IMPACT OF FIRM SPECIFIC VARIABLES ON STOCK PRICE OF NEPALESE COMMERCIAL BANKS

A Dissertation submitted to the Office of the Dean, Faculty of Management,

in partial fulfillment of the requirements for the Degree of

Masters of Business Studies

by

Pranisha Manandhar

Symbol No: 15749/19

T.U. Registration No.: 7-2-0271-0414-2013

People's Campus

Roll No: 13/075

Kathmandu

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Certificate of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Impact of Firm Specific Variables on Stock Price of Nepalese Commercial Banks”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degree nor has it been presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information and sources and literature are cited in the reference of the dissertation.

Pranisha Manandhar

30-12-2022

30-12-2022

Report of Research Committee

Ms. Pranisha Manandhar has defended research proposal entitled "Impact of Firm Specific Variables on Stock Price of Nepalese Commercial Banks" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per and submit the thesis for evaluation.

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Supervisor (Defend) **Dissertation Proposal Defended Date:** 11-03-2022

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Approval Sheet

We have examined the dissertation entitled "Impact of Firm Specific Variables on Stock Price of Nepalese Commercial Banks" presented by Ms. Pranisha Manandhar for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Dissertation Supervisor

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Chairperson Research Committee

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Pranisha Manandhar

December, 2022

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Abbreviations

AG	:	Asset Growth
BVPS	:	Book value per share
CBIL	:	Citizens Bank International Limited
DPS	:	Dividend per share
D/P ratio	:	Dividend payout ratio
DY	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earnings per share
HBL	:	Himalayan Bank Limited
MBL	:	Machhapuchchhre Bank Limited
MPS	:	Market price per share
NBL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Exchange
NMB	:	Nepal Merchant Banking and Finance Limited
NPV	:	Net Present Value
NSBL	:	Nepal SBI Bank Limited
PCBL	:	Prime Commercial Bank Limited
ROA	:	Return on Asset
SBL	:	Sanima Bank Limited
SCBNL	:	Standard Chartered Bank Nepal Limited
SP	:	Share Price
SPSS	:	Statistical Package for the Social Sciences
Std.	:	Standard
VAR	:	Vector Autoregressive Approach

Abstract

Many studies on dividend policy and its impact on stock price have been conducted in developed countries, but very few have been conducted in developing markets like Nepal. The Nepali market is unstable, thus there is a great need to research how factors like EPS, DPS, and PE Ratio affect stock price. Since changes take place daily, the market needs to be thoroughly researched to give investors the most recent information. This study elaborates the impact of internal factors on stock prices. This study can help management structure their dividend policies and regulate other internal factors that have some bearing on stock price. Investors can use the information from this study to tailor their investment plans. In the study, three variables are taken as independent variables: Dividend per share, Earnings per share and Price earnings ratio. Here, Market price per share is taken as the dependent variable. The descriptive and causal comparative research designs have been applied and the secondary data is used for the analysis. The data has been collected through secondary sources. The study was conducted on 10 'A' level banks involving in banking activites at least for 10 years. The numbers of observations include 100 observations from 10 commercial banks collected from the fiscal year 2011/12 to 2020/21. In this study, the data was evaluated using mean, median, mode, standard deviation, variation, correlation and regression. The findings revealed that DPS, EPS and PE ratio have significant effect on the MPS.

Key words: Dividend per share, Earnings per share, Price Earnings ratio and Market price per share.

CHAPTER I
INTRODUCTION

1.1 Background of the study

Investment is the main activity of investors to generate future earnings. The two types of assets available in the market to invest in are real assets and financial assets. The individual investors invest their funds in financial assets for future earnings. Basically, the firms' main goal is to maximize the shareholder's wealth which can be obtained by increasing the net present value of the firm. Stock returns are considered the most important factors that are used to determine the best investment alternatives. According to Smith (1988) people buy stocks for various reasons; some are interested in the long-term growth of their investment by buying low priced stock of a new company in the hope of substantially growth of share price over the next few years. The information about the stock can be received from an internal or external source. The earning shows the firm's ability to generate income for the shareholders. Therefore, earning and the dividend may attract the shareholders because it is used as an indicator to measure the earning capacity of the firms.

Stock price is the price of a single share of a number of saleable stocks of a company. It is the biggest concern for the companies as it is the indicator of the overall strength of the company. Westen (1989) studied the investor behavior towards shares is influenced by accounting information represented by EPS, DPS, and P/E ratio as a reflection of financial performance. Stock market prices are one of the most important factors that influence investors' investment decisions. Glezakos, et al. (2012) expressed that the common stocks generally may give more attention to earnings per share and dividend per share which turns to affect the price of shares in the market to obtain capital gains. Both economic and non-economic factors may influence the volatility of the stock price. Financial ratios are one of the important tools to measure financial performance in measuring the firm's success or failure. Market value ratio indicates the investors about the firms' performance and prospects. Indicators of market valuation ratios that are often used are price earnings ratio and price book value.

The price earnings ratio can be used to measure the market value of the stock. The Price earnings ratio (P/E) indicates the investor's attention and the firms' possibility of growth that may reflect in the stock price. The higher P/E ratio indicates that investors have good expectations about the firms' development in the future, so for certain earnings per share, investors are willing to pay a high price. The company's profits are reflected in the company's net income, while the profits of the company's owners are reflected in profits for ordinary shareholders or often called Earnings Per Share (EPS). EPS shows how much the company's ability to provide returns to the owner of the company. Therefore, EPS is attractive to shareholders because it is an indicator that is often used to measure the success of a company in achieving profits from every share invested. EPS is generally considered to be the most significant variable in determining stock market prices. It also plays a very important role in measuring price to earnings ratio and price to book value. The changes in EPS have the major influence on share price over the long run reason being share price of company generally increases when earnings of the company grow and decrease when company earnings decline, but in short run the relationship between EPS and MPS may inverse, while the P/E ratio of a company measures the relationship between a company's stock price and its earnings per share of stock issued.

The dividend policy is an important part of corporate financial management policies as it determines two things (i) How much of the cash should be retained in the business i.e. for expansion of the business or to repurchase shares. (ii) How much of the cash should be given to the shareholders as dividends. Dividend policy is a decision taken by the company about dividend payment which is distributed among shareholder of the company. Investors prefer those companies whose dividend policy is stable that is why companies try to maintain stable dividends because dividend give indications to investors about the strength and stability of the business. Gordon (1963) argues that dividend policy does affect the value of firm and market price of shares. He asserts that shareholders prefer the early resolve on uncertainty, and willing to pay a higher price for a share which has a greater dividend payout ratio. In the context of Nepal, only few companies are paying dividend but many other companies are not paying stable dividend. Dividend on share is an important indicator that shows the performance of banks and thereby attracting the investors. Investors examine the dividend policy of the banks before they decide to invest

on stock market but due to fluctuation on dividend policy of commercial banks of Nepal, investors are unable to forecast the future cash flow from cash dividend (Bhandari and Pokharel, 2012). It has been perceived that company which has grown their dividend generally experience an increase in its stock price and those companies which don't pay or lowers its dividend, leads to a fall in stock price trend. Hence, it shows dividend affects the stock price of the company but several researchers argue that it is the information on payment of dividend that affects the stock price. In fact, that dividend works as a simple sufficient signal of management's interpretation of the firm's current performance and its future prospects.

In developed countries lot of work is done on dividend policy and its implication on the stock price but in developing markets like Nepal very fewer studies have been made but now in Nepal, researchers have started to feel the need to study dividend policy and its implications in the financial and non-financial sectors. There is extensive need to study the impact of variables like EPS, DPS and PE Ratio on stock price because the market in Nepal is not stable. Changes are occurring every day so market should be analyzed properly to provide updated information to investors. This study elaborates the impact of internal factors on stock prices these factors are under management control and by controlling these internal factors managers can control stock price to some extent. This study can facilitate managers so that they can organize dividend policy and they can also control other internal variables which has some impact on stock price. This study is will provide the information to investors to make their investment strategies accordingly.

1.2 Problem statement

Any economy's stock market share prices are influenced by a variety of factors. Demand and supply considerations are the two most fundamental variables that affect the price of stock shares (Farooq et al., 2012). Investor demand behavior is influenced by government regulations, company and industry performance, and potentials in both main and secondary markets. Both the macroeconomic and microeconomic views can be used to analyze the variables influencing the price of an equity share. Politics, the state of the economy generally, the economy's performance, and governmental restrictions are all aspects of macroeconomics. The performance of the organization, the performance of the industry,

and the performance of the other participants in the industry may all have an impact on additional elements, such as demand and supply conditions (Alshubiri, 2010). Mostly it is considered that management have no control on stock prices because many investors believe that fluctuations in stock prices are due to external factors such as political situations of country. According to Friend and Pucket (1964), the market price per share in the stock market is affected by changes in dividend per share in different ways depending on the commercial bank.

Baral and Pradhan (2018) found that there is positive relationship between EPS, P/E, DPR and MPS on top loser commercial banks of Nepal whereas negative relationship with DPR in top gainer banks. According to Pradhan (2003), Nepalese investors place a higher value on dividend income than capital profits, making the dividend payout more significant than retained earnings. In contrast to earnings per share, price-earnings ratio, and dividend yield, Manandhar (1998) discovered that dividend per share and returns on equity have a positive impact on market capitalization. Chhetri (2008) discovered that dividends and stock prices have a favorable association. In comparison to the earning return coefficient, dividends are higher. Joshi (2012) discovered that dividends have a stronger impact on a bank's performance measurement than returns on earnings.

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strategies accordingly. In view of the context and reality, this study is undertaken and directed to investigate the answer of the following questions:

1. What is the structure and pattern of market price per share in Nepalese commercial banks?
2. What is the structure and pattern earnings per share, dividend per share and price earnings ratio in Nepalese commercial banks?
3. What impact do the firm specific variables (earnings per share, dividend per share and price earnings ratio) have on market price per share?

4. Is there any significant relationship between firm specific variables (earnings per share, dividend per share and price earnings ratio) and market price per share?

1.3 Objectives of the study

The objectives of the study contribute to highlight the purpose of doing the research work. The main purpose of the study is to investigate the relationship firm specific variables and market price per share of Nepalese commercial banks. However, the specific objectives of the study can be listed as below:

1. To examine the structure and pattern of market price per share of the Nepalese commercial banks.

2. To examine the structure and pattern of earnings per share, dividend per share and price earnings ratio of the Nepalese commercial banks.

3. To examine the impact of firm specific variables (earnings per share, dividend per share and price earnings ratio) on market price per share.

4. To explore and analyze the relationship between firm specific variables (earnings per share, dividend per share and price earnings ratio) and market price per share.

1.4 Hypostheses of the study

A hypothesis is a statement or proposition that can be tested by referring to a collection of empirical studies. Hypotheses are usually stated in a form that predicts either the

differences or associations between two variables under study. Development of a hypothesis involving casual ordering where possible and measurable would be useful in guiding the analysis strategy. Often such hypothesis can be made if the meaning of an item is carefully analyzed within a chronological context. A null hypothesis predicts there is no differences between the tested groups in relation to some variable, or that there is no relationship between two variables. Null hypothesis in this research is noted as H_0.

With the help of the hypotheses, the study is able to analyze the impact of the firm specific variables (Earnings per share, dividend per share and price earnings ratio) on the stock price of Nepalese commercial banks. The following hypotheses are derived from the relationships found from the previous literatures.

H_{01}: There is no significant impact of earnings per share on market price per share.

H_{02}: There is no significant impact of dividend per share on market price per share.

H_{03}: There is no significant impact of price earnings ratio on market price per share.

H_{04}: There is no significant relationship of earnings per share with market price per share.

H_{05}: There is no significant relationship of dividend per share with market price per share.

H_{06}: There is no significant relationship of price earnings ratio with market price per share.

1.5 Rationale of the study

In the context of Nepal, most of the investors are investing in the stock without adequate knowledge of the company and performance and dividend policies. Basically, this study helps investor while investing the share capital so that they can make correct decision at a right time about the influence of dividend in the market price of share and make investment. The investors invest money with the expectation of acquiring good returns from their investment. This study will analyze the financial situation of the commercial banks and the performance of its traded stock. For a long time, the issue of the dividend policy of the company has captured the interest of many academics and researchers as a result much theoretical explanation arises for dividend policy. This study helps to determine the impact

of dividend per share, Earnings per share and price earnings on stock price of Nepalese commercial banks and to suggest better measure towards these variables. Therefore, the study will be significant to investors and general public to help them in undertaking rational decisions while investing in the stock of commercial banks.

In the context of stock market predictions various factors influence the performance of stock market and the market price of share (MPS) of a company which classified as external factors: economic conditions, political environment, interest rate, inflation rate, flow of institutional investment, impact of changes in international events and company's internal variables: size of company and market share, return on investment earnings of the company, growth rate and many more. An analysis regarding which factors will affect and to what extent they affect the valuation of share of a company helps an investor to make an investment decision in company and it is the most frequent question that most stocks/options investors and traders may have in their minds.

Furthermore, in the capital market the investors can earn returns in two ways, one is dividend and another is capital gain. So, dividend is important factor for investors while investing in shares. This study will also help investors to take rationale decision like where to invest, how to invest, what portfolio should be made to obtain maximum profit from their investment. A huge increase or decrease in stock prices may result in overnight changes in value of corporations. Therefore, there is need to study and monitor all the elements which may directly or indirectly affect the behavior of stocks prices.

1.6 Limitations of the study

The limitations of the study are those characteristics of design or methodology that impacted or influenced the application or interpretation of results of the study. They are the constraints on generalizability and utility of findings that are the result of the ways in which studies chose to design the study and/ or the method used to establish internal and external validity. Some of the limitation regarding to this study that influence the result and findings are listed as follows:

1. The study assumes a level of homogeneity across banks, which may not be true, since banks in the study are of different sizes and have different objectives.

2. There are all together 27 commercial banks operating in the country, but the study does not cover all the commercial banks. Only 10 commercial banks are considered for the study purpose. Therefore, inclusion of all 27 commercial banks in this study would have provided more valid results.

3. It may also be noted that only secondary data are considered for the study purpose. Data collection conducting primary survey is not taken into consideration. Hence, the result of the study is not broad and flexible. It is limited to the data available in the annual reports of the sample banks.

4.The study analyzes the impact of only three independent variables: EPS, DPS and P/E ratio on the stock price of commercial banks of Nepal as it is focused on the quantitative variables. It covers the financial data from 2012 to 2021 (120 months). If more periods are included in the study the result may differ.

1.7 Chapter plan

This study has been classified into five chapters. Chapter one deals with introduction part of the body. It includes background of the study, problem statement, objectives of the study, hypotheses of the study, rationale of the study, limitations of the study and chapter plan of the study. Chapter two is concerned with the study of related books and studies which are already published and conducted by different experts and literatures in the field of dividend behavior of various enterprises. It contains theoretical review and empirical review. Chapter three deals with research framework, definition of variables, research design, population and sample, sampling design, nature and sources of data, instrument of data collection and methods of analysis. Chapter four presents the main aspect of this study. It includes analysis of the data and discussion in the form of various tables and figures. Chapter five is the final chapter of the study which provides the summary, conclusion and implication of the results from the study. Finally, an extensive references and annexure are presented at the end of the study.

CHAPTER II
LITERATURE REVIEW

This chapter consists of review of related theories and empirical studies associated with the study. It is crucial in underlining the purpose of the study and providing guidelines to identify the variables under study. It is useful in identifying the areas yet to be studied in the concerned topic. The findings from the previous research are stated which further enables the researcher to generate hypotheses of the study. It is divided into two sections. First section presents the theoretical review and second section presents the empirical review of the related literature.

2.1 Theoretical review

The theories that are reviewed in this study are: Bird in hand theory, Dividend irrelevancy theory, Agency theory, Tax effect theory, Signaling theory, Life cycle theory and Catering theory.

2.1.1 Bird in hand theory

The Bird in the hand theory was developed by Graham and Dodd (1951) which was further explained by Harkavy (1953). According to Graham and Dodd (1951) the sole purpose for the existence of the corporation is to pay dividends. Higher stock prices are enjoyed by firms with high payout policy. According to this theory, for the minimization of the uncertainty risk related to future cash flows, current dividend is desired by shareholders in spite of future expectation of capital gain and stock dividends are preferred by investors in comparison to potential capital gains due to its uncertain nature. The major argument in this theory is the underpinning idea that the dividends payments decreases risk because these provide cash inflows for shareholders. The cash inflows can also be generated be the shareholders by selling out shares in the stock market bearing trading cost in stock market. The extra cost can be saved by the firms by paying out dividends. Besides this, the risk of uncertainty which is linked with future cash flows can also be minimized as the result of dividend payments. The required rate of return demanded by investors' increases with the plough-back ratio, in terms of the discounted dividend equation of firm's value. The

additional dividend stream is highly offset by the increase in the discount rate in spite of the increase in the earning retention which brings about higher expected future dividend. This argument ignores the fact that a company's risk is decided by its investment decisions, not how they are funded. The needed rate of return is impacted by the risk of the investments, although it should remain constant if they are funded by retained earnings rather than proceeds from new equity offerings.

2.1.2 Dividend irrelevancy theory

Miller and Modigliani proposed the dividend irrelevancy theory, which stated that a firm's basic earning power and business risk dictated its worth. In a perfect capital market, a company's value is unaffected by its dividend payout policy. Investors act in a rational manner, and the market is completely predictable. Miller and Modigliani made three main assumptions, describing them as follows: "A perfect capital market" is a market in which neither the buyer nor the seller can influence current prices through their transactions. Every stakeholder gets complete access to all information regarding the features and prices of shares.

Securities transactions have no transaction costs, brokerage fees, or transfer taxes. Tax rates are the same for capital gains, dividends, undistributed and distributed earnings. People engage in "rational behavior" when they solely want to enhance their wealth, either in cash or in stock value. And "absolute certainty" refers to a situation in which all investors are confident in all firms' future earnings and investment plans. Simply said, the value of a company is determined only by the profit made by its assets, not by how those profits are distributed between retained earnings and dividends. They make the assumption that managers and investors have the same information about the company's future earnings and dividends. The cost of capital or the stock price of a company is not the same thing.

2.1.3 Agency theory

Jenson and Meckling (1976) coined the term "agency theory." According to this hypothesis, management may be unable to maximize the wealth of shareholders. Due to their personal interests or incapability, managers can use retained revenues in bad initiatives or ventures with negative NPV. As a result, a high portion of earnings should be

given out as dividends, leaving less money in the hands of managers to invest in non-profitable ventures. The fundamental issue develops as a result of the separation of control and ownership, resulting in agency conflicts

Easterbrook (1984) provided a further explanation of agency theory, arguing that paying a substantial percentage of earnings can solve the problem of coordinated activities, which leads to under-monitoring of firms and their managers. Dividends and subsequent external financing incentivize financial intermediaries such as investment banks, stock exchange regulators, and investors to conduct research on the company. As a result of this monitoring, agency expenses are reduced and the firm's market value rises. Jenson (1986) suggested that paying a substantial amount of earnings as dividends would raise the firm's worth since the manager would have less free cash flow.

2.1.4 Tax effect theory

Miller and Scholes (1978) proposed the tax impact theory, which contends that the differential between tax rates on dividend income and capital gains creates clients. Even if the tax system favors capital gains, taxable investors may be uninterested in dividends. Investors may choose low dividend payment over large dividend payout if they keep the following points in mind: i) the tax rate on capital gains is lower than dividends. As a result, investors who hold the majority of the company's stock and pay a high tax rate will always prefer companies with a modest payout policy. ii) Only when stock is sold are capital gains taxes due. When time value effects are taken into account, a dollar tax paid in the future has a lower effective cost than a dollar tax paid today. iii) If a person retained the shares until his death, no capital gain tax is due to his beneficiaries. Investors select companies based on their dividend and capital gain preferences. Low-taxed individuals may choose companies that provide substantial dividends. Because there are so many companies to suit various types of investors, no company can raise its value by modifying its dividend payout policy.

2.1.5 Signaling theory

According to signaling theory, all stakeholders (e.g., managers, stockholders, and potential investors) do not have equal information about the firm's earnings. In these circumstances,

management must pay a high portion of earnings as dividends to show stakeholders that the company is making a good profit from its assets. Dividend announcements, according to the signaling hypothesis, provide a signal to investors about the firm's future profitability. To support the third hypothesis, management should have some information about the firms' future, and managers should be authorized to share this information with the market. And the signal regarding the firm's future earnings should be accurate. Increasing dividends alone should not be used to send a deceptive indication about a company's earnings. As dividend payments increase, it signals that the company will have significant profitability in the future, and as a result, the company's stock price will rise.

On the other hand, a decrease in dividend payments would be seen as future low profitability, resulting in a drop-in stock price. Bhattacharya (1979), John and Williams (1985) did the most work on signaling theory, arguing that firms are undervalued when investors must meet their liquidity needs. If an investor sells their stock at that point, the wealth is distributed to new stockholders. The firm, on the other hand, can address this problem by paying out dividends. The inclusion of dissipative costs raises the credibility of dividend signaling.

The dissipative cost in Bhattacharya's model is the transaction cost related to external finance, the dissipative cost in John and William's model is the tax penalty on dividends relative to capital gains, and the dissipative signaling cost in Millerand Rock's (1985) model is the misrepresentation in the optimal investment decision. As a result, corporations might use dividend payments to advertise their prospects. Due to the dissipative cost involved, weak enterprises cannot send the wrong signal. The fundamental critique leveled at the signaling hypothesis is why dividend announcements are utilized for signaling when other, less expensive options such as share repurchase are available.

2.1.6 Life cycle theory

Firms go through several stages in their life cycles, from inception to growth, maturity, and decline. At each step, companies have distinct compensation practices. Firms that are in the early stages of development and generating less are unable to pay dividends. Although a company's earnings are strong at this level, it still requires capital to invest in growth

projects. As a result, most businesses pay out less. Firms pay out the majority of their earnings as dividends if they don't have any other initiatives to invest in during maturity stage, when they have fewer or no growth opportunities and stable earnings.

Firms employ distinct compensation policies at different stages of the life cycle, according to life cycle theory. Dividend-paying companies are often older and have lower stock price volatility. Lease et al. (2000) and Fama and French (2001) have done the most work on this idea, arguing that by lowering transaction costs on the sale of shares for the sake of consumption, the public's perception of dividend payments benefits can be shifted. By introducing effective corporate governance technologies that reduce the benefits of dividends in controlling the agency problems between stockholders and managers, and by huge holdings of the firm's stock by management who prefer capital gains to dividends.

2.1.7 Catering theory

According to Baker and Wurgler (2004)'s catering hypothesis, the choice to pay a dividend or not should be based on current investor demand. They maintained that management should provide incentives to stockholders based on their needs and preferences, and that they should pay dividends when investors favor dividend-paying companies, and keep revenues with the company when investors prefer capital gains over dividends.

The catering theory has three basic components. First, it proposes a source of uninformed investor demand for dividend-paying companies. Second, arbitrage constraints allow this demand to have an impact on current stock prices. Third, managers weigh the short-term benefits of catering to existing mispricing against the long-term costs before deciding whether or not to pay dividends. The rates of omission or start of dividends are based on the current dividend premium, according to empirical study on catering theory.

There is a need to compare the current stock prices of dividend payer companies to the stock prices of companies that are not currently paying dividends. Four share price base measures were created to observe investor demand for payers or nonpayer corporations in order to evaluate these assumptions. The findings reveal that nonpayer enterprises are more likely to start paying dividends when there is a large demand for dividends, while dividend-paying firms quit paying dividends when demand is low. This theory merely states whether

or not companies should pay dividends; it does not state how much of a dividend should be paid. Once a company begins paying dividends, it is up to the management to increase or decrease the dividends based on the company's earnings.

2.2 Empirical review

The research aims to investigate the effects of firm specific variable on the market price per share of Nepalese commercial banks. This research study analyzed some of the literature based on the issue. The summary of the major literature related to this subject matter is presented in Table 1.

Table 1

Review of empirical studies

Study	Major findings
Port (1976)	• Showed that a dividend is a payment made in cash to stockholders of a company whose board of directors has approved it.
Tsoukalas and Sil (1999)	• Found that the D/P ratio Granger causes stock returns to be more predictable, which is only in line with the simplest model of market efficiency, which assumes a constant rate of return. As a result, the predictability of real stock returns from dividend yields (D/P) does not prove either for or against market efficiency.
Obeidat (2009)	• Discovered a considerable effect of EPS and BVPS on stock market price, but no significant effect of DPS
Mgbame and Okafor (2011)	• Observed that firms with larger size experience less volatility than smaller firms. • Observed that firms with more growth opportunities experience price volatility than those with less opportunity for asset growth. • Observed that firms whose earnings are not stable, but vary considerably, experience higher price volatility.
Campbell and Ohuocha (2011)	• Discovered that cumulative abnormal returns around the late announcement event date were statistically significant for both regularly traded and thinly traded companies, implying that investors either anticipated the announcement or that information may have leaked ahead of time.
Mohammad Khan Ghauri (2014)	• Demonstrated that "size" had a substantial positive link with the share price, whereas the other variables such as DY (dividend yield), ROA (return on asset), and AG (adjusted return on asset) (asset growth) were inconsequential.
Enow and Brijlal (2016)	• Found that EPS and P.E are significantly positively correlated to share prices although whereas DPS was not.
Narulita (2016)	• Found that earnings per share affects stock prices significantly because there is a positive relationship between earnings per share and stock prices. • Found that earnings per share do not affect the market ratio as the relationship between two variables is statistically quite low.

	• Showed that macroeconomic conditions, political situations, government industrial policies, and technical aspects in the company are factors other than financial performance that can affect changes in stock returns.
Balakrishnan (2016)	• Found that earnings per share is the most determinant factor of market price of share out of the three variables taken for the study; the next is the dividend per share followed by the Price earnings Ratio.
Li (2016)	• Found that the winning and losing firms with the lowest dividend payout ratio, in particular, had the best and lowest future returns, respectively, and momentum profit was highest among stocks that do not pay dividends, but equivalent for stocks with varied dividend payout ratios. • Found that the stocks with the highest and lowest dividend payout ratios had the highest and lowest future returns, respectively, and momentum profit were the highest among stocks that do not pay dividends, but stay the same for firms with varying positive dividend payment rates.
Kumar (2017)	• Found that Earnings per share is a very strong forecaster of market price of share, while price earnings ratio impact significantly on the prediction of market price of share of select companies of auto sector as whole.
Baral and Pradhan (2018)	• Found that there is positive relationship between EPS, P/E, DPR and MPS on top loser commercial banks of Nepal whereas negative relationship with DPR in top gainer banks
Felimban et al., (2018)	• Found that dividend reductions cause a major negative share price reaction, whilst constant dividends have little effect on stock prices.
Ozo and Arun (2019)	• Observed that dividend increase was linked to a positive stock price reaction, whilst dividend reductions was linked to a negative stock price reaction.
Neupane (2020)	• Found that the DPS and BPS has negative significant impact on the stock price of the market and the EPS and P/E ratios are insignificant so they cannot predict the stock price of the market.
Jariwala (2020)	• Showed a positive correlation between the independent variable EPS) and dependent variable MPS.
Fu et al., (2021)	• Found a significant positive relationship between firm-specific investor sentiment and stock price crash risk.
Maskey (2022)	• Found that earning per share, dividend per share, price-earnings ratio, age of the company and dividend yield are the major determinants of share price. • Showed that dividends play a major role when Nepalese investors make investment and dividend policy of the companies plays a major role in shaping investor decisions in Nepal.

For five years from 2007 to 2011, Port (1976) studied the relationship between dividend declaration procedure and its impact on share market price of thirty commercial banks listed on the Dhaka Stock Exchange (DES). According to the report, companies should avoid issuing stock to pay dividends since it slows down growth. The impact of dividend policy on banking industry business performance was investigated using panel data methods. The panel data methodology offers several advantages, including the assumption that banks are heterogeneous, more variability, less colinearity across variables, more

meaningful data, a higher degree of freedom, and greater efficiency. According to the findings, dividend policy has a strong favorable impact on company values.

The maximum number of shares that a company can issue is known as the authorized share. The public owns the outstanding shares. Treasury stock was repurchased by the company and no longer counts as an outstanding share. The shares that have been put into circulation are known as issued shares. Recently, stock repurchase has become highly popular since it can boost stock value by reducing the number of outstanding stocks (Port, 1976). Firms should avoid issuing stock to pay dividends, according to Port, because it slows down corporate growth. Thus, the study showed significant positive impact of dividend policy on the company value.

Tsoukalas and Sil (1999) conducted the research to examine and compare the predictive power of fundamentals (such as dividend yields and dividend growth rate), macroeconomic variables (such as the term structure of interest rates), and attempted to explain return predictability using the "information hypotheses" of dividends in the British equity capital markets. Extensive research had been done on the relationship between stock returns and fundamental variables.

Monthly data for stock prices, dividend price-ratios, dividend growth rates, and variables of the term structure of interest rates in Japan from January 1955 to December 1996 was examined in an attempt to perform this study. The unrestricted Vector Autoregressive (VAR) approach, the statistical time series analysis and economic methods was used in the study. The VAR calculated unrestricted reduced form equations using uniform sets of the lagged variables of each equation as regressors and no previous constraints on the relationship structure.

The most important finding of these experiments was that the D/P ratio Granger causes stock returns to be more predictable, which is only in line with the simplest model of market efficiency, which assumes a constant rate of return. As a result, the predictability of real stock returns from dividend yields (D/P) does not prove either for or against market efficiency. These findings were not surprising when considering the "dividend in formation hypothesis" to explain the high association between real stock returns and dividend yields.

A cash dividend announcement was used as a signaling device by managers to inform investors and, in general, to inform market participants about changes in their expectations for the firm's future prospects. The stock prices were expected to fluctuate in response to dividend changes, as markets might believe that the change in dictated something about the likely future trajectory of earnings. This temporary effect should disappear if it becomes evident that the modification was not made as a result of a change in estimated future earnings.

Obeidat (2009) attempted to investigate the effect of Earnings per Share (EPS), Dividends per Share (DPS), and Book Value per Share (BVPS) on stock market prices in the Abu Dhabi Securities Market in this study. The study included all publicly traded businesses on the Abu Dhabi Securities Market, with the exception of those that began trading after the year 2002. Furthermore, companies that were barred from dealing in the market for a year or more between 2002 and 2006 were omitted since their available data was insufficient. As a result, 22 of the 60 listed companies on the Abu Dhabi Securities Market were barred. In this investigation, four possibilities were considered. The first three hypotheses were tested using the simple linear regression method based on the t-test, while the last hypothesis was tested using the multiple linear regression approach based on the F-test. The correlation approach was also used to back up the findings.

In the Abu Dhabi Securities Market, the current study discovered a considerable effect of EPS and BVPS on stock market price, but no significant effect of DPS. The effect of each of EPS, DPS, and BVPS on stock market price in Abu Dhabi Securities Market was investigated in the study. Furthermore, it investigated the overall impact of these three internal financial ratios on the common stock market price. The study's framework was formalized by four hypotheses. The first was concerned with the influence of EPS on the price of a common stock. The study concluded that EPS has a considerable impact on the common stock market price based on the data analysis.

In greater detail, the study indicated that stockholders and investors see EPS as a key financial indicator, and they use it to determine the price they are willing to pay for a stock and the price they accept instead of that stock when they need to sell it. The analysis discovered a clear positive association between EPS and the price of common stock.

According to this research, as the value of EPS rises, so does the price of the company. Because EPS calculations consider net income and the number of common stocks outstanding, stockholders and investors are keenly interested in the firm's profitability, and they evaluate it when deciding which common stock to buy and how many to buy. This conclusion also implied that investors are greatly motivated to buy additional common stocks of highly lucrative companies while being hesitant to buy common stocks of less profitable organizations.

As a result, demand for common stocks of more profitable companies will rise, and the price of these common stocks will rise as a result of the increased demand. Investors like to buy and own the common stocks of highly lucrative companies, while they are wary of buying and owning the common stocks of less profitable companies, because they want to get the best possible return on their money. In other words, the research revealed that common stock market prices reflect the company's EPS worth to some extent. The effect of DPS on common stock market prices was one of the study's hypotheses. DPS has a negligible effect on the common stock market values in Abu Dhabi Securities Market, according to the research. The majority of Arab Stock Exchange stockholders were more concerned with capital gains than dividends. Annual dividends were of little interest to common investors, who are more interested in predicted improvements in common stock market prices.

In terms of the assumed influence of BVPS on common stock market prices, the study revealed that BVPS has a major impact on common stock market prices in the Abu Dhabi Securities Market. In other words, the value of BVPS is reflected in common stock market prices, according to this study. Furthermore, because the coefficient of correlation between BVPS and common stock market prices was positive, this study demonstrated that BVPS and common stock market prices have a positive association. Among the three independent factors investigated in this study, BVPS in the Abu Dhabi Securities Market had the most significant impact on common stock market prices.

The study's final result was that the three internal financial parameters (EPS, DPS, and BVPS) have a considerable impact on the common stock market prices in Abu Dhabi

Securities Market. Furthermore, the data analysis demonstrated that these three criteria have a favorable link with common stock market prices.

Mgbame and Okafor (2011) carried out an empirical estimation of the effect of dividend policy measures on the estimation of stock price risk, based on a multi-variable least squares regression model that includes a number of control variables that affect both dividend policy and price volatility. Of the two measures of dividend policy, dividend yield showed a general negative impact on share price risk. The other measure of dividend policy, Dividend payout ratio, showed negative influences in some years and positive influences on other though all were at lower significant levels. This suggests dividend yield as being more important than payout ratio in influencing price volatility of ordinary shares. Though the earlier workers by Baskin (1989) and Nishat and Irfan employed averages and not annual analysis over the scope of years that studied, the results shown by this study partially coincides with their findings on the effect of dividend yield on price volatility. The findings reached in relation to dividend payout ratios can be explained by the growth dominated nature of the Nigerian Stock Market and the Nigerian economy.

Three control variables namely: size, assets growth and earnings volatility, were employed in this study. In line with expectations, and the position of previous literature, all the control variables, save earnings volatility, showed general negative effects on price volatility at varying levels of significance. The general effect of dividend yield on price volatility, observed at higher significant levels, led to the acceptance of the null hypothesis, which stated that measures of dividend policy vary inversely with ordinary share price volatility over time. From the results observed in the control variables it was found that Firms with larger size experience less volatility than smaller firms, Firms with more growth opportunities experience price volatility than those with less opportunity for asset growth and the firms whose earnings are not stable, but vary considerably, experience higher price volatility. Results obtained showed investors a lot of information about volatile stocks and the part played by dividend policy in stable and unstable stock prices. Price volatility is an important concept and can greatly aid existing and potential investors to define and refine their investment behaviour. The secondary data for the period 2002 to 2012 was used, with share price as a control variable and seven additional variables as control variables,

including return on equity, profitability ratio, dividend payout, dividend yield, price earnings ratio, Earnings per share, and price earnings ratio. According to the findings, the model explained 97.16 percent of the fluctuation in market price. Except for dividend yield and price ration, which have a large negative impact on the change in the firm's share price, the study found that all variables have a significant positive impact on it.

Campbell and Ohuocha (2011) examined the reaction of stock prices to equity dividend announcements for a sample of 60 businesses listed on the NSE from 2002 to 2006. The study used the market model and calculated abnormal returns using the method provided by Seiler (2004). The data showed that stock prices in Nigeria reacted to outside-the-official-stock-exchange-window announcements of stock dividends, but not to early announcements. The Nigerian stock market, like many other emerging markets, was characterized by thin trading; owing to the fact that many listed businesses are controlled by institutional investors who do not actively trade. As a result, the impact of stock dividend announcements was not completely reflected in share price reactions. To accommodate for this possibility, the sample was divided into two groups based on trading frequency.

The findings demonstrated that for companies with more frequently traded equities, significant positive abnormal returns occur on the announcement day, while for companies with less regularly traded stocks, significant negative abnormal returns occur. It was discovered that cumulative abnormal returns around the late announcement event date were statistically significant for both regularly traded and thinly traded companies, implying that investors either anticipated the announcement or that information may have leaked ahead of time. The characteristics of the Nigerian stock market suggested that the likelihood of information leaking was larger than that of investors anticipating the stock dividend announcement. When the Nigerian stock market grows to the point where all investors receive timely information, it might be possible to determine whether the information content of stock dividends changes as a result.

When the information content of stock dividend announcements was looked into, evidence was found to support both the signalling hypothesis, which claimed that firms used stock dividend announcements to communicate information about future earnings to investors,

and the cash substitution hypothesis, which claimed that firms used stock dividends instead of cash dividends to save cash. Stock dividends appeared to be essential in transmitting information about a company's future earnings and cash resources, given the way announcements were conveyed to investors in the Nigerian stock market, in terms of their contemporaneous nature and time.

Mohammad Khan Ghauri (2014) attempted to describe the various elements that influence stock values in the study. The goal of this study was to determine the impact of 15 Pakistani banks' size, dividend, profitability, and asset growth on share price based on prior behavior of these variables in relation to one another. The purpose of this study was to see how size, dividend yield, asset growth, and return on asset affect the dependent variable share price.

From 2008 to 2011, a sample of 15 Pakistani banks was obtained across a four-year period. Fixed effect model regression analysis between these independent factors and the dependent variable share price was used in the experimental estimation. According to the model, only size had a substantial impact on share price, however the correlation between size and share price was negative. Other factors had a statitically insignificant effect on the price of a stock. The R2 number indicated that these factors, DY, ROA, AG, and SIZE, accounted for 93 percent of the variance in share price (SP). The test included regressing the dependent variable SP (share price) and independent variables size.

The results demonstrated that "size" had a substantial positive link with the share price, whereas the other variables such as DY (dividend yield), ROA (return on asset), and AG (adjusted return on asset) (asset growth) were inconsequential. The forces of supply and demand had a direct impact on stock prices. The share price, on the other hand, was influenced by the number of enterprises, industry, and country. The expansion of the stock market is dependent on high-quality institutions. Because of high-quality institutions, political risk can be reduced and investment decisions can be made more effectively. The volume traded in the stock exchange market is one of the most important factors of stock prices. A measure of the number of shares that change hands for a certain security or the overall number of shares traded is known as volume traded. Inflation can also have a role in share price fluctuations. The authors suggested that the government should take appropriate measures to limit inflation so that the economy does not suffer.

Enow and Brijlal (2016) conducted this study with the aim to investigate the determinants of share prices using a sample of 16 South African companies listed on the JSE from 2008-2013. Much research had been done around the world on the determinants of share prices around the world but very little research had been done in South Africa in this area which motivated the purpose of this study. The major objectives of the study was to investigate the relationship between dividend payout, return on equity, return on asset, size of the firm, liquidity of the firm, earnings per share and risk of the firm to a share prices over a period of five year using the top 14 South African firms. It also aimed to investigate the effect of dividend payout, return on equity, return on asset, size of the firm, liquidity of the firm, earnings per share and risk has on share prices ad to draw conclusion on the determinants of share prices.

Using a multiple regression analysis, the result revealed that dividend per share, Earnings per share and price earnings ratio has significant impact on share prices movements. Furthermore, Earnings per share and price earnings ratio are significantly positively correlated to share prices although whereas dividend per share was not.

Balakrishnan (2016) undertook a study to know whether the Earnings per Share, Dividend per Share and Price Earnings Ratio can be used as a significant explanatory variable for predicting share Market prices. Through this study the impact of Earnings per Share, Dividend Per Share, Price Earnings Ratio on share price of selected industries had been analyzed, the strength of association of variables had also been measured. The study was conducted by collecting data from various websites and magazines. The selected companies were those companies which are listed and activity traded with high volumes in NSE. The data were collected from 5 companies of 1 sector (2010-2015) data were taken for the study.

The correlation techniques applied in the study revealed that earnings per share is the most determinant factor of market price of share out of the three variables taken for the study; the next is the dividend per share followed by the Price earnings Ratio. The Earnings per share is the most determinant factor of share price. It had been found that dividend has a significant impact on the market price of shares in all the selected industries. To conclude,

out of the three variables taken for the study, it was found that no single variable had significantly influenced the share prices of the selected industries. This study thus corroborated the views expressed by the empirical researchers in the past that none of the variables has any significant impact on the equity prices of all industry at all times. Therefore, study revealed that different variables assumed significance in different years depending upon the stock market conditions.

Narulita (2016) conducted research in an attempt to examine the impact of earnings per share on the market prices, price-earning-ratio and price to book value. Twenty-four companies which represent Property and Real Estate industry were taken into consideration in the study. A reference period of seven years had been taken from 2009 to 2015. In order to achieve the objectives of the study, regression data panel had been employed.

Based on the findings proposed by this study, it was concluded that earnings per share affects stock prices significantly because there is a positive relationship between earnings per share and stock prices but on the other hand the findings confirm that earnings per share does not affect the market ratio as the relationship between two variables statistically quite low. Thus, based on these findings, it can be concluded that earnings per share affects one variable, namely stock market prices but does not affect price earnings ratio and price to book value.

This study also showed that earnings per share movement are influenced by many factors other than the company's financial performance. The result showed that there is information other than internal fundamental factors that also affect EPS. In certain periods, changes in stock returns do not reflect the company's financial performance. Macroeconomic conditions, political situations, government industrial policies, and technical aspects in the company are factors other than financial performance that can affect changes in stock returns.

Li (2016) examined the empirical data on the impact of the dividend payout ratio on future stock returns and momentum strategies in the preceding section. A simple explanation was presented to help understand the economic intuition behind the major empirical findings: winning and losing portfolios with no dividend payment have the highest and lowest future

returns, respectively. The sample for the study included all firms listed on the New York Stock Exchange, American Express, and National Association of Securities Dealers Automated Quotations from January 1965 to December 2009 with at least one year of data prior to the portfolio formation date. The sample excluded the firm that was a prime, a closed-end fund, a real estate debt ratio trust, an American Depository Receipt, or a foreign stock. The descriptive statistics was reported for stock returns, firm size, stock price, and the dividend payout ratio measurement.

The past stock return and dividend payout ratio was used to independently sort stocks into five momentum portfolios and five dividend payout ratio portfolios, respectively. The first dividend payout ratio portfolio contained all the stocks without dividend payment. This independent sort yielded 25 momentum and dividend payout ratio portfolios. It was found out that the dividend payout ratio had a significant impact on future stock returns and price momentum profit. First, for winner portfolios, future returns tended to decrease with the dividend payout ratio; but for loser portfolios, future returns first increased with the dividend payout ratio until the median dividend payout ratio was reached, and then decrease; for portfolios between winners and losers, future stock returns remained almost the same, regardless of the dividend payout ratio. In addition, the winning stocks with no dividend payment or a very small dividend payout ratio tended to have the largest future return, but the losing stocks without dividend payment the smallest return.

It was found that, the dividend payout ratio is a key decision factor that influenced a company's future investment, cash flow, risk, and stock returns. The dividend payout ratio had a significant positive impact on future stock returns and price momentum tactics, according to the research. The winning and losing firms with the lowest dividend payout ratio, in particular, had the best and lowest future returns, respectively, and momentum profit was highest among stocks that do not pay dividends, but equivalent for stocks with varied dividend payout ratios. The stocks with the highest and lowest dividend payout ratios had the highest and lowest future returns, respectively, and momentum profit were the highest among stocks that do not pay dividends, but stay the same for firms with varying positive dividend payment rates. Furthermore, when a company had more growth choices, auto correlation was higher, and the stock price momentum effect was more significant.

Kumar (2017) conducted this study to examine the impact of Earnings per share and price earnings ratio on the market price of share of company, therefore in this study market price of share was dependent variable, while Earnings per share and price earnings ratio were dependent variables and study was exploratory in nature. The study was carried out for a sample of eight companies of auto sector based on Nifty auto index and for a period of five consecutive financial years from 2011-12 to 2015-16 was taken as sample. Multiple regression analysis was employed to predict the impact of Earnings per share and price earnings ratio on market price of share of select companies of auto sector. The result of the study concluded that Earnings per share has found to be a very strong forecaster of market price of share, while price earnings ratio impact significantly on the prediction of market price of share of select companies of auto sector as whole and price earnings ratio impact significantly on the prediction of market price of share and this result is verify with the findings of auto sector as whole. So overall, Earnings per share was concluded to be the main leading reflector in the performance of market price of share.

Baral and Pradhan (2018) conducted this study is to examine the impact of dividend policy on the share price of commercial bank in Nepal. The study was based on pooled cross-sectional data of 10 commercial banks. Banks were selected on the basis of their performance on stock market of Nepal, i.e. top gainers and top losers and data are collected from Nepalese commercial banks listed in NEPSE. The paper investigated the relationship between dividend announcement, EPS, P/E ratio, DPR, on stock price by using Descriptive Statistics, Correlation and Regression, ANOVA and Wilcoxon Signed Rank Test.

The main purpose of the study was to examine the relationship between dividend policy and the market share price of selected 10 commercial banks of Nepal and to what extent these factors affect the share price during the study period. The results of the study depicted that there are several considerations made prior to issuing dividends to the shareholders. These consisted of dividends paid in the previous years, the dividends to be paid to the preferred shareholders, what the rival banks pay, the net earnings during the period, the amount in the reserve fund and the investment prospects.

The study found that there is positive relationship between EPS, P/E, DPR and MPS on top loser commercial banks of Nepal whereas negative relationship with DPR in top gainer

banks. Based upon the analysis and interpretation of the data, out of sampled top five gainers and top five losers commercial banks; among them except two banks showed that their market price is responsive to the dividend announcement. Thus, Nepalese commercial bank has significant impact on dividend in their market share price. The articles concluded that except DPR, the other factors like EPS, P/E ratio have positive relationship with stock price among them P/E is the strongest factor that affects the share price in case of top gainer commercial banks whereas EPS, P/E ratio and DPR have positive influence on stock price among them DPR is the strongest factor that affects the share price in case of top loser bank.

Felimban et al., (2018) examined the market reaction to 1092 dividend announcements in 299 Gulf Cooperation Council companies from January 2010 to June 2015. The research aimed at examining how investors could respond if a dividend change is announced without regard to tax implications. To account for changes in the information provided by dividend announcements, a parallel analysis of the influence of dividend announcements on both share price and trading volume was conducted. The market reaction to dividend change announcements was tested using the event study methodology.

It was observed that individual investors were affected by this information, as seen by changes in trading volumes (TVs), even if these individual changes in expectations did not result in collective effects such as share price changes. This was the first empirical study to systematically investigate the implications of dividend policy changes in the Gulf Cooperation Council markets, taking both trading volume and price effects into consideration. Both the immediate and long-term effects of share price movements were considered. In the near term, three alternative patterns of dividend change were considered: rise, reduction, and constant.

The findings suggested that investors' reactions to dividend increases were delayed. To put it another way, the stock prices did not instantly respond to the new information contained in the announcement. Given that a dividend increase was reflected in the markets four days later, which showed that market efficiency in the Gulf Cooperation Council markets was low, as the efficient markets hypothesis suggested that markets should reflect the information included in the dividend announcement immediately. Dividend reductions, on

the other hand, cause a major negative share price reaction, whilst constant dividends have little effect on stock prices. Furthermore, the findings had significant macroeconomic implications. The impact of announcements was found to be dependent on the information environment. Despite, the fact that tax-based signalling theories indicated that dividends are not informative in free tax markets, the research demonstrated that dividends are informative in the Gulf Cooperation Council.

Ozo and Arun (2019) conducted this study to investigate the stock price reaction to cash dividends by companies listed on the Nigerian Stock Exchange in order to provide empirical evidence on this topic. Despite Nigeria's unique institutional context, little was known regarding the impact of dividend announcements on stock prices.

The sample in this study was selected from listed companies on the Nigerian stock market that announced cash dividends between January 1, 2008 and December 31, 2012. The closing share price and stock index (NSE-ASI) were extracted from the Cash Craft Asset Management Database and the Peace Capital Market Database. The anomalous returns surrounding the cash dividend announcement date was calculated using standard event analysis methodology and the market model. As a robustness check and to assess the sensitivity of the results to estimation, abnormal returns were calculated using the market-adjusted return model. The authors also investigated the relationship between cash dividends and earnings by developing a regression model in which announcement anomalous returns was a function of both dividend and earnings changes relative to stock price changes.

The signaling hypothesis was supported by the findings: dividend increases are linked to a positive stock price reaction, while dividend reductions are linked to a negative stock price reaction. An insignificant positive abnormal return was experienced by companies that did not change their payouts. The findings also implied that while both dividends and earnings are useful, dividends contain additional information not seen in earnings.

During the event study period, the sample included solely cash dividend announcements that occurred without additional corporate events (such as interim dividends, stock splits, stock dividends, and mergers and acquisitions). Dividend increases, on the other hand, was

linked to a positive stock price reaction, whilst dividend reductions was linked to a negative stock price reaction. Companies that did not adjust their dividends had average abnormal returns that were insignificantly positive. These findings were in line with tax-based signaling theories, which anticipated that dividend taxes are greater than capital gains taxes, making dividends more informative. According to evidence from the Nigerian stock market, the signaling effect of dividends is not limited to developed stock markets, but is also evident in emerging markets with diverse institutional environments.

Neupane (2020) conducted this study to analyze the impact of EPS, DPS, BPS, and P/E ratio on the stock price of manufacturing firms listed in NEPSE from 2072 to 2076. In this study, the data of four manufacturing firms listed in NEPSE have been studied. The descriptive and causal-comparative research designs were used to analyze the impact of EPS, DPS, BPS, and P/E ratio on MPS. The DPS and BPS has negative significant impact on the stock price of the market and the EPS and P/E ratios are insignificant so they cannot predict the stock price of the market. The study also revealed that the valuable stock is UNI-Lever and the riskier firm is SHIVM cement on the study of manufacturing firms, listed in NEPSE.

This study analyzed the impact of Earnings per share, dividend per share, book value per share, and price-earnings ratio on the market price of the stock of four Nepalese manufacturing firms listed in NEPSE. The study analyzed the panel data for the period of 54 months from 2072 to 2076. Earnings per share, Dividend per share, Book value per share, and price-earnings ratio were used as independent variables and a stock price of the market as the dependent variables. The results of this study support the hypothesis that is a significant negative impact of DPS and EPS on the stock price. But the EPS and BPS hypothesis have no significant impact on the stock price. This study also revealed that if any firm pays more dividends its market price will decrease. This study also revealed that the UNI- Lever share is more valuable than the other manufacturing firms. But the market price of SHIVM cement is more fluctuated than other manufacturing firms. So, the stock price of SHIVM cement is riskier than other manufacturing firms.

Jariwala (2020) conducted this study to find out the relationship of EPS and share prices of selected banks. The study helped in identifying the relationship between EPS and NP.

This study was aimed to help actual and potential investors make an appropriate investment decision.

The price of equity shares mainly depends on demand and supply. Share prices constantly fluctuate with its buying and selling. Many factors like Government policy, price earnings ratio, interest rate, inflation, exchange rate, dividend yield, industry's performance affect market price of equity shares (MPS). Earnings per share is one of the most influencing variables. The study was undertaken to find whether the Earnings per share has any effect on the market price of equity shares. The researcher had taken 6 banks. The data was collected from BSE for the period of 2017 to 2019. Correlation, Linear multiple regression models and ANOVA had been selected to measure the effect of EPS on MPS. The empirical finding showed a positive correlation between the independent variable EPS and dependent variable MPS. The analysis indicated that the market price of the banks is moved by Earnings per share.

Fu et al., (2021) conducted this study to examine the effect of the firm-specific investor sentiment on crash risk. The initial sample consisted of firm-year observations in the China Stock Market Accounting Research (CSMAR) database for the period 2005–2016. The sample began with fiscal year 2005 because the Chinese capital market experienced the implementation of an IPO inquiry system and the split-share structure reform. The descriptive and causal-comparative research designs were used to analyze the impact of firm-specific investor sentiment on crash risk. In order to draw a robust conclusion, financial firms were excluded as they have a capital structure different from other firms and firm-year observations missing CSMAR data in estimating variables were also removed. As a result, the sample included 14,629 firm-year observations.

Using a large sample of Chinese firms, it was found that firm-specific investor sentiment is significantly and positively associated with stock price crash risk. In addition, it was found that the impact of firm-specific investor sentiment on crash risk is more pronounced for firms with worse liquidity.

Maskey (2022) aimed to investigate the factors that affect the market share prices of life insurance companies listed in Nepal Stock Exchange (NEPSE All of the listed life insurance companies on the Nepal Stock Exchange (NEPSE) were chosen in order to research the factors that influence market stock values. From their yearly audited financial reports, which were available on the websites of the enterprises, financial information for the six-year period (2012/13 - 2017/18) was gathered. The analysis for the study used SPSS and both descriptive and inferential statistics. The impact of factors such as EPS, DPS, P/E ratio, book value of shares, age of the company, dividend yield, and retention ratio on stock prices of NEPSE was investigated using a multiple regression model.

The study's main area of interest was whether factors affected the market stock prices of life insurance businesses listed on the Nepal Stock Exchange (NEPSE). It looked into how market stock prices were affected by EPS, DPS, P/E ratio, book value of shares, firm age, dividend yield, and retention rate. A regression research revealed that while dividend yield has a strong negative link with market stock prices, independent variables EPS, DPS, P/E ratio, and age of the company had substantial positive relationships. Other factors like retention rate and book value of shares were found to be irrelevant. Market stock prices are influenced by a variety of internal and external causes as well as external variables and forces. The market stock prices are also impacted by political and socioeconomic dynamics.

Furthermore, it was shown from the survey that Nepalese investors utilized earnings and dividend as a crucial factor when making investment decisions in life insurance firms. Thus, it is discovered that an effective dividend policy is effective in winning the investors' trust and interest. Finally, the study came to the conclusion that the market stock prices of Nepali life insurance companies listed on the stock exchange are influenced by the following factors: EPS, DPS, P/E ratio, age of the company, and dividend yield.

CHAPTER III
RESEARCH METHODOLOGY

The methodological assumptions and the research philosophy are of major importance when conducting a research since it shows from which point of view the researchers see knowledge and how the knowledge is obtained. It also reveals the researchers' perceptions of the world and the assumptions taken in the research process (Bryman and Bell, 2007). The assumptions taken in the research process are important since it provides guidelines and shapes the research strategy and research approaches (Saunders et al., 2009). It implies that it is important to reveal the study assumptions and view towards knowledge in order to give the reader a better understanding of the research.

Overall plan associated with a study, this chapter has been divided into five sections. Section one includes the research framework and definition of variables, section two deals with description of research design, section three describes the population, sample and research design. Similarly, section four deals with nature and sources of data and instrument of data collection. And finally, section five deals with the methods of analysis used in the study.

3.1 Research framework and definition of the variables

A research framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. Strong conceptual frameworks capture something real and such way that can helps to understand easy to remember and apply. Earnings per share, dividend payout ratio and price earnings ratio are taken as the independent variable whereas market price per share is the dependent variable. The conceptual framework that describes the dependent and independent variables used in the study are shown in *Figure 1*:

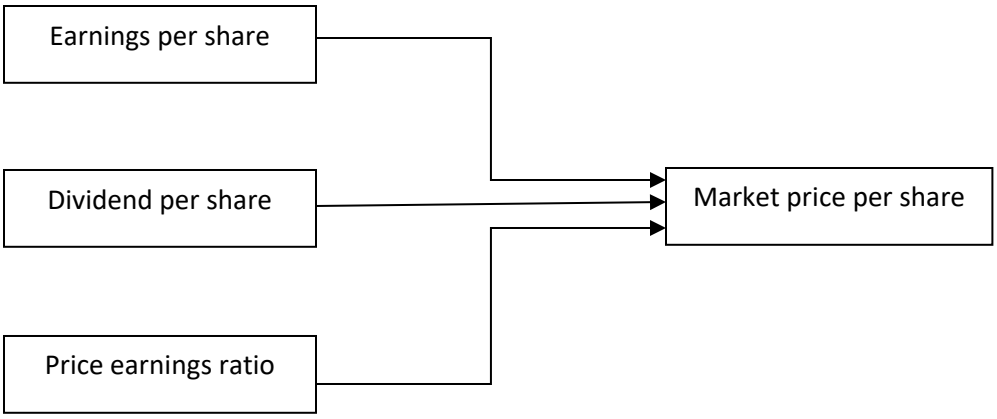

Figure1. Research framework of the study

The schematic diagram of the theoretical framework above is used to show the relationship between the dependent variable and independent variables. Essentially, the theoretical framework shown above is the foundation on which the entire research is based upon. Market price per share is treated as dependent variable in this research. The dependent variable will be analyzed in order to find out the answer or solutions to the problems i.e. what are the factors affecting market price per share of Nepalese commercial banks? In this situation, the study will test three independent variables i.e. Earnings per share, dividend per share and price earnings ratio. These variables are believed to have some influence towards the dependent variable either in positive or negative way.

3.1.1 Market price per share (MPS)

Market price per share is calculated by taking the average of highest and lowest market prices of the shares as suggested by Rashid and Rahman (2008). Hussainey and Mgbame (2011) used price volatility as a dependent variable to see the effect of dividend policy in stock market prices. The study revealed that there is positive correlation between share price and dividend.

Daily price fluctuations arise because of changes in the buying and selling pressure. Due to these fluctuations, it becomes difficult to decide as to which market price should be regressed as a measure of dependent variable (Bae, 1996). Market price per share is the average price of the share derived from the financial year where beginning and closing price has been considered as market price. Dividends are the only cash payment a

stockholder receives directly from firm and these are the foundation of valuation for common stocks (Jones, 2005).

On a long-term perspective, the empirical study has proven that share price is directly related to the earnings of the firm as well as to the dividends declared by the firm (O'Hara, 2000). However, when viewed over short periods, the relationship between share price, earnings, and dividend could be irrational. In the study, arithmetic means of beginning and ending market price of share during the financial year of the firm has been taken.

3.1.2 Earnings per share (EPS)

Earnings per share are the amount of earnings per each outstanding share of a company's stock. It is calculating by dividing current net profit by total outstanding shares. The study found that earnings have inverse association with payout ratio as they are retained for growth (Okpara, 2010). A firm's earnings per share is considered to be an important factor that affects its dividends level because the firm is willing to pay higher amounts of dividends if firms increase their profitability level, and hence a positive relationship is expected between firm's Earnings per share and its dividends payments. Linter (1956) found that dividend pattern influenced by its current year earning and past year dividends.

EPS serves as an indicator of a company's profitability. The increasing earnings per share generally results in high market price. Ball et.al. (1989) found that the Earnings per share has a positive relationship with market price. Ojha (2002) revealed that Earnings per share has positive relationship with the stock price. The study concluded that in average market price of stock of the sampled companies were seems to be influenced by the combined effect among the analyzed financial indicators like EPS, DPS. Khan (2011) found that Earnings per share has significant positive impact on market price per share.

3.1.3 Dividend per share (DPS)

Dividends are defined as the distribution of a company's net income (i.e., after-tax earnings) to common and preferred shareholders as a type of shareholder compensation. Dividends per Share (DPS), which standardizes the statistic to allow for comparisons in dividend policies between different companies, is a popular metric used to evaluate a

company's dividend policy on a per-share basis. In contrast to the gross dividend amount, a company's DPS can also be compared to prior periods to spot year-over-year trends.

The dividend issuance amount divided by the total number of outstanding shares results in the dividends per share (DPS). Assuming that the quarterly dividend amount would remain constant, the dividend issuance amount is commonly represented on an annual basis, which requires multiplying a quarterly dividend amount by four (i.e., four quarters in one fiscal year). When a company's dividend per share (DPS) rises, the market typically responds favorably. In contrast, reducing the dividend per share (DPS) indicates to the market that there is uncertainty about the company's stability and future profitability.

3.1.4 Price earnings ratio

The P/E ratio, also known as the price-to-earnings ratio, is a statistic used to compare a stock's price to its earnings per share (EPS). The price of a share is multiplied by the projected earnings to arrive at the P/E ratio. In this way, a higher value typically denotes a higher cost for a lower return, while a lower value typically denotes a greater return for a lower cost.

Price-to-Earnings ratio, also known as P/E ratio, is a statistic used to compare a stock's price to its earnings per share (EPS). By dividing a share's price by its projected earnings, the P/E ratio is calculated. So, a larger number typically indicates a greater expense for a lesser return, and a lower value typically indicates a better return for a lower cost. A high P/E ratio can indicate that a certain stock is being undervalued by the market. The value might quickly rise if this is the case. In general, it is better to invest in a firm whose P/E ratio appears to appropriately reflect the stock's value rather than taking a financial risk on a stock that appears to be over or overvalued.

3.2 Research design

The research design adopted in this study consists of descriptive and causal comparative research designs to deal with the various issues raised in this study. Descriptive research design includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present. It is

undertaken in order to ascertain and be able to describe the characteristics of the variables of interest. This study has employed descriptive research design to deal with the fact-finding and searching adequate information associated with corporate payout policy of Nepalese commercial banks.

The causal comparative research design is selected for the study to examine the relationship between the dependent variable and the independent variables under this study. The causal-comparative research investigates the possible causes affecting a particular situation by observing existing consequences and searching for the possible factors leading to the results. This research is also known as “ex post facto” or “after the fact” research (i.e. data are collected after all the events of interest occurred). This is because both the effect and alleged causes have already occurred. In other words, causal-comparative research is that research in which the independent variable or variables have already occurred and in which researcher starts with the observation of the dependent variable or variables. Then, analyze the independent variables in retrospect for their possible relations to, and effect on the dependent variable or variables. This research design is selected for the study to examine the relationship between the dependent variable and the independent variables.

3.3 Population and sample, and sampling design

All of Nepal's commercial banks should be included in the study's population. There are 27 "A" class commercial banks in Nepal as of mid-January 2022. Since it would be impossible to analyze the entire population, a specific sample has been chosen. Ten commercial banks are chosen as the study's sample out of the total population of 27 commercial banks in Nepal. In order to conduct the study, a 10-year data analysis commencing in FY 2011/12 will be conducted using the annual reports of these 10 commercial banks, yielding a total of 100 observations.

Non-probability sampling has been used in the selection of the sample for the study because both the study's population and sample size is large. Commercial banks that have engaged in banking activities for at least ten years and provided financial performance information in annual reports for ten fiscal years have been deemed eligible samples for the study. The

secondary data's 100 observations were obtained using the convenience sampling and judgmental sampling methods.

3.4 Nature and sources of data, and the instrument of data collection

The study includes collection of empirical data, modeling and analysis of data and finally evaluation of results. This study employed only secondary data in order to meet its stated objectives and answer the research questions.

This study is based on various sources of data. Those include Quarterly Economic Bulletin published by Nepal Rastra Bank and Annual Reports of selected commercial banks. The period chosen for the study is 2011/12 to 2020/21 leading to the total of 100 observations.

3.5 Methods of analysis

The major focus of the data analysis in this study is to explore the predictive power of firm specific variables in explaining impact of corporate payout policy of 10 commercial banks in the context of Nepal. Therefore, this section deals with statistical model used for the purpose of analysis of the secondary data that are used in the study. It includes descriptive statistics (minimum value, maximum value, mean value and standard deviation), correlation analysis and regression analysis.

The quantitative research approach is employed to analyze the findings of the study. Since numerical and secondary data is used, quantitative approach is considered to be a suitable approach for the study Statistical analysis involves both descriptive and inferential statistics. First, this study reports extensive descriptive statistics to investigate the validity or support of the hypotheses outlined above. Later, it employs a series of regressions to further verify the support (or lack thereof) for hypotheses. To do so, it focuses on the correlations between the firm specific variables with market price per share of Nepalese commercial banks.

3.5.1 Mean

The mean is the average of all numbers and is sometimes called the arithmetic mean. To calculate mean, add together all of the numbers in a set and then divide the sum by the total count of numbers. Intelligent power distribution units report the mean power utilization of the rack to systems management software. The formula for mean is as follows:

$$\overline{X} = \frac{\sum X}{N}$$

Where, X= Value of responses of each independent or dependent variable

N= Number of statements

3.5.2 Median

The median of a set of numbers is the number in the middle. For example, in the set of numbers {4, 6, 25}, the median is 6. However, the numbers must be in order for the median to be in the middle. If there is an even number of numbers, then the median is the average of the last 2 middle numbers. There are 2 ways to find the median of a set of numbers. One is by rewriting the numbers in order, and then find the one in the middle. The second way is cross of the highest number and then the lowest number, then the highest and then the lowest and so on until only one number is left. That number will be the median. The second method works the best when you have a large number of numbers. The formula for median is as follows:

$$Median\ (Md) = {}^{(N+1)}/_{2}\ th\ term$$

Where, N= Number of statements

3.5.3 Mode

The mode is the value that appears most often in a set of data. The mode of a discrete probability distribution is the value *x* at which its probability mass function takes its maximum value. In other words, it is the value that is most likely to be sampled. The mode of a continuous probability distribution is the value *x* at which its probability density

function has its maximum value, so the mode is at the peak. Like the statistical mean and median, the mode is a way of expressing, in a single number, important information about a random variable or a population. The numerical value of the mode is the same as that of the mean and median in a normal distribution and it may be very different in highly skewed distributions.

The mode is not necessarily unique, since the probability mass function or probability density function may take the same maximum value at several points $x1$, $x2$, etc. The most extreme case occurs in uniform distributions, where all values occur equally frequently. When a probability density function has multiple local maxima it is common to refer to all of the local maxima as modes of the distribution. Such a continuous distribution is called multimodal (as opposed to uni-modal).

3.5.4 Standard deviation

In statistics, the standard deviation (SD, also represented by the Greek letter sigma σ or the Latin letters) is a measure that is used to quantify the amount of variation or dispersion of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean (also called the expected value) of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values. The standard deviation of a random variable, statistical population, data set, or probability distribution is the square root of its variance. It is algebraically simpler, though in practice less robust, than the average absolute deviation. A useful property of the standard deviation is that, unlike the variance, it is expressed in the same units as the data. There are also other measures of deviation from the norm, including mean absolute deviation, which provide different mathematical properties from standard deviation. Standard deviation will be calculated for each variable mean. The dependent variable includes market price per share and the independent variables include earnings per share, dividend per share and price earnings ratio.

$$\sigma = \sqrt{\frac{(X - \bar{X})^2}{N}}$$

Where, X= Value of responses of each dependent or independent variable

$\bar{X}$= Mean value of responses of each dependent or independent variable

N= Number of responses

3.5.5 Correlation

Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases. When the fluctuation of one variable reliably predicts a similar fluctuation in another variable, there's often a tendency to think that means that the change in one causes the change in the other.

However, correlation does not imply causation. There may be, for example, an unknown factor that influences both variables similarly. Correlation coefficient formulas are used to find how strong a relationship is between data. The formulas return a value between -1 and 1, where: 1 indicates a strong positive relationship, -1indicates a strong negative relationship and a result of zero indicates no relationship at all. A correlation coefficient of 1 means that for every positive increase of 1 in one variable, there is a positive increase of 1 in the other. A correlation coefficient of -1 means that for every positive increase of 1 in one variable, there is a negative decrease of 1 in the other. Zero means that for every increase, there isn't a positive or negative increase. The two just aren't related. Correlation will be calculated to analyse the relationship between dependent variable and independent variables.

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

Where, n= Number of responses

x= Value of independent variable

y= Value of dependent variable

3.5.6 Regression

Regression is a statistical measure that attempts to determine the strength of the relationship between one dependent variable (usually denoted by Y) and a series of other changing variables (known as independent variables). It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables (or 'predictors'). Regression is often used to determine how many specific factors such as the price of a commodity, interest rates, particular industries or sectors influence the price movement of an asset. Regression will be calculated to analyze the effect of EPS, DPS and PE ratio on MPS. The general form of the regression is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where, a= constant

b_1= Coefficient of first independent variable

X_1= Value of first independent variable

b_2= Coefficient of second independent variable

X_2= Value of second independent variable

b_3= Coefficient of third independent variable

X_3= Value of third independent variable

e= Standard error

CHAPTER IV
RESULTS AND DISCUSSION

This chapter covers the systematic presentation, interpretation, and analysis of the data. Additionally, the statistical methods outlined in the preceding chapter have been used to analyze the results. The act of generating an answer to a question via the investigation and interpretation of data is known as data analysis. The fundamental steps in the analytical process are issue identification, assessing the availability of appropriate data, selecting the approach best suited to address the pertinent questions, implementing the approaches, evaluating, summarizing, and presenting the outcome. This chapter presents and analyzes secondary data in a systematic manner to investigate the effects of firm-specific variables on the stock price of Nepalese commercial banks.

4.1 Analysis of data

In order to generate the empirical findings, secondary data were systematically gathered and analyzed. This section includes the empirical investigation of the data collected through secondary source such as Quarterly Economic Bulletin published by Nepal Rastra bank and Annual Reports of selected commercial banks. The data of 10 ‘A’ level commercial banks banks involving in banking activites at least for 10 years was collected for sample from the fiscal year 2011/12 to 2020/21. The numbers of observations include 100 observations from 10 commercial banks.

The data collected have been arranged, tabulated and analyzed in order to facilitate the descriptive analysis of the study. Regression analysis and correlation analysis were used to analyze the data. The SPSS software was used to calculate the secondary data. The outputs from SPSS software that have been further edited in excel have been tabulated.

4.1.1 Profile of sample banks

According to the banks' ownership structure and the category they belong to, Table 2 describes the characteristics of the sample banks. The study uses information from 10 commercial banks in Nepal, of which four are domestic and the remaining six are joint

ventures with foreign banks. The outcome demonstrates that the sample primarily consists of foreign joint venture institutions.

Table 2

Profile of sample banks

Banks	Ownership	Frequency	Percentage	Cumulative %
Citizens Bank International Ltd Machhapuchchhre Bank Ltd Sanima Bank Ltd Prime Commercial Bank Ltd	Domestic	4	40.00%	40.00%
Himalayan Bank Ltd NMB Bank Ltd Standard Chartered Bank Nepal Ltd Nepal SBI Bank Ltd Nabil Bank Ltd Everest Bank Ltd	Foreign Joint Venture	6	60.00%	100.00%

The profile of the sample banks for this study was developed using data from a total of 10 commercial banks, as can be seen in the above table. It can be concluded from this profile that 60 per cent of the sample consisted of foreign joint ventures, with the remaining 40 per cent being domestic banks. This study made an effort to include all significant bank types, which were grouped according to their ownership structure.

4.1.2 Structure and pattern of market price per share

The structure and pattern of variables on an individual bank basis for the whole year under consideration, as well as all banks in each year, are evaluated and collated. There are four variables under this study, MPS expenses being the independent variable while EPS, DPS and PE ratio being the dependent variables. The structure and pattern of market price per share (MPS) of selected Nepalese commercial banks throughout the study period from 2012 to 2021 is presented in Table 3.

Table 3

Structure and pattern of market price per share of selected Nepalese commercial banks

Banks/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	STD	CV
SCBNL	1799	1820	2799	1943	3600	2295	755	682	645	590	1692.80	1028.97	60.79
NBL	1355	1815	2535	1910	2344	1523	921	800	765	1359	1532.70	618.88	40.38
EBL	1033	1591	2631	2120	3385	1353	663	666	675	738	1485.50	949.86	63.94
HBL	653	700	941	813	1500	886	551	552	540	484	762.00	302.87	39.75
NSBL	635	850	1280	887	1875	925	499	469	435	409	826.40	461.67	55.87
CBIL	230	267	539	489	680	403	236	224	188	386	364.20	164.13	45.06
PCBL	237	324	583	455	746	421	287	278	255	479	406.50	164.49	40.46
NMB	180	252	515	507	810	545	358	382	394	440	438.30	174.22	39.75
SBL	225	260	638	555	750	431	324	348	330	485	434.60	170.94	39.33
MBL	107	203	576	564	680	360	209	264	220	385	356.80	191.91	53.79
MEAN	645.40	808.20	1303.70	1024.30	1637.00	914.20	480.30	466.50	444.70	575.50	829.98	-	-
STD	578.05	680.45	962.91	683.37	1134.33	637.02	240.01	200.36	203.59	295.27	-	-	-
CV	89.56	84.19	73.86	66.72	69.29	69.68	49.97	42.95	45.78	51.31	-	-	-

The Table 3 presents the banks and year level mean, standard deviation and coefficient of variation values of market price per share of the banks. From the table it is observed that the mean value of MPS is 829.98 for the whole sample, whereas at firm level, SCBNL has the highest MPS with mean of 1692.80 followed by NBL (1532.70) and MBL has the lowest MPS with 356.80 mean of MPS followed by CBIL (364.20)

The highest variability in MPS is observed for EBL with coefficient of variation of 63.94 and least variability is observed for SBL (39.33) among all the banks under study. The highest volatility in MPS is observed in the year 2012 with the coefficient of variation of 89.56 followed by the year 2013 (84.19) and the year 2019 is observed to be the least variability in MPS with coefficient of variation 42.95.

The market price per share is highest for SCBNL in year 2012, 2013, 2014, 2016 and 2017 except in 2015, 2018, 2019, 2020 and 2021. In 2015 market price per share is highest for EBL and from 2018 to 2021, market price per share is highest for NBL. The market price per share is lowest for MBL in 2012, 2013, 2017, 2018 and 2021, PCBL IN 2015, CBIL in 2016, 2019 and 2020.When the market price per share is compared over a period of time for individual banks, it may be seen that MPS has increased in majority of the selected commercial banks in recent years.

4.1.3 Structure and pattern of earnings per share

The structure and pattern of earning price per share (EPS) of selected Nepalese commercial banks throughout the study period from 2012 to 2021 is presented in Table 4.

Table 4

Structure and pattern of Earnings per share of selected Nepalese commercial banks

Banks/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	MEAN	STD	CV
SCBNL	72.6	65.7	65.47	57.38	45.96	35.49	27.33	30.39	24.81	16.32	44.15	20.01	45.32
NBL	83.23	91.05	76.12	57.24	59.27	59.86	51.84	50.57	36.16	33.57	59.89	18.84	31.45
EBL	88.55	91.88	86.04	78.04	40.33	32.48	32.78	38.05	29.71	19.91	53.78	28.56	53.10
HBL	39.94	34.19	33.1	33.37	43.03	35.15	23.11	32.44	27.6	28.07	33.00	5.84	17.69
NSBL	22.93	32.75	34.83	34.48	36.78	33.46	25.16	27.13	16.26	10.15	27.39	8.85	32.32
CBIL	10.7	19.66	23.7	30.94	35.25	20.27	15.37	17.49	13.88	17.35	20.46	7.62	37.25
PCBL	12	18.55	20.97	23.74	30.11	23.21	21.49	23.6	16.1	20.32	21.01	4.87	23.20
NMB	2.61	18.02	20.5	25.05	27.78	22.24	21.86	18.79	11.18	16.66	18.47	7.21	39.05
SBL	6.04	15.13	19.28	24.47	32.55	26.31	21.22	28.22	20.18	23.94	21.73	7.39	33.98
MBL	1.54	5.98	18.34	22.2	25.04	24	15.81	21.7	14.96	17.76	16.73	7.68	45.88
MEAN	34.01	39.29	39.84	38.69	37.61	31.25	25.60	28.84	21.08	20.41	31.66	-	-
STD	34.79	31.92	25.94	18.95	10.10	11.55	10.54	9.91	8.13	6.64	-	-	-
CV	102.29	81.25	65.11	48.98	26.86	36.98	41.18	34.37	38.55	32.55	-	-	-

The Table 4 presents the banks and year level mean, standard deviation and coefficient of variation values of market price per share of the banks. From the table it is observed that the mean value of EPS is 31.66 for the whole sample, whereas at firm level, NBL has the highest EPS with mean of 59.89 followed by NBL (53.78) and MBL has the lowest EPS with 16.73 mean of MPS followed by NMB (18.47)

The highest variability in EPS is observed for EBL with coefficient of variation of 53.10 and least variability is observed for HBL (17.69) among all the banks under study. The highest volatility in EPS is observed in the year 2012 with the coefficient of variation of 102.29 followed by the year 2013 (81.25) and the year 2021 is observed to be the least variability in EPS with coefficient of variation 32.55.

The earning price per share is highest for EBL from year 2012 to 2015 and for NBL from 2016 to 2021. The market price per share is lowest for MBL from 2012 to 2016, CBIL from 2017 to 2019, NMB in 2020 and NSBL in 2021.

4.1.4 Structure and pattern of dividend per share

The structure and pattern of dividend price per share (DPS) of selected Nepalese commercial banks throughout the study period from 2012 to 2021 is presented in Table 4.

Table 5

Structure and pattern of dividend per share of selected Nepalese commercial banks

Banks/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	STD	CV
SCBNL	45	40	41.5	19.21	1.75	5.26	17.5	22.5	4.84	3.06	20.06	16.89	84.19
NBL	40	40	45	6.84	15	18	22	22	1.76	4.4	21.50	15.59	72.53
EBL	-	50	50.63	6.58	5	1.74	20	20	5.53	4.32	18.20	19.37	106.45
HBL	13.42	10	6.05	7.11	1.58	1.32	10.79	12	6	4.62	7.29	4.19	57.48
NSBL	5	7.5	7.02	1.42	1.48	0.82	10.79	10.84	3.47	1.81	5.02	3.85	76.70
CBIL	8.42	15	5.95	1.05	1.29	1	1.635	12	3	3.087	5.24	5.00	95.44
PCBL	7.58	5	1	0.95	1.21	-	-	-	-	0.6313	2.73	2.88	105.65
NMB	-	10	1.05	0.42	1	0.79	20	14	3.2	3.3	5.97	7.06	118.22
SBL	5.5	0.53	0.79	1.05	0.79	-	14	11.05	3.6	0.8947	4.24	5.03	118.54
MBL	0	0	0.63	0.84	1.09	6	10	11	3.37	0.7	3.36	4.19	124.60
MEAN	15.62	17.80	15.96	4.55	3.02	4.37	14.08	15.04	3.86	2.68	9.36	-	-
STD	17.12	18.32	21.29	6.06	4.59	6.31	6.75	5.07	1.42	1.49	-	-	-
CV	109.66	102.90	133.38	133.24	151.98	144.60	47.94	33.69	36.74	55.61	-	-	-

The Table 5 presents the banks and year level mean, standard deviation and coefficient of variation values of market price per share of the banks. From the table it is observed that the mean value of DPS is 9.36 for the whole sample, whereas at firm level, NBL has the highest DPS with mean of 21.5 followed by SCBNL (20.06) and PCBL has the lowest DPS with 2.73 mean of DPS followed by MBL (3.36).

The highest variability in DPS is observed for SBL with coefficient of variation of 118.54 and least variability is observed for HBL (57.48) among all the banks under study. The highest volatility in DPS is observed in the year 2016 with the coefficient of variation of 151.98 followed by the year 2017 (144.6) and the year 2019 is observed to be the least variability in DPS with coefficient of variation 33.69.

The dividend per share is highest for SCBNL in year 2012, 2015 and 2019. In 2013 and 2014 dividend price per share is highest for EBL. From 2016 to 2018, dividend price per share is highest for NBL and in year 2020 and 2021 DPS is highest for HBL.

4.1.5 Structure and pattern of PE ratio

The structure and pattern of price earnings ratio (PE ratio) of selected Nepalese commercial banks throughout the study period from 2012 to 2021 is presented in Table 6.

Table 6

Structure and pattern of PE ratio of selected Nepalese commercial banks

Banks/Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Mean	STD	CV
SCBNL	24.78	27.7	42.75	33.86	78.33	64.67	27.62	22.44	26	36.16	38.43	18.72	48.71
NBL	16.21	19.08	33.38	33.37	39.55	25.44	18.6	15.82	21.15	40.48	27.43	9.45	34.44
EBL	11.67	17.32	30.58	27.17	83.94	41.66	20.23	17.5	22.72	37.06	30.99	20.80	67.14
HBL	16.35	20.47	28.43	24.36	34.86	25.21	23.84	17.02	19.57	17.25	22.74	5.85	25.73
NSBL	27.69	25.95	36.75	25.73	50.98	27.64	19.83	17.29	25.24	40.3	29.74	10.13	34.08
CBIL	21.5	13.58	22.74	15.8	19.29	19.88	15.36	12.81	13.55	22.25	17.68	3.87	21.91
PCBL	19.75	17.47	27.8	19.16	24.77	18.14	13.36	11.78	15.84	23.57	19.16	5.04	26.32
NMB	68.93	13.98	25.13	20.24	29.15	20.27	12.48	16.23	31.45	26.41	26.43	16.23	61.41
SBL	37.25	17.18	33.09	22.68	23.04	16.38	15.27	12.33	16.35	20.26	21.38	8.04	37.60
MBL	69.41	33.96	31.4	25.4	27.15	15.81	21.07	12.53	14.71	21.68	27.31	16.39	60.00
MEAN	33.04	20.67	31.21	24.78	41.11	27.51	18.77	15.58	20.66	28.54	26.13	-	-
STD	21.71	6.54	5.78	5.78	23.01	15.09	4.78	3.30	5.77	8.97	-	-	-
CV	65.71	31.65	18.52	23.33	55.98	54.86	25.45	21.21	27.92	31.41	-	-	-

The Table 6 presents the banks and year level mean, standard deviation and coefficient of variation values of market price per share of the banks. From the table it is observed that the mean value of PE ratio is 26.13 for the whole sample, whereas at firm level, SCBNL has the highest PE ratio with mean of 38.43 followed by EBL (30.99) and CBIL has the lowest PE ratio with 17.68 mean of PE ratio followed by PCBL (19.16).

The highest variability in PE ratio is observed for EBL with coefficient of variation of 67.14 and least variability is observed for CBIL (21.91) among all the banks under study. The highest volatility in PE ratio is observed in the year 2012 with the coefficient of variation of 65.71 followed by the year 2016 (55.98) and the year 2019 is observed to be the least variability in PE ratio with coefficient of variation 21.21.

The PE ratio is highest for MBL for year 2012 and 2013, SCBNLN in year 2014, 2015, 2017, 2018 and 2019, EBL in year 2016, NMB in year 2020 and NBL in year 2021. The

PE ratio is lowest for EBL for year 2012, CBIL from 2013 to 2016 and 2020, MBL for 2017, NMB for 2018, PCBL for 2019, and HBL for 2021.

4.1.6 Descriptive Statistics

The descriptive statistics of selected Nepalese commercial banks throughout the study period from 2012 to 2021 is presented in Table 6. Panel A of the table depicts the descriptive statistics (mean, standard deviation, minimum and maximum) values of the variables under study of all sample firms. Panel B and C of the table depicts the descriptive statistics of the foreign joint venture commercial banks and domestic commercial banks respectively.

Table 7

Summary of descriptive statistics

Panel A: All Samples					
Variables	Observation	Minimum	Maximum	Mean	Std. Deviation
MPS (Rs.)	100	107	3600.00	829.98	719.28
EPS (Rs. per share)	100	1.54	91.88	31.66	19.52
DPS (Rs. per share)	100	0	50.63	9.64	12.23
PE Ratio (Times)	100	11.67	83.94	26.12	13.62
Panel B: Foreign Joint Venture Commercial Banks					
Variables	Observation	Minimum	Maximum	Mean	Std. Deviation
MPS (Rs.)	60	180	3600	1122.95	794.30
EPS (Rs. per share)	60	2.61	91.88	39.45	21.92
DPS (Rs. per share)	60	0.42	50.63	13.04	14.09
PE Ratio (Times)	60	11.67	83.94	28.98	14.13
Panel C: Domestic Commercial Banks					
Variables	Observation	Minimum	Maximum	Mean	Std. Deviation
MPS (Rs.)	40	107	750.00	390.53	169.52
EPS (Rs. per share)	40	1.54	35.25	19.98	6.99
DPS (Rs. per share)	40	0	15.00	4.02	4.40
PE Ratio (Times)	40	11.78	69.41	21.38	10.00

Panel A of Table 7, depicts the descriptive statistics (mean, standard deviation, minimum and maximum) values of the variables of all sample under study with 100 observations of 10 banks for the period of 10 years from 2012 to 2021. It is observed that the mean value of MPS is 829.98, which ranges from 107 to 3600 with standard deviation of 719.28. The

mean value of EPS is 31.66 with minimum, maximum value and standard deviation of 1.54, 91.88 and 19.52 respectively.

The DPS mean value is observed to 13.04, which ranges from 0.42 to 50.63 million with standard deviation of 14.09. The mean PE ratio during the study period is 28.98 and the minimum, maximum value and standard deviation of 11.67, 83.94 and 14.13 respectively.

The MPS is highest for Foreign Joint Venture Commercial Banks with the mean value of 1122.95, which is higher than the whole sample mean (829.98) with standard deviation of 169.52 and minimum and maximum values of 107 and 750. The lowest mean MPS is observed to be for Domestic Commercial Banks (390.53), which is about 50% lower than the whole sample mean with standard deviation of 169.52 and minimum and maximum values of 107 and 750.

Foreign Joint Venture Commercial Banks are observed to have highest EPS with mean value of 39.45 and Domestic Commercial Banks are observed with lowest leverage with mean value of 19.98. The mean value of 13.04 indicates that the Foreign Joint Venture Commercial Banks exhibit highest DPS with standard deviation of 14.09 and Domestic Commercial Banks exhibit the lowest DPS with mean of 4.02. The Foreign Joint Venture Commercial Banks are observed to have higher PE ratio with mean investment of 14.13 and Domestic Commercial Banks have lower PE ratio with mean of 10.

4.1.7 Correlation analysis

The Table 8 depicts the correlation analysis of the major variables under study. The correlation analysis is conducted for the whole sample of 10 banks with 100 observations for the period of ten years from the fiscal year 2011/12 till 2020/21. In this study, correlation analysis is done to determine the relationship between the independent and dependent variables. The firm specific variables independent are earnings per share, dividend per share and price earnings ratio and the dependent variable is market price per share.

Table 8

Relationship between variables for all samples

Variables		DPS	EPS	PE RATIO	MPS
DPS	Pearson Correlation	1			
	Sig. (2-tailed)				
EPS	Pearson Correlation	.946**	1		
	Sig. (2-tailed)	(.000)			
PE RATIO	Pearson Correlation	.673*	.542	1	
	Sig. (2-tailed)	(.033)	(.105)		
MPS	Pearson Correlation	.962**	.938**	.768**	1
	Sig. (2-tailed)	(.000)	(.000)	(.009)	

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

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

The Table 8 characterizes the correlation analysis of the variables under study which is conducted for the whole sample. As shown in the table, the correlation for all samples between MPS and DPS is observed to be positive and significant at 99 percent confidence level with the correlation coefficient of 0.962. Similarly, the relationship between MPS and EPS is found to be positive and significant at 99 percent confidence level with the correlation coefficient of 0.938, which means the EPS influence the MPS in a positive way. Likewise, it can be seen that there is Significant and positive relationship between MPS and PE ratio at 99 percent confidence level with the correlation coefficient of 0.768 indicating that PE ratio has positive relationship with MPS. The correlation analysis shows that all the independent variables: DPS, EPS and PE ratio have positive and significant relationship with MPS.

4.1.8 Regression analysis

Regression models have been used in order to examine the statistical significance and robustness of the findings. In this study, regression analysis helps to find out the impact of independent variables on the dependent variable where first every independent variable is introduced one at a time controlling other independent variables to see their individual impact on the dependent variable. Secondly, all the independent variables are introduced

at the same time to find out their combined impact on the dependent variable. The regression analysis is presented in tables below.

Table 9

Regression of Earnings per share on market price per share

Coefficients	Unstandardized Coefficients		Standardized Coefficients					
	B	Std. Error	Beta	t	Sig.	f	Sig.	Adjusted R^2
(Constant)	-192.329	147.498		-1.304	.229			
EPS	32.289	4.219	.938	7.653	.000	58.564	.000	.865

As depicted in Table 9, market price per share is used as dependent variable and Earnings per share as independent variable. After introducing the independent variable (EPS) under study, the impact of EPS is found to be positive and significant at 99 percent confidence level. The coefficient of 32.289 of EPS shows that increase in EPS cause increase in MPS. The explaining power of the variable EPS on MPS is 0.865. Since the significance value of F is less than 0.01, the model is correct.

Table 10

Regression of dividend per share on market price per share

Coefficients	Unstandardized Coefficients		Standardized Coefficients					
	B	Std. Error	Beta	t	Sig.	f	Sig.	Adjusted R^2
(Constant)	178.670	81.703		2.187	.060			
DPS	69.570	6.970	.962	9.982	.000	99.636	.000	.916

As depicted in Table 10, market price per share is used as dependent variable and dividend per share as independent variable. After introducing the independent variable (DPS) under study, the impact of DPS is found to be positive and significant at 99 percent confidence level. The coefficient of 69.570 of DPS shows that increase in DPS cause increase in MPS. The explaining power of the variable DPS on MPS is 0.916. Since the significance value of F is less than 0.01, the model is correct.

Table 11

Regression of PE ratio on market price per share

Coefficients	Unstandardized Coefficients		Standardized Coefficients					
	B	Std. Error	Beta	t	Sig.	f	Sig.	Adjusted R^2
(Constant)	-912.436	526.616		-1.733	.121			
PE ratio	66.687	19.664	.768	3.391	.009	11.501	.009	.538

As depicted in Table 11, market price per share is used as dependent variable and PE ratio as independent variable. After introducing the independent variable (PE ratio) under study, the impact of PE ratio is found to be positive and significant at 99 percent confidence level. The coefficient of 66.687 of PE ratio shows that increase in PE ratio cause increase in MPS. The explaining power of the variable PE ratio on MPS is 0.538. Since the significance value of F is less than 0.01, the model is correct.

Table 12

Regression of variables on market price per share

Coefficients	Unstandardized Coefficients		Standardized Coefficients					
	B	Std. Error	Beta	t	Sig.	f	Sig.	Adjusted R^2
(Constant)	-638.212	216.939		-2.942	.026			
DPS	16.792	16.433	.232	1.022	.346	92.16787	.000	0.968
EPS	18.848	6.888	.548	2.736	.034			
PE ratio	27.335	7.599	.315	3.597	.011			

As depicted in Table 12, market price per share is used as dependent variable and DPS, EPS and PE ratio as independent variables. After introducing all the variables under study, the impact of impact of DPS is found to be positive and significant. The coefficient with 16.792 of DPS shows that increase in DPS cause increase in MPS. The impact of EPS is found to be positive and significant. The coefficient of 18.848 of EPS shows that increase in EPS cause increase in MPS. The impact of PE ratio is found to be positive. The coefficient of 27.335 of PE ratio shows that increase in PE ratio cause increase in MPS. The explaining power of these variables on MPS is 0.968. Since the significance value of F is less than 0.01, the model is correct.

4.2 Result of hypotheses test

The study employs certain analytical tools to assess the hypotheses under study in order to draw meaningful conclusions. This study is undertaken to study the impact of firm specific variables on market price per share of Nepalese commercial banks. In order to do so, certain hypotheses are constructed and tested against the research data to derive results. Table 13 presents the hypotheses under study and the results generated from the analysis of the data.

Table 13

Result of hypotheses test

Hypothesis	Results	Tools	Sig. Level
H_{01}: There is no significant impact of earnings per share on market price per share.	Rejected	Regression	0.000
H_{02}: There is no significant impact of dividend per share on market price per share.	Rejected	Regression	0.000
H_{03}: There is no significant impact of price earnings ratio on market price per share.	Rejected	Regression	0.009
H_{04}: There is no significant relationship of earnings per share with market price per share.	Rejected	Correlation	0.000
H_{05}: There is no significant relationship of dividend per share with market price per share.	Rejected	Correlation	0.000
H_{06}: There is no significant relationship of price earnings ratio with market price per.	Rejected	Correlation	0.009

Table 13 illustrates that there are six hypotheses under study. The hypotheses are developed to test the relationship between the independent and dependent variables and to test the impact of independent variables on dependent variable. The significance value for H_{01} is 0.000 which is less than 0.01, hence the hypothesis is rejected as there is a significant impact of earnings per share on market price per share. The significance value for H_{02} is 0.000 which is less than 0.01 which denotes that the hypothesis is rejected as there is a significant impact of dividend per share on market price per share. In the same manner, the significance values for H_{03} is 0.009 which is less than 0.01, hence the hypothesis H_{03} is rejected which denotes that there is significant impact of price earnings ratio on market price per share. The table shows that the significance value for the hypotheses H_{04} and H_{05} is 0.000 which is less than 0.01, hence the two hypotheses are rejected at a confidence level of 99 percent as there is significant relationship of earnings per share and dividend per share with market price per share. The significance value for H_{06} is 0.009 which is less than 0.01 which denotes that the hypothesis is rejected at a confidence level of 99 percent as there is a significant relationship of price earnings ratio with market price per.

4.3 Discussions

This chapter is devoted to analyze and present results derived from the use of secondary data using various statistical tools. This study attempts to know the impact of earnings per share, dividend per share and price earnings ratio on the market price per share of Nepalese commercial banks.

The structure and pattern of market price per share of the commercial banks of Nepal shows that it has been fluctuating widely in the study period. SCBNL being the highest provider of the market price per share on average with nearly Rs.1692.80 per share as in the study period while MBL was the lowest in market per share with only Rs. 356.80 per share. Moreover, the dividend per share of the commercial banks for the study period has widely fluctuated. NBL comes as the bank with highest average dividend per share while PCBL has the lowest average dividend per share for the period. The Earnings per share of the banks also has fluctuated widely from Rs. 20.41 to Rs. 39.84 in the study period. HBL comes as the bank with highest average Earnings per share while MBL has the lowest. The PE ratio of the banks has fluctuated from 18.77 to 33.04. SCBNL comes as the bank with highest average PE ratio while CBIL has the lowest average PE ratio for the period.

The Pearson correlation analysis reveals that market price per share is positively associated with dividend per share, earnings per share and PE ratio. This implies that higher the value of dividend per share, earnings per share and PE ratio, higher would be the market price per share for the year and vice versa. The dependent variable of market price per share of Nepalese commercial banks was regressed with the independent variables in single-step and multi-step regression. The results with all the dependent variables are similar. Results obtained from the data analysis for DPS has positive and statistically positive impact on MPS. If the dividend per share increases, the market price per share also increases. The result is consistent with Ozo and Arun (2019) which observed that dividend increases was linked to a positive stock price reaction, whilst dividend reductions was linked to a negative stock price reaction. The result also confirms Felimban et al., (2018) as dividend reductions cause a major negative share price reaction, whilst constant dividends have little effect on stock prices. However, it contradicts with Obeidat (2009) which concluded that there is a considerable effect of EPS and BVPS on stock market price, but no significant effect of

DPS. The results are also inconsistent with Neupane (2020) which states that DPS and BPS has negative significant impact on the stock price of the market and the EPS and P/E ratios are insignificant so they cannot predict the stock price of the market. The result also shows inconsistency with the finding of Enow and Brijlal (2016) which stated that EPS and P.E are significantly positively correlated to share prices although whereas DPS was not.

Earnings per share is found to have positive and significant relationship with market price per share. The impact is also found to be positive and significant. Obeidat (2009), discovered a considerable effect of EPS and BVPS on stock market price, but no significant effect of DPS. If the EPS increases, the MPS also increases. Enow and Brijlal (2016) mentioned that EPS and P.E are significantly positively correlated to share prices although whereas DPS was not. The results are consistent with Narulita (2016) and Balakrishnan (2016). Kumar (2017) stated that Earnings per share is a very strong forecaster of market price of share. The study also finds consistency with this finding. The result also confirms Baral and Pradhan (2018) and Jariwala (2020) which showed a positive relationship between EPS and MPS. However, it contradicts with Neupane (2020) which states that the EPS and P/E ratios are insignificant so they cannot predict the stock price of the market.

There is a positive and significant relationship of PE ratio with MPS. The result shows that the impact is also positive and significant on MPS. The result is consistent with that of Enow and Brijlal (2016). The increase in PE ratio results in the increase in MPS. Baral and Pradhan (2018) claimed that there is positive relationship between EPS, P/E, DPR and MPS on top loser commercial banks of Nepal. The results of the study are consistent with this finding. However, it is consistent with Neupane (2020) which states that the EPS and P/E ratios are insignificant so they cannot predict the stock price of the market.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

The purpose of study is to examine the structure and pattern of market price per share, Earnings per share, dividend per share and price earnings ratio of the Nepalese commercial banks. The study aims to examine the relationship and impact between the independent variables: Earnings per share, dividend per share and price earnings ratio and dependent variable market price per share. It employs various quantitative statistical tools and technique such as descriptive and causal comparative research designs. For this purpose, secondary data was collected and analyzed in a systematic way to derive the findings. In this study the data was collected through secondary sources and analysed using mean, median, mode, standard deviation, variation, correlation and regression. On the basis of the data analysis, the major findings of the study are as follows:

1. HBL has the highest dividend per share of Rs. 4.62 and PCBL has the lowest earnings per share i.e. Rs.0.63. The average dividend per share computed across the year has decreased in the majority of the selected commercial bank in recent years.

2. NBL has the highest earnings per share of Rs.59.89 and NMB has the lowest earnings per share i.e. Rs.18.47. The average earnings per share computed across the year has decreased in the majority of the selected commercial bank in recent years.

3. The average price earnings ratio is highest for SCBNL (38.43 percent) whereas lowest for CBIL (17.68 percent). It has been found that price earnings ratio has decreased in the majority of the selected commercial banks in recent year.

4. The analysis of market price of share indicates that the average market price of share is largest for SCBNL (Rs.1692.80) and lowest for MBL (Rs.356.80). It has been found that market price of share has decreased in the majority of the selected commercial banks in recent year.

5. The market price per share has minimum value of Rs.107 and maximum of Rs.3600 with a mean of Rs.829.98. The average Earnings per share of the sample banks during the study period is noticed to be Rs. 31.66 with a minimum Earnings per share of Rs 1.54 to a maximum Earnings per share of Rs.91.88.

6. Dividend per share has an average value of Rs. 9.64 percent with a minimum to maximum value ranging from Rs. 0 to Rs. 50.63 percent respectively. Price earnings ratio has a minimum value of 11.67 and maximum value of 83.94 leading the average of 26.12.

7. The relationship of dividend per share with market price per share is observed to be positive and significant at 99 percent confidence level with the correlation coefficient of 0.962. The relationship of EPS with MPS is found to be positive and statistically significant at 99 percent confidence level with the correlation coefficient of 0.938, which means the EPS influences the MPS in a positive way. The relationship of PE ratio with MPS is positive and significant at 99 percent confidence level with the correlation coefficient of 0.768 indicating that PE ratio has positive relationship with MPS. The correlation analysis shows that all the independent variables: DPS, EPS and PE ratio have positive and significant relationship with MPS.

8. The impact of impact of DPS is found to be positive and significant. The coefficient with 16.792 of DPS shows that increase in DPS cause increase in MPS. The impact of EPS on MPS is found to be positive and significant. The coefficient of 18.848 of EPS shows that increase in EPS cause increase in MPS. The impact of PE ratio on MPS is found to be positive. The coefficient of 27.335 of PE ratio shows that increase in PE ratio cause increase in MPS.

5.2 Conclusion

With the aim to examine the structure and pattern of market price per share, earnings per share, dividend per share and price earnings ratio of the Nepalese commercial banks, explore the relationship and examine the impact of independent variables: Earnings per share, dividend per share and price earnings ratio and dependent variable: market price per share, the descriptive and causal comparative research design have been applied and the

secondary data is used for the analysis. The data has been collected through secondary sources. The study was conducted on 10 ‘A’ level banks involving in banking activites at least for 10 years. The numbers of observations include 100 observations from 10 commercial banks collected from the fiscal year 2011/12 to 2020/21. In this study, the data was evaluated using mean, median, mode, standard deviation, variation, correlation and regression.

There are many factors that affect the market price per share. Among them some of the important factors taken in this study are dividend per share, Earnings per share and price earnings ratio. It has been found that market price of share, dividend per share, Earnings per share and price earnings ratio has decreased in the majority of the selected commercial banks in recent year. The data analysis shows the relationship between MPS and firm specific variables. The study has concluded that DPS, EPS and PE ratio have positive as well as significant relationship with MPS. It implies that higher the dividend per share, earnings per share and price earnings ratio, higher would be the market price per share. From the test results of linear regression, it can be seen that the overall model is fit. It shows positive and significant impact of dividend per share, earnings per share and price earnings ratio on market price per share.

5.3 Implications

There are various factors that affect the market price per share. This study focuses on some of the major factors that influence the market price per share of Nepalese commercial banks. The results of this study will have important implications and it is believed to be helpful and significant to investors and general public to help them in undertaking rational decisions while investing in the stock of commercial banks. Basically, this study will help investors while investing the share capital so that they can make correct decision at a right time about the influence of dividend in the market price of share and make investment. Furthermore, in the capital market the investors can earn returns in two ways, one is dividend and another is capital gain. So, dividend is important factor for investors while investing in shares. This study will also help investors to take rationale decision like where to invest, how to invest, what portfolio should be made to obtain maximum profit from their investment.

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Annexure

Annex 1

Population under study

S.N.	Name of Banks
1	Agricultural Development Bank Limited
2	Bank of Kathmandu Limited
3	Century Commercial Bank Limited
4	Citizens Bank International Limited
5	Civil Bank Limited
6	Everest Bank Limited
7	Global IME Bank Limited
8	Himalayan Bank Limited
9	Kumari Bank Limited
10	Laxmi Bank Limited
11	Machhapuchchhre Bank Limited
12	Mega Bank Nepal Limited
13	Nabil Bank Limited
14	Nepal Bangladesh Bank Limited
15	Nepal Bank Limited
16	Nepal Credit and Commerce Bank Limited
17	Nepal Investment Bank Limited
18	Nepal SBI Bank Limited
19	NIC Asia Bank Limited
20	NMB Bank Limited
21	Prabhu Bank Limited
22	Prime Commercial Bank Limited
23	Rastriya Banijya Bank Limited
24	Sanima Bank Limited
25	Siddhartha Bank Limited
26	Standard Chartered Bank Nepal Limited
27	Sunrise Bank Limited

IMPACT OF FIRM SPECIFIC VARIABLES
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A Proposal submitted to the

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1. Background of the study

A stock is a security that represents the ownership of a fraction of a corporation. This entitles the owner of the stock to a proportion of the corporation's assets and profits equal to how much stock they own. Units of stock are called "shares." People buy stocks for various reasons; some are interested in the long-term growth of their investment by buying low priced stock of a new company in the hope of substantially growth of share price over next few years (Smith, 1988).

Dividend refers to portion of a firm net earning which are paid out to shareholders. If dividend is irrelevant, the firm should retain earnings for investment opportunities. Dividend policies have close but controversial relationship with market values of stock (Baker and Edelmman, 1985). The payment of dividends makes the investors happy but also the payment of dividend decreases the internal financing required for making investment in golden opportunities. This will hamper the growth of firm, which in turns affects the value of the stock.

Dividend decision is a major financial decision in the sense that firm has to choose between distributing profits to the shareholders and plough back them into the business. The selection would be influenced by the objective of the organization i.e. either to maximize shareholder's wealth or to enhance financial management. However, dividend is always correlated to the company's value (Lintner, 1956). Dividend policy is an integral part of financial management decision of a business firm.

Shareholders make the investment in equity capital with expectation of making earnings. The dividend decision is still a fundamental as well as controversial area of managerial finance. There are issues regarding dividend policy including the linkage between dividend policy and stock price (Allen and Rachim, 1996). Setting dividend payouts in relation to long term growth opportunities maximize financial flexibility and reduces the financial frictions associated with rising external capital. Hence, rapidly growing firm, with an abundance of positive net present value projects, should retain a larger share of its operating cash flow than a firm with few profitable investment opportunities (Okafor and Mgbame; 2012).

Chhetri (2008) found that there is a positive relationship between dividends and stocks prices. There are differences in financial position of high dividend paying and low dividends paying companies. Dhungel (2010) concluded that the investors mostly look at the profitability of the firm while purchasing equity share from the secondary market. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such evidences using more recent data exist in the context of Nepal.

The above discussion shows that the studies dealing with corporate payout policy are of greater significance. Though there are these findings in the context of different countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Hence, this study attempts to analyze the impact of dividend per share and earning per share on market price per share in Nepalese commercial banks.

2. Problem statement

In view of the context and reality, this study will be undertaken and directed to investigate the answer of the following questions:

1. What is the structure and pattern of market price per share in Nepalese commercial banks?

2. What is the structure and pattern earnings per share, dividend per share and price earnings ratio in Nepalese commercial banks?

3. What impact do the firm specific variables (earnings per share, dividend per share and price earnings ratio) have on market price per share?

4. Is there any significant relationship between firm specific variables (earnings per share, dividend per share and price earnings ratio) and market price per share?

3. Objectives of the study

The main purpose of the study will be to investigate the relationship firm specific variables and market price per share of Nepalese commercial banks. However, the specific objectives of the study can be listed as below:

1. To examine the structure and pattern of market price per share of the Nepalese commercial banks.

2. To examine the structure and pattern of earnings per share, dividend per share and price earnings ratio of the Nepalese commercial banks.

3. To examine the impact of firm specific variables (earnings per share, dividend per share and price earnings ratio) on market price per share.

4. To explore and analyze the relationship between firm specific variables (earnings per share, dividend per share and price earnings ratio) and market price per share.

4. Rationale of the study

In the context of Nepal, most of the investors are investing in the stock without adequate knowledge of the company and performance and dividend policies. Basically, this study helps investor while investing the share capital so that they can make correct decision at a right time about the influence of dividend in the market price of share and make investment This study helps to determine the impact of dividend per share, Earnings per share and price earnings on stock price of Nepalese commercial banks and to suggest better measure towards these variables. Therefore, the study will be significant to investors and general public to help them in undertaking rational decisions while investing in the stock of commercial banks.

Furthermore, in the capital market the investors can earn returns in two ways, one is dividend and another is capital gain. So, dividend is important factor for investors while investing in shares. This study will also help investors to take rationale decision like where to invest, how to invest, what portfolio should be made to obtain maximum profit from their investment. A huge increase or decrease in stock prices may result in overnight changes in value of corporations. Therefore, there is need to study and monitor all the elements which may directly or indirectly affect the behavior of stocks prices.

5. Chapter plan

This study will be organized into five chapters. The first chapter will be the introduction chapter that will provide general background of the study, statement of the problem, objectives of the

study, hypotheses, rationale and limitations of the study. The second chapter will be the review of literature and will include reviews of theory, review of empirical studies, concluding remarks, theoretical framework and hypothesis of the study. The third chapter will be related to the research methodology employed in this study. This chapter will include brief information of research design, sample of the study, nature and sources of data, and tools used of data analysis. The fourth chapter will include data presentation and analysis. It will include tables, graphs and concluding remarks. Finally, the fifth chapter will present summary, conclusion and implication.

6. Theoretical review

The theories that will be reviewed in this study are: Bird in hand theory, Dividend irrelevancy theory, Agency theory, Tax effect theory and Signaling theory.

6.1 Bird in hand theory

The Bird in the hand theory was developed by Graham and Dodd (1951) which was further explained by Harkavy (1953). According to Graham and Dodd (1951) the sole purpose for the existence of the corporation is to pay dividends. Higher stock prices are enjoyed by firms with high payout policy. According to this theory, for the minimization of the uncertainty risk related to future cash flows, current dividend is desired by shareholders in spite of future expectation of capital gain and stock dividends are preferred by investors in comparison to potential capital gains due to its uncertain nature. The major argument in this theory is the underpinning idea that the dividends payments decreases risk because these provide cash inflows for shareholders. The required rate of return demanded by investors' increases with the plough-back ratio, in terms of the discounted dividend equation of firm's value. The additional dividend stream is highly offset by the increase in the discount rate in spite of the increase in the earning retention which brings about higher expected future dividend. This argument ignores the fact that a company's risk is decided by its investment decisions, not how they are funded. The needed rate of return is impacted by the risk of the investments, although it should remain constant if they are funded by retained earnings rather than proceeds from new equity offerings.

6.2 Dividend irrelevancy theory

Miller and Modigliani proposed the dividend irrelevancy theory, which stated that a firm's basic earning power and business risk dictated its worth. In a perfect capital market, a company's value is unaffected by its dividend payout policy. Investors act in a rational manner, and the market is completely predictable. Miller and Modigliani made three main assumptions, describing them as follows: "A perfect capital market" is a market in which neither the buyer nor the seller can influence current prices through their transactions. Every stakeholder gets complete access to all information regarding the features and prices of shares.

Securities transactions have no transaction costs, brokerage fees, or transfer taxes. Tax rates are the same for capital gains, dividends, undistributed and distributed earnings. People engage in "rational behavior" when they solely want to enhance their wealth, either in cash or in stock value. And "absolute certainty" refers to a situation in which all investors are confident in all firms' future earnings and investment plans. Simply said, the value of a company is determined only by the profit made by its assets, not by how those profits are distributed between retained earnings and dividends. They assume that managers and investors have the same information about the company's future earnings and dividends. The cost of capital or the stock price of a company is not the same thing.

6.3 Agency theory

Jenson and Meckling (1976) coined the term "agency theory." According to this hypothesis, management may be unable to maximize the wealth of shareholders. Due to their personal interests or incapability, managers can use retained revenues in bad initiatives or ventures with negative NPV. As a result, a high portion of earnings should be given out as dividends, leaving less money in the hands of managers to invest in non-profitable ventures. The fundamental issue develops as a result of the separation of control and ownership, resulting in agency conflicts

Easterbrook (1984) provided a further explanation of agency theory, arguing that paying a substantial percentage of earnings can solve the problem of coordinated activities, which leads to under-monitoring of firms and their managers. Dividends and subsequent external financing incentivize financial intermediaries such as investment banks, stock exchange regulators, and investors to conduct research on the company. As a result of this monitoring, agency expenses are

reduced and the firm's market value rises. Jenson (1986) suggested that paying a substantial amount of earnings as dividends would raise the firm's worth since the manager would have less free cash flow.

6.4 Signaling theory

According to signaling theory, all stakeholders (e.g., managers, stockholders, and potential investors) do not have equal information about the firm's earnings. In these circumstances, management must pay a high portion of earnings as dividends to show stakeholders that the company is making a good profit from its assets. Dividend announcements, according to the signaling hypothesis, provide a signal to investors about the firm's future profitability. To support the third hypothesis, management should have some information about the firms' future, and managers should be authorized to share this information with the market. And the signal regarding the firm's future earnings should be accurate. Increasing dividends alone should not be used to send a deceptive indication about a company's earnings. As dividend payments increase, it signals that the company will have significant profitability in the future, and as a result, the company's stock price will rise.

On the other hand, a decrease in dividend payments would be seen as future low profitability, resulting in a drop-in stock price. Bhattacharya (1979), John and Williams (1985) did the most work on signaling theory, arguing that firms are undervalued when investors must meet their liquidity needs. If an investor sells their stock at that point, the wealth is distributed to new stockholders. The firm, on the other hand, can address this problem by paying out dividends. The inclusion of dissipative costs raises the credibility of dividend signaling.

7. Empirical review

The research will aim to investigate the effects of firm specific variable on the market price per share of Nepalese commercial banks. This research study will analyze some of the literature based on the issue. The summary of the major literature related to this subject matter is presented in Table 1.

Table 1

Review of empirical studies

Study	Major findings
Port (1976)	• Showed that a dividend is a payment made in cash to stockholders of a company whose board of directors has approved it.
Tsoukalas and Sil (1999)	• Found that the D/P ratio Granger causes stock returns to be more predictable, which is only in line with the simplest model of market efficiency, which assumes a constant rate of return. As a result, the predictability of real stock returns from dividend yields (D/P) does not prove either for or against market efficiency.
Obeidat (2009)	• Discovered a considerable effect of EPS and BVPS on stock market price, but no significant effect of DPS
Mgbame and Okafor (2011)	• Observed that firms with larger size experience less volatility than smaller firms. • Observed that firms with more growth opportunities experience price volatility than those with less opportunity for asset growth. • Observed that firms whose earnings are not stable, but vary considerably, experience higher price volatility.
Campbell and Ohuocha (2011)	• Discovered that cumulative abnormal returns around the late announcement event date were statistically significant for both regularly traded and thinly traded companies, implying that investors either anticipated the announcement or that information may have leaked ahead of time.
Mohammad Khan Ghauri (2014)	• Demonstrated that "size" had a substantial positive link with the share price, whereas the other variables such as DY (dividend yield), ROA (return on asset), and AG (adjusted return on asset) (asset growth) were inconsequential.
Enow and Brijlal (2016)	• Found that EPS and P.E are significantly positively correlated to share prices although whereas DPS was not.
Narulita (2016)	• Found that earnings per share affects stock prices significantly because there is a positive relationship between earnings per share and stock prices. • Found that earnings per share do not affect the market ratio as the relationship between two variables is statistically quite low. • Showed that macroeconomic conditions, political situations, government industrial policies, and technical aspects in the company are factors other than financial performance that can affect changes in stock returns.
Balakrishnan (2016)	• Found that earnings per share is the most determinant factor of market price of share out of the three variables taken for the study; the next is the dividend per share followed by the Price earnings Ratio.
Li (2016)	• Found that the winning and losing firms with the lowest dividend payout ratio, in particular, had the best and lowest future returns, respectively, and momentum profit was highest among stocks that do not pay dividends, but equivalent for stocks with varied dividend payout ratios.
Ozo and Arun (2019)	• Observed that dividend increase was linked to a positive stock price reaction, whilst dividend reductions was linked to a negative stock price reaction.
Jariwala (2020)	• Showed a positive correlation between the independent variable EPS) and dependent variable MPS.

8. Research framework and definition of the variables

The conceptual framework that describes the dependent and independent variables used in the study are shown in *Figure 1*:

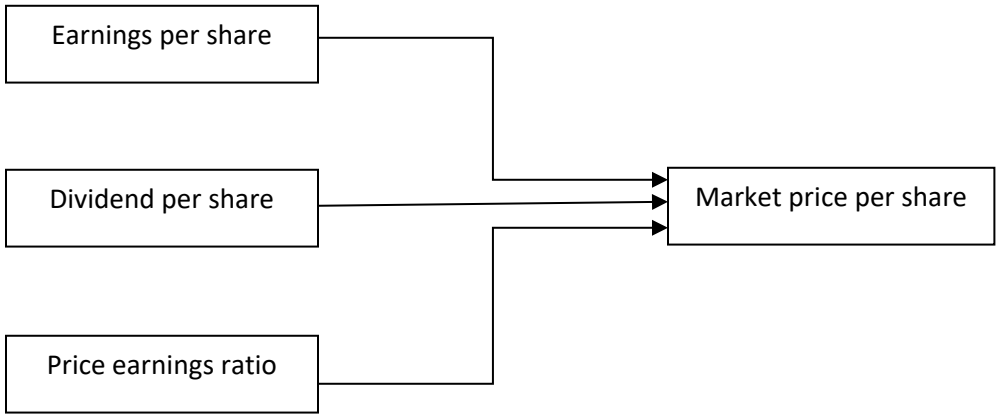

Figure1. Research framework of the study

The schematic diagram of the theoretical framework above is used to show the relationship between the dependent variable and independent variables. Essentially, the theoretical framework shown above is the foundation on which the entire research is based upon. Market price per share is treated as dependent variable in this research. The dependent variable will be analyzed in order to find out the answer or solutions to the problems i.e. what are the factors affecting market price per share of Nepalese commercial banks? In this situation, the study will test three independent variables i.e. Earnings per share, dividend per share and price earnings ratio. These variables are believed to have some influence towards the dependent variable either in positive or negative way.

8.1 Market price per share (MPS)

Market price per share is calculated by taking the average of highest and lowest market prices of the shares as suggested by Rashid and Rahman (2008). Hussainey and Mgbame (2011) used price volatility as a dependent variable to see the effect of dividend policy in stock market prices. The study revealed that there is positive correlation between share price and dividend.

8.2 Earnings per share (EPS)

Earnings per share are the amount of earnings per each outstanding share of a company's stock. It is calculating by dividing current net profit by total outstanding shares. The study found that earnings have inverse association with payout ratio as they are retained for growth (Okpara, 2010). A firm's earnings per share is considered to be an important factor that affects its dividends level because the firm is willing to pay higher amounts of dividends if firms increase their profitability level, and hence a positive relationship is expected between firm's Earnings per share and its dividends payments. Linter (1956) found that dividend pattern influenced by its current year earning and past year dividends.

8.3 Dividend per share (DPS)

Dividends are defined as the distribution of a company's net income (i.e., after-tax earnings) to common and preferred shareholders as a type of shareholder compensation. Dividends per Share (DPS), which standardizes the statistic to allow for comparisons in dividend policies between different companies, is a popular metric used to evaluate a company's dividend policy on a per-share basis. In contrast to the gross dividend amount, a company's DPS can also be compared to prior periods to spot year-over-year trends.

8.4 Price earnings ratio

The P/E ratio, also known as the price-to-earnings ratio, is a statistic used to compare a stock's price to its earnings per share (EPS). The price of a share is multiplied by the projected earnings to arrive at the P/E ratio. In this way, a higher value typically denotes a higher cost for a lower return, while a lower value typically denotes a greater return for a lower cost. Price-to-Earnings ratio, also known as P/E ratio, is a statistic used to compare a stock's price to its earnings per share (EPS). By dividing a share's price by its projected earnings, the P/E ratio is calculated.

9. Research design

The research design adopted in this study will consist of descriptive and causal comparative research designs to deal with the various issues raised in this study. This study has employed descriptive research design to deal with the fact- finding and searching adequate information

associated with corporate payout policy of Nepalese commercial banks. The causal comparative research design will be selected for the study to examine the relationship between the dependent variable and the independent variables under this study. The causal-comparative research will investigate the possible causes affecting a particular situation by observing existing consequences and searching for the possible factors leading to the results. This research design will be selected for the study to examine the relationship between the dependent variable and the independent variables.

10. Population and sample and sampling design

The research will be based on non-probability sampling. Both convenience and purposive sampling will be used. The samples will be selected on the basis of the convenience which falls on the use of convenience sampling. Similarly, the samples will also be selected on the basis of the judgment which is purposive sampling. It is also known as judgmental sampling.

This study is regulated on the commercial banks of Nepal. For the study purpose, banks involving in banking activites at least for 10 years have been considered for sample. The 10 'A' level banks that have been selected as sample size and the study period is presented in Table 3.1. The numbers of observations include 100 observations from 10 commercial banks. The sample data are collected from the fiscal year 2011/12 to 2020/21.

11. Nature and sources of data, and the instrument of data collection

The study will include collection of empirical data, modeling and analysis of data and finally evaluation of results. This study will employ only secondary data in order to meet its stated objectives and answer the research questions. This study will be based on various sources of data. Those will include, Bank Supervision Report and Quarterly Economic Bulletin published by Nepal Rastra bank and Annual Reports of selected commercial banks.

12. Methods of analysis

The major focus of the data analysis in this study is to explore the predictive power of firm specific variables in explaining impact of corporate payout policy of 10 commercial banks in the context of Nepal. Therefore, this section deals with statistical model used for the purpose of analysis of

the secondary data that are used in the study. It includes descriptive statistics (minimum value, maximum value, mean value and standard deviation), correlation analysis and regression analysis.

12.1 Mean

The mean is the average of all numbers and is sometimes called the arithmetic mean. To calculate mean, add together all of the numbers in a set and then divide the sum by the total count of numbers. Intelligent power distribution units report the mean power utilization of the rack to systems management software. The formula for mean is as follows:

$$\overline{X} = \frac{\sum X}{N}$$

Where, X= Value of responses of each independent or dependent variable

N= Number of statements

12.2 Correlation

Correlation is a statistical measure that indicates the extent to which two or more variables fluctuate together. A positive correlation indicates the extent to which those variables increase or decrease in parallel; a negative correlation indicates the extent to which one variable increases as the other decreases. The study will perform correlation analysis to determine the relationship of three independent variables with the market price per share.

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

Where, n= Number of responses

x= Value of independent variable

y= Value of dependent variable

12.3 Regression

Regression is a statistical measure that attempts to determine the strength of the relationship between one dependent variable (usually denoted by Y) and a series of other changing variables

(known as independent variables). It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables (or 'predictors'). Regression is often used to determine how many specific factors such as the price of a commodity, interest rates, particular industries or sectors influence the price movement of an asset. Regression will be calculated to analyze the effect of EPS, DPS and PE ratio on MPS. The general form of the regression is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where, a= constant

b_1= Coefficient of first independent variable

X_1= Value of first independent variable

b_2= Coefficient of second independent variable

X_2= Value of second independent variable

b_3= Coefficient of third independent variable

X_3= Value of third independent variable

e= Standard error

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