

## Analysis of banking sectors' stock market performance of emerging markets of Asia

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### ABSTRACT

The research is carried out to analyze the banking sectors' stock market performance of emerging markets of Asia. For the analysis of banking sectors' stock market performance of emerging markets of the Asia, which is the dependent variable, the researcher chose ten emerging markets and fourteen internal independent variables grouped into five categories and four external independent variables according to the description of International Monetary Fund. Panel data of the selected variables for the selected emerging markets were collected to gain the advantages of panel data set. Pretesting of the panel data set was carried out before regression analysis. A mixed trend was observed after regression analysis. Except for liquid assets to total assets and interest rate, all variables had an impact on the banks' stock performance for Asia.

**Keywords:** Banks Performance, Emerging Markets, Financial Soundness, Panel Data

### INTRODUCTION

Attractive investment prospects and overseas inflow of funds for investment has made stock markets an attractive place for investors to invest and earn over a smaller and extended time period. There had been enormous exploration work to comprehend the causes of the volatility of stocks. The stocks investors sense from the movement in the economic conditions and then they alter their position by trading the stocks. Different investors seek different opportunities to invest in stocks but there have been different factors affection their decisions and this developed the attention of researchers to inspect and study the power of these variations on the performance of stock return.

The emerging markets were well defined by IMF as "The capital markets of developing countries that have liberalized their financial systems to promote capital flows with nonresidents and are broadly accessible to foreign investors" (International Monetary Fund, 2016). The population of the emerging markets comprises of eighty-five percent of the world with sixty percent share in global GDP. These economies' share in global growth is eighty-five percent since the global financial crises of 2008 and thus contributing to a reduction in the world's poverty (Lagarde, 2016).

Gul, Irshad, and Zaman, (2011) categorized the factors affecting the stock returns of banks as internal factors and external factors. Some others have also investigated the influence of internal and external variables on banks'

profitability include (Sarwar, Mustafa, Abid, & Ahmad, 2018; Subing, Kusumah, & Gusni, 2017; In'airat, 2018; Frederick, 2015; Ongore & Kusa, 2013; Maham & Esfahani, 2015).

The variation in macroeconomic variables had an impact on stock prices (Chen, Roll, & Ross, 1986). Joseph and Vezos (2006) reported that the exchange rate and interest rate affect the value of stocks. Lizardo and Mollick, (2010) argued that oil price is also another important external variable that affects the price of the stock. Increase in oil prices resulted in the depreciation of the US dollar and vice versa (Reboredo, 2012). Basher, Haug, and Sadorsky (2012) established that there is an opposite connection between oil prices and emerging markets and this impact was significantly observed during the global financial crises.

There has been a connection between oil prices, inflation and interest rate. Increase in oil prices caused to increase in import bill and so the demand for foreign exchange and resulted in an increase in inflation. This growing demand in foreign exchange outcomes in depreciation of domestic currency. To cope with the increase in the inflation rate, the central bank had to increase the interest rates (Eiteman, Stonehill, & Moffett, 2013).

Banks profit margin is the spread between the interest rate at which they have received deposits and the interest rate at which they have extended loans, along with other investment income. This spread and investment income are very much affected by the change in the interest rate. It is instigated that the fluctuation in interest rate affects the banks' stock price along with the dividend paying ability and lending ability (Gambacorta & Iannotti, 2011). McGee and Tarangelo (2009) are also of the viewpoint that the change in the share price of the bank is very much associated with the expected earnings of the banks. It is also found that with the change in the interest rate the future cash flow expected from the banks' stock changes and so the current market price of the bank. Athanasoglou, Delis, and Staikouras (2006) concluded that "changes in interest rates can have both positive and negative effects in the economy and also on the share prices of banks". The change in interest rate affects the psychology of the investors and ultimately on the bank stock prices. With the increase in the interest rates and the oil prices the customers of banks are forced to reduce their When interest rates and oil prices rose, banks consumers and investors reduce their spending. Banks' revenue and profit declines and then the share price decline and vice versa. The change in the monetary

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policy by the central banks has a strong impact on financial institutions (Burkia & Niazia, 2009).

The behavior of stock prices is essential for the investor as he has different investment alternatives and his investment decision depends upon the risk and returns associated with these investments. Stock prices are supposed to be sensitive to economic news (Chen, Roll, & Ross, 1986). Financial theories propose that there are numerous internal factors (business specific) and external factors (macroeconomic variables) that affect stock prices. Ross (1976) developed the Arbitrage Pricing Theory (APT) which explains that the price of an asset depends upon multiple factors and arbitrage efficiency. Although APT indicates that various macroeconomic and other factors affect the stock return but it did not explain what factors contribute more in the change of price of the stock. The prices of financial assets often seem to reflect fundamental values, while mispricing of assets may contribute to the financial crises and these crises may damage the economy (The Royal Swedish Academy of Science, 2013). Although the theories suggest that there are numerous variables that influence the stock prices but they are unable to describe the exact number and name of these factors. So it is important to determine what relevant factors affect the stock prices of banks of emerging markets.

In 1990 emerging market economies opened their markets for outside world with a hope of rapid economic growth, however many of these nations experienced financial crises, some of these were Mexican crises of 1994, East Asian crises that began in 1997 and in Argentine crises of 2001. The banking sector sits at the root of financial crises in emerging market economies. To prevent crises the government must improve prudential regulations and supervision of banks to limit their risk-taking (Mishkin, 2008). These internal and external factors affect the performance of the banks and thus on the stock prices of the banks. So it is important to investigate the factors of the performance of the banks so that recommendations may be made for the improvements of the banking division of the emerging markets, thus the monetary policymakers may be able to formulate a policy to promote the business and investor have a guideline to invest in bank stocks.

The questions that, the researcher wants to answer in this dissertation are: Is there any influence of internal factors on banks' stock prices? And is there any impact of external factors on banks' stock prices?

The aim of the study is to find the impact of internal and external factors affecting the bank performance and to make policy recommendation that may be helpful for the banks and investors in future decision making. Thus, this study has the following research objectives:

- 1) To determine the internal factors affecting the stock prices of banks.
- 2) To determine the external factors affecting the stock prices of banks.

The hypothesis of the study is:

**H1.** *Capital Adequacy of banks does not have any impact on bank stock's prices*

**H2.** *Asset Quality of banks does not have any impact on bank stock's prices*

**H3.** *Earning and Profitability of banks does not have any impact on the bank's stock prices*

**H4.** *Management Efficiency of banks does not have any impact on banks stock's prices*

**H5.** *Liquidity of banks does not have any impact on bank stock's prices*

**H6.** *Oil prices do not have any impact on the bank stock's prices*

**H7.** *Interest rates do not have any impact on the bank stock's prices*

**H8.** *Exchange rates do not have any impact on the bank stock's prices*

**H9.** *Inflation rates do not have any impact on the bank stock's prices*

## LITERATURE REVIEW

There had been a unanimity amongst the academics that the stock prices were influenced by internal as well as external factors. But the debate continued on the extent and trend of these factors. Almunani (2014) is of the viewpoint that there is so much conflict among researchers about the determination of the factors affecting the stock prices. He tried to find out determinates of the market price of the stocks in Jordan. Using the regression analysis and correlation analysis he found that earning per share, P/E ratio, book value per share and size of the bank are significant factors affecting the stock prices of all the selected banks of Jordan.

Movement of international capital flow had made it compulsory for the stability of the domestic financial system. Central banks also relayed on commercial banks for the smooth application of the monetary policy. The researchers were of the viewpoint that the term of performance had been defined differently in various studies. They had investigated the impact of various factors on return on assets which is used as a proxy to determine the performance of banks. Using the pooled ordinary least square method they concluded that high level of total assets did not result in higher profitability while the ratio of total deposits to total assets and ratio of total equity to total assets exhibited a significant affirmative association with return on asset i.e. dependent variable. They had also suggested exploring different other factors both internal and external to check their impact on profitability (Javaid, Anwar, Zaman, & Ghafoor, 2011).

Sarwar, Mustafa, Abid, and Ahmad, (2018) examined the factors affecting the profitability of Pakistani commercial banks by taking the twenty-one listed banks in PSX. The factors affecting the profitability of banks were divided into internal and external elements. Using panel data regression techniques, they concluded that interest rates, exchange rates, gross domestic product, liquidity, asset management, capital adequacy, and management quality found to be significant determinants of the profitability of Pakistani commercial banks.

A profitable banking sector may be helpful to cope with adverse financial shocks and support the financial system of the country. Performance of banks depends upon both internal and external factors. It is very important to know the causes affecting the profitability of banks so that perfect forecasting may be done by the stakeholders. Messai, Gallali, and Jouini, (2015) took a sample of 322 banks from fifteen countries of Western Europe divided into two different subgroups, the ones which were pretentious by the financial crises and the others which were not affected by the financial crises. Dynamic panel data analysis revealed that capital ratio and the gross domestic product had a significant positive consequence on profitability while liquidity and inflation has an adverse impact on banks' profits.

Adzis and Ramli (2015) indicated that many giant financial institutions had to declare bankruptcy during the financial crises of 2007-2009. According to the IMF, these banks had lost one trillion dollars due to subprime loans during this period of financial crises. This resulted in a drop in Malaysian GDP growth to -1.5% in the year 2009 but due to the well managed financial system, it has no effect on the banking sector. The study determined that bank capital, size and bank credit risk had a positive influence on the profitability of banks in Malaysia.

The profitable banking sector might be capable of resisting negative financial shocks and contributed to the strength of the financial system. The banking system in Pakistan witnessed a major change when after 1997 the banking system was lined up with international practices. The financial crises of 1994 and 2000 emphasized the need of risk management practices and with the help of Rehabilitation program inaugurated by Pakistan Banking Regulation and Supervisory Agency (PBRSA), the profitability and solidity of banks increased. This is evident from the fact that during the global financial crises Pakistani banks did not show any sign of disaster. The researcher concluded that size of the bank, foreign direct investment, capital, deposit, and loan have a positive relationship with banks' profitability while expenses, credit risk, and inflation rate had an indirect relationship with banks' profitability (Ameer, 2015).

The global financial crises of 2007 affected extreme instability in the stock markets. Investors are risk averse and the instability in the stock market was a great concern to them. That was why an investor should have knowledge about the factors affecting equity prices. The researchers had contributed many internal factors mainly comprises of the management decisions and external factors such as regulatory decisions and macroeconomic environment, that might affect the share prices. The study used to pool data regression technique to conclude that there is significant positive association among return on equity, book value per stock, dividend per stock, price-earning ratio and size of the firm with stock price while dividend yield had a negative significant relationship with share price (Sharif, Purohit, & Pillai, 2015).

Investment in equity shares would not only bring the opportunity of return for the investor but also a source of

financing for the business. Return from the equity investment is dependent upon the firm's performance and the price movement in the stock exchange. The movement in share prices could be classified into fundamental, technical and market sentiments and effect of these factors should be well-known to the investors so that they might make sensible investment judgments. The researcher tried to explore the determining factor of stock prices of banks over the period of 2006-2014 and concluded that earning per share (EPS), price earnings ratio (PE) and dividend yield (DY) were the determinants of the bank stock prices in Nepal (Bhattarai, 2014).

Management of the bank could decide about the degree of internal factors like managing liquidity, deciding about the level of leverage, ratio of capital adequacy, optimum asset size, managing financial risk etc. while bank management had no control over external factors like inflation, interest and gross domestic product etc. and both have an impact on profitability. Ashraf, Haider, & Sarwar, (2016) conducted the research by selecting banks of Asian countries and data of internal and external variables were collected for the period of 2008 to 2015. Panel data technique was used to examine the factors affecting the profitability of banks and concluded that asset size, leverage, financial risk and GDP significant positive impact on ROE while inflation and capital adequacy had a significant negative impact on ROE. Earnings per share were also used by the researchers as a measure of profitability and reported that asset size and financial risk had a positive noteworthy influence on earning per share while leverage and capital adequacy had a negative significant impact on earnings per share.

Jaber and Al-khawaldeh (2014) had the strong opinion that the stockholders are very much concern over the factors that affected the profitability of banks. Using the multivariate regression technique, they divided the analysis into three models. In first model they took only internal factors as independent variables and in second model only external factors were used as independent variables and in third, they used both internal and external factors as independent variables to see their impact on one dependent variable i.e. ROA. The results of the first model indicated that the ROA had a significant adverse relationship with management efficiency and liquidity. There is also an adverse non-significant relationship exist between ROA and capital adequacy. The result of the second model showed that there is a positive significant relationship between return on assets and inflation and a negative significant relationship between ROA and development of the banking sector. The result of the third model indicated that there is a negative significant relationship between ROA and internal factors while there is a positive significant relationship between ROA and external factors.

Chinese banking sector was not up to the international standard so far as profitability is considered. Tan and Floros (2012) thought it fit to explore the factors influencing the profitability of banks in China so that the study might be helpful for investors, managers, and regulators of banks. They used

unbalances panel data technique to find out the impact of bank and bank-specific and macroeconomic variables on the profitability of banks for the period of 2003 through 2009. They concluded that the development of the stock market and banking sector, the ratio of cost efficiency and inflation had an impact on both profitability measures i.e. ROA and NIM. On the other hand, credit risk had negatively and labor productivity had positively related to ROA while liquidity and bank size showed a significant effect on NIM.

Barakat, Elgazzar, and Hanafy, (2016) found that there is long term relationship exists between interest rate, exchange rate, inflation rate, and money supply and stock market of Egypt and Tunisia. This research shows that these macroeconomic variables play a role in the movement of the stock market. Sehgal and Kapur (2012) explored fifteen countries grouped into four blocks, on the basis of economic power, to find the impact of oil prices on the stock market. The results vary among the selected sample countries. Economies with high growth deliver positive market return irrespective of the direction of oil price.

### THEORETICAL FRAMEWORK

The single factor model such as CAPM did not serve the purpose as already stated that Fama (1970) has introduced his efficient market hypothesis on the basis that the market prices fully reflect all relevant available information. Fama was of the viewpoint that it was impossible to "beat the market" consistently on a risk-adjusted basis since stock prices should only respond to new information.

Ross (1976) introduced the Arbitrage Pricing Theory (APT) as an alternative to CAPM. It was a general theory of asset pricing that holds that the return of the financial assets could be modeled as a linear function of various macroeconomic factors. Motivated by the APT many researchers had developed multifactor models to evaluate these factors on stock performance but (Fama & French, 1993) three-factor model becomes famous and further they introduced a five-factor asset pricing model (Fama & French, A five factor asset pricing model, 2014) and then further to seven-factor model.

Fundamental Theory was about the effect of information on stock prices; it stated that publically available information and inside information result into changes in stock prices. Investors who used this information could make higher profits than the others who did not make their decisions on the basis of this information. Publically available information includes both the company fundamentals and macroeconomic factors (Schumaker & Chen, 2009). This theory certainly supports the argument that internal factors, company fundamentals, and externals factors, macroeconomic factors, affect the stock prices.

On the basis of above-mentioned theories, developing a multi-factor model is suitable to determine the banks' stock market performance. It might be divided into fundamental and macroeconomic models. Fundamentals information included the internal information and macroeconomic information included the external information. So generally speaking many

multi-factor models have been motivated by empirical research rather than theoretical asset-pricing models.

### METHODOLOGY

This section explains the methodology and data for the current research. The data for the internal and external factors affecting the Banks' stock market performance was collected from the data bank provided by IMF and Fusion Media Limited. The time period of the study is ten years from 2005 to 2016.

The panel data technique is used for the analysis. There are certain advantages to use panel data over time series data or cross-section data. The panel data set comes across the problem of observation number insufficiency. It accounts for individual heterogeneity. It gives more informative data with less collinearity among variables. It is appropriate to study the dynamics of change and it eliminates the biases. It may better measure and detect effects as compare to the cross-sectional or time series data. It also avoids the problem of spurious regression. It not only prevents data loss in data collection but also reduces the multicollinearity problem (Gujarati, 2003; Baltagi, 2001; Kao, 1999). There are two types of panel data sets i.e. balance an unbalanced panel. If the cross-sectional units, as in this study the countries, have the same number of time series observations then it is called a balanced panel. On the other hand, if the number of observations differs among the cross-sectional units, as in this study the countries, it is called unbalances panel. When the researchers are collecting data for different countries, they are likely to find data for some counties for a longer period of time than others. That is why unbalanced panel data is typically used where the cross-sectional units are countries or companies.

In panel data, there are two variants i.e. Fixed Effects Model (FEM) and Random Effects Model (REF). Adaptation of one model depends upon the likely correlation between the individual or cross-sectional specific error component  $\varepsilon_i$  and the  $X$  regressors. If both  $\varepsilon_i$  and the  $X$  are correlated FEM is the best choice and where  $\varepsilon_i$  and the  $X$  are uncorrelated REM is appropriate (Gujarati, 2003). The researchers have chosen between these two models. Dougherty (2011) is of the viewpoint that REM is more appropriate as observations that remain constant for each individual are retained in the regression model but they have to be dropped in a fixed effects model. Hausman (1978) developed a test which guides us to determine whether the fixed effect model or random effect model is to be used. The null hypothesis for the Hausman test is that FEM and REM estimators do not differ substantially. On the rejection of the null hypothesis, it is concluded that REM is not appropriate and vice versa. The general FEM and REM of the study are as under:

#### Fixed Effects Model

$$BSP_{it} = \beta_0 + \beta_1 RCTRWA_{it} + \beta_2 TCTRWA_{it} + \beta_3 NPLP_{it} + \beta_4 CTA_{it} + \beta_5 NPLTCL_{it} + \beta_6 FCDLTL_{it} + \beta_7 ROA_{it} + \beta_8 ROE_{it} + \beta_9 IMTGI_{it} + \beta_{10} NIETGI_{it} + \beta_{11} PETNIE_{it} + \beta_{12} LATA_{it} + \beta_{13} LATSTL_{it} + \beta_{14} CDTL_{it} + \beta_{15} OP_{it} + \beta_{16} INT_{it} + \beta_{17} ER_{it} + \beta_{18} IR_{it} + \mu_{it}$$

#### Random Effect Model

$$BSP_{it} = \beta_0 + \beta_1 RCTRWA_{it} + \beta_2 TCTRWA_{it} + \beta_3 NPLP_{it} + \beta_4 CTA_{it} + \beta_5 NPLTCL_{it} + \beta_6 FCDLTL_{it} + \beta_7 ROA_{it} + \beta_8 ROE_{it} + \beta_9 IMTGI_{it} + \beta_{10}$$

$$\text{NIETGI}_{it} + \beta_{14} \text{PETNIE}_{it} + \beta_{15} \text{LATA}_{it} + \beta_{16} \text{LATSTL}_{it} + \beta_{17} \text{CDTL}_{it} + \beta_{18} \text{OP}_{it} + \beta_{19} \text{INT}_{it} + \beta_{20} \text{ER}_{it} + \beta_{21} \text{IR}_{it} + \mu_{it} + \epsilon_{it}$$

Where,

- BSPI<sub>it</sub> = Bank stock price index for country *i* at time *t*.  
RCTRWA<sub>it</sub> = Regulatory Capital to Risk-weighted Assets for country *i* at time *t*.  
TCTRWA<sub>it</sub> = Tire 1 Capital to Risk-weighted assets for country *i* at time *t*.  
NPLP<sub>it</sub> = Non-Performing Loans net of Provisions to Capital for country *i* at time *t*.  
CTA<sub>it</sub> = Capital to Assets for country *i* at time *t*.  
NPLTCL<sub>it</sub> = Non Performing Loans to Total Gross Loans for country *i* at time *t*.  
FCDLTL<sub>0it</sub> = Foreign Currency denominated Loans to Total Loans for country *i* at time *t*.  
ROA<sub>it</sub> = Return on Asset for country *i* at time *t*.  
ROE<sub>it</sub> = Return on Equity for country *i* at time *t*.  
IMTGI<sub>it</sub> = Interest Margin to Gross Income for country *i* at time *t*.  
NIETGI<sub>it</sub> = Non-Interest Expense to Gross Income for country *i* at time *t*.  
PETNIE<sub>it</sub> = Personal Expense to Noninterest Expenses for country *i* at time *t*.  
LATA<sub>it</sub> = Liquid Assets to Total Assets for country *i* at time *t*.  
LATSTL<sub>it</sub> = Liquid Assets to Short Term Liabilities for country *i* at time *t*.  
CDTL<sub>it</sub> = Customer Deposits to Total Loans for country *i* at time *t*.  
OP<sub>it</sub> = Domestic Oil Prices for country *i* at time *t*.  
INT<sub>it</sub> = Interest Rates for country *i* at time *t*.  
ER<sub>it</sub> = US dollar to local currency exchange rate for country *i* at time *t*.  
IR<sub>it</sub> = Consumer Price Index for country *i* at time *t*.  
μ<sub>it</sub> = Error term for country *i* at time *t*.  
ε<sub>it</sub> = the error term with zero mean and constant variance for country *i* at time *t*.

Normality test was performed to check whether the data were normally distributed. The ladder command helped to decide about the best form of transformation that converts variables into a normally distributed variable as suggested by (Tukey & Mosteller, 1977), and inverse transformation was selected. Fisher type augmented Dickey-Fuller tests is used to check the stationarity of data. All variables were found stationary at level.

Multicollinearity is a state where there is a high correlation among the two or more independent variables included in the model and if it presents in the data the regression results like estimated coefficients may not be reliable. The remedy might be to eliminate one variable that had a greater value of Variance Inflation Factor (VIF). One external variable exchange rate was eliminated on the bases of results of VIF.

The classical linear regression model assumes that the variance of each disturbance term or residual is constant i.e. homoscedasticity. To test the Heteroscedasticity, modified Wald test for panel data was used.

The p-value for the Modified Wald test for GroupWise heteroscedasticity is 0.0000 which is less than 0.05 thus the null hypothesis is rejected and concluded that the heteroskedasticity exist.

There should also be no autocorrelation in the residuals, and they should be normally distributed. To check the autocorrelation the Wooldridge test for autocorrelation in panel data (Wooldridge, 2002) was applied and the

The p-value for the Wooldridge test for autocorrelation in panel data showed the value of 0.0001 which clearly reflecting the presence of autocorrelation.

The Breusch and Pagan Lagrangian multiplier test for random effects were used to decide whether a simple OLS model is a better or random effect. The results from the test showed that the P value is 1.0000 which is in favor of OLS model, but according to the Breusch and Pagan Lagrangian multiplier test for random effects the OLS approximation is not suitable estimator if the fixed effect is favored in Hausman Test (Stalistic - The Stata Forum, 2016).

Now the Hausman test (Hausman, Specification tests in econometrics, 1978) would decide whether the random effect was preferred or fixed effect model. The p-value of the Hausman test is 0.0500. This concluded with the rejection of the null hypothesis and thus suggested that the fixed effect model was better. The data still had problems of Heteroscedasticity and Autocorrelation and both of these problems might be handled by regression with Driscoll-Kraay standard errors (Driscoll & Kraay, 1998) (Hoechle, 2007). The following table showed the fixed effect regression model.

**Table 01: Fixed Effect Regression**

BSPI	Coef.	Drise/K raay Std. Err.	t	P>t	[95% Conf. Interval]
RCTRWA	0.0030	0.0017	1.77	0.110***	-0.000 0.006
T1CTRWA	0.0038	0.0018	2.13	0.063***	-0.000 0.007
NPLP	-0.0005	0.0001	-4.2	0.002*	-0.000 -0.000
CTA	-0.0012	0.0005	-2.21	0.054**	-0.002 0.000
NPLTGL	0.0001	0.0000	2.15	0.060***	-9.2E 0.000
FCDL	-0.0029	0.0005	-5.16	0.001*	-0.004 -0.001
ROA	-0.0001	0.0000	-3.57	0.006*	-0.000 -0.000
ROE	0.0020	0.0005	3.99	0.003*	0.000 0.003
IMTGI	-0.0166	0.0031	-5.21	0.001*	-0.023 -0.009
NIETGI	-0.0093	0.0041	-2.23	0.053**	-0.018 0.000
PETNIE	0.0035	0.0014	2.35	0.043**	0.000 0.006
LATA	-0.0014	0.0016	-0.91	0.385	-0.005 0.002
LATSTL	0.0062	0.0027	2.27	0.050**	9.30E 0.012
CDTL	-0.033	0.010	-3.17	0.011*	-0.057 -0.009
OP	0.027	0.014	1.87	0.095***	-0.005 0.060
INT	0.000	0.000	0.85	0.417	-0.000 0.000
IR	0.078	0.008	8.77	0.000*	0.058 0.098
_cons	0.000	0.000	0.41	0.693	-0.000 0.000

Note: \*, \*\*, \*\*\*10 percent level of significance

The resulted of fixed effect model showed that NPLP, FCDLTo, ROA, ROE, IMTGI, CDTL, and IR were significant at 1% level of significance, while CTA, NIETGI, PETNIE, and LATSTL were significant at 5% level of significance and RCTRWA, T1CTRWA, NPLTGL, and OP were significant at 10% level of significance. Variation is banks' stock market performance explained by independent variables were 58.86% as explained by R-square. The F value is 0.000 which is less than 0.05 which showed that the model is significant. The Co-efficient of the regressors showed that how much changes accrued in BSPI when dependent variable increases by one unit. RCTRWA, T1CTRWA, NPLTGL, ROE, PETNIE, LATSTL, OP, and IR had a positive significant effect on BSPI whereas NPLP, CTA, FCDLTo, ROA, IMTGI, NIETGI, and CDTL had a negative significant effect on BSPI.

## CONCLUSION

The objective of the study is to find out what internal and external factors do have any impact on the banks' stock prices of emerging markets of Asia. The findings of the research indicated that except for one internal factor i.e. liquid assets to total assets of liquidity group, all other variables have a significant impact on banks' stock prices. While two external variables i.e. oil prices and inflation rate positive significant

impact on banks' stock prices. The independent variables grouped into five categories and the results direction is also different even within groups. The capital adequacy group showed that RCTRWA and TICTRWA have positive while NPLP and CTA has a negative impact on banks' stock prices. In asset quality group of ratios indicated that NPLTGL has positive while FCDLTO has a negative impact on banks' stock price. The Profitability and earning groups show that ROE has positive while ROA and IMTGI has a negative impact on the dependent variable. The result of management efficiency group also shows a mixed trend with NIETGI has negative while PETNIE has a positive impact on the dependent variable. For the liquidity group, the ratios of LATSTL has positive while CDTL has a negative impact on the dependent variable. Both the external independent variables have a positive impact on banks' stock return.

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