# CHAPTER I
# INTRODUCTION

## 1.1 Background of the Study

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

The world's economic sector is changing rapidly. Economic sector plays vital role for developing the nation. The world economic growth reached to 5.4 percent in the year 2006 as against 4.9 percent growth in the year 2005. The growth was attributed to the rise in the petroleum prices in the early-half of 2006 and recession in the US housing market were more than offset by the declines in the petroleum prices since August 2006, improvement in domestic demand in the advanced economies, gradual recovery in the Japanese economy, remarkably high growth rate in China and India, favorable financial market conditions, and adoption of sound economic policies.

The economic growth rate of Nepal in the year 2006 was only 1.9 percent which is estimated to be 3.5 percent in the year 2007/08 in line with some improvement in economic activities. Nepal is one of the least developed countries lying between two large countries India & China. It has richly diversified geography and biology with huge potentiality of hydroelectric power. Similarly, its culture, natural beauty, art and archaeology are quite distinct in the world that can increase the economic growth through promoting tourism. Besides having these rich mechanisms, there is a wide gap between Nepal's economic growth and the world's economic growth. Such gap may have been provoked by the ineffective utilization of resources and available capital.

### 1.1.1 Primary & Secondary Market

## Primary Market

Securities available for the first time are offered through the primary market. The issuer may be a brand new company or one that has been in business for many years. The securities offered might be a new type for the issuer or additional amounts of a security used frequently in the post. The key is that these securities absorb new funds for the offers of the issuer.

The primary securities market includes all transactions that result in the accumulation of financial capital by firms, governments or individuals to be used in consumption or real capital investment. The participants in this process are many and varied, but and important segment, includes the money brokers who acts as a middlemen in the process of exchanging securities for fund. These brokers provide invaluable services. Their principal role is to assist in the pooling of funds by the certain of security forms that will appeal to the ultimate investors.

All securities, whether in the money or capital markets, are initially issued in the primary market. This is the only market in which the company or government is directly involved in the transaction and receives direct benefit from the sale of securities. Once the securities begin to trade among individual, business, government or financial institution, savers and investors, they become part of the secondary market.

## Secondary Market

Secondary markets are markets for existing assets, which are currently traded between investors. It is this market that creates the price and allow for liquidity. If secondary markets did not exist, investors would have no place to sell their assets. Without liquidity, many people would not invest at all.

Secondary markets allow out standing securities to be traded from old to new owners. The advantage of secondary market is to provide liquidity or cash and investment opportunities to investor and to make certain assets more attractive to buyers and sellers. Secondary market comprises the stock exchange, the over the counter market.

The function of the secondary markets is to provide liquidity for securities purchased in the primary markets. Once investors have purchased securities in the primary markets, they need a place to sell those securities. Without the liquidity of the secondary market, firms would have difficulty raising funds for productive purposes in the primary markets.

### 1.1.2 Stock Exchange

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

### 1.1.3 Security Board, Nepal [SEBO/N]

Securities Board of Nepal (SEBON) was established by the Government of Nepal on June 7, 1993 as an apex regulator of Securities Markets in Nepal. It has been regulating the market under the Securities Exchange Act, 2006.

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

The Governing Board of SEBON is composed of seven members including one full time chairman appointed by the Government for tenure of four years. Other members of the Board include joint secretary of Ministry of Finance, joint secretary of Ministry

of Law, Justice and Parliamentary Affairs, representative from Nepal Rastra Bank, representative from Institute of Chartered Accountants of Nepal, representative from Federation of Nepalese Chambers of Commerce and Industries, and one member appointed by the Government from amongst the experts pertaining to management of securities market, development of capital market, financial or economic sector.

### 1.1.4 Nepal Stock Exchange [NEPSE]

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

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

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

Members of NEPSE are permitted to act as intermediaries in buying and selling of government bonds and listed corporate securities. At present, there are 23 member brokers and 2 market makers, who operate on the trading floor as per the Securities Exchange Act, 1983, rules and bye-laws.

Besides this, NEPSE has also granted membership to issue and sales manager securities trader (Dealer). Issue and sales manager work as manager to the issue and underwriter for public issue of securities whereas securities trader (dealer) works as individual portfolio manager.

NEPSE, the only Stock Exchange in Nepal, introduced fully automated screen based trading since 24th August, 2007. The NEPSE trading system is called 'NEPSE Automated Trading System '(NATS) is a fully automated screen based trading system, which adopts the principle of an order driven market. NEPSE facilitates trading in Shares (Equity Shares & Preference Shares), Debentures, Government Bonds and Mutual Funds. Trading on equities takes place on all days of week (except Saturdays and holidays declared by exchange in advance). On Friday only odd lot trading is done.

The market timings of the equities are:-

Market Open: - 12:00 Hours
Market Close: - 15:00 Hours

Odd Lot Trading is done on Fridays. For Odd Lot Trading Market Timings are:-

Market Open: - 12:00 Hours
Market Close: - 13:00 Hours

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

## 1.2 Statement of the Problem

Only few investors of Nepalese share market are aware of the factors affecting share price. It means that most of the investors are unknown about the financial performance of the company but tend to invest on the company without proper financial analysis. It causes the unusual relation of the financial indicators – Earning Price per Share (EPS), Book-Value per Share (BPS), Dividend per Share (DPS) etc. with the market price of share. The market rumours relating the financial position of the company is the major analytical tool for most of the Nepalese investors. The Market Value per Share (MPS) of most of the foreign joint venture commercial banks is high in comparison with the other banks and manufacturing companies. Against these problems this research deals with the following issues:

a. What major factors are affecting the Stock Price of Nepalese Commercial Banks listed in NEPSE?
b. Is there any relation between MPS with the major financial indicators (EPS, BPS, DPS)?
c. Also, whether the investors are aware of financial indicators that influence the MPS of the company?

## 1.3 Objectives of the Study

The general objectives of this study are listed below:

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

## 1.4. Scope of the Study

This study attempts to construct the relation of MPS of the Nepalese Commercial Banks to the major financial indicators like EPS, BPS, DPS etc. The relation is hoped

to show the current status of Nepalese Commercial Banks with respect to the determiners of the Share Price. These findings may be helpful to the potential investors to make the better investment decisions.

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

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

## 1.5 Limitations of the Study

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

a. Though this thesis tends to explore the major determinants of Market Price of Share, it is limited on the analysis of Share Price of few Nepalese Commercial Banks only. It does not cover the whole financial institutions.
b. This study covers only the relevant data of six years i.e. from Fiscal Year 2001/05 to 2006/07.
c. This study is limited to the analysis of MPS of Nepalese Commercial Banks.
d. The study is based Primary and Secondary Data. So the validity and reliability of the data depends upon their source.

## 1.6 Chapter Scheme:

The entire study has been organized into five main chapters as:

Chapter I : Introduction
Chapter II : Review of Literature
Chapter III : Research Methodology
Chapter IV : Data Presentation and Analysis

Chapter V : Summary, Conclusion and Recommendations

The first chapter deals with background of the study, a brief review of SEBON and NEPSE, statement of problem, objective of the study, scope of the study and limitations of the study.

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

The third chapter deals with the research methodology which has been followed to achieve the purposes of the study. It consists of research design, the period covered, nature and sources of data, tools to be used, research variable etc.

The fourth chapter deals with presentation and analysis of data. It gives a clear picture of how the collected data has been presented on the study and how it has been analyzed.

And at last, the fifth chapter shows the summary of whole study, conclusion drawn and recommendations given. This ends the study paper.

Besides these chapters, Bibliography and Annex are included in this research paper.

# CHAPTER II
# LITERATURE REVIEW

This Chapter includes the Book Review, Review of Journals and Review of Thesis for the related studies.

## 2.1 Book Review/Conceptual Review

### 2.1.1 Features of Common Stock:

Common Stock is an ownership share in a corporation. Common stock certificates are legal documents that evidence ownership in a company that is organized as a corporation; they are also marketable financial instruments. Sole proprietorship and partnership are other forms of business organizations, but only corporations can issue common stocks. The main features of common stock are:

i. **Claim on Income:**

   "The Common Stockholders bear a right to claim on income, which is earning available for ordinary shareholders, after paying expenses, interest charges, taxes and preferred dividend, if any. The income may be distributed among shareholders in the form of dividend or retained earnings. Dividends are immediate cash flow to shareholders, whereas retained earnings are the income reinvested in the organization, which ultimately increase the net worth of shareholders. Claim on Assets: The Common Stockholders have a residual claim on the company's assets in case of liquidation. Out of the realized value of assets, first the claims of debt-holders and then preference shareholders are satisfied, and the remaining balance, if any, is paid to the common stockholders." *(Pandey; 1999: 905)*

ii. **Right to control:**

   "The ordinary shareholders have the legal power to elect directors to the board. If the board fails to protect their interests, they can replace the directors. They are

able to participate in the management of the company through their voting right and right to maintain proportionate ownership." *(Pandey; 1999: 905)*

**iii. Voting Right:**

"For each share of common stock owned, the common stockholder has the right to cast one vote at the annual meeting or Annual General Meeting (AGM) of stockholder. Common stockholders have the right to vote on stockholders matter, such as the selection or the board of directors, sale of fixed assets, merger of the company etc." *(Pandey; 1999: 906)*

**iv. Pre-emptive Right:**

"The law grants shareholders the right to purchase new shares in proportion to their current ownership. Thus the pre-emptive right entitles a stockholder to maintain his proportionate share ownership in the company. The stockholder's option to purchase, a stated number of new shares at a specified price during a given period, is called rights which can be exercised at a subscription price which is generally much below the current market price of shares." *(Pandey; 1999: 906)*

**v. Limited Liability:**

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

### 2.1.2 Rights of Common Stockholders

**i) Right to income**

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

company. Thus the priorities of common stockholders differ markedly from that of the creditors." *(Van Horne and Wachonicz; 2000: 561)*

**ii) Voting Right**

"Because the common stockholders of a company are its owners, they are entitled to elect a board of directors. In a large corporation, shareholders usually exercise only indirect control through the board of directors they elect. The board, in turn, selects the management and management actually controls the operations of the company. Voting can be done either in person at the shareholders annual meeting or by proxy." *(Van Horne and Wachonicz; 2000: 563)*

**iii) Right to Purchase new Share**

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

### 2.1.3 Earning per Share (EPS)

Earning per Share (EPS) is calculated by dividing a company's net revenues by the outstanding shares. This gives a number that can be used to compare the earnings of companies since it is unlikely any two companies will have the same number of shares outstanding. "Accounting earnings that represent the different revenues and expenses, including the expenses associated with non-equity source of funds (such as interest to debt, dividend of preference shares) is known as total earning available for common stock. If this portion of income is divided by number of outstanding shares, we get earning per share." *(Francis; 1991: 622)*

### 2.1.4 Retained Earning

"The total amount of earning of the firm that has not paid out as dividend throughout its history and indicated in the Balance Sheet as earning is known as Retained Earnings. These earnings are reinvested in the firm." *(Reilly; 1996: 212)*

### 2.1.5 Dividend per Share

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

***Forms of Dividend***

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

***b.*** **Stock Dividend:** Distribution of bonus shares as dividend to the stockholder is known as Stock Dividend. This increases the number of shares of the company." *(Reilly; 1996: 212)*

### 2.1.6 Book Value per Share [BPS]

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

### 2.1.7 Market Value per Share

"Market value per share is the current price at which the stock is traded. For activity traded stocks that have thin markets, prices are difficult to obtain. Even when obtainable, the information may reflect only the sale of a few shares of stock and not

typing the market value of the form as a whole. For companies of this sort, care must be taken in interpreting market price information." *(Van Horne and Wachonicz; 1996: 561-64)*

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

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

### 2.1.8 Share Price Determinants

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

"The process used to find the value of a security varies with the types of security. The firms are characterized as having high free cash flow, low growth opportunities and low insider ownership when compared to control firms. The fund targets are significantly undervalued compared to their industry peers and targeting likelihood is increasing significantly in the magnitude of the undervaluation. Markets recognize that the funds are able to spot undervalued firms. Simlarly, the positive effects of fund on target firm in the short-run can persist in the long-run as well. Moreover, there is a correlation between long-run post-targeting performance and the post-target changes." (Francis, et al.; 1991: 271)

Also, "dividend policy affects the value of shares even in a situation in which return on investment is equal to the capitalization rate i.e. r = Ke. It is assumed that investors

have a preference for present dividends to future capital gains under the condition of uncertainty. An increase in dividend payout ratio leads to an increase in the stock prices for the reason that investors consider that the dividend yield ($d_1/p_0$) is less risky than expected capital gain. The basic assumptions are as follows:

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

The 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." (Gordon; 1962 : 111)

Similarly, "the actual market price can only pursue a consensus estimate of any given security's intrinsic value since securities analysts' value estimates differ. Similarly, a perfectly efficient security price is in a continuous equilibrium such that the intrinsic value of the security vibrates randomly and the market price equals the fluctuating intrinsic value in every instant in time. It is the speed of security's market price adjustment process which gauges the efficiency of a price.

A security with perfectly efficient prices would be in 'Continuous equilibrium''. Every time a new piece of news is released, the security's intrinsic value will change and the security's market price will adjust toward the new value. If any disequilibrium (of even a temporary nature) exists, then the security's price is less than perfectly efficient. Of course, actual market prices are not perfectly efficient because different securities analysts typically assign different value estimates to any given security." (Samuelson; 1986: 281)

## 2.2 Review of Journals

Professor **James E. Walter** (1963: 65) in his journal entitled, *"Dividend Policy: It's Influence on the Value of Enterprise",* argues that "dividend policies almost always affect the value of the enterprise .The investment policy of a firm cannot be separated from its dividend policy, which is just the opposite of what MM said. The key argument in a support of the relevant proposition of the model is the relation between the return of firm's investment or its internal rate of return (r) and its cost of capital (k). As long as the internal rate is greater than the cost of capital (k), the stock price will be enhanced by retention and will vary inversely with dividend payout.

The basic assumptions of the model are:

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

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

**Pettit** (1972: 63) in his journal entitled, "Dividend Announcements, Security Performance and Capital Efficiency" has the objective of providing further support or evidence about the validity of the efficient market hypothesis by estimating the speed and accuracy, with which market price reacts to announcements of changes in the level of dividend payment. He analyzed 625 announcement dates of all dividend changes collected from New York Stock Exchange for the period of January 1964 through January 1968, within which 1000 dividend changes were announced and

daily price information was also studied for 135 announcements in 1967-1969. For analysis, the market model was 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.

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

## 2.3 Review of Master's Thesis

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

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

a. To study and analyze the stock price and volume 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 signalling 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 .

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

a. To examine and evaluate the relationship of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.
b. To analyze the market trends of MPS with various financial indicators like EPS, NWPS, DPS, ROE, etc.

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

a. HBL's MPS is negatively correlated with major financial indicators. But it has positive relationship with DPS and DPR respectively. NBL's MPS has positive relationship with EPS and ROE, whereas it has negative relation with other financial variables. NBBL's MPS is positively correlated with EPS, NWPS and DPS.
b. NIBL's MPS is reversely correlated with major financial variables. SCNBL's MPS is negatively correlated with major financial indicators. But it has higher positive relationship with ROE.
c. AFCL's MPS has positive correlation with main financial variables except ROE, with which it has negative relationship. But no such relationship is statistically significant.

Dhamala concluded that there is not a single financial indicator that has dominant role to determine MPS. 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.

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

a. To 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.

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

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

The major findings of Shrestha are as follows:

a. The total numbers of actual and expected runs are statistically significant for most of the equity shares. 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, **Mr. Nischal Regmi** (2006) submitted dissertation on *"Role of Financial Indicators in Determining Share Price in Nepalese Financial Market"* to Shanker Dev Campus. The main objectives of his research are:

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

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.

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

a. To 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.

## 2.4 Research Gap

After reviewing the previous studies that are relevant to the share price, the following research gaps have been found:

a. Most of the studies on share price behaviour conducted in the context of Nepal were based on secondary sources of information only.
b. No study has been conducted on price behaviour related to stock market efficiency by using professional investors, market analyzer and potential investor.

Hence, in order to find out more subjective facts on share price behaviour which cannot be tested through the use of the secondary source of information only, the present study has been conducted by encompassing both secondary data and primary data, obtained from the responses of professional investors, market analyzer and potential investor. Moreover, the present study is conducted to fulfil the above gaps.

# CHAPTER III
# RESEARCH METHODOLOGY

## 3.1 Research Methodology

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

## 3.2 Research Design

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

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

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

## 3.3 Population and Samples

As per the data of 16th February, 2008, there are 141 public companies that are listed in Nepal Stock Exchange Ltd. (NEPSE) consisting 49 from finance companies, 29 from manufacturing, 22 from commercial banking sector, 15 from insurance company, 8 from trading, 8 from Development Banks, 4 from hotel, and 6 from other sectors.

Since the study concentrates only on the determinants of stock price of Commercial Banks of Nepal, the major Commercial Banks listed in NEPSE are taken for the study. Some of the Commercial Banks, here included in the study, are established within the period of study years; hence all the data are not available for analysis from 2001/02 to 2006/07 for these banks. For such only the available data are analyzed. Though Nepal Bank Limited was once listed in NEPSE, but due to continuous loss it is de-listed now, and hence excluded in this study.

This study covers these commercial banks:

**Table No. 3.1**

**Name of Commercial Banks Chosen for Study**

| S.N. | Name of the Commercial Banks | S.N. | Name of the Commercial Banks |
|---|---|---|---|
| 1. | Bank of Kathmandu Limited | 9. | NCC Bank Limited |
| 2. | Everest Bank Limited | 10. | Nepal Bangladesh Bank Limited |

| | | | |
|---|---|---|---|
| 3. | Himalayan Bank Limited | 11. | Nepal Ind. & Commercial Bank Ltd. |
| 4. | Kumari Bank Limited | 12. | Nepal Investment Bank Ltd. |
| 5. | Laxmi Bank Limited | 13. | Nepal SBI Bank Limited |
| 6. | Lumbini Bank Limited | 14. | Siddhartha Bank Ltd. |
| 7. | Macha Puchchhre Bank Ltd | 15. | Standard Chartered Bank Nepal |
| 8. | Nabil Bank Limited | | |

## 3.4 Sources of Data

For the effective and efficient findings, both Primary and Secondary data has been collected as source of data. For the purpose of Primary Data, a questionnaire was presented to the 50 respondents. The respondents were from the NEPSE courtyard who have either invested in Share or willing to invest in Share soon. Due to the time limitation of brokers and their unwillingness to respond, they were not included in the research. The secondary data are collected from different sources of related companies and organizations as follows:

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

## 3.5 Data Collection Techniques

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

For the collection of secondary data, the official website of Nepal Stock Exchange, www.nepalstock.com was visited from where the financial reports of the concerned companies and other relevant information were taken. Likewise, the website of Nepal

Rastra Bank, www.nrb.org.np was visited and the required data were downloaded. The financial statements of the concerned organisations are taken from the Library of Security Board of Nepal [SEBO/N], NEPSE and the Share Departments of respective Banks.

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

## 3.6 Data Processing

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

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

## 3.7 Data Analysis Tools

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

### 3.7.1 Statistical Tools

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

### 3.7.1.1 Average/Mean

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

### 3.7.1.2 Standard Deviation

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

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

### 3.7.1.3 Coefficient of Variation

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

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

### 3.7.1.4 Karl Pearson's Coefficient of Correlation

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

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

Where,

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

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

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

### 3.7.1.5 Coefficient of Determination

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

Thus,

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

### 3.7.1.6 Regression Analysis

***Simple Regression Analysis***

Regression is the estimation of unknown values or prediction of one variable from known values of other variables. It is a mathematical measure of the average

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

***Line of regression of X on Y***

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

$$Y = a + bx$$

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

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

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

Where, Y = the value of dependent variable,

a = Y-intercept

b = Slope of the trend line/coefficient of regression

X = Value of independent variable

**3.7.1.7 Coefficient of Regression**

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

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

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

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

***Multiple Regression Analysis***

Multiple regression analysis consists of two or more independent variables. It derives an equation which provides estimates of the dependent variable from values of the two or more independent variables. It obtains a measure of the proportion of variance

in the dependent variable which is explained by the independent variable and a measure of error involved in using the regression equation as a basis for estimation using this regression equation as a basis for estimation of the dependent variable.

The multiple regression equations is explained by :

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

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

$b_1$ = Slope of $X_1$ with variable $X_2$ holding variable $X_3$ constant = corresponding change in $X_1$ for each unit change in $X_2$ while $X_3$ is held constant

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

$X_1$ = Dependent variable

$X_2$ and $X_3$ = Independent variable

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

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

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

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

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

### 3.7.1.8 Standard Error of Estimate

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

In such a case, standard error of estimate is used to measure the reliability of the estimating equation. The standard error of estimate is similar to the standard deviation. Both of these are measure of dispersion. The standard deviation measures the dispersion of a set of observations about the mean. The standard error of estimate, on the other hand, measures the variability, of scatter, of the observed values around

the regression line. There are two standard error of estimate namely standard error of estimates namely standard error of estimate of Y on X and standard error of estimate of X on Y. *(Pant & Chaudhary; 2055: 260)*

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

$$S_{y.x} = \sqrt{\frac{\sum (Y - Y_C)^2}{n - 2}}$$

$$S_{y.x} = \sqrt{\frac{\sum Y^2 - a\sum Y - b\sum XY}{n - 2}}$$

### 3.7.1.9 T- Test

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

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

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

Where, r = simple correlation coefficient

N = number of observation

## 3.8 Methods of Data Presentation

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

# CHAPTER IV

# DATA PRESENTATION AND ANALYSIS

## 4.1 Commercial Banks of Nepal

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

**Table: 4.1**

**List of the selected Commercial Banks**

| S.N. | Commercial Banks | Operation Date |
|---|---|---|
| 1. | Bank of Kathmandu Ltd. | 1995/03/12 |
| 2. | Everest Bank Ltd. | 1994/10/18 |
| 3. | Himalayan Bank Ltd. | 1993/01/18 |
| 4. | Kumari Bank Ltd. | 2001/04/03 |
| 5. | Laxmi Bank Ltd. | 2002/04/03 |
| 6. | Lumbini Bank Ltd. | 1998/07/17 |
| 7. | Machapuchchhre Bank Ltd. | 2000/10/03 |
| 8. | Nabil Bank Ltd. | 1984/07/16 |
| 9. | NCC Bank Ltd. | 1996/10/14 |
| 10. | Nepal Bangladesh Bank Ltd. | 1993/06/05 |
| 11. | Nepal Ind. & Commercial Bank Ltd. | 1998/07/21 |
| 12. | Nepal Investment Bank Ltd. | 1986/02/27 |
| 13. | Nepal SBI Bank Ltd. | 1993/07/07 |
| 14. | Siddhartha Bank Ltd. | 2002/12/24 |
| 15. | Standard Chartered Bank Nepal | 1987/01/30 |

*(Source: Report of NRB)*

Though Agricultural Development Bank (ADB) has also been allowed to serve the commercial functions from 2041, it has been excluded in this study because it specially focuses the agricultural sector.

### 4.1.1 Listing of Commercial Banks in NEPSE

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

1. The paid-up capital of the company must be at least Rs. 20.00 million.
2. The number of equity shareholder must be at least 1000.
3. The company must have made the public floatation as per bye-laws 9 (ka) sub-byelaws (4).
4. The company must be in profit since last three years.
5. The book value of the share should not be less than its paid up value.

6. Submission of the financial statement within six months from the closure of the F/Y is required.

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

## 4.2 Relationship between EPS, DPS and BPS to MPS

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

## 4.3 Analysis of Financial Indicators

### 4.3.1 Bank of Kathmandu

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

**Table 4.2**

**Summary of the Financial Performance of BOK**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 850 | 0 | 207.72 | 27.97 |
| **2002/03** | 254 | 10 | 171.83 | 2.00 |
| **2003/04** | 198 | 0 | 192.52 | 17.72 |
| **2004/05** | 295 | 0 | 218.38 | 27.50 |
| **2005/06** | 430 | 0 | 213.60 | 30.10 |
| **2006/07** | 850 | 30 | 230.67 | 43.67 |
| **Total** | **2877** | **40** | **1234.72** | **148.96** |
| **Mean** | **479.50** | **6.67** | **205.79** | **24.83** |
| **SD** | **271.15** | **11.06** | **19.02** | **12.72** |
| **CV** | **56.55** | **165.83** | **9.24** | **51.25** |

*(Source : Annual Reports of Bank of Kathmandu*)

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The table (Table No. 4.2) presents the detail financial summary of Bank of Kathmandu throughout the last six years. As table shows, the bank distributed its profit to the shareholders as dividend for two times over the study period. It distributed Rs. 10 per share on 2002/03 as dividend and it was then only distributed on 2006/07 at the rate of Rs. 30 per share. Since the company distributed more dividends in the later year, it shows that the company is in better financial strength in the later years. It can be seen in table that the Market Price per Share of the company first decreases and increases gradually thereafter.

The distribution of dividend seems to be much volatile for the company with the coefficient of variation 165.83% whereas the Book value per share seems to be less volatile with the coefficient of variation 9.24%. The Market Price per Share and Earning per share are moderately volatile with the coefficient of variation 56.55% and 51.25% respectively. It tends to describe that DPS is comparatively more fluctuated than others.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that MPS, DPS

and EPS of this bank have higher degree of CV than that of industry. It means they are more volatile in than average banks. But BPS of this bank seems to be less volatile than that of industry average. The following line chart (Figure No. 4.1) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

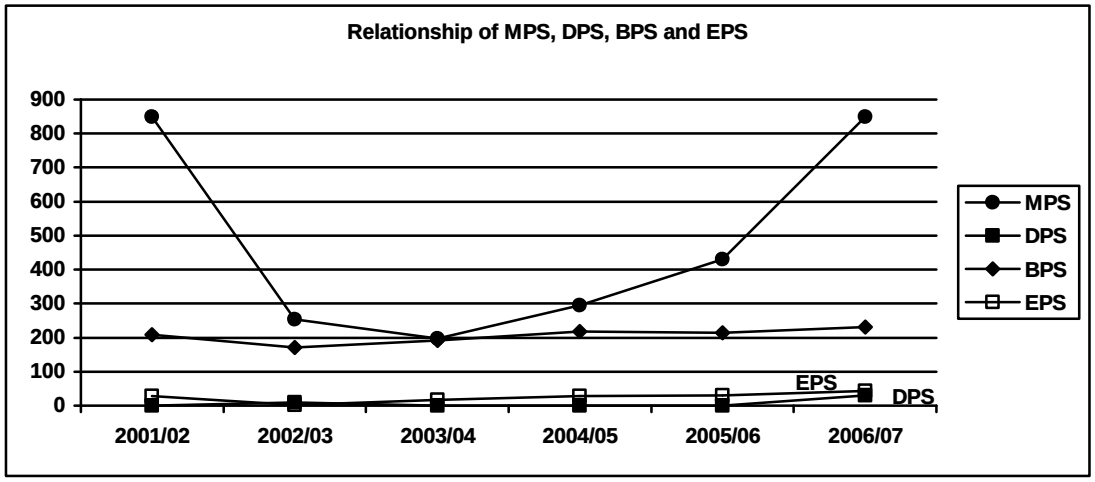


**Figure No. 4.1: Relationship between MPS, DPS, BPS and EPS of BOK**

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

**Table 4.3**

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

| Variables | r | $r^2$ | t-cal | a-value | b-value | t-table | Remarks |
|---|---|---|---|---|---|---|---|
| **MPS vs. DPS** | 0.4926 | 0.2427 | 1.1321 | 398.97 | 12.08 | 2.776 | Insignificant |
| **MPS vs. BPS** | 0.6015 | 0.3618 | 1.5059 | -1284.70 | 8.57 | 2.776 | Insignificant |
| **MPS vs. EPS** | 0.7024 | 0.4933 | 1.9735 | 107.92 | 14.97 | 2.776 | Insignificant |

Where,

r : Coefficient of Correlation

$r^2$ : Coefficient of Determination

t-cal : Student's t-value

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

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

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

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

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

**Table No. 4.4**

**Simple Regression Equation of BOK**

| S.N. | Variables | Regression Equation |
|---|---|---|
| 1 | MPS vs. DPS | MPS = 12.08 DPS + 398.97 |
| 2 | MPS vs. BPS | MPS = 8.57 BPS - 1284.7 |
| 3 | MPS vs. EPS | MPS = 14.97 EPS + 107.92 |

The first equation is the regression equation of MPS on DPS. The regression constant equals to 398.97. This means that when DPS falls to zero, MPS equals to Rs. 398.97. Likewise, the constant for DPS equals to 12.08 meaning that when DPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 12.08 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -1284.70. This means that when BPS becomes zero, MPS will fall to Rs. 1284.70. Likewise, the constant for BPS equals to 8.57 meaning that when BPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 8.57 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 107.92. This means that when EPS falls to zero, MPS equals to Rs. 107.92. Likewise, the constant for EPS equals to 14.97 meaning that when EPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 14.97 and vice versa.

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

MPS on DPS and EPS

**MPS = 119.96 + 6.19 DPS + 12.82 EPS**

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to 119.96. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. 119.96. The constant for DPS is 6.19 meaning that when DPS increases by Re. 1, MPS will increase by Rs. 6.19 keeping EPS constant. In the same way, if DPS holds constant and EPS increases by Re. 1, MPS will increase by Rs. 12.82 and vice versa.

### 4.3.2 Everest Bank Ltd.

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

**Table No. 4.5**

**Summary of the Financial Performance of EBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 650 | 0 | 144.57 | 31.56 |
| **2002/03** | 405 | 20 | 170.76 | 32.91 |
| **2003/04** | 445 | 0 | 150.1 | 29.9 |
| **2004/05** | 680 | 0 | 171.52 | 45.58 |
| **2005/06** | 870 | 20 | 219.87 | 54.22 |
| **2006/07** | 1379 | 0 | 217.67 | 62.78 |
| **Total** | **4429** | **40** | **1074.49** | **256.95** |

| | | | | |
|---|---|---|---|---|
| **Mean** | **738.17** | **6.67** | **179.08** | **42.83** |
| **SD** | **325.62** | **9.43** | **29.75** | **12.44** |
| **CV** | **44.11** | **141.42** | **16.61** | **29.04** |

*(Source: Annual Reports of EBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.5) presents the summary of financial performance of Everest Bank Limited for the last six years. From the table, it can be revealed that the bank has not consistent figure over the period. The MPS has been decreased first and then increased. The MPS as well as EPS seems to be in increasing order in the later years. The bank has distributed Dividend only twice within this period at the similar rate of Rs. 20 per share. High coefficient of variation (141.42%) of DPS clears that the DPS distribution is highly volatile and inconsistent. In comparison with DPS, MPS, BPS and EPS possess low degree of Coefficient of Variation.

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

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

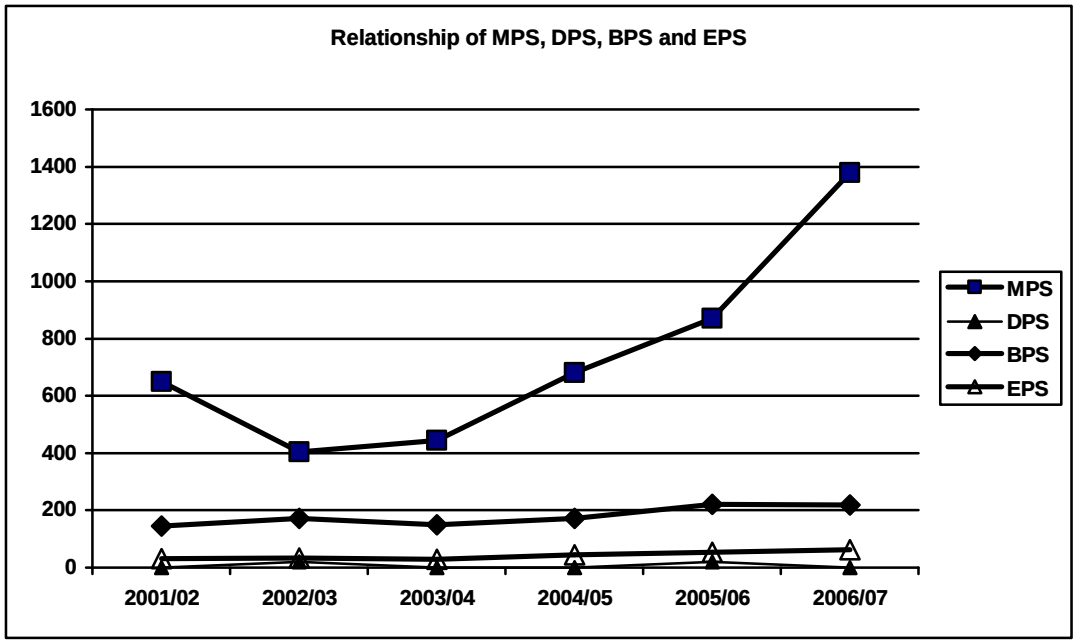


**Figure No. 4.2: Relationship between MPS, DPS, BPS and EPS of EBL**

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

**Table No. 4.6**

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

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

Table No. 4.6 shows the relation of MPS with DPS, BPS and EPS. It shows that MPS is negatively correlated (-0.2186) with DPS whereas positively correlated with BPS (0.7718) and EPS (0.9144). It means that if the DPS rises by Rs. 100, MPS falls by Rs. 21.86. Similarly, Rs. 100 change in BPS and EPS will fluctuate MPS in the same direction by Rs. 77.18 and Rs. 91.44. In this way, EPS is most correlated with MPS than others. But it can be observed from t-calculation that both the correlation of MPS with DPS and BPS are insignificant but the correlation with EPS is significant at 95% level of confidence. The coefficient of determination shows that 4.81% of changes in MPS is explained by DPS whereas 59.57% and 83.61% is explained by BPS and EPS respectively.

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

**Table No. 4.7**

**Simple Regression Equation of EBL**

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

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

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

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

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

MPS on DPS and EPS

**MPS = -239.95 – 8.894 DPS + 24.22 EPS**

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to -

239.95. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. -239.95. The constant for DPS is -8.894 meaning that when DPS increases by Re. 1, MPS will decreases by Rs. 8.894 keeping EPS constant. In the same way, if DPS holds constant and EPS increases by Re. 1, MPS will increase by Rs. 24.22 and vice versa.

### 4.3.3 Himalayan Bank Limited

The following table outlines the major financial performance of Himalayan Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table No. 4.8**

**Summary of the Financial Performance of HBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 1500 | 57.5 | 240.19 | 93.57 |
| **2002/03** | 1000 | 35 | 220.02 | 60.26 |
| **2003/04** | 836 | 25 | 247.81 | 49.45 |
| **2004/05** | 840 | 20 | 246.33 | 49.05 |
| **2005/06** | 920 | 31.58 | 239.59 | 47.91 |
| **2006/07** | 1100 | 35 | 228.72 | 59.24 |
| **Total** | **6196** | **204.08** | **1422.66** | **359.48** |
| **Mean** | **1032.67** | **34.01** | **237.11** | **59.91** |
| **SD** | **228.22** | **11.81** | **9.81** | **15.84** |
| **CV** | **22.10** | **34.73** | **4.14** | **26.43** |

*(Source : Annual Report of HBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.8) presents the summary of financial performance of Himalayan Bank Limited for the last six years. From the table, it can be revealed that the performance of the bank was lowered at the mid term of study period. It means the data shows good financial performance first and then it was declined. But in the

recent years it has been improved. The DPS seems to be in increasing order in the later years. Among these four indicators, DPS has more Coefficient of Variation whereas BPS has the lowest one. Here, the low degree of Coefficient of Variation of these indicators explains the more consistency of the banking performance in comparison with other banks.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that this bank has less volatile MPS, BPS, DPS and EPS in comparison with whole industry. Less volatility in these indicators of this bank implies more consistency in the financial performance. The following line chart shows the linear relationship of Market Price per Share with BPS, DPS and EPS (Figure No. 3).

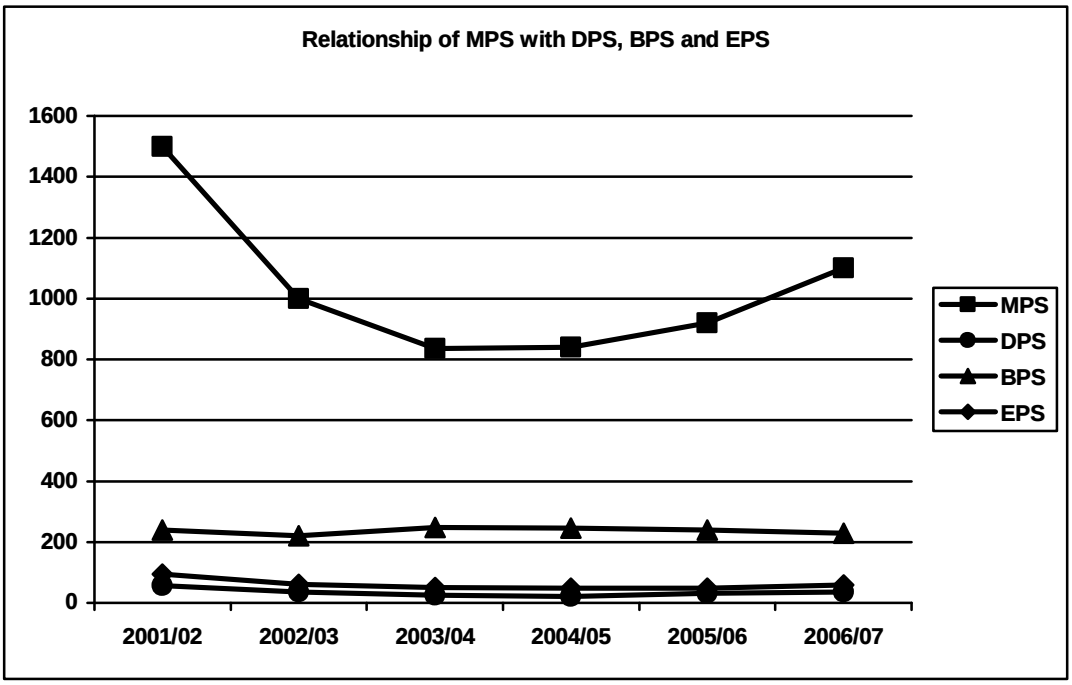


**Figure No. 4.3: Relationship between MPS, DPS, BPS and EPS of HBL**

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

**Table No. 4.9**

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

| Variables | r | $r^2$ | t-cal | a-value | b-value | t-table | Remarks |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **MPS vs. DPS** | 0.9742 | 0.9491 | 8.6389 | 392.4275 | 18.8232 | 2.776 | Significant |
| **MPS vs. BPS** | -0.2030 | 0.0412 | -0.4147 | 2152.298 | -4.7220 | 2.776 | Insignificant |
| **MPS vs. EPS** | 0.9765 | 0.9535 | 9.0540 | 189.6387 | 14.0708 | 2.776 | Significant |

The relation of MPS with DPS, BPS and EPS is shown in Table No. 4.9. It shows that MPS of Himalayan Bank is positively correlated with DPS and EPS but negatively correlated with BPS. Both the correlation with DPS and EPS are significant but the correlation with BPS seems to be insignificant at 95% level of confidence. It indicates that raise in DPS and EPS results the rise in MPS and vice versa. If DPS rise by Rs. 100, the MPS will be raised by Rs. 97.42. In the same way, Rs. 100 increase in EPS results the increment of Rs. 97.65 in MPS. Since BPS is negatively correlated with MPS, it fluctuates in the opposite way to that of DPS and EPS. If BPS increases by Rs 100, then the MPS will be decrease by Rs. 20.30.

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

**Table No. 4.10**

**Regression Equation of HBL**

| S.N. | Variables | Regression Equation |
|---|---|---|
| 1 | MPS vs. DPS | MPS = 18.82 DPS + 392.43 |
| 2 | MPS vs. BPS | MPS = -4.72 BPS + 2152.298 |
| 3 | MPS vs. EPS | MPS = 14.708 EPS + 189.64 |

The first equation is the regression equation of MPS on DPS. The regression constant equals to 392.43. This means that when DPS falls to zero, MPS equals to Rs. 392.43. Likewise, the constant for DPS equals to 18.82 implies that when DPS increases by Re. 1, MPS increases Rs. 18.82 and vice versa.

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

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 189.64. This means that when EPS falls to zero, MPS equals to Rs. 189.64. Likewise, the constant for EPS equals to 14.708 meaning that when EPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 14.708 and vice versa.

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

MPS on DPS and EPS

**MPS = 357.04 + 19.88 DPS – 0.0073 EPS**

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to 357.04. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. 357.04. The constant for DPS is 19.88 meaning that when DPS increases by Re. 1, MPS will increases by Rs. 19.88 keeping EPS constant. In the same way, the constant for EPS equals to -0.007 means if DPS holds constant and EPS increases by Re. 1, MPS will decreases by Rs. 0.007 and vice versa.

### 4.3.4 Kumari Bank Limited

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

**Table No. 4.11**

**Summary of the Financial Performance of KBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | - | - | - | - |
| **2002/03** | - | 0 | 141.11 | 0.38 |
| **2003/04** | - | 0 | 114.03 | 3.56 |
| **2004/05** | - | 0 | 112.25 | 9.74 |
| **2005/06** | 369 | 0 | 103.89 | 17.58 |
| **2006/07** | NA | NA | NA | NA |
| **Total** | **369** | **0** | **471.28** | **31.26** |
| **Mean** | **61.50** | **0.00** | **117.82** | **7.82** |
| **SD** | **0.00** | **0.00** | **13.98** | **6.57** |
| **CV** | **0.00** | **-** | **11.87** | **84.02** |

*(Source : Annual Report of Kumari Bank Limited)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The table given above shows the financial performance of Kumari Bank for the past six years. The Market Price per Share of the organisation is available only for the year 2005/06 and no data of the year 2006/07 is available because it is still not audited and hence not published out. The company didn't distribute any Dividend within the study period. The average BPS of the company for the four years (excluding 2001/02 and 2006/07) is Rs. 36.77 with the Standard Deviation of 13.98%. The Coefficient of Variation equals to 84.02 which indicates the volatility of EPS is 84.02%. The higher Standard Deviation of BPS in comparison with EPS denotes that BPS is more volatile than EPS.

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

### 4.3.5 Laxmi Bank Limited

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

**Table No. 4.12**

**Summary of the Financial Performance of LBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | - | - | - | - |
| **2002/03** | - | 0 | 98.47 | -1.53 |
| **2003/04** | - | 0 | 99.04 | 0.31 |
| **2004/05** | 156 | 0 | 101.28 | 1.9 |
| **2005/06** | 285 | 0 | 98.87 | 4.34 |
| **2006/07** | 368 | 0 | 106.4 | 5.8 |
| **Total** | 809 | 0 | 504.06 | 10.82 |
| **Mean** | 269.67 | 0.00 | 168.02 | 3.61 |
| **SD** | 87.23 | 0.00 | 3.14 | 1.61 |
| **CV** | 32.35 | - | 1.87 | 44.61 |

** Excluded in the calculation because of incomplete information*

*(Source : Annual Report of LBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.12) reveals the summary of financial performance of Laxmi Bank Limited for the last three years. The complete information of Laxmi Bank is available only after 2004/05. Hence here we have considered the data only after 2004/05. The bank has not distributed any kind of dividend yet. Hence, there is nothing to compare the relation of MPS with DPS. The table shows that The MPS is in increasing order since 2004/05 to till now. Likewise, the EPS is also in increasing trend in the later years. The Coefficient of Variation of MPS, BPS and EPS is 32.35%, 1.87% and 44.61% respectively. In comparison with other indicators the Coefficient of Variation of EPS is higher than others, which shows that it is more volatile than others. In this way, the data shows that BPS has the lowest degree of Coefficient of Variation.

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

The following line chart (Figure No. 4.4) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

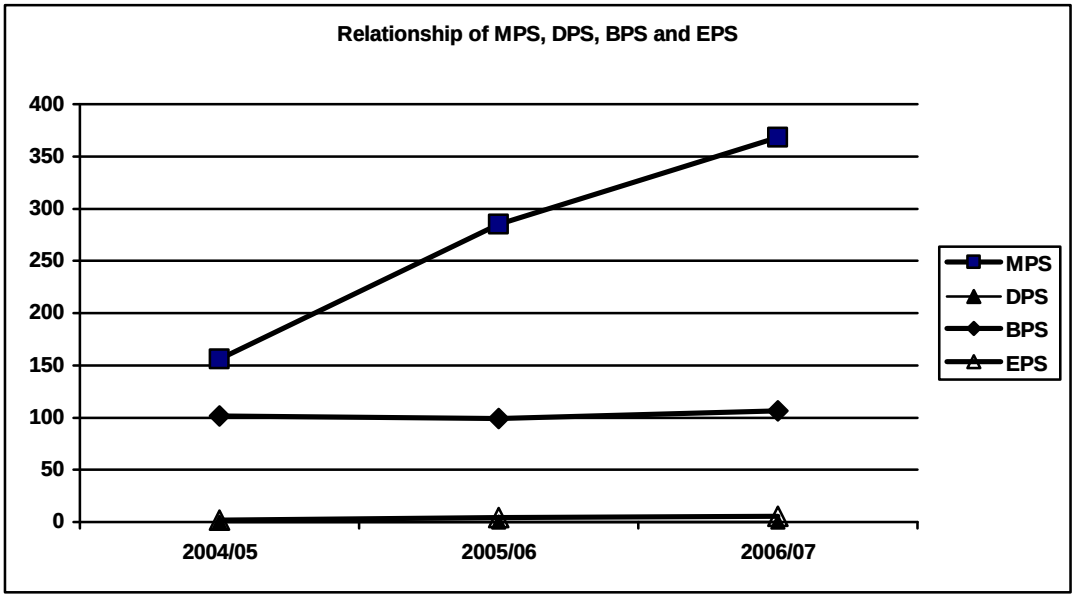


**Figure No. 4.4: Relationship between MPS, DPS, BPS and EPS of LBL**

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

**Table 4.13**

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

| Variables | r | $r^2$ | t-cal | a-value | b-value | t-table | Remarks |
|---|---|---|---|---|---|---|---|
| **MPS vs. DPS** | - | - | - | - | - | 2.776 | - |
| **MPS vs. BPS** | 0.5678 | 0.3224 | 1.38 | -2380.71 | 15.77 | 2.776 | Insignificant |
| **MPS vs. EPS** | 0.9998 | 0.9996 | 102.83 | 74.16 | 54.20 | 2.776 | Significant |

Table No. 4.13 shows the relation of MPS with BPS and EPS. The relation between MPS and DPS is not calculated because no DPS has distributed yet It shows that MPS

is positively correlated (.05678) but insignificant at 95% level of confidence with BPS. Likewise, MPS is positively correlated with EPS (0.9998) and highly significant at 95% level of confidence. It means that if the BPS rises by Rs. 100, MPS will be raised by Rs. 56.78. The MPS and EPS are almost perfectly correlated i.e. (0.9998) hence MPS will increase/decrease in the same direction with almost equal value. The coefficient of determination shows that 32.24% of changes in MPS is explained by BPS whereas 99.96% is explained by EPS respectively.

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

**Table No. 4.14**

**Simple Regression Equation of LBL**

| S.N. | Variables | Regression Equation |
|---|---|---|
| 1 | MPS vs. BPS | MPS = 15.77 BPS – 2380.71 |
| 2 | MPS vs. EPS | MPS = 54.20 EPS + 74.16 |

The first equation is the regression equation of MPS on BPS. The regression constant equals to -2380.71. This means that when BPS is zero, MPS will be decreased to Rs. -2380.81. Likewise, the constant for BPS equals to 15.77, meaning that when BPS increases by Re. 1, MPS increases by Rs. 15.77 and vice versa.

The second equation refers to the regression equation of MPS on EPS. The regression constant equals to 74.16. This means that when EPS becomes zero, MPS will be equal to Rs. 74.16. Likewise, the constant for EPS equals to 54.20 means that when EPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 54.20.

### 4.3.6 Lumbini Bank Limited

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

**Table No. 4.15**

**Summary of the Financial Performance of LuBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | - | 0 | 81.09 | -10.32 |
| **2002/03** | - | 0 | 53.92 | -27.99 |
| **2003/04** | - | 0 | 96.31 | 25.47 |
| **2004/05** | - | 0 | 84.71 | 5.33 |
| **2005/06** | 180 | 0 | 49 | -39.35 |
| **2006/07** | 172 | 0 | -144.41 | -161.21 |
| **Total** | **352** | **0** | **220.62** | **-208.07** |
| **Mean** | **58.67** | **0.00** | **36.77** | **-34.68** |
| **SD** | **4.00** | **0.00** | **82.74** | **60.40** |
| **CV** | **6.82** | **-** | **225.03** | **-174.17** |

*(Source : Annual Report of Lumbini Bank Limited)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The table (Table No. 4.15) given above shows the financial performance of Lumbini Bank for the past six years. The Market Price per Share of the organisation is available only for the year 2005/06 and 2006/07. The company didn't distribute any Dividend within the study period. The average BPS of the company for the six years is Rs. 36.77 with the Standard Deviation of 82.74%. The high Coefficient of Variation (225.03) indicates the high volatility of BPS. Standard Deviation of BPS seems to be highest (82.74%) among the indicators.

This bank has less volatility in MPS and EPS whereas high in BPS than that of industry average.

### 4.3.7 Machhapuchhre Bank Limited

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

**Table 4.16**

**Summary of the Financial Performance of MBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | - | - | - | - |
| **2002/03** | - | - | - | - |
| **2003/04** | 100 | 0 | 92.2 | 2.81 |
| **2004/05** | 125 | 0 | 100.77 | 8.49 |
| **2005/06** | 256 | 0 | 115.95 | 15.43 |
| **2006/07** | 320 | 15.79 | 130.22 | 18.74 |
| **Total** | **801** | **15.79** | **439.14** | **45.47** |
| **Mean** | **200.25** | **3.95** | **109.79** | **11.37** |
| **SD** | **91.05** | **6.84** | **14.54** | **6.17** |
| **CV** | **45.47** | **173.21** | **13.25** | **54.29** |

*(Source : Annual Reports of Machhapuchhre Bank Limited* )

Where,

SD : Standard Deviation

CV : Coefficient of Variation

Table No. 4.16 presents the detail financial summary of Machhapuchhre Bank Limited (MBL) for the past four years. As table shows, the bank has distributed its profit to the shareholders Rs. 15.79 per share on 2006/07 only. MPS, BPS and EPS of the company are increased each year showing the better financial strength in later years.

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

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that MPS, DPS and EPS of this bank have higher degree of CV than that of industry. It means they

are more volatile in than average banks. But BPS of this bank seems to be less volatile than that of industry average.

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

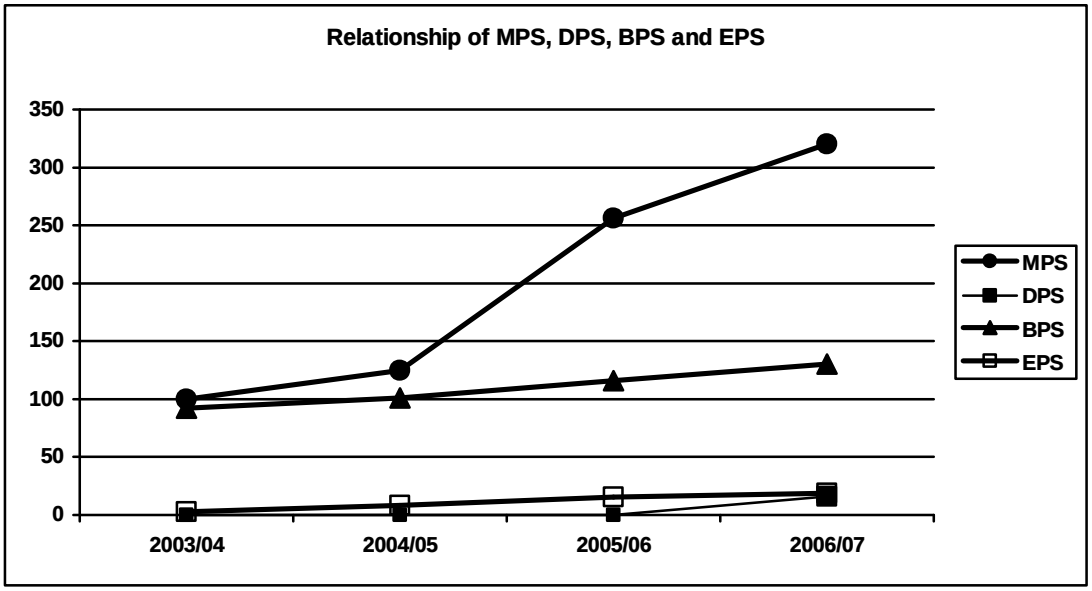


**Figure No. 4.5: Relationship between MPS, DPS, BPS and EPS of MBL**

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

**Table 4.17**

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

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

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

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

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

**Table : 4.18**

**Simple Regression Equation of MBL**

| S.N. | Variables | Regression Equation |
|---|---|---|
| 1 | MPS vs. DPS | MPS = 10.11 DPS + 160.33 |
| 2 | MPS vs. BPS | MPS = 6.184 BPS – 478.63 |
| 3 | MPS vs. EPS | MPS = 14.33 EPS + 37.33 |

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

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -478.633. This means that when BPS becomes zero, MPS will fall to Rs. 478.63. Likewise, 6.184 is the constant for BPS meaning that when BPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 6.184 and vice versa.

Similarly, the last equation indicates the regression equation of MPS on EPS. 37.33 is the regression constant equals of MPS on EPS. This means that when EPS falls to zero, MPS equals to Rs. 37.33. Likewise, the constant for EPS equals to 14.33 meaning that when EPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 14.33 and vice versa.

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

MPS on DPS and EPS

**MPS = 48.08 + 2.268 DPS + 12.298 EPS**

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

### 4.3.8 NABIL Bank Limited

The following table outlines the major financial performance of NABIL Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table No. 4.19**

**Summary of the Financial Performance of NABIL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 1500 | 6.11 | 216 | 59.26 |
| **2002/03** | 700 | 30 | 233 | 55.25 |
| **2003/04** | 740 | 50 | 267 | 84.66 |
| **2004/05** | 1000 | 65 | 301 | 92.61 |
| **2005/06** | 1505 | 70 | 337 | 105.49 |
| **2006/07** | 2240 | 85 | 381 | 129.21 |
| **Total** | **7685** | **306.11** | **1735** | **526.48** |
| **Mean** | **1280.83** | **51.02** | **289.17** | **87.75** |
| **SD** | **536.50** | **26.36** | **57.53** | **25.61** |
| **CV** | **41.89** | **51.67** | **19.90** | **29.18** |

*(Source : Annual Reports of NABL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table presents the summary of financial performance of NABIL Bank Limited for the last six years. From the table, it can be revealed that Market Price per Share was lowered to 700 on 2002/03 from 1500 on 2001/02. But after this it has been continuously increasing each year till 2006/07. The organisation is distributing its DPS each year in increasing trend. Likewise, the BPS and EPS are also is increasing trend. It shows the betterment in its performance each year. Standard Deviation of MPS, DPS, BPS and EPS are 536.50%, 26.36%, 57.53% and 25.61% respectively. In the same way, Coefficient of Variation of MPS, DPS, BPS and EPS are 41.89, 51.67, 19.9 and 29.18 respectively. It indicates that BPS is less volatile among these indicators whereas DPS is most volatile.

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

The following line chart (Figure No. 4.6) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

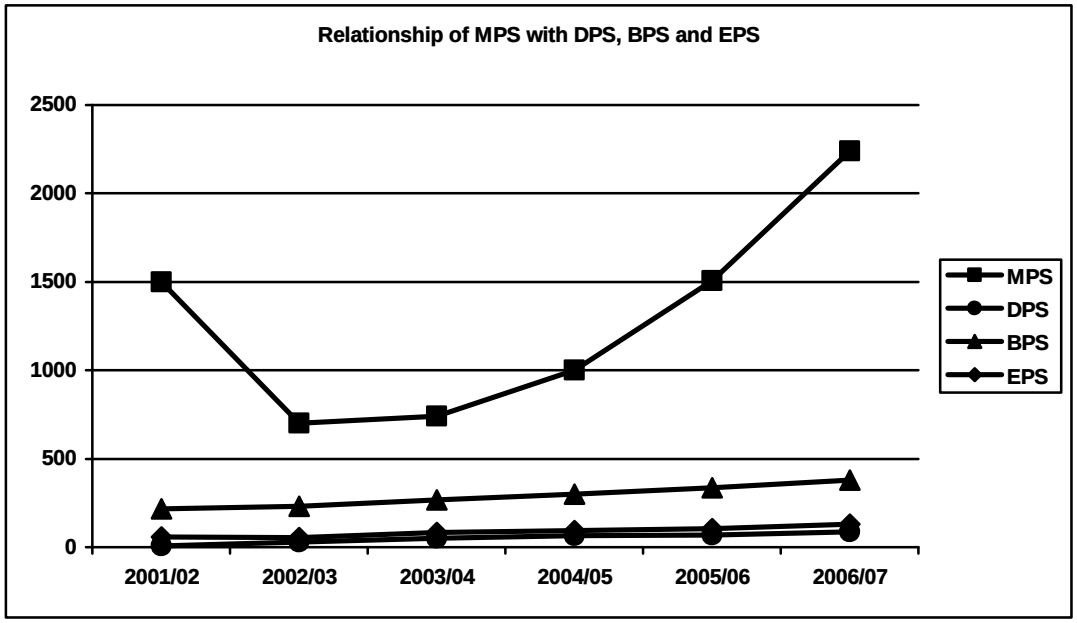


**Figure No. 4.6: Relationship between MPS, DPS, BPS and EPS of NABL**

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

**Table No. 4.20**

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

| Variables | r | $r^2$ | t-cal | a-value | b-value | t-table | Remarks |
|---|---|---|---|---|---|---|---|
| **MPS vs. DPS** | 0.4223 | 0.1783 | 0.9318 | 842.3673 | 8.5943 | 2.776 | Insignificant |
| **MPS vs. BPS** | 0.6699 | 0.4487 | 1.8043 | -525.424 | 6.2464 | 2.776 | Insignificant |
| **MPS vs. EPS** | 0.6876 | 0.4728 | 1.8941 | 16.77054 | 14.4058 | 2.776 | Insignificant |

The table given above (Table No. 4.20) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NABIL Bank is positively correlated with DPS, BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice versa. The simple correlation coefficient of DPS, BPS and EPS are 0.4223, 0.6699 and 0.6876. It means if DPS rise by Rs. 100, the MPS will be raised by Rs. 42.23. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 66.99 and Rs. 68.76 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

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

**Table : 4.21**

**Regression Equation of NABL**

| S.N. | Variables | Regression Equation |
|---|---|---|
| 1 | MPS vs. DPS | MPS = 8.59 DPS + 842.37 |
| 2 | MPS vs. BPS | MPS = 6.25 BPS – 525.424 |
| 3 | MPS vs. EPS | MPS = 14.41 EPS + 16.77 |

The first equation is the regression equation of MPS on DPS. The regression constant equals to 842.37. This means that when DPS falls to zero, MPS equals to Rs. 842.37. Likewise, the constant for DPS equals to 8.59 implies that when DPS increases by Re. 1, MPS increases Rs. 8.59 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to -525.424. This means that when BPS becomes zero, MPS fall to -525.424. Likewise, the constant for BPS equals to 6.25 meaning that when BPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 6.25.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 16.77. This means that when EPS falls to zero, MPS equals to Rs. 16.77. Likewise, the constant for EPS equals to 14.41 meaning that when EPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 14.41 and vice versa.

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

MPS on DPS and EPS

**MPS = -1128.29 -34.43 DPS + 47.47 EPS**

The above equation gives the result on MPS due to the joint effect on DPS and EPS. MPS intercept i.e. multiple regression constant as shown in the equation equals to. -1128.29. It implies that when DPS and EPS becomes zero, MPS would be equal to Rs. -1128.29. The constant for DPS is -34.43 meaning that when DPS increases by Re. 1, MPS will decreases by Rs. 34.43 keeping EPS constant. In the same way, the constant for EPS equals to 47.47 means if DPS holds constant and EPS increases by Re. 1, MPS will increases by Rs. 47.47 and vice versa.

### 4.3.9 Nepal Credit and Commerce Bank Limited

The following table outlines the major financial performance of NCC Bank Limited over the past six years from 2001/02 to 2006/07.

**Table No. 4.22**

**Summary of the Financial Performance of NCCBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | - | 0 | 0.07 | 0.59 |
| **2002/03** | - | 0 | -0.04 | -11.35 |
| **2003/04** | - | 0 | 0.016 | 1.67 |

| | | | | |
|---|---|---|---|---|
| **2004/05** | - | 0 | 0.027 | 0.06 |
| **2005/06** | 120 | 0 | 0.365 | 0.74 |
| **2006/07** | NA | NA | NA | NA |
| **Total** | **120** | **0** | **0.438** | **-8.29** |
| **Mean** | **-** | **-** | **0.09** | **-1.66** |
| **SD** | **-** | **-** | **0.14** | **4.87** |
| **CV** | **-** | **-** | **163.32** | **-293.95** |

*(Source : Annual Reports of NCC Bank Limited)*

Where,

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

Nepal Credit and Commerce Bank opened its share to the general public on 2060/61 for the first time. And no dividend has been distributed to its shareholders with in the period of this study period. Till the date of preparation of this thesis, the General Meeting of the Bank has not approved its financial report of fiscal year 2064/065. So, no data has been published out for this year. Hence, due to the unavailability of required data from Nepal Credit and Commerce Bank for the study period, detail analysis could not be made. The available data regarding BPS and EPS shows that the organisation is in little progress in later years. NCC Bank was in loss in the year 2002/03 with negative BPS. But in later years, it has made the profit from its operation. The variability of BPS is 16.32% whereas that of EPS is -293.95. Such high variability shows the inconsistency in these indicators. This bank has very high volatility of BPS and EPS in comparison with the industry average. This indicated the inconsistency in these indicators.

### 4.3.10 Nepal Bangladesh Bank Limited

The following table outlines the major financial performance of Nepal Bangladesh Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table No. 4.23**

**Summary of the Financial Performance of NBBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 1100 | 55 | 248 | 82.81 |
| **2002/03** | 490 | 0 | 174 | 18.27 |
| **2003/04** | 360 | 0 | 190 | 19.86 |
| **2004/05** | 354 | 0 | 182 | 0.73 |
| **2005/06** | 265 | 0 | 188 | 1.58 |
| **2006/07** | 199 | 0 | NA* | NA* |
| **Total** | **2768** | **55** | 982 | 123.25 |
| **Mean** | **461.33** | **9.17** | **196.40** | **24.65** |
| **SD** | **299.41** | **20.50** | **26.39** | **30.17** |
| **CV** | **64.90** | **223.61** | **13.44** | **122.39** |

*(Source: Annual Reports of NBBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

NA : Not Available – *No AGM till the date of the preparation of this Thesis

The above table presents the summary of financial performance of Nepal Bangladesh Bank Limited for the last six years. From the table, it can be revealed that Market Price per Share is in downward trend since 2001/02 till now. Likewise, the Bank has distributed its Dividend only once on 2001/02. No dividend has been distributed thereafter. The EPS of the organisation is also continuously decreasing from the year 2001/02 to 2006/07. The downward trend of these indicators shows that the bank is experiencing some financial crisis in the later years. The high variability of DPS (223.61%) and EPS (122.39%) shows that the Dividend payment as well as the earning per share of the company is not consistent through out the study period. In comparison, MPS and BPS has low degree of variability i.e. 64.90% and 13.44% respectively.

The industry average of CV of MPS, BPS, DPS and EPS as shown in Annex V equals to 39.44%, 28.17%, 116.75% and 28.31% respectively. This shows that MPS, DPS and EPS of this bank have higher degree of CV than that of industry. It means they

are more volatile in than average banks. But BPS of this bank seems to be less volatile than that of industry average.

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

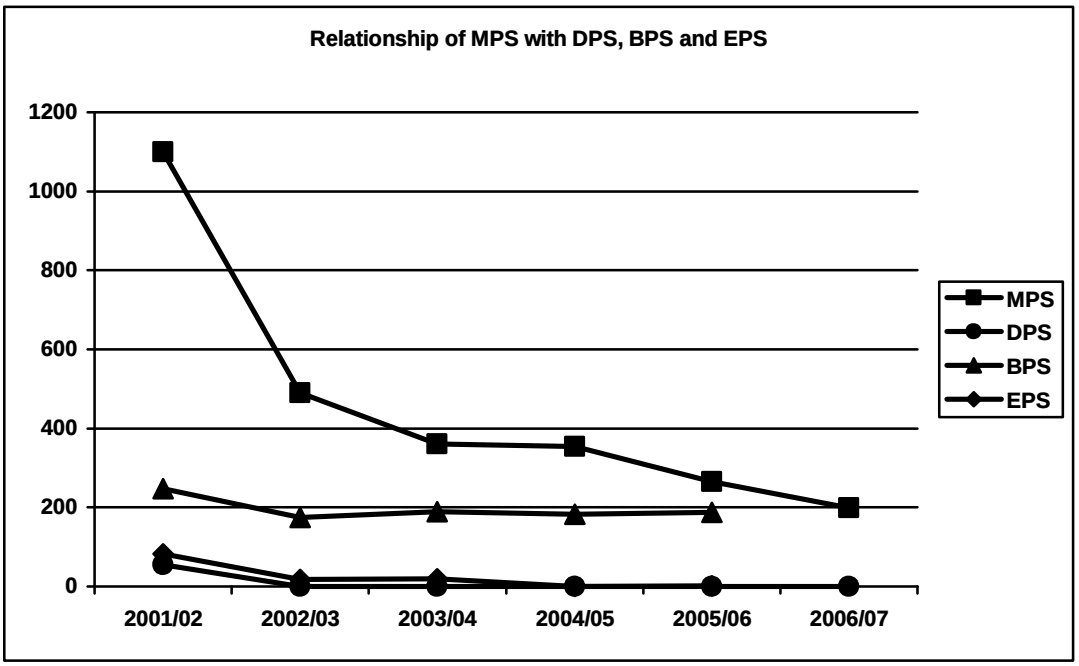


**Figure No. 4.7: Relationship between MPS, DPS, BPS and EPS of NBBL**

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

**Table No. 4.24**

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

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

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

95.40. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 90.79 and Rs. 97.86 in MPS respectively. The degrees of correlation of all the indicators with MPS are significant in 95% level of confidence.

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

**Table : 4.25**

**Simple Regression Equation of NBBL**

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

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

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

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

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

MPS on DPS and EPS

**MPS = 306.8 + 5.42 DPS + 5.978 EPS**

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

### 4.3.11 Nepal Industrial and Commercial Bank Ltd.

The following table shows the major financial performance of Nepal Industrial and Commercial Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table No. 4.26**

**Summary of the Financial Performance of NICBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 399 | 10 | 103.88 | 9.66 |
| **2002/03** | 245 | 0 | 105.24 | 1.36 |
| **2003/04** | 220 | 0 | 110.43 | 5.19 |
| **2004/05** | 218 | 0 | 124.09 | 13.65 |
| **2005/06** | 366 | 30 | 136.84 | 22.75 |
| **2006/07** | 496 | 10.53 | 127.74 | 16.1 |
| **Total** | **1944** | **50.53** | **708.22** | **68.71** |
| **Mean** | **324.00** | **8.42** | **118.04** | **11.45** |
| **SD** | **104.30** | **10.69** | **12.29** | **7.05** |
| **CV** | **32.19** | **126.90** | **10.41** | **61.58** |

*(Source: Annual Reports of NICBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table presents the summary of financial performance of Nepal Industrial and Commercial Bank Limited for the last six years. From the table, it can be revealed

that the Market Price per Share was in decreasing order from 2001/02 to 2004/05. Then in the following years, it has been increased to some extent. The company distributed the dividend of Rs. 10 per share on 2001/02 and then distributed on 2005/06 and 2006/07 at the rate of Rs. 30 and Rs. 10.53 respectively. The trend of BPS seems to be increasing except for the last year i.e. 2006/07. The table shows that the Coefficient of Variation of MPS, DPS, BPS and EPS are 32.19%, 126.90%, 10.41% and 61.58% respectively. This indicates that the BPS has low degree of volatility (10.41%) among these four indicators. In contrast, DPS has highest Coefficient of Variation (126.90%) followed by EPS (61.58%) and MPS (32.19%).

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

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

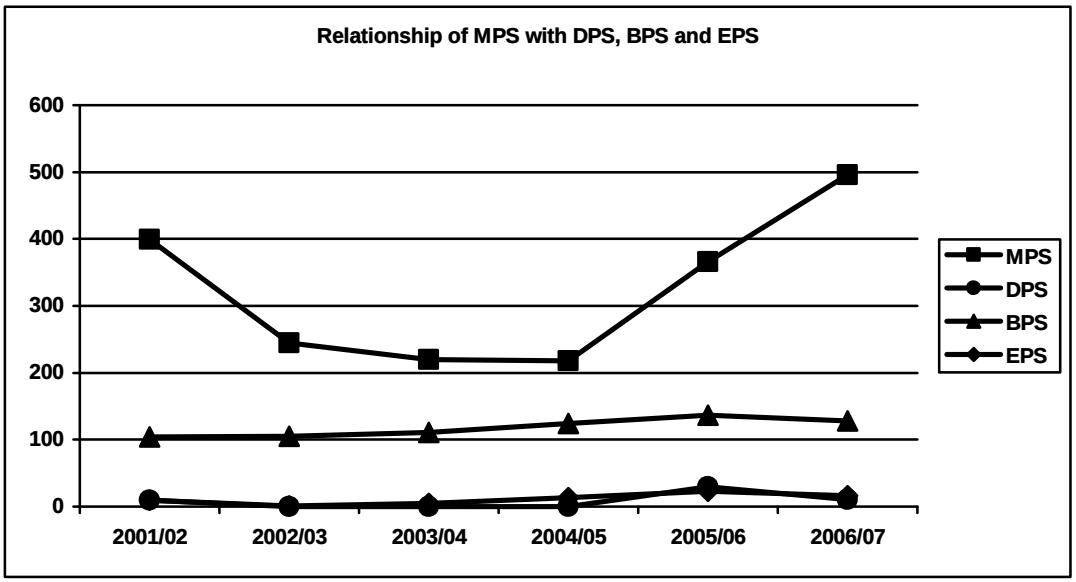


**Figure No. 4.8: Relationship between MPS, DPS, BPS and EPS of NICBL**

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

**Table No. 4.27**

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

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

The relation of MPS with DPS, BPS and EPS is shown in Table No. 4.27. It shows that MPS of Himalayan Bank is positively correlated with all three indicators DPS, BPS and EPS. It indicates that if DPS or BPS or EPS increases, MPS also increases. Among these, BPS has the low degree of correlation (33.25%) whereas the degree of correlation is bit higher than that of BPS in the case of DPS (57.13%) and EPS (53.37%). It means that if DPS rise by Rs. 100, the MPS will be raised by Rs. 57.13. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 33.25 and Rs. 53.37 in MPS. The coefficient of determination shows that the 28.48% of changes in the MPS is explained by EPS, 11.06% of changes in MPS is explained by BPS and the ratio to DPS is 32.64%. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

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

**Table No. 4.28**

**Simple Regression Equation of NICBL**

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

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

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

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

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

MPS on DPS and EPS

**MPS = 256.58 + 3.976 DPS + 2.96 EPS**

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

### 4.3.12 Nepal Investment Bank Limited

The following table outlines the major financial performance of Nepal Investment Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been shown in the table.

**Table No. 4.29**

**Summary of the Financial Performance of NIBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 1150 | 0 | 275.96 | 33.18 |
| **2002/03** | 760 | 30 | 307.95 | 33.59 |
| **2003/04** | 795 | 20 | 216.24 | 39.56 |
| **2004/05** | 940 | 15 | 246.89 | 51.7 |
| **2005/06** | 800 | 12.5 | 200.8 | 39.5 |
| **2006/07** | 1260 | 55.46 | 239.67 | 59.35 |
| **Total** | **5705** | **132.96** | **1487.51** | **256.88** |
| **Mean** | **950.83** | **22.16** | **247.92** | **42.81** |
| **SD** | **190.97** | **17.37** | **35.78** | **9.59** |
| **CV** | **20.08** | **78.39** | **14.43** | **22.40** |

*(Source: Annual Reports of NIBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table presents the summary of financial performance of Nepal Investment Bank Limited for the last six years (2001/02 to 2006/07). The table shows that Market Price per Share was dropped to Rs. 760 (2002/03) from 1150 (2001/02) firstly. After this also the MPS of this bank seems to be fluctuating randomly ups and downs in the following years. The bank has distributed different amount of DPS over the period. The data shows that the rate of dividend distribution and BPS of the organisation is not consistent. EPS of the company is in increasing trend except the year 2005/06. The Coefficient of Variation of MPS is 20.08% whereas that of DPS is 78.39%. In the same way it is 14.43% for BPS and 22.40% for EPS. It indicates that the degree of variability is highest in DPS and hence is more volatile than others. BPS bears the low degree of volatility in comparison to others. MPS and EPS has almost equal degree of variation.

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

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

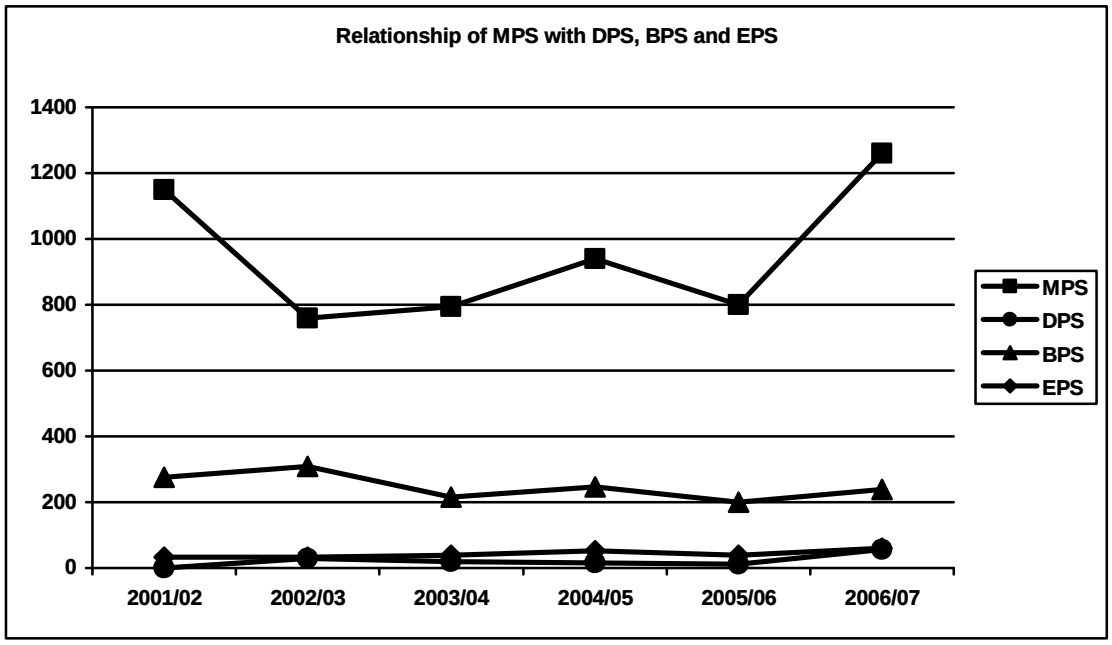


**Figure No. 4.9: Relationship between MPS, DPS, BPS and EPS of NIBL**

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

**Table No. 4.30**

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

| Variables | r | $r^2$ | t-cal | a-value | b-value | t-table | Remarks |
|---|---|---|---|---|---|---|---|
| **MPS vs. DPS** | 0.3143 | 0.0988 | 0.6622 | 874.259 | 3.4555 | 2.776 | Insignificant |
| **MPS vs. BPS** | 0.0886 | 0.0079 | 0.1779 | 833.5839 | 0.4729 | 2.776 | Insignificant |
| **MPS vs. EPS** | 0.5337 | 0.2848 | 1.2621 | 495.8687 | 10.6267 | 2.776 | Insignificant |

The table given above (Table No. 4.30) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of NABIL Bank is positively correlated with DPS, BPS and EPS. It indicates that raise in these indicators results the rise in MPS and vice

versa. The simple correlation coefficient of DPS, BPS and EPS are 0.4223, 0.6699 and 0.6876. It means if DPS rise by Rs. 100, the MPS will be raised by Rs. 42.23. In the same way, Rs. 100 increase in BPS and EPS results the increment of Rs. 66.99 and Rs. 68.76 in MPS respectively. Despite this, the degrees of correlation are not significant at 95% level of confidence for all these independent variables.

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

**Table No. 4.31**

**Simple Regression Equation of NIBL**

| S.N. | Variables | Regression Equation |
|---|---|---|
| 1 | MPS vs. DPS | MPS = 3.46 DPS + 874.26 |
| 2 | MPS vs. BPS | MPS = 0.4729 BPS + 833.58 |
| 3 | MPS vs. EPS | MPS = 10.627 EPS + 459.868 |

The first equation is the regression equation of MPS on DPS. The regression constant equals to 874.26. This means that when DPS falls to zero, MPS equals to Rs. 874.26. Likewise, the constant for DPS equals to 3.46 implies that when DPS increases by Re. 1, MPS increases Rs. 3.46 and vice versa.

The second equation refers to the regression equation of MPS on BPS. The regression constant equals to 833.58. This means that when BPS becomes zero, MPS will be Rs. 833.58. Likewise, the constant for BPS equals to 0.4729 meaning that when BPS increases by Re. 1, MPS increases by Rs. 0.4729 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 10.627. This means that when EPS falls to zero, MPS equals to Rs. 10.627. Likewise, the constant for EPS equals to 495.868 meaning that when EPS increases/decreases by Re. 1, MPS increases/decreases by Rs. 495.868 and vice versa.

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

MPS on DPS and EPS

**MPS = 464.75 - 1.05 DPS + 11.89 EPS**

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

### 4.3.13 Nepal SBI Bank Limited

The following table provides the information about the major financial performance of SBI Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been shown in the table.

**Table No. 4.32**

**Summary of the Financial Performance of SBI Bank**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 1500 | 20 | 165.73 | 8.69 |
| **2002/03** | 401 | 0 | 131.88 | 9.61 |
| **2003/04** | 255 | 8 | 134.03 | 11.47 |
| **2004/05** | 307 | 0 | 146.80 | 14.26 |
| **2005/06** | 335 | 0 | 159.54 | 13.26 |
| **2006/07** | 612 | 0 | 165.8 | 16.85 |
| **Total** | **3410** | **28** | **903.78** | **74.14** |
| **Mean** | **568.33** | **4.67** | **150.63** | **12.36** |
| **SD** | **431.82** | **7.45** | **14.02** | **2.78** |
| **CV** | **75.98** | **159.72** | **9.31** | **22.51** |

*(Source : Annual Report of SBI Bank)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table (Table No. 4.32) presents the summary of financial performance of Nepal SBI Bank Limited for the last six years (2001/02 to 2006/07). The table shows that Market Price per Share was decreased first and then increased gradually. The bank distributed dividend to its shareholder for twice over the study period i.e. on 2001/02 and 2003/04 at the rate of Rs. 20 and Rs. 8 to each share respectively. The EPS of the company has been increasing since the beginning continuously. The volatility of DPS (159.72%) seems highest among other indicators. Likewise, volatility of MPS, BPS and EPS are 75.98%, 9.31% and 22.51% respectively.

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

The following line chart (Figure No. 4.10) shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

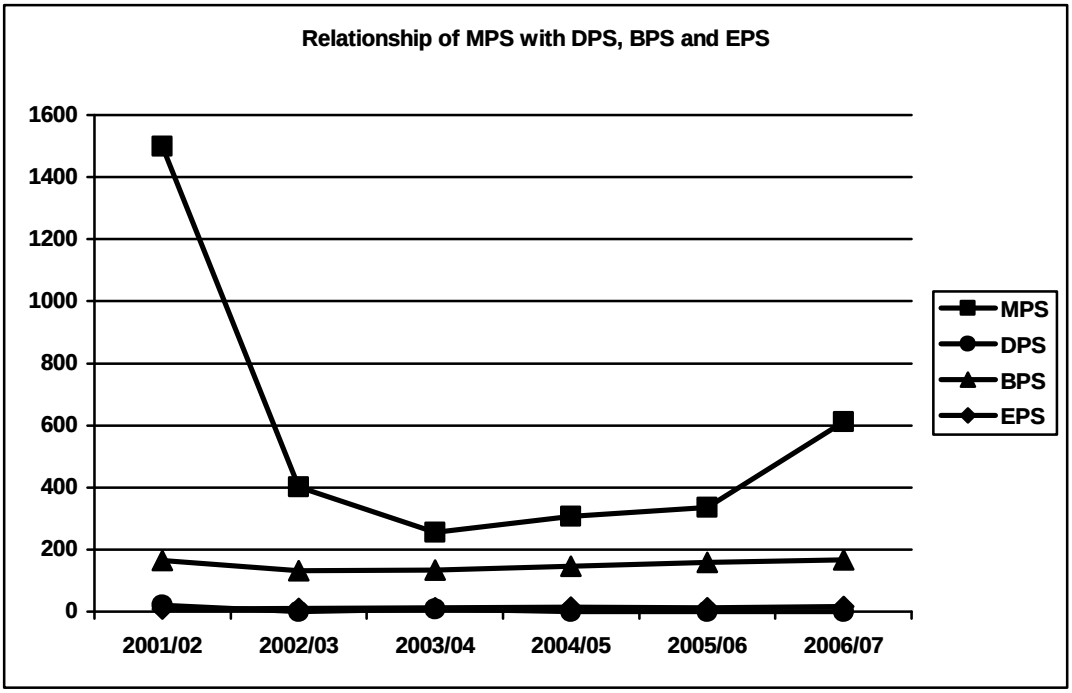


**Figure No. 4.10: Relationship between MPS, DPS, BPS and EPS of SBI Bank**

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

**Table No. 4.33**

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

| Variables | r | $r^2$ | t-cal | a-value | b-value | t-table | Remarks |
|---|---|---|---|---|---|---|---|
| **MPS vs. DPS** | 0.8351 | 0.6973 | 3.0358 | 342.56 | 48.3800 | 2.776 | Significant |
| **MPS vs. BPS** | 0.6054 | 0.3665 | 1.5213 | -2240.54 | 18.6475 | 2.776 | Insignificant |
| **MPS vs. EPS** | -0.4428 | 0.1961 | -0.9878 | 1417.963 | -68.7588 | 2.776 | Insignificant |

The table given above (Table No. 4.33) shows the relation of MPS with DPS, BPS and EPS. It reflects that MPS of Nepal SBI Bank is positively correlated with DPS, BPS and negatively correlated with EPS. It indicates that raise in DPS and BPS results the rise in MPS and vice versa. But the raise in EPS results the decrease in MPS. The simple correlation coefficient of DPS, BPS and EPS are 0.8351, 0.6054 and -0.4428. It means if DPS or BPS rise by Rs. 100, the MPS will be raised by Rs. 83.51 and Rs. 60.54 respectively. In the same way, Rs. 100 increase in EPS results the decrease of Rs. 44.28 in MPS. T-value of correlation with these indicators indicates that degree of correlation is significant at 95% level of confidence for DPS whereas insignificant for BPS and EPS.

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

**Table No. 4.34**

**Simple Regression Equation of SBI Bank**

| S.N. | Variables | Regression Equation |
|---|---|---|
| 1 | MPS vs. DPS | MPS = 48.38 DPS + 342.56 |
| 2 | MPS vs. BPS | MPS = 18.65 BPS – 2240.54 |
| 3 | MPS vs. EPS | MPS = -68.76 EPS + 1417.96 |

The first equation given in Table No. 4.34 is the regression equation of MPS on DPS. The regression constant equals to 342.56. This means that when DPS falls to zero, MPS equals to Rs. 342.56. Likewise, the constant for DPS equals to 48.37 implies that when DPS increases by Re. 1, MPS increases Rs. 48.37 and vice versa.

The second equation of Table No. 4.34 refers to the regression equation of MPS on BPS. The regression constant equals to -2240.54. This means that when BPS becomes zero, MPS will be decreased to -2240.54. Likewise, the constant for BPS equals to 18.65 meaning that when BPS increases by Re. 1, MPS increases by Rs. 18.65 and vice versa.

In the same way the last equation indicates the regression equation of MPS on EPS. The regression constant equals to 1417.96. This means that when EPS falls to zero, MPS equals to Rs. 1417.96. Likewise, the constant for EPS equals to -68.76 meaning that when EPS increases by Re. 1, MPS decreases by Rs. 68.76 and vice versa.

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

MPS on DPS and EPS

**MPS = -7.178 + 54.64 DPS + 25.94 EPS**

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

### 4.3.14 Siddhartha Bank Limited

The Table No. 4.35 provides the information about the major financial performance of NCC Siddhartha Bank Limited with in the fiscal year 2001/02 to 2006/07.

**Table No. 4.35**

**Summary of the Financial Performance of SBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | - | - | - | - |
| **2002/03** | - | - | - | - |
| **2003/04** | - | - | 111.06 | -0.37 |
| **2004/05** | - | 0 | 90.75 | -8.89 |
| **2005/06** | - | 0 | 110.83 | 20.08 |
| **2006/07** | 360 | 0 | 120.63 | 13.05 |
| **Total** | **360** | **0** | **433.27** | **23.87** |
| **Mean** | **-** | **-** | **72.21** | **3.98** |
| **SD** | **-** | **-** | **10.89** | **11.29** |
| **CV** | **-** | **-** | **15.08** | **283.89** |

*(Source: Annual Report of SBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

Siddhartha Bank opened its share to the general public in the fiscal year 2003/04 for the first time. And no dividend has been distributed to its shareholders with in the period of this study period. Due to the unavailability of required data, a detail research on the financial position of SBL could not be made. The BPS of bank remains fluctuating over the period. The coefficient of variation of EPS equals to 283.89% and that of BPS equals to 15.08%. The high degree of CV of EPS shows the high volatility. The BPS of this bank has less degree of CV than that of industry average. But in contrast, EPS has higher degree of CV than that of industry average.

### 4.3.15 Standard Chartered Bank Limited

The following table (Table No. 4.36) outlines the major financial performance of Standard Chartered Bank Limited over the past six years from 2001/02 to 2006/07. The relationship of MPS with DPS, BPS and EPS has been explained thereafter.

**Table No. 4.36**

**Summary of the Financial Performance of SCBL**

| Year | MPS | DPS | BPS | EPS |
|---|---|---|---|---|
| **2001/02** | 2144 | 100 | 327.5 | 126.88 |
| **2002/03** | 1575 | 100 | 363.86 | 141.13 |
| **2003/04** | 1640 | 120 | 403.15 | 149.3 |
| **2004/05** | 1745 | 110 | 399.25 | 143.55 |
| **2005/06** | 2345 | 120 | 422.38 | 143.14 |
| **2006/07** | 3775 | 140 | 468.22 | 175.84 |
| **Total** | **13224** | **690** | **2384.36** | **879.84** |
| **Mean** | **2204.00** | **115.00** | **397.39** | **146.64** |
| **SD** | **754.54** | **13.84** | **44.13** | **14.73** |
| **CV** | **34.23** | **12.04** | **11.11** | **10.05** |

*(Source: Annual Report of SCBL)*

Where,

SD : Standard Deviation

CV : Coefficient of Variation

The above table presents the summary of financial performance of Standard Chartered Bank Limited from 2001/02 to 2006/07. From the table, it can be revealed that Market Price per Share was dropped to Rs. 1575 on 2002/03 from Rs. 2144 of 2001/02. But after this it has been continuously increasing each year till 2006/07. The organisation is distributing its DPS each year over the period. Likewise, the BPS and EPS are also is increasing trend except for the year 2004/05. Standard Deviation of MPS, DPS, BPS and EPS are 754.54%, 13.84%, 44.13% and 14.73% respectively. In the same

way, Coefficient of Variation of MPS, DPS, BPS and EPS are 34.23%, 12.04%, 11.11% and 1.05% respectively. It indicates that EPS is less volatile among all whereas DPS is most volatile one.

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

Figure No. 4.11 shows the linear relationship of Market Price per Share with BPS, DPS and EPS.

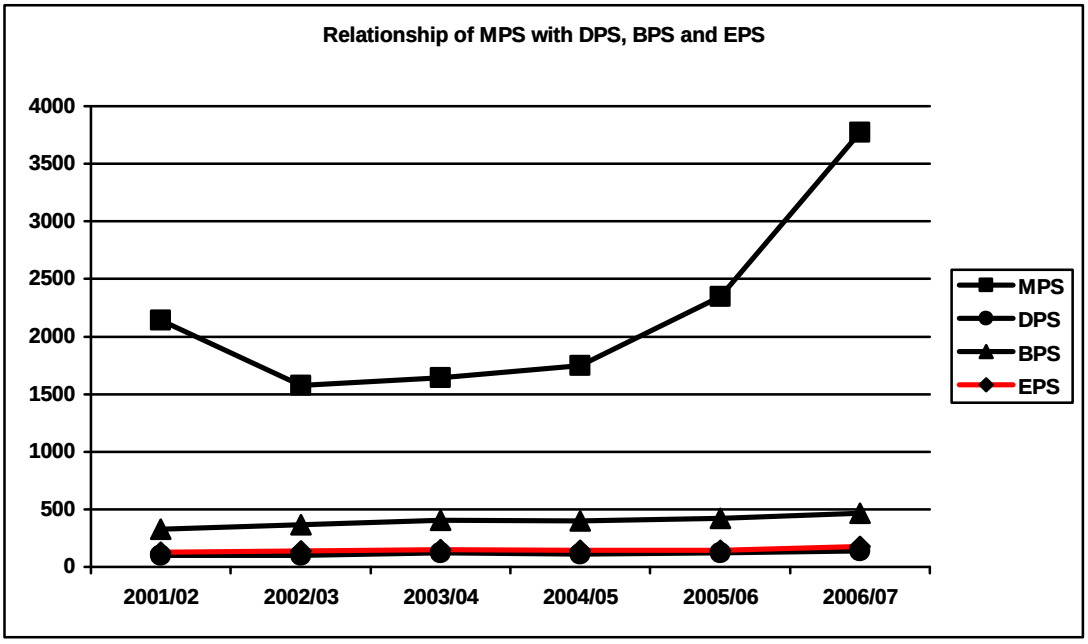


**Figure No. 4.11: Relationship between MPS, DPS, BPS and EPS of SCBL**

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

**Table No. 4.37**

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

| Variables | r | $r^2$ | t-cal | a-value | b-value | t-table | Remarks |
|---|---|---|---|---|---|---|---|
| **MPS vs. DPS** | 0.7944 | 0.6311 | 2.6157 | -2775 | 43.2957 | 2.776 | Insignificant |
| **MPS vs. BPS** | 0.6806 | 0.4632 | 1.8577 | -2419.73 | 11.6352 | 2.776 | Insignificant |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **MPS vs. EPS** | 0.7489 | 0.5608 | 2.2601 | -3420.18 | 38.3536 | 2.776 | Insignificant |

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

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

**Table No. : 4.38**

**Regression Equation of SCBL**

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

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

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

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

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

MPS on DPS and EPS

**MPS = -6828.57 – 70.41 DPS + 116.82 EPS**

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

## 4.4 Primary Data Analysis

For the purpose of collecting primary data, a questionnaire having a set of 12 questions were prepared and presented to 50 respondents. The respondents were selected randomly from the group of Share-Known personalities – especially from the Share buyer/purchasers in NEPSE floor and College Students. An attempt was made to collect the responses from Share Brokers as well but due to their uninterested and busyness, responses could not be collected. The questions contained variety in types. From Question No. 1 to 6, the degree of agreement over the statements was asked to mention, and according to their degree of agreement the score was provided from +2 to -2. Remaining questions were of Multiple Choice Type in which the respondents were asked to choose the best alternative from the list. The summary of the quantitative findings of questionnaire survey has been given in *Annex III*.

### 4.4.1 Classification of Respondents

A total of 50 respondents were surveyed randomly from the floor of NEPSE to conclude the different behaviour of Share Price of Nepalese Commercial Banks. Among these, 32 respondents were professional investors of Share investment, 15 were potential investors who are willing to invest in Share but have not invested yet

and rest 3 were market analyzer. To delineate the facts about the determinants that practically affect the share price, number of professional investors has been taken comparatively higher than the number of market analyzer and potential investors. Likewise, the respondents are classified in terms of their age and sex as given in Table No. 4.39.

**Table No. : 4.39**

**Classification of Respondents**

| S.N. | Basis of Classification | Male | Female | Number | Percentage |
|---|---|---|---|---|---|
| 1 | ***Occupation*** | | | | |
| | Professional Investors | 26 | 6 | 32 | 64 |
| | Potential Investors | 10 | 5 | 15 | 30 |
| | Market Analyzer | 3 | 0 | 3 | 6 |
| | **Total** | **39** | **11** | **50** | **100** |
| 2 | ***Age*** | | | | |
| | Below 25 | 5 | 2 | 6 | 12 |
| | 25 to 40 | 15 | 7 | 34 | 68 |
| | 40 above | 19 | 2 | 10 | 20 |
| | **Total** | **39** | **11** | **50** | **100** |
| 3 | ***Sex*** | | | | |
| | Male | | | 39 | 78 |
| | Female | | | 11 | 22 |
| | **Total** | | | **50** | **100** |

*(Source: Field Survey, 2008)*

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

### 4.4.2 Purpose of Share Investment

The first question asked the respondents to declare their purpose of the investment. Table No. 4.40 shows the results of the responses shown in Annex-III.

**Table No 4.40**

**Purpose of Share Investment**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | To earn profit | 25 | 9 | 2 | **36** | **72%** |
| 2. | For safe investment | 2 | 3 | 1 | **6** | **12%** |
| 3. | For capital gain | 2 | 1 | 0 | **3** | **6%** |
| 4. | To help capital mobilization | 3 | 2 | 0 | **5** | **10%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

The above table shows the number of respondents and their percentage relating the purpose of share investment in Nepalese Share Market. It clears that majority (72%) of Nepalese investors invest their savings for the purpose of earning maximum profit. They believe that share investment is an important way of earning profit and hence they invest. Only 12%, 6% and 10% of the respondents gave the response as they invest their savings for the purpose of making money safe, to earn capital gain and to help the capital mobilization respectively. It can be shown in pie-chart (Figure No. 4.12) as follows:

**Figure No. 4.12: Purpose of Share Investment**

### 4.4.3 Reason of Public attraction in Commercial Banks

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

**Table No. 4.41**

**Reason of Public attraction in Commercial Banks**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Continuous Declaration of Dividend | 14 | 4 | 1 | **19** | **38%** |
| 2. | Market Rumour | 2 | 3 | 0 | **5** | **10%** |
| 3. | Banks are better controlled/managed | 16 | 8 | 2 | **26** | **52%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

The above table shows the different reasons for the greater attraction of general public toward the investment in the Shares of Commercial Banks. It shows that a slight higher percentage (52%) - in comparison with others, of total respondents are convinced to declare that banks are better managed and hence they are being the attraction of all. Likewise, 38% of the total respondents stated that they tend to invest in Commercial Banks due to their continuous declaration dividend. And rest (10%) said that the market rumour is the main cause that attracts the general public for share investment in Commercial Banks. It has been shown in the following chart (Figure No. 4.13) as follows:

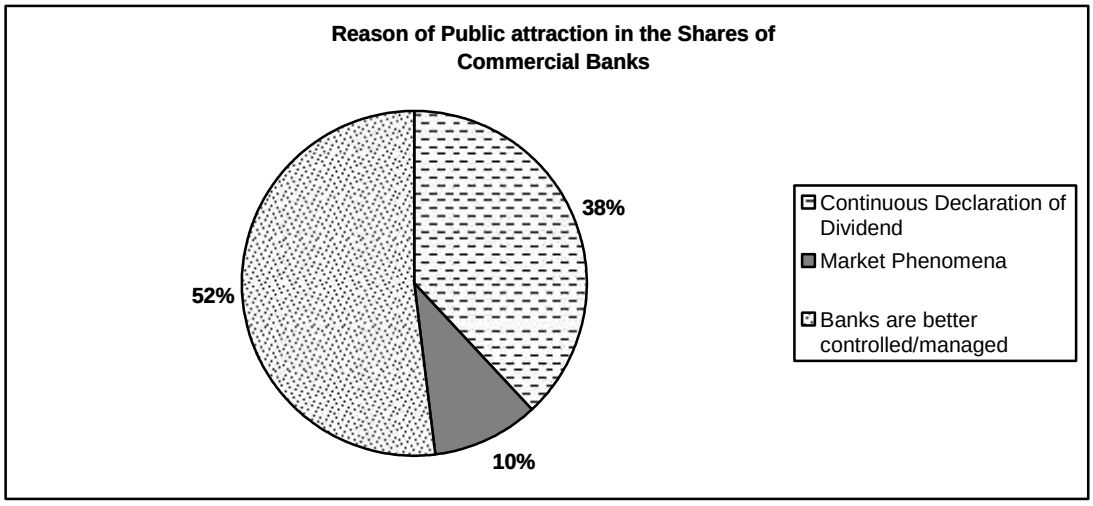


**Figure No. 4.13: Reason of Public attraction in the Shares of Commercial Banks**

### 4.4.4 Public Awareness about Share Investment

The percentage of public awareness among the 50 respondents about share investment has been revealed in following table no.4.42.

**Table No. 4.42**

**Public Awareness about Share Investment**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Yes – They make | 21 | 7 | 0 | **28** | **56%** |
| 2. | No – They don't | 8 | 5 | 2 | **15** | **30%** |
| 3. | Can't Say | 3 | 3 | 1 | **7** | **14%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

It has been revealed from the study that 56% of the Nepalese investors are aware about the share market and the market phenomenon of the shares, 30% of the respondents said that they are investing in share with out proper knowledge about share. They said that they are investing in Share because they are influenced by some relatives or friends to earn profit. Rest 14% of the respondents wanted to say nothing about this. It has been shown in Pie- chart (Figure No.4.14) as follows:

**Figure No. 4.14: Public Awareness on Share Investment**

### 4.4.5 Status of Present Laws & Policies

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

**Table No. 4.43**

**Status of Present Laws & Policies**

| S.N. | Responses | Number of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Yes – Perfect | 15 | 7 | 1 | **23** | **46%** |
| 2. | No - Not Perfect | 7 | 3 | 0 | **10** | **20%** |
| 3. | Don't Know | 10 | 5 | 2 | **17** | **34%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

Table No. 4.43 shows that almost half (46%) of the investors feel themselves that the prevailing laws and policies regarding buying and selling of share are perfect. About one fifth (20%) of the respondents said that they don't know anything about the laws and policies. And 34% of the respondents said the present laws and policies are not perfect to regulate the Share Market proficiently. It can be depicted in the form of Pie-chart below (Figure No. 4.15):

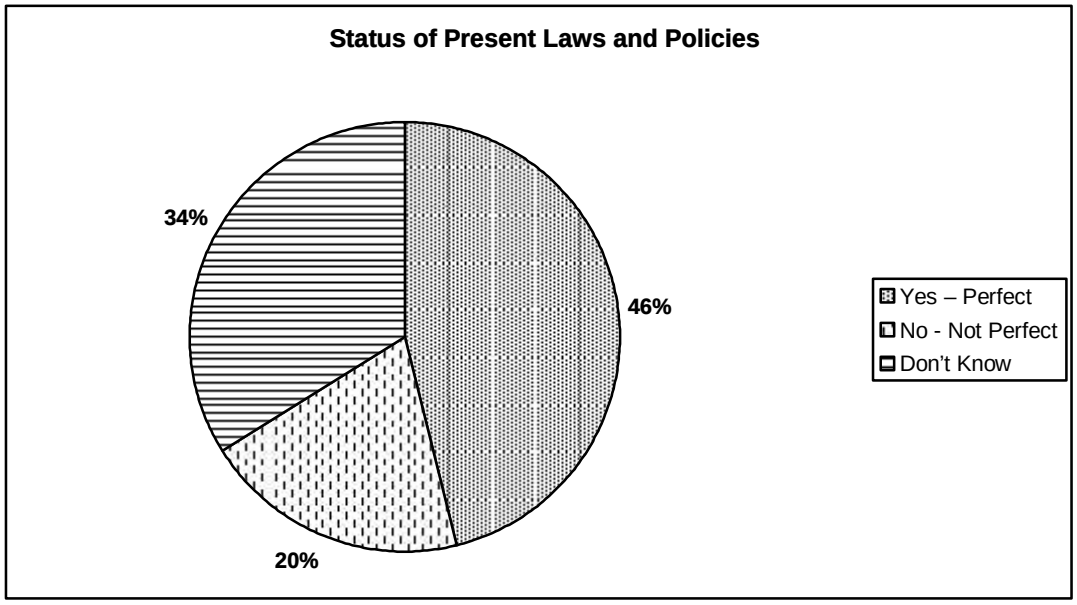


**Figure No. 4.15: Status of Present Laws and Policies**

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

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

**Table No. 4.44**

**Higher EPS indicates Higher Share Price**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Strongly Agree (SA) | 14 | 5 | 0 | **19** | **38%** |
| 2. | Agree (A) | 16 | 8 | 2 | **26** | **52%** |
| 3. | Undecided (U) | 2 | 2 | 0 | **4** | **8%** |
| 4. | Disagree (D) | 0 | 0 | 1 | **1** | **2%** |
| 5. | Strongly Disagree (SD) | 0 | 0 | 0 | **0** | **0%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

Table No. 4.44 shows that most of the respondents agreed that EPS is the main determiner of Share Price. 38% of the total respondents who agreed the statement strongly were highly convinced that EPS is the main determiner whereas 52% stated they agree the statement. In this way, 90% of the total respondent agreed the statement. Only remaining 10% stated they were either undecided (8%) or disagree (2%). From this we can conclude that the investors think that EPS is the major tool for the Nepalese investors to analyze whether the organisation is best enough to invest or not. It can be presented in chart as follows (Figure No. 4.16):

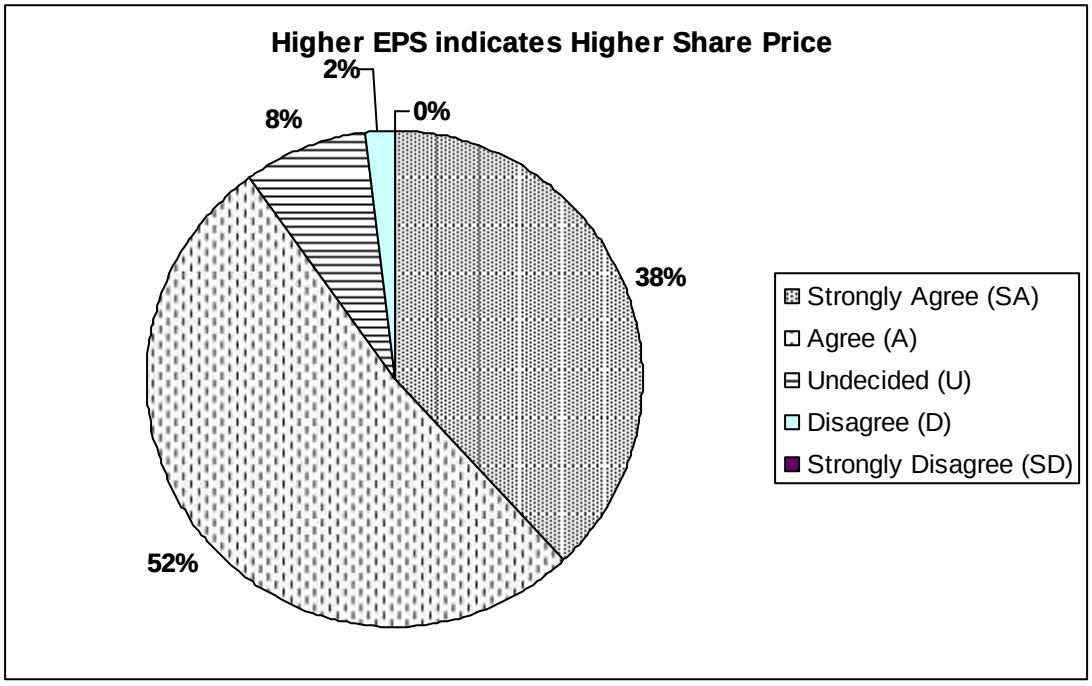


**Figure No. 4.16: Higher EPS indicates Higher Share Price**

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

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

**Table No. 4.45**

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

| S.N. | Responses | Number of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Strongly Agree (SA) | 5 | 5 | 1 | **11** | **22%** |
| 2. | Agree (A) | 19 | 9 | 1 | **29** | **58%** |
| 3. | Undecided (U) | 5 | 1 | 1 | **7** | **14%** |
| 4. | Disagree (D) | 3 | 0 | 0 | **3** | **6%** |
| 5. | Strongly Disagree (SD) | 0 | 0 | 0 | **0** | **0%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

Table No. 4.45 clears that Dividend pattern plays a great role on the determination of Share Price, 58% of the respondents agreed that higher rate of Dividend results the good Share Price, 22% of the respondents strongly agreed the statement that dividend pattern in Share Price determination. The remaining 16% percent stated that either they were undecided (14%) regarding the matter or disagree (6%). It has been presented in the form of Pie-chart (Figure No. 4.17) as follows:

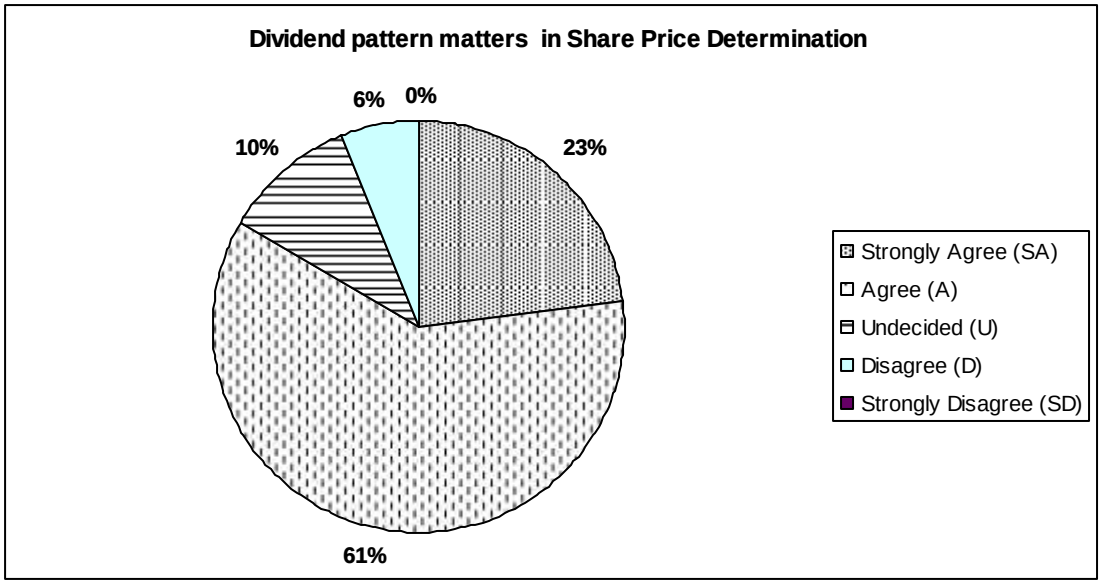


**Figure No. 4.17: Dividend Pattern matters in Share Price Determination**

### 4.4.8 Role of Company Assets Structure

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

**Table No. 4.46**

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

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Strongly Agree (SA) | 4 | 0 | 0 | **4** | **8%** |
| 2. | Agree (A) | 7 | 5 | 1 | **13** | **26%** |
| 3. | Undecided (U) | 14 | 7 | 2 | **23** | **46%** |
| 4. | Disagree (D) | 5 | 3 | 0 | **8** | **16%** |
| 5. | Strongly Disagree (SD) | 2 | 0 | 0 | **2** | **4%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

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

disagree were 16% and 4% respectively. Figure No. 4.18 shows the graphical explanation of the above result.

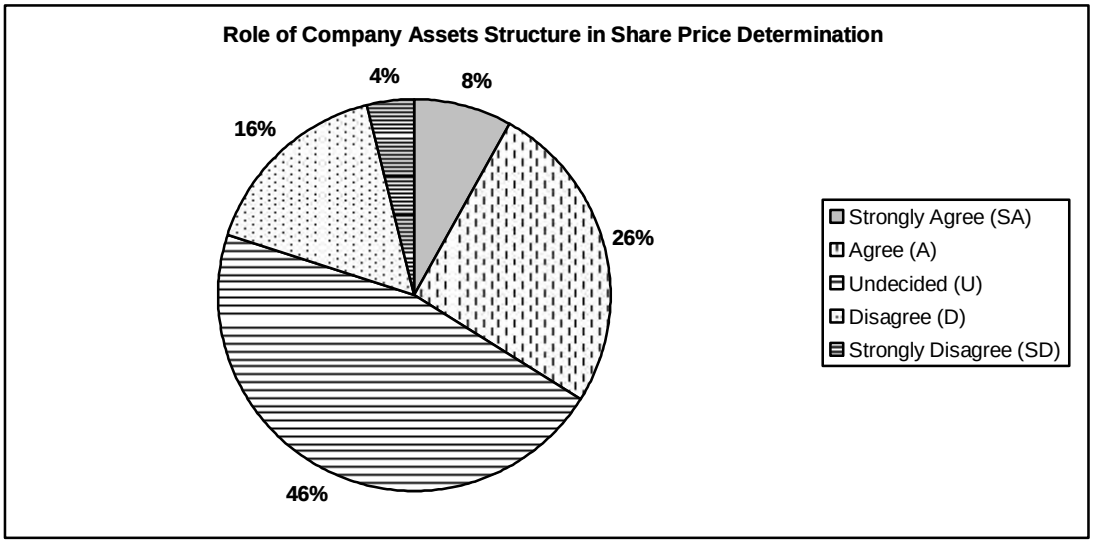


**Figure No. 4.18: Role of Company Assets Structure in Share Price Determination**

### 4.4.9 Role of Capital Structure

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

**Table No. 4.47**

**Good Capital Structure indicates higher Share Price**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Strongly Agree (SA) | 4 | 2 | 0 | **6** | **12%** |
| 2. | Agree (A) | 15 | 7 | 0 | **22** | **44%** |
| 3. | Undecided (U) | 3 | 6 | 2 | **11** | **22%** |
| 4. | Disagree (D) | 7 | 0 | 1 | **8** | **16%** |
| 5. | Strongly Disagree (SD) | 3 | 0 | 0 | **3** | **6%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

The above table (Table No. 4.47) shows that the Capital Structure of organisation is responsible to determine their share price. More than half (12% strongly agreed and 44% agreed) of the respondents agreed that better Capital Structure is responsible for the higher Share Price. 22% were undecided whereas 16% and 6% were disagree and strongly disagree to the statement. It has been presented in graphical form in Figure No. 4.19.

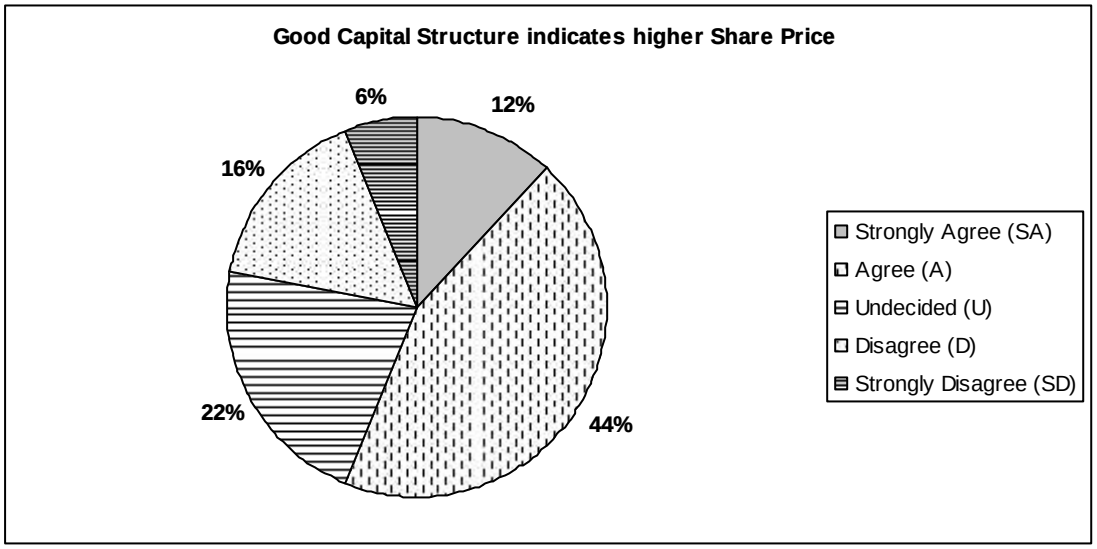


**Figure No. 4.19: Role of Capital Structure in Share Price**

## 4.4.10 Role of Political Fluctuation

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

**Table No. 4.48**

**Political Situation Change the Share Price**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Strongly Agree (SA) | 6 | 5 | 3 | **14** | **28%** |
| 2. | Agree (A) | 17 | 7 | 0 | **24** | **48%** |
| 3. | Undecided (U) | 3 | 3 | 0 | **6** | **12%** |
| 4. | Disagree (D) | 6 | 0 | 0 | **6** | **12%** |
| 5. | Strongly Disagree (SD) | 0 | 0 | 0 | **0** | **0%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

The above table shows that the national political environment is also responsible on the determination of share price because more political fluctuation cause the decrease in Share Price. It was revealed that 14% of the total respondents agree the say that political situation cause the change in share price whereas 28% strongly agreed it. 12% were undecided and 12% said to disagree the statement. It is presented in graphical form in Figure No. 4.20.

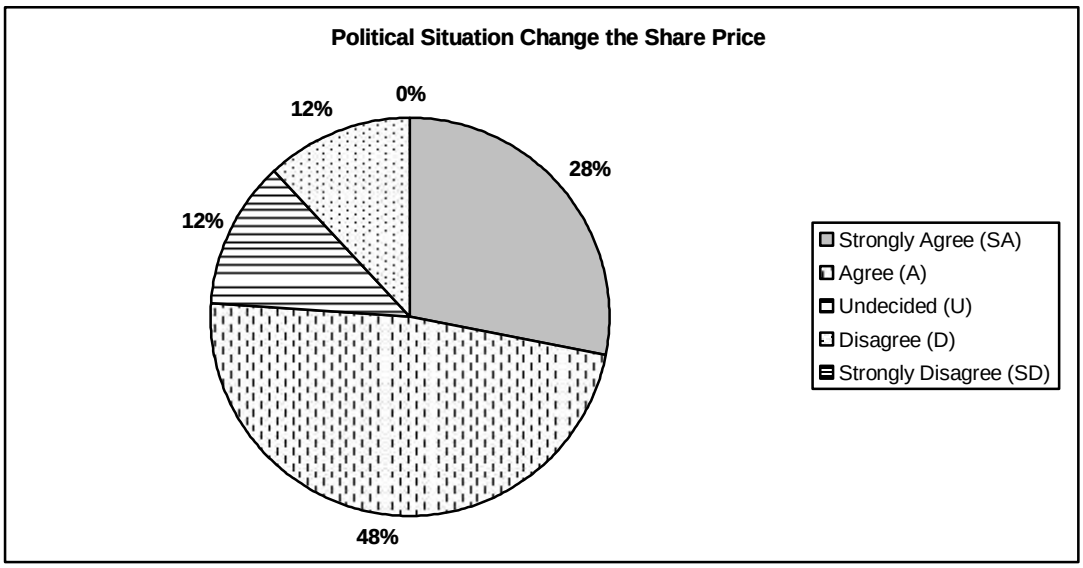


**Figure No. 4.20: Role of Political Situation Change in Share Price**

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

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

**Table No. 4.49**

**AGM and Election of BOD effect on Share Price**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Strongly Agree (SA) | 2 | 2 | 1 | **5** | **10%** |
| 2. | Agree (A) | 14 | 6 | 1 | **21** | **42%** |
| 3. | Undecided (U) | 4 | 7 | 0 | **11** | **22%** |
| 4. | Disagree (D) | 6 | 0 | 0 | **6** | **12%** |
| 5. | Strongly Disagree (SD) | 6 | 0 | 1 | **7** | **14%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

The above table shows that the Annual General Meeting and election of Board of Directors influences the Share Price. It was observed that 42% of the total respondents were agreed and 5% were disagreed. In the same way, 22% of the respondents were undecided and there were 12% and 14% respectively under disagreed and strongly disagreed group. It has been presented in pie-chart below (Figure No. 4.21):

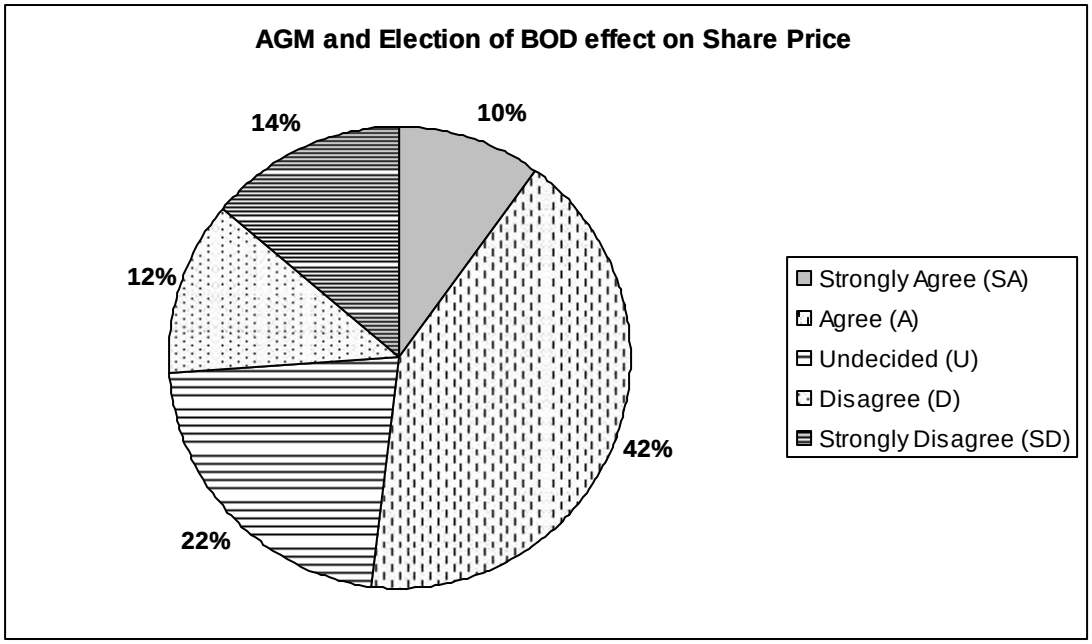


**Figure No. 4.21: Effect of AGM and Election of BOD in Share Price**

### 4.4.12 Company Risk vs. Share Price

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

**Table No. 4.50**

**Higher the risk, More the Share Price**

| S.N. | Responses | No. of Respondents | | | | % |
|---|---|---|---|---|---|---|
| | | Professional Investor | Potential Investor | Market Analyzer | Total | |
| 1. | Strongly Agree (SA) | 0 | 0 | 0 | **0** | **0%** |
| 2. | Agree (A) | 7 | 0 | 0 | **7** | **14%** |
| 3. | Undecided (U) | 6 | 6 | 0 | **12** | **24%** |
| 4. | Disagree (D) | 12 | 9 | 3 | **24** | **48%** |
| 5. | Strongly Disagree (SD) | 7 | 0 | 0 | **7** | **14%** |
| **Total** | | **32** | **15** | **3** | **50** | **100** |

*(Source: Field Survey, 2008)*

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

The figure given below (Figure No. 4.22) shows the respondents response against the risk factor of share price change.

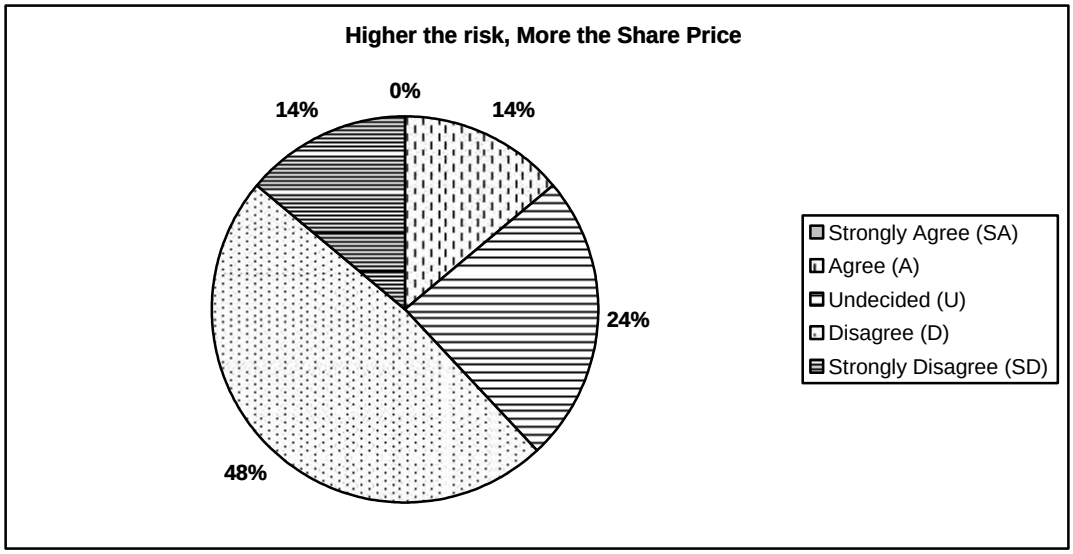


**Figure No. 4.22: Role of Risk in Share Price Determination**

## 4.4.13 Most Influential Determinant of Share Price

On the basis of the responses collected from the respondents, the different indicators which influence share price has been ranked as follows in the table no.51.

**Table No. : 4.51**

**Most Influential Determinant of Share Price**

| S.N. | Indicators | Basis | Rank | | | | | | Total | Weight | Mean Wt. | Overall Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 | 2 | 3 | 4 | 5 | 6 | | | | |
| 1 | EPS | **Total** | 25 | 18 | 4 | 2 | 0 | 1 | 50 | 87 | 1.74 | 1 |
| | | **Professional Investor** | 17 | 13 | 1 | 1 | 0 | 0 | 32 | 50 | 1.56 | 1 |
| | | **Potential Investor** | 6 | 4 | 3 | 1 | 0 | 1 | 15 | 33 | 2.20 | 2 |
| | | **Market Analyzer** | 2 | 1 | 0 | 0 | 0 | 0 | 3 | 4 | 1.33 | 1 |
| 2 | DPS | **Total** | 18 | 23 | 7 | 2 | 0 | 0 | 50 | 93 | 1.86 | 2 |
| | | **Professional Investor** | 11 | 14 | 5 | 2 | 0 | 0 | 32 | 62 | 1.94 | 2 |
| | | **Potential Investor** | 6 | 8 | 1 | 0 | 0 | 0 | 15 | 25 | 1.67 | 1 |
| | | **Market Analyzer** | 1 | 1 | 1 | 0 | 0 | 0 | 3 | 6 | 2.00 | 2 |
| 3 | Assets | **Total** | 0 | 0 | 2 | 4 | 18 | 26 | 50 | 268 | 5.36 | 6 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **Professional Investor** | 0 | 0 | 2 | 2 | 10 | 18 | 32 | 172 | 5.38 | 6 |
| | | **Potential Investor** | 0 | 0 | 0 | 2 | 7 | 6 | 15 | 79 | 5.27 | 6 |
| | | **Market Analyzer** | 0 | 0 | 0 | 0 | 1 | 2 | 3 | 17 | 5.67 | 6 |
| **4** | **Capital** | **Total** | 0 | 3 | 6 | 6 | 21 | 14 | 50 | 237 | 4.74 | 5 |
| | | **Professional Investor** | 0 | 2 | 4 | 3 | 15 | 8 | 32 | 151 | 4.72 | 5 |
| | | **Potential Investor** | 0 | 1 | 2 | 2 | 6 | 4 | 15 | 70 | 4.67 | 5 |
| | | **Market Analyzer** | 0 | 0 | 0 | 1 | 0 | 2 | 3 | 16 | 5.33 | 6 |
| **5** | **Political** | **Total** | 4 | 5 | 21 | 10 | 6 | 4 | 50 | 171 | 3.42 | 3 |
| | | **Professional Investor** | 3 | 3 | 14 | 7 | 4 | 1 | 32 | 105 | 3.28 | 3 |
| | | **Potential Investor** | 1 | 1 | 6 | 3 | 2 | 2 | 15 | 55 | 3.67 | 4 |
| | | **Market Analyzer** | 0 | 1 | 1 | 0 | 0 | 1 | 3 | 11 | 3.67 | 4 |
| **6** | **AGM** | **Total** | 3 | 1 | 10 | 26 | 5 | 5 | 50 | 194 | 3.88 | 4 |
| | | **Professional Investor** | 2 | 1 | 6 | 16 | 3 | 4 | 32 | 125 | 3.91 | 4 |
| | | **Potential Investor** | 1 | 0 | 4 | 7 | 2 | 1 | 15 | 57 | 3.80 | 4 |
| | | **Market Analyzer** | 0 | 0 | 0 | 3 | 0 | 0 | 3 | 12 | 4.00 | 4 |

On the basis of above table, it is cleared that EPS is the most influential factor (ranked: 1) on the share price. Similarly, DPS (ranked: 2), Political Situation (ranked: 3), AGM/Election of Board (ranked: 4), Capital Structure (ranked: 5) and Assets (ranked: 6) are other factors that have impact on the share price of the financial institution.

## 4.5 Major Findings of the Study

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

- DPS of BOK is much volatile in comparison to MPS, BPS and EPS. Bank of Kathmandu has positive correlation with between their Market price per share and DPS, BPS and EPS. This indicates that they directly affect the Share Price of BOK.
- BPS and EPS are positively correlated in the case of Everest Bank Limited whereas DPS is negatively correlated. This indicates that increase in DPS of this Bank don't contribute on the increase of Share Price rather it decreases it. But increase in BPS and EPS increase the share price and vice versa. DPS is much volatile in comparison with MPS, BPS and EPS.

- In the case of Himalayan Bank Limited, MPS is positively correlated with DPS and EPS whereas negatively correlated with BPS. The volatility of MPS, EPS and BPS seems to be less than DPS.
- Laxmi Bank has not distributed any dividend yet. Volatility of EPS seems to be more than MPS and BPS in the case of this bank.
- Lumbini Bank has not distributed dividend in the period of 2001/02 to 2006/07. The earning of this bank seems to be negative, meaning that the financial strength of this company is still not strong. Hence, the Book value in the later year has been decreased and the total capitalization of the organisation has also been decreased.
- Machhapuchchhre Bank has positive correlation with DPS, BPS and EPS. Hence, they influence the Share Price positively. The trend of MPS, EPS and DPS shows that the company is in good trend in later years. The volatility of DPS is much more than other indicators like MPS, BPS and EPS.
- NABIL Bank's DPS is more volatile than other indicators like MPS, BPS and EPS. The MPS of this Bank is positively correlated with DPS, BPS and EPS meaning these indicators influence their share price directly.
- The variability of BPS and EPS of NCC bank is very high. Due to the unavailability of required data, no relation of MPS can be observed for the NCC bank.
- MPS of Nepal Bangladesh Bank is positively correlated with all the indicators examined i.e. DPS, BPS and EPS. For NBBL, the variability of DPS is more than other indicators like MPS, BPS and EPS.
- For Nepal Industrial and Commercial Bank, the correlation coefficient if positive between Market Price per Share (MPS) and BPS, EPS, DPS. This indicates that the change in these indicators will have the positive fluctuation of MPS. The volatility of DPS higher than that of MPS, BPS and EPS.
- For Nepal Investment Bank, Market price is positively correlated with DPS, BPS and EPS. The volatility of DPS is higher than that of other indicators MPS, BPS and EPS.
- The MPS of Nepal SBI bank is positively correlated with DPS and BPS whereas negatively correlated with EPS. It shows that DPS and BPS are more responsible to increase the Share Price of the organisation. But on the increase of EPS, MPS will be decrease and vice versa. The volatility of DPS seemed to be more than that of other indicators.

- The variability of EPS of Siddhartha bank is very high in comparison with that of BPS. Due to the unavailability of required data, no relation of MPS can be analysed for this bank.
- The degree of CV for Standard Chartered Bank is less than that of other bank. It shows the consistency in these indicators. MPS of SCBL is positively correlated with DPS, BPS and EPS indicating that increase in these cause increase in MPS.
- The correlation between MPS and other indicators are found to be insignificant for most of Banks. It shows that they individually influence very less but jointly they influence a lot. There can be other factors which influence the share price of the organisation.
- On the basis of Standard Deviation it can be concluded that Market Price per Share of NABIL Bank and Standard Chartered Banks seems to be more risky. The higher CVs of Nepal SBI bank and Nepal Bangladesh Banks show that their Market Prices are more volatile than others.
- Standard Deviation of Book value per Share shows that that of Lumbini Bank and NCC Bank are riskier than others. Volatility of Book value if greater in case NCC Bank and Lumbini Bank.
- Dividend per Share is more volatile in case of Nepal Bangladesh Bank and Machhapuchchhre Bank Limited in comparison to other banks.
- Highest Standard Deviation and Coefficient of Variation of Lumbini Bank and Nepal Bangladesh Bank imply that they are more volatile and inconsistent than others.
- Basically, most of the investors are intended to maximize their profit through share investment. They think share as a good sector of investment assuming that it gives a good return in short and long term.
- Investment in Nepalese Commercial Bank is the first choice of Share investors. It is because the banks are better controlled, and they distribute a good rate of dividend. It is found the investors think that banks are better managed hence making good rate of profit. They distribute regular dividend which attracts them to invest in the commercial banks.
- The majority of the investors declare themselves as informed investors but still Nepalese investors lack the proper knowledge about the share market.

- The majority of Nepalese investors found to be either unknown about laws or like to say imperfect policies causing the problem in share market.
- The investors perceive the increase in EPS as better performance of the organisation and hence they increase the demand of Share which causes the increase in share price. Majority of the investors are convinced that higher EPS cause higher share price.
- Dividend pattern plays a great role on share price movement. Higher the DPS, more will be the Share Price. Most of the investors like to analyse the Dividend pattern of the company before they invest in their shares.
- Company assets structure and capital structure of the company plays a moderate role on share price movement. The potential investors tend to consider the assets and capital structure of the organisation second to EPS and DPS analysis.
- Political fluctuation cause change in Share Price. They influence share market in a very direct way. It means that fluctuating political situation badly damage the share price of an organisation whereas stable political condition of the country is much favourable for upward movement of Share Price.
- AGM and Election of BOD also plays moderate role on share price movement. Good signalling after General Meeting could influence the market price of share.

# CHAPTER V

# SUMMARY, CONCLUSION & RECOMMENDATIONS

## 5.1 Summary

Nepalese Stock Market is in developing stage. Though Share Market plays a vital role on the mobilization of capital in national economy, in the case of Nepal, it is still crawling towards the betterment.

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

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

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

## 5.2 Conclusion

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

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

## 5.3 Recommendations

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

- Since general publics are unaware about the share and share market, an organised effort is necessary to aware the publics about it. A separate department in NEPSE or an independent organisation is recommended which analyse, inform and create the awareness within the emerging potential investors about share and share market through different approaches like seminar, conference or print, air media.
- To control the speculation in share, an effective control mechanism is necessary. A clear system is to be employed to evaluate and punish such speculations so that no further influence can be observed in Share Price due to

artificial reasons. The government should create a rational and sincere environment within share brokers and share traders for controlling such speculations.

- Government should formulate and implement a rigid rules and regulations for the further development of Share Market. A mechanism to take immediate action for the faulty company is to be established.
- The investors are recommended to receive a clear picture of their financial track before investing in the company. They should be alert and aware about the misconduct of relative company, brokers, NEPSE or government. They are required to boost their knowledge up regarding share and share market to get the expected returns from their investment.
- An open policy to encourage and promote foreign investors in share price would be fruitful to strengthen the share market of Nepal considering the fact of present globalization.
- For the clear and absolute result regarding the determinants of share price, a population study of whole share market for a longer study period is required. This gives the only factual information about the actual determinants of share price.
- The public companies should provide up-to-date information to the present and potential investors regularly so that they can be an informed investor.

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