CHAPTER I

INTRODUCTION

1.1   Background

The economy of the country largely depends upon the utilization of its resources and mobilization of capital. The lack of its proper utilization results the country to be backward ever as Nepal is facing now. The mobilization of the capital is an important tool to utilize the resources and hence it affects the overall economy directly, indirectly. The Financial institutions contribute the national economy by accumulating the capital funds to meet the financial needs of different productive sectors. They actively participate in the money market and the capital market, as both suppliers and demanders of the funds.

Financial Market

Financial Market can be defined as the centre which provides facilities for buying and selling of financial claims and services. Financial market includes the trading activities of financial instruments like Share (Stock)*, Bond, Debenture etc. Hence it actually refers to the money market and capital market which facilitates the transfer of funds from the savers to those who really need it.

Money Market

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

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*   *Shares and Stocks are used interchangeably in this study though they are not mentioned as same in Company Act 1997 of Nepal. It is noted that share is a division of Share Capital. Generally in practical ground of Nepalese financial industry, stock is used for all types of securities whereas share is used for equity share only.*

Capital Market

Capital Market deals with the long term financial market facilitating the allocation of funds between savers and borrowers. It is the place where financial claims and obligations are brought and sold that have maturity period of more than one year. It can be further divided in to two types, **Primary Market** and **Secondary Market**.

Primary Market

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

The issuer receives cash which may be invested in productive assets or retirement of debt. Corporate bodies issue new securities in the primary market hence, securities available for the first time are offered through the primary security market. The issuer may be a brand new company or that has been in business for years. The securities offered might be a new type for the issuer or additional amount of security - used frequently in the past. *[Lawrence, J. Gitman, 2000:33-34]*

Secondary Market

Secondary Market is the market in which securities are traded that has been issued in the past. Simply, secondary markets are markets in which existing outstanding securities are traded between the investors i.e. buyers and sellers. It creates the price and allow for liquidity. Thus, Secondary Market mainly deals with previously issued shares traded through stock exchange, over the counter market or 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, John M. and Moses, Edward A., 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 Exchange 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. *[Collins Gem, 225:2002].* 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 [SEBO/N]

Security Board, Nepal [SEBO/N], regulator of Nepalese Security market, was established on May 26, 1993, under the provision of the Security Exchange Act, 1983.

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. *[Annual Report, SEBO/N 2004]*.

Nepal Stock Exchange [NEPSE]

The Securities Exchange Centre was established with an objective of facilitating and promoting the growth of capital markets. Before its conversion into stock exchange, it was only a capital market institution undertaking the job of brokering, underwriting, managing public issue, market making for government bonds and other financial services. In 1993, the centre was converted into Nepal Stock Exchange [NEPSE] with the basic objective of imparting free marketability and providing liquidity to the government and corporate securities by facilitating transactions in its trading floor through market intermediaries, such as brokers, market makers etc. and it is a non profit organization, operating under Securities Exchange Act, 1983. Government of Nepal (58.67%), Nepal Rastra Bank (34.60%), Nepal Industrial Development Corporation - NIDC (6.13%) and Licensed Members - General Public (0.60%) are the Shareholders of the NEPSE. It is the licensed dealer for Primary and Secondary market. *[Rabindra Bhattarai, 2003:14-15]*

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

The stock exchange provides floor for trading the shares of listed companies creating the liquidity in shares markets. The liberal financial policy adopted by Nepalese Government after the restoration of democracy tried to reform the

financial market of Nepal. That result open practice of buying and selling of securities in the open floor of NEPSE maintaining the suitable market price of the shares. In general, the prices are determined according to the demand and supply of the shares. This study attempts to examine the different determiners of the share price relating the MPS with major financial indicators.

1.2   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 of commercial banks with their financial indicators.

)   To conduct the opinion survey of investors regarding various aspects of share price behaviours of commercial banks of 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, and 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. These 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 selected 15 Nepalese Commercial Banks only.

)   This study covers only the relevant data of six years i.e. from Fiscal Year 2003/04 to 2008/09.

） This study is limited to the analysis of MPS of Nepalese Commercial Banks with major financial indicators.

） 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 introduces 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 has 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

A short glance of past studies in common stock and their determiners are presented in this section. In the context of Nepalese Financial Market, no sufficient studies have been made in the past related to share markets. Most of the investors have no sufficient knowledge about the share market.

2.1. Conceptual Framework (Review of Text Books)

2.1.1 Common Stock

Common Stock is legal representation of equity for ownership position in a corporation. It lies under variable income security between two types of securities: fixed income and variable income and is a negotiable instrument. It can be bought and sold in the secondary market. The holders of common 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:

Claim on Income:

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

immediate cash flow to shareholders, whereas retained earnings are the income reinvested in the organization, which ultimately increase the net worth of shareholders. Claim on Assets: The Common Stockholders have a residual claim on the company's assets in case of liquidation. Out of the realized value of assets, first the claims of debt-holders and then preference shareholders are satisfied, and the remaining balance, if any, is paid to the common stockholders.

Right to control:

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

Voting Right:

For each share of common stock owned, the common stockholder has the right to cast one vote at the annual 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.

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.

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)*

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

2.1.3 Advantages of Common Stock Financing

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

- Common Stock does not obligate the firm to make fixed payments to stockholders. If the company generates earnings and has no pressing internal needs, it can pay common dividends. Had it used debt, it would have incurred a legal obligation to pay interest on it, regardless of its operating conditions, its cash flows, and so on.
- Common stock provides a cushion against losses from the creditors' viewpoint, the sale of common stock increases the creditworthiness of the firm. This, in turn, raises its bond rating, lowers its cost of debt, and increases its future ability to use debt.
- Common stock carries no fixed maturity date - its never has to be 'repaid' as would a debt issue.
- If a company's prospects look bright, then common stock can often be sold on better terms than debt. Stock appeals to certain groups of investors because (a) it typically carries a higher expected total return (dividends plus capital gains) than does preferred stock or debt and (b) since stock represents the ownership of the firm, it provides the investor with a better hedge against unanticipated inflation than does preferred stock or bonds. Ordinarily, common stock increases in value when real asset values rise during inflationary periods.

） When a company is having operating problems, it often needs new funds to overcome its problem. However, investors are reluctant to supply capital to a troubled company, and if they do, they generally require some type of security. From a practical standpoint, this means that a firm which is experiencing problems can often obtain new capital only by issuing debt, which is safer from the investor's standpoint. Corporate treasurers are well aware of this so they often have option to finance with common stock so as to maintain a reserve borrowing capacity - indeed surveys have indicated that maintenance of an adequate reserve of borrowing capacity is the primary consideration in most financing decisions. *(Weston and Brigham, 1987:678-679)*

2.1.4 Disadvantages of Common Stock Financing

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

） The sale of common stock may extend voting rights or control to the additional stock owners who are brought into the company. For this reason, additional equity financing is often avoided by small firms, whose owner-managers may be unwilling to share control of their companies with outsiders. Note, though, that firms can use special classes of common stock that do not carry voting rights.

） Common Stock gives more owners the right to share in income. The use of debt enables the firm to acquire funds at a fixed cost, whereas Common Stock gives equal rights to new stockholders to share in the net profits of the firm.

） The costs of underwriting and distributing common stock are usually higher than those for underwriting and distributing preferred stock or debt.

） The sale of new common stock may be perceived by investors as a negative signal, and hence cause the stock price to fall. *(Brigham and Gapenski, 1990:472)*

2.1.5   Rights of Common Stock Holders

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.

Voting Right

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

Right to Purchase new Share

A firm's corporate charter or state statute may require that a new issue of common stock or an issue of securities convertible into common stock be offered first to existing common stockholders because of their preemptive right. *(James C, Horne, John M, Wachonicz: 2000, 561-564)*

2.1.6.   Earning per Share (EPS)

Earnings 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. *(Sharpe, Alexander and Bailey, 2001:622)*

2.1.7 Retained Earnings

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.

2.1.8 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

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.

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.

2.1.9 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 & Brigham, 1987: 674]*

2.1.10 Market Value per Share

Market value per share is the current price at which the stock is traded. For activity traded stocks that have thin markets, prices are difficult to obtain. Even when obtainable, the information may reflect only the sale of a few shares of stock and 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. *[James C., Van Horne and John M. 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, 1995:681]*

2.2 Reviews of the 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-ness.

The Venerable Present Value Model

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):

$$\text{Present Value}_o = \frac{Cashflow}{fa\,\Gamma\,k\text{\AA}} \Gamma \frac{Cashflow}{fi\,\Gamma\,k\text{\AA}} \Gamma ... \Gamma \frac{Cashflow_T}{fi\,\Gamma\,k\text{\AA}} \quad ....(i)$$

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 cashflows 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, Sharpe, Alexander and Bailey, 2003:208)

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Samuelson's Continuous Equilibrium

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, Sharpe, Alexander and Bailey, 2003:214-215)*

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:

$$P \text{ X} \frac{DPS}{K} \Gamma \frac{r(EPS \text{ Z} DPS)/K}{K}$$

$$P \text{ X} \frac{DPS \, \Gamma \, R/K(EPS \text{ Z} DPS)}{K}$$

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.

International Monetary Fund [IMF], *Policy Development and Review Division* published a Work Paper (1997) entitled "*Determinants of Stock Prices : The case of Zimbabwe*". The Work Paper 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 Work Paper: "Determinants of Stock Prices: the case of Zimbabwe.")*

Myron Gordon in his study "The Investment, Financing and valuation of Corporation" concludes that the dividend policy of a firm affects its value. Unlike Walter's model, he argues that the 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. This argument insist that 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 of this model 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.

⟩ 'Ke' 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; $P \ X \dfrac{EPS(1-b)}{Ke-b \cdot r}$, where: P = Price of Share; EPS = Earning Per Share; b = retention ratio; 1-b = Dividend payout ratio; Ke = 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.

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 *(Pettit, 1972)* 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, and the study strongly supports the proposition that the market is reasonably efficient both on a monthly and daily basis.

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:

Another study *(Bhattarai, 1996)* on **"Dividend Decision and its impact on Stock Valuation"** has concluded that:

⎞ Though the shareholders have not got enough return, market price of shares are increasing due to the high expectation in future.
⎞ If there are rational investors and stable dividend influences considerable impact on valuation of shares.

⟩ There is positive relationship between cash dividend and valuation of shares. There are five companies out the ten, having positive coefficient of correlation between cash dividend and valuation of shares.

⟩ The market price is considerable higher than the actual net worth. In some cases, market price of shares is tow or three times higher than the net worth. This clearly indicates that investors do not have adequate knowledge on how to evaluate the value of shares before investing in them.

A study *[Poudyal, 2001]* on **"A study on Share Price Behaviour of Joint Venture Banks of Nepal"** was undertaken by using financial and statistical tools and concluded that;

⟩ The growth rate analysis as a stand alone may not be adequate for the analysis of share prices behavior and may not represent the bank's performance in the secondary market.

⟩ The ordinary least square equation of the book value per share on market value per share reveals that the independent variable does not fully explain the dependent variables on the basis of above mentioned two points; Nepal Stock Exchange operated in a weak form of efficient market hypothesis, including that the market prices move randomly. The market value per share does not accommodate all the available historical information.

⟩ Having good track record of the financial position, the market potential investors buy the shares of joint venture commercial banks. Therefore, the shares of joint venture banks emerge as a blue-chip in the Nepalese stock market.

⟩ The beta coefficient, which measures the risky ness of individual security in relative terms, suggests that none of the shares of eight sampled banks are risky. Therefore, even a risk averter can go for making an investment in the shares of these banks. The shares of publicly quoted joint venture commercial banks are less risky as compared to the other average stock traded in the stock exchange.

A study *(Paudel, 2006)* conducted on the title **"Determination of share price of Nepalese Bank "** has concluded with the following findings:

〕 The market shares and the growth rates of different banking indicators used are not captured by the market value of commercial banks.

〕 The ordinary least square equation of book value per share on market value per share reveals that the independent variable does not fully explain the dependent variables.

〕 The established banks have good track record of their financial position and the newly established banks are penetrating the market. All the banks are operating in profit, although some of them suffered from losses during their initial stages. The investors attitude towards the shares of these banks seemed to be positive.

〕 Most of the banks are offering cost dividends every year, which may not be applicable to other types of non-banking firms.

〕 Having good track record of the financial position, market penetration and continuous declaration of dividends encourage the potential investors to buy the shares of joint venture commercial banks. Therefore, the shares of joint venture commercial banks emerge as the blue-chips in the Nepalese Stock Markets.

〕 The average realized rates of return of all these banks are not the same over the sample period. Therefore, the coefficient of variation can be preferred over the standard deviation as a measure of risk. On the basis of coefficient of variation, Nepal Arab Bank Limited's shares can be considered as more riskier, whereas Bank of Kathmandu Limited's shares can be considered as less riskier.

〕 The beta coefficient, which measures the riskiness of individual security in relative term, suggests that none of the shares of these eight banks are risky. Therefore, even a risk averter can go for making an investment in shares of these banks. The shares of publicly quoted joint-venture commercial banks are less risky as compared to other average stocks traded in the stock exchange.

The conclusion of a Study on "**Share Price Behaviour in Nepal**" by *Pandey, (2004)* can be summarized in the following points:

- ） The series consists of expected market price is more consistent then the series observed Market Price.

- ） Market Price of Share is dependable to the DPS and EPS of the organisation.

- ） Coefficient of Determination of the Nepalese Share Market is in decreasing trend. Hence risk associated in equity is increasing.

- ） Market price of share was found to be affected more by DPS than EPS.

- ） Earnings and Dividends are the first factor that affect in the movement of share price.

- ） Majority of the respondents are in the favour that AGM, Capital Structure of the company and Festival influence the Share Price.

A study on "**Determinants of Stock Price in Nepalese Stock Exchange**" by *[Neupane, 2004]* has concluded the following points:

- ） Nepalese investors have not adequate education about the capital market. They do not have good knowledge and information to analyze the scenario and to forecast share price. Perhaps due to this reason, stock price in NEPSE rather irrational behavior.

- ） In NEPSE, DPS, BPS and EPS individually do not have consistent related with the market price of share, among the listed companies. The pricing behavior varies from one company to another. But EPS, BPS and DPS jointly have significant effect in market price of shares. So there may be other major factors affecting the share price significantly. NEPSE is in its primary stage, adopting open out cry system for stock trading and stockbrokers lack professionalism to create investing opportunities in NEPSE.

- ） Commercial banking sector has dominated the overall performance of NEPSE. Manufacturing and processing, trading and hotel sector have week performance. So, financial intermediaries are strong but their ultimate investment is suffering.

- Companies' performance (earning, dividend, book value, risk etc.), information disclosed, timely AGM, political stability, national economy, demand and supply situation, strikes/demonstrations, cease-fire and peace talk (and their outbreak) are the major factors affecting the share price in NEPSE, according to the respondents of the survey. Interest rate, retention ratio, cost of equity, tax rate, gold price and value of US$, global economy, market liquidity, season, day of the week, size of the firm, change in management do not significantly affect the share price in NEPSE.

- There is deficiency of proper laws and policies regarding the capital market. Shareholders are feeling unsecured to invest in security markets due to poor regulatory mechanism to protect shareholders interests. The implementation of existing law is weak.

- Listed companies do not provide sufficient information (financial as well as not financial) to their shareholders and they are not able to act according to the shareholders desire. The performance of most of the listed companies is not transparent.

- Since NEPSE is in increasing trend, in spite of unfavorable environment for investment, Nepalese citizens have a huge amount of scattered fund remained idle, which can be used in the industrial development through capital market to accelerate the economic growth of the nation.

A study entitled **"Stock Price Movement in Nepalese Security Market"** *(Shrestha, 2004)* concluded the following points.

- 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. Taking the decision as long period, forecast of exports may be correct because of system wise decreasing trend.

- Majority of investors of Nepalese stock market invests theirs money from the view point of income which was found from the field survey.

- Bullish trend of the stock price movement is suitable for Nepalese security market.

⟩ Most of the investors were asked for their preference of investment sector and found that they were attracted towards banking sectors for making investment.

⟩ According to the major portion of respondents, international environment directly affects the Nepalese stock market.

⟩ According to the major portion of respondents of Nepalese stock market, it were found that policy of Government is not clear and perfect in Nepalese stock price market.

⟩ Most of the investors are not aware about investment.

⟩ Stock price was found to be affected by the dividend decision.

⟩ Signalling effects plays a major role in the fluctuation of stock price.

⟩ The investors in the stock market take the investment decision on the basis of market price of shares.

A study *(Dhungel, 2005)* conducted on the title, "**Stock Price Movement and Financial Performance of Nepalese Listed Companies**" derived the following conclusions:

⟩ The invisible factor causes the up and down movement of monthly share volume, price and market capitalization throughout each fiscal year. The fluctuation trend is not in order and there is no correlation between volume and price of stock.

⟩ There is no significant differences between the NEPSE indexes before and after the Royal Palace Massacre, September 11 and ceasefire. However, state of emergency after Ashoj 18th Royal takeover caused significant change in NEPSE index.

⟩ The larger stocks have the lower price earning ratios, larger market value to book value ratio and lower ratio of dividend per share to market price per share, higher and less variable leverage and lower profitability. Banking sector was observed as prioritized investment sector. Some investors observe and analyze international environment before invest in stock.

CHAPTER III
RESEARCH METHODOLOGY

3.1   Introduction

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, overall research method adopted by the researcher is mentioned. It covers quantitative methodologies in a greater extent and also uses the descriptive part based on both 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 BPS, 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 *24 Feb 2010*, there are 168 public companies that are listed in Nepal Stock Exchange Ltd. (NEPSE) consisting 62 from finance companies, 20 from manufacturing, 23 from commercial banking sector, 17 from insurance company, 4 from trading, 35 from Development Banks, 4 from hotel, and 2 from other sectors. *(Annual Report, SEBO, 2009 (2064/065).*

Since the study concentrates only on the determinants of stock price of Commercial Banks of Nepal, 15 Commercial Banks listed in NEPSE are taken for the study which about 60% of total. Some of 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 2003/04 to 2008/09 for these banks. For such only 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

Name of Commercial Banks Listed in NEPSE

S.N.	Name of the Commercial Banks	Remarks
1.	Bank of Kathmandu Limited	
2.	Everest Bank Limited	
3.	Himalayan Bank Limited	
4.	Kumari Bank Limited	
5.	Laxmi Bank Limited	
6.	Lumbini Bank Limited	
7.	Macha Puchchhre Bank Ltd	
8.	Nabil Bank Limited	
9.	NCC Bank Limited	
10.	Nepal Bangladesh Bank Limited	
11.	Nepal Bank Limited	De-listed Currently
12.	Nepal Ind. & Commercial Bank Ltd.	

13.	Nepal Investment Bank Ltd.	
14.	Nepal SBI Bank Limited	
15.	Siddhartha Bank Ltd.	
16.	Standard Chartered Bank Nepal	
17.	Global Bank	
18.	Citizen Bank	
19.	Prime Bank	
20.	Sunrise Bank	
21.	Bank Of Asia	
22.	Development Credit Bank	
23.	NMB Bank	
24.	Kist Bank	

(Source:www.nepalstock.com)

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 that have either invested in Share or willing to invest in Share soon. The secondary data are collected from different sources of related companies and organizations as follows:

〕 The year-ended equity share data sheet showing MPS, BPS, EPS, DPS, Balance Sheet, Profit and Loss a/c etc.

〕 Information relevant to the study available in various web-sites.

〕 Previous thesis and studies and relevant books and journals.

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 or potential investors, 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 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 Central Library, TU, Saraswoti Campus Library, 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/N office, Nepal Rastra Bank and respective banks etc.

3.6   Data Processing

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

The relevant data have been inserted in meaningful tables. Only the data that are relevant to the study have been presented in the tabular form in the understandable way and unnecessary data have been 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 ( ) is another measure of investment risk. It is absolute measures of dispersion. The smaller the standard deviation the lower will be the degree of risk of the stock. In other words, a small standard deviation means a high degree of uniformity of the observations as well as homogeneity of a series and vice versa. The formula for calculating the standard deviation is:

$$\text{Standard deviation ( )} = \sqrt{\frac{1}{n} \int x \, Z \bar{x} Å}$$

3.7.1.3 Coefficient of Variance

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

$$\text{Coefficient of Variation (CV)} = \frac{\dagger}{\overline{x}} | 100$$

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;

$$r X \frac{n \sum XY - \sum X \sum Y}{\sqrt{\sum X^2 - \int X^2 Å | \sum Y^2 Z \int Y Å^*}}$$

Where,

n	:	Number of observations in series X and Y
X	:	Sum of observations in series X
Y	:	Sum of observations in series Y
X^2	:	Sum of squared observations in series X
Y^2	:	Sum of squared observations in series X
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♥ r —1.
If r = , 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'.

Thus,

$$r^2 \; X \frac{\text{Explained Variance}}{\text{Total Variance}}$$ *(Gupta, 199:585)*

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:

$$Y = na + b \quad x \;……………….(i)$$
$$XY = a \quad X + b \quad x^2 \;………….(ii)$$

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:

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

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

$$a = \frac{\sum X2 \sum Y - \sum X \sum Y}{N \sum X^2 - \left(\sum X\right)^2}$$

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 :

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

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

b_1 = 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, b1 and b2 are determined by solving simultaneously following three normal equations obtained by the method of least squares.

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

$$\sum X_1 X_2 = a \sum X_2 + b1 \sum X_2^2 + b_2 \sum X_2 X_3 \ldots\ldots\ldots.\text{(iii)}$$

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

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

3.7.1.8 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:

$$t \; X \frac{r}{\sqrt{1\,Zr^2}} \; | \; \sqrt{f n\,Z2}A$$

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

The data collected from various sources are presented, analyzed and interpreted in this chapter. Different analytical tools have been used to analyze and interpret the data following the research methodology explained in previous Chapter. Data collected from different sources has been first tabulated and hence interpreted with the help of various financial and statistical tools.

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 are in existence. The list of Commercial Banks of Nepal listed in NEPSE and selected in this research is presented in Table No. 4.1.

Table: 4.1

Name and their Operation Date of Nepalese Commercial Banks

S.N.	Name of the Commercial Banks	Operation Date (A.D.)
1.	Bank of Kathmandu Limited	1995/03/12
2.	Everest Bank Limited	1994/10/18
3.	Himalayan Bank Limited	1993/01/18
4.	Kumari Bank Limited	2001/04/03
5.	Laxmi Bank Limited	2002/04/03
6.	Lumbini Bank Limited	1998/07/17
7.	Macha Puchchhre Bank Ltd	2000/10/03
8.	Nabil Bank Limited	1984/07/16

9.	NCC Bank Limited	1996/10/14
10.	Nepal Bangladesh Bank Limited	1993/06/05
11.	Nepal Ind. & Commercial Bank Ltd.	1998/07/21
12.	Nepal Investment Bank Ltd.	1986/02/27
13.	Nepal SBI Bank Limited	1993/07/07
14.	Siddhartha Bank Ltd.	2002/12/24
15.	Standard Chartered Bank Nepal	1987/01/30

Though Agricultural Development Bank (ADB) has also been allowed to serve the commercial functions from 2041, it has been excluded in this study because it specially focuses the agricultural sector. Likewise, Nepal Bank Limited has been excluded in this study because it is de-listed from the list of NEPSE currently.

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 Bye-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 given below (Table No. 4.2) shows the financial summary of Bank of Kathmandu over the last six years and the relationship of EPS, DPS and BPS to MPS along with the significance of such relationship.

Table 4.2

Table 4.2

Summary of the Financial Performance of BOK

Year	MPS(1)	DPS(2)	BPS(3)	EPS(4)
2003/04	295	10	207.72	27.50
2004/05	430	15	171.83	30.10
2005/06	850	48	192.52	43.07
2006/07	1375	20	218.38	43.50
2007/08	2350	42.11	213.60	59.94
2008/09	1825	47.37	230.67	54.68
Total	**7125**	**182.48**	**1256.09**	**259.39**
Mean	**1187.5**	**30.42**	**209.35**	**43.24**
SD	**739.0577**	**15.7924**	**21.34**	**11.79**
CV	**62.24**	**51.91**	**10.19**	**27.22**

(Source: Annual Reports of Bank of Kathmandu)

Where,

      SD   :   Standard Deviation

      CV   :   Coefficient of Variation

The table (Table No. 4.2) presents the detail financial summary of Bank of Kathmandu throughout the last six years. As table shows, the bank distributed its profit to the shareholders as dividend for six times over the study period. It distributed Rs. 10 per share on 2003/04 as dividend and it was increasing order at every year. Since the company distributed more dividends in the later year, it shows that the company is in better financial strength in the later years. It can be seen in table that the Market Price per Share of the company first decreases and increases gradually thereafter.

The distribution of dividend seems to be much volatile for the company with the coefficient of variation 51.91% whereas the Book value per share seems to be less volatile with the coefficient of variation 10.19%. The Market Price per Share and Earning per share are moderately volatile with the coefficient of variation 62.24% and 27.22% respectively. It tends to describe that DPS is comparatively more fluctuated than others.

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

The following line chart (Figure No. 1) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.
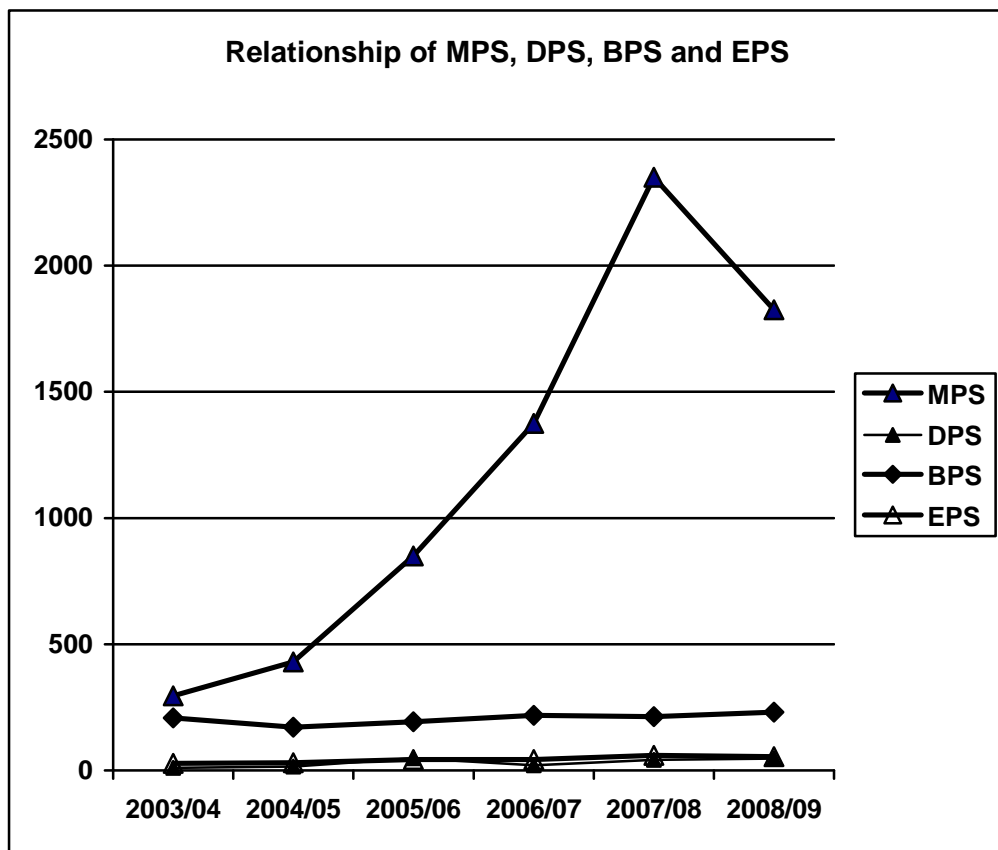

Figure No. 1: Relationship between MPS, DPS, BPS and EPS of BOK

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

Table 4.3

Relationship of BPS, EPS and DPS with MPS of BOK

Variables	r	r^2	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	0.6489	0.4211	494.95	11.08	1.1427	2.776	Insignificant
MPS vs. BPS	0.5317	0.2827	-1788.70	18.57	1.8342	2.776	Insignificant
MPS vs. EPS	0.9144	0.8361	313.92	31.97	2.0134	2.776	Insignificant

(Researcher's Analysis)

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. 6-2=4 Degree of Freedom)
a-value	:	Y-intercept of Regression equation (MPS – dependent intercept)
b-value	:	Slope of the line (Variable Intercept)

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

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 = 11.08 DPS + 494.95
2	MPS vs. BPS	MPS = 18.57 BPS - 1788.70
3	MPS vs. EPS	MPS = 31.97 EPS + 313.92

(Researcher's Analysis)

The first equation is the regression equation of MPS on DPS. The regression constant equals to 494.95. This means that when DPS falls to zero, MPS equals to Rs.494.95. Likewise, the constant for DPS equals to 11.08 meaning that when DPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 11.08 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -1788.70. This means that when BPS becomes zero, MPS will fall to Rs. 1788.70. Likewise, the constant for BPS equals to 18.57 meaning that when DPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 18.57 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 313.92. This means that when EPS falls to zero, MPS equals to Rs. 313.92. Likewise, the constant for EPS equals to 31.97 meaning that when DPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 31.97 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

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

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regressions constant as shown in the equation equals to 403.82. It implies that when DPS and EPS becomes zero, MPS would

be equal to Rs. 403.82. The constant for DPS is 16.19 meaning that when DPS increases by Re. 1, MPS will increase by Rs. 16.19 keeping EPS constant. In the same way, if DPS holds constant and EPS increases by Re. 1, MPS will increase by Rs. 8.82 and vice versa.

4.3.2 Everest Bank Ltd.

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

Table No. 4.5

Summary of the Financial Performance of EBL

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

(Source: Annual Reports of EBL)

Where,

      SD   :   Standard Deviation

      CV   :   Coefficient of Variation

The above table (Table No. 4.5) presents the summary of financial performance of Everest Bank Limited for the last six years. From the table, it can be revealed that the bank has not consistent figure over the period. The MPS has been increased first and then decreased at last. The MPS as well as EPS seems to be

in increasing order in the later years. The bank has distributed Dividend only four times within this period at Rs.20 and the similar rate of Rs. 30 per share. High coefficient of Covariance (49.50%) of MPS clears that the DPS distribution is highly volatile and inconsistent. In comparison with DPS, MPS, BPS and EPS possess low degree of Coefficient of Variance.

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

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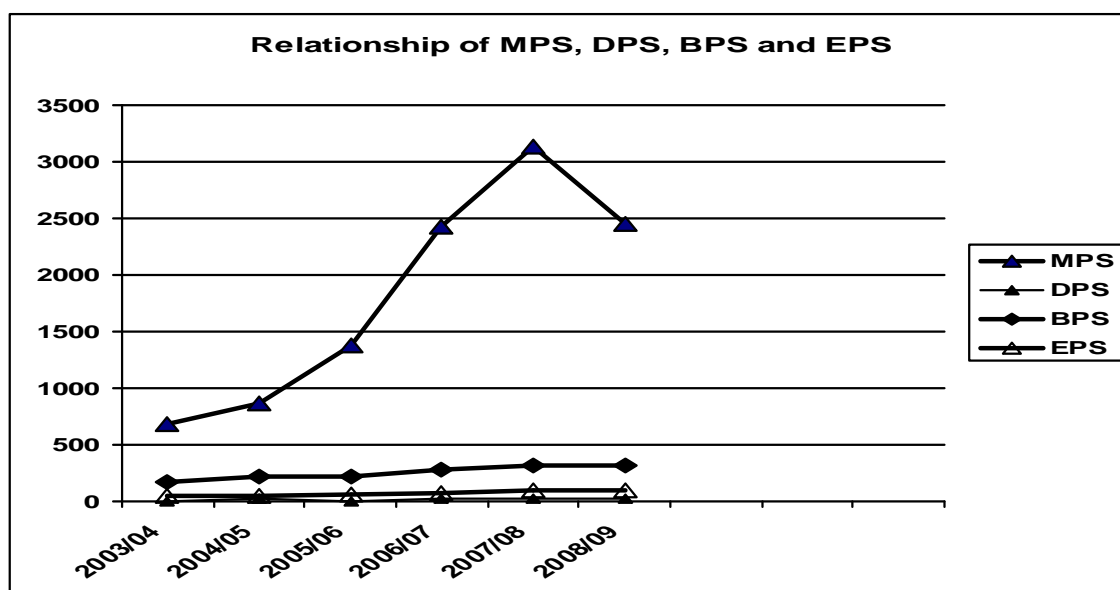

Figure No. 2: Relationship between MPS, DPS, BPS and EPS of EBL

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

Table 4.6

Relationship of BPS, EPS and DPS with MPS of EBL

Variables	r	r^2	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	-0.2186	0.0478	788.5	-7.5500	-0.4481	2.776	Insignificant
MPS vs. BPS	0.7718	0.5957	-774.622	8.4475	2.4275	2.776	Insignificant
MPS vs. EPS	0.9144	0.8361	-287.137	23.9417	4.5170	2.776	Insignificant

(Researcher's Analysis)

Table No. 4.6 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is negatively correlated (-0.2186) with DPS whereas positively correlated with BPS (0.7718) and EPS (0.9144). It means that if the DPS rises by Rs. 100, MPS falls by Rs. 21.86. Similarly, Rs. 100 change in BPS and EPS will fluctuate MPS in the same direction by Rs. 77.18 and Rs. 91.44. In this way, EPS is most correlated with MPS than others. But it can be observed from t-calculation that none of these correlations is significant at 95% level of confidence. The coefficient of determination shows that 4.81% of changes in MPS is explained by DPS whereas 59.57% and 83.61% is explained by BPS and EPS respectively.

The **Simple Regression** equation of DPS, BPS and EPS taking MPS as dependent variable is given in Table No. 4.7:

Table No. 4.7

Simple Regression Equation of EBL

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

(Researcher's Analysis)

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

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

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

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

MPS on DPS and EPS

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

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

4.3.3 Himalayan Bank Limited

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

Table No. 4.8

Summary of the Financial Performance of HBL

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

(Source : Annual Reports of HBL)

Where,

    SD   :   Standard Deviation

    CV   :   Coefficient of Variation

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

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

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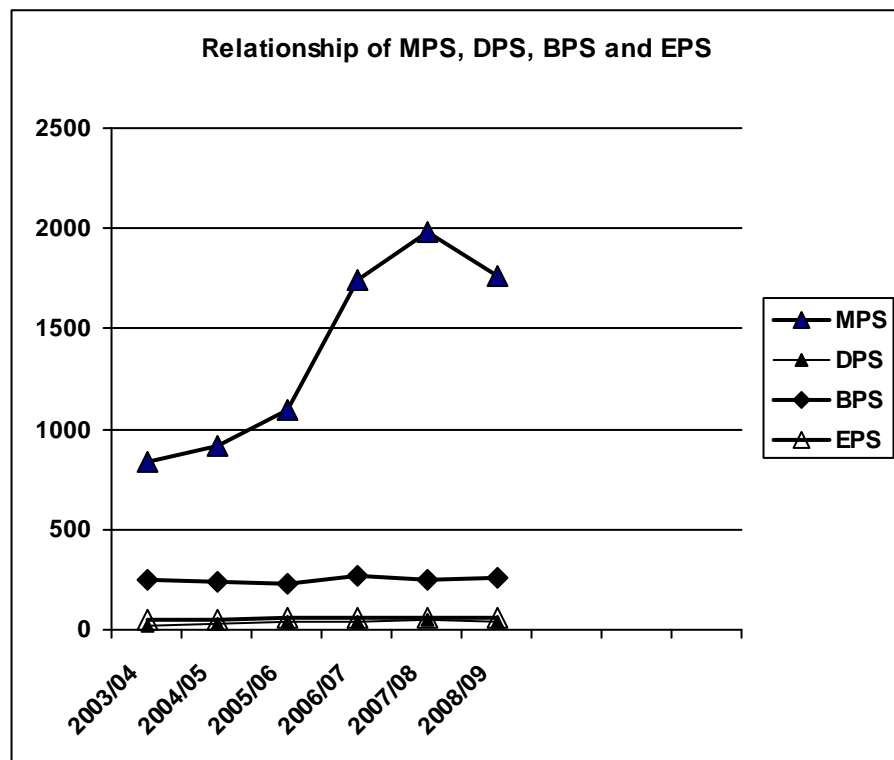
Figure No. 3: Relationship between MPS, DPS, BPS and EPS of HBL

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

Table No. 4.9

Relationship of BPS, EPS and DPS with MPS of HBL

Variables	r	r^2	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.7436	0.5529	9.2729	427.4275	28.0728	2.776	Significant
MPS vs. BPS	-0.4692	0.2201	-0.4238	2432.638	-8.8232	2.776	Insignificant
MPS vs. EPS	0.6139	0.3769	10.023	121.2980	11.7220	2.776	Significant

(Researcher's Analysis)

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

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

Table No. 4.10

Regression Equation of HBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 28.07 DPS + 427.43
2	MPS vs. BPS	MPS = -8.72 BPS + 2432.298
3	MPS vs. EPS	MPS = 11.728 EPS + 121.298

(Researcher's Analysis)

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

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to 2432.298. This means that when BPS becomes

zero, MPS will be equals to Rs. 2152.298. Likewise, the constant for BPS equals to -8.72 meaning that when DPS increases by Re. 1, MPS decreases by Rs. 4.72 and vice versa.

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

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

MPS on DPS and EPS

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

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

4.3.4 Kumari Bank Limited

The summarized form of financial performance of Kumari Bank Ltd. for the last six years has been presented in the following table (Table No. 4.11).

Table No. 4.11

Summary of the Financial Performance of KBL

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

(Source : Annual Reports of Kumari Bank Limited)

Where,

    SD   :   Standard Deviation

    CV   :   Coefficient of Variation

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

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex VI equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that EPS of this bank has higher degree of volatility than that of industry. But BPS of this bank seems to be less volatile than that of industry average.

4.3.5 Laxmi Bank Limited

The financial performance of Laxmi Bank Ltd. for the past three 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 No. 4.12

Summary of the Financial Performance of LBL

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

(Source: Annual Reports of LBL)

Where,

SD   :   Standard Deviation

CV   :   Coefficient of Variation

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

DPS is higher than others, which shows that it is more volatile than others. In this way, the data shows that BPS has the lowest degree of Coefficient of Covariance.

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

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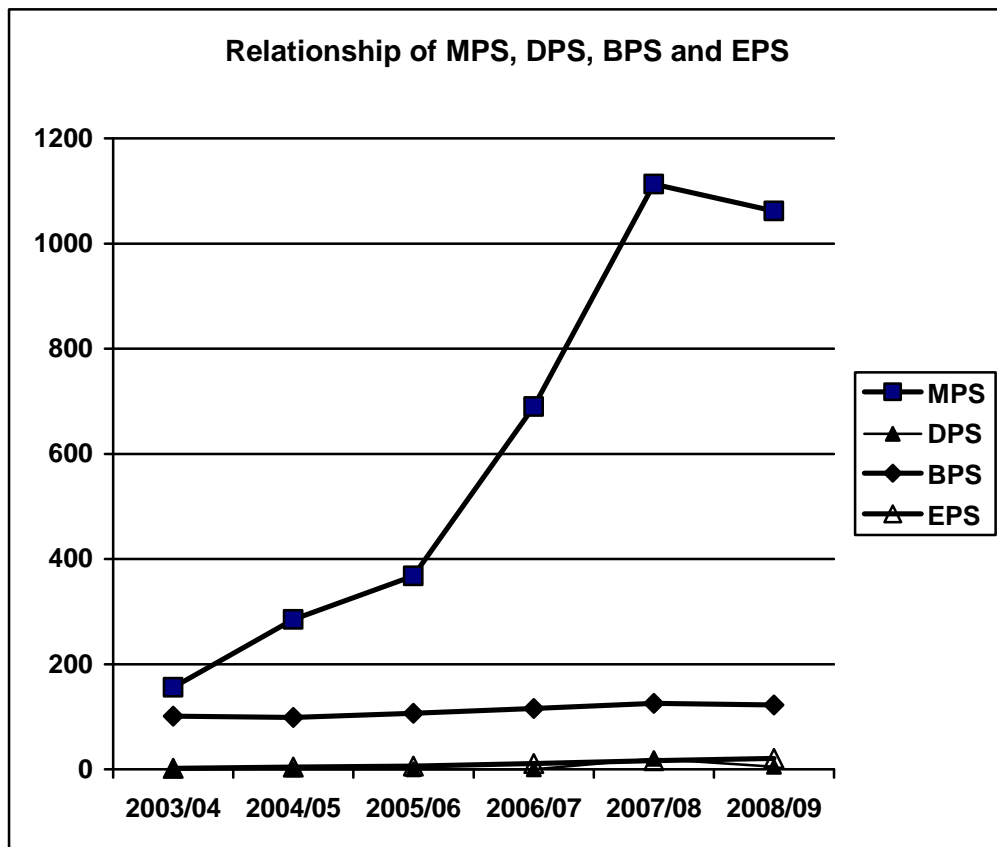

Figure No. 4: Relationship between MPS, DPS, BPS and EPS of LBL

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

Table 4.13

Relationship of BPS, EPS and DPS with MPS of LBL

Variables	r	r²	a-value	b-value	t-cal	t-table	Remarks
MPS vs. DPS	-	-	-	-	-	-	-
MPS vs. BPS	0.5678	0.3224	-2380.71	15.77	1.38	2.776	Insignificant
MPS vs. EPS	0.9998	0.9996	74.16	54.20	102.83	2.776	Significant

(Researcher's Analysis)

Table No. 4.13 shows the relation of MPS with BPS and EPS. The relation between MPS and DPS is not calculated because no DPS has distributed yet It shows that MPS is positively correlated (.05678) but insignificant at 95% level of confidence with BPS. Likewise, MPS is positively correlated with EPS (0.9998) and highly significant at 95% level of confidence. It means that if the BPS rises by Rs. 100, MPS will be raised by Rs. 56.78. The MPS and EPS are almost perfectly correlated i.e. (0.9998) hence MPS will increase/decrease in the same direction with almost equal value. The coefficient of determination shows that 32.24% of changes in MPS is explained by BPS whereas 99.96% is explained by EPS respectively.

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

Table No. 4.14

Simple Regression Equation of LBL

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

(Researcher's Analysis)

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

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

4.3.6 Lumbini Bank Limited

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

Table No. 4.15

Summary of the Financial Performance of LuBL

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

(Source : Annual Reports of Lumbini Bank Limited)

Where,

SD   :   Standard Deviation

CV   :   Coefficient of Variation

The table (Table No. 4.15) has given above shows the financial performance of Lumbini Bank for the past six years. The Market Price per Share of the organisation is not available only for the year 2003/04. The company didn't

distribute any Dividend within the study period. The average BPS of the company for the six years is Rs. 5.69 with the Standard Deviation of 54.84%. The high Coefficient of Variance (1501.58) indicates the high volatility of BPS. Standard Deviation of BPS seems to be highest (85.44%) among the indicators. This bank has less volatility in MPS and EPS whereas high in BPS than that of industry average.

4.3.7 Machhapuchhre Bank Limited

The table given below Table No. 4.16 shows the financial summary of Machhapurchhre Bank over the last four years (after the company started share operation) and the relationship of EPS, DPS and BPS to MPS along with the significance of such relationship.

Table 4.16

Summary of the Financial Performance of MBL

Year	MPS	DPS	BPS	EPS
2003/04	-	-	-	-
2004/05	165	-	115.96	15.43
2005/06	320	15.79	130.23	18.74
2006/07	620	0	121.74	9.02
2007/08	1285	021.05	141.59	10.35
2008/09	420	-	114.94	8.33
Total	2810	36.84	624.46	61.87
Mean	468.33	6.14	124.89	12.37
SD	366.58	7.25	9.96	3.69
CV	78.27	118.09	0.6187	29.81

(Source : Annual Reports of Machhapuchhre Bank Limited)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

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

The highest Coefficient of Variance (173.21%) is the variance of DPS. This indicates that DPS is most volatile than others. The second is EPS and is equal to 54.29%. The coefficient of Variances of MPS and BPS are 45.47% and 13.25% respectively. Standard Deviation of MPS seems to be highest (91.05%) among these indicators. But the Standard deviation of EPS seems to be the least one (6.17%).

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

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS.
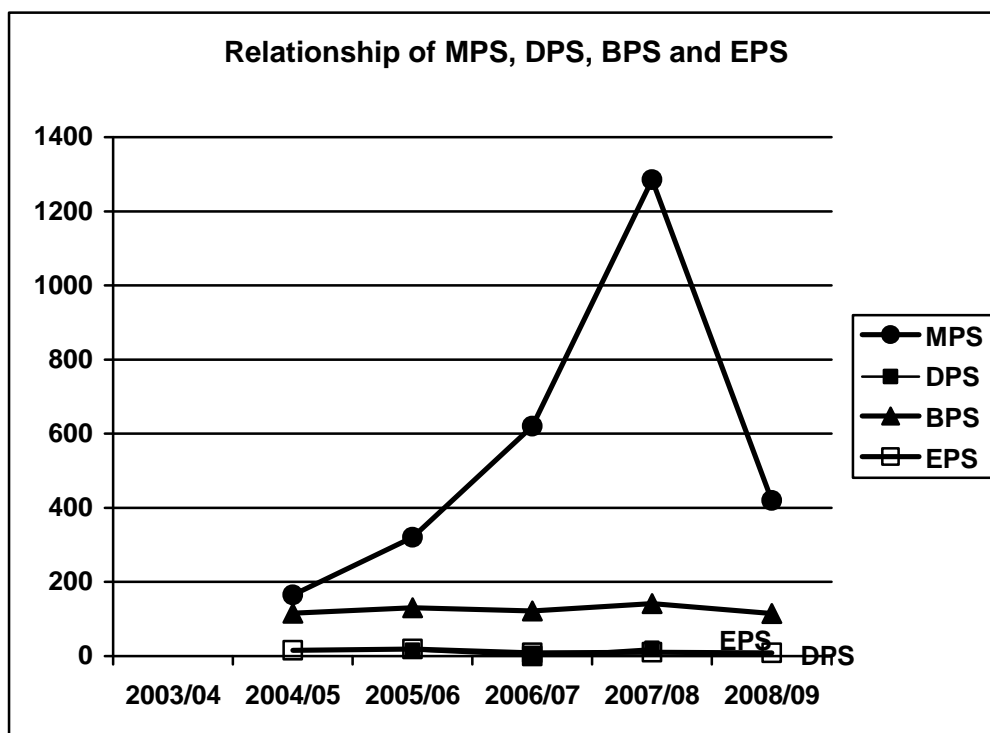
Figure No. 5: Relationship between MPS, DPS, BPS and EPS of MBL

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

Table 4.17

Relationship of BPS, EPS and DPS with MPS of MBL

Variables	r	r^2	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.7593	0.5766	2.334	160.3333	10.1119	2.776	Insignificant
MPS vs. BPS	0.9878	0.9757	12.664	-478.633	6.1838	2.776	Significant
MPS vs. EPS	0.9715	0.9438	8.198	37.32968	14.3321	2.776	Significant

(Researcher's Analysis)

The relation of MPS with DPS, BPS and EPS is shown in Table No. 4.17. It illustrates that MPS is positively correlated with DPS, BPS and EPS. It means rise in these indicators (DPS, BPS and EPS) results the rise in MPS. Among these three indicators, Book Value per Share seems to be more positively correlated with the Market Price per share. Likewise, Earning per Share is positively correlated next to BPS. DPS is less correlated with MPS in comparison with others. Hence any rise in Book value i.e. Market Capitalization

or Earning per Share or Dividend per Share causes bigger increase in MPS. T-calculation for the correlation of these indicators shows that the r-value for BPS and EPS are significant whereas DPS is insignificant at 95% level of confidence.

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

<p align="center">**Table : 4.18**</p>
<p align="center">**Simple Regression Equation of MBL**</p>

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 10.11 DPS + 160.33
2	MPS vs. BPS	MPS = -478.63 BPS – 488.63
3	MPS vs. EPS	MPS = 14.33 EPS + 37.33

<p align="right">*(Researcher's Analysis)*</p>

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

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

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

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

MPS on DPS and EPS

MPS = 48.08 + 2.268 DPS + 12.298 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 48.08. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. 48.08. The constant for DPS is 2.268 meaning that when DPS increases by Re. 1, MPS will increases by Rs. 2.268 keeping EPS constant. In the same way, the constant for EPS equals to 12.298 means if DPS holds constant and EPS increases by Re. 1, MPS will increases by Rs. 12.298 and vice versa.

4.3.8 NABIL Bank Limited

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

Table No. 4.19

Summary of the Financial Performance of NABL

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

(Source: Annual Reports of NABL)

Where,

      SD   :   Standard Deviation

      CV   :   Coefficient of Variation

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

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

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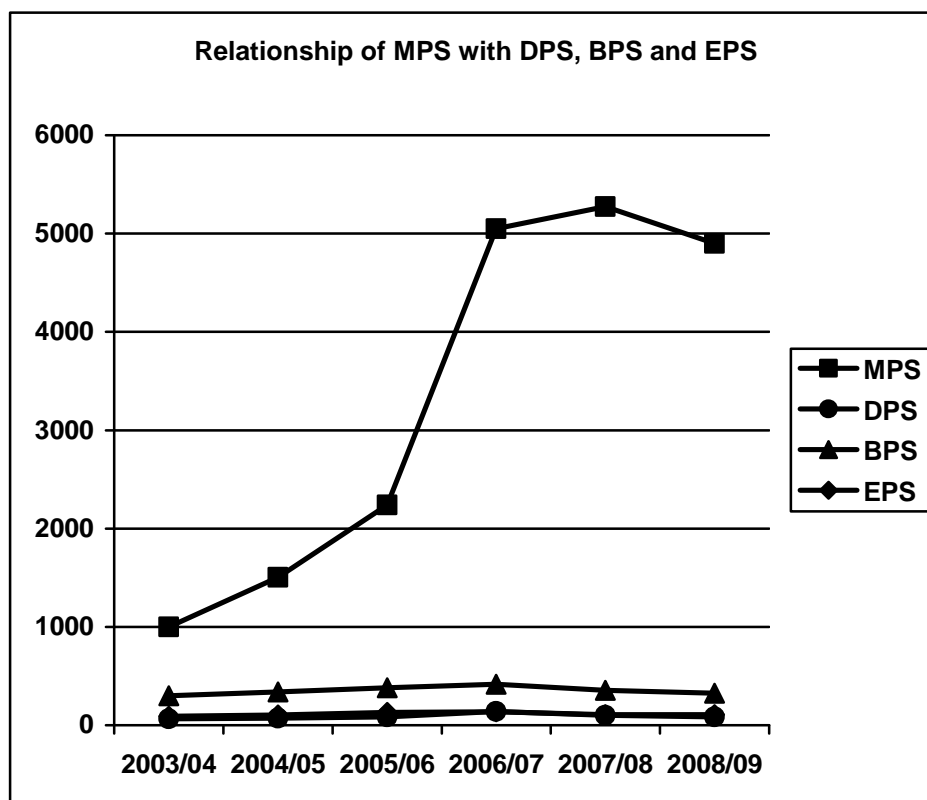
Figure No. 6: Relationship between MPS, DPS, BPS and EPS of NABL

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

Table No. 4.20

Relationship of BPS, EPS and DPS with MPS of NABL

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

(Researcher's Analysis)

The table given above (Table No. 4.20) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NABIL Bank is positively correlated with DPS, BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are 0.4763, 0.6429and 0.6882. It means if DPS rise by Rs. 100, the MPS will be raised by Rs. 47.63. In the same way, Rs. 100 increase in BPS and EPS results

the increment of Rs. 64.29 and Rs. 68.82 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

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

<div align="center">

Table : 4.21

Simple Regression Equation of NABL

</div>

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 8.69DPS + 749.47
2	MPS vs. BPS	MPS = 6.25 BPS – 631.424
3	MPS vs. EPS	MPS = 15.41 EPS + 26.77

(Researcher's Analysis)

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

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

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 26.77. This means that when EPS falls to zero, MPS equals to Rs. 26.77. Likewise, the constant for EPS equals to 15.41 meaning that when DPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 15.41 and vice versa.

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

MPS on DPS and EPS

MPS = -1425.36 -44.89 DPS + 67.38 EPS

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

4.3.9   Nepal Credit and Commerce Bank Limited

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

Table No. 4.22

Summary of the Financial Performance of NCCBL

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

(Source : Annual Reports of NCC Bank Limited)

Where,

SD   :   Standard Deviation

CV   :   Coefficient of Variation

NA   :   Not available

Nepal Credit and Commerce Bank opened its share to the general public on 2060/61 for the first time. And no dividend has been distributed to its shareholders with in the period of this study period. Till the date of preparation of this thesis, the General Meeting of the Bank has approved its financial report of fiscal year 2065/066. So, data has been published out for this year. Hence, Due to the availability of required data, complete analysis has been made in this thesis. The available data regarding BPS and EPS shows that the organisation is in little progress in later years. NCC Bank was in loss in the year 2004/05 with negative BPS. But in later years, it has made the profit from its operation. The variability of BPS is 671.64% whereas that of EPS is -594.355 Such high variability shows the inconsistency in these indicators. This bank has very high volatility of BPS and EPS in comparison with the industry average. This indicated the inconsistency in these indicators.

4.3.10 Nepal Bangladesh Bank Limited

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

Table No. 4.23

Summary of the Financial Performance of NBBL

Year	MPS	DPS	BPS	EPS
2003/04	354	-	182	0.73
2004/05	265	-	188	1.58
2005/06	199	-	-117	-
2006/07	550	-	-364	-
2007/08	1001	-	-295	80.16
2008/09	280	-	60	116.01
Total	2642	-	-346	198.48
Mean	441.5	-	-57.67	33.08
SD	669.71	-	681.43	105.511
CV	151.69	-	-1181.6	318.95

(Source: Annual Reports of NBBL)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table presents the summary of financial performance of Nepal Bangladesh Bank Limited for the last six years. From the table, it can be revealed that Market Price per Share is in downward trend since 2000/01 after 3 years. Likewise, the Bank has not distributed its Dividend. The EPS of the organisation is also continuously decreasing from the year 2004/05 to 2006/07. The downward trend of these indicators shows that the bank is experiencing some financial crisis in these years. The high variability of DPS and EPS shows that the Dividend payment as well as the earning per share of the company is not consistent through out the study period. In comparison, MPS and BPS has low degree of variability.

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

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS.
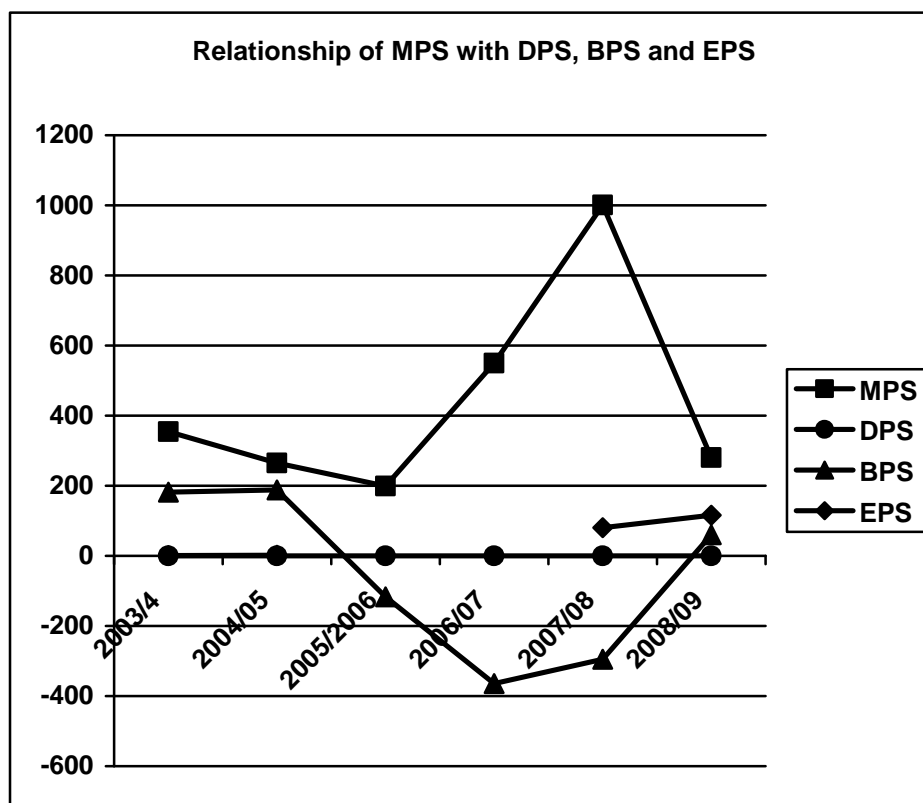
Figure No. 7: Relationship between MPS, DPS, BPS and EPS of NBBL

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

Table No. 4.24

Relationship of BPS, EPS and DPS with MPS of NBBL

Variables	r	r^2	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.9540	0.9100	6.3604	333.6	13.9345	2.776	Significant
MPS vs. BPS	0.9079	0.8243	4.3325	-1577.34	10.3802	2.776	Significant
MPS vs. EPS	0.9786	0.9577	9.5149	220. 448	9.7886	2.776	Significant

(Researcher's Analysis)

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

BPS and EPS results the increment of Rs. 90.79 and Rs. 97.86 in MPS respectively. The degrees of correlation of all the indicators with MPS are significant in 95% level of confidence.

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

<div align="center">

Table : 4.25

Simple Regression Equation of NBBL

</div>

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

<div align="right">

(Researcher's Analysis)

</div>

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

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

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

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

MPS on DPS and EPS

$$MPS = 306.8 + 5.42 \ DPS + 5.978 \ EPS$$

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

4.3.11 Nepal Industrial and Commercial Bank Ltd.

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

Table No. 4.26
Summary of the Financial Performance of NICBL

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

(Source: Annual Reports of NICBL)

Where,

     SD   :   Standard Deviation

     CV   :   Coefficient of Variation

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

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

The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS.
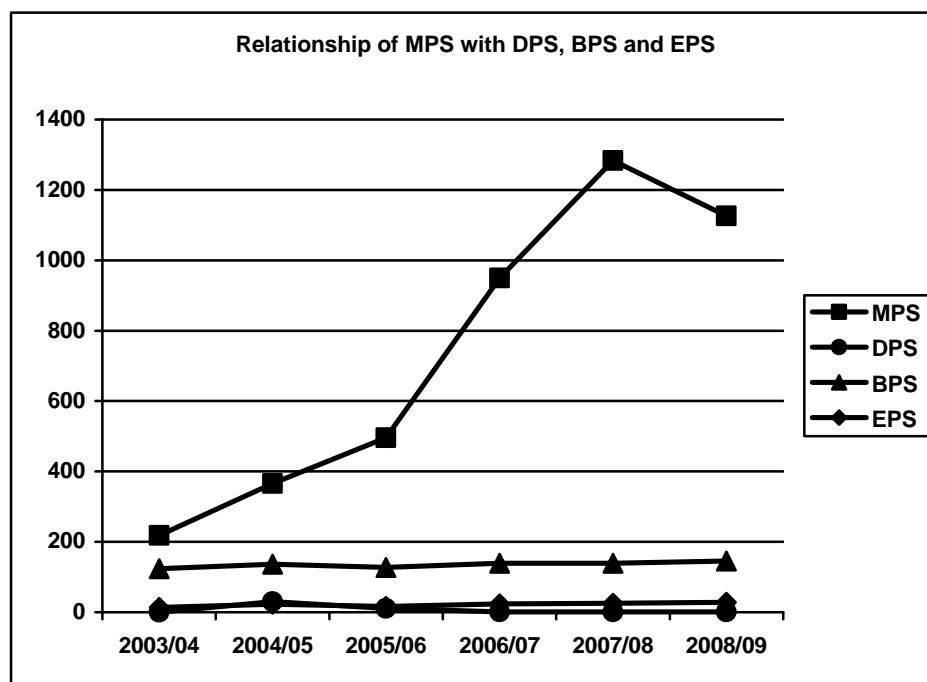
Figure No. 8: Relationship between MPS, DPS, BPS and EPS of NICBL

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

Table No. 4.27

Relationship of BPS, EPS and DPS with MPS of NICBL

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

(Researcher's Analysis)

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

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

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

<div align="center">

Table No. 4.28

Simple Regression Equation of NICBL

</div>

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 5.58 DPS + 277.04
2	MPS vs. BPS	MPS = 2.82 BPS – 9.04
3	MPS vs. EPS	MPS = 7.89 EPS + 233.60

(Researcher's Analysis)

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

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

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

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

<u>MPS on DPS and EPS</u>

MPS = 256.58 + 3.976 DPS + 2.96 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 256.58. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. 256.58. The constant for DPS is 3.976 meaning that when DPS increases by Re. 1, MPS will increases by Rs. 3.976 keeping EPS constant. In the same way, the constant for EPS equals to 2.96 means if DPS holds constant and EPS increases by Re. 1, MPS will increases by Rs. 2.96 and vice versa.

4.3.12 Nepal Investment Bank Limited

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

<u>Table No. 4.29</u>

Summary of the Financial Performance of NIBL

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

(Source: Annual Reports of NIBL)

Where,

SD   :   Standard Deviation

CV   :   Coefficient of Variation

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

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

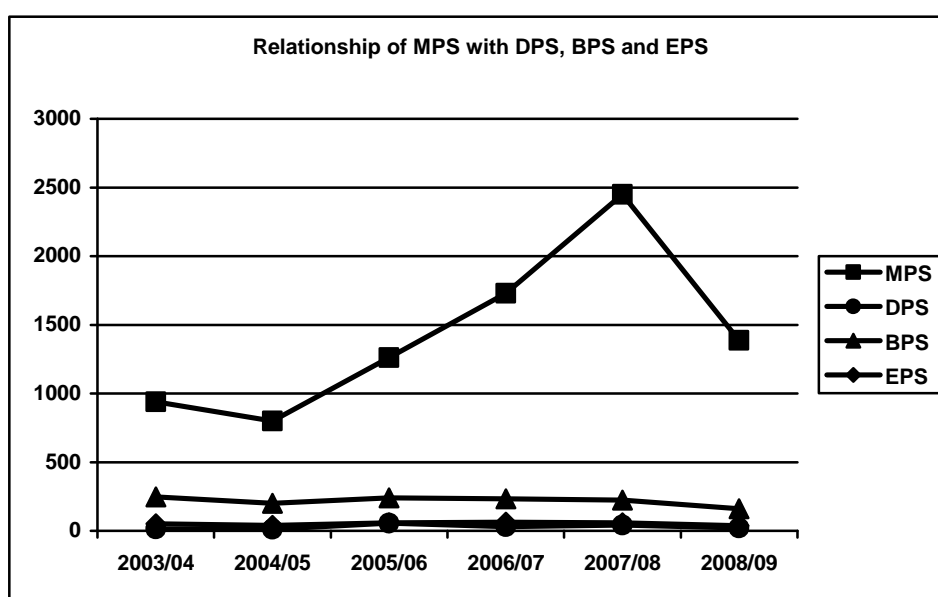The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

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

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

Table No. 4.30

Relationship of BPS, EPS and DPS with MPS of NIBL

Variables	r	r^2	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.4213	0.177	0.891	917.289	4.1632	2.776	Insignificant
MPS vs. BPS	0.0928	0.010	0.2816	894.583	0.4897	2.776	Insignificant
MPS vs. EPS	0.4737	0.191	0.2621	474.821	9.6267	2.776	Insignificant

(Researcher's Analysis)

The table given above (Table No. 4.30) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NABIL Bank is positively correlated with DPS, BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are 0.4213, 0.0928 and 0.0.4737. It means if DPS rise by Rs. 100, the MPS will be raised by Rs. 42.13. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 9.28 and Rs. 47.37 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

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

Table No. 4.31

Simple Regression Equation of NIBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 4.16 DPS + 917.289
2	MPS vs. BPS	MPS = 0.4897BPS + 894.58
3	MPS vs. EPS	MPS = 9.627 EPS + 474.821

(Researcher's Analysis)

The first equation is the regression equation of MPS on DPS. The regression constant equals to 917.289. This means that when DPS falls to zero, MPS

equals to Rs. 917.289. Likewise, the constant for DPS equals to 4.16 implies that when DPS increases by Re. 1, MPS increases Rs. 4.16 and vice versa.

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

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

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

MPS on DPS and EPS

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

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

4.3.13 Nepal SBI Bank Limited

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

Table No. 4.32

Summary of the Financial Performance of SBI Bank

Year	MPS	DPS	BPS	EPS
2003/04	307	0	146.8	14.26
2004/05	335	0	159.54	13.29
2005/06	612	5	151.78	18.27
2006/07	1176	47.59	178.04	39.35
2007/08	1511	-	160.57	28.33
2008/09	1900	42.11	194.68	36.18
Total	**5841**	**94.7**	**991.41**	**149.68**
Mean	**973.5**	**15.783**	**165.235**	**24.947**
SD	**601.512**	**17.931**	**16.361**	**10.326**
CV	**61.8**	**113.6**	**9.902**	**41.4**

(Source: Annual Reports of SBI Bank)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.32) presents the summary of financial performance of Nepal SBI Bank Limited for the last six years (2003/04 to 2008/09). The table shows that Market Price per Share was increased gradually. The bank distributed dividend to its shareholder thrice year over the study period i.e. on 2005/06, 2006/07 and 2008/09 at the rate of Rs. 5 and Rs.47.59 and 42.11 to each share respectively. The EPS of the company has been increasing since the beginning continuously. The volatility of DPS (113.60%) seems highest among other indicators. Likewise, volatility of MPS, BPS and EPS are 61.8%, 9.902% and 41.40% respectively.

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

The following line chart (Figure No. 10) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.
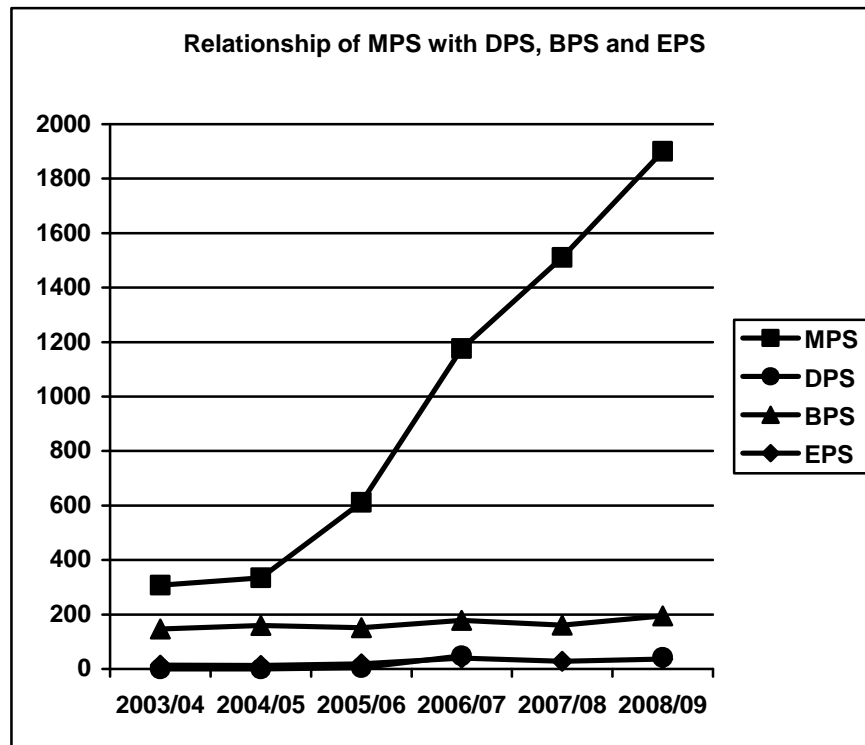
Figure No. 10: Relationship between MPS, DPS, BPS and EPS of SBI Bank

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

Table No. 4.33

Relationship of BPS, EPS and DPS with MPS of SBI Bank

Variables	r	r^2	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.8947	0.8004	3.3628	357.56	41.3621	2.776	Significant
MPS vs. BPS	0.6728	0.4526	1.7628	-2147.53	21.5893	2.776	Insignificant
MPS vs. EPS	0.4432	0.1960	0.9478	1253.962	-42.7283	2.776	Insignificant

(Researcher's Analysis)

The table given above (Table No. 4.33) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Nepal SBI Bank is positively correlated with DPS, BPS and negatively correlated with EPS. It indicates that raise in DPS and BPS results the rise in MPS and vice versa. But the raise in EPS results the decrease in MPS. The simple correlation coefficient of DPS, BPS

and EPS are 0.8947, 0.6728and -0.4432It means if DPS or BPS rise by Rs. 100, the MPS will be raised by Rs. 89.47 and Rs. 67.28 respectively. In the same way, Rs. 100 increase in EPS results the decrease of Rs. 44.32 in MPS. T-value of correlation with these indicators indicates that degree of correlation is significant at 95% level of confidence for DPS whereas insignificant for BPS and EPS.

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

Table No. 4.34

Simple Regression Equation of SBI Bank

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

(Researcher's Analysis)

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

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

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 1253.96. This means that when EPS falls to zero, MPS equals to Rs. 1253.96. Likewise, the constant for EPS equals

to -42.72 meaning that when DPS increases by Re. 1, MPS decreases by Rs. 42.72 and vice versa.

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

MPS on DPS and EPS

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

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

4.3.14 Siddhartha Bank Limited

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

Table No. 4.35

Summary of the Financial Performance of SBL

Year	MPS	DPS	BPS	EPS
2003/04	-	-	90.75	-
2004/05	-	-	110.83	20.08
2005/06	360	-	120.63	13.05
2006/07	778	15.79	132.29	15.88
2007/08	1090	15.79	130.39	17.29
2008/09	1000	10.53	134.29	22.89
Total	3228	42.11	719.18	80.30
Mean	538	7.02	119.87	13.39
SD	318.8	5.262	15.29	10.3962
CV	59.14	74.96	12.76	77.64

(Source: Annual Reports of SBL)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

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

4.3.15 Standard Chartered Bank Limited

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

Table No. 4.36

Summary of the Financial Performance of SCBL

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

(Source: Annual Reports of SCBL)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

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

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

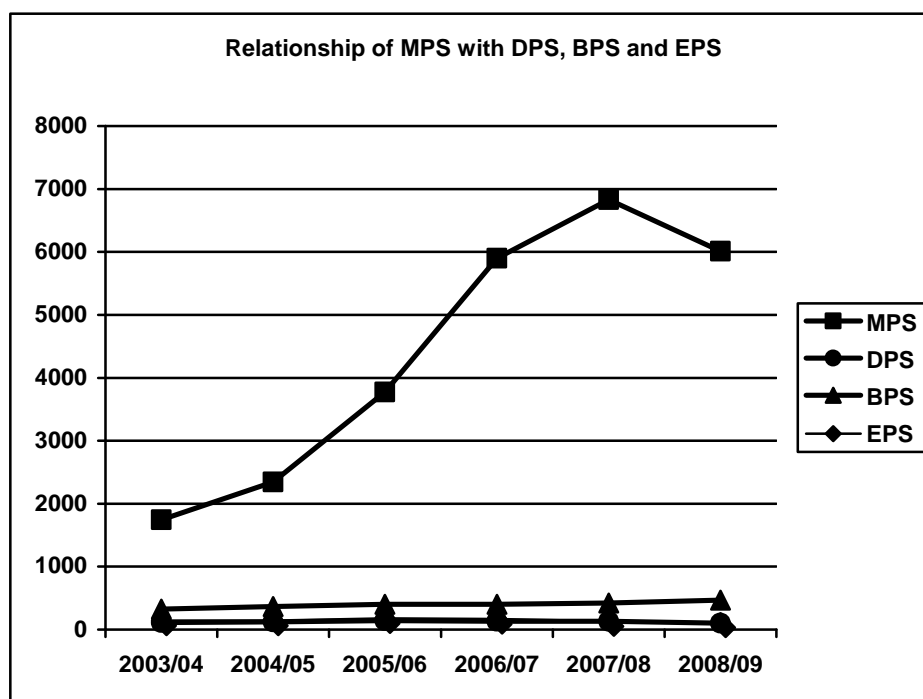Figure No. 11 shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

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

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

Table No. 4.37

Relationship of BPS, EPS and DPS with MPS of SCBL

Variables	r	r^2	t-cal	a-value	b-value	t-table	Remarks
MPS vs. DPS	0.7944	0.6311	2.6157	-2775	43.2957	2.776	Insignificant
MPS vs. BPS	0.6806	0.4632	1.8577	-2419.73	11.6352	2.776	Insignificant
MPS vs. EPS	0.7489	0.5608	2.2601	-3420.18	38.3536	2.776	Insignificant

(Researcher's Analysis)

The table given above (Table No. 4.37) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Standard Chartered Bank is positively correlated with DPS, BPS and EPS. It means raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are 0.7944, 0.6806 and 0.7489. Hence, if DPS rise by Rs. 100, the MPS will be raised by Rs. 79.44. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 68.06 and Rs. 74.89 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

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

Table No. : 4.38

Regression Equation of SCBL

S.N.	Variables	Regression Equation
1	MPS vs. DPS	MPS = 43.29 DPS – 2775
2	MPS vs. BPS	MPS = 11.64 BPS – 2419.73
3	MPS vs. EPS	MPS = 38.35 EPS - 3420.18

(Researcher's Analysis)

In Table No. 4.38, the first refers to the regression equation of MPS on DPS. The regression constant equals to -2775. This means that when DPS falls to

zero, MPS will drop by Rs. – 2775. Likewise, the constant for DPS equals to 43.29 implies that when DPS increases by Re. 1, MPS increases Rs. 43.29 and vice versa.

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

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

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

MPS on DPS and EPS

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

The above equation gives the result 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 -6828.57. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. -6828.57. The constant for DPS is -70.41 meaning that when DPS increases by Re. 1, MPS will decreases by Rs. 7.41 keeping EPS constant. In the same way, the constant for EPS equals to 116.82 means if DPS holds constant and EPS increases by Re. 1, MPS will increases by Rs. 116.82 and vice versa.

4.4   Primary Data Analysis

For the purpose of collecting primary data, a questionnaire having a set of 12 questions were prepared and presented to 50 respondents. The respondents were selected randomly from the group of Share-Known personalities – especially

from the Share buyer/purchasers in NEPSE floor and College Students. The questions contained variety in types. From Question No. 1 to 4, the questions were of Multiple Choice Type in which the respondents were asked to choose the best alternative from the list. And from the Question No. 5 to 11, the degree of agreement over the statements was asked to mention. The summary of the quantitative findings of questionnaire survey has been given in *Annex III*.

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, 32 respondents were professional investors of Share investment where rest of 18 were potential investors who are willing to invest in Share but have not invested yet. Likewise, the respondents can be classified in terms of their age and sex as given in Table No. 4.39.

Table No. : 4.39

Classification of Respondents

S.N.	Basis of Classification	Number	Percentage
1	*Occupation*		
	Professional Investors	32	64
	Potential Investors	18	36
	Total	**50**	**100**
2	*Age*		
	Below 25	6	12
	25 to 40	34	68
	40 above	10	20
	Total	**50**	**100**
3	*Sex*		
	Male	39	78
	Female	11	22
	Total	**50**	**100**

(Source : Field Survey)

As given in table, 78% of the respondents were male where as 22% were female. Similarly, 12% of the respondents were from the age group below 45 years, 68% were between 25 to 40 years and 20% were 40 above.

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

4.4.2 Purpose of Share Investment

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

Table No 4.40

Purpose of Share Investment

S.N.	Responses	Number of Respondents	Percentage
1.	To earn profit	39	78%
2.	For safe investment	6	12%
3.	To help capital mobilization	5	10%
	Total	**50**	**100**

(Source : Field Survey)

The above table shows the number of respondents and their percentage relating the purpose of share investment in Nepalese Share Market. It clears that majority (78%) 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 11% and 12% of the respondents gave the response as they invest their savings for the purpose of making money safe and to help the capital mobilization hence earning money. (Also see ANNEX VII).

It can be shown in pie-chart (Figure No. 12) as follows:

Purpose of Share Investment
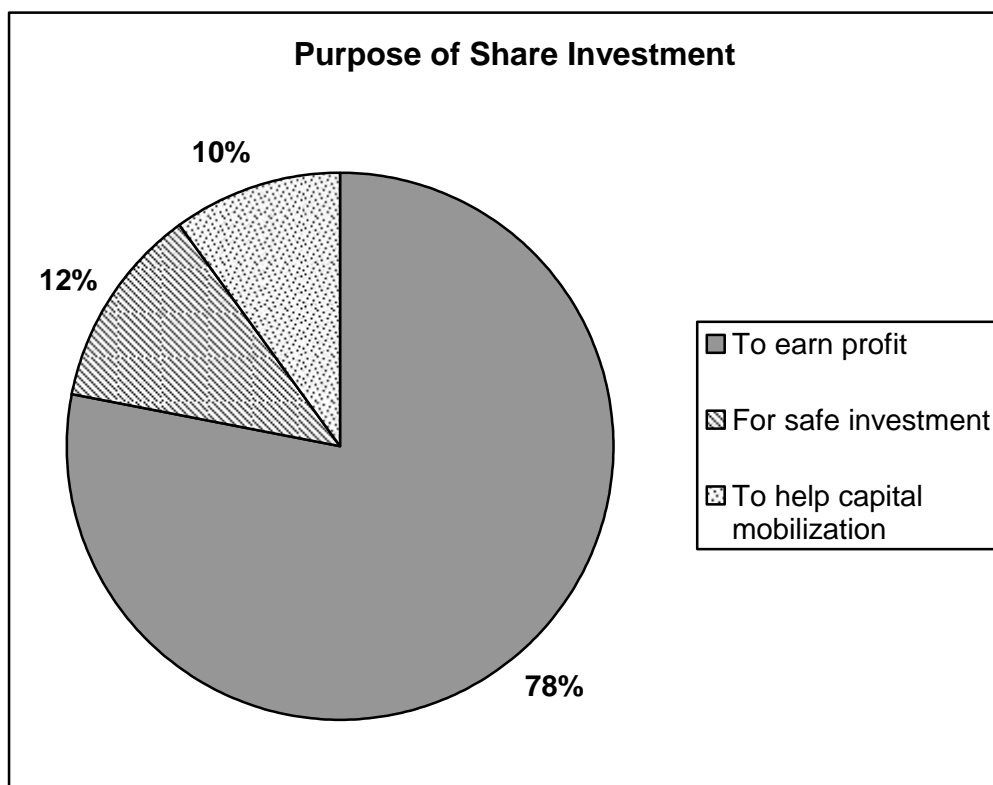
Figure No. 12: Purpose of Share Investment

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. 4.41.

Table No. 4.41

Reason of Public attraction in Commercial Banks

S.N.	Responses	Number of Respondents	Percentage
1.	Continuous Declaration of Dividend	19	38%
2.	Market Phenomena	5	10%
3.	Banks are better controlled/managed	26	52%
Total		**50**	**100**

(Source: Field Survey)

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 (52%) - in comparison with others, of total respondents are convinced to declare that banks are better managed and hence they are being the attraction of all. Likewise, 38% of the total respondents stated that they tend to invest in Commercial Banks due to their continuous declaration of dividend. And rest (10%) stated that the market rumour and their phenomenon is the main cause that attracts the general public for share investment in Commercial Banks. (Also see ANNEX VII)

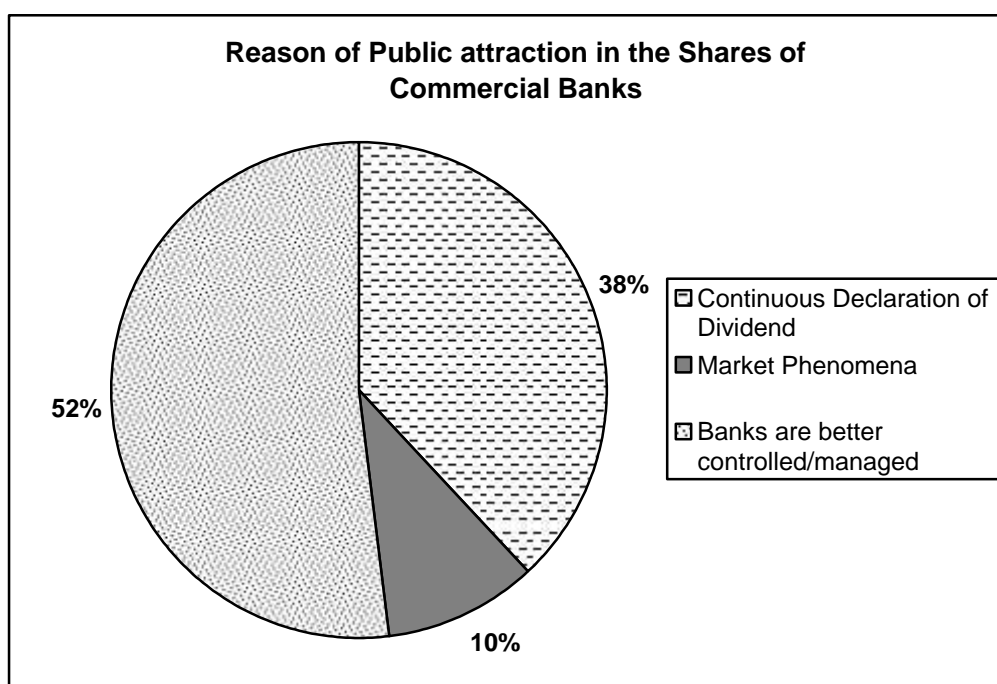It has been shown in the following chart (Figure No. 13):

Figure No. 13: Reason of Public attraction in the Shares of Commercial Banks

4.4.4 Public Awareness about Share Investment

It has been revealed from the study that 56% of the Nepalese investors are aware about the share market and the market phenomenon of the shares. 40% of the respondents said that they are investing in share without proper

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knowledge about share. They said that they are investing in Share because they are influenced by some relatives or friends to earn profit. Rest 14% of the respondents wanted to say nothing about this. (Also see ANNEX VII)

The finding of the study has been shown in the Table No. 4.42.

Table No. 4.42

Public Awareness about Share Investment

S.N.	Responses	Number of Respondents	Percentage
1.	Yes – Aware	28	56%
2.	No - Not aware	15	30%
3.	Can't Say	7	14%
Total		**50**	**100**

(Source : Field Survey)

The above finding can be presented in Pie-Chart as follows (Figure No. 14):
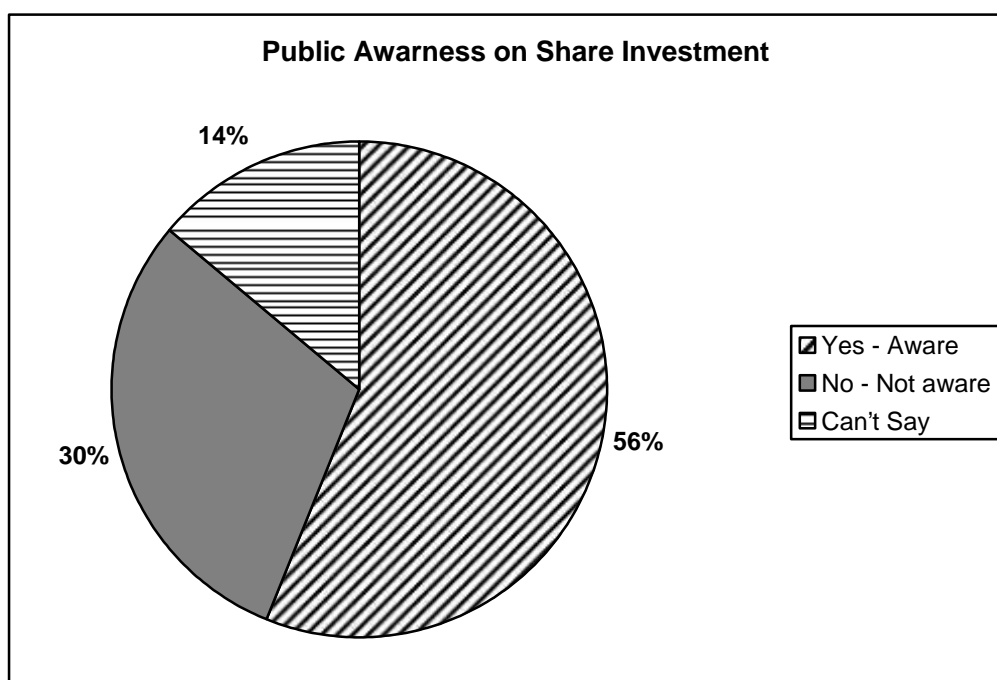
Figure No. 14: Public Awareness on Share Investment

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. 4.43

Status of Present Laws & Policies

S.N.	Responses	Number of Respondents	Percentage
1.	Yes – Perfect	23	46%
2.	No - Not Perfect	10	20%
3.	Don't Know	17	34%
	Total	**50**	**100**

(Source : Field Survey)

The table is presented in the form of pie-chart below (Figure No. 15):

Figure No. 15: Status of Present Laws and Policies

Table No. 4.43 shows that almost half (46%) of the investors feel themselves that the prevailing laws and policies regarding buying and selling of share are

perfect. About one fifth (20%) of the respondents said that they don't know anything about the laws and policies. And 34% of the respondents said the present laws and policies are not perfect to regulate the Share Market proficiently. (Also see ANNEX VII)

4.4.6 Role of EPS in the Determination of Share Price

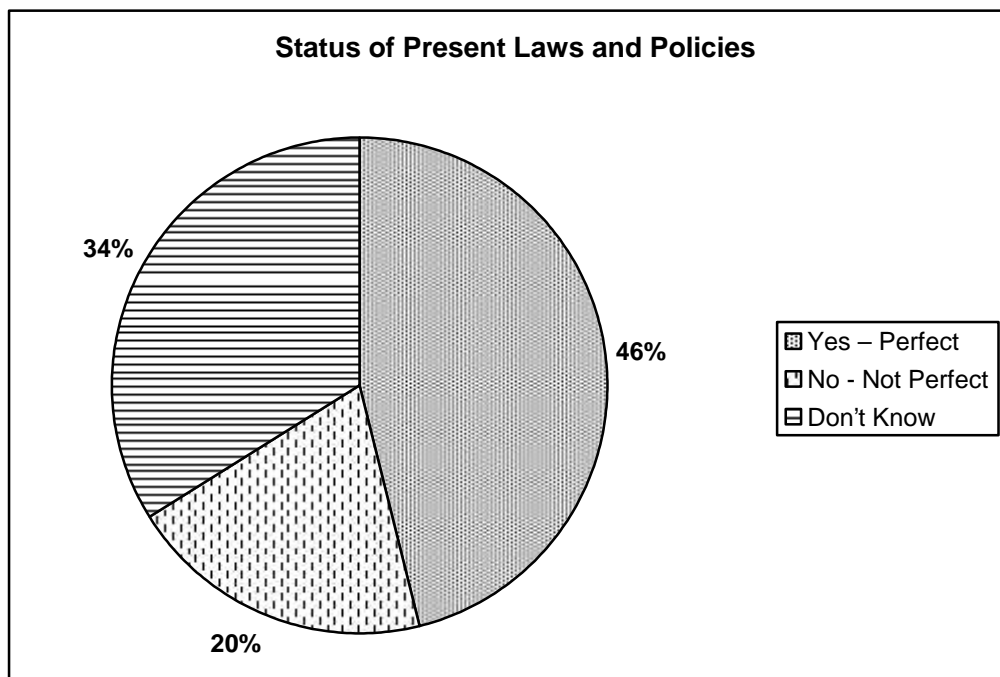The responses for the question whether EPS is the main determiner of Share Price or not gave the following results:

Table No. 4.44

Higher EPS indicates Higher Share Price

Sf.N.	Responses	Number of Respondents	Percentage
1.	Strongly Agree (SA)	19	38%
2.	Agree (A)	26	52%
3.	Undecided (U)	4	8%
4.	Disagree (D)	1	2%
5.	Strongly Disagree (SD)	0	0%
Total		**50**	**100**

(Source : Field Survey)

Table No. 4.44 shows that most of the respondents agreed that EPS is the main determiner of Share Price. 38% of the total respondents who agreed the statement strongly were highly convinced that EPS is the main determiner whereas 52% stated they agree the statement. In this way, 90% of the total respondent agreed the statement. Only remaining 10% stated they were either undecided (8%) or disagree (2%). 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.

This can be presented in chart as follows (Figure No. 16):
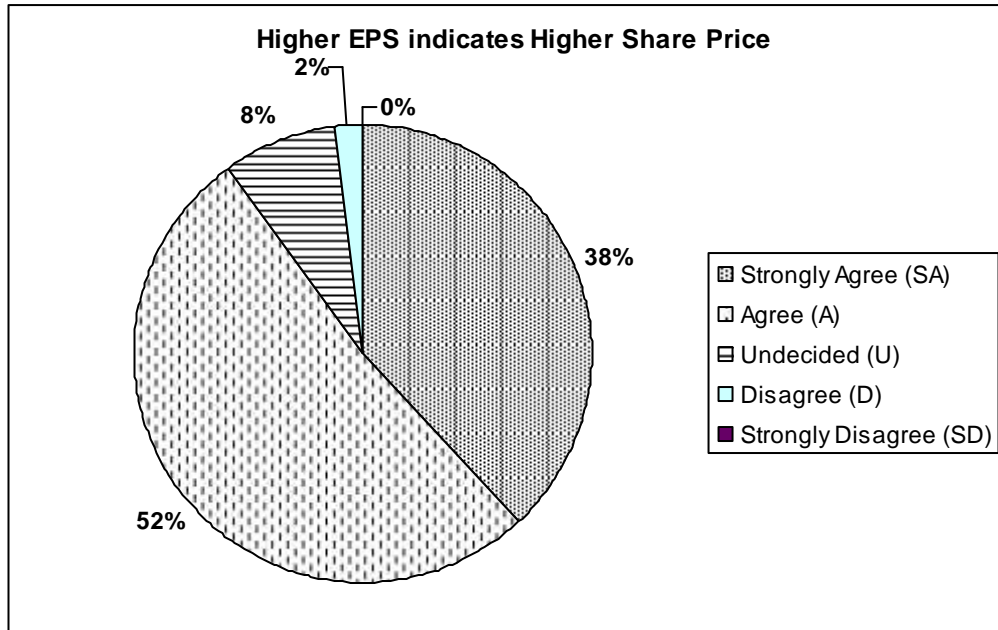
Figure No. 16: Higher EPS indicates Higher Share Price

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. 4.45.

Table No. 4.45

Role of Dividend pattern in Share Price Determination

S.N.	Responses	Number of Respondents	Percentage
1.	Strongly Agree (SA)	11	22%
2.	Agree (A)	29	58%
3.	Undecided (U)	7	14%
4.	Disagree (D)	3	6%
5.	Strongly Disagree (SD)	0	0%
	Total	**50**	**100**

(Source : Field Survey)

Table No. 4.45 clears that Dividend pattern plays a great role on the determination of Share Price. 58% of the respondents agreed that higher rate of Dividend results the good Share Price. 11% of the respondents strongly agreed

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the statement that dividend pattern in Share Price determination. The remaining 16% percent stated that either they were undecided (14%) regarding the matter or disagree (6%). It has been presented in Figure No. 17.

Dividend pattern matters in Share Price Determination

- 6%
- 0%
- 10%
- 23%
- 61%

Legend:
- Strongly Agree (SA)
- Agree (A)
- Undecided (U)
- Disagree (D)
- Strongly Disagree (SD)
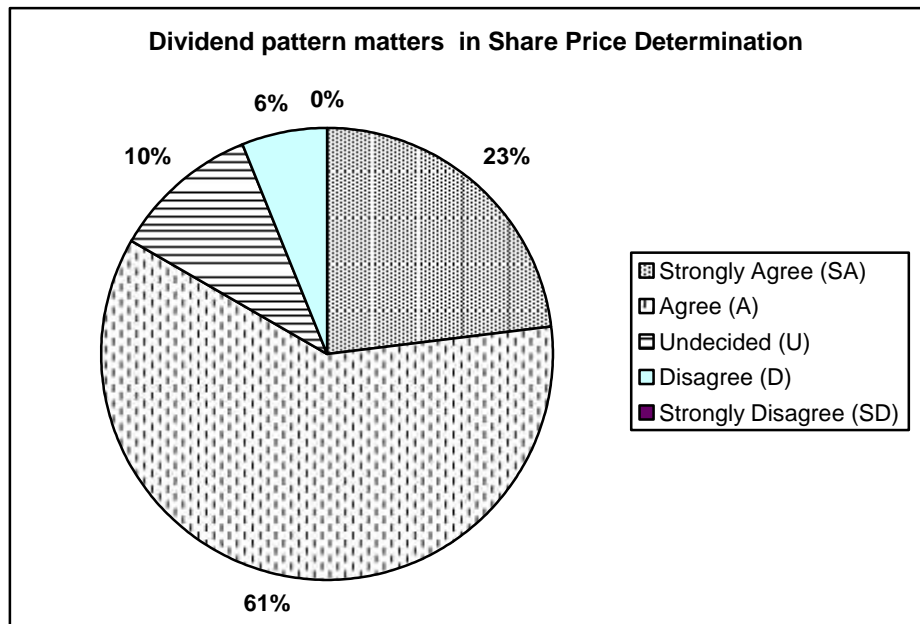
Figure No. 17: Dividend Pattern matters in Share Price Determination

4.4.8 Role of Company Assets Structure

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

Table No. 4.46

Role of Company Assets Structure in Share Price Determination

S.N.	Responses	Number of Respondents	Percentage
1.	Strongly Agree (SA)	4	8%
2.	Agree (A)	13	26%
3.	Undecided (U)	23	46%
4.	Disagree (D)	8	16%
5.	Strongly Disagree (SD)	2	4%
	Total	**50**	**100**

(Source : Field Survey)

The above table shows that the Company Assets Structure plays no important role in the determination of Share Price in the view of respondents. That is why, almost half (46%) of the respondents neither agrees nor disagree the statement and choose to say undecided. Only 14% were strongly agreed whereas 26% choose to agree the statement. The percentage of the respondents who choose disagree and strongly disagree were 16% and 4% respectively. Figure No. 18 shows the graphical explanation of the above result.
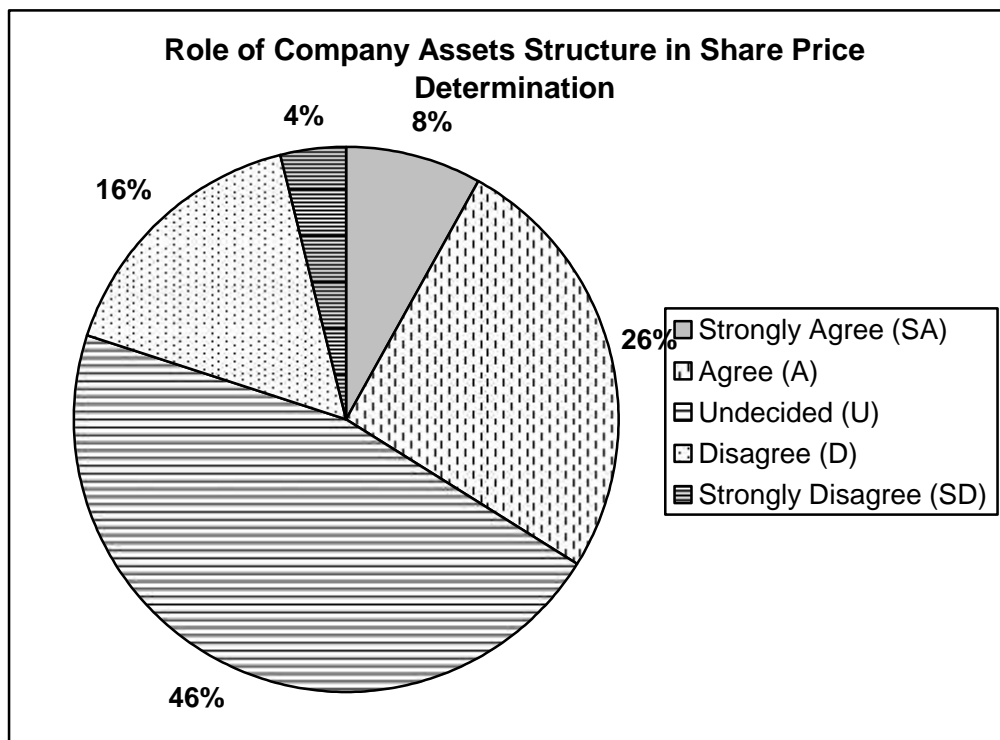
Figure No. 18: Role of Company Assets Structure in Share Price Determination

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. 4.47

Good Capital Structure indicates higher Share Price

S.N.	Responses	Number of Respondents	Percentage
1.	Strongly Agree (SA)	6	12%
2.	Agree (A)	22	44%
3.	Undecided (U)	11	22%
4.	Disagree (D)	8	16%
5.	Strongly Disagree (SD)	3	6%
	Total	**50**	**100**

(Source : Field Survey)

The above table (Table No. 4.47) shows that the Capital Structure of organisation is responsible to determine their share price. More than half (12% strongly agreed and 44% agreed) of the respondents agreed that better Capital Structure is responsible for the higher Share Price. 22% were undecided whereas 16% and 6% were disagree and strongly disagree to the statement. It has been presented in graphical form in Figure No. 19.
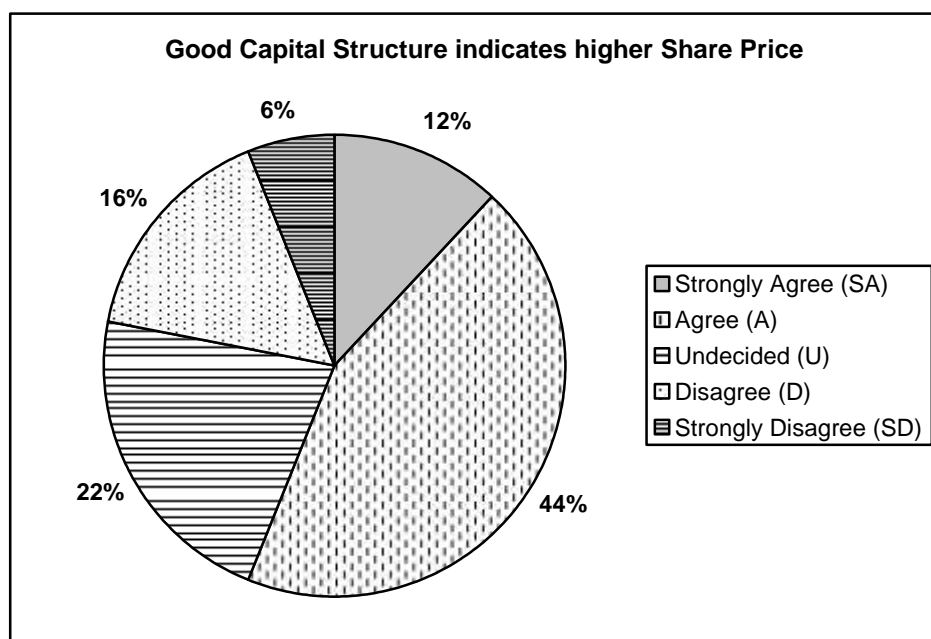
Figure No. 19: Role of Capital Structure in Share Price

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. 4.48.

Table No. 4.48

Political Situation Change the Share Price

S.N.	Responses	Number of Respondents	Percentage
1.	Strongly Agree (SA)	14	28%
2.	Agree (A)	24	48%
3.	Undecided (U)	6	12%
4.	Disagree (D)	6	12%
5.	Strongly Disagree (SD)	0	0%
	Total	**50**	**100**

(Source : Field Survey)

The above table shows that the national political environment is also responsible on the determination of share price because more political fluctuation cause the decrease in Share Price. It was revealed that 14% of the total respondents agree the say that political situation because the change in share price whereas 28% strongly agreed it. 12% were undecided and 12% said to disagree the statement. It is presented in graphical form in Figure No. 20.
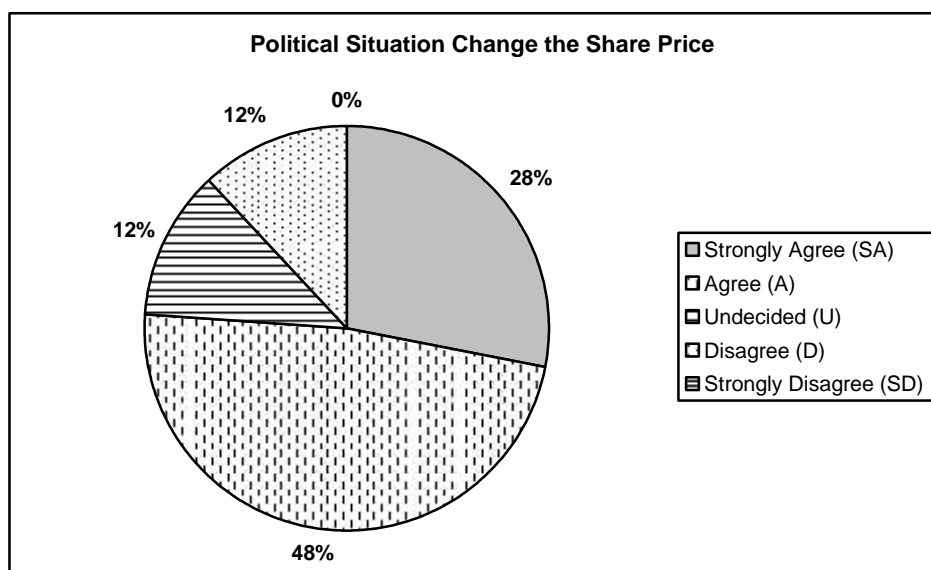
Figure No. 20: Role of Political Situation Change in Share Price

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4.4.11 Effect of AGM and BOD Election in Share Price

The following table (Table No. 4.49) shows the effect of Annual General Meeting and Election of Board of Director in Share Price.

Table No. 4.49

AGM and Election of BOD effect on Share Price

S.N.	Responses	Number of Respondents	Percentage
1.	Strongly Agree (SA)	5	10%
2.	Agree (A)	21	42%
3.	Undecided (U)	11	22%
4.	Disagree (D)	6	12%
5.	Strongly Disagree (SD)	7	14%
	Total	**50**	**100**

(Source : Field Survey)

The above table shows that the Annual General Meeting and election of Board of Directors influences the Share Price. It was observed that 42% of the total respondents were agreed and 5% were disagreed. In the same way, 22% of the respondents were undecided and there were 12% and 14% respectively under disagreed and strongly disagreed group. It has been presented in pie-chart below (Figure No. 21):
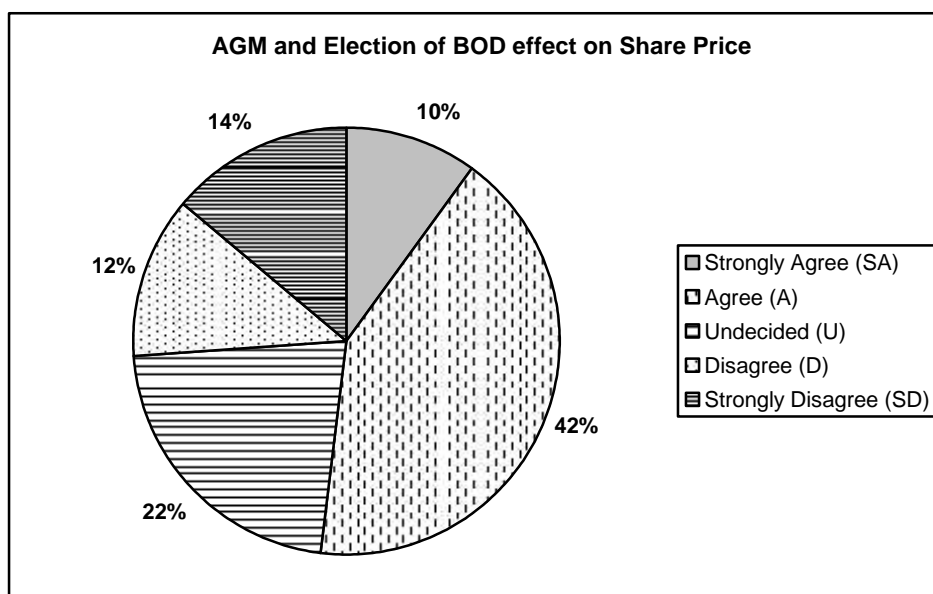
Figure No. 21: Effect of AGM and Election of BOD in Share Price

4.4.12 Company Risk vs. Share Price

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

Table No. 4.50
Higher the risk, More the Share Price

S.N.	Responses	Number of Respondents	Percentage
1.	Strongly Agree (SA)	0	0%
2.	Agree (A)	7	14%
3.	Undecided (U)	12	24%
4.	Disagree (D)	24	48%
5.	Strongly Disagree (SD)	7	14%
	Total	**50**	**100**

(Source : Field Survey)

The above table (Table No. 4.20) shows that the Annual General Meeting and election of Board don't significantly influence the Share Price of the company. 48% of the respondents disagreed that the higher risk of company result increases in Share Price whereas 24% were undecided. Likewise, 14% agreed the statement and 7% strongly disagreed the statement.

The figure given below (Figure No. 22) Shows the respondents response against the risk factor of share price change.

Figure No. 22: Role of Risk in Share Price Determination

4.4.13 Most Influential Determinant of Share Price

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

Table No. : 51

Most influential Determinant of Share Price

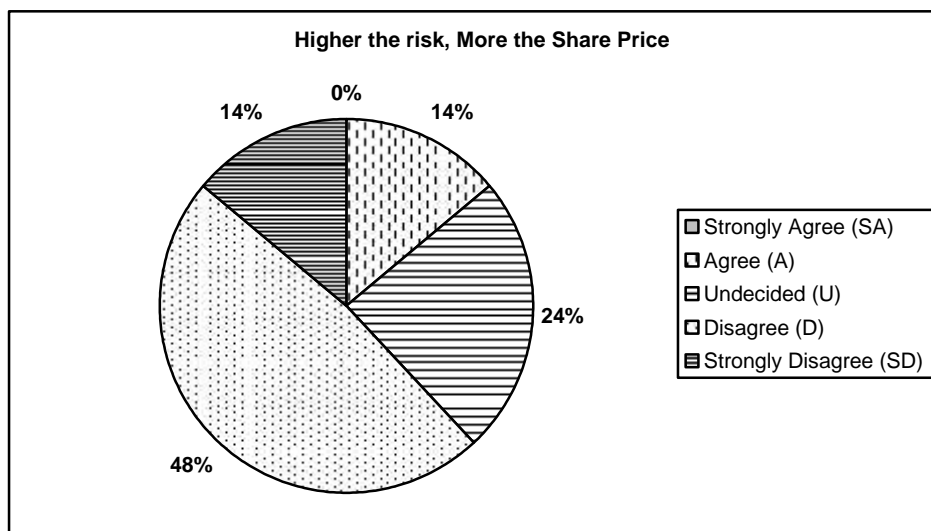| Variables	Rank						Total
	1	**2**	**3**	**4**	**5**	**6**	
EPS	25	18	4	2	0	1	50
DPS	18	23	7	2	0	0	50
Assets	0	0	2	4	18	26	50
Capital	0	3	6	6	21	14	50
Political	4	5	21	10	6	4	50
AGM	3	1	10	26	5	5	50
Total	50	50	50	50	50	50	-

(Source : Field Survey)

Table No. 51 shows the summary of respondents' response against the question to rank different variables that influence the Share Price. Rank 1 implies the most influencing factor and so on. It has also been interpreted in ANNEX V. As Table No. 51 and ANNEX V shows, EPS is ranked to be the first determiner of Share Price. Though it was ranked second to DPS by potential investors and first by professional investors, in aggregate, it comes to be the first among the given seven variables. Likewise, in aggregate, DPS is the second determiner of share price followed by the political situation of the country. Likewise, AGM and election of BOD was chosen to the next determiner of Share price followed by capital structure and assets structure respectively. Except for in the case of EPS and DPS, both professional and potential investors gave the same result and same ranking for all the variables. It was found the professional investors emphasize EPS but potential investors who are willing to invest in share price of bank in future emphasize DPS for their investment.

4.5 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:

⟩ DPS of BOK is more volatile in comparison to MPS, BPS and EPS. Bank of Kathmandu has positive correlation between their Market price per share and DPS, BPS and EPS. However, the relations are insignificant at 95% level of confidence.

⟩ BPS and EPS are positively correlated in the case of Everest Bank Limited whereas DPS is negatively correlated. The relation is insignificant at 95% level of confidence. DPS is more volatile in comparison with MPS, BPS and EPS.

⟩ In the case of Himalayan Bank Limited, MPS is positively correlated with DPS and EPS whereas negatively correlated with BPS. The relation with DPS and EPS are significant whereas relation with BPS is insignificant at 95% level of confidence. The volatility of MPS, EPS and BPS seems to be less than DPS.

⟩ Laxmi Bank has not distributed any dividend yet. Volatility of EPS seems to be more than MPS and BPS in the case of this bank.

⟩ Lumbini Bank has not distributed dividend in the period of 2000/01 to 2005/06. The earning of this bank seems to be negative, meaning that the financial strength of this company is still not strong. Hence, the Book value in the later year has been decreased and the total capitalization of the organisation has also been decreased. MPS of this bank has significantly positive correlation with BPS but it has insignificant correlation with EPS at 95% level of confidence.

⟩ 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. However, the relation with DPS is insignificant at 95% level of confidence. The volatility of DPS is much more than other indicators like MPS, BPS and EPS.

) NABIL Bank's DPS is more volatile than other indicators like MPS, BPS and EPS. The MPS of this Bank is positively correlated with DPS, BPS and EPS meaning these indicators influence their share price directly. But the relation is insignificant at 95% level of confidence.

) The variability of BPS and EPS of NCC bank is very high. Due to the unavailability of required data, no relation of MPS can be observed for the NCC bank.

) MPS of Nepal Bangladesh Bank is positively correlated with all the indicators examined i.e. DPS, BPS and EPS. For NBBL and is significant at 95% level of confidence. The volatility of DPS is more than other indicators like MPS, BPS and EPS.

) For Nepal Industrial and Commercial Bank, the correlation coefficient if positive between Market Price per Share (MPS) and BPS, EPS, DPS. However, the relation is insignificant at 95% level of confidence. The volatility of DPS is higher than that of MPS, BPS and EPS.

) For Nepal Investment Bank, Market price is positively correlated with DPS, BPS and EPS. But at 95% level of confidence, the relation is not significant. The volatility of DPS is higher than that of other indicators MPS, BPS and EPS.

) The MPS of Nepal SBI bank is positively correlated with DPS and BPS whereas negatively correlated with EPS. It shows that DPS and BPS are more responsible to increase the Share Price of the organisation. The relation with BPS and EPS is insignificant at 95% level of confidence. The volatility of DPS seemed to be more than that of other indicators.

) The volatility of EPS of Siddhartha bank is very high in comparison with that of BPS. Due to the unavailability of required data, no relation of MPS can be analysed for this bank.

) The degree of CV for Standard Chartered Bank is less than that of other banks. It shows the consistency in these indicators. MPS of SCBL is positively correlated with DPS, BPS and EPS indicating that increase in these factors cause increase in MPS. However the relation is not significant at 95% level of confidence.

- The correlation between MPS and other indicators are found to be insignificant for most of the Banks.

- On the basis of Standard Deviation it can be concluded that Market Price per Share of NABIL Bank and Standard Chartered Banks seems to be more risky. The higher CVs of Nepal SBI Bank and Nepal Bangladesh Bank show that their Market Prices are more volatile than others.

- Standard Deviation of Book value per Share shows that Lumbini Bank and NCC Bank are riskier than others. Volatility of Book value is greater in the case of NCC Bank and Lumbini Bank.

- Dividend per Share is more volatile in case of Nepal Banglaedesh Bank and Machhapuchchhre Bank Limited in comparison to other banks.

- Highest Standard Deviation and Coefficient of Variance of Lumbini Bank and Nepal Bangladesh Bank imply that they are more volatile and inconsistent than others.

- Basically, most of the investors are intended to maximize their profit through share investment. They think share as a good sector of investment assuming that it gives a good return in short and long term.

- The majority of investors declare themselves as informed investors but still Nepalese investors lack the proper knowledge about the share market.

- The majority of Nepalese investors found to be either unknown about laws or like to say imperfect policies causing the problem in share market.

- Majority of the investors are convinced that higher EPS cause higher share price.

- Dividend pattern plays a great role on share price movement. Higher the DPS, more will be the Share Price. Most of investors like to analyse the Dividend pattern of the company before they invest in shares.

- Company assets structure and capital structure of the company plays moderate role on share price movement. The potential investors tend to consider the assets and capital structure of the 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, CONCLUSIONS AND RECOMMENDATIONS

5.1   Summary

Nepalese Stock Market is in developing stage. Generally speaking, most of the people citizens are still unaware of stock market. Though Share Market plays the vital role on mobilization of capital in national economy, in the case of Nepal, it is still crawling towards the betterment.

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

Investors invest their savings in the Common Stock of public companies through Primary and Secondary Markets. Generally, the investors aimed to maximize their profit from their investment. But due to lack of proper knowledge and poor regulatory performance of Nepalese Capital Market, the investors may not achieve 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.

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

The prime objective of this study is to find out the major determinants of Share Price of Nepalese Commercial Banks. Hence, all 15 Commercial Banks presently listed in NEPSE are taken in consideration for the purpose. Market Price of these banks has been analytically tested here to compare with other financial indicators like DPS, EPS and BPS. For analytical purpose, secondary data was gathered from different sources and different statistical tools have been used to analyze the same. Not only this, a set of question of 12 questions were prepared and presented to 50 respondents to collect primary data related to share price of Nepalese Commercial Banks. Responses from respondents has been analysed thoroughly in this thesis.

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

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

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

capital framework, national and international political as well as social scenario are other factors that determine the share price.

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

5.2   Conclusions

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

) Due to the inadequate knowledge of share market among Nepalese investors, capital market of Nepal has not been well developed yet.

) The investors generally tend to earn profit from share and they think that EPS and DPS are prime factors to be analysed and to be considered before investing their savings on Share Price.

) Most investors are unknown about laws and policies regarding share market. Poor rules and regulations as well as ineffective regulatory mechanism of market makers are the problems of Nepalese Capital Market.

) The MPS of most of the Banks are found to be correlated with other individual financial indicators like BPS, EPS and DPS insignificantly. This shows that they individually rarely influence Share Price but they have combine effect on it. There can be other factors which influence the share price of the organisation.

) The reason why Commercial Banks are only the attractive sector to invest, in the view of investors is that they are better managed and control, that is why they are in profit and distribute good rate of dividend.

) Market Price per Share of Most of the Banks is insignificantly correlated with all the indicators (DPS, BPS and EPS) in most of the cases. This implies that they individually don't influence the share price but they

jointly influence the Share Price. There can be other factors to which influence the share price.

⟩ EPS and DPS are the major influencer of the Share Price. Besides this, political situation, annual general meeting, assets structure and capital structure of the organisation also influence the share price of the company.

⟩ The commercial banks are the first choice of Nepalese investors. But the systematized and managed regulatory system is required for further improvement of share market.

⟩ The reputed and established commercial banks have very good trend of their financial performance whereas new banks are penetrating their market. Most of the banks are operating in profit in recent years though they suffered some losses during their initial stages. Still, the investors are positive towards the 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:

⟩ Since general publics are unaware about the share and share market, an organised effort is necessary to aware the publics 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.

⟩ The investors perceive the increase in EPS as better performance of the organisation and hence they increase the demand of Share which ultimately causes the increase in share price.

⟩ Government should formulate and implement a rigid rules and regulations for the further development of Share Market. A mechanism to take immediate action against fraud companies is to be established.

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

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

⟩ For more specific result regarding the determinants of share price, a population study of whole share market for a longer study period is required. This gives the only factual information about the actual determinants of share price.

⟩ All stakeholders are required to be provided up-to-date information to the present and potential investors regularly so that they can be an informed about the market scenario, potentials and their investment.

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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. Please you are kindly requested to fill up the following questionnaire with the best answer in your view. I would be grateful to you for the contribution of your valuable time and 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 Share Trader

        Others and interested in Share investment

        None of others

Academic Qualification (tick appropriate):

        Under SLC   Graduate

        Higher Secondary   Post Graduate

Questions:

Please Tick the best alternative (QN 1-4)

1. Which one do you think is major purpose of Nepalese to invest in financial market ?
   - o To earn maximum profit
   - o Safe investment
   - o Help capital mobilization
   - o 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 ?
   - o Continuous Declaration of Dividend
   - o Market Phenomena
   - o Banks are better controlled/managed
   - o Others……………………

3. Do you think that Nepalese investors are aware about the share investment decision ?
   Yes [   ]   No [   ]   Can't Say [   ]

4. Do you think that the prevailing laws and policies regarding the buying and selling of shares are perfect ?
   - o 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... (QN 12)

12. Which of the following do you think affect the share price of the company ? Rank 1, 2, 3, 4, 5, 6 and 7 to each heading [1 for the best factor]

   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.

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ANNEX II

Summary of Financial Indicators

Bank of Kathmandu

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	295	430	850	1375	2350	1825
Dividend Per Share (DPS)	10	15	48	20	42.11	47.37
Book Value Per Share (BPS)	218.38	213.6	230.67	164.68	222.51	206.25
Earning Per Share (EPS)	27.5	30.10	43.67	43.5	59.94	54.68

Everest Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	680	870	1379	2430	3132	2455
Dividend Per Share (DPS)	-	20	-	30	30	30
Book Value Per Share (BPS)	171052	219.87	217.67	280.82	321.77	313.64
Earning Per Share (EPS)	45.58	54.22	62.78	78.42	91.82	99.99

Himalayan Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	840	920	1100	1740	1980	1760
Dividend Per Share (DPS)	20	31.58	35	40	45	43.56
Book Value Per Share (BPS)	244.33	239.59	228.72	264.74	247.95	256.52
Earning Per Share (EPS)	49.05	47.91	59.24	60.66	62.74	61.90

Kumari Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)		269	443	830	1005	700
Dividend Per Share (DPS)	-	-	21.05	21.05	10.53	10.58
Book Value Per Share (BPS)	114	141	149	137	128	137
Earning Per Share (EPS)	9.74	17.58	16.59	22.70	16.35	22.04

Lumbini Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	-	180	172	505	631	435
Dividend Per Share (DPS)	-	-	-	-	-	-
Book Value Per Share (BPS)	84.71	49	-144.42	-71.96	29.5	86.95
Earning Per Share (EPS)						

ANNEX III

Laxmi Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	156	285	368	690	1113	1062
Dividend Per Share (DPS)	-	-	-	-	20	5
Book Value Per Share (BPS)	101.28	98.87	106.41	115.66	125.45	122.24
Earning Per Share (EPS)	1.9	4.34	5.8	10.75	16.45	20.7

Machha Puchchhre Bank Ltd.

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	-	265	320	620	1285	420
Dividend Per Share (DPS)	-	-	15.79	-	21.05	-
Book Value Per Share (BPS)	-	116	130	122	142	115
Earning Per Share (EPS)	-	15.43	18.74	9.02	10.35	8.33

Nabil Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	1000	1505	2240	5050	5275	4899
Dividend Per Share (DPS)	65	70	85	140	100	85
Book Value Per Share (BPS)	301	337	381	418	354	324
Earning Per Share (EPS)	92.61	105.49	129.21	137.08	108.31	106.76

NCC Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	-	120	94	316	457	335
Dividend Per Share (DPS)	-	-	-	-	-	-
Book Value Per Share (BPS)	0.027	0.365	-0.044	-0.073	0.049	0.078
Earning Per Share (EPS)	0.06	-0.74	-84.77	-16.57	35.33	29.35

Nepal Bangladesh Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	354	265	199	550	1001	280
Dividend Per Share (DPS)	-	-	-	-	-	-
Book Value Per Share (BPS)	182	188	-117	-364	-295	60
Earning Per Share (EPS	0.73	1.58	-	-	80.16	116.01

Nepal Industrial & Comm. Bank

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	218	366	496	950	1284	1126
Dividend Per Share (DPS)	0	30	10.53	1.05	1.05	0.79
Book Value Per Share (BPS)	124.09	136.84	127.44	139.166	138.029	145.58

Earning Per Share (EPS)						

Nepal Investment Bank Ltd.

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	940	800	1260	1729	2450	1388
Dividend Per Share (DPS)	15	12.5	55.46	30	40.83	20
Book Value Per Share (BPS)	247	201	240	234	223	162
Earning Per Share (EPS)	52	40	59.35	62.57	58	37.42

Nepal SBI Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	307	335	612	1176	1511	1900
Dividend Per Share (DPS)	0	0	5	47.59	-	42.11
Book Value Per Share (BPS)	146.8	159.54	151.78	178.04	160.57	194.68
Earning Per Share (EPS)	14.26	13.29	18.27	39.35	28.33	36.18

Siddhartha Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	-	-	360	778	1090	1000
Dividend Per Share (DPS)	-	-	-	15.79	15.79	10.53
Book Value Per Share (BPS)	90.75	110.83	120.63	132.29	130.39	134.29
Earning Per Share (EPS)	-8.89	20.08	13.05	15.88	17.29	22.89

Standard Chartered Bank Limited

Indicators / Year	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Market Price Per Share (MPS)	1745	2345	3775	5900	6830	6010
Dividend Per Share (DPS)	110	120	140	130	130	100
Book Value Per Share (BPS)	399.25	422.38	468.22	52.11	401.52	327.53
Earning Per Share (EPS)	143.55	143.14	175.84	167.36	131.92	109.99

Annex III

General Information of Banks

1. Bank of Kathmandu

Incorporated in 1993, Bank of Kathmandu came into operation in March 1995 with the following predominant objectives:

⟩ Identify business prospects not yet catered by then existing commercial banks and offer new banking products and services

⟩ Introduce modern banking technology facilitating bank and business operations and transactions

Bank of Kathmandu's activities globe around deposit mobilization, advancement of various credits, international banking including trade financing, inward and outward remittances and funds and portfolio management. At the beginning, SIAM Commercial Bank of Thailand was the joint venture partner of BOK but later on 1998, the SIAM Company diluted its holdings to the Nepalese citizens. After this, Nepalese public hold 97.72% if its share and remaining - 0.9% by financial institutions and 1.38% by organized institutions.

BOK is accepting deposits and providing loan to industries, commerce, agriculture as well as home loan and hire purchase loan through its various branches. The bank is able to earn significant profit and being one of the leading banks in Nepal. *(Source: www.bok.com.np)*

2. Everest Bank Limited

Everest Bank Limited (EBL) started its operations in 1994 with a view and objective of extending professionalized and efficient banking services to various segments of the society. EBL joined hands with Punjab National Bank (PNB), India as its joint venture partner in 1997.

Drawing its strength from its joint venture partner, EBL has been steadily growing in its size and operations and established itself as a leading Private Sector Bank.

Despite fragile law and order situation especially during last 3-4 years, the Bank has recorded spectacular performance. As per audited accounts of FY 2004/2005, the Bank's operating profit was Rs. 375.20 million registering a growth of 18.9 % over the previous year. The Bank's credit recorded a growth of nearly 30 % over the last year reaching a figure of Rs 7900.09 million. Similarly, the total deposits of the Bank posted a growth of 25.22 % amounting to Rs 10097.69 million over the preceding year.

(Source : www.everestbankltd.com)

3. Himalayan Bank Limited

Himalayan Bank Limited was incorporated in 1992 by a few distinguished business personalities of Nepal in partnership with Employees Provident Fund and Habib Bank Limited, one of the largest commercial Banks of Pakistan. Banking operation was commenced from January 1993. Himalayan Bank is the first commercial bank of Nepal whose maximum shares are held by the Nepalese private sector. Besides commercial banking services, the Bank also offers industrial and merchant banking services.

Himalayan Bank has a total network of 17 branches across the Country and a counter in the premises of the Royal Palace. The Bank is aggressively opening new branches at different parts of the Kingdom to serve its customers better.
(Source : www.himalayanbank.com)

4. Kumari Bank Limited

Kumari Bank Limited, came into existence as the fifteenth commercial bank by starting its banking operations from Chaitra 21, 2057 B.S (April 03, 2001) with an objective of providing competitive and modern banking services in Nepal.

Kumari Bank Ltd has been providing wide- range of modern banking services through 6 points of representation across the country. The bank has adopted Globus Banking Software, developed by Temenos NV, Switzerland, to provide centralized data base system to all branches. The bank has also been providing visa debit card, which has an access on ATMs (including 6 own ATMs) and POS (Point of Sale) terminals both in Nepal and India.

Within 5 years of its establishment, the bank has been able to recognize itself as an innovative and growing institution striving to enhance customer value and satisfaction by backing transparent business practice, professional management, corporate governance and total quality management as the organizational mission.

Kumari Bank Ltd has been always guided with the philosophy " We do it"

(Source : www.kumaribank.com)

5. Laxmi Bank Ltd.

Laxmi Bank was incorporated in April 2002 as a commercial bank. The current shareholding constitutes of promoters holding 55.42 percent, Citizen Investment Trust holding 9.02 percent and the general public holding 35.56 percent. Promoters represent Nepal's leading business families with diversified business interests. The Bank's shares are listed and actively traded in the Nepalese Stock Exchange. The bank aims for total Stakeholder satisfaction

The mission of the organisation is to deliver quality banking and stakeholder satisfaction in the true meaning of the word. We fully grasp the ultimate importance of engaging more closely in customer relations at every level, ensuring satisfactory, sufficient profits and ploughing back the fruits of our business successes back to customers, the community, and shareholders. *(Source : www.laxmibank.com)*

6. Lumbini Bank Limited

Lumbini Bank Limited is a commercial bank offering a wide range of banking solutions. Established in 1998, this is the first regional commercial bank in Nepal, which started its operation from Narayangarh spreading its wings to further three more places, viz., Hetauda, Butwat and Durbar Marg, Kathmandu.

Lumbini Bank Limited assures its excellence in the offering of its products and services. The organisational direction is guided towards obtaining new challenges and opportunities.

Backed by state-of-the-art technology and experienced professionals adept in modern banking management, the bank strives to make banking simple, fast and customer friendly. *(Source: www.lumbinibank.com)*

7. Machhapuchchhre Bank Limited

Machhapuchchhre Bank Limited, registered in 1998 is the first commercial bank in the western part of the Kingdom of Nepal having head office in Pokhara.

The bank has its own land and well-built three storied office building with sufficient parking area and electronic surveillance system.

The bank with perception of tremendous business potentials outside Kathamandu, in a very short span of time, expanded branches in Kathmandu, Damauli, Bhairahawa, Birgunj, Mahendrapul (Pokhara), Rambazar (Pokhara) and in Bagar (Pokhara). A full-fledged banking branch is opened in Jomsom too. The bank aims to serve the people of urban and rural areas.

The bank provides modern banking facilities such as Anywhere Banking and Internet Banking to its valued customers.

Machhapuchchhre Bank Limited Strives to facilitate its customer needs by delivering the best services in combination with the state of the art technologies and best international practices.

8. Nabil Bank Limited

From our very inception in 1984 as the first joint venture bank to commence operations in the Kingdom of Nepal we have been a leader in terms of bringing the very best international standard banking practices, products and services to the kingdom.

The mission of this bank is to be the Bank of 1st Choice to all our stakeholders. The bank wants to be the first choice in meeting all financial requirements of

their customers, to be the investment of choice for shareholders, to be an example of a model bank for Regulators, to be an outstanding corporate citizen in all the Communities work in and finally to be the first choice as an employer with whom to build a career.

The bank has aimed to be able to meet customer's entire gamut of financial requirements that is why the organisation pride their selves in being 'Your Bank at Your Service'. *(Source : www.nabilbank.com)*

9. Nepal Credit & Commerce Bank Ltd.

Nepal Credit & Commerce Bank Ltd. (NCC Bank) formally registered as Nepal - Bank of Ceylon Ltd. (NBOC), commenced its operation on 14th October, 1996 as a Joint Venture with Bank of Ceylon, Sri Lanka. It was the first private sector Bank with the largest authorized capital of NRS. 1,000 million.

The name of the Bank was changed to Nepal Credit & Commerce Bank Ltd., (NCC Bank) on 10th September, 2002, due to transfer of shares and management of the Bank from Bank of Ceylon, an undertaking of Government of Sri Lanka to Nepalese Promoters.

At present, NCC Bank provides banking facilities and services to rural and urban areas of the Kingdom through its 17 branches. The Bank has developed corresponding agency relationship with more than 150 International Banks having worldwide network.

NCC Bank has strategic alliance with ICICI Bank, which facilitates our customers to remit their money to more than 670 locations of India through ICICI Bank branches and their correspondent Banks in India.

The bank is globally connected through various prominent Banks in Asia, Europe and North America like American Express Bank, Standard Chartered Bank, UBAF etc. *(www.nccbank.com.np)* .

10. Nepal Bangladesh Bank Ltd.

Nepal Bangladesh Bank Ltd. was established in June 1994 with an authorized capital of Rs. 240 million and Paid up capital of Rs. 60 million as a Joint Venture Bank with IFIC Bank Ltd. of Bangladesh. Its Head Office is situated at New Baneshwore, Bijuli Bazar, Kathmandu.

The prime objective of this Bank is to render banking services to the different sectors like industries, traders, businessmen, priority sector, small entrepreneurs and weaker section of the society and every other people who need Banking Services. During the period of 10 years of its operation, it has accommodated a large number of clients and has been able to provide excellent services to its clients.

The Bank has earned the glory of making available the services to almost all the top business houses of the country and it occupies one of the leading positions among the Joint Venture Banks in Nepal. The Bank is still pursuing to accommodate as many clients as far as possible. *(Source: www.nbbl.co.np)*

11. Nepal Industrial & Commercial Bank Limited

Nepal Industrial & Commercial Bank Limited (NIC Bank), which commenced operation on 21st July 1998, is the first commercial bank in the country to be capitalized at Rs. 500 million. The Bank which has been in profitable operation from its inception, has managed robust growths in its overall business and profitability during the recent years. The Bank offers a complete suite of commercial banking products and services including transaction banking, international trade finance, business banking, project finance, corporate banking and consumer banking. NIC Bank is one of the most widely held banking companies in Nepal with close to 35,000 shareholders.

The Bank believes in continuously offering new and value added services to customers with commitment to quality and value to clients. Accordingly, the Bank has been in the forefront in launching innovative & superior products with unique customer friendly features with immense success.

12. Nepal Investment Bank Ltd.

Nepal Investment Bank Ltd. (NIBL), previously Nepal Indosuez Bank Ltd., was established in 1986 as a joint venture between Nepalese and French partners. The French partner (holding 50% of the capital of NIBL) was Credit Agricole Indosuez, a subsidiary of one the largest banking group in the world.

The shares of bank is comprises by;

> A group of companies holding 50% of the capital
>
> Rashtriya Banijya Bank holding 15% of the Capital.
>
> Rashtriya Beema Sansthan holding the same percentage.
>
> The remaining 20% being held by the General Public.

(Source : www.nibl.com.np)

13. Nepal SBI Bank Limited

Nepal SBI Bank, a commercial bank having its head office in India was established in Nepal in Baishakh 16, 2050 under the Company Act 2021. This bank started its operation since Ashad 24, 2050 after getting approval under Commercial Bank Act 2031. It is joint ventured with State Bank of India with partnership of Staff Provident Fund and Agricultural Development Bank of Nepal.

14. Siddhartha Bank Limited

Siddhartha Bank Limited commenced banking operations on 25 December 2002.Currently, the Bank is operating from its premises at 130/23 Teen Dhara Road, Kamaladi, Kathmandu and branch in Birgunj. It is in the process of opening new branches.

Mission

- To maintain highest ethical standards.
- To extend quality service at most competitive rates.
- Prompt decision making

(Source: www.siddharthabank.com)

15. Standard Chartered Bank Nepal Limited

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint-venture operation. Today the Bank is an integral part of Standard Chartered Group who has 75% ownership in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status the largest international bank currently operating in Nepal.

Standard Chartered Bank Nepal Limited, offers a full range of banking products and services in Wholesale and Consumer banking, catering to a wide range of customers from individuals, to mid-market local corporates to multinationals and large public sector companies, as well as embassies, aid agencies, airlines, hotels and government corporations.

The Bank has been the pioneer in introducing 'customer focused' products and services in the country and aspires to continue to be a leader in introducing new products and highest level of service delivery. It is the first Bank in Nepal that has implemented the Anti-Money Laundering policy and applied the 'Know Your Customer' procedure on all the customer accounts.

ANEX IV

Rank wise No of Responses of Survey Result (Q.No. 12)

S.N.	Variables	Basis	Rank						Total
			1	2	3	4	5	6	
1	EPS	Total	**25**	**18**	**4**	**2**	**0**	**1**	**50**
		Professional	17	13	1	1	0	0	32
		Potential	8	5	3	1	0	1	18
2	DPS	Total	**18**	**23**	**7**	**2**	**0**	**0**	**50**
		Professional	11	14	5	2	0	0	32
		Potential	7	9	2	0	0	0	18
3	Assets	Total	**0**	**0**	**2**	**4**	**18**	**26**	**50**
		Professional	0	0	2	2	10	18	32
		Potential	0	0	0	2	8	8	18
4	Capital	Total	**0**	**3**	**6**	**6**	**21**	**14**	**50**
		Professional	0	2	4	3	15	8	32
		Potential	0	1	2	3	6	6	18
5	Political	Total	**4**	**5**	**21**	**10**	**6**	**4**	**50**
		Professional	3	3	14	7	4	1	32
		Potential	1	2	7	3	2	3	18
6	AGM	Total	**3**	**1**	**10**	**26**	**5**	**5**	**50**
		Professional	2	1	6	16	3	4	32
		Potential	1	0	4	10	2	1	18

ANNEX V

Classified No. of Respondents of Survey Result (Q.N. 1-4)

S.N.	Stem	Professional	Potential	Total
1	a.	26	13	39
		(81)	(72)	(78)
	b.	4	2	6
		(13)	(11)	(12)
	c.	2	3	5
		(6)	**(17)**	**(10)**
	Total	**32**	**18**	**50**
		(100)	(100)	(100)
2	a.	14	5	19
		(44)	(28)	(38)
	b.	2	3	5
		(6)	(3)	(5)
	c.	16	10	26
		(50)	(56)	(52
	Total	**32**	**18**	**50**
		(100)	**(100)**	**(100)**
3	a.	21	7	28
		(66)	(39)	(56
	b.	8	7	15
		(25	(39)	(30)
	c.	3	4	7
		(9)	(22)	(14)
	Total	**32**	**18**	**50**
		(100)	**(100)**	**(100)**
4	a.	15	8	23
		(47)	(44)	(46)
	b.	7	3	10
		(22)	(17)	(20)
	c.	10	7	17
		(31)	(39)	(34)
	Total	**32**	**18**	**50**
		(100)	**(100)**	**(100)**

Note:

⟩ S.N. refers to Question Number.

⟩ Stem refers to the options of answer.

⟩ The figure in bracket refers to the percentage f respective no. of respondents.

ANEX VI

List of Respondents

S.N.	Name of Respondents	Sex	Occupation
1	Arjun Darlami	M	Professional Share Investor
2	Anjan Munakarmi	M	Potential Investor
3	Anjan K.C.	M	Professional Share Investor
4	Bodh Raj Shrestha	M	Professional Share Investor
5	Bikash Chandra Mainali	M	Professional Share Investor
6	Bodha Raj Pa	M	Potential Investor
7	Deepak Bhantana	M	Professional Share Investor
8	Dhan Bahadur Gurung	M	Potential Investor
9	Dipak Bastakoti	M	Professional Share Investor
10	Dipak Devkota	M	Professional Share Investor
11	Drona Kumar Niraula	M	Professional Share Investor
12	Durga Simkhada	F	Potential Investor
13	Ishwor Neupane	M	Professional Share Investor
14	Januka Bhatta	F	Professional Share Investor
15	Jeevan Gurung	M	Potential Investor
16	Kabita Bagale	F	Professional Share Investor
17	Kamal Barakoti	M	Professional Share Investor
18	Kopila Bhatta	F	Professional Share Investor
19	Kopila Dhamala	F	Professional Share Investor
20	Lalit Jung Shah	M	Potential Investor
21	Laxman Khanal	M	Professional Share Investor
22	Lumakanta Jha	M	Professional Share Investor
23	Madhav Katiwada	M	Professional Share Investor
24	Maheshwor Yadav	M	Professional Share Investor
25	Parashuram Bhetwal	M	Potential Investor
26	Pradip Wagle	M	Potential Investor

S.N.	Name of Respondents	Sex	Occupation
27	Prakash Panta	M	Professional Share Investor
28	Pramod Dhungel	M	Potential Investor
29	Rajendra Aryal	M	Professional Share Investor
30	Ram Krishna Sunuwar	M	Professional Share Investor
31	Rama Duwadi	F	Potential Investor
32	Ramesh Upreti	M	Professional Share Investor
33	Rohini Khanal	M	Professional Share Investor
34	Sabina Bhattarai	F	Potential Investor
35	Sailendra Choudhary	M	Professional Share Investor
36	Sandhya Shrestha	F	Professional Share Investor
37	Sanjaya Singh Thakuri	M	Professional Share Investor
38	Sita Adhikari	F	Potential Investor
39	Som Nath Dhital	M	Potential Investor
40	Subash Bagale	M	Professional Share Investor
41	Subash Bastakoti	M	Professional Share Investor
42	Sudip Bastakoti	M	Potential Investor
43	Sujan Raj Shrestha	M	Professional Share Investor
44	Sunil Shrestha	M	Professional Share Investor
45	Suresh Amgain	M	Professional Share Investor
46	Suresh Lamichhane	M	Professional Share Investor
47	Sushila Bhattarai	F	Potential Investor
48	Thakur Sriwastab	M	Potential Investor
49	Tika Rana Magar	M	Potential Investor
50	Uttam Lamichhane	M	Professional Share Investor