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New Perspective

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Contents

Effects of Intrinsic and Extrinsic Product Cues on Consumers' Purchase Intention: A Study of Alcoholic Beverage Consumers in Nepal Niraat Neupane, Shikhar Basnet, Shlok Rizal, Subhashna Timothy, Tejashwini Chapagain, Yuzen Amatya	7
The Relationship between Stock Return and Trading Volume Ashima Poudyal, Kritez Kumar Malla, Reeyekta Khanal, Riway Shrestha, Sabiya Pradhan, Suyas Rajkarnikar, Vinay Jain, Yubaraj Thapa	20
Customer Loyalty in Airline Industry: The Case of Airline Industry in Nepal Ashmita Ghimire, Falgun Shumsher Kunwar, Hishila Tamrakar, Sameep Thapa, Sohil Parajuli	33
The Relationship between Bank Credit and Economic Growth in Nepal Jyoti Sigdel, Rishav Agrawal, Sandesh Acharya, Sanket Amatya, Shivani Gautam, Shrinkhala Thapa, Sujata Nakarmi, Utshav Limbu	42
Factors Affecting Brand Preference of Mobile Phones Ashutosh Dhanju, Gopal Adhikari, Nikki Shrestha, Priyasa Shrestha, Shirsa Tuladhar, Suraj Goenka, Tenzing Nuru Sherpa	52
Risk and Return Analysis of Selected Commercial and Development Banks of Nepal Ashwini Thapa Magar, Dipin Timsina, Kamana Saud, Prashanna Shrestha, Pratik Mittal, Rimisha Dangol, Ritishma Gurung, Shreesha Regmi	62
Relationship between Right Shares Issue and the Share Price Muskan Agrawal, Roshana Shrivastav, Shivani Thapa, Vivek Pokhrel, Sunny Bansal	69

Effects of Intrinsic and Extrinsic Product Cues on Consumers' Purchase Intention: A Study of Alcoholic Beverage Consumers in Nepal

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Author Note

This report analyzes the influence of intrinsic and extrinsic product cue on consumers' purchase intention towards alcoholic beverage in Nepal, particularly in Kathmandu, submitted to Kathmandu College of Management for the fulfillment of requirement of the BBA program of Siam University, Thailand. We would like to extend our immense gratitude to Ritesh Thakur, Faculty of Marketing at Kathmandu College of Management for providing us with this opportunity to conduct such research project to lead us through every obstacle and hardship that comes during the preparation of this research project and for helping us finalize our report as per the standard guidelines. We would also like to thank Bishnu Raj Adhikari, Principal of Kathmandu College of Management for providing us an environment to learn and explore these areas and gain new knowledge. Correspondence concerning this article can be addressed to any of the given addresses: subhashna2021@kcm.edu.np, shikhar2021@kcm.edu.np, tejashwini2021@kcm.edu.np, nirat2021@kcm.edu.np, yuzen2021@kcm.edu.np, bardhan2021@kcm.edu.np, shlok2021@kcm.edu.np

Abstract

This study examines the effect of intrinsic and extrinsic product cues on purchase intention of alcoholic beverages in a typical developing country like Nepal. Non-probability convenience sampling was used to survey 180 consumers of alcoholic beverage who were above 18 years of age. Descriptive statistics, correlation, ANOVA, chi-square and multiple regressions were used to analyze the data. The findings indicate that price, corporate name and alcohol content have significant effect on the purchase intention of alcoholic beverage, while packaging, brand name, seal of approval, advertisement and product quality were found to have lesser effect. The analysis can be used for marketing strategies and company implications.

Keywords: alcohol beverages, intrinsic cues, extrinsic cues, purchase intention

Effects of Intrinsic and Extrinsic Product Cues on Consumers' Purchase Intention: A Study of Alcoholic Beverage Consumers in Nepal

Alcohol beverage industry is considered to be one of the most dynamic and growing industries. The demand for alcoholic drinks depends on consumers' habit and preference (Armira, Armira, Drosos, Skordoulis, & Chalikias, 2016). The research by Mirabi, Akbariyeh and Tahmasebifard (2015) argued that consumers' preference and attitude of alcohol consumption is related to the factors affecting their purchase intention.

The World Health Organization (WHO) approximates that two billion people worldwide consume alcohol. The global statistics shows that over 30 years, in European countries, consumption of pure alcohol equivalent per capita has continually decreased, from a peak of 14 liters per year in 1974 to 10.4 liters in 1992.

According to data of 2016 World in Data (2018), the country that consumes the most alcohol per capita liters of pure alcohol is Czech Republic (14 liters). While total alcohol consumption per capital liters of pure alcohol in 2016 was 2 liters in Nepal whereas, in 2010 it was 2.1 liters. According to Department of Customs, from mid-April to mid-October 2018, Nepal imported 360,502 liters of malt beer and 153,580 liters of wine for consumption and earned revenue of NRS. 311million. In exporting 250,338 liters of beer and 70 liters of wine, Nepal earned NRS.19.9million. Even in the Asian scenario, average revenue per capita is \$115.9 (USD) and \$162.05 (USD) worldwide (Statista 2019).

As there is high amount of revenue generated from alcohol business, it is important for the industry and companies to be aware of the product cues that affect the purchase intention of alcoholic beverages. The understanding of such factors can be capitalized by companies in order to become a market leader. So, this is a topic of interest for industries as well as for researchers.

Most of the studies on alcohol are related to consumption and its effect on health, and not from a business or marketing perspective. Moreover, such studies focus mostly on the effects of social, economic and demographic factors on purchase intention while, very few studies have been conducted from a perspective of the effects of product cues on purchase intention of alcohol beverages. Further, there is no confirmed causal relationship established between the product cues and the purchase intention in the literature reviewed. Finally, there is also a knowledge gap observed where such studies are very limited in the developing market, including Nepal. Therefore, the present study intends to fill these research gaps by exploring the effects of product cues on consumers' purchase intention of alcoholic beverages in Nepal.

Objectives

The objective of the study is to analyze the effects of product quality, alcohol content, price, packaging, brand name, corporate name, seal of approval, and advertising on consumers' purchase intention of alcoholic beverages.

Limitations

Following limitations are considered in this study:

- Findings of this study can be taken as an indicator but cannot be generalized, as it was conducted for academic fulfillment
- Impacts of social-cultural, environmental, demographical issues are not considered

Literature

Younus, Rasheed and Zia (2015) analyzed the effect of celebrity endorsement, customer knowledge, product packaging and perceived value on purchase intention. Through the analysis customer knowledge, celebrity endorsement product packaging and purchase intention are positively correlated with each other and show significant results, whereas the perceived value does not show the highly significant results.

Similarly, Mirabi, Akbariyeh and Tahmasebifard (2015) investigated the effect of brand name, product quality, price, packaging and advertising on purchase intention of Bono brand tile customers. Brand name, advertising, and product quality have positive relation with purchase intention while packaging and price do not have a significant impact on consumers' purchasing intention.

The study of Rana, Osman and Othman (2015) revealed insights into the factors influencing the purchase intention of customers of hypermarkets. The result was that product quality, brand image, socioeconomic and social influence had significant positive relation to purchase intention, while socioeconomic factor was not statistically significant.

Idoko, Ireneus, Nkamnebe and Okoye (2013) investigated intrinsic as well as extrinsic product cues that affect the purchase intention of alcoholic beverages. This study also found that advertising, price, company name, alcohol content, and seal of approval have significant influence on purchase intention. Whereas, packaging, quality and brand name have less significance impact on consumers' purchase intention towards brands of alcoholic beverage.

The study conducted by Park, Bhatnagar and Rao (2010) explores how third-party assurance seals, privacy service provided by vendors to mitigate customers' fears, has an impact on repeat-purchase intention. Through the analysis, it was seen that the seal of approval affects repurchase intention and satisfaction.

The study by Barbosa and Rialp (2019) analyses the influence of the content of the label of wine bottles on the purchase intention of wine. It was found that the double effects between the main variables were significant for the two study groups, except for the double effects that included gender or type of consumer. This result illustrates that wine consumers have to look for combined information to make a decision.

Kamanga (2015) investigated the factors that influence the purchase and consumption of alcohol drinks in Malawi, particularly among university students. It was found that price influenced consumers to purchase products in a number of ways. Furthermore, the findings have shown that price reasonability of the alcohol brand of choice can lead students to buy alcohol.

Amoateng and Poku (2012) opposes the conclusions of Idoko, Ireneus, Nkamnebe and Okoye (2013) by arguing about the impact of advertisement on alcoholic beverage consumption at Bantama Sub-Metro in Kumasi. The study analyses the factors that influence the consumption of alcoholic beverages and examines the influence of advertisement on the consumption of alcoholic beverages. It was also found that advertising is a powerful tool in the marketing of alcoholic beverages.

From the above literature review it can be conceptualized that for purchase intention, price, packaging, brand name, advertising, seal of approval, corporate name, alcohol content and product quality are considered major factors for this study.

Variables

Extrinsic cues

The cues that are not a part of the product but have a relation with the physical product are extrinsic product cues. The extrinsic cues considered in the study are price, packaging, brand name, advertising, seal of approval and corporate name.

Price is defined as the actual price of a product (objective price) and as the price as encoded by the consumer (perceived price).

Packaging in this is the plastic case, the bottle and bottle shape, size, label (front, back and neck), and the cork of the bottle.

Brand name is a tool a company uses to differentiate themselves from their competitors in terms of name, sign, symbol, trademark and design of the products or services.

Advertising is any paid form of non-personal presentation and promotion of goods, services, or ideas by an identified sponsor.

Seal of approval is a product cue which explains that a product has met a particular standard set by a local or international regulatory body/third party.

Company name is defined as the name of the corporation, which usually appears on the product package.

Intrinsic cues

The cues that represent product-related attributes that are consumed along with the product are called intrinsic product cues. They form part of the product and altering them will affect the properties of the product. The intrinsic cues considered in the study are alcohol content and product quality.

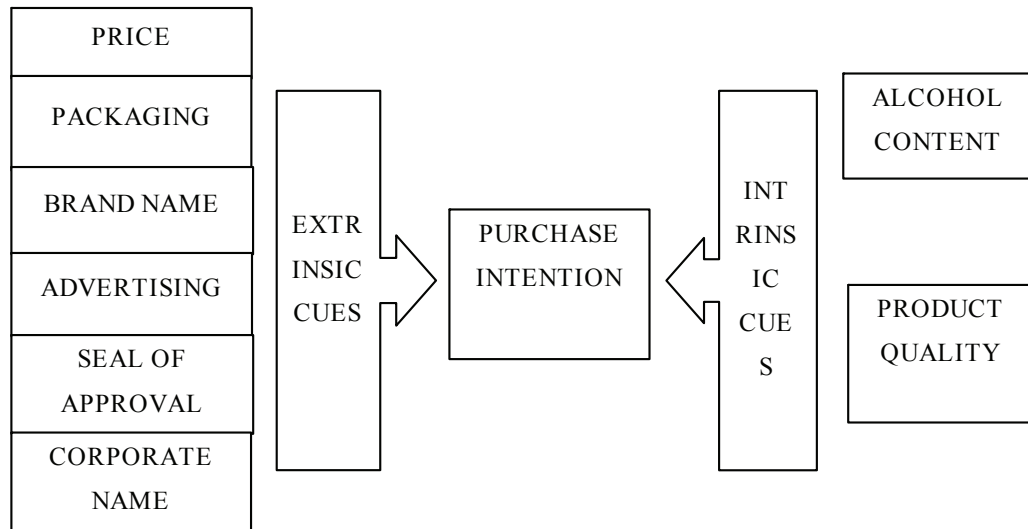
Alcohol content may be described as a measure of the amount of alcohol (ethanol) contained in a beverage expressed as a percentage of the total volume of the beverage.

Product quality can be studied from two perspectives: objective and perceived quality. Perceived quality is the consumers' judgment about a product's superiority. Objective quality describes the pre-determined standards and technical superiority of the products. The following conceptual framework is developed for this study:

Conceptual Framework

Figure 1

Conceptual Framework



Hypotheses

- H1: Consumer's purchase intention is different across different levels of income
- H2: Price has a significant impact on consumer's purchase intention of alcohol
- H3: Packaging has a significant impact on consumer's purchase intention of alcohol
- H4: Brand name has a significant impact on consumer's purchase intention of alcohol
- H5: Advertising has a significant impact on consumer's purchase intention of alcohol
- H6: Seal of approval has a significant impact on consumer's purchase intention of alcohol
- H7: Corporate name has a significant impact on consumer's purchase intention of alcohol
- H8: Alcohol content has a significant impact on consumer's purchase intention of alcohol
- H9: Product quality has a significant impact on consumer's purchase intention of alcohol

Methodology

Research design

The analysis carried out in this study is quantitative in nature. Primary sources are sources of information for data collection procedure. The elements of research design are described below.

Variables

Purchase intention is considered as dependent variable whereas product cues have been selected as independent variables, which are further categorized into two categories; intrinsic cues and extrinsic cues. The extrinsic cues include price, packing, brand name, advertisement, seal of approval and corporate name, while the intrinsic cues include alcohol content and product quality.

Unit of analysis

The study of our research is focused on consumer's purchase intention, so individual consumers are the unit of analysis for this study.

Validity and reliability

A set of questionnaire is developed for every variable in the study. Pilot testing is done for validity before using the instrument for the study to validate the fulfillment of the intention of the developed questionnaire. Constructs reliability is examined by using Cronbach alpha to assure the consistency of the respondent's answers.

Population

The research population for this study is the alcoholic beverage consumers in Nepal. It consists of mainly individuals above 18 years of age who are legally allowed to consume alcohol in Nepal.

Sample

The study is focused on Kathmandu city of Nepal. Due to lack of accessibility of consumer database and research conducted by preexisting alcohol manufacturing companies, a non-probability convenience sampling method is used for the data collection process. A total of 180 individuals are selected for sampling in this research study. This sample size has been determined by using rule 1:5.

Administration of questionnaire

The questionnaire contains a total of 36 items representing nine variables. The study uses a 5-point Likert type scale to measure the response items. A pilot test is also conducted before the administration of the questionnaire to check the ease-of-understanding. The questionnaire is self-administered and collected personally or via email.

Data processing

A response is manually screened for missing data or incomplete responses. Appropriate coding is done on SPSS 21.0 and each respondent's response is captured on SPSS 21.0 for further data analysis.

Data analysis

Descriptive analysis is carried out by using central tendency and dispersion. ANOVA and Regression analysis are used for this study to analyze data and to test the hypothesis associated with this study.

Analysis and result

We observed that out of 180 respondents, the number of male respondents was higher than female respondents. The male respondents were 66.1% whereas the females were 33.9%. This implies that an alcohol beverage company should make its various strategies focusing on males. Similarly, out of 180 respondents, most alcoholic beverage is purchased between the ages of 18 to 25 i.e. 71.7%. Overall, 94.5% of the respondents are of the age group below 40, whereas only 5.5% of the people consuming alcohol is above 40. This indicates that when companies make their sales strategies it is preferable if they

target the age group below 40 (Table 1).

It can be observed that out of 180 respondents, 50% of the people purchase alcoholic beverages occasionally, while 26.7% of the respondents purchase alcoholic beverages once a month. Further, 58.3% of the respondents buy 1 to 2 drinks in a single purchase, and 6.1% buy 7-9 drinks in a single purchase (Table 2).

Table 3
ANOVA Analysis Income and Purchase Intention

	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	2.875	4	.719	2.092	.084
Within Groups	60.128	175	.344		
Total	63.004	179			

Since, P- value is $0.084 > 0.05$ so we do not reject H_0 . This indicates that purchase intention is same across all different levels of income groups. This supports our hypothesis H1. This finding implies that an alcohol beverage company does not need to make different marketing strategies for various income groups.

Table 4
Chi-square Analysis of Gender and Purchase Intention

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	41.133a	12	.000
N of Valid Cases	180		

As the P-value is less than 0.05, we reject H_0 . This indicates that purchase intention is dependent on gender. This implies that companies should make different strategies targeting different genders.

Table 5
Correlation

	PI	Price	Packaging	BN	Ads	SoA	CN	AC	PQ
Pearson Correlation	1	.262**	.200**	.186*	.074	.152*	.305**	-.121	.059
Sig. (2-tailed)		.000	.007	.013	.323	.042	.000	.105	.430
N	180	180	180	180	180	180	180	180	180

We can observe that the p value between Price, Packaging, Brand Name, Seal of Approval and Corporate Name with respect to Purchase Intention has a p value less than 0.05. This indicates that they have significant positive correlation with Purchase Intention. Whereas, the p value of Advertisement, Alcohol Content and Product Quality is greater than 0.05 which indicates that they have significant negative correlation.

In accordance with the findings, the purchase intention of consumers can be influenced by a company by focusing on the Price, Packaging, Brand Name, Seal of Approval, Corporate Name and Alcohol Content. Similarly, the company can focus less on Advertisements and Product Quality to influence the consumers Purchase Intention.

Table 6
Regression Analysis – ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	14.349	8	1.794	6.304	.000b
Residual	48.654	171	.285		
Total	63.004	179			

R square – 0.228

The table above shows the fitness of the overall regression model. According to the table, the p-value is 0.000 which is less than 0.05. This shows that the overall regression model is statistically fit. The value of R square is 0.228, indicating that 22.8% variation in purchase intention is explained by price, packaging, brand name, advertisement, seal of approval, corporate name, alcohol level and product quality.

Table 7
Regression Analysis – Coefficients

	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	2.404	.270	8.901	.000
Price	.159	.070	2.270	.024
Packaging	.116	.082	1.407	.161
BN	.029	.071	.400	.689
Ads	-.023	.075	-.310	.757
SoA	.041	.097	.424	.672
CN	.276	.101	2.727	.007
AC	-.320	.082	-3.906	.000
PQ	-.040	.098	-.404	.687

Since the p value of price, corporate name (CN) and alcohol content (AC) is less than 0.05, we reject H_0 in all the cases. This indicates that price, corporate name and alcohol content are significant explanatory variables on purchase intention. These findings support our hypothesis H1, H6 and H7. While the p-value of packaging, brand name (BN), advertisement (Ads), seal of approval (SoA) and product quality (PQ) is greater than 0.05, we do not reject our H_0 in all these cases. This indicates that packaging, brand name, advertisement, seal of approval and product quality are not significant explanatory variables of purchase intention. This does not support hypotheses H3, H4, H5, H6 and H9 (Table 9).

These results imply that if an alcohol beverage company wants to increase its sales by increasing the purchase intention of consumers, firstly, they need to be price sensitive. Moreover, the company should understand that they need to make various strategies that strengthen their corporate name while monitoring the alcohol content to become a market leader in the industry.

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Annex

Table 1

Gender and age of the respondents

Gender	Frequency	Percent	Cumulative Percent
Male	119	66.1	66.1
Female	61	33.9	100
Total	180	100	

Age	Frequency	Percent	Cumulative Percent
18-25	129	71.7	71.7
25-40	41	22.8	94.4
40-60	8	4.4	98.9
above 60	2	1.1	100
Total	180	100	

Table 2

Frequency of purchase and number of drinks bought in a single purchase

Frequency of Purchase	Frequency	Percent	Cumulative Percent
More than once a week	24	13.3	13.3
Once a month	48	26.7	40
Occasionally	90	50	90
Never	18	10	100
Total	180	100	

Number of drinks bought in a single purchase	Frequency	Percent	Cumulative Percent
1 to 2	105	58.3	58.7
3 to 4	41	22.8	81.6
5 to 6	22	12.2	93.9
7 to 9	11	6.1	100
Total	179	99.4	
System	1	0.6	
	180	100	

Questionnaire

Demographic Profile

1. Gender:

☐ Male☐ Female

2. Age:

☐ 18 – 25

☐ 25 – 40

☐ 40 – 60

☐ 60 and above

3 Monthly Income:

☐ Below NRs. 15,000

☐ NRs. 15,000 – NRs. 40,000

☐ NRs. 40,000 – NRs. 60,000

☐ NRs. 60,000 – NRs. 75,000

☐ Above NRs. 75,000

General Information of Consumer's Perception and Behavior

4. Which alcoholic beverage do you usually purchase?

☐ Whisky

☐ Vodka

☐ Beer

☐ Wine

Others _____

5. How much alcohol content do you prefer while purchasing alcohol beverage?

☐ Less than 6%

☐ 6 – 12%

☐ 12 – 24%

☐ 24 – 50%

☐ Above 50%

6. Where do you usually buy alcohol beverages?

☐ Liquor shops

☐ Retail shops

☐ Restaurants

☐ Others _____

7. How much do you usually pay for a bottle of alcohol beverage?

☐ Below NRs.500

☐ NRs. 500 – NRs. 1000

☐ NRs. 1000 – NRs. 5000

☐ NRs 5000 – NRs 10,000

☐ Above NRs 10,000

8. How frequently do you purchase alcohol?

☐ More than once a week

☐ Once a month

☐ Occasionally

☐ Never

9. How many drinks containing alcohol do you buy on a single purchase?

☐ 1 or 2

☐ 3 or 4

☐ 5 or 6

☐ 7 or 9

☐ 10 or more

Factors Influencing Consumers' Purchase Intention towards Alcoholic Beverages

This part has eight factors that may influence purchase intention towards alcoholic beverages. The factors are Price, Packaging, Brand Name, Advertisement, Seal of Approval, Corporate Name, Alcohol Content, Product Quality.

Please indicate how strongly you agree or disagree with the following statements by placing a circle on the number 1 to 5; where

1-Strongly Disagree (SD) 2-Disagree (D) 3-Neutral (N) 4-Agree (A) 5-Strongly Agree (SA)

Purchase Intention					
I frequently purchase alcohol.	1	2	3	4	5
I prefer buying an alcohol beverage which I have already tried more than once	1	2	3	4	5
I tend to purchase alcohol beverage of the same brand.	1	2	3	4	5
I recommend the alcoholic beverage brands that I consume.	1	2	3	4	5
Price					
I consider the price of the alcohol beverage before buying.	1	2	3	4	5
I define the quality of the alcohol beverage based on its price.	1	2	3	4	5
I compare prices of the alcohol beverage brands before buying.	1	2	3	4	5
I am willing to pay the marked price of the alcohol beverage despite of it being expensive.	1	2	3	4	5
Packaging					
I find the packaging of the beverage important while purchasing.	1	2	3	4	5
I consider the quality of the beverage based on its packaging.	1	2	3	4	5
I find the bottle shape, size and label of the package influencing my purchase decision.	1	2	3	4	5
I like the ingredients used in the beverage mentioned in the label of the package of the beverage.	1	2	3	4	5
Brand Name					
I always try new brands of alcoholic beverage.	1	2	3	4	5
I am likely to try unheard imported branded alcoholic beverages.	1	2	3	4	5
I am likely to try local branded beverages.	1	2	3	4	5
I buy alcohol beverage due to its brand regardless it's pricing.	1	2	3	4	5
Advertisement					
I prefer buying alcoholic beverages that have emotional content in their advertisement.	1	2	3	4	5
I like purchasing alcohol beverages which endorses celebrities in their advertisement.	1	2	3	4	5
I consider others recommendation while purchasing alcohol.	1	2	3	4	5
I remember alcoholic beverage brands based on the number of advertisements I see.	1	2	3	4	5
Seal of Approval					
I purchase the alcoholic beverage depending on the recognition by a regulatory body.	1	2	3	4	5

I will not buy a product if it has not been approved by a third-party regulatory body.	1	2	3	4	5
The alcohol beverage that I buy should meet a particular set standard.	1	2	3	4	5
I value international recognition/seal of approval more than local recognition/seal of approval of the brand.	1	2	3	4	5
Corporate Name					
I think the advertised corporate name adds more value to the alcohol beverage.	1	2	3	4	5
I try new alcoholic beverage of an existing alcohol beverage company.	1	2	3	4	5
I judge the quality of the alcoholic beverage based on its corporate name.	1	2	3	4	5
I am loyal to a particular alcohol beverage company name.	1	2	3	4	5
Alcohol Content					
I always check the alcohol content before buying the alcoholic beverage.	1	2	3	4	5
I buy the beverage based on the level of alcohol content in it.	1	2	3	4	5
I consume beverage based on the ingredients mentioned.	1	2	3	4	5
I usually purchase beverages that have less percentage of alcohol content in it.	1	2	3	4	5
Product Quality					
I consider the technical aspects of the brand while purchasing the beverage.	1	2	3	4	5
My personal judgement about the quality of the alcoholic beverage influences by purchase decision.	1	2	3	4	5
I re-purchase the beverage based on its taste quality.	1	2	3	4	5
I evaluate the quality of the alcoholic beverage based on its substitute.	1	2	3	4	5

The Relationship between Stock Return and Trading Volume

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Author Note

This report investigates the impacts of trading volume and lag trading volume on stock return and lag return volatility. It is submitted to Kathmandu College of Management for the fulfilment of requirements for the BBA Program of Siam University, Thailand. We would like to extend our immense gratitude to Bikash Shrestha, Faculty of Finance at Kathmandu College of Management for providing us with this opportunity to conduct the project to lead us through every obstacle and hardship during the preparation of this project. We would also like to thank Bishnu Raj Adhikari, Principal at KCM for providing us an environment to learn and explore these areas and gain new knowledge. Correspondence concerning this article can be addressed to any of the given email addresses: *ashmita@kcm.edu.np*; *sameep2021@kcm.edu.np*; *hishila2021@kcm.edu.np*; *falgun2021@kcm.edu.np*; *sohil2021@kcm.edu.np*

Abstract

This study aims to examine the relationship between trading volume and stock return in the listed four sectors: hydropower, trading & services, hotel and manufacturing companies. Eight hydropower companies, two trading companies, three hotels and two manufacturing companies were taken as samples from the time period of June 2018 to March 2019. This study has used descriptive and relational research design. Findings show that the effect of log lag stock return and log lag trading volume on stock return is significant whereas effect of log trading volume on stock return is insignificant. Also, when considering individual industry, it is insignificant only for the trading sector whereas it is significant for the remaining sectors.

Keywords: volume, return, lag, sectors

The relationship between stock return and trading volume

Girard and Biswas (2007) studied the trading volume and stock return in developing versus emerging stock markets. They have reported a negative relation between expected volume and stock return.

Attari, Rafiq, and Awan (2012) state that higher returns encourage investors to invest and increase the capital flow. On the other hand, Fama (1970) states that current stock prices reflect all security market information including the historical sequence of prices, rates of return and trading volume.

Lag volume was used in many studies and was positively related but correlation was very weak. In the study, monthly data of stock return and daily returns were used.

This research studies the relationship between stock return and trading volume with the following research questions.

1. What is the relationship between trading volume and stock return, lag trading volume and stock return and lag stock return and stock return of various companies under study?
2. What is the relationship between stock return and trading volume, lag return and trading volume and lag trading volume and trading volume of various companies under study?

Objectives

1. To identify the relationship between trading volume and stock return, lag trading volume and stock return and lag stock return and stock return of various companies under study
2. To identify the relationship between stock return and trading volume, lag return and trading volume and lag trading volume and trading volume of various companies under study

Literature

Baillie and DeGennaro (1990) examined the relationship between mean returns on a stock portfolio and its conditional variance. The objective of this study was to know if the theoretical asset pricing models directly related change in the price of the asset to its own variance. Daily returns over a period from January 1, 1970 to December 22, 1987 containing 4,542 daily observations using monthly data were represented by value weighted index including dividend. The study finally concluded that conventional two- parameter models related to portfolio means the variances are inappropriate and indicate the need to examine different proportion of risk.

Bollen (1998) measured the impact of option introductions on the return variance of underlying stocks. In order to fulfill the objective of the study, a control group and uncontrolled group were accounted for and a sample data of 1,942 option listings on domestic exchanges through 30 July 1993 were taken. The study constructed the control group by matching each stock in the sample group one-for-one with another stock within the same trading location and industry. This result varied with other studies, for which the study provided two possible reasons, the first being that the study used variance ratios to estimate changes in variance and that the study focused more on the median ratio rather than average ratio and the second reason being the time period of study in comparison to previous ones.

Bohl and Henke (2003) investigated the relationship between daily returns and trading volume. The purpose of this study was to provide initial evidence for one of the developing stock markets in Central and Eastern Europe, namely the Polish stock market. However, the study could not confirm the testable implications of the MDH in all cases, which indicates that future research on the causes and modeling of Polish stock market volatility is necessary. This study also investigated the GARCH-cum-volume model for daily returns. This study also examined the return-volume relationship for Polish stocks to determine whether there are differences between developed markets and one emerging market. The study has also concluded that trading volume is considered to be weakly exogenous for returns.

Ahmed, Hassan, and Nasir (2005) presented a comprehensive analysis of the distributional and time series properties of returns to determine whether a GARCH model that allows for time varying variance in a process can adequately represent return volatility. The main objective of this study was to examine the volatility characteristics of Kuala Lumpur Stock Exchanges by considering mixing variable (volume) as innovation. Lastly, the study found that there is a positive and statistically significant relationship between volume and stock return volatility.

Tabak and Guerra (2007) investigated the relationship between stock returns and volatility for developed markets. The objective of this study was to check whether the magnitude of the coefficients in the regressions in terms of volatility and stock returns are related to variables such as firm size (measured by market capitalization and total assets) and debt/equity ratios and to check if the level of volatility in emerging markets is considerably higher than that of more mature markets. The study concluded that the empirical results found in the study have important implications for volatility forecasting. Furthermore, the study concluded that higher debt/ equity ratios show stronger negative lagged correlations between stock returns and volatility.

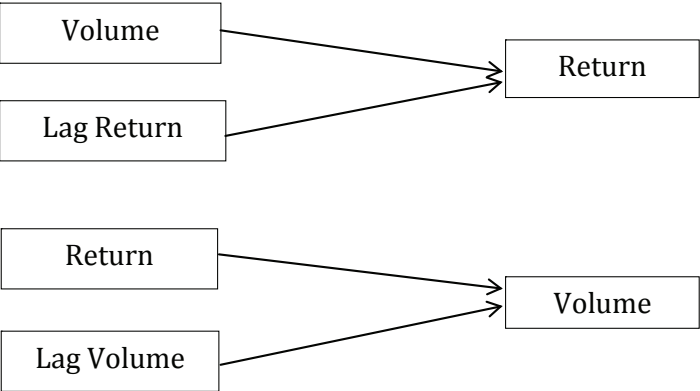
Pathirawasam (2011) examined the relationship between trading volume and stock returns in the emerging market of Colombo Stock Exchange. The objective of this study was to empirically examine the contemporary relationship between the trading volume change and stock returns and revealed that stock returns are positively related to contemporary change in the trading volume and also that past trading volume change is negatively related to stock returns.

Tapa and Hussin (2016) analyzed the relationship between stock return and trading volume in Malaysian ACE market. The objective of this study was to investigate the relationship between stock return and trading volume in Malaysian ACE market and to conclude whether the relationship of trading volume and stock return on Malaysian ACE market was consistent with the weak-form of the efficient market hypothesis (EMH) and concluded a positive relationship between trading volume and stock return and also between trading volume and lagged stock return.

Conceptual Framework

Based on the above-mentioned literature review, the following conceptual framework was developed for this study.

Figure 1
Conceptual Framework



As per the theoretical framework, the independent variable here is the trading volume of stock which is denoted by the amount of security. The dependent variables are stock return and lag stock return. The moderating variable is the industrial sector which is used to explain the relationships between independent variable and dependent variable across different industries (hydropower, trading, manufacturing and hotel).

Hypotheses

- H1 There is an effect of trading volume and lag stock return on stock return for each industrial sector
- H2: There is an effect of stock return and lag trading volume on trading volume for each industrial sector

Methodology

Research design

This study analyzes the relationship between trading volume and stock return across different industries by using the Ordinary Least Squared model and also uses descriptive and relational research design for the purpose of data analysis.

Population of the study

The population frame for this study is hydropower, hotels, trading, services and manufacturing companies, all of which are based in Nepal whose stocks have been traded since June 2018. Convenient

sampling for each sector is conducted and a total of 15 companies have been selected on the basis of availability of data.

Nature and sources of data

The secondary data for stock returns and trading volume are collected with the help of the website of Share Sansar from June 2018 to March 2019.

Variables

Trading volume

Trading volume is a dependent as well as an independent variable in this study. A study on trading volume and stock return volatility in developed versus emerging stock markets reports negative relation between expected volume and stock return volatility in several emerging markets

Lag trading volume

Lag trading volume is a dependent as well as independent variable in this study. Lagging Indicators follow price movements. Our lag trading volume indicates the trading volume for today as that of yesterday.

Stock return

Stock return is a dependent as well as independent variable in this study. It can be affected by the volatility in the market, current economic conditions, and popularity of the company. After a company goes public and starts trading, its price is determined by supply and demand for its shares in the market.

Lag stock return

Lag stock return is also a dependent as well an independent variable in this study. It is given as the return of yesterday, accounted for as that of today.

Limitations of the study

Since the data for each day is not available for all stocks and not all stocks are traded everyday so the estimation for lag trading volume may not be 100 percent accurate.

Analysis and result

Table 1
Descriptive statistics for all samples

Statistics/Variables	Vt	Vt_1	Open	Close	Rt	Rt_1
Mean	3633.382	3636.012	2271.476	2271.046	0.001	0.001
Median	30	30	319	319	0	0
Std. Deviation	16192.127	16209.344	5418.287	5417.153	0.079	0.098
Variance	262184986.03	262742844.08	29357832.29	29345551.56	0.006	0.010
Skewness	11.640	11.632	3.164	3.164	55.819	44.492
Kurtosis	178.063	177.749	8.905	8.902	3791.193	2296.945

Table 1 shows the descriptive analysis of all four sectors listed in NEPSE where mean of volume traded is 3633.382 and median is 30. Since the skewness and kurtosis of volume traded is 11.64 and 178.063 respectively, which shows the data are extremely large and since the mean is larger than median this data is positively skewed and the positive value of kurtosis describes that the data are heavy-tailed distributed. Since, the standard deviation is 5417.153, it indicates that the total volume of shares traded is spread out with the number 5417.153.

Table 2
Descriptive statistics for hydropower sector

Statistics	Vt	Vt_1	Open	Close	Rt	Rt_1
Mean	4049.715	4055.809	249.130	249.367	0.001	0.002
Median	416.000	420.000	169.000	170.000	0.000	0.000
Std. Deviation	12658.884	12673.534	202.703	202.671	0.114	0.143
Variance	160247349.421	160618458.505	41088.678	41075.388	0.013	0.021
Skewness	10.502	10.490	1.322	1.324	41.034	31.722
Kurtosis	151.234	150.879	0.414	0.423	1920.420	1119.824

Table 2 shows the descriptive analysis of Hydropower sector listed in NEPSE where mean of volume traded is 4049.715 and standard deviation is 12658.884 which indicates that volume traded in Hydropower sector is spread out over a range of 12658.884. In the fifth column the closing price of the stock in the stock market where the average closing price of the stock of Hydropower Sector is 249.367. The value of skewness and kurtosis are 1.324 and 0.423. This indicates that the data is positively skewed and has a relatively peaked distribution

Table 3
Descriptive statistics for manufacturing sector

Statistics	Vt	Vt_1	Open	Close	Rt	Rt_1
Mean	5103.573	5096.897	8911.912	8909.337	0.0005	0.0004
Median	0.000	0.000	6474.500	6474.000	0.000	0.000
Std. Deviation	27086.986	27118.857	8749.919	8748.807	0.019	0.019
Variance	733704820.888	735432408.059	76561089.226	76541622.160	0.000	0.000
Skewness	8.262	8.258	0.748	0.747	1.185	1.189
Kurtosis	81.669	81.526	-1.094	-1.095	12.201	12.250

Table 3 shows the descriptive analysis of manufacturing sector listed in NEPSE where mean of volume traded is 5103.573 and standard deviation is 27086.986 which indicate that volume traded in manufacturing sector is spread out over the range of 27086.986. The value of skewness and kurtosis are 0.747 and -1.095. This indicates that the data is positively skewed and has a flat distribution.

Table 4

Descriptive statistics for trading and service sector

Statistics	Vt	Vt_1	Open	Close	Rt	Rt_1
Mean	131.756	131.975	1057.986	1058.257	0.001	0.001
Median	0.000	0.000	1392.000	1392.000	0.000	0.000
Std. Deviation	2223.500	2226.276	628.963	628.998	0.013	0.013
Variance	4943954.090	4956305.273	395594.029	395638.745	0.000	0.000
Skewness	27.038	27.004	-0.014	-0.014	1.853	1.824
Kurtosis	751.174	749.302	-1.930	-1.930	29.913	31.043

Table 4 shows the descriptive analysis of Trading and Service sector listed in NEPSE where mean of volume traded is 131.756 and standard deviation is 2223.50 which indicate that the volume traded in Trading and Service sector is spread out with the number 2223.50. The fifth column shows the closing price of the stock in the stock market where the average closing price of the stock of Trading and Service Sector is 1058.257

Table 5

Descriptive statistics for hotel sector

Statistics	Vt	Vt_1	Open	Close	Rt	Rt_1
Mean	3300.821	3308.030	331.966	331.930	-0.0004	-0.0004
Median	500.000	500.000	256.000	256.000	0.000	0.000
Std. Deviation	11350.253	11363.237	131.790	131.737	0.033	0.033
Variance	128828242.706	129123149.933	17368.490	17354.661	0.001	0.001
Skewness	10.114	10.103	1.026	1.023	-22.189	-22.167
Kurtosis	133.410	133.097	-0.247	-0.258	663.985	662.596

Table 5 shows the descriptive analysis of Hotel sector listed in NEPSE where mean of volume traded is 3380.821 and standard deviation is 11350.253 which indicates that volume traded in Hotel sector is spread out with the number 11350.253. The fifth column shows the closing price of the stock in the stock market where the average closing price of the stock in the Hotel Sector is 331.930.

Table 6

Regression table for all samples with log stock return as the dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig	R2
	B	Std. Error	Beta					
(Constant)	-5.570	.233		-23.905	.000			
LnVt	.076	.030	.086	2.530	.011	80.8	.000 ^b	0.115
LnVt_1	-.124	.030	-.141	-4.150	.000			
LnRt_1square	.327	.022	.324	14.820	.000			

Table 6 shows the regression analysis for examining the effect of independent variable under study on dependent variable stock return. Similarly, the study exhibits that the increase in log lag trading volume decreases stock return. However, the effect of log trading volume doesn't have significant effect on stock return. Since the significance value of F is less than 0.01, the prediction made by the regression seems to be significant.

Table 7

Regression table for hydropower sector with log stock return as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig	R2
	B	Std. Error	Beta					
(Constant)	-4.667	.309		-	.000			
				15.095				
LnVt	.092	.041	.093	2.214	.027	71.831	.000 ^b	0.1658283
LnVt_1	-.202	.041	-.203	-4.882	.000			
LnRt_1square	.373	.028	.371	13.203	.000			

Table 7 shows the regression analysis for examining the effect of independent variable under study on dependent variable log stock return. Similarly, the study exhibits that the increase in log lag trading volume decreases stock return. The effect of log lag stock return has a significant impact on stock return. Since the significance value of F is less than 0.01, the prediction made by the regression seems to be significant.

Table 8

Regression table for manufacturing sector with log stock return as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig	R2
	B	Std. Error	Beta					
(Constant)	-6.411	.569		-11.272	.000			
LnVt	.073	.089	.094	.823	.411			
LnVt_1	-.051	.089	-.065	-.568	.571	8.005	.000 ^b	0.07001
LnRt_1square	.278	.058	.259	4.785	.000			

Table 8 shows the regression analysis for examining the effect of independent variable under study on dependent variable log lag stock return. Similarly, the study exhibits that increase in log trading volume also increases stock return. However, the log trading volume doesn't have significant effect on stock return. Since the significance value of F is less than 0.01, the prediction made by the regression seems to be significant.

Table 9

Regression table for trading and services sector with log stock return as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig	R2
	B	Std. Error	Beta					
(Constant)	-9.380	2.333		-4.021	.000			
LnVt	-.279	.481	-.157	-.581	.566			
LnVt_1	.317	.442	.187	.718	.479	.184	.906 ^b	0.02077
LnRt_1square	-.060	.227	-.054	-.262	.795			

Table 9 shows the regression analysis for examining the effect of independent variable under study on dependent variable log lag trading volume. Similarly, the study exhibits that increase in log lag trading volume increases stock return. The effect of log trading volume has a significant impact on stock return. Since the significance value of F is more than 0.01, the prediction made by the regression seems to be insignificant.

Table 10

Regression table for hotel sector with log stock return as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig.	R2
	B	Std. Error	Beta					
(Constant)	-6.338	.529		-11.988	.000			
LnVt	.049	.048	.054	1.022	.307	13.111	.000 ^c	0.08381
LnVt_1	-.082	.048	-.091	-1.707	.089			
LnRt_1square	.265	.044	.280	6.071	.000			

Table 10 shows the regression analysis for examining the effect of independent variable under study on dependent variable log stock return. Similarly, the study exhibits that increase in log trading volume also increases stock return. There is negative and insignificant relationship between log lag trading volume and stock return. Since the significance value of F is less than 0.01 the prediction made by the regression seems to be significant.

The above results support our hypothesis H1, as overall model is significant. However in sector wise trading and services there is insignificant effect of trading volume and lag stock return on stock return.

Table 11

Regression table for all samples with log trading volume as the dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig.	R2
	B	Std. Error	Beta					
(Constant)	1.495	.201		7.430	.000			
LnRtsquare	.045	.018	.039	2.530	.011	918.742	.000 ^b	0.5956
LnRt_1square	-.065	.018	-.057	-3.643	.000			
LnVt_1	.769	.015	.769	52.029	0.000			

Table 11 shows the regression analysis for examining the effect of independent variable under study on dependent variable log trading volume. Similarly, the study exhibits that decrease in log lag stock return decreases trading volume. There is positive and significant relationship between log lag trading volume and trading volume. However, the effect of log lag stock return doesn't have significant impact on trading volume. Since the significance value of F is less than 0.01, the prediction made by the regression seems to be significant.

Table 12

Regression table for hydropower sector with log trading volume as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig.	R2
	B	Std. Error	Beta					
(Constant)	1.476	.245		6.033	.000	467.263	.000b	0.5639
LnRtsquare	.049	.022	.049	2.214	.027	467.263	.000b	
LnRt_1square	-.097	.022	-.096	-4.407	.000	467.263	.000b	
LnVt_1	.746	.020	.743	36.415	.000	467.263	.000b	

Table 12 shows the regression analysis for examining the effect of independent variable under study on dependent variable log trading volume. The study exhibits that increase in log stock return also increases trading volume. There is positive and significant relationship between log lag trading volume and trading volume. However, the effect of log lag stock return doesn't have significant impact on trading volume. Since the significance value of F is less than 0.01, the prediction made by the regression seems to be significant.

Table 13

Regression table for manufacturing sector with log trading volume as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig.	R2
	B	Std. Error	Beta					
(Constant)	1.067	.418		2.549	.011	371.815	.000b	
LnRtsquare	.029	.035	.023	.823	.411	371.815	.000b	0.7776
LnRt_1square	.012	.038	.009	.320	.749	371.815	.000b	
LnVt_1	.886	.027	.881	33.348	.000	371.815	.000b	

Table 13 shows the regression analysis for examining the effect of independent variable under study on dependent variable log trading volume. The study exhibits that increase in log lag trading volume also increases stock return significantly. There is positive and significant relationship between log lag trading volume and stock return. However, the effect of log stock return doesn't have significant impact on stock return.

Table 14

Regression table for trading and services sector with log trading volume as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig.	R2
	B	Std. Error	Beta					
(Constant)	.387	1.202		.322	.750	8.419	.000b	0.4928
LnRtsquare	-.046	.079	-.082	-.581	.566	8.419	.000b	
LnRt_1square	-.142	.088	-.227	-1.617	.118	8.419	.000b	
LnVt_1	.618	.134	.648	4.608	.000	8.419	.000b	

Table 14 shows the regression analysis for examining the effect of independent variable under study on dependent variable log trading volume. It indicates that 1 percentage increase in log trading volume will increase trading volume by 0.618 percentage. There is negative and significant relationship between log lag stock returns and trading volume. Since the significance value of F is less than 0.01, the prediction made by the regression seems to be significant

Table 15

Regression table for hotel sector with log trading volume as dependent variable

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	F	Sig.	R2
	B	Std. Error	Beta					
(Constant)	3.885	.580		6.693	.000	47.660	.000b	0.2495
LnRtsquare	.049	.048	.045	1.022	.307			
LnRt_1square	-.031	.045	-.030	-.685	.493	47.660	.000b	
LnVt_1	.498	.042	.501	11.953	.000			

Table 15 shows the regression analysis for examining the effect of independent variable under study on dependent variable log trading volume. Similarly, the study exhibits that increase in log lag stock return decreases trading volume. There is positive and significant relationship between log lag trading volume and trading volume. However, the effect of log lag stock return doesn't have significant impact on stock return. Since the significance value of F is less than 0.01, the prediction made by the regression seems to be significant. The above results support our hypothesis H2, as the overall model is significant. This report analyses the effect of trading volume and lag trading volume on stock return and vice versa. While focusing on the significant results, a positive and significant effect has been found on both stock returns and trading volume across all samples. Our findings are consistent with the findings of (Ahmed, Hassar & Nasir, 2005).

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Customer Loyalty in Airline Industry: The Case of Airline Industry in Nepal

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This report investigates customer loyalty in the Airline industry of Nepal. It is submitted to Kathmandu College of Management (KCM), Gwarko, Lalitpur for completing the requirements for the International BBA Program of Siam University, Thailand. We acknowledge Ritesh Thakur for his supervision during the preparation of the report. Any concerns related to the report can be addressed to the given address: ashmita@kcm.edu.np; sameep2021@kcm.edu.np; hishila2021@kcm.edu.np; falgun2021@kcm.edu.np; sohil2021@kcm.edu.np

Abstract

This study examines the effect of service quality, perceived value, customer expectation, corporate image and price on customer loyalty. This report was created on the basis of 100 people surveyed at Tribhuvan International Airport. Descriptive statistics, correlation and regression were used to analyze data. The findings showed significant impact of customer expectation and price on customer loyalty and insignificant impact of service quality, perceived value and corporate image on customer loyalty.

Keywords: airlines, service quality, price, perceived value, customer expectation, corporate image and customer loyalty

Customer Loyalty in Airline Industry

The aviation sector is one of the main drivers for economic prosperity, development and employment. Progressively, it is one of the growing segments of the economy and also a most convenient means of travel and transport (Jhamkatel, 2018). Especially in a landlocked country like Nepal, the aviation industry has become one of the most important and reliable means of transportation. Due to competitive pressure, high quality service delivery has become an important requirement among air carriers to ensure retention of customers (Zangmo, Liampreecha, & Chemsriping, 2014). Also retaining the profit obtained from running an airline company is challenging.

Retaining the existing customer base is less expensive than acquiring new ones and one of the most effective ways of keeping customers is by providing customer satisfaction. This is how customers are retained and customer loyalty ensured. Not only do loyal customers ensure sales, but they are also more likely to improve airline reputation, save costs, purchase ancillary, high-margin supplemental products and services.

A previous study of Thai airlines (Wang & Chaipooipirutana, 2015) mentioned that further study could be conducted on more factors that influence the airlines industry such as perceived quality and customer satisfaction, which are factors affecting customer loyalty. However, no such research has been done in the context of Nepal, which is a major drive for this study.

Despite several constraints, Nepal's aviation sector, particularly the international sector, has been growing at a healthy rate. Travel demand to Nepal is likely to continue over the next 20 years, according to a study conducted by European aviation giant Airbus (Airbus, 2015). In its latest report on Nepal Air Traffic Analysis, Airbus has said international passenger traffic in Nepal is expected to grow at the rate of 6.4% annually over 20 years, because of the increased travel demand in the Middle East, Europe, Australia, Japan and the US markets. While international airline passenger traffic has seen phenomenal growth, domestic industry has been grappling with problems and challenges. One major setback for the domestic industry has been the European Commission's ban on Nepalese carriers on December 5, 2013. Carriers such as Necon Air, Gorkha Air and Cosmic Air have come and gone. The failure of several domestic airline companies in the domestic aviation industry raises questions about sustainability. Customer loyalty may be the answer to ensure sustainability of domestic airline companies.

Objectives

The objective of this study is to examine the effect of service quality, perceived value, customer expectation, corporate image and price on customer loyalty.

Limitations

The limitations of this research are limited time, area and sample size for the survey.

Literature

Halil (2008) examines service quality perception of airline passengers and then links these perceptions to their satisfaction and repurchase intentions specifically in a new emerging market in the Mediterranean region, North Cyprus. The study reveals that there is a significant positive effect on both customer satisfaction and repurchase intention.

Wang and Chaipooirutana (2015) examined the impact of service quality, complaint handling, corporate image and customer satisfaction on customer Loyalty. The study also evaluated the influence of service quality, complaint handling, and corporate image on customer satisfaction in order to confirm the results of previous studies on customer loyalty towards an airline industry and factors that influence it. The results stated that all of these factors: service quality, complaint handling, corporate image and customer satisfaction have significant impact on the loyalty of Thai Airways customers. Similar study was conducted by Rahayu (2015), which examined the impact to brand loyalty on low cost airline industry. The study was conducted to examine the effect of service quality and trust in customer satisfaction and brand loyalty.

Juliet and Namukasa (2013) examined the influence of airline service quality on passenger satisfaction and loyalty. Service quality, passenger satisfaction and customer loyalty were the major factors considered. The study revealed that service quality and passenger satisfaction had significant positive effect on customer loyalty.

Anuwichanont (2011) examined the impact of price perception on customer loyalty in the contest of airlines. The study was conducted to examine the relative effects of perceived value dimensions on brand effect and brand trust as well as to examine the impact of brand effect and brand trust on customer loyalty. The study concluded that in the context of airline, brand trust significantly influences attitudinal and behavioral loyalty.

Gures, Arslan, and Tun (2014) studied the relationship between customer expectation, satisfaction and loyalty towards Turkish airline. The major factors considered were reliability, responsiveness, assurance, customization, facilities, flight patterns and employees. The study supported the positive relationship between customer satisfaction and customer loyalty. Further, the study revealed that reliability is of utmost importance for the customers.

Al-Refaie, H. Fouad, and Eteiw (2013) conducted a study to find relations between service quality, perceived value, and corporate image in terms of passengers' satisfaction and loyalty from the perspective of national and international airlines passengers in Jordan airport. This research studied the effects of service quality, value, and image, on passenger's overall satisfaction and loyalty. The findings stated that improvements in service quality will enhance passenger's satisfaction, which consequently increases their repurchase intentions and devotion to the airline.

Archana and Subha (2012) examined service quality and passenger's satisfaction in Indian airlines. The purpose of the study was to investigate the impact of in-flight service quality on passenger satisfaction. Airline service dimensions were found to have significant and positive influences on airline image and passengers' satisfaction.

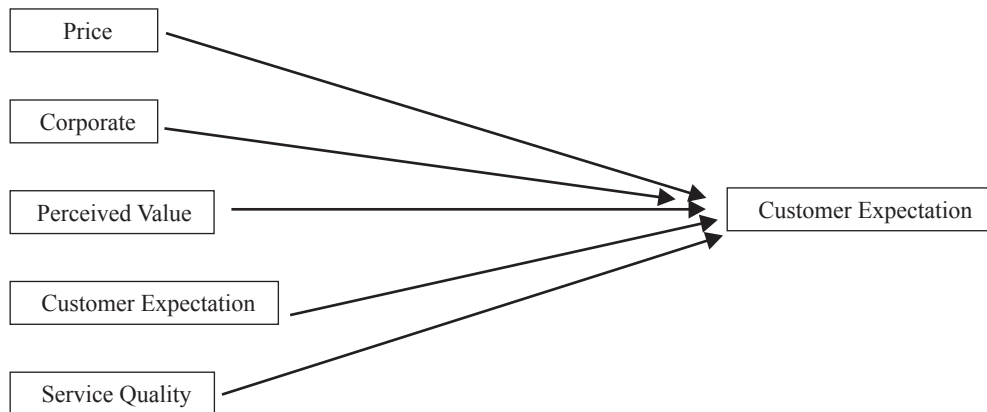
This study uses Oliver's (1997) definition of customer loyalty i.e. "a deeply held commitment to repetitively buy a preferred product/service in the future, despite situational influences and marketing efforts having the potential to cause switching behavior. "Service quality" is defined as customer's evaluation of overall features and levels of a product or a service. Perceived value is defined as the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Customer expectation is defined in the dimension of reliability, assurance and customization, responsiveness, facilities and flight patterns. For the study, corporate image is defined as

the image associated with brand name and price is defined as the cost or price charged by the airline for the services they provide.

Conceptual Framework

Based on the above literature review, conceptual framework as depicted in the Figure was designed for the study.

Figure 1
Conceptual Framework



Hypotheses

- H1: Service quality has an impact on customer loyalty.
- H2: Customer expectation has an impact on customer loyalty.
- H3: Price has an impact on customer loyalty.
- H4: Corporate image has an impact on customer loyalty.
- H5: Perceived value has an impact on customer loyalty

Methodology

Research design

The analysis of this research is mainly quantitative in nature. A questionnaire has been prepared for data collection and analysis. The unit of analysis for this study is individual customer. A pilot test conducted for ease of instrument and reliability is examined by using Cronbach alpha test. The research population consisted of all the passenger of airlines in Nepal. For the sample size calculation, rule of thumb is used where the ratio of 1:5 is taken. The source of information for data collection procedure is primary sources. Descriptive analysis has been carried out by using central tendency and dispersion. Correlation analysis, regression and ANOVA are used for our study to analyze data and the hypotheses associated with it.

Questionnaire

For the research, questionnaire was developed for collecting information from respondents. The questionnaire was administrated and information was collected by contacting them personally. The

collected data was analyzed by using SPSS.

Analysis and result

From the descriptive analysis of the study it was found that majority of the respondents (53%) travel once a year by airways. Also, 43% of the people frequently use airways as their means of transport. Table 3 depicts that majority of young (20-40) people who travel via airways. Since people from age group 20-40 travel by airways, the airline industry should be more focused on providing travel packages to youngsters so that travel frequency could be increased. Table 4 shows there's very less difference in the travel frequency between male and female. Introducing family packages can encourage both the genders to travel at equal frequency.

Further, the correlation analysis shows that there is significant co-relation between service quality, customer expectation, corporate image, perceived value, price and customer loyalty. The p-value is less than 0.01 for all variables. This was determined at 1% significance level.

Regression analysis was performed where the value of R square was 0.400 which indicates 40.0% variation in customer loyalty is explained by customer expectation, corporate image, perceived value, service quality and price.

Table 6
Model Summary

Model	R	R Square	Std. Error of the Estimate
1	.632a	.400	.82917

Similarly, from the Anova table (Table 7) it can be concluded that the overall regression model was fit for data representation as p-value < 0.05 which indicated that the null hypothesis was rejected.

Table 7
ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	43.045	5	8.609	12.522	.000b
	Residual	64.627	94	.688		
	Total	107.672	99			

Furthermore, from the regression table (Table 8) it was found that the p-value of customer expectation and price were less than 0.05 i.e. 0.24 and 0.00. This indicates that both of them were significant explanatory variables for customer loyalty and supported our hypotheses H2 and H3, whereas with regard to service quality, corporate image and perceived value, the p-value was more than 0.05 which indicated that these variables were not significant explanatory variables of customer loyalty. This does not support our hypotheses H1, H4 and H5.

Table 8
Coefficients

	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	1.325	.449	2.951	.004
Service quality	-.150	.117	-1.282	.203
Customer expectation	.229	.100	2.292	.024
Corporate image	.090	.088	1.024	.309
Perceived value	-.050	.104	-.480	.632
Price	.529	.109	4.840	.000

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Annex**Questionnaire**

We are conducting an academic study titled 'Customer loyalty in Airline Industry: The case of Airline industry in Nepal' This survey is part of an academic research. Therefore, we kindly request you to fill this questionnaire. Your honest response to this questionnaire will be a great help for us.

Age: below 20 () 20-30 () 30-40 () 40 above ()

Gender: Male () Female ()

How many times do you travel by air in a year?

1 () 2-4 () More than 5 ()

Please indicate the degree of your agreement or disagreement with each statement by checking one of the seven alternatives. (1=not at all; and 7=very much)

Service quality	1	2	3	4	5	6	7
The airline provides a reliable service online through their website and offline through their respective ticket offices							
I am satisfied with the seat comfort, in-flight entertainment services and other in-flight tangibles							
The in-flight services offered by flight attendants were of high quality							
Baggage delivery and retrieval services were on time							
Mileage cards motivate me to frequently fly with the same airline.							
Customer Expectation	1	2	3	4	5	6	7
The departure and arrival time were as per the schedule							
I feel safe when I fly with this airline							
The cabin crew of this airline is friendly							
The airline is responsive to my emergency needs (such as cancelled flight)							
Corporate Image	1	2	3	4	5	6	7
The brand name associated with the airline made me choose that airline.							
Employees of the airline appear clean.							
If there's variety in the product, i am encouraged to fly from that airline.							
The airline staff were committed toward keeping the brand image and provided services accordingly.							
Perceived Value	1	2	3	4	5	6	7
The service given to me by the airline exceeded my expectations							
The quality of the services offered by the airline was above my expectations							

The economic value provided by the airline was above my expectations							
The staffs were helpful and created comfortable environment.							
Price	1	2	3	4	5	6	7
The ticket price is competitive in comparison to other airline's ticket prices							
Rewards points provided on frequent purchase motives me to buy the ticket.							
I like the differential price based on delivery time and payment terms							
I am satisfied by discounts provided occasionally by the airline companies							
Customer Loyalty	1	2	3	4	5	6	7
How likely are you to re-purchase tickets the same airline that you flew with recently?							
How likely are you to re-purchase tickets despite competitive offers from other airline companies?							
How likely is it that you will switch to a different airline due to external influences? (such as advertising)							
How likely are you to recommend the airline you flew with to others?							

Table 1
Reliability Statistics

Cronbach's Alpha	N of Items
.844	25

Table 2
Travel duration

Travel duration	Frequency	Percent	Cumulative Percent
1	4	4.0	4.0
2-4	53	53.0	57.0
More than 4	43	43.0	100.0
Total	100	100.0	

Table 3
Age

	Frequency	Percent	Cumulative Percent
below 20	21	21.0	21.0
20-30	51	51.0	72.0
30-40	17	17.0	89.0
40 above	11	11.0	100.0
Total	100	100.0	

Table 4
Gender

Gender	Frequency	Percent	Cumulative Percent
Male	54	54.0	54.0
Female	46	46.0	100.0
Total	100	100.0	

Table 5
Correlation

	Customer Loyalty	
Service Quality	Pearson Correlation	.281**
	Sig. (2-tailed)	.005
	N	100
Customer Expectation	Pearson Correlation	.430**
	Sig. (2-tailed)	.000
	N	100
Corporate Image	Pearson Correlation	.334**
	Sig. (2-tailed)	.001
	N	100
Perceived Value	Pearson Correlation	.381**
	Sig. (2-tailed)	.000
	N	100
Price	Pearson Correlation	.591**
	Sig. (2-tailed)	.000
	N	100

The Relationship between Bank Credit and Economic Growth in Nepal

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Abstract

GDP is a crucial indicator of an economy's growth and prospects. Any change in GDP of an economy is determined by different micro and macro-economic factors. This study has analyzed how the factors, namely, bank credit, average lending interest rate and government expenditure impact the nominal GDP of Nepal. In this research, data from 1976 to 2018 have been taken. This period has been divided into pre and post-democracy periods as 1990 marked the year when Nepal adopted a multiparty democratic system of governance. Hence, this study tries to examine the impact of some independent variables on nominal GDP across pre-democracy and post-democracy period. The trends of nominal GDP with respect to factors such as credit policies, interest rates and government expenditure have not been justified yet. The results show that the reign of democracy has significantly enhanced the macro economic variables as the condition of the economy improved due to favorable political environment.

Keywords- bank credit, economic growth, average lending interest rate, democracy

The Relationship between Bank Credit and Economic Growth in Nepal

The relationship between bank credits and economic growth has drawn considerable attention and discussions in recent years. Of the several studies conducted to identify this relationship, some argue that interest rate liberalization leads to economic growth (McKinnon, 1973; Shaw, 1974). Interest rate is a very important macroeconomic factor for economic growth as it affects personal decisions such as whether to consume or save, whether to buy a house or purchase bonds or put funds into a saving account (Haji, 2012).

Furthermore, there are various factors such as government expenditure, consumption expenditure, investment and exports that impact economic development. There has been a substantial number of studies on the relationship between public expenditure and economic growth and these studies are still relevant in developed and developing countries. The general perception is that public expenditure, especially public investment expenditure, should stimulate economic growth (Barro, 1990). According to this study, government investment expenditures are more likely to contribute positively to real economic growth whereas government consumption expenditure impact economic growth negatively. For empirical analysis, it is often difficult to categorize government expenditure. Some activities that are considered investment expenditure by one institution might be considered as consumption expenditure by another which makes categorization of government expenditure strenuous. Nevertheless, it is imperative to examine this unique relationship because public expenditure is necessary for government's management of the economy.

Hence, the purpose of this study is to explore the role of bank credit, including interest rate and government expenditure in determining and supporting economic growth.

The trend over the years of Nepal's economic growth measured in Nominal GDP terms with respect to the totality of factors such as bank credit policies, interest rates and government expenditure has not been justified in any research yet. It is a generally accepted fact that the monetary wellbeing of a nation can be controlled by its financial advancement and development. There has been a great deal of discussion whether there is an association between financial improvement and economic growth. Most empirical studies usually conclude that development of the financial sectors accelerate economic growth (Levine, 1997; Wachtel, 2001; Fink, Haiss, & Vuksic, 2005). The Keynesian approach that investment determines saving states that there is a positive connection between the bank credit and the nominal and the real GDP (Keynes, 1936). Some studies conclude that inflation of domestic and private sector credit are negatively related to economic growth (Leitao, 2012; Petkovski & Kjosovski, 2014). Mushtaq (2016) concludes that bank credit and economic growth are positively related. Economic growth is usually indicated by increase

in the gross domestic product (GDP) in which nominal GDP is adjusted to inflation to reflect real GDP.

The impact of bank credit, including interest rate, and government expenditure on economic growth has not yet been assessed properly in the Nepalese context. In this regard this study attempts to fill this gap.

Objectives

The primary objective of the study is to analyze the impact of bank credit, interest rate, and government spending on economic growth in two distinct periods of modern Nepal i.e. during the party less Panchayat system of governance before 1990 and the multiparty system of governance after 1990.

- to find the mean difference in bank credit, average lending interest rate and government expenditure on economic growth across pre-democracy and post democracy periods
- to examine the impact and the role of bank credit, interest rate and government expenditure on economic growth across pre-democracy and post democracy periods

Literature

This section deals with review of related theory, review of empirical literature, theoretical framework of the study and hypothesis of the study.

The Keynesian theory of investment

The Keynesian theory of investment derives from Keynesianism, a macroeconomic school of thought, based on the ideas of 20th century British Economist John Maynard Keynes. The concepts forming the basis of Keynesianism were first published in “The General Theory of Employment, Interest and Money” in 1936. Keynesian economics is considered a “demand-side” theory that focuses on changes in the economy over the short run. The Keynesian notion claims positive impact of government expenditure on real GDP and private consumption. Keynesian economists focus on lower interest rates as a solution to economic woes. Keynesian notion is based on industrialized economies. The study looks at the Keynesian hypothesis of investment determining saving and lending. Ganchev, Stavrova, and Tsenkov (2014) studied the relationship between bank credit and nominal GDP and confirmed this hypothesis. According to this hypothesis, individuals should save less and spend more, raising their marginal propensity to consume to effect full employment and economic growth. It sees excessive saving as dangerous for the economy because more money sitting stagnant means less money in the economy for stimulating growth.

Empirical review

Leitao (2012) examined the link between bank credit and economic growth in the European Union for the period 1990 to 2010. The independent variables in the study are international trade, domestic credit, savings, investment and inflation. The study concluded that credit growth can weaken the banking system and lead to inflationary pressure which was seen in the European Union. Similarly, Armeanu, Pascal, Poanta, and Doia (2015) concluded that economy is much better if the banks focus less on credits to the people and more on credits granted to companies.

Some studies concluded that credit and GDP are related in the short run but this relationship does not hold in the long run. Ganchev et al. (2014) studied the relationship between credit and Nominal GDP in the Czech Republic, Estonia and several different EEC countries for the period 1990-2010. It was found that in the short run there was an impact of nominal GDP on lending and not vice-versa. But in the middle term, credit determines GDP and there is no interdependence in the long run. The study confirmed the Keynesian hypothesis of investment determining saving and lending. Similarly, Mushtaq (2016) examined the causal relationship between bank deposits and credits provided by banking sectors and GDP growth of Pakistan for the period 1961 to 2013 and concluded that short run causality was running from

GDP to bank's credit, but two major activities of banking sectors (saving and lending) did not have any long term or short-term causality towards economic growth.

Petkovski and Kjosevski (2014) examined whether the banking sector affected economic growth of 16 transition economies in Central and South Eastern Europe over the period 1991-2011. Banking Sector development is defined using the three variables that measure the level of banking sector. These include: RQM (Ratio of Quasi money or Near Money), amount of bank credit allocated to the private sector as a share of GDP and interest rate margin. The study has used Generalized Method of Moments (GMM) dynamic panel method. The research results show that credit to the private sector and interest margin is negatively related to economic growth, while RQM is positively related to economic growth.

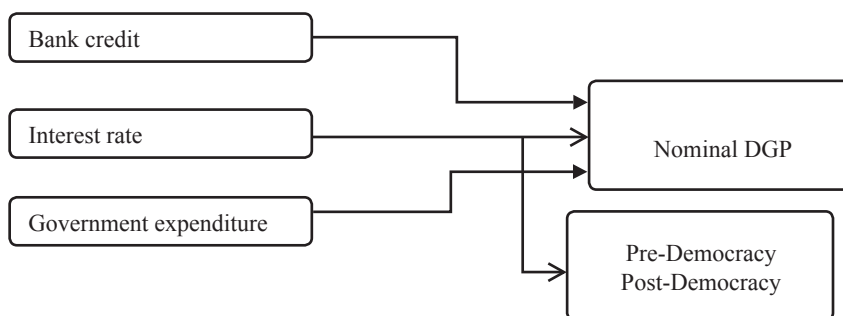
Duican and Pop (2015) analyzed the relationship between credit and economic growth in Romania at the regional level. The study concluded that banks should continue to finance the economy through credit as it is contributing significantly to the GDP growth in Romania. Similarly, Eddien and Ananzeh (2016) concluded that banking with different sectors has played a positive role in enhancing the growth of the Jordanian economy. Moreover, rehabilitation of the financial sector enhances the opportunity for economic growth.

Timsina (2014) investigated the relationship between private sector credit and economic growth. The study included government expenditure and interest rate as control variables. The investigation connected the co-integration approach error correction model and granger causality for experimental examination of the connection between private segment credit and economic growth. The empirical study applying Johansen co-integration approach and estimating error correction model found that bank credit to the private sector had positive effects on the economic growth of Nepal. The study observed a feedback effect from economic growth to private sector credit and showed that in the long run growth in real private sector credit by one percentage contributed to an increase in real gross domestic product by forty per cent.

Conceptual Framework

A theoretical framework is used to focus on the variables in the study. The research studies the relationship between the independent variables bank credit, interest rate and government expenditure and dependent variable Nominal GDP across pre-democracy and post-democracy periods.

Figure 1
Conceptual Framework



Hypotheses

The hypotheses of the study have been set as follows:

H1: There is significant mean difference in bank credit on economic growth across pre-democracy and

post-democracy periods.

H2: There is significant mean difference in average lending interest rate on economic growth across pre-democracy and post-democracy periods.

H3: There is significant mean difference in government expenditure on economic growth across pre-democracy and post-democracy periods.

H4: There is significant impact of bank credit on economic growth.

H5: There is significant impact of interest rate on economic growth.

H6: There is significant influence of government expenditure on economic growth.

Methodology

Population and sample of the study

The data for GDP of Nepal is available from 1976. This study used convenient sampling and the annual data for the variables were taken for the years from 1976-2018. Secondary sources of data were collected from Nepal Raastriya Bank (NRB), Central Bureau of Statistics (CBS), website of World Bank and various other articles, and websites.

Definition of variables

The first independent variable is the bank credit. Bank credit is one of the necessary financial resources to finance various economic activities as financing largely depends upon crediting activity. Second independent variable, interest rate, is a very important macroeconomic factor for economic growth as they affect personal decisions. Lower interest rates are also purported to increase investment levels by reducing borrowing costs. Interest rates in the study mean the average lending rates in the market. The last independent variable is government expenditure. For empirical analysis, it is often difficult to categorize government expenditure. Some activities that are considered investment expenditure by one institution might be considered as consumption expenditure by another which makes the categorization of government expenditure strenuous. This study takes government expenditure as the total spending by the government across all sectors in a fiscal year.

Economic growth, the dependent variable in the study, is defined in terms of nominal GDP. It is an increase in the amount of goods and services produced per head of the population over a period of time.

All the above-mentioned variables are divided into two groups based on two time periods of the study, the period before 1990 and afterwards.

Statistical tools

The study uses descriptive and inferential statistical tools. Under descriptive statistical tools mean, median, mode, standard deviation and variance are used. Under inferential statistics, regression analysis and independent sample t-test are used.

Limitations

Only three independent variables i.e. bank credit, interest rate and government expenditure have been considered in the entire study.

Unpredictable growth patterns have not been generalized in this study.

The study did not use data for real GDP for the analysis.

Analysis and results

Table 1 depicts the results obtained by descriptive statistics of bank credit, average lending interest rate, government expenditure and the nominal GDP. Bank credit comprises yearly data from 1976 to 2018 that gave the average of Rs. 385035.453. The median of bank credit for the sample years was Rs. 100916.700. On the other hand, the average depicted by the mean for average lending interest rate was 10.489 per cent and median depicted from the study was 11.333 per cent. Similarly, for government expenditure, the study depicts the mean value of Rs. 143773.258 along with the median value of Rs. 50723.800. Lastly, for the dependent variable which is the nominal GDP, the average growth rate shown by the study is 0.131 along with the median value of 0.139. It can be seen that both mean and median which measure the central tendency of the data are close enough.

Table 1

<i>Descriptive statistics of the variables under study</i>			(in NRS. millions)	
Statistics/Variables	Bank_C	ALIRT	G_E	GNGDP
Mean	385035.453	10.489	143773.258	0.131
Median	100916.700	11.333	50723.800	0.139
Std. Deviation	629538.947	100	226146.598	0.071
Variance	396319285245.199	23.817	51142283938.993	0.005

In the case of bank credit, the study showed that standard deviation and variance are Rs.629538.947 and Rs.396319285245 respectively. Secondly, for the average lending interest rate the deviations depicted by standard deviation and variance are 100 and 23.817 respectively. Similarly, for government expenditure, the dispersion of the values from its mean shown by standard deviation was Rs. 226146.598 while the variance was Rs. 51142283938.993 respectively. Lastly, for the dependent variable of the study that is the nominal GDP the deviations of data over its mean value are shown by the standard deviation and the variance which are 0.071 and 0.005 respectively.

Table 2 and Table 3 depict the descriptive statistics for the variables across 1976 to 2018 over two periods. Table 3 shows the statistics for pre-democracy period and Table 4 depicts the results for post-democracy period respectively. It can be seen that the average value of bank credit has significantly increased along with its median value. Similarly, the standard deviation and variance for bank credit across pre- and post-democracy shows that the dispersion has increased very significantly.

Secondly, the mean and median value for average lending interest rate for pre- and post-democracy periods show that both values have significantly decreased. This could have had positive traction towards the nominal GDP across pre- and post-democracy periods. Similarly, the standard deviation and the variance for average lending interest rates show that the dispersion has significantly increased which means that it was stable in pre-democracy period while high fluctuations have been observed after the advent of democracy.

Table 2

<i>Descriptive statistics of the variables under study for pre-democracy</i>				(in NRS. millions)
Statistics/Variables	Bank_C	ALIRT	G_E	GNGDP
Mean	6426.160	14.972	7917.627	46986.687
Median	4545.400	15.000	6979.200	37004.000
Std. Deviation	5108.138	1.254	5704.754	28832.748
Variance	26093075.581	1.573	32544221.076	831327338.316

Table 3

<i>Descriptive statistics of the variables under study for post-democracy</i>				(in NRS. millions)
Statistics/Variables	Bank_C	ALIRT	G_E	GNGDP
Mean	587861.861	8.087	216553.061	923429.761
Median	268123.700	8.375	96001.550	533260.300
Std. Deviation	702982.806	4.369	252568.716	824284.167
Variance	494184825162.776	19.085	63790956545.937	679444387981.556

Lastly, government expenditure across pre- and post-democracy periods show significant increase in its average value as well median value. This is same for nominal GDP while comparing the two periods. Similarly, the dispersion of data as seen by standard deviation and variance for government expenditure has significantly increased which shows high fluctuations of data from its mean value. The nominal GDP along with other macroeconomic variables have significantly improved after democracy.

Independent sample t-test

Table 4 depicts the mean difference test through independent sample t-test for various variables under study. The first variable, bank credit with a significance value of 0.001 for the equality of assumptions shows that variances of bank credit across pre- and post-democracy periods are not equal. Therefore, the mean difference in bank credit seems to be significantly different H1. Similarly, the other variable, nominal GDP has a significance level of 0.01. Therefore, the mean difference in GDP seems to be significantly different across pre- and post-democracy periods. Furthermore, it is seen that bank credit and GDP are significantly higher in the post-democracy period.

Table 4

Independent sample t-test for variables

	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Bank_C Equal variances assumed	22.231	.001	-3.185	41	.003	-581435.701
Equal variances not assumed			-4.376	27.005	.001	-581435.701

ALIRT	Equal variances assumed	7.117	.011	5.944	41	.001	6.885
	Equal variances not assumed			7.764	34.378	.001	6.885
G_E	Equal variances assumed	18.112	.001	-3.181	41	.003	-208635.434
	Equal variances not assumed			-4.369	27.051	.001	-208635.434
NGDP	Equal variances assumed	31.165	.001	-4.094	41	.001	-876443.074
	Equal variances not assumed			-5.620	27.123	.001	-876443.074

The table also shows the mean difference test for the rest of the two variables. Both average lending rate and government expenditure seems to be significantly different across pre- and post-democracy periods as p-value < 0.005. This supports our hypotheses H1, H2 and H3. Further, from the findings, it can be concluded that the post-democracy values of government expenditure are significantly higher than the pre-democracy period. At the same time, the lending rate is significantly lower in the post-democracy period. Overall, based on the independent sample t-test, it can be seen that the reign of democracy has significantly enhanced macroeconomic variables. The condition of the economy has improved due to favorable political affairs.

Regression analysis

Table 5 depicts the regression analysis for analyzing the impact of various independent variables - bank credit, average lending interest rate and government expenditure on dependent variable, nominal GDP. The result shows there is a positive and significant role of bank credit in GDP with coefficient of 0.392 (p-value = 0.001). This supports hypothesis H4.

Table 5

Regression analysis for variables

Variables	Unstandardized Coefficients	Standardized Coefficients	t	Sig.	F	Sig	R2
	B	Std. Error					
(Constant)	3.889	0.196	19.839	.001	7		
LnBank_C	0.392	0.062	6.335	.001	039.726	0.001	0.998
LnALIRT	0.001	0.072	0.103	.991			
LnG_E	0.380	0.076	5.078	.001			

Similarly, the study exhibits that increase in government expenditure also increases GDP. This relationship is observed to be significant with coefficient of 0.392 (p-value = 0.001). This supports our hypothesis H6. However, the impact of average lending rate doesn't have significant impact on nominal

GDP of the country. Since the sig value of F is less than 0.01. This does not support our hypothesis H5. The R2 value 0.998 indicates that the independent variables in the regression explain 99.8 percent of the variation in nominal GDP. Therefore, it can be observed that in order to increase GDP, policymakers should concentrate on increasing credit flow and government expenditure.

Major findings

- Bank credit, government expenditure and nominal GDP have grown over the years significantly with higher growth in the post-democracy period than in pre-democracy period.
- Average lending interest rate has reduced over the years with less variance in the post-democracy period.
- All the macroeconomic indicators under study have improved significantly in the post-democracy period.
- Bank credit and government expenditure have significant impact on the GDP while average lending rate didn't have any significant impact on the GDP.

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Factors Affecting Brand Preference of Mobile Phones

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Executive Summary

The purpose of this research is to find the factors affecting brand preference of mobile phones. Convenience sampling method was used for data collection and a total of 201 respondents were selected for this study. The validity of data was ensured by conducting a pilot test of the questionnaire, and reliability was measured using Cronbach alpha test. The finding shows that product attributes, brand image, advertisement, and social influence have significant positive correlation with brand preference.

Keywords: product attributes, advertisement, brand image, social influence, brand preference

Factors Affecting Brand Preference of Mobile Phones

Mobile phones are used in a variety of ways as means of communication, making calls, reading and capturing memories. People tend to choose mobile phones according to their preference. Brand preference refers to consumer's decision to choose a particular brand over a wide range of products. It generally refers to the behavioral tendencies due to which consumers prefer one brand over another Ebrahim R.S. (2013).

A study conducted by Sharma & Laohakosal (2018) explains that buyers are more likely to purchase smart-phones if they find attractive product attributes such as features, quality, price as per their need and income.

Among all features of the phone, one highly influencing factor in purchase decision is high-end features as mentioned by Walia & Singla (2017). The first priority of many consumers is improvement in product's feature rather than price Bhushan (2016). Customers may prefer any particular brand when they receive the desired satisfaction and are pleased with the brand Ali & Farooq (2018).

With the introduction of many brands in the Nepalese market, competition has become tough for companies to establish a good position in the market. Consumers have many choices and their preferences vary. In such a scenario, this study aims to analyze the factors affecting brand preference of mobile phones in Nepal.

Objectives

The objectives of this study are:

- To examine the relationship between product attributes, advertisement, brand image and social influence with brand preference of mobile Phones
- To analyze whether brand preference remains same among all age groups and genders

Literature

Shanka M. S. (2016) found that price, social influence, durability, brand name, product feature and after sales service have significant influence on consumers' buying decision with regard to mobile phones. Similarly, Walia & Singla (2017) also show that price, durability, features, external appearance, brand name and handle-ability have significant positive impact on consumers purchase decision.

Kumar & Selvi (2017) identified the type of customer and their behaviors along with knowing customer taste and preference for Samsung mobiles, the study identified six factors i.e. brand consciousness, recreation consciousness, price consciousness, fashion consciousness, brand loyalty and

prior experience. Sukumar D (2013) studied the consumer's awareness and attitude towards Samsung mobile phones in Dindigul district and the origin and growth of mobile communication.

Poranki (2015) identified the brand preference of students in Hyderabad and the various factors leading to purchase of a particular product. The findings shows that time period of mobile usage, frequency of changing mobile, price of mobile phone and TV advertisement are major factors related to brand preference.

Ndadziyira (2015) analyzes the factors that influenced brand preferences among students of Durban University of Technology, South Africa, in a specified group in a specific geographical location within the South African market. The findings show that there is significant impact of price, product attributes, and marketing communications on brand preference of mobile phones.

Ali & Farooq (2018) examines the impact of brand trust, service quality, band credibility, customer satisfaction and brand image on brand loyalty. It was found that all the variables have a significant and positive impact on brand loyalty.

From the above literature, it can be conceptualized that product attributes, advertisement, brand image and social influence are major factors that influence consumers' preference while selecting mobile phones.

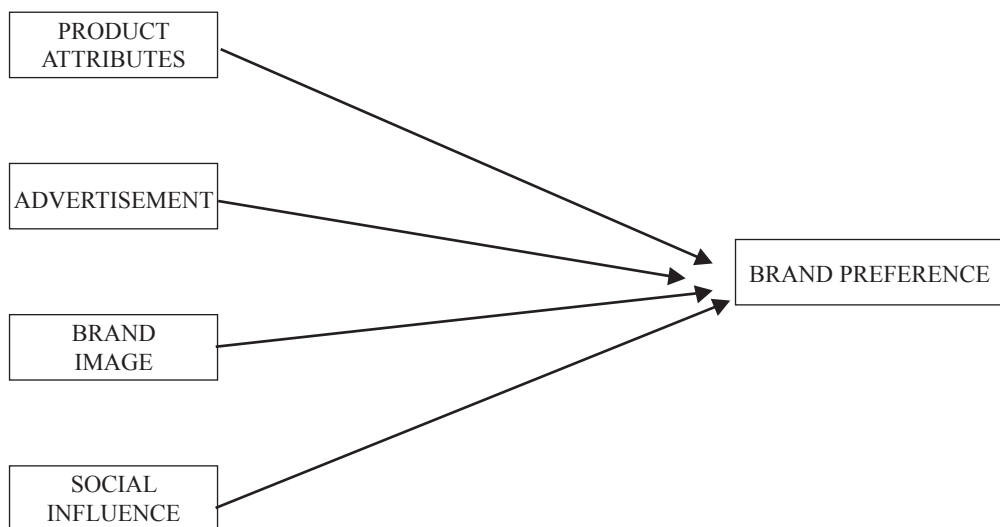
Product attributes are characteristics of a product such as price, design, features and quality that influence consumers to buy a particular product. Advertisement is viewed in this study in terms of TV commercials, posters and sales promotion. Brand image is the impression of a product held by real or potential consumers. It includes brand name, logo, country of origin, resale value etc. A social influencer is someone who has a certain role in the purchase decision of a customer. It includes word of mouth through family members, friends and opinion leaders.

The following conceptual framework is developed for this study:

Conceptual Framework

Figure 1

Conceptual Framework



Hypotheses

- H1. Product attributes has a positive relationship with brand preference
- H2. Advertisement has a positive relationship with brand preference
- H3. Brand image has a positive relationship with brand preference
- H4. Social influence has a positive relationship with brand preference
- H5. Brand preferences are different across genders
- H6. Brand preference is dependent on different age groups.

Methodology

Research Design

This study is quantitative in nature. Primary data was collected for this study. Unit of analysis for this study is individual consumer.

Variables

Product attributes, social influence, brand image, advertisement and brand preference are considered as variables for this study.

Collection of data

A questionnaire was developed for data collection. Five-point Likert Scale questionnaire was used ranging from 1-5 where 1 stood for strongly disagree and 5 for strongly agree. Cronbach alpha test was used to check the reliability of the instrument and pilot test was conducted.

Sample Design

A total of 200 respondents were selected as a sample for this study which focuses on Kathmandu, Bhaktapur and Lalitpur. The convenience sampling method was used for data collection.

Tools and Techniques

Descriptive analysis was carried out by using central tendency and dispersion. Correlation, chi-square and two sample mean test were used in this study to analyze and test the hypothesis associated with it.

Analysis and Results

The study shows that majority of respondents fall in the age group of 20-30 (60.2 %) while very less proportion of respondents fall under the age group 30-40 (6%) and majority of the respondents are below the age of 30, which accounts for almost 85% of the total respondents (Table 1). 53.2% respondents are male and rest are female (Table 2).

Findings show that Apple is the most preferred brand 43.3 % whereas Nokia is the least preferred brand 1.5%. Samsung and one plus have equal percentage of users 17.9%. However, it can be observed that One plus is an emerging brand in the context of Nepal due to its increasing trend (Table 3).

Majority of Samsung users fall under the age group 20-30 (11.4%) and majority of Apple users fall under the age group 20-30 (25.9%). However, Nokia users are consistent among the age groups of below 20, 20-30 and 30-40 (0.5%). The maximum One Plus users fall under the age group 20-30 (9%) The study also shows that majority of Huawei users are under the age group of 20-30 (6.5%). The majority of

respondents that use other brand mobile phones fall under the age group 20-30 (7%). The study indicates that majority of the active working-class population used apple due to its simplicity and good accessibility (Table 4). The results indicate that Apple seems to be the most used brand 43.3 % (Table 5).

Since, p-value for all variables i.e. Product attributes, advertisement, social influence and brand image is less than 0.05, we reject the null hypothesis. This depicts that there is significant positive correlation between brand preference and Product attributes, advertisement, social influence and brand image. The value of r for all the variables is less than 0.5%, so it indicates that there is low positive correlation. This supports the hypotheses H1, H2, H3 and H4 (Table 6).

Since, the p-value > 0.05, we do not reject the null hypothesis and this indicates that brand preference in both the genders is the same (Table 7). This does not support our hypothesis H5. Further it can also be observed that, since p value < 0.05, we reject the null hypothesis and this indicates that brand preference is dependent on the age group (Table 8). This supports hypothesis H6.

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Annex

Table 1

Age of the respondent

	Frequency	Percent	Cumulative Percent
Below 20	51	25.4	25.9
20-30	121	60.2	86.6
30-40	12	6.0	92.5
Above 40	15	7.5	100.0
Total	201	100.0	

Table 2

Gender of the respondent

	Frequency	Percent	Cumulative Percent
Male	107	53.2	53.7
Female	93	46.3	100.0
Total	201	100.0	

Table 3

Used Brand

	Frequency	Percent	Cumulative Percent
Samsung	36	17.9	18.4
Apple	87	43.3	61.7
Nokia	3	1.5	63.2
Oneplus	36	17.9	81.1
Huawei	15	7.5	88.6
Others	23	11.4	100.0
Total	201	100.0	

Table 4

*Used Brand * Age Crosstabulation*

			Age				Total
			Below			Above	
			20	20-30	30-40	40	
Used	Count	1	0	0	0	0	1
Brand	% of	0.5%	0.0%	0.0%	0.0%	0.0%	0.5%
	Total						
Samsung	Count	0	10	23	3	0	36
	% of	0.0%	5.0%	11.4%	1.5%	0.0%	17.9%
	Total						
Apple	Count	0	24	52	6	5	87
	% of	0.0%	11.9%	25.9%	3.0%	2.5%	43.3%
	Total						
Nokia	Count	0	1	1	1	0	3
	% of	0.0%	0.5%	0.5%	0.5%	0.0%	1.5%
	Total						
Oneplus	Count	0	7	18	2	9	36
	% of	0.0%	3.5%	9.0%	1.0%	4.5%	17.9%
	Total						
Huawei	Count	0	2	13	0	0	15
	% of	0.0%	1.0%	6.5%	0.0%	0.0%	7.5%
	Total						
Others	Count	0	8	14	0	1	23
	% of	0.0%	4.0%	7.0%	0.0%	0.5%	11.4%
	Total						
Total	Count	1	52	121	12	15	201
	% of	0.5%	25.9%	60.2%	6.0%	7.5%	100.0%
	Total						

Table 5

*Used Brand * Gender Crosstabulation*

		Gender			
			Male	Female	Total
Used Brand	Count	1	0	0	1
	% of Total	0.5%	0.0%	0.0%	0.5%
Samsung	Count	0	23	13	36
	% of Total	0.0%	11.4%	6.5%	17.9%
Apple	Count	0	36	51	87
	% of Total	0.0%	17.9%	25.4%	43.3%
Nokia	Count	0	2	1	3
	% of Total	0.0%	1.0%	0.5%	1.5%
Oneplus	Count	0	18	18	36
	% of Total	0.0%	9.0%	9.0%	17.9%
Huawei	Count	0	13	2	15
	% of Total	0.0%	6.5%	1.0%	7.5%
Others	Count	0	15	8	23
	% of Total	0.0%	7.5%	4.0%	11.4%
Total	Count	1	107	93	201
	% of Total	0.5%	53.2%	46.3%	100.0%

Table 6

Correlations

		Brand	Advertise	Social	Brand
		Image	ment	Influence	Pref
BrandPref	Pearson	.248*	.288**	.364**	.418**
	Correlation.				
	Sig. (2-tailed)	.018	.006	.000	.000
N		91	91	91	91

Table 7

Two Sample Test

		t-test for Equality of Means				
		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Brand Preference	Equal variances assumed	.473	198	.636	.04377	.09245

Table 8

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	80.038a	56	.019
N of Valid Cases	200		

Questionnaire

We are going to conduct an academic research titled as Brand Preference of Mobile Phones inside Kathmandu, Lalitpur and Bhaktapur of Nepal. This survey is a part of an academic research and any information taken for this research is promised to be confidential and is used for academic purpose only. Therefore, we kindly request you to fill this questionnaire. Your honest response to this questionnaire will be a great help for us.

Age: below 20 () 20-30 () 30-40 () 40 above ()

Gender: Male () Female ()

Used Brand: Samsung () Apple () Nokia () Oneplus ()

 Huawei () LG () Motorola () Other ()

Please indicate the degree of your agreement or disagreement with each statement by checking one of the five alternatives. (1= strongly disagree, 2= disagree, 3= neutral, 4= agree, 5= strongly agree)

	1	2	3	4	5
Product attributes					
I consider price of the phone before making the purchase					
I prefer phone with new features and design					
I like to change my phone with changing technology					
I prefer mobile phone which has better quality					
Brand Image					

Brand name is very important to define my choice of mobile phone					
I check for the name of the manufacturing country					
I prefer a phone that has high resale value					
Foreign products are more reliable than domestic products					
Advertisement					
TV advertisements has enhanced my involvement in purchasing of Mobile Phones					
I am convinced with the recent Mobile Phone TV commercials					
Poster and banners in the road play an important role in my buying decision of mobile phones					
Promotional offers help me to choose the brand of mobile phones					
Social Influence					
I read customer reviews, experts' reviews and comments before I purchase mobile phone					
I take my family members' suggestion when I purchase mobile phone					
I take suggestions from my friends when I purchase mobile phone					
If I want to be like someone, I often try to buy the same brand of mobile phone that they like/have					
I purchase mobile phone when a celebrity endorses it					
Brand Preference					
My income is one of the main factors to determine my purchase.					
I prefer the brand of mobile phone that consistently delivers a high level of customer support					
I prefer the brand of mobile phone that consistently provide the new information about the product/company					
I focus more on after sales service of the product.					
The mobile phone I purchase should be available easily.					

Risk and Return Analysis of Selected Commercial and Development Banks of Nepal

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Abstract

Stock market is considered as a mirror of the nation's economy because it reflects the economic condition of the nation. Change in returns of banks affects an individual investor and the economy as a whole. Previous researches have fundamentally focused on the risk and return analysis of selected commercial banks only. This report covers this gap and intends to analyze the risk and return aspects of different classes of banks (commercial and development banks) in Nepal. The independent variables for this study include systematic risk measured as beta and unsystematic risk measured as standard deviation and the dependent variable being return which is measured as average of historical return. Statistical tools such as independent sample t-tests and regression analysis were used to analyze the risk and return aspects of two classes of banks. Result obtained from the regression analysis depicts that there is an insignificant relationship between unsystematic risk and average returns across commercial and development banks in Nepal. Similarly, a negative relationship was found between systematic risk from short term interest rates and average returns as per the regression analysis.

Keywords: short term interest rates, inflation rates, beta, unsystematic risk, historic return

Risk and Return Analysis of Selected Commercial and Development Banks of Nepal

Risk and return analysis plays an important role in individual decision making process. So, the change in returns of banks affects an individual investor and the economy as a whole. Investment decision depends upon two factors, Risk and Return (Kandel, 2018). Risk and return are opposing concepts in the financial world. Risk can be defined as the divergence of actual return from the expected return and standard deviation is identified as the measurement of such divergence. Risk has been classified into systematic and unsystematic risks (Subramanyam & Kalyan, 2018). Unsystematic risk, also called diversifiable risk, is a risk that can be eliminated by an investor by simply not buying such stocks. Systematic risk, on the other hand, is that portion of total risk caused by factors affecting the economy, such as interest rate, money supply, taxation, exchange rates and many more (Bansal, 2012). Systematic risk is the non-diversifiable risk that cannot be eliminated. Every investor has to undergo such risk. Return is the reward for investment; historical returns allow investors to access the future or unknown returns also called expected returns (Jaiswal, 2012).

In the context of Nepal, investors and shareholders are not that concerned about risk and return behaviors of the stocks before investing in securities. Similarly, risk and return analysis is done especially for commercial banks. Investors have varying perception towards risk and invest in opportunities which have certain degree of risk associated with it. Studies conducted in Nepal have found that there is a positive relationship between risk and return. If there is no tradeoff between risk and return, there is no need to consider the risk. The rate of return on equities should be commensurate with its riskiness (Sira, Kusumanchi, & Gupta, 2018). For risk and return analysis, data are usually secondary and are collected from the NEPSE website. Usually, investment of Central Banks include investment in government securities such as treasury bills, development bonds, National saving bank, foreign government securities, and share of government owned companies and investment on debentures.

A firm's risk and expected returns directly affect its share price. In real-world situations, the risk of any single investment will not be viewed independently of other assets (Vijayalakshmi, 2017). The study by Kandel (2018) in Nepal has reported a statistically significant positive relationship between risk and returns. Although research on similar topic has been previously conducted, those researches were fundamentally focused on the risk and return analysis of selected commercial banks only. The present research covers this gap and intends to analyze the risk and return aspects of Commercial as well as

Development banks in Nepal. This study will deal with the following issues:

1. Is there any difference in unsystematic risk and return across commercial and development banks of Nepal?
2. What kind of relationship exists between unsystematic risks and returns of the banks as well as between systematic risk and return of the banks?

Objectives

The main objective of the study is to examine and identify the relationship between risk and return on investment. Stocks of two classes of banks in Nepal have been taken to meet the purpose. The study aims to develop and create an understanding of effect on return from stock investment due to existence of surrounding potential risks.

The major objectives of this study are as follows:

1. To analyze the difference between unsystematic risk and return across commercial and development banks of Nepal
2. To examine the relationship between unsystematic risk and returns of the banks as well as between systematic risk and return of the banks

Significance of the study

The findings of this study may give a better understanding of the relationship between risk and return of two classes of banks in Nepal. Further, this study will be an endeavor for improvement in financial literacy, which will be more inclined towards investment opportunities and risk management in the banking sector with the understanding of the barrier that has been affecting return opportunities and future prospects of investment in the banking sector in Nepal.

Literature

The study is executed to analyze the risk and return of stocks of two classes of banks in Nepal, commercial banks and development banks. The independent variable for this study is the systematic risk (Beta), which is determined by share price fluctuations of the stocks of banks and the dependent variable is the return, determined by the dividend per share (DPS). This section of the study deals with the review of related studies, review of empirical studies and theoretical framework of the study. The review of major articles on this subject is presented in Table 1.

Empirical review

Dangol (2012) has conducted a research to examine the risk and return distribution of the stock market of Nepal. The study showed that positive returns have been found in all the cases of returns in the sample period from 2000/01 to 2011/12. The returns, except daily returns, were found to be positively skewed denoting that most of the returns were concentrated on the left side of the mean with some extreme values to the right. The daily and weekly returns deny the random walk behavior of stock prices. However, the monthly, quarterly and yearly returns showed this behavior. Risks have not been distributed normally in all the cases. Thus, risk and return relationship is inconsistent in the Nepalese stock market. Therefore, investors are sometimes likely to achieve abnormal gains from their investment in stocks.

Bansal (2012) investigated the risk-return relationship of the selected mutual funds during a particular study period. The study found that the correlation coefficient between risk and return in the same period

is 0.65. However, if only the systematic risk of a mutual fund is compared with the return on it, the correlation coefficient is 0.12. Thus, the coefficient of correlation between beta (systematic risk) and return of 0.12 indicated an insignificant but positive relationship between systematic risk and return.

Adhikari (2015) carried out the study to delve into the relationship between risk and return of some of the selected companies from Nepal Stock Exchange. This paper aims to find and advance empirical evidences of financial factors determining systemic risk in the pre-emerging stock market of Nepal. There is high variability in growth and dividend per share of the 15 selected listed companies of Nepal. The correlation analysis showed high correlation operational efficiency and dividend per share of the companies. There is a negative relationship between systemic risk and dividend per share. The conclusion resulting from this study is that systemic risk is significantly determined by financial characteristics of the listed company.

Dharchana & Devi (2017) conducted a study to identify the equity analysis and analyze the unsystematic and systematic risk of selected Fast Moving Consumer Goods (FMCG) companies in India. The main aim was to find the relationship between average return and unsystematic and systematic risk. The study found that companies except Glaxo and Nestle were negatively skewed in distribution i.e. the companies had to start the developing process to earn targeted profit and the kurtosis values insist that all five companies' share prices have values less than three thus are platykurtic. Higher unsystematic risk characterize the returns of companies as more unstable and risky. No significant correlation was found.

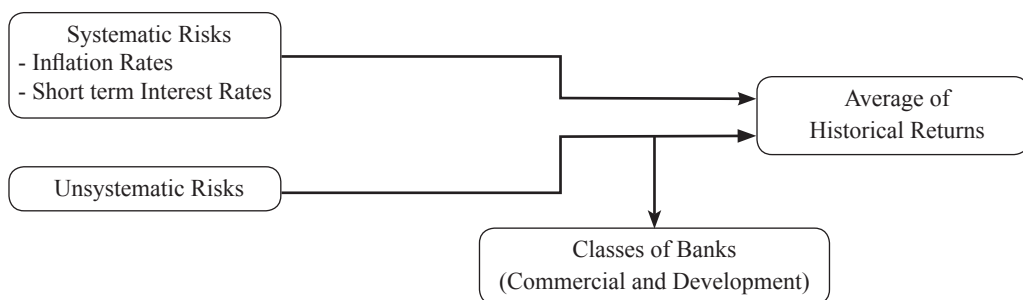
Subramanyam & Kalyan (2018) conducted a study on the risk and return analysis of some selected securities in India to know about the relationship between risks and return pattern of stocks in India and to suggest to investors how and when to invest in various securities. Prior empirical studies suggest that, as Reliance and Unity infrastructure has high idle of COV, it is better to use it in the operating cycle. It also suggested not to consider RAMKY infrastructure as it yielded negative return. There is a direct relationship between risk and return, i.e. higher the risk, higher the return and vice-versa. Using this fundamental analysis, it was observed that the financial position and performance of companies were in correlation with the present market prices.

Conceptual Framework

Systematic and unsystematic risks are independent variables for this study. The moderating variable is the class of banks (Development banks and Commercial banks). Dependent variable is the average of historical returns of the sampled banks. The following schematic diagram presents the theoretical framework for this study.

Figure 1

Conceptual Framework



Hypotheses

The hypotheses of this study based on the reviews of empirical studies are as follows:

- H₁: There is significant effect of systematic risks in terms of inflation on average historical returns of the banks
- H₂: There is significant effect of systematic risks in terms of short term interest rates on average historical returns of the banks
- H₃: There is significant mean difference on unsystematic risks across commercial banks and development banks
- H₄: There is significant mean difference on average historical returns across commercial banks and development banks
- H₅: There is significant effect of unsystematic risks on average historical returns of the banks

Methodology

Population and sample of the study

The population selected for this study comprises of all twenty-eight commercial banks and thirty-three development banks currently operating in Nepal and listed in NEPSE. Convenience sampling method has been used to select a total of seventeen banks from the list. Secondary data from 2014 A.D. to 2018 A.D. have been used for the study.

Definition of variables

Both independent and dependent variables have been used in the form of risks and return. This study includes two independent variables which are denoted by risks and one dependent variable indicated by return. The variables are defined as follows:

Systematic risks are risks caused by factors beyond the control of a specific company or individual such as inflation rates and short term interest rates. Within the observation period, the trend of long-term interest rate is equal (8 percent) across commercial and development banks, hence short term interest rates have been selected for this study. Risk specific to a business or industry like natural disaster is considered as unsystematic risk.

Limitations of the study

1. Beta and standard deviation may change over time
2. Data were taken from those banks which started distributing stocks
3. It is assumed that unsystematic risk remains the same.

Analysis and Results

Table 1

Descriptive statistics for all banks in the sample

Statistics/ Variables	Return	UnsystematicRisk	ShortTermRates	Inflation
Mean	-4.366	105.567	1.444	6.575
Median	-7.335	54.433	1.221	7.848
Std. Deviation	38.162	131.647	1.107	2.286
Variance	1456.305	17330.846	1.225	5.228

Table 1 summarizes the descriptive statistics (mean, median, standard deviation and variance) of all the variables under study (average return, unsystematic risk, short term interest rates and inflation). It includes the values under seventeen observations of nine commercial banks and eight development banks within the time frame of 2014 to 2018. The mean of average return is -4.366 and standard deviation is 38.162. It is seen that the mean value of unsystematic risk is 105.56, median is 54.433 and standard deviation is 131.647. The mean of short term interest rates is calculated to be 1.444%, median is 1.221% and standard deviation is to be 1.107%. It is observed that mean value of inflation is 6.57 percent with median of 7.848 percent and standard deviation of 2.286 percent.

Table 2

Regression Analysis

Coefficients	Unstandardized Coefficients	Standardized Coefficients	T	Sig.	F	Sig.	Adjusted R Square
	B	Std. Error	Beta				
(Constant)	78.349	13.804		5.676	.001	16.106	.001b
SR_INF	-94.990	18.274	-.532	-5.198	.001		
SR_STR	-21.904	9.098	-.258	-2.407	.019		
UnsystematicRisk	.002	.027	.007	.073	.942		

a. Dependent Variable: Return

b. Predictors: (Constant), UnsystematicRisk, SR_INF, SR_STR

Table 2 shows the negative and significant effect of systematic risk in terms of inflation rates on average returns with a coefficient of -94.990 and p-value is less than 0.01. Similarly, the study shows a negative significant effect of systematic risk in terms of short term interest rates on average returns with a negative coefficient of -21.904 and a p-value of less than 0.05. This supports our hypotheses H_1 and H_2 . However, unsystematic risk does not have a significant effect on average returns as p-value > 0.05. This does not support the hypothesis H_3 . While, the result indicates that there is 41.8 percent variation in average returns due to short term interest rates, inflation rates, and unsystematic risk.

Table 3

Independent sample t-test for all the samples

		Levene's Test for Equality of Variances				t-test for Equality of Means				
Statistics/variables		F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Return	Equal variances assumed	2.35	0.13	-0.66	62.00	0.51	-6.29	9.58	-25.44	12.87
	Equal variances not assumed			-0.66	60.74	0.51	-6.29	9.58	-25.45	12.88
Unsystematic Risk	Equal variances assumed	21.54	0.01	3.10	76.00	0.00	87.74	28.28	31.42	144.07
	Equal variances not assumed			3.17	49.00	0.00	87.74	27.71	32.05	143.44

Table 3 summarizes the result given by independent sample t-test. As per the results, in the case of average return, the t-test's significance level is above the desired value (0.05), hence there is no significant mean difference on average historical returns across commercial and development banks in Nepal. This does not support the hypothesis H_4 . On the contrary, the significance level in the case of unsystematic risk is below 0.05. Thus, there is a significant mean difference in unsystematic risk across commercial and development banks of Nepal. This supports the hypothesis H_5 .

Our result shows that systematic risk has a negative and insignificant impact on returns. This finding is inconsistent with the findings of (Shubramanyam & Kalyan, 2018; Dangol 2011; and Bansal 2009). However, unsystematic risk was found to have a positive but insignificant impact on the average returns of the bank which were consistent with the study conducted by (Sinha & Lakhani 2018; Darchana & Devi 2017). Overall, systematic risk based on short term interest rate had a greater impact on the average return across banks of Nepal. Further we can also conclude that when short term interest rate increases, NEPSE index decreases and vice versa. Similarly, when inflation rate increases, consumers lose money due to decrease in purchasing power. However, when the inflation rate decreases, they yield higher returns.

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Relationship Between Right Shares Issue and the Share Price

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Author Note

This report investigates the relations and impacts of right shares issue on the share prices of five financial companies of Nepal and is submitted to Kathmandu College of Management for fulfillment of requirements for the BBA Program of Siam University, Thailand. We would like to extend our immense gratitude to our supervisor, Bikash Shrestha for providing us with this opportunity to conduct such research and to lead us through every obstacle and hardship that came during the preparation of this project. We also extend our thanks to all the people who supported us in any way while preparing this project. Correspondence concerning this article can be addressed to any of the given email addresses: *muskan2020@kcm.edu.np*; *roshana2020@kcm.edu.np*; *shivani2020@kcm.edu.np*; *vivek2020@kcm.edu.np*; *sunny2020@kcm.edu.np*

Abstract

The study is mainly focused on right share issue and its effects on the share price covering the four main aspects: (a) price before announcement date, (b) price after announcement date till issue date, (c) price after issue date till closing date, and (d) price after closing dates. Nepal finance and saving company started the practice of right share in Nepal by issuing right share for the first time in 1st December 1995. Here, we analyzed samples of five different companies which show that there are different kinds of share issuing prices in day to day transactions. There is a general perception among Nepali investors that right share announcement will increase the share price in the near future. But the study shows this is not the only factor but there can be other factors such as date of announcement, issue, and closure that also affect share prices when right share announcements are made.

Keywords: right share, share price, announcement date, closing date, issue date

The Relationship between Right Shares Issue and the Share Price

Right issue is defined as the right of existing shareholders that entitles them to buy new shares at a specific price in order to protect the interest rates. Right issue is a source of capital for a company as well as a benefit for shareholders because they can buy new shares in proportion to their existing holdings (Adıgüzel, 2014). Right issue is a right related to shares in hand, and it can only be used by a shareholder. It is also a subjective and proportional right. However, it is not a vested right because of the fact that it can be restricted or eliminated. The aim of this right is to protect the number of shares of existing shareholders after capital increase. The removal or restriction of this right is possible only in certain circumstances (Adıgüzel, 2014). Companies usually opt for a right issue in order to minimize dilution and maximize the useful life of tax loss. Right issue is directly distributed as a tax free dividend to all shareholders. Right issue to shareholders is generally made as a tax-free dividend on ratio basis (e.g. a dividend of three subscription rights for two shares of common stock issued and outstanding).

Objectives

The objective of this study is to explore the differences in the share prices before announcement, after announcement till the issuing date, from issuing date to closing date and after the closing date.

Literature

Theoretically, price of share increases after right offering and decreases after the issue of right shares, but some cases have been noticed in the context of Nepalese companies that show mixed results in this regard. Nepal Finance and Saving Company Ltd. announced the issue of right share for the first time (December 1, 1995) when market price of its share was constant at Rs. 110 for two months before announcement. But after the announcement, there was only one transaction before the record date and at a price below its previous market price. Ace Finance Company Ltd. is another example whose stock price was Rs. 410 before the announcement but after announcement there was no transaction at all before the record date. Necon Air's stock was priced at Rs. 309 before the right share announcement but it grew up to Rs. 366 after the announcement. Thus the share prices of the majority of companies decreased after the right share announcement and decreased rapidly after allotment.

A study conducted by Ball, Brown and Finn (1997), examined the stock price reaction around the

announcement of 'stock capitalization changes' (bonus, stock issues, stock splits & right issues) in Australia for the period between 1960 & 1969 using monthly data. The study found 20.2% abnormal return for 13 months including the month of bonus issue announcement.

Shrestha (2018), showed that there is a fluctuation in share prices of the company before and after one month of the right share issuance. Out of 16 companies (samples), seven companies' share prices had increased after issuing right shares. While 6 companies' share prices decreased and there had not been any change in the share prices of the other three companies. It was found that right share was not responsible for the stock price movement.

The study also found that the Government's policy was still not clear and market-friendly regarding the issue. The trend of issuing right shares in Nepalese context is increasing every year after it started during the fiscal year of 2052/53 BS for the first time. Right shares were issued by Nepal Finance and Saving Company Limited for the first time.

Migliani (2011), showed that the stock price of a company increased by 1.42% on the day of announcement. The study also revealed significant abnormal returns after the announcement and surrounding dates.

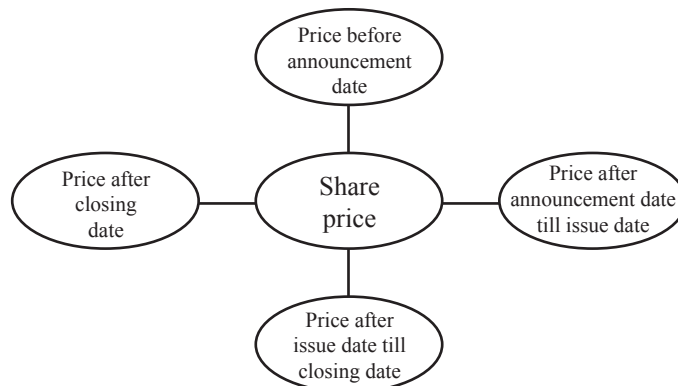
All of the above studies considered dependent variable as the stock price movement while independent variables were date of right/bonus share announcement, government policies and market reaction.

Conceptual Framework

For this study we consider independent variables as the share prices after the closing date, share prices after the issue date till closing date, share prices after announcement date till issue date, and share prices before the announcement while the dependent variable is the share price of the company. The relationship among the variables is depicted in annex 2.

Figure 1

Conceptual Framework



Hypotheses

The following hypotheses were formulated:

H₀₁: There is no significant difference in the share prices before the announcement date and after the announcement date.

H₀₂: There is no significant difference in the share prices after announcement date till the after-issue date.

H₀₃: There is no significant difference in the share prices after the issue date till the closing date.

H₀₄: There is no significant difference on the share prices before the announcement date and after closing date.

H₀₅: There is no significant difference in the share prices after the announcement date but before closing date price

H₀₆: There is no significant difference in the share prices before the announcement date price and after the issue date.

Methodology

All the companies that have issued right shares in 2018 have been taken as the population of the study. A total of five companies were chosen as samples for this study. The study is based only on secondary data collected from NEPSE's official site. The official sites of Share Bazaar's and Share Sansar's are also considered. The study focuses on the right share issue practices by these companies. Some information is taken from relevant text books, academic journals, articles and internet search engines. A combination of descriptive and quantitative approaches is chosen to answer the problems stated earlier.

Limitations

The limitations of our study are:

1. The study does not cover all of the banking sectors and insurance sectors listed in NEPSE.
2. Since the study covers only five financial companies of Nepal, the findings may not be generalized for all the financial companies of Nepal.

Analysis and results

Tables 1 to 5 summarize the descriptive statistics of five financial companies and table 6 summarizes the descriptive statistics of the entire samples. The mean value of share, the price before announcement of right share is found to be NPR 880.27 and the median is NPR 189.00 which ranges from NPR 108.00 to NPR 1,760.00 with standard deviation of NPR 771.43. The mean value of share price after the announcement till issue date is calculated to be NPR 778.58 and median is NPR 786.00, which ranges from 100.00 to NPR 1,860.00 with standard deviation of NPR 689.96. It is seen that mean value of price after issue date till closing date is NPR 556.46 and median is NPR 112.00, which ranges from 99.00 to NPR 1,520.00 with standard deviation of NPR 538.31. It is observed that mean value of price after closing date is NPR. 654.09 and median is NPR. 705.00, which ranges from NPR. 100.00 To NPR. 1468.00 With standard deviation of NPR. 518.71.

Table 7

ANOVA analysis for all samples

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3980745.63	3	1326915.2	3.57	0.015
Within Groups	98854465.47	266	371633.33		
Total	102835211.10	269			

Table 7 (ANOVA) shows there is a significant difference ($P\text{-value} < 0.05$) between the share prices after the closing date, after issue date till closing date, share price after announcement date till issue date, and before announcement.

However, the results of the ANOVA alone did not indicate which groups differ significantly. Thus, the Multiple Comparisons Output which displays the results of the Post Hoc LSD test is carried out.

Table 8

LSD Test

(I) Time	(J) Time	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Price before announcement date	Price after announcement date till issue date	101.68	123.57	0.41	-141.63	344.99
	Price after issue date till closing date	323.80440*	108.46	0.003	110.25	537.36
	Price after closing date	226.18	117.85	0.06	-5.87	458.22
Price after announcement date till issue date	Price after issue date till closing date	222.12264*	102.56	0.03	20.20	424.05
	Price after closing date	124.49	112.44	0.27	-96.89	345.88
Price after issue date till closing date	Price after closing date	-97.63	95.59	0.31	-285.83	90.57

Multiple Comparisons Output displays (Table 8) show the results of LSD test. The LSD test compares each group (class category) to all other groups (class categories). For each comparison, the table displays the Mean Difference, the Standard Error, the Sig. value (when the Sig. value is .05 or less) and a 95% Confidence Interval for the Mean Difference. The sig-value of price before the announcement date and price after the announcement date till issue date is 0.41 which shows that the relationship between them

is positive but not significant. Therefore hypothesis HO1 is not rejected. The sig-value of price before the announcement date and price after the issue date till closing date is 0.003 showing the relationship as positive and significant. So, the hypothesis HO2 is rejected. The sig-value of price before the announcement date and price after closing is 0.06. This shows that the relationship is positive and not significant. Hence Hypothesis HO3 is not rejected. The sig-value of price after the announcement date till the issue date and price after issue date till the closing date is 0.03 showing that the relationship is positive and significant. So, hypothesis HO4 is rejected. The sig-value of price after the announcement date till issue date and price after the closing date is 0.27. It is positive and not significant; hence hypothesis HO5 is not rejected. Finally, the sig-value of price after the issue date till closing date is 0.31, again positive and not significant, hence hypothesis HO6 is not rejected.

Briefly, the findings conclude that

- In case of WOMI finance the share price decrease after the right share announcement but in other cases prices of right share were found to increase.
- Share prices are affected before the announcement date and afterwards.

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Annex

Table 1

Descriptive statistics for JEBILS Finance

	N	Mean	Median	Std. Deviation	Minimum	Maximum
Price before announcement date	4.00	111.50	111.50	1.29	110.00	113.00
Price after announcement date till issue date	9.00	104.78	105.00	3.56	100.00	110.00
Price after issue date till closing date	23.00	102.04	102.00	2.27	99.00	108.00
Price after closing date	9.00	101.33	102.00	1.41	100.00	104.00

Table 2

Descriptive statistics for WOMI Finance

	N	Mean	Median	Std. Deviation	Minimum	Maximum
Price before announcement date	7.00	1725.86	1720.00	24.19	1698.00	1760.00
Price after announcement date till issue date	16.00	1650.63	1664.00	140.40	1470.00	1860.00
Price after issue date till closing date	24.00	1410.63	1418.00	58.15	1310.00	1520.00
Price after closing date	17.00	1377.94	1370.00	38.59	1319.00	1468.00

Table 3

Descriptive statistics for SLBBL Finance

	N	Mean	Median	Std. Deviation	Minimum	Maximum
Price before announcement date	15.00	1627.67	1613.00	39.01	1576.00	1709.00
Price after announcement date till issue date	13.00	944.92	836.00	304.11	755.00	1631.00
Price after issue date till closing date	25.00	769.00	769.00	27.59	707.00	806.00
Price after closing date	22.00	769.86	799.00	66.30	668.00	846.00

Table 4

Descriptive statistics for Progressive Finance

	N	Mean	Median	Std. Deviation	Minimum	Maximum
Price before announcement date	12.00	122.42	119.00	11.09	108.00	142.00
Price after announcement date till issue date	6.00	105.67	101.50	11.00	100.00	128.00
Price after issue date till closing date	19.00	101.79	101.00	1.78	100.00	106.00
Price after closing date	6.00	101.83	102.00	0.75	101.00	103.00

Table 5

Descriptive statistics for City Express Finance

	N	Mean	Median	Std. Deviation	Minimum	Maximum
Price before announcement date	7.00	171.57	183.00	20.17	137.00	189.00
Price after announcement date till issue date	9.00	110.44	108.00	8.47	102.00	124.00
Price after issue date till closing date	15.00	108.27	110.00	4.42	101.00	114.00
Price after closing date	12.00	107.08	106.00	2.78	104.00	112.00

Table 6

Descriptive statistics for variables under study

Time	N	Mean	Median	Std. Deviation	Minimum	Maximum
Price before announcement date	45.00	880.27	189.00	771.43	108.00	1760.00
Price after announcement date till issue date	53.00	778.58	786.00	689.96	100.00	1860.00
Price after issue date till closing date	106.00	556.46	112.00	538.31	99.00	1520.00
Price after closing date	66.00	654.09	705.00	518.71	100.00	1468.00

Table 9

Results

No.	Hypotheses	Results	Tools
H01	There is no significant difference on the before announcement date price and after announcement date price	Not rejected	Anova LSD
H02	There is no significant difference on the after announcement date price and after issue date price	Rejected	Anova LSD
H03	There is no significant difference on the after issue date price and after closing date price	Not rejected	Anova LSD
H04	There is no significant difference on the before announcement date price and after closing date price	Rejected	Anova LSD
H05	There is no significant difference on the after announcement date price and after closing date price	Not rejected	Anova LSD
H06	There is no significant difference on the before announcement date price and after issue date price	Not rejected	Anova LSD