

CHAPTER I

INTRODUCTION

1.1 General Background

The smooth continuity of development activities widely depends on the adequate supply of medium as well as long-term capital funds in productive investment projects, which is concerned with finance. The finance is directly concerned with conversion or accumulation of capital funds to meet the financial needs of various institutions. For efficient mobilization of financial resources, the financial market has an intermediary role to bridge funds from surplus units to deficit units.

The stock or capital stock of a business entity represents the original capital paid or invested into the business by its founders. It serves as a security for the creditors of a business since it cannot be withdrawn to the detriment of the creditors. Stock is distinct from the property and the assets of a business which may fluctuate in quantity and value.

The stock of a business is divided into shares, the total of which must be stated at the time of business formation. Given the total amount of money invested into the business, a share has a certain declared face value, commonly known as the par value of a share. The par value is the minimum amount of money that a business may issue and sell shares for in many jurisdictions and it is the value represented as capital in the accounting of the business. In other jurisdictions, however, shares may not have an associated par value at all. Such stock is often called non-par stock. Shares represent a fraction of ownership in a business. A business may declare different types (*classes*) of shares, each having distinctive ownership rules, privileges, or share values.

Share Price determinations: At any given moment, an equity's price is strictly a result of supply and demand. The supply is the number of shares offered for sale at any one moment. The demand is the number of shares investors wish to buy at exactly that same time. The price of the stock moves in order to achieve and maintain equilibrium.

When prospective buyers outnumber sellers, the price rises. Eventually, sellers attracted to the high selling price enter the market and/or buyers leave, achieving equilibrium

between buyers and sellers. When sellers outnumber buyers, the price falls. Eventually buyers enter and/or sellers leave, again achieving equilibrium.

Thus, the value of a share of a company at any given moment is determined by all investors voting with their money. If more investors want a stock and are willing to pay more, the price will go up. If more investors are selling a stock and there aren't enough buyers, the price will go down.

The stock exchange market or stock market is one of the forms of secondary market. It is a major component of the securities market and the medium through which corporate sector mobilizes funds to finance the productive projects by issuing shares in the market. It is a place where shares of listed companies are transferred from one hand to another at a fair price through the organized brokerage firms. The stock market is a financial market, which probably has the greater glamour and is perhaps the least understood. Moreover, security (stock) market exists in order to bring together buyer and seller of securities to facilitate the exchange of financial assets. Hence, it creates and enhances liquidity in the securities.

In order to make transaction of securities, there is online listing the stock of public companies in the stock exchange, for which they must meet exchange requirements to such factors as: size of company, number of years in business, earning records, number of shares outstanding and their market value. The listed companies receive a certain amount of free advertisement, publicity and the status of being listed enhances their prestige and reputation. The securities markets provide at least four economic functions which are as follows:

-) Security exchanges facilitate the investment process by providing a market place to conduct efficient and relatively less-expensive transactions. The investors thus assured that they would have place to see their securities.
-) The investors are capable of handling continuous transactions; testing the value of securities; the purchase and sale of securities; record judgments on the values and prospects of companies. Those prospects are judged favourably by the investors; have higher values, which facilitate new financing and growth.

-) Security prices are more stable because of the operation of the security markets. They improve liquidity by providing continuous markets that make a more frequent but smaller price change.
-) The securities markets aid in the digestion of security issue and facilitate their successful flotation. (*Weston and Copelan, 1992:86-92*)

Most of the investors are risk avoider who often are reluctant to tie up their saving into the long-term investment. So, they are highly attracted by the liquid stock market that makes the investment less risky and more attractive. This encourages savers to invest even in the long-term projects, because they can sell their securities easily and quickly if they want to get back their savings before the maturity period of their holdings. Then, the companies get easy access to the capital through issuance of shares. “Stock market liquidity is positively and robustly correlated with contemporaneous and future rates of economic growth, capital accumulation and productivity growth.” (*Ross & SARA, 1998:554*) Thus, the stock market is the backbone for the development, growth and smooth functioning of capital market.

In order to allocate capital efficiently and to maintain higher degree of liquidity in securities, the stock market should be efficient enough in pricing the shares solely by economic considerations based on publicly available information. Efficiency in the stock market implies that all available relevant information regarding a given stock is instantly reflected in its’ price. An efficient market is one where the current price of security (share) gives the best estimate of its true worth. It is not possible to systematically gain or lose abnormal profits on the basis of available public information. In such an efficient market, the prices of securities reflect investors’ estimates of level of return and risk in future cash flows. The higher securities that are priced efficiently guide the financial market allocating funds to the most productive use.

Nepal’s economy is in developing phase. So, in order to speed up this pace of economic development, financial sectors may have crucial role, as they accumulate scattered savings for capital formulation. The public investors are interested to invest their money in the common stocks of financial institutions. As a result, such institutions’ shares are being traded among the investors in the secondary market, in larger volume every day.

With the restoration of multi-party democracy and the enforcement of the new constitution in 1990, democratic norms and values have been restored and consolidated in Nepal. Mass consciousness has grown about universal concepts like good governance, popular participation, civil society, human rights (including the rights of children, women, workers and ethnic minorities), environmentalism, disarmament and peace. The feminist movement is becoming popular these days. Nepal has also signed some international agreement.

The citizens of Nepal are facing problem due to instable political condition and Conflict among the parties. They are victimized from unemployment. Businesses are also not growing well due to instable situation. Agriculture is the backbone of the Nepalese economy, means of livelihood for the majority of population, and the main source of gross domestic production, income and employment generation. But non-agricultural sector has also significant contribution in the national economy.

The economic development of any nation is highly dependent on the various industrial sectors. This industrial sector comprises public sectors, manufacturing enterprises, tourism, transportation, construction, consulting services, trade, and services. The smooth operations of these sectors certainly have positive results over the economic growth and development of the nation. The failure of only one sector may also retard the economic growth. The level of contribution of these sectors on Gross Domestic Product (GDP) should be increased year by year. The contribution of financial and consultancy services in overall GDP cannot be overlooked. Agriculture sector has dominated other sector as almost 80% of the people rely on agriculture for their existence. The service sector especially financial sector has occurred significant position in comparison to others. The sector has vital role in smooth running of the economic activities. It is the fact that the existence of financial sector in the development of the capital market as well as money market is remarkable. Moreover, the sector has been able to lure a large community to invest in equity shares through primary & secondary market. Whatever may be the position of the sector, one can definitely state that it is one of the major catalysts in removal of backwardness and poverty from the nation.

Securities Board (SEBO/N) and Nepal Stock Exchange (NEPSE) are the main bodies to make the stock market as competent and efficient as possible. Actual efforts have been made to develop the Nepalese stock market with the promulgation of Securities Transaction Act in 1983, which was subjected to frequent amendments. (*Shrestha, 2001*)

NEPSE is the only stock exchange in the country, owned by the government (52.55%), Nepal Rastra Bank (39.72%), Nepal Industrial Development Corporation (7.04%) and Security Businesspersons (0.69%). (*Annul Report, SEBO/N, 2001 (2057/58):4*) The securities businesspersons such as stockbrokers, market makers and securities dealers registered with SEBO/N have to get membership of the stock exchange for conducting security business. Similarly, the managers, who are engaged in the primary issuing activities, also have to get membership of the stock exchange to conduct their business. According to *The Security Bylaws, 1996* and the membership of *The Stock Exchange and Transactions Bylaws, 1998*, it is mandatory for the issuing companies to have their securities listed in the stock exchange within three months of the closure of offering. The stock exchange provides its' floor for the trading of shares of the listed companies. Hence, it creates liquidity on shares of the listed companies.

On July 14, 2009, notice related to Capital Gain Tax is released, as per the, section 1, subsection 2 of the Aarthik Bidhayak Act 2066 the provision of section 1,2,3,4,5 and 10 will be executed immediately and the rest of the provisions are executed from Shrawan 1, 2066. The section 52 of the said act specifies that the capital gain tax on listed securities are as follows:-Capital Gain Tax for Individuals is 10% of the Gain, other than Individuals:- 15% of the Gain. In Case of Non-Listed Securities, Capital Gain Tax for Individuals: - 10% of the Gain, Other Than Individuals: - 15% of the Gain. (*Source: NEPSE-website*)

As a result, there have been continued financial reforms and frequent amendments of by laws related to the financial market to create a favourable environment for the development of competitive and efficient stock market. Accordingly, the Nepalese stock market is taking its pace for development. However, here a question arises whether the Nepalese stock market is efficient enough to maintain the MPS according to financial position of a company. The highly fluctuating stock market prices at NEPSE may not be

the symptom of the efficient market. In the recent stock market turmoil, most of the investors complain that they are suffering from unexpected fluctuations of share prices at NEPSE. Therefore, this study attempts to relate the share price with major financial indicators and the risk and return analysis for providing suitable bases for investment in common stocks of the sampled companies.

1.2 Statement of the Problem

The number of public limited companies is increasing tremendously in response to the economic liberalization and globalization policies adopted by the Nepalese government. Such institutions provide banking services, insurance services, etc, participating in developmental works, manufacturing and processing, and others. Although opportunities are limited such institutions are mushrooming and competing with themselves intensely. After the emergence of NEPSE in 1997, the concept of capital market has been developed and growing rapidly within a short span of time. It is mandatory to enlist the public limited companies in NEPSE. The number of companies listed in NEPSE increased to 167 at the end of the review. Stock market activities increased significantly in terms of number of transactions, total amount of listed shares and total market capitalization. Marginal increase in NEPSE index reflected a lack of confidence in secondary share markets due mainly to increased security problem resulting from the instability governance. NEPSE creates liquidity on shares of such companies issued in the primary market, and provides floor for trading of shares.

Most of the investors are not aware of the financial position of the companies in terms of their financial indicators, in which they are investing their funds through secondary market - NEPSE. The market price of common stock (share) does not seem to be in accordance with the financial indicators – NWPS, EPS, DPS, ROE, etc. Instead, in determination of the market price of share, there has been major influence of rumours rather than strengths of the companies. The MPS of commercial banks, especially foreign joint venture Banks has been much higher than MPS of other sectors. Moreover, the overall NEPSE is depended upon MPS of such companies.

Generally, the trend is that the MPS of public quoted companies is above their book value. The market value is determined by the supply and demand functions. However, in an efficient market MPS fully reflects all the historical information publicly available.

Here arises the question of efficiency of the Nepalese share market. The high movement of share prices may be the outcome of the efficient market behaviour. An article in Spot Light states that “our stock market is not efficient enough since all the listed companies do not make past information available to shareholders. Many listed companies do not produce timely financial statement or annual reports to the investors. The dubious and hazardous movement of share prices has no sound fundamental backing of analysis and relationship to past results revealed in limited financial statements. It is because that the share price has crossed the boundary of the calculated dividend yield, net worth and price multiples. The investors conclude that there has been a foul play using inside information. The reaction is based on the assumption of strong form of the market efficiency. The Securities Exchange Act strictly prohibits the misuse of inside information but the regulating authorities can make no advance notice of how there is the use of inside information.” (*Shrestha, 200:7/8*)

Therefore the major issues might be whether the MPS of listed companies, especially for selected companies, are really representing the financial indicators, i.e. NWPS, EPS, DPS, ROE, etc. And, to what extent, the risk is involved in the investment of common stocks of the selected companies.

More specifically, the research problems are:

-) Is there any specific relationship of MPS with fundamental financial indicators (EPS, NWPS, DPS, ROE, etc.), or is the trend of MPS running in accordance with these financial indicators?
-) Are the common stocks of the sampled companies are equilibrium-priced?
-) Are the investors well aware of the trend of financial indicators which have major influence on determining MPS?
-) Is the investment in common stocks of the sampled companies equally risky from a viewpoint of an investor?

1.3 Objectives of the Study

The basic objectives of the study are to examine whether MPS of listed companies, especially for selected companies under the study, really represent the financial indicators such as NWPS, EPS, DPS, ROE, etc. and, to what extent the risk is involved in the investment of common stocks of those. In pursuance of the basic objectives, the following specific objectives are set:

-) To examine and evaluate the relationship of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.
-) To see the trends of MPS & various financial indicators like EPS, NWPS, DPS & ROE.

1.4 Importance of the Study

In context of Nepal, the capital market is growing very slowly because the investors are not getting adequate information. They invest blindly without any proper information. On the other side, there is lack of wider investment opportunities that provide good rate of return. So, there has still been a huge amount of unutilized saving funds with the public.

Nowadays, the investors are attracted by the increasing trend of MPS of public companies, mainly joint venture commercial banks. Therefore, they are investing their saving funds in the stock of those public companies with good expectations of higher capital gain in the future. But, most of the investors are not well knowledgeable about the real financial strengths and weaknesses of the public companies in which they are investing their saving funds. They can not analyze well and interpret the real financial position of a company to reach the right conclusion on the basis of available data and information.

Public companies obtain funds from the public investors through financial market. The long run objective of every company is to maximize shareholders' wealth position whereas the investors seek to get good returns in the future.

In the Nepalese context, there is the lack of wider investment opportunities that provide good rate of return. So there has still been a huge amount of unutilized saving funds with the general public. The investors are attracted by the increasing trend of MPS of public companies mainly that of the joint venture commercial banks. Therefore, they are investing their saving funds in the common stocks of public companies with the good expectation of higher capital gain in the future.

But, most of the public investors, i.e. existing and potential are not well knowledgeable about the real financial strengths and weaknesses of the public companies in which they are investing or going to invest their funds. Further, they cannot well analyse and interpret the real financial position of a company on the basis of available data and information to reach the right conclusion. As we know, it is quite essential to understand the financial strengths of the company in terms of financial indicators, i.e. EPS, NWPS, DPS, ROE, etc. These financial indicators play important role to determine MPS in the market. Here, one question arises, is the MPS of the Nepalese public company sufficiently guided by financial performance.

This study is focused on the analysis of the relationship of MPS with different financial variables. Hence, the study has to disseminate the findings on the real financial status of the financial institutions to the public investors as well as policy makers.

This study may help investors to think about restructuring their investment portfolio. Similarly, the potential investors may take better timely investment decision on the basis of the findings of the study.

On the other hand, the policy-makers may acquire some ideas or feedback for the amendment of existing policies and the formulation of new policies.

1.5 Limitation of the Study

This study is subject to the following limitations:

-) Only six public companies have been taken into consideration for the study i.e. three from commercial banks and three from finance companies.

-) The study covers all the relevant data and information only for 6 years, i.e. from Fiscal Years 2001 to 2008 (2057/58 to 2064/65).
-) The study is focused only on the analysis of relationship of MPS with financial indicators and the level of risk associated with the common stock investment of the sampled companies.
-) The major portions of analysis and interpretation have been done on the basis of the available secondary data and information. Therefore, the consistency of findings and conclusion are strictly dependent upon the reliability of secondary data and information.

1.6 Organisation of the Study

This study has been divided into five chapters, which are as follows:

Chapter I: Introduction

It includes general introduction, statement of the problem, objectives of the study, importance of the study, limitations of the study and organisation of the study.

Chapter II: Review of Literature

This chapter consists of the review of books, articles, journals, reports and other relevant materials.

Chapter III: Research Methodology

It covers on research design, population and sample, sources of data, data gathering procedure, analytical tools, etc.

Chapter IV: Data Presentation and Analysis

This chapter attempts to analyze and evaluate data with the help of analytical tools and interpret the results obtained.

Chapter V: Summary, Conclusion and Recommendations

It sums up the results obtained through analysis and recommends some suggestions.

CHAPTER II

LITERATURE REVIEW

Review of literature is an essential part of all studies. It is a way to discover what other research in the area of our problem has uncovered. It is also a way to avoid investigating problems that have already been definitely answered. (*Wolff and Pant, 2003:34*) The review of literature has been divided into three broad categories which are as follows:

2.1 Conceptual framework (review of books)

“Financial markets provide a forum in which suppliers and demanders of funds can transact business funds directly. Financial market constitutes money market and capital market. The money market is created by a financial relationship between suppliers and demanders of short-term funds, which have maturities of one year or less. Most of the money market transactions are made in marketable securities, which are short-term debt instruments such as treasury bills, commercial papers and negotiable certificates of deposit issued by government, business and financial institutions. The money market exists because certain individuals, businesses, governments and financial institutions have temporary idle funds that they wish to place in some type of liquid asset or short-term, interest-earning instrument. At the same time, other individuals, businesses, governments and financial institutions find themselves in need of seasonal or temporary financing. The money market thus brings together the suppliers and demanders of short-term liquid funds.” (*Gitman, 1988:30-31*)

2.1.1 Common Stocks (Shares)

The common stocks represent ownership in a company. The holders of common stocks, called shareholders or stockholders, are the legal owners of a company. The common stocks are the permanent and vital source of capital since they do not have a maturity date. For the capital contributed by the shareholders by purchasing common stocks, they

are entitled to dividends. The amount or rate of dividend is fixed by the company's Board of Directors. The common stock is, therefore, known as the variable income security. Being the owners of the company, the stockholders bear the risk of ownership; they are entitled to dividends after the claims of others have been satisfied. Similarly, when the company is wound up, they can exercise their claim on assets after the claims of other suppliers of capital have been met. (*Pandey, 1995:905*)

The common stocks are issued by the firms to raise ownership capital and the investors buy them with the expectation that they receive a share of profit periodically. The common stocks legally represent the equity of business firm, and the holders are the owners who share all the profits and losses of the business. They enjoy all earnings after meeting the obligations of interest on debts and dividends on preferred stocks. Thus, they enjoy all net benefits of the business by assuming the risk of losing their capital. (*Pradhan, 1996:132-133 &333*)

The common stocks (equity capital) supports for borrowing to expand the business and activities. It supports for borrowing, however, it has a great problem concerning the apportionment of certain rights and responsibilities between the stockholders. The rights and responsibilities attached to equity consist two considerations which are as follows:

2.1.1.1 Positive Consideration

Income: It is a positive consideration of equity financing. In a sole proprietorship firm, the owner has 100 percent right to income. In a partnership firm these rights are apportioned among the partners. In a corporation the stockholders have last right to receive the income.

Control: Another positive consideration is the control. In a sole proprietorship firm the proprietor has a control over an organization. In a partnership firm the partners have control, and in a corporation stock holders control organization through the Board of Directors.

2.1.1.2 Negative Consideration

Risk: It is a negative consideration of common stock financing. In a sole proprietorship firm the owner has 100 percent right to loss and responsibilities and in partnership firm these are apportioned among partners. In a corporation common stockholders have last priority of claims in the liquidation, so there is high risk to the common stockholders. (Bhattarai, 2005:149)

2.1.1.3 Features:

Claim on Income: The common stockholders have a claim to residual income, which is earnings available for ordinary shareholders, after paying expenses, interest charges, taxes and preference dividend, if any. The income may be split into two parts, dividends and retained earnings. Dividends are immediate cash flow to shareholders, whereas retained earnings are reinvested in the business. A company is not under a legal obligation to distribute dividends out of the available earnings.

Claim to 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 Rights: The ordinary stockholders are required to vote in order to elect the directors and change the memorandum of association. For instance, if they want to change its authorized capital or the objectives of business, they need ordinary shareholders' approval.

Pre-emptive Right: The law grants the 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, 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, 1995:905-908)

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. The dividends and value of the firm are linked with the earning power of the firms, which ultimately affects the market price of shares. So, brief discussions have been presented in the following paragraphs, on earning per share, dividend per share, book value per share and market price per share.

2.1.1.4 Advantages of Common Stock Financing From Corporation's Viewpoint

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 – it 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*)

2.1.1.5 Disadvantages of Common Stock Financing From Corporation's Viewpoint

The disadvantages of a company which issues common stock are as follows:

-) The sale of common stock extends voting rights, and perhaps even control, to the stockholders. For this reason, additional equity financing is often avoided by managers who are concerned about maintaining control. The use of founders' shares and shares such as those GM issued can, however, mitigate this problem.
-) Common stock gives new owners the right to share in the income of the firm – if profits soar, the new stockholders get to share in this bonanza, while if debt had been used, new investors would have received only a fixed return, no matter how profitable the company is.
-) As we shall see, the costs of underwriting and distributing common stock are usually higher than those for underwriting and distributing preferred stock or debt.

Flotation costs associated with the sale of common stock are characteristically higher because (a) the cost of investigating and equity security investment are higher than those for a comparable debt security, and (b) stocks are riskier than debt, meaning investors must diversify their equity holders, which in turn means that a given amount of new stock must be sold to a larger number of purchasers than the same amount of debt.

-) If the firm has more equity than is called for in its optimum capital structure, the average cost of capital will be higher than necessary. Therefore, a firm would not want to sell stock to the point where its equity ratio exceeded the optimal level.
-) Under current tax laws, common stock dividends are not deductible as an expense for calculating the corporation's taxable income, but bond interest is deductible. (*Weston and Brigham, 1987:679-680*)

2.1.2 Earning per Share (EPS)

Accounting earnings that represent the difference between revenues and expenses, including the expenses associated with non-equity source of funds (such as interest to debt, dividend to preference share) is also known as total earnings available for common stock. If this portion of income is divided by number of outstanding shares, we get earning per share. (*Sharpe, Alexander and Biley, 2001:622*)

2.1.3 Retained Earnings

Company's total income (EAES) can be divided into two parts: earning to be distributed to the equity shareholders and earning to be kept in the organization. Earnings that kept in the organization are known as retained earnings. (*Bhattacharai, 2005:376*).

The balance sheet account which indicates the total amount of earnings the firm has not paid out as dividend throughout its history; these earnings have been reinvested in the firm.

2.1.4 Dividend per Share (DPS)

The percentage of earnings the firm pays in cash to its shareholders is known as dividend. The dividends, of course, reduce the amount of earnings retained in the firm and affect the total amount of internal financing. (*Horne, 2000:305*)

Nothing is more important than dividends to stockholders. They buy shares of firm with the hope of sharing profits earned by firms. The sole motive of stockholders is to receive return on their investment; nothing pleases them more than knowing the firm's earning and more profits mean more dividends coming in. (*Pradhan, 1996:375-376*)

Krishman opines that of two stocks with identical earnings record and prospect, but the one paying a large dividend than the other, the former will undoubtedly command a higher price merely because stockholders prefer present to future values. Stockholders often act upon the principle that a bird in the hand is worth two in the bush and for this reason, which are willing to pay a premium for the stock with the higher dividend rate. (*Pandey, 1995:681*)

The following table shows a glimpse of various financial indicators.

Table-1
Summary of Financial Indicators

Earnings before interest and taxes (EBIT)	***
Less: Interest	**
Earning before tax (EBT)	***
Less: Tax	**
Earning after tax (EAT)	***
Less: Preference dividend	**
Earning available to common stockholders (EACS)	***
No. of outstanding shares (n)	***
Earning per share (EPS) = EACS/N	***
Dividend per share (DPS) = EPS x DPR	***

(*Pradhan, 1995:602*)

2.1.4.1. Forms of dividend:

Cash dividends: Payments made in cash to stockholders are termed cash dividends.

For which, a firm needs to have enough cash in its bank account. When cash dividend

is declared, the cash account and reserves account of the firm will be reduced, thus both the total assets and the net worth of the firm are reduced in case of distribution of case dividend.

Bonus Share (Stock Dividend): Stock dividend is a form of dividend out of two forms. In the stock dividend company distributes shares as dividend to the shareholders' and this dividend is distributed either from past retained earnings or from net profit earned in the respective year. The share price of stock dividend is fixed at market price at the time of dividend declaration. But, Nepalese corporate firm fixed price per share at par value as indicated by the 'Company Act'. (Bhattarai, 2005:381).

An issue of bonus share represents a distribution of shares in addition to cash dividend (known as stock dividend in USA) to the existing stockholders. This practice has the effect of increasing the number of outstanding shares of the company, which are distributed proportionately. Thus, a shareholder retains his/her proportionate ownership of the company. (Pandey, 1995:705-706)

2.1.5 Stock Splits

Stock split is also a kind of stock dividend where company breaks (increases/decreases) shares through splitting (breaking) the par value of the share. (Bhattarai, 2005:382).

Stock splits have an effect on a firm's share price similar to that of stock dividends. A stock split is a method commonly used to lower the market price of a firm's stock by increasing the number of shares belonging to each shareholder. Quite often, a firm believe that its stock is priced too high and that lowering the market stock to enhance the marketability of the stock and stimulate market activity. A stock split has no effect on the firm's capital structure. It commonly increases the number of shares outstanding and reduces the stocks per share par value. In other words, when a stock is split, a specified number of new shares are exchanged for a given number of outstanding shares. In a 2-for-1 split, two new shares are exchanged for a given number of outstanding shares. Sometimes, a reverse split is made. A certain number of outstanding shares are

exchanged for two old shares; in a 2-for-3 split, two new shares are exchanged for three old shares, and so on. (*Gitman, 1988:627-628*)

2.1.6 Stock Repurchase

Company repurchases its own stock as dividend decision. It also said that stock repurchase is an alternative of cash dividend. Under this plan, company distributes cash to the shareholders buying back some of its own outstanding stock, thereby decreasing the number of shares which would increase EPS and the stock price. (*Bhattarai, 2005:383*).

In the recent past, firms have increased their repurchasing of shares of outstanding common stock in the marketplace. A stock repurchase is made for a number of reasons: to obtain shares to be used in acquisitions, to have shares available for employee stock option plans, to achieve a gain in the book value of equity when shares are selling below their book value, or merely to retire outstanding shares. The accounting entries that result when common stock is repurchased are a reduction in cash and the establishment of a contra capital account called 'treasury stock', which is shown as a deduction from stockholders' equity. The repurchase of stock can be viewed as a cash dividend, since it involves the distribution of cash to the firm's owners, who are the sellers of the shares. The advantages of stock repurchases are an increase in per share earnings and certain owner tax benefits. The tax advantage stems from the fact that if the cash dividend is paid the owners will have to pay ordinary income taxes on it. Of course, when the stock is sold, if the proceeds are in excess of the original purchase price, the capital gain will be taxed as ordinary income. (*Gitman, 1988:628-629*)

2.1.7 Net Worth per Share (NWPS) / Book Value per Share

A corporation will generate income, much of which is paid out to creditors (as interest) and to shareholders (as dividend). Any remainder is added to the amount shown as cumulative retained earnings on the corporation's books. The sum of cumulative retained earnings and others entries (such as common stock and capital contributed in excess of the par value) under shareholder's equity is the book value of the equity. The book value

per share is obtained by dividing the book value of the equity by the number of shares outstanding. (*Sharpe, Alexander Biley, 2001:506*)

The book value of the equity reflects the historical costs of –brick and meter- the physical assets of the company. A well run company with strong management and an organization that functions efficiently should have a market value greater than the historical book value of its physical assets. (*Weston and Copelan, 1992:695*)

The accounting value of a share of common stock equal to the common equity of the firm (common stock plus retained earnings) divided by the number of shares outstanding. (*Weston and Brigham, 1987:674*)

Book value is generally considered to be relatively unimportant in determination of the value of company, since it represents only the historical investments made in the company- investments that may have little relating to current values of price. (*Weston and Copelan, 1992:1113*)

2.1.8 Market Price per Share (MPS)

The market price of any asset, indeed, depends on the future earning power of the asset or the value of an asset depends on the future cash flows that the asset is expected to generate. (*Pradhan, 1996:20*)

Once the shares, issued in the primary market, are listed in the stock exchange, investors are able to buy and sell the shares among themselves with the help of brokerage firm. Generally the prices of shares are determined by demand and supply preferences.

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*)

Given the two companies in the same general position and with the same earning power, the one paying the larger dividend will always sell at higher price. (*Pandey, 1995:687*)

The price of firm's stock reflects expectation about its future earnings and dividends. (*Westen & Copelan, 1992:1113*)

Book value is generally considered to be relatively unimportant in determination of the value of company, since it represents only the historical investments made in the company-investments that may have little relation to current values of prices. (*Weston Copelan, 1992:1113*)

2.1.9 Determinants of Stock Price:

Due to increasing trend of investment on common stock, investors are showing interest to know about the movement of stock price. All the media explain the massive decline and increase in the price of the stock but very few clues do they get as to how these decline and increase happen? In fact, the economic process mostly determines the price of the stock. Stock valuation observes the sensational events and helps to develop an economic process to generate rational stock price. The random arrival of information causes the stock price to fluctuate and the decision of buy and sells rules, long and short positions, arbitrage and hedging help to align the price and value. Therefore, value estimates provide the focal point toward which natural economic forces push stock price. (*Bhattarai, 2005:72*).

Fundamental financial indicators – EPS, DPS, NWPS etc. also play important role to determine stock price in the market.(Summary of financial indicators is in table 1).

2.2 Review of previous studies

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

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 (Money Market) 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 assumptions, Walter's formula to determine the market price per share is as follows:

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

$$P = X \frac{DPS \Gamma R/K (EPS - DPS)}{K}, \text{ where: } P = \text{price of share; } EPS = \text{earning per share; } r =$$

internal rate of return; K = cost of capital.

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

Growth Firm (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 prices is negative. For such firm optimal payout ratio is zero.

Normal Firm (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 earnings are paid out to them so as to enable them to earn a higher rate by using the funds elsewhere. In other words, if the firm's rate of return

r is less than K , then the relation between dividends and stock prices is positive, i.e. an increase in DPS yields an increase in market price per share. (Gautam, 1999:14-16)

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 the return on investment is equal to the capitalization rate that is ($r = K_e$). It is assumed that investors have a preference for present dividends to future capital gains under the condition of uncertainty. This argument insists 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 firm.
-) 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 exist.
-) The retention ratio (b) once decided upon is constant. Thus, growth rate,
$$g = b \times r \text{ is constant.}$$
-) ' K_e ' must be greater than ' g ' to get meaningful value.

The market value of a 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,

$P \times \frac{EPS(1-b)}{K_e - b \times r}$, where: P = price of share; EPS = earning per share; b retention ratio;

$1 - b$ = dividend payout ratio; K_e = capitalization rate or cost of capital; $b \times r$ = 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 dividends corresponding to earnings leads to decrease in share price, which are negatively correlated in a 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 pleads 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. (*Gautam, 1999:16-18*)

Another study conducted by Miller and Modigliani, (1961) on *Dividend Policy, Growth and the Valuation of Shares* has concluded that dividend payout ratio (dividend policy) does not affect the wealth of shareholders or on the share price of the firm. It argues that the value of the firm is determined by the earning power of the firm's assets or its investment policy, and that the manner in which the earnings stream is split between dividends and retained earnings do not matter. But this study is based on the assumptions as mentioned below:

-) The perfect capital markets in which all investors are rational and information are available to all at free of cost, instantaneous transaction cost, infinitely divisible securities, and no investor large enough to affect the market price of a security.
-) An absence of flotation costs on securities by the firm
-) A world of no taxes.
-) The firm has a fixed investment policy and is not subjected to change.

) Perfect certainty by every investor as to the future investments and profits of the firm.

But, later on, these assumptions are dropped due to wider criticism.

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

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

A study by Petti,(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 analyzes 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.

Another study conducted by Ahareny and Swaey (1980) entitled *Quarterly Dividend and Earning Announcements and Stockholders' Return*” An Empirical Analysis” analyzes 149 industrial firms' quarterly earnings per share and quarterly cash dividends per share, consisting of 2612 dividends announcements covering the period 1966-1976. The main objective of the study is to ascertain whether quarterly dividend changes provide information beyond that which has already provided quarterly earnings numbers. The study applies market model and naïve model for the analyses. The major findings of the study are: the study strongly supports the hypothesis that changes in quarterly dividends provide useful information beyond that already provided by corresponding quarterly earnings numbers, and it also supports the semi-strong form of efficient capital market hypothesis, that is, on average, the stock market adjusts in an efficient manner to new quarterly dividend information.

A study by Pradhan (1992) on *Stock Market Behaviour in Nepal* is conducted by collecting the data of 17 enterprises from 1956 to 1990. The major objectives of the study are:

-) To assess the stock market behaviour in Nepal.
-) To examine the relationship of market equity, market value to book value, price-earnings and dividend with liquidity profitability, leverage, assets turnover and interest coverage.

The major findings of the study are:

-) The higher the earning on stocks, the larger the ratio of dividend per share to market price per share.
-) Stocks with larger ratio of DPS to MPS have lower leverage ratios.

-) Positive relationship between dividend payout and profitability; Positive relationship between dividend payouts and turnover ratio; positive relationship between dividend payout and liquidity; positive relationship between dividend payout and interest coverage
-) DPS and MPS are positively correlated.

2.3 Review of previous master's thesis

Several studies have been conducted for the partial fulfilment of Master's Degree. Some of them, which are relevant to this study, are reviewed in the following paragraphs.

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

-) To examine Nepal Stock Exchange Market and to judge whether the market shares of different banking indicators (book value per share and major financial ratio) explain the share price movements.
-) To analyze the scenario why the shares of selected banks emerge as blue-chips to the potential investors and to make a conclusion on the basis of financial ratios analysis.
-) To examine how risky the investments in commercial banks' shares are.
-) The main findings of the study are:
 -) The market share and the growth rates of different banking indicators used are not captured by the market shares of these banks.
 -) The ordinary least square equation of book value per share on market value per share reveals that the independent variable does not fully explain the dependent variable on the basis of the above mentioned two points; Nepal Stock Exchange operates in a weak form of efficient market hypothesis, indicating that the market prices move randomly. The market value per share does not accommodate all the available historical information.

-) Having good track record of the financial position, the market potential investors buy the shares of joint venture commercial banks. Therefore, the shares of joint venture commercial banks emerge as blue-chip in the Nepalese stock market.
-) The beta coefficient, which measures the riskiness of individual security in relative term, suggests that none of the shares of eight sampled banks are risky. Therefore, even a risk averter can go for making an investment in shares of these banks. The shares of publicly quoted joint venture commercial banks are less risky as compared to other average stocks traded in the stock exchange.

A study by Ms. Rajbhandari (2001) undertook her study on *Dividend Policy: A Comparative Study between Banks and Insurance Companies* with the major objectives as:

-) To examine the relationship between dividend and market price of the stock.
-) To identify the appropriate dividend policy followed by the banks and insurance companies.
-) To analyze the relation between dividend policy decision of banks and insurance companies.

The main findings of the study are:

-) The financial indicators do not seem to reflect the capital market properly due to which the stock market is imperfect and inefficient. This imperfection and inefficiency has created confusion and has put the investors or the shareholders in a dilemma about making their capital investment. The investors are not found to be investing their capital by studying the financial performance of the institutions but rather randomly without properly understanding the stock market.
-) The F statistic test computed for DPS and MPS indicates that both the independent variables do not seem to reflect their true picture of variation in dependent variable. This has led to controversy that dividend is not affected by the increase or decrease in major factors EPS, last year dividend and current ratio (CR). MPS also does not seem to be affected by the increase or decrease in major factors i.e. NW, EPS & last year dividend.

-) All the sample companies have average earnings which can be considered satisfactory. However, no consistency in dividend payment is found in all the sample companies.

A study conducted by Mr. Baral (2003) on *Stock Price Movement in Nepalese Securities Market*, submitted to Shanker Dev Campus. The main objectives of his research are:

- a. To study and analyze the stock price and volume and the investors views regarding the decision on stock investment.
- b. To suggest the findings of the study to the interested parties related to stock investment.
- c. To study & examine the signaling factors impact on stock price with the help of NEPSE index.

The major findings of Baral are as follows:

- a. The stock price trend Nepalese stock market is decreasing from many years of as smoothly but from one year price of stock is decreasing as rapidly.
- b. The price trend of three years NEPSE index in different months (36 months) with the help of monthly trend showed that there is no relationship of price trend between three successive years.
- c. The sector-wise monthly trend analysis for one year (Poush 2058 to Mangsir 2059) showed that there is unsystematic activities in Nepalese stock price market.

Baral concluded that even though Nepalese stock market is in the growth stage; it has crossed the initial stage but not reached in the matured stage. Majority of investors of Nepalese stock market price invests their money from the view point of income and other factors like NEPSE index price trend .

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

- a. To analyze the share price behaviour of the commercial banks listed at Nepal Stock Exchange.

- b. To examine the risk involved in the common stock investment of the sample commercial banks.

The major findings of Giri are as follows:

- a. Large number of serial correlation of the daily log price changes of ten commercial banks' stocks for the sample period is significantly departed from zero.
- b. To make more profit, acute fundamental and other analyses are required which accurately predicts the appearance of the new information in the market, which has impact on the prices than the naïve buy and hold strategy.
- c. Regarding the total risk, NBBL is the riskiest among all stocks, whereas NIC is recorded as least risky. Similarly, the stocks of BOK and EBL fall into the second and third position in terms risk.

Giri concluded that the serial correlation coefficients of the daily price changes lead to weakly efficient market hypothesis does not offer a satisfactory explanation to these speculative price series. The independence in the series of the price changes observed implies that the price changes in the future market will not be independent from the price changes of the previous days.

A study conducted by Mr. Shrestha (2006) on *Share Price Behaviour of Commercial Banks listed in NEPSE*", submitted to Shanker Dev Campus.

The main objectives of his research are as follows:

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

The major findings of Shrestha are as follows:

- a. The total numbers of actual and expected runs are statistically significant for most of the equity shares. Today's price change is dependent on the information of yesterday's price.

- b. Half of the sample companies' share have greater than average value of K (18.87%) difference between actual and expected number of runs, which indicates significant difference between the actual and expected number of runs.
- c. To make greater profit than "naïve buy and hold strategy", acute fundamental or other analysis are required which accurately predict the appearance of the new information in the market that affects the price of shares.

Shrestha concluded that the dependence in the series of price changes implies that the price changes in the future will be dependent with the historical price. Thus, the information of historical price is helpful to predict future prices of the shares. Another conclusion drawn from the opinion based survey with share brokers and individual investors is that the share price movements are caused by flow of several kinds of information in the market.

Similarly, A study conducted by Mr. Regmi (2006) submitted dissertation on "*Role of Financial Indicators in Determining Share Price in Nepalese Financial Market*" to Shanker Dev Campus. The main objectives of his research are:

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

The major findings of Regmi are as follows:

- a. NABIL's MPS is positively correlated with all financial indicators. NIBL's MPS has negative correlation with all financial indicators.
- b. For all other banks, the correlation coefficients of MPS with other financial indicators are both positive and negative. Relationship with all financial indicators of MPS for NFCL is positively correlated and the relationship is statistically significant at 5% level of confidence with EPS and at 10% level of confidence with NWPS and DPS.

- c. For other Finance Companies, the correlation coefficient of MPS with other financial indicators, are both positively and negatively correlated and the relationship is statistically significant for KFL and UFCML and for others it is insignificant.

Regmi concluded that the market price of share in Nepal is not indicative of a Company's financial performance in the stock market. The share market is imperfect and is not efficient and is liable to manipulation.

A study conducted by Ms. Bhattarai (2006) submitted dissertation on *stock Price Behavior of Financial Institutions and Commercial Banks* to Shanker Dev Campus.

The main objectives of research are:

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

The major findings of Bhattarai are as follows:

- a. The DPS of SCBL has higher than NBL, NIBL and EBL. The MPS of SCBL is higher than NBL, NIBL and EBL. SCBL is the most appreciable bank among the selected ones.
- b. The correlation coefficient of EPS and DPS seems to be significant except the case of EBL and AFCL, i.e. correlation coefficient recorded as EBL & AFCL is in negative.
- c. In case of NIBL & NFCL there exists negative correlation coefficient of EPS & NWPS which is insignificant which shows that there is higher degree of managerial problem in issuing and managing shares of NIBL & NFCL.

Bhattarai concluded that the degree of interrelationship of MPS, EPS with different financial indicator varies from one company to another. There is uniformity in the

relationship between MPS and EPS of various financial indicators of the sampled companies. If considered on the basis of the average data for the past 5 years, EPS & MPS of 7 financial institutions and commercial banks have higher positive correlation with major financial indicators such as NWPS, DPS and DPR.

A Study by Mr. Acharya (2009) conducted on *Determinants of stock price in Nepalese Commercial Banks* is conducted with the following objectives:

1. To identify factors affecting share price.
2. To analyze correlation among various financial indicators.
3. To identify qualitative factors affecting the stock price listed in NEPSE.
4. To draw the conclusion regarding the factors that plays the crucial role and gives necessary suggestions and recommendation to the all concerned.

The findings from the survey are as follows:

1. The primary analysis shows that financial reports of companies listed on stock exchange helps in identifying over or undervalued securities. To change the share price of a company, publication of financial report has greater value. Majority of the respondents support the future price change of a share can be predicted from historical price change. The majority of the respondents support the statement that public/listed companies are not serious towards shareholder's interests. Minority of the respondents support that NEPSE and Securities Board are able to protect investor's interest effectively.
2. On the specific opinion about the factors affecting the share price in commercial banks of Nepal, EPS was the most agreed observation. It means that share price is strongly affected by EPS.
3. The responses shows cash dividend, interest rate, dividends, political instability, risk of the company, information, rumors and whims, also affects the share price.

A study conducted by Mr. Bhandari (2009) entitled: *Trends of Stock Market Price in Nepalese Securities Market*.

The specific objectives of this research are given below:

1. To find out the trend of Nepalese stock market and economic growth of securities market.
2. To study the volume of share traded in NEPSE and stock market situation.
3. To analyze the impact of the signaling factors on the stock market price with the help of NEPSE Index.
4. Study on legal provisions relating to protection of investor's interest.
5. To analyzed the investors view regarding the investment in Nepalese stock market.
6. To identify the trend and development of stock market and economy growth and to assess the relationship of stock market indicators with different macroeconomic indicators.

The major findings based on the analysis are presented as following:

- The market price of the sample companies during the fiscal year 2001/02 to 2006/07, have been presented which shows the fluctuation of the market price.
- The market price per share (MPS) and leverage of the companies shows as significant results, it means that the rise or fall in the above financial variable can fall and rise in the market price in vice- versa.
- From the analysis of average expected return and required rate of return all companies have greater required rate of return than expected rate of return. So, the company's stock price is over priced. Average expected rate of return of BOKL has high i.e. 22.8% and the required rate of return of PFC is highly i.e. 64.87%. The PFC has low expected rate of return i.e. -4% and required rate is lower of NABIL Bank Ltd. i.e. 25.9%.
- All the selected companies' beta coefficient has low, that indicates all selected companies have less risky. From the calculate data when average expected return is low investors should not purchase the share and they would invest less risky

assets compared to shares but this results occur due to the only five years data directly decreasing interest rate and risk free rate.

- The market return of banking sectors have around to overall market return i.e.12.71%, standard deviation is 31.95% and coefficient of variation is 251.69%. The price movements of these sectors have randomly. Market return of Insurance & Finance sector have around to overall market return i.e. 8.78%, standard deviation 15.08% and coefficient of variation 171.72%.
- The correlation co-efficient analysis tests conducted for the sample companies. It shows that there is two types i.e. positive and negative relationship between EPS with NWPS and EPS with DPS relations are positively.
- The PFL and KFCL have negative correlation co-efficient, to EPS with NWPS and EPS with DPS have all positively correlation of selected companies.
- There is increasing and positive factors of all selected companies, such as DPS, MPS, EPS and BVP. In 2001/02 BOKL has not distributed DPS. In year 2001/02, 2002/03, PFL, 2003/04 KFCL and 2001/02, 2003/04, 2004/05, 2005/06 EICL not declare DPS.
- The run test for randomness finds the result of price movement randomly. All companies test have significant results and all the calculated value is lower than actual. This shows that average, the pricing behavior of the selected companies is significantly affected by EPS, DPS & NWPS. This relationship model is also statistically significant at 5% level of significant.
- Number of transaction companies was found in increasing trend except the year 2000/01 and listing of new companies showed increasing trend from the fiscal year 1993/94 to 2000/01 but in the fiscal year 2001/02 the companies were decreased due to de-listed the 25 companies from NEPSE thereafter increase.
- The sector wise no of first position listed companies in NEPSE are financial sectors i.e.53 companies and trading and other sectors are lastly position i.e. 5 and 5 companies.

- Annual turnover of commercial field are high position i.e. 5563.49 million in year 2006/07 and hotels are last i.e. 7.04 millions.
- In year 2004/05 the volume of stock traded is high i.e. 18433.55 thousand, 1998/99 is low, i.e. 4857 thousand. It clears that the fluctuation trend.
- Market capitalization and paid up value of listed sector of commercial field are no first i.e. 74.04% & 47.19% and trading last i.e. 0.42% and 0.26%. The paid up capital of Nabil bank is high total of selected companies and paid up value and listed shares of Bank of Kathmandu is high.
- The NEPSE index of different months of fiscal year 2002/03, 2003/04 was in fluctuating trends, which was no better performance for stock market.
- All of the selected companies have negative beta coefficient, which measures the risk of individual securities in relative term, suggested that non of the shares of companies are highly risky i.e. less risky of all companies compared to others average stock traded in NEPSE.
- On analyzing the primary data collected from the respondent most of the investors were asked for their preference of investment sector major portion of them choose the banking financial sector and minor for manufacturing & processing and insurance.
- It was found that the investors' major motives for owing the shares of company are for better price appreciation and to receive the dividend.
- An evident find out from the study is that Nepalese stock market has the shortage of professional investors. It seems that investors buy the stock only for dividend and they are not interested on speculative motive. Some investors are interested on the pricing behavior but hey are not interested on trading of the shares in secondary markets. Similarly, people are only investing in shares with the excess money they have over their expenditure. So, Nepalese security market has the shortage of professional investors.
- Major of the investors are not trading in secondary market and those who trade in secondary market, sold their shares due to the expected price appreciation and few

of the investors sell their shares due to the non declaration of the dividend by the company.

- As per the respondent major of the investor who purchases the shares from the secondary market purchase it due to the high rate of dividend.
- The respondents are aware about the price of their share which they own that major of the respondents used to seek the price of their shares on weekly basis on secondary market.
- It has been proved that the major influencing factor to the price of the shares is current dividend that respondents given the high weight for dividend and lowest weight was given to the volume of transaction out of options.
- As per the respondents investors are not satisfied for the level of return which they are getting as major of the respondents replied for level of return to low out of the five options.

2.4 Research Gap

It is found that very few studies have been conducted in the field of determinants of stock price. Specially, in terms of relationship of MPS with various financial indicators, researcher faces very difficulties to get such studies. Most of available studies do not show significant relationship between each other. Even a single study shows that the same financial indicator that has significant role in the fixation of MPS for one company is not significant for another company. In fact, such financial indicators play vital role to determine MPS in efficient market. Therefore, those previous studies need updating since share price is the crucial phenomenon in the stock market. This study may be helpful to analyze relationship between MPS and various financial indicators. It is also helpful to know the investors' awareness regarding financial indicators of the company in which they are going to invest.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

Research design is the plan, structure and strategy of the investigation conceived so as to obtain answer to research questions and to control variables. It directs a piece of research with logical planning (F. N. Kerlinger 1986:279)

“A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”

According to the needs and objective of the study data will be collected from publish documents such as books booklets, journals magazines previous thesis and other relevant article so the study will be based on both primary and secondary data. In my study several qualitative and quantitative analyses will be done collecting data from primary and secondary sources.

It is a procedural plan that is adopted by the researcher to answer questions with validity, objectivity, accuracy and economy. In this research after identifying the problem, the samples selection, sources of data collection, processing the data, analysis and interrelation of data are preformed systematically, from which the finding, conclusions are drown.

3.2 Population and Sample

As of February 2010 167 companies has been listed in Nepal Stock Exchange. NEPSE has classified these companies into 9 different category which is listed below.

Table-2
Listed Companies in Nepal Stock Exchange

Commercial Bank	23
Finance Company	62
Development Bank	33
Insurance Company	17
Hotel	4
Hydro Power	4
Manufacturing & Processing Company	18
Trading Company	4
Other	2

(Source: www.nepalstock.com/listedcompany.php 18 February, 2010)

To fulfill the objective of this study 3 companies were selected from commercial bank category and another 3 from finance company randomly as sample which is 13.04 % and 4.84% of total population respectively.

The names of the sampled companies are as follows:

1. Nabil Bank Ltd. (NBL)
2. Nepal Investment Bank Ltd. (NIBL)
3. Standard Chartered Bank Nepal Limited (SCBNL)
4. Annapurna Finance Company Ltd (AFCL)
5. Lalitpur Finance Company Ltd (LFCL)
6. Universal Finance Company Ltd (UFCL)

As far as sampling procedure is concerned, the stratified sampling method has been adopted. According to which, separate slips for each company, taken as population, were prepared and placed in the separate container, one for commercial banks and another for finance companies. Then three slips from each container were drawn out one by one. The companies marked in these drawn out slips are used in this study.

3.3 Sources of Data

The following sources of data have been used for the purpose of data:

3.3.1. Primary Sources

The primary data has been collected by observation, discussion and by distributing questionnaire if necessary and also by visiting issue manager, NEPSE, and other relevant organization. Other primary data has been collected from Securities Exchange Board and Nepal Stock Exchange and their official website.

3.3.2 Secondary Sources

Secondary data are collected from the mentioned source by official website of concern companies. The data for 6 year Period from year 2002/03 to 2007/08 are collected for the purpose of study. These data are assumed as reliable because of its authentic sources. This study has been conducted on the basis of the following secondary data and information. Informal talks have also been held as needed for supporting secondary data.

-) The year-ended equity share data sheet showing MPS, NWPS, EPS, DPS, balance sheet, profit and loss account etc.
-) Information that are relevant to the study available in various web-sites (especially web sites of NEPSE, Security Board of Nepal, Nepal Rastra Bank and other related companies)
-) Relevant books, journals, magazines, reports, bulletins, etc.
-) Previous thesis and studies
-) Internet and related Websites

3.4 Data Collection Techniques

The problem of the study lies in the fact that to what extent the MPS of selected companies is correlated with various financial indicators like, NWPS, EPS, DPS, etc. In order to achieve concrete answers to these questions, it needs various information.

First of all, the official web site www.nepalstock.com has been browsed in order to download the financial reports of the concerned companies and other relevant

information. But some companies' financial statements are not completely available, so, some of such information's are taken from NEPSE and some from the concerned companies' share departments.

On the other hand, in order to review different books and previous studies, frequent visits have been made Tribhuvan University Library, Shanker Dev Library, Min Bhawan Library and Public Youth Library. Similarly, in order to collect relevant documents, frequent visits are made to NEPSE office, SEBON office, Nepal Rastra Bank etc.

3.5 Data Processing Procedure

Data so obtained have no meaning unless they are arranged and presented in a systematic way. Further, they need to be verified and simplified for the purpose of analysis. Moreover, data and information so gathered are to be checked, edited and tabulated in such ways that provide convenience for computation and interpretation.

The relevant data have been inserted in meaningful tables. Only the data that are relevant to the study have been presented in the tabular form in the understandable way and unnecessary data have been excluded. It is attempted to find out the conclusion from the available data, with the help of various financial as well as statistical tools. An advanced computerized statistical program, SPSS, has been widely used to provide efficiency in calculation of statistical information.

3.6 Data Analysis Tools

3.6.1 Dividend Payout Ratio

This ratio depicts the percentage of profit distributed to the shareholders as dividend. In other words, it is the ratio between DPS and EPS.

$$\text{Dividend Payout Ratio (DPR)} \times \frac{\text{Dividend per share (DPS)}}{\text{Earning per share (EPS)}}$$

3.6.2 Return on Equity (ROE)

This ratio tells us the earning power of shareholders' book investment, which is calculated as follows:

Return on Equity (ROE) = $\frac{\text{Net profit available to common stockholders}}{\text{Shareholders' equity}}$

3.6.3 Karl Pearson's Coefficient of Correlation

Correlation is a technique for investigating the relationship between two quantitative, continuous variables, for example, age and blood pressure. Pearson's correlation coefficient (r) is a measure of the strength of the association between the two variables.

The first step in studying the relationship between two continuous variables is to draw a scatter plot of the variables to check for linearity. The correlation coefficient should not be calculated if the relationship is not linear. For correlation only purposes, it does not really matter on which axis the variables are plotted. However, conventionally, the independent (or explanatory) variable is plotted on the x-axis (horizontally) and the dependent (or response) variable is plotted on the y-axis (vertically).

The nearer the scatter of points is to a straight line, the higher the strength of association between the variables. Also, it does not matter what measurement units are used.

It 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 'r_{xy}' or simply 'r' can be obtained as

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

,where: n = number of observations in series X and Y; $\sum x$ = sum of observations in series X; $\sum y$ = sum of observation in series Y; $\sum x^2$ = sum of squared observations in series X; $\sum y^2$ = sum of squared observations in series Y; $\sum xy$ = sum of the 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 = 1, there is perfect positive relationship. If r = -1, there is perfect negative relationship. If r = 0, there is no correlation at all. (Gupta, 1999:519-521)

The closer the value of 'r' is 1 or -1, the closer the relationship between the variables and the closer 'r' is to 0, the less close relationship. [Shrestha and Manandhar, 1999 (2056):234]

Positive correlation indicates that both variables increase or decrease together, whereas negative correlation indicates that as one variable increases, so the other decreases, and vice versa.

3.6.4 Coefficient of Determination

In statistics, the coefficient of determination, R^2 is used in the context of statistical models whose main purpose is the prediction of future outcomes on the basis of other related information. It is the proportion of variability in a data set that is accounted for by the statistical model. It provides a measure of how well future outcomes are likely to be predicted by the model.

There are several different definitions of R^2 which are only sometimes equivalent. One class of such cases includes that of linear regression. In this case, R^2 is simply the square of the sample correlation coefficient between the outcomes and their predicted values, or in the case of simple linear regression, between the outcome and the values being used for prediction. In such cases, the values vary from 0 to 1. Important cases where the computational definition of R^2 can yield negative values, depending on the definition used, arise where the predictions which are being compared to the corresponding outcome have not derived from a model-fitting procedure using those data. R^2 is a statistic that will give some information about the goodness of fit of a model. In regression, the R^2 coefficient of determination is a statistical measure of how well the regression line approximates the real data points. An R^2 of 1.0 indicates that the regression line perfectly fits the data. Values of R^2 outside the range 0 to 1 can occur where it is used to measure the agreement between observed and modelled values and where the "modelled" values are not obtained by linear regression and depending on which formulation of R^2 is used. If the first formula above is used, values can never be greater than one. If the second expression is used, there are no constraints on the values obtainable.

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,

$$r^2 = \frac{\text{Explained variance}}{\text{Total variance}} \quad (\text{Gupta, 1999:585})$$

3.6.5 Regression Analysis

In statistics, regression analysis includes any techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps us understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables — that is, the average value of the dependent variable when the independent variables are held fixed. Less commonly, the focus is on a quantile, or other location parameter of the conditional distribution of the dependent variable given the independent variables. In all cases, the estimation target is a function of the independent variables called the regression function. In regression analysis, it is also of interest to characterize the variation of the dependent variable around the regression function, which can be described by a probability distribution.

Regression analysis is widely used for prediction (including forecasting of time-series data). Use of regression analysis for prediction has substantial overlap with the field of machine learning. Regression analysis is also used to understand which among the independent variables are related to the dependent variable, and to explore the forms of these relationships. In restricted circumstances, regression analysis can be used to infer causal relationships between the independent and dependent variables.

The performance of regression analysis methods in practice depends on the form of the data-generating process, and how it relates to the regression approach being used. Since the true form of the data-generating process is not known, regression analysis depends to some extent on making assumptions about this process. These assumptions are sometimes (but not always) testable if a large amount of data is available. Regression models for prediction are often useful even when the assumptions are moderately violated, although

they may not perform optimally. However when carrying out inference using regression models, especially involving small effects or questions of causality based on observational data, regression methods must be used cautiously as they can easily give misleading results

In conclusion, Regression analysis means the estimation or prediction of the unknown value of one variable from the known value of the other variable. It is a mathematical measure of the average relationship between two or more variables in terms of the original units of the data. In regression analysis, there are two types of variables. The variable whose value is influenced or is to be predicted is called *dependent variable* and the variable which influences the values or is used for prediction, is called independent variable. (Gupata, 1999:589-298)

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:

$$Y = Xa + bX$$

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

$$\sum Y = Xna + \sum bX \dots\dots\dots (i)$$

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

,where: Y = the value of dependent variable; a = Y-intercept; b = slope of the trend line/coefficient of regression; X = value of independent variable

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 in value of the independent variable X. In other words, it represents the rate of change. The convenient way to calculate the value of ‘b’ is as

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

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

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

Standard Error of Estimate

A measure of precision of the estimates so obtained from the regression equations is provided by standard error (S.E.E.) of the estimate. Standard error is a word analogous to standard deviation (which is measure of dispersion of observations about the mean of the distribution) and gives us a measure of the scatterness of the observations about the line of regression. (Gutpa, 1999:633-635)

Thus,

S_{yx} X S.E. of Estimate of Y for given X

$$S_{yx} X \sqrt{\frac{(Y - Y_c)^2}{n} \sum Y^2 (1 - r^2)^{1/2}}$$

$$S_{yx} X \sqrt{\frac{Y^2 - a Y - b XY}{n \sum Z^2}} \text{ [Shrestha and Manandhar, 1999 (2056):246]}$$

Analysis of Variance of Regression Line (Test of Regression Coefficient)

The significance of simple regression coefficient can be tested by testing the overall significance of the regression process by ‘analysis of variance’ or F-ratio (ANOVA). Steps that are to be followed for ANOVA have been presented as below.

Step 1:

Null hypothesis H_0 : $b=0$, i.e. the regression line of Y on X is not significant.

Alternative hypothesis: H_1 : $b \neq 0$, i.e. the regression line of Y on X is significant.

Step 2:

Computation of the test statistic by:

1. Finding the total variation, $SST = \sum (Y - \bar{Y})^2$
2. Calculating unexplained variation , $SSE = \sum S_{xy} (n - 2)$
3. Calculating the explained variation due to regression, $SSR = SST - SSE$
4. One away ANOVA table

5.

Source of variation	Sum of squares	Degree of freedom	Mean sum of squares	F - ratio
Regression	SSR	K-1	$MSC \times \frac{SSR}{K - 1}$	$F \text{ ZRatio } \times \frac{MSC}{MSE}$
Residual	SSE	N-K	$MSE \times \frac{SSE}{N - K}$	
Total	SST	N		

Step 3:

Write down the critical value of F for (K-1, N-K) the degree of freedom at 5% level of significance.

Step 4:

Take decision. If the calculated value of F is less than its critical value, H₀ is accepted, otherwise H₁ is accepted.

3.6.6 T – Test

The branch of statistics that helps in arriving at the criterion for avoiding the risk of taking wrong decisions is known as testing of hypothesis. (Gupta, 1999:1116-1117)

The t-distribution, commonly called the student's t-distribution, is used when sample size is equal to or less than 30 (termed small sample), the parent population from which the sample is drawn is normal, the population standard deviation is unknown, and the given sample is drawn by normal sampling method. In order to test the significance of an observed sample correlation coefficient, the following procedure is applied.

Null hypothesis: H₀: r = 0, i.e. the variables are uncorrelated in the population the static.

Alternate hypothesis: H₁: r ≠ 0, i. e. the variables are correlated in the population the static. (Joshi, 2001:178-185)

3.6.7 Statistical Software used in the Analysis

For statistical analysis (correlation, regression, F-test, t-test, etc) the computerized program statistical program for social science (SPSS), has been used. The relevant tables obtained from the SPSS output with necessary edition are presented.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

Introduction

This chapter deals with data presentation, analysis and interpretation following the research methodology deal with in the third chapter. In this course of analysis, data gathered from various sources have been inserted in the tabular form in annex1. By using financial as well as statistical tools, the data have been analysed. The results of the computation have also been summarized in appropriate tables. The samples of computation of each model have been included in annexes. Basically the following financial tools have been carried out:

-) Correlation coefficient analysis tools
-) Simple regression analysis tools
-) Multiple regression analysis tools
-) Questionnaire Analysis

4. Interpretation & Analysis of Data

4.1. Secondary Data Analysis

Relationship of MPS with Various Financial Indicators

The relationship of MPS with various financial indicators like EPS, NWPS, DPS and DPR is evaluated through two methods. The first one is calculation of correlation coefficient between MPS and various financial indicators. Similarly the second is to derive regression analysis of MPS on various financial indicators.

4.1.1 Correlation Coefficient Analysis

Correlation coefficient is the best measures to evaluate and examine the relationship between two variables. It showed the positive relation, negative relation and no relation between two variables. For this research purpose the Six year (2002-2008) related data

are first gathered and tabulated and then correlation coefficient of MPS with other financial indicators is calculated for the selected companies. The following table summarizes the correlation coefficient between MPS and various financial indicators.

Table 3

Relationship between MPS and EPS, NWPS, DPS and DPR of Commercial Banks and Finance Companies.

N.	Name of Company	EPS	NWPS	DPS	DPR
1.	Nabil Bank Ltd. (NBL)	.655 (.429)	.754 (.568)	.471 (.222)	-.077 (.006)
2.	Nepal Investment Bank Ltd. (NIBL)	.714 (.510)	.173 (.030)	-.689 (.475)	-.788 (.621)
3.	Standard Chartered Bank Nepal Ltd.(SCBNL)	.031 (.001)	.034 (.001)	-.748 (.559)	-.816 * (.666)
4.	Annapurna Finance Company LTD. (AFCL)	-.431 (.186)	-.434 (.188)	-.024 (.001)	.498 (.248)
5.	Lalitpur Finance Company Limited(LFCL)	.368 (.135)	.167 (.028)	.517 (.268)	.486 (.236)
6.	Universal Finance Company (UFC)	-.042 (.002)	.576 (.332)	-.539 (.291)	-.510 (.261)

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

Note:

) The figure in bracket with bold letter, () denotes the coefficient of determination

) * correlation is significant at 0.05 level (2-tailed)

Table 3 shows the relationship between MPS and other financial indicators, their significance test and coefficient of determination. The correlation coefficient shows the relationship among different variables, statistical test to test the significance of correlation coefficient and the coefficient of determination to explain the variation in dependent variable due to the variation in independent variable. Positive correlation indicates that both variables increase or decrease together, whereas negative correlation indicates that as one variable increases, so the other decreases, and vice versa. For example, if correlation between MPS and EPS is positive, it indicates that if MPS increase than EPS also increase. If MPS is decrease EPS also decrease. If there is negative relation between EPS and MPS it indicates that, if MPS increase, than EPS decrease and vice versa.

Nabil Bank Ltd. (NBL)

The correlation coefficients of Nabil banks MPS with EPS, NWPS, DPS, and DPR are 0.655, 0.754, 0.471 and -0.077 respectively. There exists positive correlation of MPS with EPS, NWPS, DPS and negative correlation of MPS with DPR which are statistically significant and explains that MPS was positively influenced by EPS, NWPS, DPS and negatively influenced by DPR. If MPS increase/decrease than it causes EPS, NWPS & DPS also increase/decrease. But in case of DPR if MPS increase, DPR will decrease and if MPS decrease DPR will increase.

Similarly, the coefficient of determination of MPS with EPS, NWPS and DPS are 0.429, 0.568 and 0.222 which show that 42.9%, 56.8 % and 22.2% variation of MPS are explained by EPS, NWPS and DPS respectively. The correlation coefficient is negative in case of DPR but they are not statistically significant because the nominal portion of variation is explained by this indicator as exposed by the lower coefficient of determination.

Nepal Investment Bank Ltd. (NIBL)

The correlation coefficient of Nepal investment bank's MPS with EPS, NWPS, DPS, and DPR are 0.714, 0.173, -0.689 and -0.788 respectively. There is the negative correlation between DPS and DPR and coefficient of determination is 0.621. This indicates that 62.1 percent of variation in MPS is determined by DPR. Similarly, there is the negative relationship among MPS and DPS but the variation of changes are low and statistically the relationship is not significant. On the other hand, the correlation coefficients of MPS with EPS & NWPS are positive but low relation between MPS and NWPS. Such relationship is statistically significant. The coefficients of determination of EPS and NWPS are 0.51 and 0.030 which imply that 51% and 3% variation of MPS are explained by EPS and NWPS but in case of NWPS it is not statistically significant because the nominal portion of variation is explained by this indicator as exposed by the lower coefficient of determination.

Standard Chartered Nepal Bank Ltd. (SCNBL)

The correlation coefficients of MPS with EPS, NWPS, DPS, and DPR are 0.31, 0.34, -.748 and -0.816 respectively. There are positive correlation between MPS with EPS, and NWPS and negative correlation between MPS with DPS and DPR. The relation between MPS and DPR is high negative correlation.

The coefficient of determination between MPS with EPS, NWPS, DPS and DPR are 0.01, 0.01, 0.559 and 0.666 which means that 1%, 1% 55.9% and 66.6% respectively. There is very low variation in MPS are explained by EPS & NWPS, in case of EPS and NWPS it is not statistically significant because the nominal portion of variation is explained by this indicator as exposed by the lower coefficient of determination.

Annapurna Finance Company Ltd. (AFCL)

The correlation coefficients of MPS with EPS, NWPS, DPS, and DPR are -0.431, -0.434, -0.024, and 0.498 respectively. This indicates the negative relationship between MPS and key financial indicators except in the case of DPR. On the other hand, the coefficients of determination are 0.186, 0.188, 0.001, and 0.248 respectively; which means that 18.6 %, 18.8%, 1% & 24.8% variation of MPS are explained by EPS, NWPS, DPS & DPR. The relationship shown by the above figures between MPS and respective financial variables are not statistically significant.

Lalitpur Finance Company Limited (LFCL)

The correlation coefficient of MPS with EPS, NWPS, DPS and DPR are 0.368, 0.167, 0.517 and 0.486 respectively. This indicates the positive relationship between MPS and other financial indicators. There exists relatively high positive correlation of MPS with DPS which is statistically significant.

When observing the coefficients of determination for EPS, NWPS, DPS and DPR, the figures are 0.135, 0.028, 0.268 and 0.236 respectively which means that 13.5%, 2.8% 26.8% and 23.6% of the variation in MPS are explained by EPS, NWPS, DPS and DPR. These results imply that the minor portion of variation in MPS is cause by financial indicators.

Universal Finance Company (UFCL)

The correlation coefficients of MPS with various financial indicators like EPS, NWPS, DPS and DPR are -0.042, 0.576, -0.539 and -0.510 respectively. There is positive relationship between MPS and NWPS since the correlation coefficients are positive. This implies that MPS and the above mentioned financial indicators move towards the same direction. But, the respective coefficients of determination are very low. That is why, such relationship cannot be more important in order to influence MPS. Moreover, no such relationship is statistically important. On other hand, MPS is negatively correlated with EPS, DPS and DPR. This implies that an increase in EPS, DPS and DPR lead to a decrease in MPS. But, such relationship is not more important due to the least value of the coefficient of determination.

(For detail, see Annex 1, 2, 9, 16, 23, 30 and 37)

4.1.2 Regression Analysis

Regression analysis is known as a useful device to determine the strength of relationship between independent and dependent variables. It is considered to be an important statistical device that helps to predict or forecast the value of dependent variable when the value of independent variable is already known. In statistics, regression analysis includes any techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps us understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables — that is, the average value of the dependent variable when the independent variables are held fixed. Less commonly, the focus is on a quantile, or other location parameter of the conditional distribution of the dependent variable given the independent variables. As this study focuses on the determinants of stock price (MPS), MPS may be dependent upon various financial indicators (EPS, NWPS, and DPS & DPR). That is

why, it is attempted here to analyze and evaluate the influence of various financial indicators on MPS separately.

4.1.2.1 Simple Regression Analysis

In simple regression analysis, the linear relationship between only two variables, one independent and the other dependent variable and based upon this relationship, we could predict the value of dependent variable for a given value of independent variable.

Table 4
Regression Equation of MPS on EPS: (MPS = a + b EPS) of Commercial banks and Finance Companies.

S.N.	Company	Regression Coefficient		SE of b	r ²	SEE	F	Significance F
		Constant (a)	Slope (b)					
1	Nabil Bank Ltd. (NBL)	-4508.512	65.202	37.606	0.429	1710.517	3.006	0.158
2	Nepal Investment Bank Ltd. (NIBL)	-1062.69	46.18	22.645	0.51	511.885	4.158	0.111
3	Standard Chartered Bank Nepal Ltd.(SCBNL)	3065.836	4.211	67.369	0.001	2475.885	0.004	0.935
4	Annapurna Finance Company LTD. (AFCL)	933.439	-5.769	6.037	0.186	421.972	0.913	0.393
5	Lalitpur Finance Company (LFCL)	203.58	3.356	4.245	0.135	255.013	0.625	0.473
6	Universal Finance Company (UFCL)	200.978	-0.666	7.941	0.002	65.371	0.007	0.937

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

Table 4 depicts the major output of simple regression analysis between MPS and EPS of the sampled companies. The regression coefficients (b) of NBL, NIBL, SCBNL, and LFCL are positive of 65.202, 46.18, and 4.211 and 3.356 respectively. They indicate that one rupee increase in 65.202, 46.18, 4.211 and 3.356 respectively. This prediction of MPS is strong only for NBL, NIBL and very weak for SCBNL, AFCL, LFCL and UFCL because the respective coefficients of determination (r²) are 0.429, 0.510, 0.001, 0.186, 0.135 and 0.002. This implies that the variations in MPS is due to influence of the EPS are 42.9 %, 51%, 0.1%, 18.6%, 13.5% and 0.2% respectively, and the remaining variation is explained by other variables or factors. But, the prediction may vary by rupees 1710.517, 511.885, 2475.885, 421.972, 255.013 and 65.371 respectively, as revealed by the figures of standard error of estimates (SEE).

The F-significance value is less than 0.05 in the case of SCBNL and UFCL i.e. 0.004 & 0.007 respectively, which indicates that the relation is statistically significant and the independent variable EPS do good job in explaining the variation in MPS. But, in case NBL, NIBL, AFCL and LFCL the F-significance values are greater than 0.05, which indicates that the results so obtained with the help of this model are not significant.

On the other hand, the values of 'b', in the case of AFCL and UFCL are negative, i.e. - 5.769 and -0.666. This implies that there is a reverse effect of EPS on MPS, i.e. an increase in EPS by rupee one may decrease MPS by rupees 5.769 and 0.666 on average. Such results in practice are incredible and the relation is also very weak, as provoked by r^2 which are undoubtedly very low. Similarly, the F-significance value of AFCL is 0.393 and of UFCL is 0.937 which is higher than 0.05 which indicate that the results so obtained with the help of this model is not significant. Hence it can be said that, the variation in MPS of these companies dose not depend upon the variation in EPS. (*For detail, see Annex 1, 3, 10, 17, 24, 31 and 38*)

Table 5

The Regression Equation of MPS on NWPS of Commercial banks and Finance Companies.

S.N.	Company	Regression Coefficient		SE of b	r ²	SEE	F	Significance F
		Constant (a)	Slope (b)					
1	Nabil Bank Ltd. (NBL)	-6996.341	28.08	12.245	0.568	1487.91	5.258	0.084
2	Nepal Investment Bank Ltd. (NIBL)	-189.131	6.694	19.109	0.03	720.085	0.123	0.744
3	Standard Chartered Bank Nepal Ltd.(SCBNL)	3493.786	0.455	6.716	0.001	2475.674	0.005	0.949
4	Annapurna Finance Company LTD. (AFCL)	1026.949	-1.496	1.553	0.188	421.309	0.929	0.39
5	Lalitpur Finance Company (LFCL)	0.993	1.692	4.979	0.028	270.339	0.115	0.751
6	Universal Finance Company (UFCL)	-31.811	1.392	0.988	0.332	53.48	1.987	0.231

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

In table 5 the results of simple regression equation of dependent variable MPS and independent variable NWPS have been presented. So far as 'b' is concerned, it is positive in the case of NBL, NIBL, SCBNL, LFCL and UFCL, i.e. 28.080, 6.694, 0.455, 1.692 and 1.392 respectively. This implies that one rupee rise in NWPS causes 28.080, 6.694, 0.455, 1.692 and 1.392 respectively rupees rises in MPS for respective companies. But, as per SEE data, these predictions may vary by 1487.91, 720.085, 2475.674, 270.339 and

53.48 respectively. Amongst sampled companies, the value of SE 'b' for NIBL is the highest (19.109), but the value of r^2 is relatively low (0.030). Further, this relationship is not significant since the significance value of F is higher than 0.05, i.e. 0.744. NBL's 'b' lies in the second highest rank, i.e.12.245, and r^2 is 0.568. This indicates the major portion of variation i.e. 56.8 percent of variation in MPS led by the variation in NWPS. However, this relationship is statistically not significant since the significance F-value 0.084 is higher than 0.05.

In the case of SCBNL, LFCL and UFCL the values of 'b' are relatively unimportant and prediction made by this model is very poor because the values of r^2 are comparatively smaller. However, their relationships are statistically insignificant while observing significance value of F which is higher then 0.05.

Conversely, in the case of AFCL, the value of 'b' is negative, which show that when NWPS of these companies increase, it may influence reversely MPS of these companies. Such results are not practicable as an increase in assets should necessarily increase its' market value Thus, the regression model of MPS on NWPS for these companies is not applicable Therefore, it can be said that MPS of these companies is not depended on NWPS. (For detail, see Annex 1, 4, 11, 18, 25, 32 and 39)

Table 6

Regression Equation of MPS on DPS: ($MPS = a + b DPS$) of Commercial banks and Finance Companies.

S.N.	Company	Regression Coefficient		SE of b	r^2	SEE	F	Significance F
		Constant (a)	Slope (b)					
1	Nabil Bank Ltd. (NBL)	-1147.245	52.776	49.409	0.222	1996.856	1.141	0.346
2	Nepal Investment Bank Ltd. (NIBL)	2289	-72	37.855	0.4756	529.745	3.618	0.13
3	Standard Chartered Bank Nepal Ltd.(SCBNL)	12094.845	-79.895	35.47	0.559	1644.684	5.074	0.087
4	Annapurna Finance Company LTD. (AFCL)	653.102	-0.464	9.589	0.001	467.526	0.002	0.964
5	Lalitpur Finance Company (LFCL)	248.333	4.633	3.832	0.268	234.663	1.462	0.293
6	Universal Finance Company (UFCL)	201.661	-4.275	3.339	0.291	55.102	1.64	0.27

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

Table 6 shows the results of simple regression analysis of MPS on DPS for the sampled companies. The regression slops (b) is positive in the case of NBL, which is 52.776 and LFCL, which is 4.633. This depicts the fact that if one rupee is increased in DPS, then it

leads to an increase in MPS of NBL by rupees 52.776 and LFCL by rupees 4.633. But, this prediction may vary by 1996.856 for NBL and 234.663 for LFCL respectively. The data of r^2 denote that the changes in MPS, due to the changes in DPS in the case of NBL, is 22.2 percent, it is statistically not significant as the value of significance F-value is greater than 0.05 (0.346). The regression model of MPS on DPS does not explain firmly the dependency of variation in MPS due to the variation in DPS.

In the case of NIBL, SCBNL, AFCL and UFCL the values of 'b' are negative, i.e. -72.00, -79.895, -0.464 and -4.275 respectively, which means that there exists exactly the opposite relation between MPS and DPS. In other words, a rise in DPS leads to a fall in MPS. The significance values of F are greater than 0.05, so it can be concluded that DPS does not explain the variation in MPS. (For detail, see Annex 1, 5, 12, 19, 26, 33 and 40)

Table 7

The Regression Equation of MPS on DPR: ($MPS = a + b DPR$) of Commercial banks and Finance Companies.

S.N.	Company	Regression Coefficient		SE of b	r^2	SEE	F	Significance F
		Constant (a)	Slope (b)					
1	Nabil Bank Ltd. (NBL)	4169.29	-23.621	152.116	0.006	2256.999	0.024	0.884
2	Nepal Investment Bank Ltd. (NIBL)	2255.804	-33.56	13.111	0.621	450.093	6.552	0.063
3	Standard Chartered Bank Nepal Ltd.(SCBNL)	13448.73	-140.526	49.719	0.666	1430.832	7.989	0.048
4	Annapurna Finance Company LTD. (AFCL)	325.147	4.215	3.669	0.248	405.515	1.32	0.315
5	Lalitpur Finance Company (LFCL)	106.486	7.695	1.633	0.816	339.817	22.214	0.005
6	Universal Finance Company (UFCL)	200.15	-1.047	0.882	0.261	56.264	1.409	0.301

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

Table 7 is for summarizing the results of simple regression analysis of MPS on DPR. As far as the values of 'b' are concerned, they are positive for AFCL and LFCL which are 4.215 and 7.695 respectively. This implies that MPS and DPR have positive relationship. LFCL's value of 'b' is the highest 7.695 among the selected companies. The r^2 of both company are 0.248 and 0.816. The significance of F value is greater than 0.05 in the case of AFCL this states that the regression model of MPS on DPR described above is not

significant or this regression equation cannot explain the interrelationship of MPS with DPR accurately for AFCL where as the significance of F value is less than 0.05 i.e. 0.005. This states that the regression model of MPS on DPR described above is significant and it explain the interrelationship of MPS with DPR accurately.

But, in the case of NBL, NIBL, SCBNL, and UFCL the values of 'b' are negative which are -23.621, -33.560, -140.526 and -1.047 respectively. This explains that one percent increase in DPR may lead to -23.621, -33.560, -140.526 and -1.047 rupees decrease in MPS of these companies respectively. Since the values of r^2 are strong in case of NIBL, SCBNL and LFCL i.e. 62.1%, 66.6% and 81.6%. This indicates the major portion of variation i.e. 62.1, 66.6 and 81.6 percent of variation in MPS led by the variation in DPR. And, this regression model is not statistically significant due to the higher significance F-values. In conclusion, DPR may not be the important factor in bringing changes in share price. *(For detail, see Annex 1, 6, 13, 20, 27, 34 and 41)*

4.1.2.2 Multiple regression equation Analysis

Multiple regression is a flexible method of data analysis that may be appropriate whenever a quantitative variable (the dependent or criterion variable) is to be examined in relationship to any other factors (expressed as independent or predictor variables). Relationships may be nonlinear, independent variables may be quantitative or qualitative, and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account (Cohen, Cohen, West, & Aiken, 2003).

Multiple regression analysis helps to establish the functional relationship between more than two variables and thereby provides a mechanism for estimation. However, multiple regression analysis is applied here in order to analyze the combined effect MPS on EPS and NWPS, *EPS and DPS* of the sampled companies.

Table 8

Multiple Regression Equation of MPS on EPS and NWPS: ($MPS = a + b_1EPS + b_2NWPS$) of Commercial banks and Finance Companies.

Company	Description	a	b1	b2	r ²	SEE	F – value	Sig. f
NBL	Coefficient Values	10815.478	-231.841	113.268	0.765	1266.205	4.893	0.114
	Standard Error	4338.24	145.93	54.624				
	t' Value	-2.493	-1.589	2.074				
	Sig. t-value	0.088	0.21	0.13				
NIBL	Coefficient Values	3231.321	76.783	-25.924	0.732	436.808	4.102	0.139
	Standard Error	2903.28	27.37	16.42				
	t' Value	1.113	2.805	-1.579				
	Sig. t-value	0.347	0.068	0.212				
SCBNL	Coefficient Values	2908.335	3.93	0.429	0.002	2857.451	0.003	0.997
	Standard Error	12212.29	7.77	0.002				
	t' Value	0.238	0.05	0.055				
	Sig. t-value	0.827	963	0.959				
AFCL	Coefficient Values	1058.662	2.048	-2.022	0.189	486.429	0.349	0.731
	Standard Error	1308.37	77.923	20.076				
	t' Value	0.809	0.026	-0.101				
	Sig. t-value	0.478	0.981	0.926				
LFCL	Coefficient Values	450.945	4.147	-1.328	0.145	292.79	0.254	0.791
	Standard Error	1359.441	6.475	7.163				
	t' Value	0.332	0.64	-0.185				
	Sig. t-value	0.762	0.567	0.865				
UFCL	Coefficient Values	95.703	-7.263	1.958	0.486	54.172	1.418	0.369
	Standard Error	205.05	7.662	1.165				
	t' Value	0.467	-0.948	1.681				
	Sig. t-value	0.672	0.413	0.191				

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

Table 8 shows the regression analysis of MPS on EPS and NWPS of the sampled companies. The major results of the analysis have been interpreted briefly for each company separately.

NBL

As per the above table of Multiple Regression Analysis, a_1 the regression constant NBL is -10815.478 which implies that MPS does not go below that level even if the values of

EPS and NWPS are zero. However negative MPS is ridiculous in practice. The regression coefficient b_1 represents that one rupee increase in EPS leads to an average decrease in MPS by -231.841 if the NWPS is kept constant. However the value of b_1 may vary by rupees 145.93 as it explained by the standard error of b_1 . Similarly, the regression coefficient b_2 measures the average effect of NWPS on MPS. The value of b_2 being 113.268 indicates that one rupee increase in NWPS leads to an increase in MPS by Rs. 113.268, holding the EPS is constant. The coefficient of determination r^2 explains that 76.50% variation in MPS is caused by the variation in EPS and NWPS respectively, rest of percentage variation in MPS is due to the other extraneous factors. The standard error of estimate of that model reveals the fact that the estimation of MPS might vary by Rs. 1266.205. The multiple regression models of MPS on EPS and NWPS are not statistically significant because the calculated F- Value (4.893) is less than tabulated F- value (19.00) of 5% significance level or significant value of F is 0.114 which is greater than 0.05.

NIBL

The values of a, b_1 and b_2 of Nepal investment bank limits are 3231.321, 76.783 and -25.924 respectively, which shows that MPS does not fall below 3231.321 even if EPS and NWPS are zero and that an one rupee increase in EPS leads to 76.783 rupees increase in MPS, when other variables remain constant and an increase of one rupee in NWPS leads to a decrease in MPS by 25.924 rupees, on average, if other variables remain constant. But the values of a, b_1 and b_2 may vary by 2903.28, 27.37 and 16.42 respectively.

The coefficient of determination r^2 explains that 73.20% variation in MPS is caused by the variation in EPS and NWPS respectively, rest of percentage variation in MPS is due to the other factors. The multiple regression models of MPS on EPS and NWPS are not statistically significant because the calculated F- Value (4.102) is less than tabulated F- value (19.00) of 5% significance level or significant value of F is 0.139 which is greater than 0.05.

SCBNL

The values of b1 and b2 of Standard Chartered Bank Nepal limited are 3.930 and 0.429 which indicate that when EPS is increased by one rupee on average, the value of share in the market (MPS) will decrease by 3.930 rupees and an one-rupee increase in NWPS leads to an increasing 0.429 in MPS if other variables are constant. But these values may vary by 7.77 and 0.002 rupees respectively. MPS in the market will not go down below 2908.335 even if the values of EPS and NWPS are zero. But, this may vary by 12212.29. The predictions of a, b1 and b2 are not statistically significant because of the greater significance t-values. The coefficient of determination r^2 shows 0.2 percent of the variation in MPS due to variation in EPS and NWPS and rest of percentage variation in MPS is due to the other factors. The multiple regression models of MPS on EPS and NWPS are not statistically significant because the calculated F- Value (0.003) is less than tabulated F- value (19.00) of 5% significance level or significant value of F is 0.997 which is greater than 0.05.

AFCL

The values of a, b1 and b2 are 1058.662, 2.048 and -2.022 respectively, which shows that MPS does not fall below 1058.662 even if EPS and NWPS are zero and that an one rupee increase in EPS leads to 2.048 rupees increase in MPS, when other variables remain constant and an increase of one rupee in NWPS leads to a decrease in MPS by 2.022 rupees, on average, if other variables remain constant. But the values of a, b1 and b2 may vary by 1308.370, 77.923 and 20.076 respectively.

As indicated by t-statistics, the predictions are not statistically significant. The model yields very weak result as only 18.9 percent changes in MPS is explained by EPS and NWPS. This result may fluctuate by 486.429 rupees and The multiple regression models of MPS on EPS and NWPS are not statistically significant because the calculated F- Value (0.349) is less than tabulated F- value (19.00) of 5% significance level or significant value of F is 0.731 which is greater than 0.05.

LFCL

The above table no.7 shows the combined effect of EPS and NWPS on MPS of LFCL for the five years study period. The regression constant a_1 is 450.945 which imply that MPS does not go below that level even if the values of EPS and NWPS are zero. The regression coefficient b_1 represents that one rupee increase in EPS leads to an average increase in MPS by Rs.4.147 if other variable NWPS is kept constant. However the value of b_1 may vary by Rs.6.475 as it explained by the standard error of b_1 . Similarly, the regression coefficient b_2 represents that one rupee increase in NWPS leads to an average decrease in MPS by Rs.-0.328 if EPS is kept constant.

The coefficient of determination r^2 explains that 14.5% variation in MPS is caused by the variation in EPS and NWPS; whereas rest % variation in MPS is due to the other extraneous factors. As the significant F value is 0.791 which is more than 0.05, the relationship established or not statistically significant.

UFCL

The relationship of MPS with EPS and NWPS is negative because the value of b_1 and b_2 are -7.335 and -6.228 respectively. But this may vary by 8.102 and 4.041 rupees respectively. The MPS could not fall down to 427.163 rupees even if the values of EPS and NWPS are zero, but this may vary by 250.675. The values of a , b_1 and b_2 , made by this model, are not significant if t-statistics are considered. The model explains MPS only by 44.3 percent due to EPS and NWPS and this may deviated by 56.388. But, the results yield by this model cannot be significant as indicated by F-statistic which is higher then 0.05. In the above calculation, calculated F- Value (1.418) is less than tabulated F- value (19.00) of 5% significance level or significant value of F is 0.369 which is greater than 0.05. (For detail, see Annex 1, 7, 14, 21, 28, 35 and 42)

Table 9

Multiple Regression Equation of MPS on EPS and DPS: (MPS = a + b₁EPS + b₂DPS) of Commercial banks and Finance Companies.

Company	Description	A	b1	b2	r ²	SEE	F – value	Sig. f
NBL	Coefficient Values	-6844.681	166.185	-121.78	0.582	1691.013	2.084	0.271
	Standard Error	4696.928	103.507	116.494				
	t' Value	-1.457	1.606	-1.045				
	Sig. t-value	0.241	0.207	0.373				
NIBL	Coefficient Values	280.429	32.537	-47.742	0.674	481.957	3.102	0.186
	Standard Error	1565.587	24.035	38.823				
	t' Value	0.179	1.354	-1.23				
	Sig. t-value	0.869	0.269	0.306				
SCBNL	Coefficient Values	7064.164	40.012	-89.905	0.638	1719.786	2.649	0.217
	Standard Error	7355.617	49.316	39.088				
	t' Value	0.96	0.811	-2.3				
	Sig. t-value	0.408	0.477	0.105				
AFCL	Coefficient Values	876.09	-6.61	3.15	0.209	480.31	0.396	0.704
	Standard Error	446.86	7.43	10.66				
	t' Value	1.96	-0.889	0.296				
	Sig. t-value	0.145	0.44	0.787				
LFCL	Coefficient Values	293.782	-1.643	5.959	0.278	269.025	0.578	0.613
	Standard Error	267.722	7.881	7.731				
	t' Value	1.097	-0.208	0.771				
	Sig. t-value	0.353	0.848	0.497				
UFCL	Coefficient Values	427.163	-7.335	-6.228	0.443	56.388	1.193	0.416
	Standard Error	250.675	8.102	4.041				
	t' Value	1.704	-0.905	-1.541				
	Sig. t-value	0.187	0.432	0.221				

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

The results of regression analysis of MPS on EPS and DPS have been exhibited in Table 9. The brief interpretation of the findings has been also presented.

NBL

As per the above table of Multiple Regression Analysis, a₁ the regression constant NBL is -6844.681 which implies that MPS does not go below that level even if the values of EPS and DPS are zero. However negative MPS is ridiculous in practice. The regression coefficient b₁ represents that one rupee increase in EPS leads to an average decrease in

MPS by 166.185 if the DPS is kept constant. However the value of b_1 may vary by rupees 103.507 as it explained by the standard error of b_1 . Similarly, the regression coefficient b_2 measures the average effect of DPS on MPS. The value of b_2 being 121.78 indicates that one rupee increase in DPS leads to an increase in MPS by Rs.121.78, holding the EPS is constant. The coefficient of determination r^2 explains that 58.2% variation in MPS is caused by the variation in EPS and DPS respectively, rest of percentage variation in MPS is due to the other extraneous factors. The standard error of estimate of that model reveals the fact that the estimation of MPS might vary by Rs.1691.013. The multiple regression models of MPS on EPS and DPS are not statistically significant because the calculated F-Value 2.084 is less than tabulated F- value (19.00) of 5% significance level (or significant value of F is 0.271 which is greater than 0.05).

NIBL

As shown in the above table, the regression constant A of NIBL is 280.429 which imply that MPS does not go below that level even if the values of EPS and DPS are zero. The regression coefficient b_1 represents that one rupee increase in EPS leads to an average increase in MPS by 32.537 if the other variables DPS is kept constant. However the value of b_1 may vary by Rs.24.035 as it explained by the standard error of b_1 . Similarly, the regression coefficient b_2 measures the average effect of DPS on MPS. The value of b_2 - 47.742 indicates that one rupee increase in DPS leads to decrease in MPS by Rs. 47.742, holding DPS is constant. The coefficient of determination r^2 explains that 67.4% variation in MPS is caused by the variation in EPS, and DPS, whereas remaining variation in MPS is due to the other extraneous factors. The standard error of estimate of that model reveals that the estimation of MPS might vary by Rs.1565.587

The multiple regression models of MPS on EPS and DPS are not statistically significant because the calculated F- Value 3.102 is less than tabulated F- value (19.00) of 5% significance level (or significant value of F is 0.186 which is greater than 0.05).

SCBNL

As per above table of multiple regression analysis for determining the combined effect of EPS, and DPS on MPS of SCBNL for the five years study period. The regression constant a_1 is 7064.164 which implies that MPS does not go below that level even if EPS

and DPS are equal to zero. The regression coefficient b_1 represents that one rupee increase in EPS leads to an average increase in MPS by 40.012 if the variables DPS is kept constant. However the value of b_1 may vary by Rs.49.316 as it explains by the standard error of b_1 . Similarly, the regression coefficient b_2 measures the average effect of DPS on MPS. The value of b_2 , - 82.905 indicates that one rupee increase in DPS leads to decrease in MPS by Rs. 82.905 if the EPS is kept constant. The coefficient of determination r^2 explains that 63.8% variation in MPS is accounted for by the variation in EPS and DPS and 21.7% variation in MPS is due to the other irrelevant factors. The estimation of MPS might be inaccurate by Rs.1719.786 as the standard error of estimate. Similarly, the multiple relationships as explained by this model is statistically insignificant at 5% level because significant value of F is 0.217 which is greater than 0.05.

AFCL

As above table no.8 explains the multiple regression analysis to determine the combined effect of EPS and DPS of MPS during the five years study period. The regression constant a_1 is 876.09 which imply that MPS does not go below that level even if the values of EPS and DPS are zero. The regression coefficient b_1 represents that one rupee increase in EPS leads to an average decrease in MPS by 6.61 if the DPS is kept constant. However the value of b_1 may vary by Rs.7.43 as it explained by the standard error of b_1 . Similarly, the regression coefficient b_2 measures the average effect of DPS on MPS. The value of b_2 Rs.3.15 indicates that one rupee increase in DPS leads to increase in MPS by Rs. 3.15, holding the EPS is kept constant. However the value of DPS may vary by Rs.10.66 due to the standard error. The coefficient of determination r^2 explains that 20.9% variation in MPS is caused by the variation in EPS and DPS, whereas 70.4% variation in MPS is due to the other extraneous factors. The standard error of estimate of that model reveals that the estimation of MPS might vary by Rs.480.31 Similarly, the multiple relationships as explained by this model is statistically insignificant at 5% level because significant value of F is 0.704 which is greater than 0.05.

LFCL

The above table no 8 shows the combined effect of EPS and DPS on MPS of LFCL for the five years study period. The regression constant a_1 is 293.782 which imply that MPS does not go below that level even if the value of EPS and DPS are zero. The regression coefficient b_1 represents that one rupee increase in EPS leads to an average decrease in MPS by -1.643 if the DPS is kept constant. However the value of b_1 may vary by Rs.7.881 as it explained by the standard error of b_1 . Similarly, the regression coefficient b_2 measures the average effect of DPS on MPS. The value of b_2 being 5.959 indicates that one rupee increase in DPS leads to a increase in MPS by Rs. 5.959, holding the EPS is kept constant. However it may vary by Rs.7.731 due to the standard error of b_2 . The coefficient of determination r^2 explains that 27.8 % variation in MPS is caused by the variation in EPS and DPS and 61.3% variation in MPS is due to the other irrelevant factors. The estimation of MPS might be inaccurate by Rs.269.025 as the standard error of estimate. As the significant f value is 0.613 for LFCL which is more than 0.05, the relationship established by this model is insignificant at 5% level.

UFCL

The above table shows the summarized results of multiple regression analysis for determining the combined effect of EPS and DPS on MPS of UFCL for the five years study period. The regression constant a_1 of UFCL is 427.163 which imply that MPS does not go below that level even if EPS and DPS are equal to zero. The regression coefficient -7.335 for b_1 represents that one rupee increase in EPS leads to an average decrease in MPS by Rs. 7.335 if the DPS is kept constant. However the value of MPS caused by EPS may vary by Rs.8.102 as it explains by the standard error of b_1 . Similarly, the regression coefficient b_2 measures the average effect of DPS on MPS. The value of b_2 , -6.228 indicates that one rupee increase in DPS leads to decrease in MPS by Rs. 6.228 by leaving the EPS as constant. However the value of MPS may vary by Rs. 8.102 and Rs.4.041 by the effect of EPS and DPS separately as the standard error of b_1 and b_2 shows it. The coefficient of determination r^2 explains that 44.3% variation in MPS is accounted for by the variation in EPS and DPS and 41.6% variation in MPS is due to the other irrelevant factors. The standard error of estimate of that model reveals fact that the

estimation of MPS might vary by Rs.56.388. Similarly, the multiple relationship as explained by this model is statistically insignificant at 5% level because significant value of F is 0.416 which is greater than 0.05.

((For detail, see Annex 1, 8, 15, 22, 29, 36 and 43)

Table 10

The Cross Section Multiple Regression Analysis of Average MPS on Average EPS, NWPS and DPS of Commercial banks and Finance Companies. (Avg. MPS = a + b1 Avg. EPS + b2 Avg. NWPS + b3 Avg. DPS)

Company	Description	a	b1	b2	B3	r ²	SEE	F – value	Sig. f
Finance Companies	Coefficient Values	1197.602	-6.286	-2.945	4.099	0.3	314.919	0.286	0.835
	Standard Error	1064.344	30.266	6.025	11.419				
	T value	1.125	-0.208	-0.49	0.359				
	Sig.	0.377	0.855	0.672	0.754				
Commercial Banks	Coefficient Values	504.154	98.618	5.438	-159.882	0.913	756.451	6.962	0.128
	Standard Error	2886.596	29.602	6.143	40.93				
	T. value	0.175	3.332	0.885	-3.906				
	Sig.	0.877	0.08	0.469	0.06				

Source: Annual Reports 2006/07 & Annual Report of 2007/08 of respective companies

The table above depicts the multiple regression analysis of average MPS on average EPS, NWPS and DPS for commercial banks and financial companies separately. As far as commercial banks are concerned, the value of regression constant (a) is 504.154 which shows that when average EPS, NWPS and DPS remain zero, the average MPS may not fall down to the level of 504.154 rupees. But this prediction may vary by 2886.596 as indicated by the value of standard error. The regression coefficient values b1, b2 and b3 show that one rupee increase in average DPS or NWPS or EPS will increase MPS in average by 98.618 and 5.438 and decrease by 159.882 respectively. The prediction made by this model explains the relationship to the extent of 91.3 percent, which is shown by the coefficient of determination. But this prediction may vary by 756.451 as indicated by the value of SEE. This regression model of average MPS on average EPS, NWPS and DPS of Average MPS on Average EPS, NWPS and DPS of Commercial banks are not statistically significant because the calculated F- Value 6.962 is less than

tabulated F- value (9.552) of 5% significance level (or significant value of F is 0.128 which is greater than 0.05.)

On the other hand, if considered to finance companies, the value of regression constant is 1197.602 which shows that if average EPS, NWPS and DPS are zero, the average MPS will fall down to 1197.602. As shown by the regression coefficients, one rupee rise in the average EPS or NWPS or DPS may cause a decrease in the average MPS by 6.286 and 2.945 and increase by 4.099 rupees respectively. The value of coefficient of determination is 30 percent, which shows that the results obtained by the multiple regression equation of average MPS on average EPS, NWPS and DPS is explained to the extent of 30 percent. But the results so obtained may vary by 314.919 as indicated by the value of SEE. This regression model of average MPS on average EPS, NWPS and DPS of Average MPS on Average EPS, NWPS and DPS of Finance Company are not statistically significant because the calculated F- Value 0.286 is less than tabulated F- value (9.552) of 5% significance level (or significant value of F is 0.835 which is greater than 0.05).

Hence, it can be said that the interrelationship of average MPS with average EPS, NWPS and DPS is not statistically significant at 5 percent level of significance in both the cases of commercial banks and finance companies.

(For detail, see Annex 1, 44 and 45)

4.2 Primary Data Analysis

4.2.1 Questionnaire Analysis (Investors' awareness toward the investment decision)

To find out the investors awareness toward the determinants of the stock price and the relevant information regarding the stock price, 7 different types of questions has been prepared and distributed to different sectors respondents. Altogether 100 sets of questionnaires were presented in front of the respondents and all were responded. To get the quick and full response, all questions were objective types.

4.2.1.1 Investment in shares of listed companies

Have you invested in shares of the listed companies?

Yes	No	Total
100	-	100

The first question is asked regarding the investment pattern of shares of listed companies. All 100 respondents have given the positive answer i.e. they have invested in the shares of the listed companies.

4.2.1.2 Determinants of stock price in the share market

Do you know which of the following determinants is most influencing factor of the stock price?

EPS	DPS	NWPS	Don't know	Total
10	15	9	66	100

The second question is about the investors' knowledge of major determinants i.e. influencing factors of the stock price in Nepalese stock market. In this regard, different investors gave different views and their own ideas. 66 out of 100 respondents gave their views that they don't know about determinants of stock price. They have invested to the stock by rising trend of investing in the share market. 15 of the total 100 respondents gave views as dividend per share (DPS) as the influencing factors, 10 respondents said earning per share (EPS) is the major determinant of stock price and remaining 9 respondents gave views as net worth per share (NWPS) as the influencing factor. Theoretically, DPS, EPS and NWPS are the major determinants to influence the stock price of a company but the result reflected that only few respondents have knowledge about the fact.

4.2.1.3 Purpose of holding share

For what purpose are you holding shares of the company?

Much Earning	Social Status	Safe Investment	To be the Director	Total
85	4	11	-	100

The respondents are asked for reason of purchasing shares and the options are given as a) much earning b) social status c) safe investment d) To be the director. 85 out of 100 respondents said they own shares for much earning. Similarly 4 respondents own shares for social status and remaining 11 respondents own shares for safe investment. None of the respondents are interested to own shares to become director of the company. It shows that most of the respondents own shares for much return on investment.

4.2.1.4 Investors' interest in different sector

Which of the following sector would you prefer to invest?

Banking	Finance Company	Insurance Company	Other	Total
90	4	3	3	100

The respondents are asked another question about their interest to invest in different sector and the option were a) Banking b) Finance company c) Insurance company d) Other. 90 out of 100 respondents said they have invested in banking sector. Similarly 4 respondents have shown interest to invest in finance company, 3 respondents have also shown interest to invest in insurance company and remaining 3 respondents own shares of other sector. It reveals that major of the respondents own shares of banking sector.

4.2.1.5 Trading of shares in the secondary market

Have you ever bought/sold your shares in the secondary market?

Yes	No	Not Bought or Sold	Total
31	27	42	100

Investors are asked if they have ever bought/sold their shares in secondary market or not. 31 respondents have trade their shares in secondary market. 27 respondents have not trade shares in secondary market. Remaining 42 respondents said they own shares from primary market and they have never bought or sold their shares in the secondary market.

4.2.1.6 Investors' interest on price of shares

How often you seek the prices of securities you have invested?

Daily	Weekly	Monthly	Never	Total
49	30	13	8	100

Another question is asked to know the interest of investors towards increasing/decreasing trends of their shares price as how often they seek the price of stock. Out of 100 respondents 49 said they look for the price of shares daily. Similarly 30 respondents told that they seek for the price of shares weekly. 13 respondents said they look for the price of shares monthly and remaining 8 respondents said they never seek the price of share in which they have invested.

4.2.1.7 Investors views towards return on investment

What is the level of return you are presently getting in comparison to your expectation for investment?

High	Moderate	Low	Very low	Total
12	58	24	6	100

To know how much the investors are satisfied from the return from their investments, another question was presented to the respondents as the level of return from the investment presently getting in comparison to their expectation. 12 out of 100 replied that they are getting high level of return. Similarly, 58 respondents said moderate, 24 said low and 6 said very low level of return we are getting.

4.3 The Major Findings

On the basis of the above analyses and presentation, the major findings of the study are presented as follows:

4.3.1 Findings based on the Correlation Coefficient Analysis

1. NBL's MPS has positive relationship with EPS, NWPS, DPS and negative with DPR .
2. NIBL's MPS is reversely correlated with DPS and DPR. But it has positive relationship with EPS and NWPS.
3. SCNBL's MPS has positive correlated with EPS and NWPS. But negative with DPS and DPR Where the relationship MPS on DPR is statistically significant at 5 percent levels of significance.
4. As far as AFCL is concerned, its MPS is negative correlated with most of the correlated with DPS and DPR. financial indicators except DPR which is positive. But the relationship is not significant.
5. LFCL's MPS has positive correlation with EPS, NWPS, DPS and DPR. But no such relationship isn't statistically significant.
6. UFCL's MPS has positive relationship with NWPS and negative relationship with EPS, DPS and DPR. But the relationship is not significant.

4.3.2 Findings based on the Simple Regression Analysis

1. According to Simple regression analysis, in the case of NBL, the variation in dependent variable MPS is highly depended upon the independent variables EPS. The regression model for NIBL shows that EPS significantly affected the MPS of NIBL by 51%. 49% variation on MPS is caused due to the other factors. But this relationship established by regression model is statistically not significant at 5% level of significance as the value of significant f is 0.111 which is greater than 0.05.

2. The simple regression model of MPS on NWPS is only logical in the case of NBL that provokes higher influence of DPS to fluctuate MPS but it is not statistically significant. So far as other five companies are concerned, there is no logical explanation of dependency of MPS on NWPS.
3. According to Simple regression analysis, in the case of NBL, the variation in dependent variable MPS is highly depended upon the independent variables DPS. But in case of all companies, the relationship established by regression model is not statistically significant at 5% level of significance as the value of significant f of respective companies, which is greater than 0.05.
4. The regression model of MPS on DPR is not fitted for above sampled companies. This indicates that MPS cannot be influenced by changes in DPR.

4.3.3 Findings based on the Multiple Regression Analysis of MPS on EPS and NWPS

1. EPS and NWPS can have major influence in explaining MPS of NBL, NIBL, and UFCL, i.e. 76.5%, 73.2% and 48.6% respectively, but the relationship is statistically insignificant.
2. EPS and DPS may have major influence on MPS of NBL, NIBL and SCBNL i.e. 58.2, 67.4, and 63.8 percent but this relationship is statistically insignificant at 5 percent level.
3. The rest of the companies' MPS is weakly affected by variation in EPS and NWPS, and their relationship is not significant.

4.3.4 Findings based on the Analysis of MPS on EPS and DPS

1. NBL, NIBL, SCBNL and LFCL's MPS is highly influenced by the variation in EPS and DPS as shown by the coefficient of determination, and such interrelationship is insignificant at 5 percent level.
2. In the case of the AFCL and UFCL, very low percentage of variation in MPS is influenced by EPS and DPS, which is insignificant.

4.3.5 Findings base on the cross section multiple regression analysis

1. The variation in dependent variable avg. MPS is highly depended upon the independent variables Avg. EPS, Avg NWPS and Avg. DPS in case of both the finance companies, as well as commercial banks. However the variation in Avg. MPS in case of commercial banks (91.3%) is higher then that of finance companies (61.9%)

4.3.6 Findings based on the Analysis of primary data

1. Most of the respondents are not known about the determinants of stock price i.e. EPS, DPS and NWPS.
2. It was found that the investors' major motive for owning the shares of company is for much earning.
3. Most of the respondents choose the banking sector for their preference of investment. Only few respondents choose other sector.
4. Major of the investors are not trading in secondary market. Most of the investors bought shares from primary market and never sold those shares yet.
5. The respondents are aware about the price of their share which they own that major of the respondents used to seek the price of their shares on daily and weekly.
6. As per the respondents most of the investors are quite satisfied for the level of return which they are getting as major of the respondents replied for level of return to moderate out of the four options.
7. An evident find out from the study is that Nepalese stock market has the shortage of professional investors. It seems that investors buy the stock only for price appreciation of their investment and they are not interested on speculative motive. They are only investing with the excess money they have over their expenditure.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The general public investors do invest their scarce saving funds in the common stocks of the public companies through primary or secondary market, with the expectation of good returns in the future. We know that determination of MPS of any public companies should be in accordance with their financial performance. In other words, the key financial indicators like EPS, NWPS, DPS, ROE, DPR, etc have major influence in the fixation of MPS.

Similarly, the investors should be aware of the level of risk associated with the common stocks investment. The awareness of investment risk helps them to take necessary steps to minimize or avoid the risky investment.

Therefore, this study is focused on the analysis of the relation of MPS with different financial indicators of sampled companies comprising commercial banks and finance companies.

This study is totally based on the secondary data and information obtained from various financial reports, annual reports, regular publications, news, journals, official web-sites, etc. For the analysis, 3 commercial banks and 3 finance companies, have been taken as sample.

The study has attempted to identify the interrelationship of MPS with major financial indicators like EPS, NWPS, DPS, ROE and DPR, and the analysis is based on six years' observation. Most of the statistical computations are done with the help of SPSS program.

Besides, the correlation coefficient analysis, including the simple as well as multiple regression analysis, have also been carried out.

Simple regression analysis:

$$) \quad \text{MPS} = a + b \text{ EPS}$$

$$) \quad \text{MPS} = a + b \text{ NWPS}$$

$$) \quad \text{MPS} = a + b \text{ DPS}$$

$$) \quad \text{MPS} = a + b \text{ ROE}$$

$$) \quad \text{MPS} = a + b \text{ DPR}$$

Multiple regression analysis:

$$) \quad \text{MPS} = a + b_1 \text{ EPS} + b_2 \text{ NWPS}$$

$$) \quad \text{MPS} = a + b_1 \text{ DPR} + b_2 \text{ ROE}$$

$$) \quad \text{Avg. MPS} = a + b_1 \text{ Avg. EPS} + b_2 \text{ Avg. NWPS} + \text{Avg. DPS}$$

$$) \quad \text{Avg. MPS} = a + b_1 \text{ Avg. ROE} + b_2 \text{ Avg. DPR}$$

In order to check the reliability of statistical analysis, mostly T-test and F-test have been applied wherever appropriate.

As far as the results of correlation analysis are concerned, MPS of LFCL only is positively correlated with major financial indicators, but such relationship is statistically significant only in the case of NIBL. On the other hand, the rest of the companies' MPS seems to be negatively correlated with major financial indicators. Moreover, there seems to be exactly reverse relationship between MPS and DPS in most of the sampled companies.

From simple regression analysis, it is seen that MPS of different companies is dependent upon different financial indicators such as NFCL's MPS is dependent on DPS and NWPS, AFCL's MPS on EPS, etc. Similarly, the multiple regression analysis of MPS on EPS and NWPS explains the fact that NBL's MPS is dependent upon the function of EPS and NWPS which is statistically significant, and in the rest of the companies this regression model is not appropriate. The multiple regression models of MPS on DPR and ROE is fitted only in case of AFCL1 and NHDL.

On the other hand, the multiple regression models of MPS on EPS, NWPS and DPS, and MPS on ROE and DPR, based on average data are not statistically significant at 5 percent level of significance. As far as the correlation analysis, based on average data, is concerned, the interrelationship of MPS with EPS, NWPS and DPS is statistically significant at 5 percent level of significance (0.905, 0.847 and 0.912 respectively).

5.2 Conclusion

There is not a single financial indicator that has dominant role to determine MPS. The same financial indicator that has significant role in the fixation of MPS for one company is not significant for another company. The degree of interrelationship of MPS with different financial indicators varies from one company to another. There is no uniformity in the relationship of MPS with various financial indicators of the sampled companies.

If considered on the basis of the average data for the past 5 years, MPS of 10 financial institutions has higher positive correlation with major financial indicators such as EPS, NWPS and DPS, and such relationship is significant.

Hence, we can conclude that the Nepalese stock market is not efficient enough to determine MPS in accordance with the respective financial performance. The market price of share in Nepal is not indicative of a company's financial performance in Stock market. The share market is imperfect and is not efficient and is liable to manipulation. Basically, value of share price is to be determined by the future prospects of the company on the basis of past financial indicators. Unfortunately, our stock market does not run on the basis of proper information about the company.

5.3 Recommendations

The recommendations based on this study are as follows:

1. The Nepalese stock market (NEPSE, SEBO) should take some effective initiatives to control random fluctuation of MPS and establish the system of regular monitoring and evaluation of stock market.
2. Concrete steps should be undertaken to compel the public companies for the disclosure of factual information about themselves and their financial performance in proper time.
3. There is the necessity of separate body to analyze strengths and weaknesses of public companies which should disclose right information and suggestions to public investors about investment risk. This will help the investors to take proper investment decision at the right time to avoid or minimize the level of risk.

4. The public investors should not invest their savings in shares of public companies haphazardly. They should at least analyze or get suggestions from expert about the financial position and the level of investment risk prior to taking an investment decision.
5. People in Nepal have shown the tendency to run after those companies which have allocated higher bonus, probably at the cost of future growth and opportunities. People invest their hard money on the basis of rumours and hearsay that are spread in financial market rather than intuitive rational financial thinking. Therefore, there is need of credit rating agencies and investment banks to analyse the companies.
6. The public companies should provide updated reports to the investors periodically, informing actual financial position of the company.
7. The ultimate objective of any firm is to maximize the wealth position of its' investors, which largely depends upon the proper trends of EPS, NWPS, DPS, and ROE. This reality should be well imparted to the investors in order to make them rational in the field of investment for which the public companies themselves should frequently launch their well-designed awareness campaigns.

Brief Introduction of Selected Companies:

Nabil Bank Limited (NBL)

The arrival of Nabil Bank in Nepal on the 12th of July 1984 through a joint venture with Dubai Bank Ltd. under a Technical Service Agreement (TSA) marks a new dawn in the Nepalese banking industry. What is more admirable is with the opening of then Nepal Arab Bank Ltd, Customer Service or marketing took a U-turn. That in substance accelerated the evolution in banking products and services thereafter in Nepal. The bank commenced with a team of about 50 staff members and Rs. 28 million as capital. Today Nabil entering the 25th year of operation has proved that it has through its past progressions and through different phases in the banking industry achieved two things it can take pride in: first it has a large clientele base and supportive stakeholders, secondly, it has succeeded in positioning itself robustly in the market for which the credit goes to Team Nabil. Today the Bank has established itself as the Bank of 1st Choice. Nabil is the largest bank in terms of the network and number of branches amongst the commercial banks with a wide network of ATMs and offerings including a range of diversified service products. In this span of 24 years of banking operation Nabil has already distributed rich cash dividends, spectacular returns on asset and equity even during the most trying times. All of which endorses the strength and drive with which Nabil proceeds. Nabil have multiple sectors in focus to serve host of entrepreneurs as its new strategies are to expand dynamically, exploring new avenues and opportunities. Its Head office is in Kantipath, Kathmandu, Nepal.

Nepal Investment Bank Ltd. (NIBL)

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) was Credit Agricole Indosuez, a subsidiary of one of the largest banking groups in the world. With the decision of Credit Agricole Indosuez to divest, a group of companies comprising of bankers, professionals, industrialists and businessmen, in April 2002, acquired 50% of the holdings of Credit Agricole Indosuez in

Nepal Indosuez Bank. The name of the bank was changed to Nepal Investment Bank Ltd. upon approval of the Bank's Annual General Meeting, Nepal Rastra Bank and Company Registrar's Office. Its Head office is in Dabar Marg, Kathmandu, Nepal.

Standard Chartered Bank Nepal Limited (SCBNL)

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 having an ownership of 75% in the company with 25% shares owned by the Nepalese public. The Bank enjoys the status of the largest international bank currently operating in Nepal. Standard Chartered has a history of over 150 years in banking and operates in many of the world's fastest-growing markets with an extensive global network of over 1750 branches (including subsidiaries, associates and joint ventures) in over 70 countries in the Asia Pacific Region, South Asia, the Middle East, Africa, the United Kingdom and the Americas. As one of the world's most international banks, Standard Chartered employs almost 75,000 people, representing over 115 nationalities, worldwide. This diversity lies at the heart of the Bank's values and supports the Bank's growth as the world increasingly becomes one market. The global network of Standard Chartered Group gives the Bank a unique opportunity to provide truly international banking services in Nepal. Standard Chartered Bank Nepal Limited offers a full range of banking products and services in Consumer banking, Wholesale and SME Banking catering to a wide range of customers encompassing individuals, mid-market local corporate, multinationals, large public sector companies, government corporations, airlines, hotels as well as the DO segment comprising of embassies, aid agencies, NGOs and INGOs. It concentrates on projects that assist children, particularly in the areas of health and education. Environmental projects are also occasionally considered. It supports non-governmental organizations involving charitable community activities The Group launched two major initiatives in 2003 under its 'Believing in Life' campaign- 'Living with HIV/AIDS' and 'Seeing is Believing'. Its head office is in Baneshwor, Kathmandu, Nepal.

Lalitpur Finance Company Limited (LFCL)

Lalitpur Finance Limited (Bittiya Sanstha) is the first Finance Company of Lalitpur District owned by private sector. Established under the Finance Company Act 2042 and Company Act 2053, LAFIN has been performing its functions effectively under the guidance of Nepal Rastra Bank (Central Bank). The financial result of the company reflects its strong strength. The company was listed in Nepal Stock Exchange on September 18, 1998 (2055/06/02). Its head office is in Lagankhel, Lalitpur, Nepal.

Annapurna Finance Company Ltd. (AFCL)

Annapurna Finance Company Ltd. is a "Finance Company" started 15 years ago, incorporated in B.S. 6, Chaitra 2049 and commenced from 14 Ashwin 2050. It is first finance company incorporated outside Kathmandu Valley. It is well managed by Management and Business expertise and growing fast and smoothly. Since its Inception, it has always been running on profit. This company is awarded with the "Letter of Appreciation" for its Excellent Performance amongst the finance companies by Nepal Rastra Bank (NRB) on its 50 Anniversary. It is the first finance company to achieve such glory in the history of Nepalese Financial Institution. This is national level finance company. Annapurna is currently running with 7 branches, at Kathmandu, Kaski, Tanahu and Baglung. It has maintained a sound business volume and has been able to manage clients from wide areas of society. Soon, AFC is going to open it's 2 branches at Chitwan and Lakeside pokhara. Its head office is in Chipledhunga, Pokhara, Nepal.

Universal Finance Company Ltd. (UFCL)

Universal Finance Ltd. (Bittiya Sanstha) is one of the leading finance companies promoted by the professionals in the field of banking, finance, business, administration, project management and engineering and information technology. It was incorporated under the Finance Companies Act. 2042. And has been operating under the license no. B.Ka.18/2052 issued by Nepal Rastra Bank since 2052. Share Issued: The company had issued 150,000 shares to the public on 2052-11-16 (28-02-1996). Including the promoters, presently the company has 2293 shareholders. Its head office is in Kantipath, Kathmandu, Nepal.

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Summary of Financial Indicators

Annex 1

S.N	Description	2059/60 2002/03	2060/61 2003/04	2061/62 2004/05	2062/63 2005/06	2063/64 2006/07	2064/65 2007/08	Total	Average
1	Nepal Investment Bank Ltd								
	Market Price Per Share(MPS)	795.00	940.00	800.00	1260.00	1729.00	2450.00	7974.00	1104.80
	Earning Per Share(EPS)	39.56	51.90	39.50	59.35	62.57	57.87	310.75	50.58
	Net worth Per Share(NWPS)	216.24	246.89	200.80	239.60	234.00	223.17	1360.70	227.51
	Dividend Per Share(DPS)	20.00	15.00	12.50	20.00	5.00	7.50	80.00	14.50
	Dividend Payout Ratio%(DPR)	50.50	28.90	31.65	33.70	7.99	12.96	165.70	30.55
2	Standard Chartered Bank Nepal Ltd.								
	Market Price Per Share(MPS)	1640.00	1745.00	2345.00	3775.00	5900.00	6830.00	22235.00	3081.00
	Earning Per Share(EPS)	149.30	143.55	143.99	175.84	167.37	131.92	911.97	156.01
	Net worth Per Share(NWPS)	264.43	394.76	755.66	468.22	512.12	401.52	2796.71	479.04
	Dividend Per Share(DPS)	110.00	110.00	120.00	130.00	80.00	80.00	630.00	110.00
	Dividend Payout Ratio%(DPR)	73.67	76.62	83.33	73.93	47.80	60.64	415.99	71.07
3	Nabil Bank Ltd								
	Market Price Per Share(MPS)	740.00	1000.00	1505.00	2240.00	5050.00	5275.00	15810.00	2107.00
	Earning Per Share(EPS)	84.66	92.61	105.49	129.21	137.08	108.31	657.36	109.81
	Net worth Per Share(NWPS)	267.00	301.00	337.00	381.00	418.00	354.00	2058.00	340.80
	Dividend Per Share(DPS)	50.00	65.00	70.00	85.00	100.00	60.00	430.00	74.00
	Dividend Payout Ratio%(DPR)	59.05	70.19	66.36	65.78	72.95	55.40	389.73	66.87
4	Lalitpur Finance Co. Limited								
	Market Price Per Share(MPS)	265.00	235.00	250.00	245.00	330.00	860.00	2185.00	265.00
	Earning Per Share(EPS)	29.00	16.48	50.36	37.53	92.24	61.49	287.10	45.12
	Net worth Per Share(NWPS)	234.00	179.28	227.00	190.80	238.93	218.15	1288.16	214.00
	Dividend Per Share(DPS)	0.00	0.00	50.00	0.00	50.00	50.00	150.00	20.00
	Dividend Payout Ratio%(DPR)	0.00	0.00	100.00	0.00	54.21	81.31	235.52	30.84
5	Universal Finance Co. Limited								
	Market Price Per Share(MPS)	150.00	130.00	130.00	195.00	200.00	283.00	1088.00	161.00
	Earning Per Share(EPS)	23.54	31.82	30.70	28.28	34.24	28.29	176.87	29.72
	Net worth Per Share(NWPS)	112.53	139.25	152.69	179.22	167.51	167.39	918.59	150.24
	Dividend Per Share(DPS)	15.00	0.00	13.53	0.00	0.00	0.00	28.89	5.71
	Dividend Payout Ratio%(DPR)	63.72	0.00	44.07	0.00	0.00	0.00	107.79	21.56
6	Annapurna Finance Co. Ltd								
	Market Price Per Share(MPS)	425.00	470.00	445.00	500.00	500.00	1490.00	3830.00	468.00
	Earning Per Share(EPS)	67.16	105.57	47.97	38.60	22.25	25.37	306.92	56.31
	Net worth Per Share(NWPS)	313.22	476.40	251.38	195.71	162.80	158.59	1558.10	279.90
	Dividend Per Share(DPS)	12.00	52.63	63.16	10.53	21.05	31.58	190.95	31.87
	Dividend Payout Ratio%(DPR)	17.87	49.85	131.67	27.28	94.62	124.48	445.77	64.26

Average of Commercial Bank

S.N.	Description	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	Total	Average
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08		
1.	Market Price Per Share(MPS)	1058.33	1228.33	1550.00	2425.00	4226.33	4851.67		
2.	Earning Per Share(EPS)	91.17	96.02	96.33	121.47	122.34	99.37		
3.	Net worth Per Share(NWPS)	249.22	314.22	431.15	362.94	388.04	326.23		
4.	Dividend Per Share(DPS)	60.00	63.33	67.50	78.33	61.67	49.17		

Average of Finance Company

S.N.	Description	2059/60	2060/61	2061/62	2062/63	2063/64	2064/65	Total	Average
		2002/03	2003/04	2004/05	2005/06	2006/07	2007/08		
1.	Market Price Per Share(MPS)	280.00	278.33	275.00	313.33	343.33	877.67		
2.	Earning Per Share(EPS)	39.90	51.29	43.01	34.80	49.58	38.38		
3.	Net worth Per Share(NWPS)	219.92	264.98	210.36	188.58	189.75	181.38		
4.	Dividend Per Share(DPS)	9.00	17.54	42.23	3.51	23.68	27.19		

Nabil Bank Limited

Annex 2

Correlations

Correlations

		MPS	EPS	NWPS	DPS	DPR
MPS	Pearson Correlation	1	.655	.754	.471	-.077
	Sig. (2-tailed)	.	.158	.084	.346	.884
	N	6	6	6	6	6
EPS	Pearson Correlation	.655	1	.982(**)	.933(**)	.446
	Sig. (2-tailed)	.158	.	.001	.007	.376
	N	6	6	6	6	6
NWPS	Pearson Correlation	.754	.982(**)	1	.904(*)	.414
	Sig. (2-tailed)	.084	.001	.	.013	.415
	N	6	6	6	6	6
DPS	Pearson Correlation	.471	.933(**)	.904(*)	1	.733
	Sig. (2-tailed)	.346	.007	.013	.	.097
	N	6	6	6	6	6
DPR	Pearson Correlation	-.077	.446	.414	.733	1
	Sig. (2-tailed)	.884	.376	.415	.097	.
	N	6	6	6	6	6

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

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

Nabil Bank Limited

Simple Regression MPS on EPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.655(a)	.429	.286	1710.51712

a Predictors: (Constant), EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8795524.698	1	8795524.698	3.006	.158(a)
	Residual	11703475.302	4	2925868.826		
	Total	20499000.000	5			

a Predictors: (Constant), EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4508.512	4178.865		-1.079	.341
	EPS	65.202	37.606	.655	1.734	.158

a Dependent Variable: MPS

Nabil Bank Limited

Simple Régression MPS on NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.754(a)	.568	.460	1487.98943

a Predictors: (Constant), NWPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11642549.819	1	11642549.819	5.258	.084(a)
	Residual	8856450.181	4	2214112.545		
	Total	20499000.000	5			

a Predictors: (Constant), NWPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6996.341	4243.830		-1.649	.175
	NWPS	28.080	12.245	.754	2.293	.084

a Dependent Variable: MPS

Nabil Bank Limited

Simple Regression MPS on DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.471(a)	.222	.027	1996.85697

a Predictors: (Constant), DPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4549248.980	1	4549248.980	1.141	.346(a)
	Residual	15949751.020	4	3987437.755		
	Total	20499000.000	5			

a Predictors: (Constant), DPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1147.245	3633.635		-.316	.768
	DPS	52.776	49.409	.471	1.068	.346

a Dependent Variable: MPS

Nabil Bank Limited

Simple Regression MPS on DPR

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPR(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.077(a)	.006	-.243	2256.99859

a Predictors: (Constant), DPR

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	122829.410	1	122829.410	.024	.884(a)
	Residual	20376170.590	4	5094042.647		
	Total	20499000.000	5			

a Predictors: (Constant), DPR

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4169.290	9923.566		.420	.696
	DPR	-23.621	152.116	-.077	-.155	.884

a Dependent Variable: MPS

Nabil Bank Limited

Multiple Regression MPS on EPS and NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.875(a)	.765	.609	1266.20454

a Predictors: (Constant), NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15689178.166	2	7844589.083	4.893	.114(a)
	Residual	4809821.834	3	1603273.945		
	Total	20499000.000	5			

a Predictors: (Constant), NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-	4338.236		-2.493	.088
	EPS	10815.478	145.931	-2.329	-1.589	.210
	NWPS	-231.841	54.624	3.040	2.074	.130

a Dependent Variable: MPS

Nabil Bank Limited

Multiple Regression MPS on EPS and DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763(a)	.582	.303	1691.01266

a Predictors: (Constant), DPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11920428.560	2	5960214.280	2.084	.271(a)
	Residual	8578571.440	3	2859523.813		
	Total	20499000.000	5			

a Predictors: (Constant), DPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6844.681	4696.928		-1.457	.241
	EPS	166.185	103.507	1.670	1.606	.207
	DPS	-121.780	116.494	-1.087	-1.045	.373

a Dependent Variable: MPS

Investment Bank Limited

Correlations

Correlations

		MPS	EPS	NWPS	DPS	DPR
MPS	Pearson Correlation	1	.714	.173	-.689	-.788
	Sig. (2-tailed)	.	.111	.744	.130	.063
	N	6	6	6	6	6
EPS	Pearson Correlation	.714	1	.708	-.462	-.753
	Sig. (2-tailed)	.111	.	.115	.357	.084
	N	6	6	6	6	6
NWPS	Pearson Correlation	.173	.708	1	.059	-.256
	Sig. (2-tailed)	.744	.115	.	.911	.625
	N	6	6	6	6	6
DPS	Pearson Correlation	-.689	-.462	.059	1	.918(**)
	Sig. (2-tailed)	.130	.357	.911	.	.010
	N	6	6	6	6	6
DPR	Pearson Correlation	-.788	-.753	-.256	.918(**)	1
	Sig. (2-tailed)	.063	.084	.625	.010	.
	N	6	6	6	6	6

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

Investment Bank Limited

Simple Regression MPS on EPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714(a)	.510	.387	511.88512

a Predictors: (Constant), EPS

ANOVA (b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1089614.488	1	1089614.488	4.158	.111(a)
	Residual	1048105.512	4	262026.378		
	Total	2137720.000	5			

a Predictors: (Constant), EPS

b Dependent Variable: MPS

Coefficients (a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1062.685	1191.315		-.892	.423
	EPS	46.179	22.645	.714	2.039	.111

a Dependent Variable: MPS

Investment Bank Limited

Simple Regression MPS on NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.173(a)	.030	-.213	720.08466

a Predictors: (Constant), NWPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	63632.323	1	63632.323	.123	.744(a)
	Residual	2074087.677	4	518521.919		
	Total	2137720.000	5			

a Predictors: (Constant), NWPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-189.131	4343.612		-.044	.967
	NWPS	6.694	19.109	.173	.350	.744

a Dependent Variable: MPS

Investment Bank Limited

Simple Régression MPS on DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.689(a)	.475	.344	529.74522

a Predictors: (Constant), DPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1015200.000	1	1015200.000	3.618	.130(a)
	Residual	1122520.000	4	280630.000		
	Total	2137720.000	5			

a Predictors: (Constant), DPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2289.000	549.116		4.169	.014
	DPS	-72.000	37.855	-.689	-1.902	.130

a Dependent Variable: MPS

Investment Bank Limited

Simple Regression MPS on DPR

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPR(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.788(a)	.621	.526	450.09284

a Predictors: (Constant), DPR

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1327385.746	1	1327385.746	6.552	.063(a)
	Residual	810334.254	4	202583.564		
	Total	2137720.000	5			

a Predictors: (Constant), DPR

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2255.804	406.027		5.556	.005
	DPR	-33.560	13.111	-.788	-2.560	.063

a Dependent Variable: MPS

Investment Bank Limited

Multiple Regression MPS on EPS and NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.856(a)	.732	.554	436.80795

a Predictors: (Constant), NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1565316.436	2	782658.218	4.102	.139(a)
	Residual	572403.564	3	190801.188		
	Total	2137720.000	5			

a Predictors: (Constant), NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3231.321	2903.277		1.113	.347
	EPS	76.783	27.370	1.187	2.805	.068
	NWPS	-25.924	16.418	-.668	-1.579	.212

a Dependent Variable: MPS

Investment Bank Limited

Multiple Regression MPS on EPS and DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.821(a)	.674	.457	481.95700

a Predictors: (Constant), DPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1440872.362	2	720436.181	3.102	.186(a)
	Residual	696847.638	3	232282.546		
	Total	2137720.000	5			

a Predictors: (Constant), DPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	280.429	1565.587		.179	.869
	EPS	32.537	24.035	.503	1.354	.269
	DPS	-47.742	38.823	-.457	-1.230	.306

a Dependent Variable: MPS

Standard Chartered Bank Limited Nepal

Correlations

Correlations

		MPS	EPS	NWPS	DPS	DPR
MPS	Pearson Correlation	1	.031	.034	-.748	-.816(*)
	Sig. (2-tailed)	.	.953	.949	.087	.048
	N	6	6	6	6	6
EPS	Pearson Correlation	.031	1	.065	.316	-.220
	Sig. (2-tailed)	.953	.	.902	.542	.676
	N	6	6	6	6	6
NWPS	Pearson Correlation	.034	.065	1	.204	.211
	Sig. (2-tailed)	.949	.902	.	.698	.688
	N	6	6	6	6	6
DPS	Pearson Correlation	-.748	.316	.204	1	.853(*)
	Sig. (2-tailed)	.087	.542	.698	.	.031
	N	6	6	6	6	6
DPR	Pearson Correlation	-.816(*)	-.220	.211	.853(*)	1
	Sig. (2-tailed)	.048	.676	.688	.031	.
	N	6	6	6	6	6

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

Standard Chartered Bank Limited Nepal

Simple Regression MPS on EPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.031(a)	.001	-.249	2475.88492

a Predictors: (Constant), EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23946.270	1	23946.270	.004	.953(a)
	Residual	24520024.564	4	6130006.141		
	Total	24543970.833	5			

a Predictors: (Constant), EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3065.836	10289.525		.298	.781
	EPS	4.211	67.369	.031	.063	.953

a Dependent Variable: MPS

Standard Chartered Bank Limited Nepal

Simple Regression MPS on NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.034(a)	.001	-.249	2475.67396

a Predictors: (Constant), NWPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28124.682	1	28124.682	.005	.949(a)
	Residual	24515846.151	4	6128961.538		
	Total	24543970.833	5			

a Predictors: (Constant), NWPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3493.786	3289.398		1.062	.348
	NWPS	.455	6.716	.034	.068	.949

a Dependent Variable: MPS

Standard Chartered Bank Limited Nepal

Simple Regression MPS on DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.748(a)	.559	.449	1644.68441

a Predictors: (Constant), DPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13724023.547	1	13724023.547	5.074	.087(a)
	Residual	10819947.287	4	2704986.822		
	Total	24543970.833	5			

a Predictors: (Constant), DPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	12094.845	3784.409		3.196	.033
	DPS	-79.895	35.470	-.748	-2.252	.087

a Dependent Variable: MPS

Standard Chartered Bank Limited Nepal

Simple Regression MPS on DPR

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPR(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.816(a)	.666	.583	1430.83249

a Predictors: (Constant), DPR

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16354844.420	1	16354844.420	7.989	.048(a)
	Residual	8189126.413	4	2047281.603		
	Total	24543970.833	5			

a Predictors: (Constant), DPR

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13448.730	3496.241		3.847	.018
	DPR	-140.526	49.719	-.816	-2.826	.048

a Dependent Variable: MPS

Standard Chartered Bank Limited Nepal

Multiple Regression MPS on EPS and NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.045(a)	.002	-.663	2857.45071

a Predictors: (Constant), NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48897.229	2	24448.614	.003	.997(a)
	Residual	24495073.604	3	8165024.535		
	Total	24543970.833	5			

a Predictors: (Constant), NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2908.335	12212.287		.238	.827
	EPS	3.930	77.917	.029	.050	.963
	NWPS	.429	7.768	.032	.055	.959

a Dependent Variable: MPS

Standard Chartered Bank Limited Nepal

Multiple Regression MPS on EPS and DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.799(a)	.638	.397	1719.78585

a Predictors: (Constant), DPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15670980.736	2	7835490.368	2.649	.217(a)
	Residual	8872990.097	3	2957663.366		
	Total	24543970.833	5			

a Predictors: (Constant), DPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7064.164	7355.617		.960	.408
	EPS	40.012	49.316	.297	.811	.477
	DPS	-89.905	39.088	-.841	-2.300	.105

a Dependent Variable: MPS

Annapurna Finance Company LTD. (AFCL)

Correlations

Correlations

		MPS	EPS	NWPS	DPS	DPR
MPS	Pearson	1	-.431	-.434	-.024	.498
	Correlation					
	Sig. (2-tailed)	.	.393	.390	.964	.315
	N	6	6	6	6	6
EPS	Pearson	-.431	1	.996(**)	.381	-.480
	Correlation					
	Sig. (2-tailed)	.393	.	.000	.456	.335
	N	6	6	6	6	6
NWPS	Pearson	-.434	.996(**)	1	.425	-.428
	Correlation					
	Sig. (2-tailed)	.390	.000	.	.401	.397
	N	6	6	6	6	6
DPS	Pearson	-.024	.381	.425	1	.590
	Correlation					
	Sig. (2-tailed)	.964	.456	.401	.	.218
	N	6	6	6	6	6
DPR	Pearson	.498	-.480	-.428	.590	1
	Correlation					
	Sig. (2-tailed)	.315	.335	.397	.218	.
	N	6	6	6	6	6

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

Annappurna Finance Company LTD. (AFCL)

Simple Regression MPS on EPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.431(a)	.186	-.018	421.97220

a Predictors: (Constant), EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	162591.170	1	162591.170	.913	.393(a)
	Residual	712242.163	4	178060.541		
	Total	874833.333	5			

a Predictors: (Constant), EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	933.439	353.624		2.640	.058
	EPS	-5.769	6.037	-.431	-.956	.393

a Dependent Variable: MPS

Annapurna Finance Company LTD. (AFCL)

Simple Regression MPS on NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.434(a)	.188	-.014	421.30902

a Predictors: (Constant), NWPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	164828.159	1	164828.159	.929	.390(a)
	Residual	710005.174	4	177501.294		
	Total	874833.333	5			

a Predictors: (Constant), NWPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1026.949	438.426		2.342	.079
	NWPS	-1.496	1.553	-.434	-.964	.390

a Dependent Variable: MPS

Annapurna Finance Company LTD. (AFCL)

Simple Regression MPS on DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.024(a)	.001	-.249	467.52576

a Predictors: (Constant), DPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	511.972	1	511.972	.002	.964(a)
	Residual	874321.362	4	218580.340		
	Total	874833.333	5			

a Predictors: (Constant), DPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	653.102	359.932		1.815	.144
	DPS	-.464	9.589	-.024	-.048	.964

a Dependent Variable: MPS

Annapurna Finance Company LTD. (AFCL)

Simple Regression MPS on DPR

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPR(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498(a)	.248	.060	405.51475

a Predictors: (Constant), DPR

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	217064.483	1	217064.483	1.320	.315(a)
	Residual	657768.850	4	164442.212		
	Total	874833.333	5			

a Predictors: (Constant), DPR

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	325.147	318.926		1.020	.366
	DPR	4.215	3.669	.498	1.149	.315

a Dependent Variable: MPS

Annapurna Finance Company LTD. (AFCL)

Multiple Regression MPS on EPS and NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.434(a)	.189	-.352	486.42975

a Predictors: (Constant), NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	164991.640	2	82495.820	.349	.731(a)
	Residual	709841.693	3	236613.898		
	Total	874833.333	5			

a Predictors: (Constant), NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1058.662	1308.370		.809	.478
	EPS	2.048	77.923	.153	.026	.981
	NWPS	-2.022	20.076	-.587	-.101	.926

a Dependent Variable: MPS

Annapurna Finance Company LTD. (AFCL)

Multiple Regression MPS on EPS and DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.457(a)	.209	-.319	480.31100

a Predictors: (Constant), DPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	182737.354	2	91368.677	.396	.704(a)
	Residual	692095.979	3	230698.660		
	Total	874833.333	5			

a Predictors: (Constant), DPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	876.087	446.858		1.961	.145
	EPS	-6.607	7.434	-.494	-.889	.440
	DPS	3.149	10.657	.164	.296	.787

a Dependent Variable: MPS

Lalitpur Finance Company (LFC)

Correlations

Correlations

		MPS	EPS	NWPS	DPS	DPR
MPS	Pearson	1	.368	.167	.517	.486
	Correlation					
	Sig. (2-tailed)	.	.473	.751	.293	.329
	N	6	6	6	6	6
EPS	Pearson	.368	1	.658	.823(*)	.618
	Correlation					
	Sig. (2-tailed)	.473	.	.155	.044	.191
	N	6	6	6	6	6
NWPS	Pearson	.167	.658	1	.601	.513
	Correlation					
	Sig. (2-tailed)	.751	.155	.	.207	.298
	N	6	6	6	6	6
DPS	Pearson	.517	.823(*)	.601	1	.947(**)
	Correlation					
	Sig. (2-tailed)	.293	.044	.207	.	.004
	N	6	6	6	6	6
DPR	Pearson	.486	.618	.513	.947(**)	1
	Correlation					
	Sig. (2-tailed)	.329	.191	.298	.004	.
	N	6	6	6	6	6

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

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

Lalitpur Finance Company (LFC)

Simple Regression MPS on EPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.368(a)	.135	-.081	255.01270

a Predictors: (Constant), EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	40644.931	1	40644.931	.625	.473(a)
	Residual	260125.903	4	65031.476		
	Total	300770.833	5			

a Predictors: (Constant), EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	203.580	228.252		.892	.423
	EPS	3.356	4.245	.368	.791	.473

a Dependent Variable: MPS

Lalitpur Finance Company (LFC)

Simple Regression MPS on NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.167(a)	.028	-.215	270.33940

a Predictors: (Constant), NWPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8437.272	1	8437.272	.115	.751(a)
	Residual	292333.561	4	73083.390		
	Total	300770.833	5			

a Predictors: (Constant), NWPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.993	1074.548		.001	.999
	NWPS	1.692	4.979	.167	.340	.751

a Dependent Variable: MPS

Lalitpur Finance Company (LFC)

Simple Regression MPS on DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.517(a)	.268	.085	234.66288

a Predictors: (Constant), DPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	80504.167	1	80504.167	1.462	.293(a)
	Residual	220266.667	4	55066.667		
	Total	300770.833	5			

a Predictors: (Constant), DPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	248.333	135.483		1.833	.141
	DPS	4.633	3.832	.517	1.209	.293

a Dependent Variable: MPS

Lalitpur Finance Company (LFC)

Simple Regression MPS on DPR

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPR(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.486(a)	.236	.045	239.67723

a Predictors: (Constant), DPR

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70990.130	1	70990.130	1.236	.329(a)
	Residual	229780.703	4	57445.176		
	Total	300770.833	5			

a Predictors: (Constant), DPR

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	261.140	134.772		1.938	.125
	DPR	2.625	2.361	.486	1.112	.329

a Dependent Variable: MPS

Lalitpur Finance Company (LFC)

Multiple Regression MPS on EPS and NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.381(a)	.145	-.425	292.79003

a Predictors: (Constant), NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43592.827	2	21796.413	.254	.791(a)
	Residual	257178.007	3	85726.002		
	Total	300770.833	5			

a Predictors: (Constant), NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	450.945	1359.441		.332	.762
	EPS	4.147	6.475	.454	.640	.567
	NWPS	-1.328	7.163	-.132	-.185	.865

a Dependent Variable: MPS

Lalitpur Finance Company (LFC)

Multiple Regression MPS on EPS and DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.527(a)	.278	-.203	269.02458

a Predictors: (Constant), DPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	83648.153	2	41824.076	.578	.613(a)
	Residual	217122.681	3	72374.227		
	Total	300770.833	5			

a Predictors: (Constant), DPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	293.782	267.722		1.097	.353
	EPS	-1.643	7.881	-.180	-.208	.848
	DPS	5.959	7.731	.665	.771	.497

a Dependent Variable: MPS

Universal Finance Company Limited (UFCL)

Correlations

Correlations

		MPS	EPS	NWPS	DPS	DPR
MPS	Pearson	1	-.042	.576	-.539	-.510
	Correlation					
	Sig. (2-tailed)	.	.937	.231	.270	.301
	N	6	6	6	6	6
EPS	Pearson	-.042	1	.512	-.534	-.618
	Correlation					
	Sig. (2-tailed)	.937	.	.299	.275	.191
	N	6	6	6	6	6
NWPS	Pearson	.576	.512	1	-.687	-.754
	Correlation					
	Sig. (2-tailed)	.231	.299	.	.132	.083
	N	6	6	6	6	6
DPS	Pearson	-.539	-.534	-.687	1	.988(**)
	Correlation					
	Sig. (2-tailed)	.270	.275	.132	.	.000
	N	6	6	6	6	6
DPR	Pearson	-.510	-.618	-.754	.988(**)	1
	Correlation					
	Sig. (2-tailed)	.301	.191	.083	.000	.
	N	6	6	6	6	6

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

Universal Finance Company Limited (UFCL)

Simple Regression MPS on EPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.042(a)	.002	-.248	65.37056

a Predictors: (Constant), EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.093	1	30.093	.007	.937(a)
	Residual	17093.241	4	4273.310		
	Total	17123.333	5			

a Predictors: (Constant), EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	200.978	235.612		.853	.442
	EPS	-.666	7.941	-.042	-.084	.937

a Dependent Variable: MPS

Universal Finance Company Limited (UFCL)

Simple Regression MPS on NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.576(a)	.332	.165	53.47982

a Predictors: (Constant), NWPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5682.968	1	5682.968	1.987	.231(a)
	Residual	11440.365	4	2860.091		
	Total	17123.333	5			

a Predictors: (Constant), NWPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-31.811	152.777		-.208	.845
	NWPS	1.392	.988	.576	1.410	.231

a Dependent Variable: MPS

Universal Finance Company Limited (UFCL)

Simple Regression MPS on DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.539(a)	.291	.113	55.10175

a Predictors: (Constant), DPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4978.523	1	4978.523	1.640	.270(a)
	Residual	12144.810	4	3036.203		
	Total	17123.333	5			

a Predictors: (Constant), DPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	201.661	27.533		7.324	.002
	DPS	-4.275	3.339	-.539	-1.281	.270

a Dependent Variable: MPS

Universal Finance Company Limited (UFCL)

Simple Regression MPS on DPR

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPR(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.510(a)	.261	.076	56.26389

a Predictors: (Constant), DPR

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4460.832	1	4460.832	1.409	.301(a)
	Residual	12662.501	4	3165.625		
	Total	17123.333	5			

a Predictors: (Constant), DPR

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	200.150	27.908		7.172	.002
	DPR	-1.047	.882	-.510	-1.187	.301

a Dependent Variable: MPS

Universal Finance Company Limited (UFCL)

Multiple Regression MPS on EPS and NWPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.697(a)	.486	.143	54.17157

a Predictors: (Constant), NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8319.655	2	4159.828	1.418	.369(a)
	Residual	8803.678	3	2934.559		
	Total	17123.333	5			

a Predictors: (Constant), NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	95.703	205.050		.467	.672
	EPS	-7.263	7.662	-.457	-.948	.413
	NWPS	1.958	1.165	.810	1.681	.191

a Dependent Variable: MPS

Universal Finance Company Limited (UFCL)

Multiple Regression MPS on EPS and DPS

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666(a)	.443	.072	56.38801

a Predictors: (Constant), DPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7584.509	2	3792.255	1.193	.416(a)
	Residual	9538.824	3	3179.608		
	Total	17123.333	5			

a Predictors: (Constant), DPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	427.163	250.675		1.704	.187
	EPS	-7.335	8.102	-.461	-.905	.432
	DPS	-6.228	4.041	-.786	-1.541	.221

a Dependent Variable: MPS

Commercial Bank

Multiple Regression Analysis of Average MPS on Average EPS, NWPS and DPS of Commercial banks

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.955(a)	.913	.782	756.45126

a Predictors: (Constant), DPS, NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11950583.857	3	3983527.952	6.962	.128(a)
	Residual	1144437.026	2	572218.513		
	Total	13095020.883	5			

a Predictors: (Constant), DPS, NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	504.154	2886.596		.175	.877
	EPS	98.618	29.602	.839	3.332	.080
	NWPS	5.438	6.143	.213	.885	.469
	DPS	-159.882	40.930	-.944	-3.906	.060

a Dependent Variable: MPS

Finance Company

Multiple Regression Analysis of Average MPS on Average EPS, NWPS and DPS Finance Companies.

Variables Entered/Removed(b)

Model	Variables Entered	Variables Removed	Method
1	DPS, NWPS, EPS(a)	.	Enter

a All requested variables entered.

b Dependent Variable: MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548(a)	.300	-.749	314.91892

a Predictors: (Constant), DPS, NWPS, EPS

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85198.230	3	28399.410	.286	.835(a)
	Residual	198347.853	2	99173.926		
	Total	283546.083	5			

a Predictors: (Constant), DPS, NWPS, EPS

b Dependent Variable: MPS

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1197.602	1064.344		1.125	.377
	EPS	-6.286	30.266	-.171	-.208	.855
	NWPS	-2.954	6.025	-.385	-.490	.672
	DPS	4.099	11.419	.238	.359	.754

a Dependent Variable: MPS