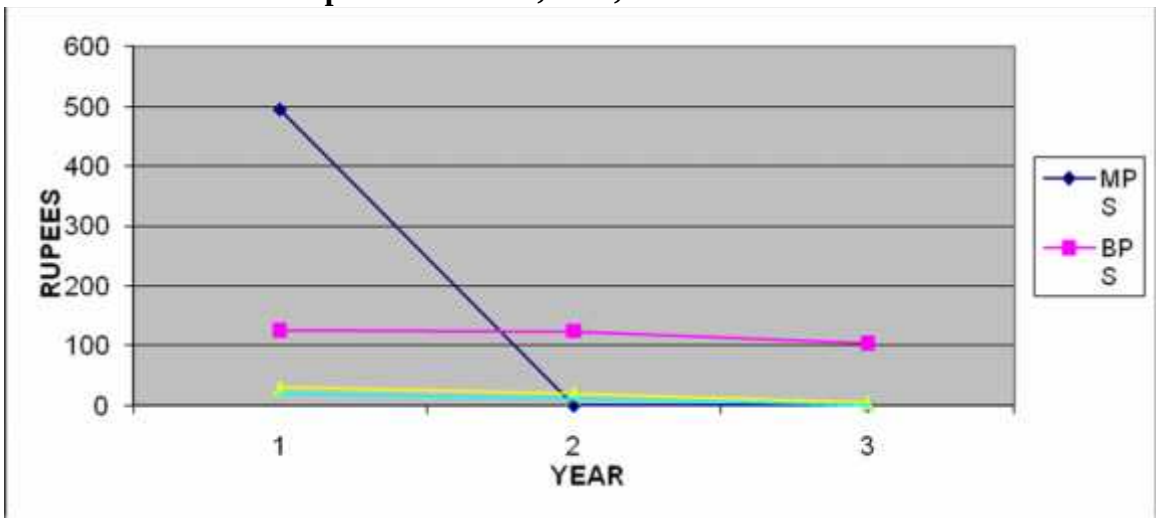
Table 4.53
Summary of financial performance of PCBL

YEAR	MPS	BPS	EPS	DPS
2007/08	0	104	4	0
2008/09	0	123.94	20.39	10.52
2009/10	495	124.97	29.54	20.52
MEAN	99	70.582	10.786	6.208
SD	285.7884	11.82092	12.9399	10.2611
C.V	288.6751	16.74779	119.9694	165.2883

(Source: Annual report 2009/10)

The company had operated from last three years hence the data for former three years has been presented. The MPS of company was nil till 2008/2009 and this year the MPS is found to be Rs. 495. BPS, EPS and DPS has been found increasing throughout the period.

Figure 4.18
Relationship between MPS, DPS, BPS and EPS of PCBL



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.54
Relationship of MPS,DPS,BPS and EPS

RELATION	r	r²	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.8690144	0.755186	3.042073	-30.7181	20.89531	1.86	SIGNIFICANT
MPS vs BPS	0.5372552	0.288643	1.10331	-13.535	1.594386	1.86	INSIGNIFICANT
MPS vs EPS	0.7799693	0.608352	2.15869	-39.5532	12.84565	1.86	SIGNIFICANT

The above table clearly shows that the MPS is having positive relation with all of the independent variables which means an increase in these variables will make MPS to increase and decrease will result in the decrease. The test statistics of t Test shows that the relation of MPS with DPS and EPS is significant but the relation with BPS is insignificant.

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

Table 4.55

Regression Equation of PCBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = -30.71+20.89DPS
2	MPS vs. BPS	MPS = -13.53+1.59 BPS
3	MPS vs. EPS	MPS = -39.55+12.85 EPS

The first equation shows the relation of MPS with DPS where a rupee increase in DPS will lead to RS 20.89 increase in MPS and if DPS goes zero mps will be Rs.-30.71. Second Equation shows that MPS will increase by Rs. 1.59 by a rupee increase in BPS and if BPS is zero MPS will be Rs. -13.53.
Lastly the third equation shows that a rupee increase in EPS will result in RS. 12.85 increase in MPS and if EPS is zero MPS will be Rs.-39.55.

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

MPS on DPS and EPS

MPS = -9.46 -25.57DPS +61.89 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is inverse relationship of MPS with DPS and direct relation with EPS. The equation shows that per rupee increase in DPS leads to Rs. 25.57 decrease in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 61.89 increase in MPS, if DPS remains constant. Regression constant -9.46 indicates if DPS and EPS falls to zero MPS will be Rs. -9.46

4.3.19 Machhapuchhre Bank Limited

The following table details the financial summary of Machhapuchhre Bank limited for last five years. It shows the relationship of MPS, DPS and BPS with EPS.

Table 4.56

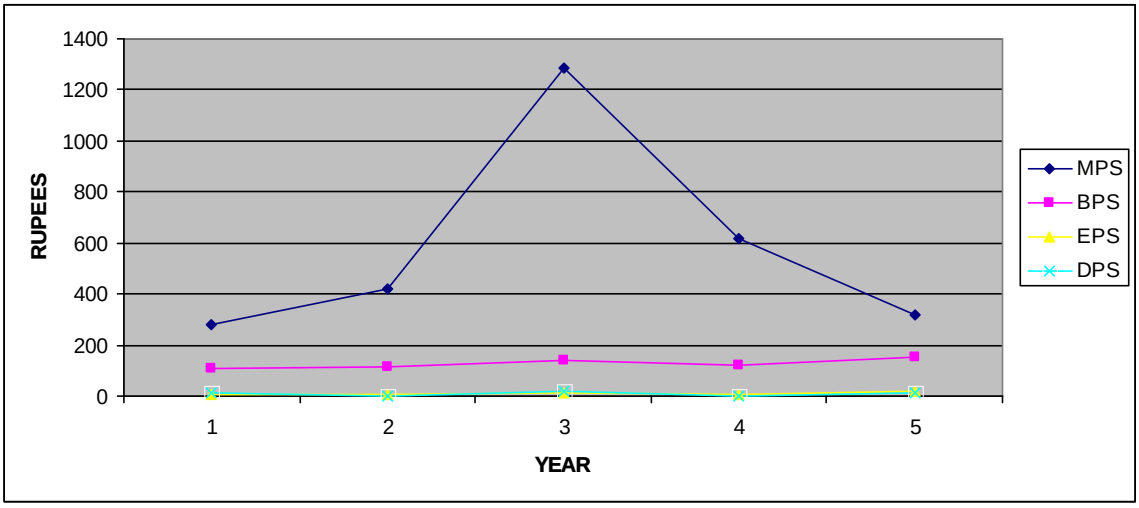
Summary of financial performance of Machhapuchhre Bank Limited.

YEAR	MPS	BPS	EPS	DPS
2004/05	320	151.39	18.74	15.79
2005/06	620	121.74	9.02	0
2006/07	1285	141.59	10.35	21.05
2007/08	420	114.93	8.33	0
2008/09	282	108.99	4.96	10
MEAN	585.4	127.728	10.28	9.368
SD	412.457	18.04718	5.130034	9.402519
C.V	70.4573	14.12938	49.90306	100.3685

(Source: Annual report 2008/09)

As the table reads, the dividend payout of the company has in every two year from Rs. 10 on 2008/09 to 21.05 on 2006/07. In average machhapuchhre distributed Rs.9.37.MPS of the company began rising from Rs 320 in the year 2004/05 and reaches maximum of Rs 1285 on the year 2006/07 then began decreasing until it reaches to Rs.282 in the year 2008/09. Same trend has been found on the variables EPS and BPS. DPS of BOK seems the most volatile as the coefficient of the variation is greatest with 100.36%. And BPS is less volatile with the C.V. of 14.12%. It describes that the DPS is comparatively more fluctuating than that of others.

Figure 4.19
Relationship between MPS, DPS, BPS and EPS of Machhapuchchhre Bank Limited.



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.57
Relationship of MPS,DPS,BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	0.4836032	0.233872	0.956972	386.6668	21.21405	1.86	INSIGNIFICANT
MPS vs BPS	0.3698663	0.136801	0.689525	-494.293	8.453062	1.86	INSIGNIFICANT
MPS vs EPS	-0.0358343	0.001284	-0.06211	615.0177	-2.8811	1.86	INSIGNIFICANT

The relation of MPS with DPS, BPS and EPS is shown in Table 4.57. It shows that MPS of Machhapuchchhre Bank Limited is positively correlated with DPS (0.4836), and BPS (0.3698). It indicates that raise in DPS and BPS results the rise in MPS and vice versa. If DPS rises by Rs. 100, the MPS will increase by Rs. 48.39; Rs. 100 increase in BPS will make MPS to rise by Rs. 36.98.In contrary Rs. 100 increase in

EPS results the decrement of Rs. 3.58 in MPS as the correlationis -0.0358. In addition, the t-statistics indicates that the relationship between MPS with EPS, BPS and DPS is statistically insignificant, as the calculated value is greater than the tabulated value at 95% level of significance with 5 degree of freedom.

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

Table 4.58

Regression Equation of MBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 386.66+21.21DPS
2	MPS vs. BPS	MPS = -494.29+8.45 BPS
3	MPS vs. EPS	MPS = 615.01-2.88 EPS

The first equation shows the relation of MPS with DPS where a rupee increase in DPS will lead to RS 21.21 increase in MPS and if DPS goes zero mps will be Rs386.66.
Second Equation shows that MPS will increase by Rs. 8.45 by a rupee increase in BPS and if BPS is zero MPS will be Rs. -494.29.
Lastly the third equation shows that a rupee increase in EPS will result in RS. 2.88 decrease in MPS and if EPS is zero MPS will be Rs. 615.01.

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

MPS on DPS and EPS

MPS = 386.73 -4.99DPS +26.68 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is inverse relationship of MPS with DPS and direct relation with EPS. The equation shows that per rupee increase in DPS leads to Rs. 4.99 decrease in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 26.68 increase in MPS, if DPS remains constant. Regression constant 386.73 indicates if DPS and EPS falls to zero MPS will be Rs. 386.73.

4.3.20 Sunrise Bank Limited

The following table details the financial summary of Sunrise Bank Limited over the period of last three years. It shows the relationship of MPS, DPS and BPS with EPS.

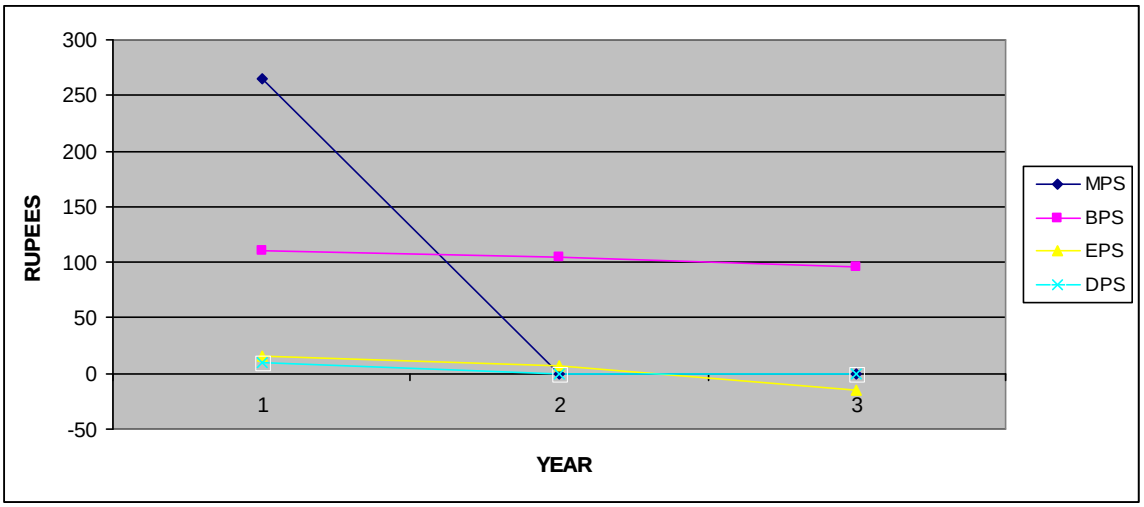
Table 4.59
Summary of financial performance of SBL

YEAR	MPS	BPS	EPS	DPS
2007/08	0	96.11	-15.3	0
2008/09	0	104.6	6.78	0
2009/10	265	110.8	16.35	10
MEAN	53	62.302	1.566	2
SD	152.9978	7.374689	16.23183	5.773503
C.V	288.6751	11.837	1036.515	288.6751

(Source: Annual report 2009/10)

The company on its first operating year suffered from loss of Rs. 15.3 and on the latest year the EPS was Rs. 16.35 ,DPS was 10 and MPS was Rs. 265. Where as the BPS of the company is increasing throughout the period.

Figure 4.20
Relationship between MPS, DPS, BPS and EPS of Sunrise Bank Limited.



The relationship of MPS, DPS, BPS and EPS is shown in the table below.

Table 4.60
Relationship of MPS, DPS, BPS and EPS

RELATION	r	r^2	t-cal	a-value	b-value	t-tab	Remarks
MPS vs DPS	1	1	0	0	26.5	1.86	INSIGNIFICANT
MPS vs BPS	0.8177191	0.668664	2.460542	-8.36958	0.985034	1.86	SIGNIFICANT
MPS vs EPS	0.7330775	0.537403	1.866848	41.53487	7.321286	1.86	SIGNIFICANT

The above table clearly shows that the MPS is having positive relation with all of the independent variables which means an increase in these variables will make MPS to increase and decrease will result in the decrease. MPS is perfectly correlated with

DPS. The test statistics of t Test shows that the relation of MPS with BPS and EPS is significant but the relation with DPS is insignificant.

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

Table 4.61

Regression Equation of MBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 0+26.5DPS
2	MPS vs. BPS	MPS = -8.36+1.86 BPS
3	MPS vs. EPS	MPS = 41.53+7.32 EPS

The first equation shows the relation of MPS with DPS where a rupee increase in DPS will lead to RS 26.5 increase in MPS and if DPS goes zero mps will be Rs 0. Second Equation shows that MPS will increase by Rs. 1.86 by a rupee increase in BPS and if BPS is zero MPS will be Rs. -8.36.Lastly the third equation shows that a rupee increase in EPS will result in RS. 7.32 decrease in MPS and if EPS is zero MPS will be Rs. 41.53.

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

MPS on DPS and EPS

MPS = 335.07 -216.01DPS +28.09 EPS

The multiple regression equation of MPS on DPS and EPS indicates that there is inverse relationship of MPS with DPS and direct relation with EPS. The equation shows that per rupee increase in DPS leads to Rs. 216.01 decrease in MPS, if EPS remains constant. Similarly, per rupee increase in EPS leads to Rs. 28.09 increase in MPS, if DPS remains constant. Regression constant 335.07 indicates if DPS and EPS falls to zero MPS will be Rs. 335.07.

4.3.21 Nepal Bank Limited

The following table details the financial summary of Nepal Bank Limited over the period of last three years. It shows the relationship of MPS, DPS and BPS with EPS.

Table 4.62

Summary of financial performance of SBL

YEAR	MPS	BPS	EPS	DPS
2004/05	0	1952	455	0
2005/06	0	1660	317	0
2006/07	0	1640	59.66	0
2007/08	0	1580	62.89	0
2008/09	0	1280	235	0
MEAN	0	1622.4	225.91	0
SD	0	239.4761	169.6149	0
C.V	0	14.76061	75.08073	0

(Source: Annual report 2008/09)

The transaction of share of Nepal Bank limited has been prohibited from fiscal year 2002/03 hence no market share has been determined. Thus, no calculation can be done to find out relation of MPS with DPS, EPS and BPS.

4.4 Analysis of Primary data

The questionnaire was made and was surveyed from the 50 respondents and the analysis made is shown in below sub headings.

4.4.1 Classification of Respondents

A total of 50 respondents were surveyed randomly from the floor of NEPSE to conclude the different behaviour of Share Price of Nepalese Commercial Banks. Among these, 28 respondents were professional investors of Share investment, 16 were potential investors who are willing to invest in Share but have not invested yet and rest 6 were market analyzer. Likewise, the respondents can be classified in terms of their age and sex as given in Table No. 4.63.

Table 4.63

Classification of respondents

S.NO.	Basis of Classification	Male	Female	Number	Prcentage
1	**Occupation**				
	Professional Investors	16	12	28	56
	Potential Investors	10	6	16	32
	Market Analyzer	5	1	6	12
	Total	31	19	50	100
2	**Age**				
	Below 25	7	5	12	24
	from 25 to 40	18	10	28	56
	Above 40	6	4	10	20
	Total	31	19	50	100
3	**Sex**				
	Male			31	62
	Female			19	38
	Total			50	100

(Source: Field Survey, 2010)

As given in table, 62% of the respondents were male where as 38% were female. Similarly, 24% of the respondents were from the age group below 25 years, 56% were between 25 to 40 years and 20% were 40 above.

4.4.2 Purpose of Share Investment

The first question asked the respondents to declare their purpose of the investment. Table No. 4.64 shows the results of the responses:

Table 4.64

Purpose of Share Investment

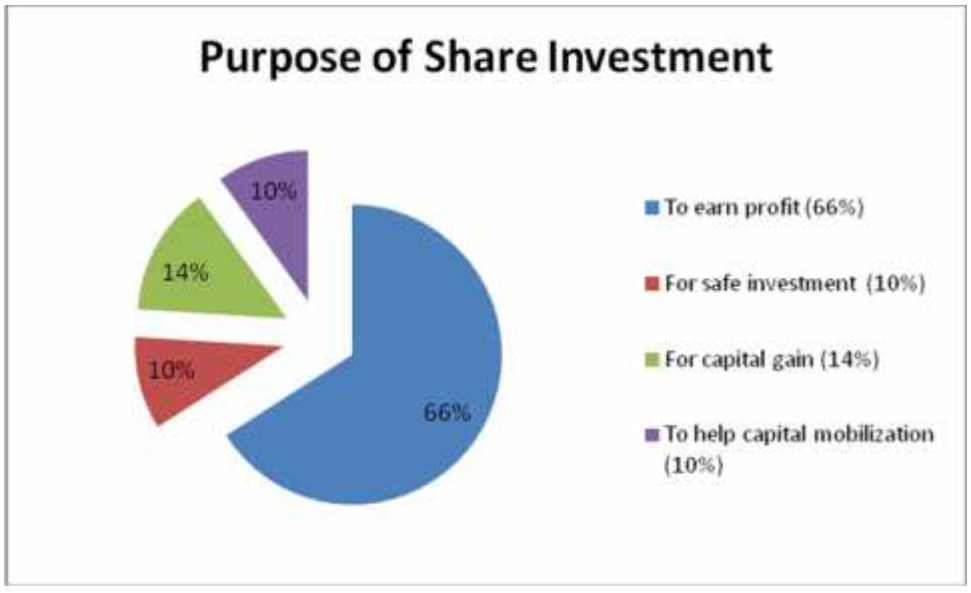
S.N.	Response	No. of Respondents			Total	
		Professional Investor	Potential Investor	Market Analyzer	Response	%
1	To earn profit	19	11	3	33	66
2	For safe investment	2	1	2	5	10
3	For capital gain	4	2	1	7	14
4	To help capital mobilization	3	2		5	10
	Total	28	16	6	50	100

(Source: Field Survey, 2010)

The above table shows the number of respondents and their percentage relating the purpose of share investment in Nepalese Share Market. It clears that majority (66%) of Nepalese investors invest their savings for the purpose of earning maximum profit. They believe that share investment is an important way of earning profit and hence they invest. Only 10%, 14% and 10% of the respondents gave the response as they invest their savings for the purpose of making money safe, to earn capital gain and to help the capital mobilization respectively. It can be shown in pie-chart (Figure No. 4.21) as follows:

Figure No. 4.21

Purpose of Share Investment



4.4.3 Reason of Public attraction in Commercial Banks

The reason for the attraction towards the investment in Commercial Banks of Nepal was as a next question. The responses were obtained as shown in Table No. 4.65.

Table No. 4.65

Reason of Public attraction in Commercial Banks

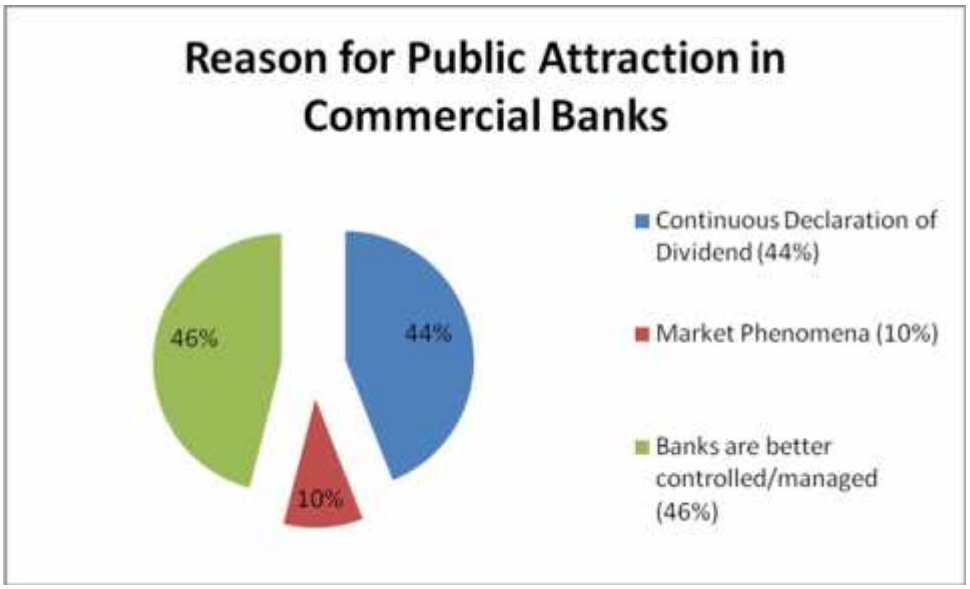
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Continuous declaration of dividend	12	8	2	22	44%
2	Market phenomenon	2	2	1	5	10%
3	Banks are better controlled and managed	14	6	3	23	46%
TOTAL		28	16	6	50	100%

(Source: Field Survey, 2010)

The above table shows the different reasons for the greater attraction of general public toward the investment in the Shares of Commercial Banks. It shows that a slight higher percentage (46%) - in comparison with others, of total respondents are convinced to declare that banks are better managed and hence they are being the attraction of all. Likewise, 44% of the total respondents stated that they tend to invest in Commercial Banks due to their continuous declaration dividend. And rest (10%) said that the market rumour and their phenomenon is the main cause that attracts the general public for share investment in Commercial Banks. It has been shown in the following chart (Figure No. 4.22) as follows:

Figure No. 4.22

Reason of Public attraction in the Shares of Commercial Banks



4.4.4 Public Awareness about Share Investment

The percentage of public awareness among the 50 respondents about share investment has been revealed in following table no.4.66.

Table No. 4.66

Public Awareness about Share Investment

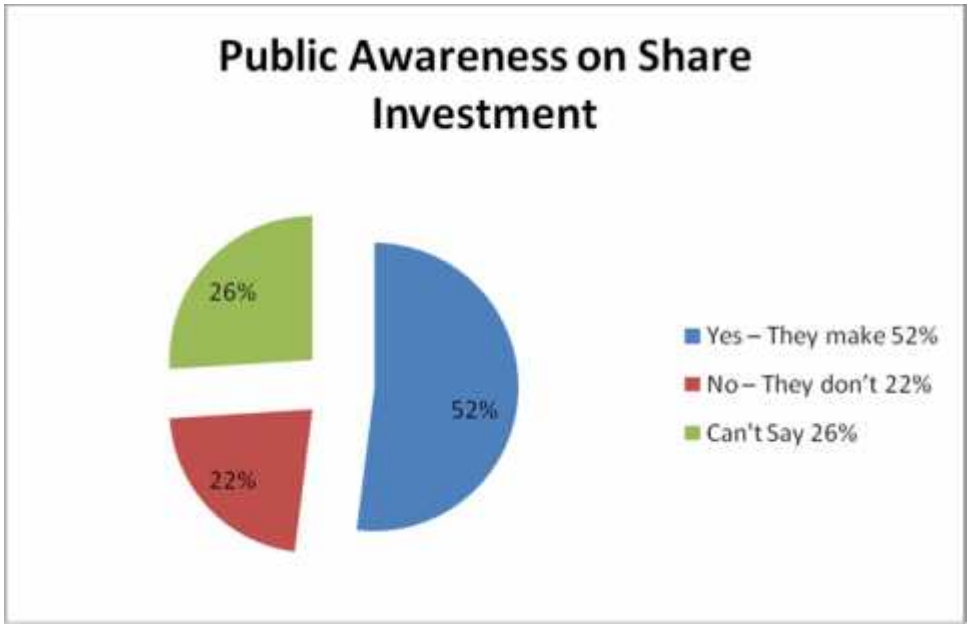
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Yes – They make	22	4	0	26	52%
2	No – They don't	2	5	4	11	22%
3	Can't Say	4	7	2	13	26%
TOTAL		28	16	6	50	100%

(Source: Field Survey, 2010)

It has been revealed from the study that 52% of the Nepalese investors are aware about the share market and the market phenomenon of the shares, 22% of the respondents said that they are investing in share without proper knowledge about share. They said that they are investing in Share because they are influenced by some relatives or friends to earn profit. Rest 26% of the respondents wanted to say nothing about this. It has been shown in Pie- chart (Figure No.4.23) as follows:

Figure No. 4.23:

Public Awareness on Share Investment



4.4.5 Status of Present Laws & Policies

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

Table No. 4.67

Status of Present Laws & Policies

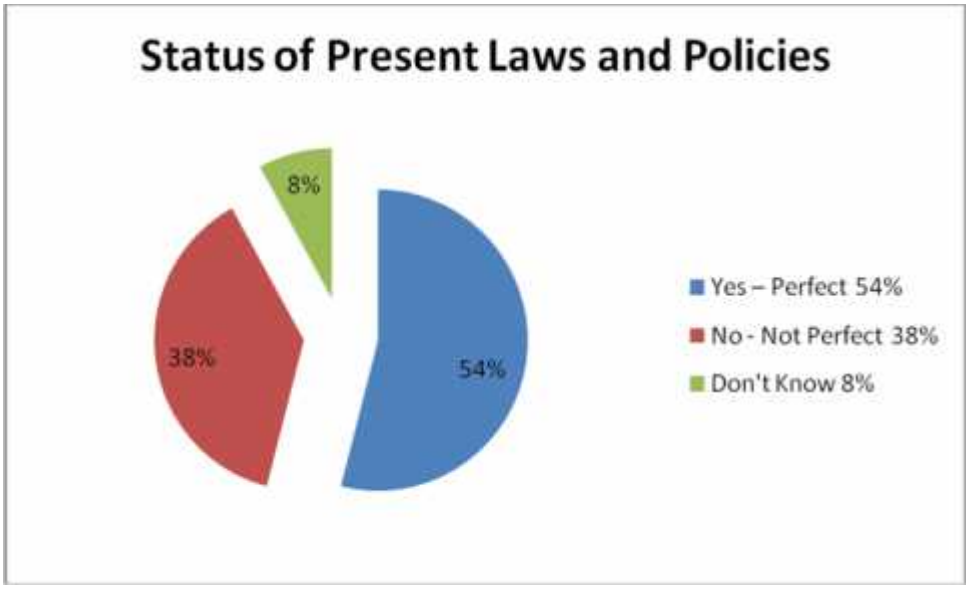
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Yes – Perfect	20	6	1	27	54%
2	No - Not Perfect	5	10	4	19	38%
3	Don't Know	3	0	1	4	8%
TOTAL		28	16	6	50	100%

(Source: Field Survey, 2010)

Table No. 4.43 shows that almost half (54%) of the investors feel themselves that the prevailing laws and policies regarding buying and selling of share are perfect. About one fifth (38%) of the respondents said that they don't know anything about the laws and policies. And 8% of the respondents said the present laws and policies are not perfect to regulate the Share Market proficiently. It can be depicted in the form of Pie-chart below (Figure No. 4.24):

Figure No. 4.24:

Status of Present Laws and Policies



4.4.6 Role of EPS in the Determination of Share Price

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

Table No. 4.68

Higher EPS indicates Higher Share Price

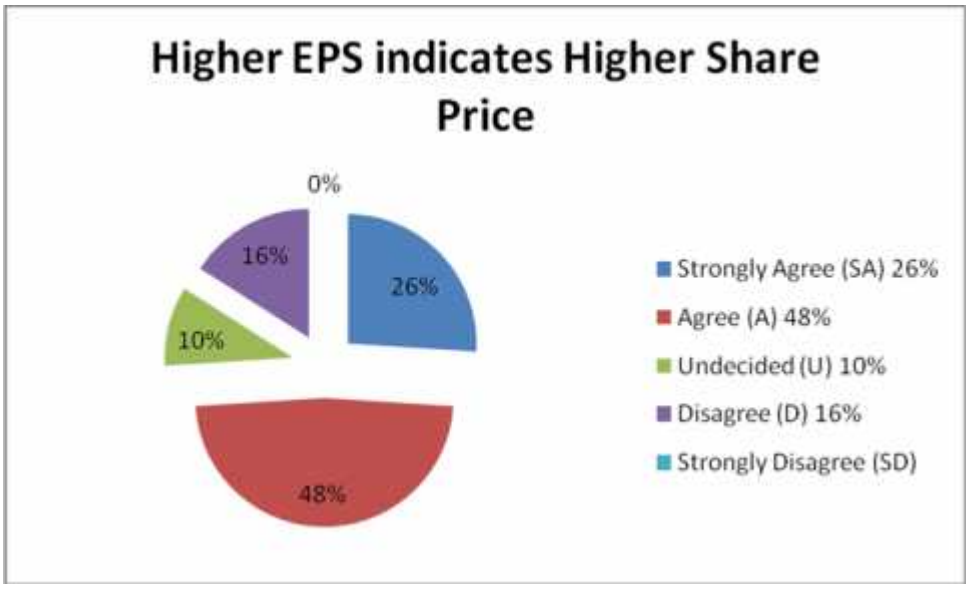
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Strongly Agree (SA)	8	5	0	13	26%
2	Agree (A)	12	8	4	24	48%
3	Undecided (U)	3	2	0	5	10%
4	Disagree (D)	5	1	2	8	16%
5	Strongly Disagree (SD)	0	0	0	0	0%
TOTAL		28	16	6	50	100%

(Source: Field Survey, 2010)

Table No. 4.65 shows that most of the respondents agreed that EPS is the main determiner of Share Price. 26% of the total respondents who agreed the statement strongly were highly convinced that EPS is the main determiner whereas 48% stated they agree the statement. In this way, 74% of the total respondent agreed the statement. Only remaining 26% stated they were either undecided (10%) or disagree (16%). From this we can conclude that the investors think that EPS is the major tool for the Nepalese investors to analyze whether the organisation is best enough to invest or not. It can be presented in chart as follows (Figure No. 4.25):

Figure No. 4.25:

Higher EPS indicates Higher Share Price



4.4.7 Role of Dividend Pattern in the Determination of Share Price

The responses of the respondents regarding the role of dividend pattern in the determination of share price are summarized and presented in Table No. 4.66.

Table No. 4.69

Role of Dividend pattern in Share Price Determination

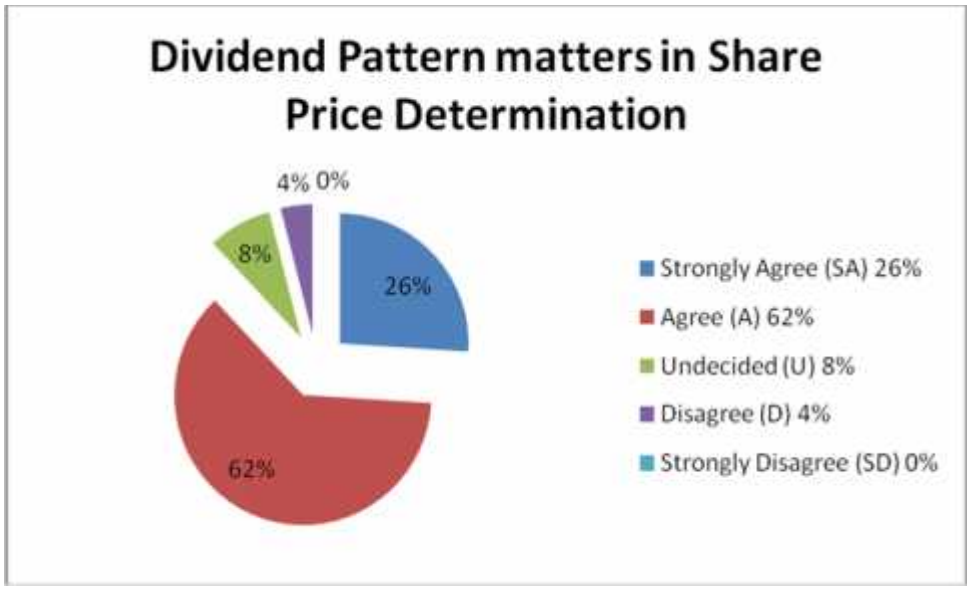
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Strongly Agree (SA)	6	5	2	13	26%
2	Agree (A)	18	10	3	31	62%
3	Undecided (U)	3	1	0	4	8%
4	Disagree (D)	1	0	1	2	4%
5	Strongly Disagree (SD)	0	0	0	0	0%
TOTAL		28	16	6	50	100%

(Source: Field Survey, 2010)

Table No. 4.45 clears that Dividend pattern plays a great role on the determination of Share Price, 62% of the respondents agreed that higher rate of Dividend results the good Share Price, 26% of the respondents strongly agreed the statement that dividend pattern in Share Price determination. The remaining 12% percent stated that either they were undecided (8%) regarding the matter or disagree (4%). It has been presented in the form of Pie-chart (Figure No. 4.26) as follows:

Figure No. 4.26:

Dividend Pattern matters in Share Price Determination



4.4.8 Role of Company Assets Structure

The following table (Table No. 4.70) shows the responses gained against the statement that Company Assets Structure indicates higher Share Price.

Table No. 4.70

Role of Company Assets Structure in Share Price Determination

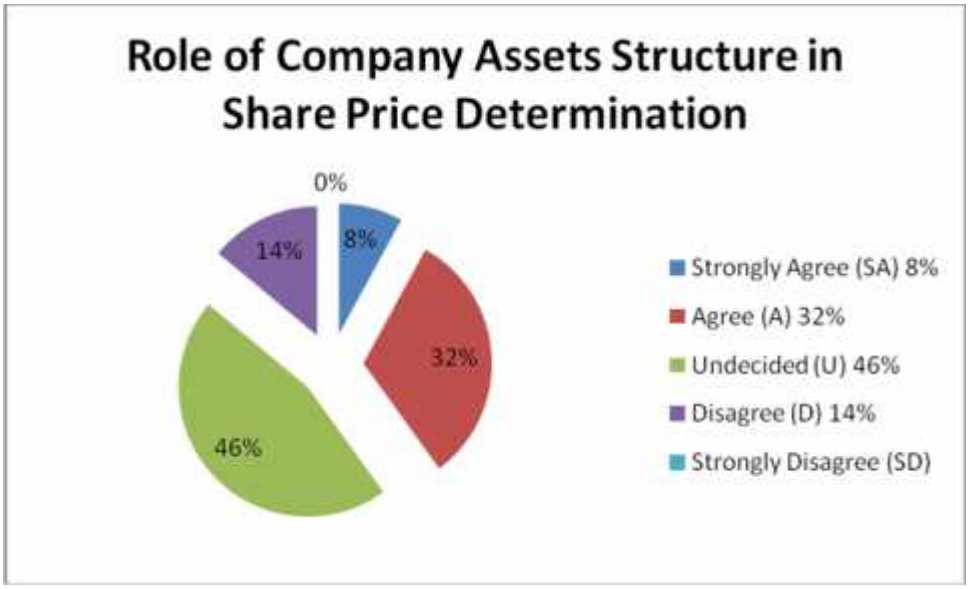
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Strongly Agree (SA)	4	0	0	4	8%
2	Agree (A)	7	6	3	16	32%
3	Undecided (U)	13	8	2	23	46%
4	Disagree (D)	4	2	1	7	14%
5	Strongly Disagree (SD)	0	0	0	0	0%
TOTAL		28	16	0	50	100%

(Source: Field Survey, 2010)

The above table shows that the Company Assets Structure plays no important role in the determination of Share Price in the view of respondents. That is why, almost half (46%) of the respondents neither agrees nor disagree the statement and choose to say undecided. Only 8% were strongly agreed whereas 32% choose to agree the statement. The percentage of the respondents who choose disagree were 14%. Figure No. 4.27 shows the graphical explanation of the above result.

Figure No. 4.27:

Role of Company Assets Structure in Share Price Determination



4.4.9 Role of Capital Structure

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

Table No. 4.71

Role of Capital Structure in Share Price

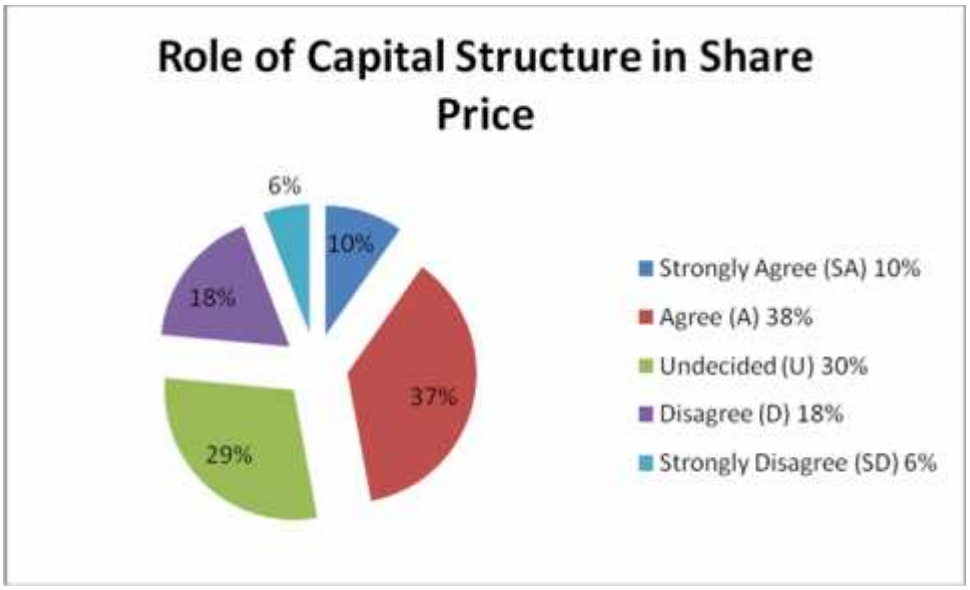
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Strongly Agree (SA)	3	2	0	5	10%
2	Agree (A)	11	8	0	19	38%
3	Undecided (U)	7	6	2	15	30%
4	Disagree (D)	5	0	4	9	18%
5	Strongly Disagree (SD)	2	0	0	2	4%
TOTAL		28	16	0	50	100%

(Source: Field Survey, 2010)

The above table (Table No. 4.68) shows that the Capital Structure of organisation is responsible to determine their share price. More than half (10% strongly agreed and 38% agreed) of the respondents agreed that better Capital Structure is responsible for the higher Share Price. 30% were undecided whereas 18% and 6% were disagree and strongly disagree to the statement. It has been presented in graphical form in Figure No. 4.28.

Figure No. 4.28:

Role of Capital Structure in Share Price



4.4.10 Role of Political Fluctuation

The role of political fluctuation in Share Price was observed and found the results as shown in Table No. 4.69.

Table No. 4.72

Role of Political Situation Change the Share Price

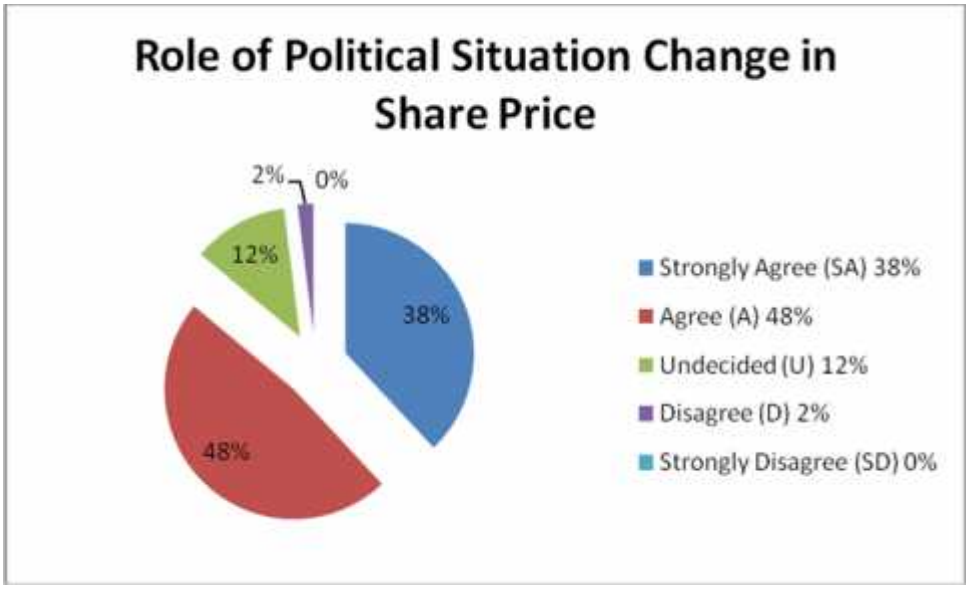
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Strongly Agree (SA)	9	6	4	19	38%
2	Agree (A)	14	8	2	24	48%
3	Undecided (U)	4	2	0	6	12%
4	Disagree (D)	1	0	0	1	2%
5	Strongly Disagree (SD)	0	0	0	0	0%
TOTAL		28	16	0	50	100%

(Source: Field Survey, 2010)

The above table shows that the national political environment is also responsible on the determination of share price because more political fluctuation cause the decrease in Share Price. It was revealed that 48% of the total respondents agree the say that political situation cause the change in share price whereas 38% strongly agreed it. 12% were undecided and 2% said to disagree the statement. It is presented in graphical form in Figure No. 4.29.

Figure No. 4.29:

Role of Political Situation Change in Share Price



4.4.11 Effect of AGM and BOD Election in Share Price

The following table (Table No. 4.70) shows the effect of Annual General Meeting and Election of Board of Director in Share Price.

Table No. 4.73

AGM and Election of BOD effect on Share Price

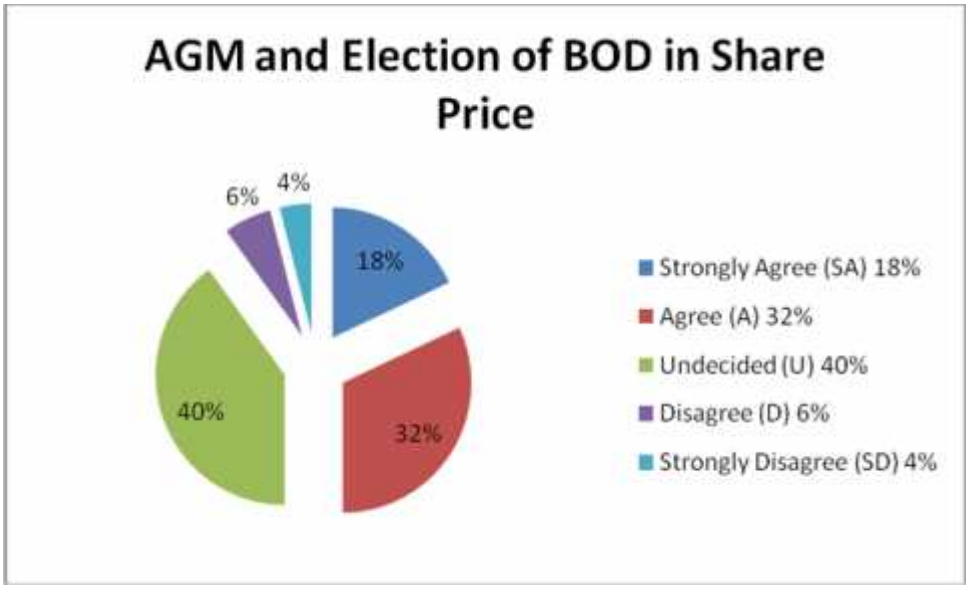
S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Strongly Agree (SA)	4	3	2	9	18%
2	Agree (A)	9	5	2	16	32%
3	Undecided (U)	12	8	0	20	40%
4	Disagree (D)	2	0	1	3	6%
5	Strongly Disagree (SD)	1	0	1	2	4%
TOTAL		28	16	6	50	100%

(Source: Field Survey, 2010)

The above table shows that the Annual General Meeting and election of Board of Directors influences the Share Price. It was observed that 32% of the total respondents were agreed, 18% were strongly agreed and 6% were disagreed. In the same way, 40% of the respondents were undecided and there were 6% and 4% respectively under disagreed and strongly disagreed group. It has been presented in pie-chart below (Figure No. 4.30):

Figure No. 4.30:

Effect of AGM and Election of BOD in Share Price



4.4.12 Company Risk vs. Share Price

The respondents gave the following results (Table No. 4.71) against the statement that whether the higher risk of the company results higher share price or not.

Table No. 4.74

Role of Risk in Share Price Determination

S.NO.	RESPONSE	NUMBER OF RESPONDENTS			TOTAL	
		Professional Investors	Potential Investors	Market Analyzer	Response	%
1	Strongly Agree (SA)	0	0	0	0	0%
2	Agree (A)	4	0	0	4	8%
3	Undecided (U)	11	8	0	19	38%
4	Disagree (D)	9	8	4	21	42%
5	Strongly Disagree (SD)	4	0	2	6	12%
TOTAL		28	16	6	50	100%

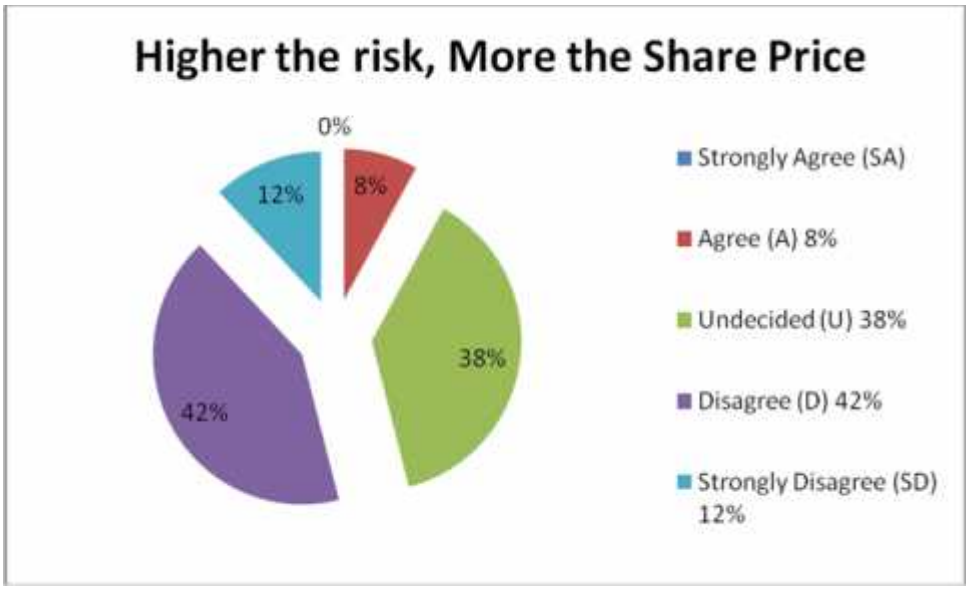
(Source: Field Survey, 2010)

The above table (Table No. 4.71) shows that the Annual General Meeting and election of Board don't significantly influence the Share Price of the company. 42% of the respondents disagreed that the higher risk of company result increases in Share Price whereas 38% were undecided. Likewise, 8% agreed the statement and 12% strongly disagreed the statement.

The figure given below (Figure No. 4.31) shows the respondents response against the risk factor of share price change.

Figure No. 4.31:

Role of Risk in Share Price Determination



4.4.13 Most Influential Determinant of Share Price

On the basis of the responses collected from the respondents, the different indicators which influence share price has been ranked as follows in the table no.75.

Table No. : 4.75

Most Influential Determinant of Share Price

Indicators	Respondent Group	1	2	3	4	5	6	Total Responses
EPS	Professional	12	9	7	0	0	0	28
	Potential	9	6	0	1	0	0	16
	Analyzer	3	3	0	0	0	0	6
		24	18	7	1	0	0	50
DPS	Professional	12	11	3	1	0	1	28
	Potential	5	11	0	0	0	0	16
	Analyzer	2	4	0	0	0	0	6
Assets		19	26	3	1	0	1	50
	Professional	2		5	4	10	7	28
	Potential	2	0	0	0	9	5	16
	Analyzer	0	0	1	1	2	2	6
Capital		4	0	6	5	21	14	50
	Professional	0	0	1	2	14	11	28
	Potential	0	1	1	2	2	10	16
	Analyzer	0	0	0	3	1	2	6
Political		0	1	2	7	17	23	50
	Professional	1	1	13	10	1	2	28
	Potential	1	0	1	2	5	4	13
	Analyzer	0	0	4	2	0	0	6
AGM		2	1	18	17	6	6	50
	Professional	1	2	10	12	2	1	28
	Potential	0	2	3	3	4	5	17
	Analyzer	0	0	1	4	1	0	6
		1	4	14	19	6	6	50

In the above figure the indicators are compared to the response of the respondents so that these indicators can be ranked. For rank one EPS got the maximum of response 23 and on second rank DPS got the highest response. Likewise for the third rank Political factor got the highest of the vote. For fourth rank annual general meeting got the highest vote, for the fifth rank, assets of the company got the highest response and for sixth rank capital structure of the company got highest response.
Now tabulating above result we got the following table.

Table: 4.76

Ranking of the indicators as per respondents response

Indicators	Rank	Responses
EPS	1	24
DPS	2	26
Political	3	18
AGM	4	19
Assets	5	21
Capital	6	23

4.5 Major Findings of the Study

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

- MPS of BOK is much volatile in comparison to DPS, BPS and EPS. Bank of Kathmandu has positive correlation with between their Market price per share and DPS, BPS and EPS. This indicates that they directly affect the Share Price of BOK.
- BPS and EPS are positively correlated in the case of Everest Bank Limited whereas DPS is negatively correlated. This indicates that increase in DPS of this Bank don't contribute on the increase of Share Price rather it decreases it. But increase in BPS and EPS increase the share price and vice versa. DPS is much volatile in comparison with MPS, BPS and EPS.
- In the case of Himalayan Bank Limited, MPS is positively correlated with DPS and EPS whereas negatively correlated with BPS.
- The DPS of Kumari Bank is the most volatile one and Both DPS and EPS are positively correlated with MPS indicating rise in these factors results in rise in MPS.
- DPS, EPS and BPS all of the three factors are positively correlated with MPS of Laxmi Bank.
- Lumbini Bank has not distributed dividend till the fiscal yr 2008/09. The earning of this bank seems to be negative till yr 2005/06 and then is increasing, meaning the company is gaining financial strength. Whereas the EPS of the company is positively correlated with MPS.

- Machhapuchchhre Bank has positive correlation with DPS, BPS and EPS. Hence, they influence the Share Price positively. The trend of MPS, EPS and DPS shows that the company is in good trend in later years. The volatility of DPS is much more than other indicators like MPS, BPS and EPS.
- NABIL Bank's MPS is more volatile than other indicators like dPS, BPS and EPS. The MPS of this Bank is positively correlated with DPS, BPS and EPS meaning these indicators influence their share price directly.
- The variability of BPS and EPS of NCC bank is very high. The company didn't paid any dividend through the period.The relation of MPS with EPS can be observed positive for the NCC bank.
- MPS of Nepal Bangladesh Bank is positively correlated with all the indicators examined i.e. DPS, BPS and EPS. For NBBL, the variability of DPS is more than other indicators like MPS, BPS and EPS.
- For Nepal Industrial and Commercial Bank, the correlation coefficient if positive between Market Price per Share (MPS) and EPS. This indicates that the change in this indicator will have the positive fluctuation of MPS. Whereas it has negative correlation with DPS.
- For Nepal Investment Bank, Market price is positively correlated with BPS, EPS and DPS. The volatility of MPS is higher than that of other indicators EPS, BPS and DPS.
- The MPS of Nepal SBI bank is positively correlated with DPS, EPS and BPS. It shows that DPS and BPS are responsible to increase the Share Price of the organisation. The volatility of DPS seemed to be more than that of other indicators.
- The variability of MPS of Siddhartha bank is very high in comparison . MPS is positively correlated with EPS,DPS and BPS indicating rise in these indicators will lead in rise to the MPS.
- The degree of CV for Standard Chartered Bank is less than that of other bank. It shows the consistency in these indicators. MPS of SCBL is negatively correlated with DPS, BPS and EPS indicating that increase in these cause decrease in MPS.
- The correlation between MPS and other indicators are found to be insignificant for most of Banks. It shows that they individually influence very less but jointly they influence a lot. There can be other factors which influence the share price of the organisation.

- On the basis of Standard Deviation it can be concluded that Market Price per Share of NABIL Bank and Standard Chartered Banks seems to be more risky. The higher CVs of Nepal SBI bank and Nepal Bangladesh Banks show that their Market Prices are more volatile than others.
- Standard Deviation of Book value per Share shows that that of Lumbini Bank and NCC Bank are riskier than others. Volatility of Book value if greater in case NCC Bank and Lumbini Bank.
- Dividend per Share is more volatile in case of Nepal Bangladesh Bank and Machhapuchchhre Bank Limited in comparison to other banks.
- Highest Standard Deviation and Coefficient of Variation of Lumbini Bank and Nepal Bangladesh Bank imply that they are more volatile and inconsistent than others.
- Basically, most of the investors are intended to maximize their profit through share investment. They think share as a good sector of investment assuming that it gives a good return in short and long term.
- Investment in Nepalese Commercial Bank is the first choice of Share investors. It is because the banks are better controlled, and they distribute a good rate of dividend. It is found the investors think that banks are better managed hence making good rate of profit. They distribute regular dividend which attracts them to invest in the commercial banks.
- The majority of the investors declare themselves as informed investors but still Nepalese investors lack the proper knowledge about the share market.
- The majority of Nepalese investors found to be either unknown about laws or like to say imperfect policies causing the problem in share market.
- The investors perceive the increase in EPS as better performance of the organisation and hence they increase the demand of Share which causes the increase in share price. Majority of the investors are convinced that higher EPS cause higher share price.
- Dividend pattern plays a great role on share price movement. Higher the DPS, more will be the Share Price. Most of the investors like to analyse the Dividend pattern of the company before they invest in their shares.
- Company assets structure and capital structure of the company plays a moderate role on share price movement. The potential investors tend to

consider the assets and capital structure of the organisation second to EPS and DPS analysis.

- Political fluctuation cause change in Share Price. They influence share market in a very direct way. It means that fluctuating political situation badly damage the share price of an organisation whereas stable political condition of the country is much favourable for upward movement of Share Price.
- AGM and Election of BOD also plays moderate role on share price movement. Good signalling after General Meeting could influence the market price of share.
- The risk of organisation does not significantly influence the share price. Most of the Nepalese investors are risk avoider, who never wants to see the risky organisation for their investment.

CHAPTER V

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Summary

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

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

Investors invest their savings in the Common Stock of public companies through Primary and Secondary Markets. Generally, the investors aimed to maximize their profit from their investment. But due to the lack of proper knowledge and poor regulatory performance of Nepalese Capital Market, the investors may not achieve the returns as expected. Only the few educated city dwellers know what share market is and how they are regulated. Besides, government has not prioritized the development of capital market sufficiently. A rational investor would purchase equity shares with an anticipation of good returns in future. The return could be in the form of capital gains, dividends or growth in terms of share holding. The decision to purchase equity shares are mostly guided by the financial performance of the institution and other developments taking place in the market, the entire economy and the financial system.

The prime objective of this study is to find out the major determinants of Share Price of Nepalese Commercial Banks. Hence, all 26 commercial banks presently listed in NEPSE are taken in consideration for the purpose. Market Price of these banks has been analytically tested here to compare with other financial indicators like DPS, EPS and BPS. For such analysis secondary data has been gathered from the different sources and different statistical tools have been used to analyze these. Not only this, a set of question of presented to 50 respondents aiming to collect primary data related to share price of Nepalese commercial banks. The result of the responses has been analysed thoroughly in this thesis.

5.2 Conclusion

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

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

5.3 Recommendations

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

- The findings of the study reveals that market prices of the equity shares are overvalued when compared to the earnings per share, which is the primary indicator of the financial status of the concerned financial institution. This was mainly due to ignorance and improper access to financial health of the company. It is recommended that the investors should be conscious while purchasing equity shares.

- Since general public are unaware about the share and share market, an organised effort is necessary to aware the public about it. A separate department in NEPSE or an independent organisation is recommended which analyse, inform and create the awareness within the emerging potential investors about share and share market through different approaches like seminar, conference or print, air media.

- To control the speculation in share, an effective control mechanism is necessary. A clear system is to be employed to evaluate and punish such speculations so that no further influence can be observed in Share Price due to artificial reasons. The government should create a rational and sincere environment within share brokers and share traders for controlling such speculations.

- Government should formulate and implement a rigid rules and regulations for the further development of Share Market. A mechanism to take immediate action for the faulty company is to be established.

- The investors are recommended to receive a clear picture of their financial track before investing in the company. They should be alert and aware about the misconduct of relative company, brokers, NEPSE or government. They are required to boost their knowledge up regarding share and share market to get the expected returns from their investment.

- An open policy to encourage and promote foreign investors in share price would be fruitful to strengthen the share market of Nepal considering the fact of present globalization.

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

- Since general public are unaware about the share and share market, an organised effort is necessary to aware the public about it. A separate department in NEPSE or an independent organisation is recommended which analyse, inform and create the awareness within the emerging potential investors about share and share market through different approaches like seminar, conference or print, air media.

- For the clear and absolute result regarding the determinants of share price, a population study of whole share market for a longer study period is required. This gives the only factual information about the actual determinants of share price.
- To maximize the common shareholders the commercial bank should focus on increasing current and accumulated earning resulting the book value of the equity to increase. Also focus on developing and maintaining a well planned dividend policy to support and achieve the future potential for development, to stock market investors anticipate a good result, hence the banks stock market prices to rise.

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ANNEX I

Questionnaire

Dear Sir/Madam,

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

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

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

Occupation (Tick One):

Professional Investor

Potential Investor

Market Analyzer

Others (Specify)

Academic Qualification (tick appropriate):

Under SLC

Higher Secondary

Graduate

Post Graduate

Questions:

Please Tick the best alternative (QN 1-4)

1. Which one do you think is major purpose to invest in Company Stocks ?
   - To earn maximum profit
   - Safe investment
   - For capital gain
   - Help capital mobilization
   - Others (if any)……
2. It has been observed that the share investors of Nepal are highly attracted in the shares of Commercial Banks for their investment. What do you think is the prime cause of this ?
   - Continuous Declaration of Dividend
   - Market Stability
   - Banks are better controlled/managed
   - Others……
3. Do you think that Nepalese investor make investment decision after the analysis of relevant indicators?

   Yes [ ] No [ ] Can't Say [ ]
4. In your experience the prevailing laws and policies regarding the buying and selling of shares are perfect?
   - Yes

- o No
- o Don't know

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

SA	for	Strongly Agree
A	for	Agree
U	for	Undecided
D	for	Disagree
SD	for	Strongly Disagree

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

Please Rank 1, 2, 3,..., 6. [1 for the best factor]

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

Earning Per Share [EPS]	
Dividend Pattern (Dividend Per Share]	
Company Assets	
Capital Structure	
Political Situation	
AGM/Election of BOD	

Thank you for your time and effort.

UDHAB BOHORA
Master's in Business Studies
Shanker Dev Campus
Roll No. 145/061
T.U. Registration No : 7-1-31-90-99

ANNEX II

List of Respondents

S.No.	Name of Respondents	Sex	Catagory
1	Anil Giri	M	Potential Investor
2	Anil Khanal	M	Professional Share Investor
3	Anjila Bhatta	F	Professional Share Investor
4	Ashish Dangol	M	Professional Share Investor
5	Bikash K.C.	M	Potential Investor
6	Bimal Yonjan	M	Professional Share Investor
7	Binod Dhakal	M	Potential Investor
8	Deepak Gurung	M	Professional Share Investor
9	Deepa Ale Magar	F	Professional Share Investor
10	Dhan Kumari Limbu	F	Potential Investor
11	Dinesh Shrestha	M	Potential Investor
12	Dipak Khadka	M	Professional Share Investor
13	Jeena Shrestha	F	Professional Share Investor
14	Jeevan Lama	M	Professional Share Investor
15	Karuna Sthapit	F	Professional Share Investor
16	Kiran Paudel	M	Professional Share Investor
17	Komal Tamrakar	F	Professional Share Investor
18	Kopila Bhatta	F	Professional Share Investor
19	Laxman Bhandari	M	Professional Share Investor
20	Laxmi Rumba	F	Professional Share Investor
21	Menuka Subedi	F	Market Analyzer
22	Mukesh Chandra Paudel	M	Market Analyzer
23	Nikita Chhetri	F	Potential Investor
24	Pooja Wagle	F	Potential Investor

Contd.…

S.N.	Name of Respondents	Sex	Occupation
25	Prakash Basnet	M	Professional Share Investor
26	Prakash Dhunghel	M	Professional Share Investor
27	Rabin Acharya	M	Potential Investor
28	Rabindra Bhattarai	M	Market Analyzer
29	Rajani Khadka	F	Professional Share Investor
30	Rakhi Singh	F	Professional Share Investor
31	Ramesh Sigdel	M	Professional Share Investor
32	Rishi Raj Gautam	M	Market Analyzer
33	Rohit Karki	M	Professional Share Investor
34	Sagun Manandhar	M	Market Analyzer
35	Sailesh Thapa	M	Potential Investor
36	Sandhya Gurung	F	Professional Share Investor
37	Sanju Poudel	F	Professional Share Investor
38	Srijan Pradhan	M	Potential Investor
39	Srijana Maharjan	F	Potential Investor
40	Suraj Pandey	M	Professional Share Investor
41	Mukesh Chandra Paudel	M	Market Analyzer
42	Sujana Timilsina	F	Professional Share Investor
43	Suman Rai	M	Potential Investor
44	Sunita Shrestha	F	Professional Share Investor
45	Surya Khadka	M	Professional Share Investor
46	Sushil Kumar Manandhar	M	Potential Investor
47	Subash Thapa Magar	M	Professional Share Investor
48	Trishna Singh	F	Potential Investor
49	Tara Prasad lama	M	Potential Investor
50	Upendra Lama	M	Professional Share Investor

ANNEX III

Most Influential Determinant of Share Price

(Details from Question No. 12 of Annex I)

Indicators	Respondent Group	1	2	3	4	5	6	Total Responses
EPS	Professional	12	9	7	0	0	0	28
	Potential	9	6	0	1	0	0	16
	Analyzer	3	3	0	0	0	0	6
		24	18	7	1	0	0	50
DPS	Professional	12	11	3	1	0	1	28
	Potential	5	11	0	0	0	0	16
	Analyzer	2	4	0	0	0	0	6
Assets		19	26	3	1	0	1	50
	Professional	2		5	4	10	7	28
	Potential	2	0	0	0	9	5	16
	Analyzer	0	0	1	1	2	2	6
Capital		4	0	6	5	21	14	50
	Professional	0	0	1	2	14	11	28
	Potential	0	1	1	2	2	10	16
	Analyzer	0	0	0	3	1	2	6
Political		0	1	2	7	17	23	50
	Professional	1	1	13	10	1	2	28
	Potential	1	0	1	2	5	4	13
	Analyzer	0	0	4	2	0	0	6
AGM		2	1	18	17	6	6	50
	Professional	1	2	10	12	2	1	28
	Potential	0	2	3	3	4	5	17
	Analyzer	0	0	1	4	1	0	6
		1	4	14	19	6	6	50

ANNEX IV

CALCULATION OF CORRELATION COEFFECIENT

3.7.1.4 Karl Pearson's Coefficient of Correlation

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

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

Where,

n	:	Number of observations in series X and Y
$\sum X$	:	Sum of observations in series X
$\sum Y$	:	Sum of observations in series Y
$\sum X^2$	:	Sum of squared observations in series X
$\sum Y^2$	:	Sum of squared observations in series Y
$\sum XY$	:	Sum of product of observations in series X and Y

The value of correlation coefficient 'r' lies between -1 to 1, i.e. $-1 \leq r \leq 1$.

If r = 1, there is perfect positive relationship. If r = -1, there is perfect negative relationship. If r = 0, there is no correlation at all.

Table No. i

Year	MPS(M)	BPS(B)	MM	BB	MB
08/09	1825	206.25	3330625	42539.06	376406.25
07/08	2350	222.51	5522500	49510.7	522898.5
06/07	1375	164.68	1890625	27119.5	226435
05/06	850	230.67	722500	53208.65	196069.5
04/03	430	213.6	184900	45624.96	91848
SUM	**6830**	**1037.71**	**11651150**	**218002.9**	**1413657.25**

Now,

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

$$= \frac{5 * 1413657.25 - 6830 * 1037.71}{\{(5 * 11651150 - (6830 * 6830) * (5 * 218002.9 - (1037.71 * 1037.71)\}^{1/2}}$$

$$= -0.0492904$$

Hence,
From above calculation we can conclude that there exist the negative correlation of --0.0492904 in between MPS and BPS.

Same procedure has been followed to find out the correlation of MPS with other factors.

ANNEX – V

Calculation of Multiple Regression Equation of MPS on DPS and EPS of BOK

Let MPS, DPS and EPS are denoted by X_1, X_2 and X_3 respectively. Then the multiple regression equation of MPS(X_1) on DPS(X_2) and EPS(X_3) be;

$X_1 = a_1 + b_1 X_2 + b_2 X_3$ ……. (i)

The values of constant a_1, b_1 and b_2 can be determined by solving following three normal equations simultaneously.

$\sum X_1 = na_1 + b_1 \sum X_2 + b_2 \sum X_3$ ……..... (ii)

$\sum X_1X_2 = a_1 \sum X_2 + b_1 \sum X_2^2 + b_2 \sum X_2X_3$ …….. (iii)

$\sum X_1X_3 = a_1 \sum X_3 + b_1 \sum X_2X_3 + b_2 \sum X_3^2$ ……... (iv)

X_1	X_2	X_3	X_1X_2	X_2X_3	X_3X_1	X_2^2	X_3^2
1825	47.37	54.68	86450.25	2590.192	99791	2243.917	2989.902
2350	42.11	59.94	98958.5	2524.073	140859	1773.252	3592.804
1375	20	43.5	27500	870	59812.5	400	1892.25
850	48	43.67	40800	2096.16	37119.5	2304	1907.069
430	15	30.1	6450	451.5	12943	225	906.01
$\sum X_1$ = 6830	**$\sum X_2$ = 172.48**	**$\sum X_3$ = 231.89**	**$\sum X_1X_2$ = 260158.75**	**$\sum X_2X_3$ = 8531.93**	**$\sum X_3X_1$ = 350525**	**$\sum X_2^2$ = 6946.17**	**$\sum X_3^2$ = 11288.03**

Substituting the sum values in normal equation, we get

6830 = 5 a_1 + 172.48 b_1 + 231.89 b_2 ……..... (v)

260158.75 = 172.48 a_1 + 6946.17 b_1 + 8531.93 b_2 …….. (vi)

350525 = 231.89 a_1 + 8531.93 b_1 + 11288.93 b_2 ……. (vii)

Multiplying (v) by 172.48 and (vi) by- 5 and then subtracting (v) from (vi), we get

1178038.4 = 862.4 a_1 + 29749.35 b_1 + 39996.39 b_2

-1300793.75 = -862.4 a_1 - 34730.85 b_1 - 42659.65 b_2

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or, -122760.35 = 0- 4981.5 b_1 - 2663.26 b_2

i.e. $122760.35 = 4981.5\ b_1 + 2663.26\ b_2$ ……. (viii)

Again multiplying (v) by 204.71 and (vii) by -5 and then subtracting (v) from (vii), we get

$1583808.7 = 1159.45a_1 + 39996.39b_1 + 53772.97b_2$

$-1752625 = -1149.45a_1 - 42659.65\ b_1 - 56444.65\ b_2$

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or, $-168816.3 = 0 - 2663.26\ b_1 - 2671.68\ b_2$

i.e. $168816.3 = 2663.26\ b_1 + 2671.68\ b_2$ ……. (ix)

Again multiplying (viii) by 2663.26 and (ix) by 4981.5 and then subtracting (viii) from (ix), we get,

$326942729.7 = 13267029.69b_1 + 7092953.83\ b_2$

$840958398.5 = 1326702969b_1 + 13308973.92\ b_2$

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or, $-514015668.8 = 6216020.9\ b_2$

or, $b_2 = \frac{514015668.8}{6216020.9}$

$= 82.69$

Substituting the value of b_2 in equation viii, we get

$122760.35 = 4981.5\ b_1 + 2663.26 \times 82.69$

or, $122760.35 = 4981.5\ b_1 + 220224.97$

or, $-97364.62 = 4981.5\ b_1$

or, $b_1 = \frac{-97364.62}{4981.5}$

$= -19.56$

Again substituting the value of b_1 and b_2 in equation v, we get

$6830 = 5\ a_1 + 172.48 \times -19.56 + 231.89 \times 82.69$

or, $6830 = 5\ a_1 + 15801.2753$

or, $-8971.28 = 5\ a_1$

or, $a_1 = \frac{-8971.28}{5}$

$= -1794.25$

Now substituting the values of a_1, b_1 and b_2 in (i), we get multiple regression equation of MPS(X_1) on DPS(X_2) and EPS(X_3);

$X_1 = -1794.25 - 19.56\ X_2 + 82.69\ X_3$

i.e. MPS $= -1794.25 - 19.56$ DPS $+ 82.69$ EPS

Same process has been practiced to find out the multiple regression equation of MPS on DPS and EPS of other banks.