INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories
Indexed & Listed at:
Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.
as well as in Open J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)]
Registered & Listed at: Index Copernicus Publishers Panel, Poland
Circulated all over the world & Google has verified that scholars of more than 1500 Cities in 141 countries/territories are visiting our journal on regular basis.
Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA
www.ijrcm.org.in

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the area of Computer, Business, Finance, Marketing, Human Resource Management, General Management, Banking, Insurance, Corporate Governance and emerging paradigms in allied subjects like Accounting Education; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Monetary Policy; Portfolio & Security Analysis; Public Policy Economics; Real Estate; Regional Economics; Tax Accounting; Advertising & Promotion Management; Business Education; Management Information Systems (MIS); Business Law, Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labor Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; Public Administration; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism, Hospitality & Leisure; Transportation/Physical Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Digital Logic; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Multimedia; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic and Web Design. The above mentioned tracks are only indicative, and not exhaustive.

Anybody can submit the soft copy of his/her manuscript **anytime** in M.S. Word format after preparing the same as per our submission guidelines duly available on our website under the heading guidelines for submission, at the email address: **infoijrcm@gmail.com**.

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____________

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF.**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled '____' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:
Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:
a) The whole manuscript is required to be in ***ONE MS WORD FILE*** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
b) The sender is required to mentionthe following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
d) The total size of the file containing the manuscript is required to be below **500 KB**.
e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE**: The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS**: The author (s) **full name**, **designation**, **affiliation** (s), **address**, **mobile/landline numbers**, and **email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT**: Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.

6. **MANUSCRIPT**: Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.

7. **HEADINGS**: All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.

8. **SUB-HEADINGS**: All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.

9. **MAIN TEXT**: The main text should follow the following sequence:

   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

   It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed ***5000 WORDS***.

10. **FIGURES & TABLES**: These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.

11. **EQUATIONS**:These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.

12. **REFERENCES**: The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

DO FINANCIAL VARIABLES INFLUENCE MARKET PRICE OF BANK SHARES IN BANGLADESH: A CASE STUDY ON NATIONAL BANK LTD. AND ISLAMI BANK BANGLADESH LTD.

MOHAMMAD ARIFUL ISLAM
LECTURER
DEPARTMENT OF BANKING
UNIVERSITY OF DHAKA
DHAKA

M. MUZAHIDUL ISLAM
PROFESSOR
DEPARTMENT OF BANKING
UNIVERSITY OF DHAKA
DHAKA

ABSTRACT

Capital Market plays an important role in the capital formation of an economy. Firms issue shares and collect money for supporting the growth potentiality of the business. This creates two way opportunity of wealth maximization. Firstly, firms get the opportunity to grow and secondly, small investors now have an opportunity to invest in the big and growing companies which would otherwise be impossible for them in the absence of an established capital market. So this is a very good opportunity. But it also creates threats as well. If remains uninformed, an investor can easily become prey of the situation. Bad and unconscious investment may result in negative return. So it is very much important to know the facts and the fictions. In developed countries share prices have a very good relationship with the financial variables of the respective firm. Does this relationship hold good in a country like Bangladesh as well? This is the question that this paper will try to find out with an extensive analysis on financial variables and share price of banks in Bangladesh.

KEYWORDS

Capital Gain, Capital Market, Classified Loan, Net Asset Value, Technical Analyst.

INTRODUCTION

The debate on financial variables' influence on share price is not a new phenomenon. There is an ongoing controversy between the fundamental analyst and the technical analyst regarding the price performance relationship of different stocks. One school of researchers is biased towards the financial performance and variables and the other tries to be completely come out from the impact of financial performance in predicting the share prices. This report tries to find out the apparent contradiction between the two ideologies. It accomplishes this objective through testing the hypothesis that the financial variables have significant impact on the performance of the share price.

Technical analysts engage in the process of examining data that is relevant to a given situation and developing recommendations that are anticipated to produce desirable results. In order to accomplish this goal, the technical analyst will make use of the process of technical analysis, which is essentially a structured method of identifying and evaluating key factors and elements, and qualifying the most efficient use of resources on hand.

When it comes to the work of the technical analysts in the financial market, the technique focuses on helping investors to make decisions that will result in the greatest yield. The technician that makes use of this analytical approach will consider current and past market conditions and project a variety of different sets of future events related to the market. By developing these scenarios, the analyst can make recommendations about what stock to buy, when to buy it, and at what point the stock should be sold in order to achieve the highest return on the investment.

There are two schools of thought when it comes to the work of a technical analyst in the financial world. First, there are those that see this analytical approach as being grounded in simple facts and common sense. Thus, the technicians are understood to be following a logical thought process that has an appreciable chance of accurately predicting future market movements. There are investors all over the world who consider the technical analyst to be a key in the task of making wise investments.

At the same time, there are those that dismiss this approach to market evaluation as being nothing more than a waste of time. The technical analyst may be considered to be a few steps removed from the status of a charlatan, with critics of the process even branding the methodology as being a pseudoscience or even comparing the approach to parlor magic. When this is the prevailing thought process, technicians that make use of technical analysis are considered to be non-essential to the investing process.

OBJECTIVE OF THE STUDY

Investors expect good return from the investment. But they are confused regarding the investment criteria. Do they completely rely on the financial variables of the company? Are there any other criteria that could produce better results? One of the most important decision making process is to observe the past financial performance of the company. But some experts argue that the financial performance is not a very good indicator of future stock prices. If this is true how do investors make the investment decision? This report will try to find out the impact of financial variables on the performance of the stock prices. Thus the objective of the report is to find out:

1. The nature of the market price of the shares and how it changes.
2. Whether any significant relationship exists between the share price and the financial variables.
3. Which variables have significant impact on share price?
4. To find out the better model to predict the share price.

LITERATURE REVIEW

Stock price and financial performance have a strong relationship. Stock market experts and researchers have confirmed this fact which is also evident from historical trend of stock prices. Both factor analysis of security returns and the analysis of eigenvalues seem to indicate that a market factor explains the major part of security returns (Stephen J. Brown, 1990). This relationship is visible in both developed and emerging stock market.

In general the relationship seems to be quite strong; but there also exist some controversies. This is very much clear from the opinion of Christopher B. Barry, John W. Peavy, and Mauricio Rodriguez. Although historical returns cannot he relied on to predict future performance, such empirical data can provide useful insights for financial and investment managers. A wide array of informational sources report historical security returns in developed countries, but only recently have investors and managers had access to data about returns of stocks in emerging markets (Christopher B. Barry, John W. Peavy, and Mauricio Rodriguez, 1997).

However more or less it is believed that past financial performance has a greater impact on the future prices of the securities. Although there are many different chartist theories, they all make the same basic assumption. That is, they all assume that the past behavior of a security's price is rich in information concerning its future behavior. History repeats itself in that "patterns" of past price behavior will tend to recur in the future. Thus, if through careful analysis of price charts one develops an understanding of these "patterns," this can be used to predict the future behavior of prices and in this way increase expected gains (Eugene F. Fama, 1965).

METHODOLOGY

The analysis uses simple methods and techniques to analyze the data. The first challenge was to find out the relevant variables that describe the situation well. After variable selection the following analysis have been performed:

1. Calculation of capital gain
2. Simple regression
3. Multiple regression

At first capital gain has been calculated by finding out the monthly capital gain from the monthly stock prices and then working for transforming it into annualized yearly gain. The regression has been performed by using the statistical software SPSS.

RELEVANT VARIABLES

To find out the desired relationship, I have identified several variables those have significant impact on the share price from investors' point of view. The objective is to find out those variables that have significant impact on price. The total number of selected variables is eight. They are shown is the following table:

TABLE 1: VARIABLE DEFINITION

Variable	*Symbol*	*Expected Sign*
Capital Gain	CG	Dependent Variable
Profit Margin	PRGN	+
Return on Equity	ROE	+
Return on Assets	ROA	+
Debt to Asset	DA	-
Classified Loan to Total Loan	CLTL	-
Asset Turnover	ATR	+
Net Asset Value	NAV	+
Earnings Per Share	EPS	+

DEFINING THE VARIABLES

Capital Gain has been calculated based on the average monthly return on the stock prices. First of all the monthly return has been calculated by deducting the previous price from the new price and then dividing the results by the previous price. Finally the result is multiplied by hundred.

Profit Margin is defined as net profit divided by investment income and then multiplied by hundred. If indicates the banks ability to generate profit out of the earned revenue.

Return on Equity is calculated dividing the net income by total equity and then multiplying the results by hundred. It indicates the company's ability to generate profit out of invested fund by the equity holders.

Return on Assets is calculated dividing the net income by total assets and then multiplying the results by hundred. . It indicates the company's ability to generate profit out of total invested assets by both the equity holders and the debt holders.

Debt to Assets is calculated by dividing the total external debt of the bank by the total assets and then multiplying the results by hundred. It indicates the financial leveraging position of the bank as well as the adequacy of the capital in case of financial hard times.

Classified Loan to Total Loan is defined as classified loan divided by the total loan and then multiplied by hundred. It indicates the portion of the total loan that is non-performing or about to be non-performing.

Asset Turnover is calculated by dividing the investment income by the total assets which indicates the companies ability to generate revenue out of the invested assets.

Net Asset Value is defined as the total assets of the company minus liabilities and divided by the number of shares of the company. Most often investors consider this as the most important base to price the shares pf the company.

Earnings Per Share is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability. Calculated as:

$$\text{Earnings Per Sahre} = \frac{\text{Net Income} - \text{Dividends on Preferred Stock}}{\text{Average Outstanding Shares}} \qquad (1)$$

ISLAMI BANK BANGLADESH LIMITED

Bangladesh is one of the largest Muslim countries in the world. The people of this country are deeply committed to Islamic way of life as enshrined in the Holy Qur'an and the Sunnah. Naturally, it remains a deep cry in their hearts to fashion and design their economic lives in accordance with the precepts of Islam. The establishment of Islami Bank Bangladesh Limited on March 13, 1983, is the true reflection of this inner urge of its people, which started functioning with effect from March 30, 1983. This Bank is the first of its kind in Southeast Asia. It is committed to conduct all banking and investment activities on the basis of interest-free profit-loss sharing system. In doing so, it has unveiled a new horizon and ushered in a new silver lining of hope towards materializing a long cherished dream of the people of Bangladesh for doing their banking transactions in line with what is prescribed by Islam. With the active co-operation and participation of Islamic Development Bank (IDB) and some other Islamic banks, financial institutions, government bodies and eminent personalities of the Middle East and the Gulf countries, Islami Bank Bangladesh Limited has by now earned the unique position of a leading private commercial bank in Bangladesh.

HISTORICAL TREND OF INDEPENDENT VARIABLES

The following table shows that the profit margin of IBBL is increasing over time. With some variations the profit margin is highest in the year 2009. This is a very good sign of stability and potential of future growth. The profit margin was 6.92 in the year 2003 and it is increasing over time. We also notice slight fluctuations among different period. However, the rate of increase is more or less stable overtime.

TABLE 2: IBBL, PROFIT MARGIN

Year	*Profit Margin*
2003	6.92
2004	14.77
2005	13.33
2006	12.55
2007	14.06
2008	13.68
2009	15.92

Source: Audited Annual Financial Statements, IBBL.

Table 3 depicts the ROE of IBBL for the period 2003 to 2009. The ROE was 7.53 in the year 2003 and it reached 16.93 in the year 2009. With some exceptions the return on equity is increasing over time. The highest ROE has been attained in the year 2008. The recent years have much higher ROE than that of previous years.

TABLE 3: IBBL, RETURN ON EQUITY

Year	*Return on Equity*
2003	7.53
2004	15.28
2005	13.70
2006	14.00
2007	14.57
2008	23.84
2009	16.93

Source: Audited Annual Financial Statements, IBBL.

Table 4 shows the ROA of IBBL. We see ROA was 0.48 in the year 2003 and increased to 1.22 in the year in the year 2009. Compared to ROE, the ROA is much lower. But it is improving over time. There is a consistent increase in the ROA. The Highest ROA has been attained in the year 2009.

TABLE 4: IBBL, RETURN ON ASSETS

Year	*Return on Assets*
2003	0.48
2004	0.99
2005	0.92
2006	0.93
2007	1.07
2008	1.16
2009	1.22

Source: Audited Annual Financial Statements, IBBL.

Table 5 shows the debt to equity ratio. This is calculated through dividing total debt by total assets of the bank. The debt to asset ratio was 85.6 in the year 2003. The owner's contribution is much lower compared to the external debt. There is an increasing trend in the ratio. But banks need to take care of the minimum capital requirements and thus increase the owner's contribution. This is shown in the following table:

TABLE 5: IBBL, DEBT TO ASSET RATIO

Year	*Debt to Asset Ratio*
2003	85.60
2004	85.99
2005	87.71
2006	88.13
2007	86.92
2008	86.77
2009	87.78

Source: Audited Annual Financial Statements, IBBL.

Table 6 is one of the most important tables for the analysis. It shows the ratio of classified loan to total loan. In the year 2003 the classified loan to total loan ratio was 8.89. Which was much higher compared to that of recent years. We see this ratio is improving overtime. The following table shows the position of the IBBL against classified loan from 2003 to 2009. The percentage of the classified loan is lowest ever in the year 2009.

TABLE 6: IBBL, CLASSIFIED LOAN

Year	*Classified Loan to Total loan*
2003	8.89
2004	6.33
2005	5.49
2006	4.51
2007	2.93
2008	2.39
2009	2.36

Source: Audited Annual Financial Statements, IBBL.

Table 7 shows asset turnover ratio. It is very much crucial to know this ratio because it shows how efficiently the company is using its assets. The tables shows asset turnover ratio for the period 2003 to 2009. Asset turnover ratio was 0.069 in the year 2003 and it was 0.07 in the year 2009. Although the asset turn-over is almost similar over the seven years period, it is improving over time. The highest turn-over is achieved in the year 2008.

TABLE 7: IBBL, ASSET TURN-OVER

Year	*Asset Turn-over*
2003	0.069149704
2004	0.067174736
2005	0.068714494
2006	0.074261882
2007	0.076149698
2008	0.084649639
2009	0.076788766

Source: Audited Annual Financial Statements, IBBL.

For many investors the NAV is the easiest way to track the performance of the stock. Table 8 shows the NAV of IBBL for the period 2003 to 2004. We see it was 2909.56 in the year 2003 but increases to 3254.6 in the year 2009. The following table shows that the NAV fluctuates over the seven year period. The highest NAV is attained in the year 2009.

TABLE 8: IBBL, NET ASSET VALUE

Year	*Net Asset Value*
2003	2909.56
2004	3080.17
2005	2971.55
2006	2995.61
2007	3114.8
2008	2958.9
2009	3254.6

Source: Audited Annual Financial Statements, IBBL.

Table 9 shows the earnings per share of the company. This is the very useful way to determine the performance of the shares over the years. We see EPS of IBBL for the period 2003 to 2009. It was Tk. 195.52 in the year 2003 but increases to TK. 551.40 in the year 2009. Higher EPS means higher return for the investors. The following table shows that the EPS of IBBL is highest in the year 2009.

TABLE 9: IBBL, EARNINGS PER SHARE

Year	*Earnings per Share*
2003	195.52
2004	518.59
2005	487.57
2006	485.94
2007	375.5
2008	562.9
2009	551.4

Source: Audited Annual Financial Statements, IBBL.

NATIONAL BANK LIMITED

National Bank Limited was born as the first hundred percent Bangladeshi owned Bank in the private sector. From the very inception, it was the firm determination of National Bank Limited to play a vital role in the national economy. We are determined to bring back the long forgotten taste of banking services and flavors. We want to serve each one promptly and with a sense of dedication and dignity.

The then President of the People's Republic of Bangladesh Justice Ahsanuddin Chowdhury inaugurated the bank formally on March 28, 1983 but the first branch at 48, Dilkusha Commercial Area, Dhaka started commercial operation on March 23, 1983. The 2nd Branch was opened on 11th May 1983 at Khatungonj, Chittagong. At present, NBL has been carrying on business through its 121 branches and 10 SME centers spread all over the country. Since the very beginning, the bank has exerted much emphasis on overseas operations and handled a sizable quantum of home bound foreign remittance. It has drawing arrangements with 415 correspondents in 75 countries of the world, as well as with 37 overseas Exchange Companies located in 13 countries. NBL was the first domestic bank to establish agency arrangements with the world famous Western Union in order to facilitate quick and safe remittance of the valuable foreign exchanges earned by the expatriate Bangladeshi nationals. This has meant that the expatriates can remit their hard-earned money to the country with much ease, confidence, safety and speed.

HISTORICAL TREND OF INDEPENDENT VARIABLES

Table 10 depicts the profit margin of National Bank Ltd. for the period 2003 to 2009. The profit margin for the year 2003 was 3.76 and it reaches a level of 30.52 in the year 2009. This represents a dramatic improvement in profit margin ratio over the period 2003 to 2009. The table shows that the profit margin of NBL is increasing over time. With some variations the profit margin is highest in the year 2009. This is a very good sign of stability and potentiality for future growth.

TABLE 10: NBL, PROFIT MARGIN

Year	*Profit Margin*
2003	3.76
2004	7.26
2005	10.81
2006	13.81
2007	28.87
2008	26.22
2009	30.52

Source: Audited Annual Financial Statements, NBL.

Table 11 depicts return on equity of National Bank Ltd. for the period 2003 to 2009. The ROE was 5.18 in the year 2003 and it increases to 23.31 in the year 2009. It is quite interesting to observe the significant improvement in ROE over the period 2003 to 2009. With some exceptions the return on equity is increasing over time. The highest ROE has been attained in the year 2007. The recent years have much higher ROE than that of previous years.

TABLE 11: NBL, RETURN ON EQUITY

Year	*Return on Equity*
2003	5.18
2004	9.13
2005	9.93
2006	15.50
2007	27.11
2008	24.75
2009	23.31

Source: Audited Annual Financial Statements, NBL.

Table 12 shows the return on assets of NBL for the year 2003 to 2009. The ROA was 0.25 in the year 2003 and increases to 2.26 in the year 2009. Compared to ROE, the ROA is much lower. But it is improving over time. From the table we see there is a consistent increase in the ROA. The Highest ROA has been attained in the year 2009. It shows a very positive image as the ROA is directly linked with the asset efficiency of the company.

TABLE 12: NBL, RETURN ON ASSETS

Year	*Return on Assets*
2003	0.25
2004	0.48
2005	0.71
2006	1.08
2007	2.19
2008	2.10
2009	2.26

Source: Audited Annual Financial Statements, NBL.

Table 13 shows the debt to asset ratio of NBL for the period 2003 to 2009. It is calculated through dividing total debts by total assets. The debt to asset ratio was 80.54 in the year 2003 and increases to 85.05 in the year 2009. The owner's contribution is much lower compared to the external debt. We see an increasing trend in the ratio. But banks need to take care of the minimum capital requirements and thus increase the owner's contribution. This is shown in the following table:

TABLE 13: NBL, DEBT TO ASSET RATIO

Year	*Debt to Asset Ratio*
2003	80.54
2004	85.05
2005	87.42
2006	87.68
2007	86.06
2008	85.07
2009	85.05

Source: Audited Annual Financial Statements, NBL.

Table 14 depicts the ratio of classified loan to total loan for the period 2003 to 2009. The ratio of classified loan was 17.92 in the year 2003 and it decreases to 5.97 in the year 2009. The following table shows that the position of the NBL against classified loan is improving over time. The percentage of the classified loan is lowest ever in the year 2007. It is a very good sign of efficient credit management for the bank as a whole.

TABLE 14: NBL, CLASSIFIED LOAN

Year	*Classified Loan to Total loan*
2003	17.92
2004	24.49
2005	7.06
2006	6.01
2007	4.53
2008	5.50
2009	5.97

Source: Audited Annual Financial Statements, NBL.

Table 15 shows the asset turnover ratio of NBL for the period 2003 to 2009. The ratio was 0.065 in the year 2003 and increases to 0.074 in the year 2009. Although the asset turn-over is almost similar over the seven year period, it is improving over time. The highest turn-over is achieved in the year 2008. It is a good sign to have higher asset turnover ratios in the recent times as it indicates greater efficiency on the part of the management.

TABLE 15: NBL, ASSET TURN-OVER

Year	*Asset Turn-over*
2003	0.065665495
2004	0.066655619
2005	0.065420705
2006	0.078517791
2007	0.075866542
2008	0.080118113
2009	0.074161225

Source: Audited Annual Financial Statements, NBL.

Table 16 depicts the net asset value of NBL for the period 2003 to 2009. The NAV was 415.31 in the year 2003 and increases to 313.25 in the year 2009. For many investors the NAV is the easiest way to track the performance of the stock. So they want to closely monitor the pattern of this variable. The following table shows that the NAV fluctuates over the seven years period. The highest NAV is attained in the year 2006.

TABLE 16: NBL, NET ASSET VALUE

Year	*Net Asset Value*
2003	415.31
2004	380.95
2005	471.36
2006	593.45
2007	433.11
2008	324.92
2009	313.25

Source: Audited Annual Financial Statements, NBL.

Table 17 shows the earnings per share of NBL for the period 2003 to 2009. In the year 2003 EPS was 17.07 and it increases to 53.31 in the year 2009. This is the very useful way to determine the performance of the shares over the years. Higher EPS means higher return for the investors. The following table shows that the EPS of NBL is highest in the year 2009.

TABLE 17: NBL, EARNINGS PER SHARE

Year	Earnings per Share
2003	17.07
2004	32.93
2005	43.85
2006	63.01
2007	66.1
2008	53.31
2009	72.74

Source: Audited Annual Financial Statements, NBL.

DEPENDENT VARIABLE

The impact of the financial variables has been explained in relation to the changes in the prices of the shares. The change of the share price is calculated by calculating the capital gain. For this purpose the monthly return is calculated at the first level. Then the average monthly return is converted to annualized capital gain. The following table shows the results:

TABLE 18: MONTHLY RETURN AND ANNUALIZED GAIN

Year	IBBL		Year	NBL	
	Average Monthly Return	Annualized Gain		Average Monthly Return	Annualized Gain
2003	-2.65	-31.89	**2003**	-0.19	-2.28
2004	6.19	74.36	**2004**	7.15	85.90
2005	-0.51	-6.23	**2005**	6.12	73.55
2006	-2.15	-25.89	**2006**	0.91	10.93
2007	5.98	71.77	**2007**	6.91	82.94
2008	0.61	7.26	**2008**	-2.82	-33.93
2009	1.64	19.64	**2009**	-0.20	-2.44

Source: Audited Financial Statements of IBBL and NBL

SIMPLE REGRESSION

The first step of the analysis is to identify the variables that have significant impact on the capital gain. The idea is to identify the factors that individually have significant impact on the dependent variable. So simple regression analysis is the appropriate procedure. Based on the variables simple regression analysis have been performed and shown in the following table.

Regression Summary for IBBL

For IBBL the simple regression analysis shows that not a single variable is efficient enough to describe the dependent variable I.e. Capital gain. We see that only the profit margin has a greater impact on the capital gain (explain 39.2%). But the p-value indicates that the variable is not so much significant (considering 10% significance level). It is not wise to take a decision based on the simple regression model. Rather we have to consider other variables simultaneously. It will increase the explanatory power and also enhance the confidence level of the testing procedure.

TABLE 19: SIMPLE REGRESSION MODEL, IBBL

Dependent Variable	Independent Variable	Simple Regression equation	R-square	p-value
Capital Gain (CG)	PRGN	CG = -105.71 + 9.3 PRGN	39.2%	.133
	ROE	CG = -22.238 + 2.501 ROE	7.9%	.236
	ROA	CG = -72.830 + 91.380 ROA	26.0%	.542
	DA	CG = 898.636 -10.152 DA	5.0%	.630
	CLTL	CG = 42.890 -5.810 CLTL	10.5%	.477
	ATR	CG = 23.150 -102.609 ATR	00.0%	.975
	NAV	CG = -626.706 +.211 NAV	33.4%	.174
	EPS	CG = -25.424 + .090 EPS	7.4%	.556

Source: SPSS Output Summary Based on Financial Statements of IBBL

Regression Summary for NBL

For NBL the simple regression analysis shows that not a single variable is efficient enough to describe the dependent variable I.e. Capital gain. We see that only the asset turn-over has a greater impact on the capital gain (explain 23.1%). But the p-value indicates that the variable is not so much significant (considering 10% significance level). It is not wise to take a decision based on the simple regression model. Rather we have to consider other variables simultaneously. It will increase the explanatory power and also enhance the confidence level of the testing procedure.

TABLE 20: SIMPLE REGRESSION MODEL, NBL

Dependent Variable	Independent Variable	Simple Regression equation	R-square	p-value
Capital Gain (CG)	PRGN	CG = -105.71 + 9.3 PRGN	5.1%	.627
	ROE	CG = -22.238 + 2.501 ROE	3.8%	.674
	ROA	CG = -72.830 + 91.380 ROA	7.2%	.560
	DA	CG = 898.636 -10.152 DA	12.9%	.428
	CLTL	CG = 42.890 -5.810 CLTL	7.6%	.550
	ATR	CG = 23.150 -102.609 ATR	23.1%	.275
	NAV	CG = -626.706 +.211 NAV	6.5%	.582
	EPS	CG = -25.424 + .090 EPS	8.6%	.854

Source: SPSS Output Summary Based on Financial Statements of NBL

MULTIPLE REGRESSION ANALYSIS

To determine the impact of explanatory variables on the dependent variable we will perform the multiple regression analysis. It is a process where all possible explanatory variables are considered to determine the impact on the dependent variable. The coefficient of the explanatory variables is also known as the partial regression coefficient. Because it determines the impact of one variable on the explanatory variable holding all other explanatory constant. It is a very good practice to perform the multiple regression analysis as it will increase the explanatory power of the model as well as the confidence level.

Regression Summary for IBBL (profitability factors are considered)

First of all we will consider only the profitability ratios. We want to see the impact of the profitability variables on the share price and want to compare the model with other models that have been developed in the next step.

Model – 1 shows that the explanatory power of the model is very low only 44.3%. Although it is an improvement over the simple regression model we can not use this model for the purpose of prediction. The overall fit of the model is very low as the calculated F – value is vary low (.796). It means that the variables together have little influence on the dependent variable. The sign of the profit margin is same as the prior expectation but the opposite scenario occurs for the ROE and ROA. So one must have to be careful enough to make prediction based on the model. The model is not significant at 10% significance level.

TABLE 21: MULTIPLE REGRESSION MODEL, IBBL

Model - 1	CG = -112.153 + 17.982 PRGN - .52 ROE - 102.168 ROA
Other statistics for model - 1	
R - square	44.30%
F – test value	.796
P – value of F- test	.572

Source: SPSS Output Summary Based on Financial Statements of IBBL

Regression Summary for NBL (profitability factors are considered)

For NBL the picture is completely different. The following table shows that (Model – 1) the explanatory power of the model is very high 97.9%. It is an improvement over the simple regression model. The overall fit of the model is very good as the calculated F – value is very high (46.861). It means that the variables together have strong influence on the dependent variable. The sign of the profit margin and ROE is same as the prior expectation but the opposite scenario occurs for the ROA. So one must have to be careful enough to make prediction based on the model. The model is significant at 10% significance level.

TABLE 22: MULTIPLE REGRESSION MODEL, NBL

Model - 1	CG = - 108.73 + 57.43 PRGN + 28.547ROE – 1021.065 ROA
Other statistics for model - 1	
R - square	97.90%
F – test value	46.861
P – value of F- test	.005

Source: SPSS Output Summary Based on Financial Statements of NBL

Regression Summary for IBBL (factors other than profitability is considered)

Now we will consider the factors other than the profitability those are expected to have significant influence on the share price. Some factors have little influence when considered in separation. Here some of the major influencing factors have been included in the model.

The sign of debt to asset ratio and the classified loan to total loan is same as the prior expectation but the sign of the asset turn-over, net asset value and earnings per share do not match with the expected sign. So one must have to be careful enough to make prediction based on the model. The explanatory power of the variables is very high (96.3%) but the F test shows that the overall goodness of fit of the model is not good enough as it is not significant at 10% significance level.

TABLE 23: MULTIPLE REGRESSION MODEL, IBBL

Model - 2	CG = 5965.496 - 53.428 DA - 44.764 CLTL - 11515.502 ATR - .077 NAV - .020 EPS
Other statistics for model – 1	
R - square	96.3%
F – test value	5.139
P – value of F- test	.322

Source: SPSS Output Summary Based on Financial Statements of IBBL

Regression Summary for NBL (factors other than profitability is considered)

For NBL the sign of net asset value and the earnings per share is same as the prior expectation but the sign of the debt to asset ratio, classified loan to total loan and asset turnover do not match with the expected sign. So one must have to be careful enough to make prediction based on the model. The explanatory power of the variables is not very high (64.2%) but the F test shows that the overall goodness of fit of the model is not good enough as it is not significant at 10% significance level.

TABLE 24: MULTIPLE REGRESSION MODEL, NBL

Model - 2	CG = -599.613 + 10.931 DA + 2.773 CLTL - 5599.214 ATR + .045 NAV + 1.125 EPS
Other statistics for model – 1	
R - square	64.2%
F – test value	.358
P – value of F- test	.844

Source: SPSS Output Summary Based on Financial Statements of NBL

MULTIPLE REGRESSIONS (ALL VARIABLES ARE CONSIDERED)

Finally we will consider all the possible variables that are expected to have significant impact on the dependent variable. It expected that the model will be modification of the prior models as they were not well fitted to the situation under study. Many of those variables have good predictive power but in many cases but the goodness of fit of those models is questionable.

Regression Summary for IBBL

At first glance the model seems to be a perfect fit of the situation. As the predictive power of the independent variables is hundred percent and the p-value of the F test is absolutely zero. So there is no uncertainty and the model should work best for the situation. But as we will consider the expected sign of the predictor variables, we will find that the signs do not match with the expectation. Any model whatever might be its predictive power will become invalid if the model doesn't match the well established and recognized theory in practical field. So one must have to be very much skeptical while using the model. As the expected sign of the debt to asset ratio, classified loan to total loan, asset turnover and earnings per share do not match the prior expectation. It may produce wrong prediction and thus generate wrong conclusion.

TABLE 25: MULTIPLE REGRESSION MODEL FOR IBBL, ALL FACTORS

Model - 3	CG = - 430.026 + 11.76 ROE+ 11.23 DA + 5.15 CLTL – 11978.78 ATR + .419 NAV – 1.04 EPS
Other statistics for model – 1	
R - square	1
F – test value	0
P – value of F- test	0

Source: SPSS Output Summary Based on Financial Statements of IBBL

Regression Summary for NBL

The same scenario exists for NBL. At first glance the model seems to be a perfect fit of the situation. As the predictive power of the independent variables is hundred percent and the p-value of the F test is absolutely zero. So there is no uncertainty and the model should work best for the situation. But as we will consider the expected sign of the predictor variables, we will find that the signs do not match with the expectation. Any model whatever might be its predictive power will become invalid if the model doesn't match the well established and recognized theory in practical field. So one must have to be very much skeptical while using the model. As the expected sign of the debt to asset ratio, classified loan to total loan, asset turnover and earnings per share do not match the prior expectation. It may produce wrong prediction and thus generate wrong conclusion.

TABLE 26: MULTIPLE REGRESSION MODEL FOR NBL, ALL FACTORS

Model - 3	**CG = -430.03 + 11.76 ROE + 11.233 DA + 5.15 CLTL – 11978.78 ATR + .419 NAV – 1.04 EPS**
Other statistics for model – 1	
R - square	**1**
F – test value	**0**
P – value of F- test	**0**

Source: SPSS Output Summary Based on Financial Statements of NBL

FINDINGS

1. Simple regression analysis is not sufficient for testing the predicted relationship.
2. Profit margin and the asset turn-over have been found to be the most influencing single variable having higher predicting power.
3. For most of the model the sign of the predictor variables does not match with the prior expectation.
4. Some of the models have good predicting power but the goodness of fit of the model is not ensured.
5. For NBL the profitability factors (model-1) are more suitable for predicted correlation.
6. It has become increasingly difficult to identify appropriate variables for IBBL
7. Share price doesn't necessarily depend on the financial performance of the company.
8. The analysis is based on seven years of information from two banks only. So searching for the better model has become increasingly difficult as fluctuations within a bank are more frequent compared with that of the whole industry.

CONCLUSION

The relationship between the financial variables and the share price does not coincide together. Although the financial variables have greater impact on the share price, the situations varies from time to time, bank to bank, industry to industry. So analysts have to be very much choosy in selecting the variables that will be included in the final model. Many variables individually have less impact but in combination with other variables can perform better. But others when used with related variables are less significant and become strong predictive factors when used in separation.

The analysis is based on data that covers seven consecutive years (2003-2009). The data encompasses two banks only: the Islami bank Bangladesh Ltd. and the National Bank Ltd. we have to recognize that the results found from this analysis is based on two commercial banks. It is important to increase the depth of the information to enhance the precision of the result.

However the findings of the analysis show that the same variable has different impact on the share prices for the two banks. For Islami Bank Bangladesh Ltd. the profitability factor is not enough to explain the behavior of the share price. We still need to try to find out a better model that has strong predictive power of the share prices. On the other hand the nature of the behavior of the variables for national bank is different to some extent. We have found that the profitability factors have strong influence on the share prices.

SCOPE FOR FURTHER RESEARCH

This article is based on information from the Dhaka Stock Exchange Ltd. It covers seven years from 2003 to 2009 and includes two commercial banks one is traditional commercial bank and another one is Islamic commercial bank. There remain a lot more opportunities to do analysis for subsequent years as well as to increase the sample size by including some other commercial banks. Beside these other variables can be tested to observe the relationship and to improve the current findings.

REFERENCES

1. **Ahmad, E. and B. U. Zaman (1999),** "Volatility of Stock Returns at Korachi Stock Exchange." Pakistan Economic and social review 37:1, 25-37.
2. **Ahmed. M. F. (1999),** "Stock Market, Macroeconomic Variables, and Causality: The Bangladesh Case." Saving and Development 23:2, 109-129.
3. **Barry B. Christopher, John W. Peavy and Mauricio Rodrigues. (1997),** "Emerging Stock Markets: Risk, Return and Performance." *The Research Foundation of Institute of CFA.*
4. **Brown, S. J. (1990),** "The Number of Factors in Security Returns." Journal of Finance, 44, 1247-1262.
5. **Chowdhury, A.R. (1994),** "Statistical Properties of Daily Returns from Dhaka Stock Exchange." The Bangladesh Development Studies, Volume 26, No. 4, pp. 61-76.
6. **Elyasiani, E. and I. Mansur (1998),** "Sensitivity of the Bank Stock Returns Distributions to Changes in the Level and Volatility of Interest Rate: A GARCH-M Model," Journal of Banking and Finance, Volume 22: 535-563.
7. **Fama, Eugene F. (1965),** "The Behavior of Stock Market Prices," Journal of Business, 38(January): 34-105.
8. **Islam, M. M. and Chowdhury, H. A. (2007),** "Does Market Price of Islamic Banks' Share in Bangladesh Depend on Their Financial Performance?" Journal of Banking and Financial Services, Vol. 1 No. 1 & 2.
9. **Varley, John. (1993),** "Capital Market Development in Bangladesh: Returns and Risks to Long-term Capital," Financial Sector Reform Project (FSRP), Bangladesh Bank.

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, Economics and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail **info@ijrcm.org.in** for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals