

**DETERMINANTS OF STOCK PRICE IN NEPALESE
COMMERCIAL BANKS**

**A Dissertation Submitted to the Office of the Dean, Faculty of Management in
Partial Fulfillment of the Requirements for the Master of Business Studies (M.B.S.)**

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation did not entitle **DETERMINANTS OF STOCK PRICE IN NEPALESE COMMERCIAL BANKS** the work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and 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 sources and literature used are cited in the reference section of the dissertation.

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ABBREVIATIONS

BV	Book Value
Co.	Company
D/Y	Dividend Yield
DPR	Dividend Payout Ratio
DPS	Dividend per Share
E/Y	Earning Yield
EBL	Everest Bank Limited
EMH	Efficient Market Hypothesis
EPS	Earning Per Share
GDS	Gross Domestic Savings
HBL	Himalayan Bank Limited
MPS	Market Value per Share
MV	Market Value
MV/BV Ratio	Market Value to Book Value Ratio
NABIL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange Limited
NIB	Nepal Investment Bank
NIDC	Nepal Industrial Development Corporation
NRB	Nepal Rastra Bank
NSM	Nepal Stock Market
P/E Multiple	Price Earning Multiple
ROA	Return on Assets
ROE	Return on Equity
SCBNL	Standard Chartered Bank Nepal Limited
SEBON	Securities Board of Nepal
T.U.	Tribhuvan University

ABSTRACT

The primary aim of this investigation is to explore how internal factors such as Dividend Per Share (DPS), Return on Equity (ROE), Price/Earnings (P/E) ratio, Book Value Per Share (BVPS), and Return on Assets (ROA) influence stock prices within the Nepalese commercial banking sector. This study has specific objectives, including the examination of the structure and trends of Market Price Per Share (MPS), ROE, DPS, P/E ratio, BVPS, and ROA. Additionally, it seeks to analyze the interrelationships among MPS, ROE, DPS, P/E ratio, BVPS, and ROA, and to ascertain how ROE, DPS, P/E ratio, BVPS, and ROA collectively impact the market price per share of commercial banks, identifying the most influential factor among these variables. Chapter two delves into a comprehensive review of theoretical literature concerning securities markets and share prices, encompassing discussions on various stock valuation models and theories of stock pricing. It also incorporates a thorough examination of international articles and theses concerning factors influencing share prices within commercial banking sectors. This section critically evaluates major issues and concludes with a summary highlighting the gaps to be addressed by the study. The research aims to shed light on the multifaceted factors influencing the market share prices of Nepalese commercial banks.

Key Word: Market Price Per Share (MPS), Return on Equity (ROE), Dividend Per Share (DPS), Price Earnings Ratio (P/E), Book Value Per Share (BVPS), Return on Assets (ROA)

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

Stock price volatility reflects the fluctuations in stock prices over a given period, serving as a barometer of the rate at which new information impacts the market, as noted by Kannianen (2007). It garners attention from various stakeholders including investors, brokers, academics, and regulators due to its implications for risk assessment and firm valuation, as highlighted by Guo (2002). Denis et al. (1994) posit that the response of stock prices to unexpected dividend changes is intertwined with the preferences of the marginal investor towards dividends.

The importance of stock market prices in influencing investment decisions is underscored by Hemadivya and Devi (2013), prompting extensive research in this area, particularly regarding stock price predictions. Price Earnings Ratio (PER), elucidated by Bhatta (2010), delineates investors' perception of a company's future growth prospects, thereby influencing the price investors are willing to pay per dollar of the company's earnings.

While myriad factors contribute to share price movements, the fundamental economic principles of demand and supply play a pivotal role, as elucidated by Higgins (1995). When demand surpasses supply for a stock, its price tends to rise, signaling investor willingness to pay a premium. Conversely, an oversupply relative to demand leads to price declines as sellers seek to offload their holdings.

The seminal work of Fama and French (1992) underscores the significance of book-to-market equity in explaining cross-sectional returns, with Chan et al. (1991) further elucidating the influence of earnings yield, size, book-to-market ratio, and cash flow yield on stock returns. Hemadivya and Devi (2013) reiterate the pivotal role of stock market prices in shaping investment decisions, prompting extensive research, particularly in stock price prediction models.

Market prices are influenced by a multitude of factors, leading to fluctuations over extended periods. Numerous theories and models have been devised to elucidate the behavior of securities prices, with a consensus emerging on factors such as book value

per share, dividend per share, return on equity, return on assets, and price-earning ratio significantly impacting the market prices of commercial banks.

1.1.1 Brief Profile of Sample Banks

This study focuses on analyzing three commercial banks listed on the NEPSE. Below is a succinct introduction to each of these banks:

Himalayan Bank Limited (HBL)

Himalayan Bank Limited (HBL) commenced operations in 1993 through a joint venture between distinguished figures in Nepal and Habib Bank Limited of Pakistan, alongside the Employees Provident Fund. Upholding a vision to become the preferred banking institution, HBL has maintained a leading position in Nepal's competitive banking landscape, particularly in core functions such as loans and deposits. Offering a comprehensive range of commercial banking services, including industrial and merchant banking, HBL operates through a network of 176 branch offices and 20 extension counters. Its corporate headquarters are situated in Kamaladi, Kathmandu, under the leadership of CEO Ashoke SJB Rana.

Nabil Bank Limited (NABIL)

Nabil Bank Limited, established in July 1984, marks a significant milestone in Nepal's banking history as the country's inaugural foreign joint venture bank. Its inception aimed to introduce modern, internationally standardized banking services to diverse segments of society. Pioneering innovative products and marketing strategies, Nabil has championed a customer-centric approach, setting a precedent for modern banking practices in Nepal. Operating through 48 points of representation and leveraging a network of over 1300 Nabil Remit agents nationwide, Nabil offers a comprehensive suite of commercial banking services. Following its merger with Bangladesh Bank, the bank now boasts 268 branch offices. Gyanendra Prasad Dhungana serves as the current CEO, guiding Nabil Bank Limited from its head office located in Durbar Marg, Kathmandu.

Everest Bank Limited (EBL)

Everest Bank Limited (EBL) was established in 1994 with the aim of delivering professional and efficient banking services to diverse segments of society. In 1997, EBL

entered into a joint venture partnership with Punjab National Bank (PNB) of India, with local Nepalese promoters holding 50% of the bank's equity, PNB contributing 20%, and the remaining 30% held by the public. EBL prioritizes customer satisfaction by providing user-friendly services facilitated by its network connected through the ABBS system. This system enables customers to conduct operational transactions seamlessly across any branch. With 128 branches, 164 ATM counters, 4 extension counters, and 22 revenue collection points nationwide, EBL ensures accessibility and efficiency for its clientele. Situated in Lazimpat, Kathmandu, EBL's head office serves as a central hub for its operations, reflecting the bank's commitment to providing convenient and effective banking solutions.

1.2 Problem Statement

Banks play a crucial role in the global economy, serving as essential intermediaries for individuals and organizations alike. They facilitate deposits and lending, contributing significantly to economic growth and maintaining confidence in the monetary system through their regulatory relationships with authorities and governments. As a result, there is widespread interest in monitoring banks' well-being, particularly regarding their solvency, liquidity, and risk management practices (IAS, 1993).

Hunjara & Muhammad (2021) investigated factors influencing stock price fluctuations, concluding that dividend yield has a negative correlation with stock price, while dividend payout ratio has a positive correlation. Similarly, Teppo Martikainen (2018) found that financial ratios such as ROA, ROE, and P/E ratio impact stock prices. Timsena (2018) researched the impact of dividend policy on stock prices of selected commercial banks, revealing a positive relationship between dividend policy and stock price.

Profitability serves as a crucial indicator of a firm's financial health, reflecting effective management, cost control, and operational efficiency. Liquidity and solvency are also vital for banks, ensuring their ability to meet obligations and maintain adequate capital levels. Investors are attracted to banks offering high dividends and profitability, necessitating comprehensive comparative studies among banks to inform investment decisions and customer preferences.

This study aims to analyze the financial positions of three commercial banks operating in Nepal, focusing on their liquidity, profitability, market position, and other relevant

factors. While numerous studies have examined the financial performance of banks in Nepal, there remains a gap in comprehensive analyses specifically targeting commercial banks listed on Nepal's security board. By addressing this gap, the study seeks to provide valuable insights for both customers and investors, enabling informed decision-making in the banking sector.

- What is the structure and pattern of Market Price Per Share (MPS), Return on equity (ROE), Dividend Per Share (DPS), Price earning Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA)?
- Is there any relationship between Market Price Per Share (MPS), Return on equity (ROE), Dividend Per Share (DPS), Price earning Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA)?
- How do Return on equity (ROE), Dividend Per Share (DPS), Price earning Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA) affect the Market price per share of commercial banks and which is the higher influencing factor among the selected variables?

1.3 Objectives of the Study

The major objective of the study is to analyze share price behavior of Nepalese commercial banks in Nepal. The specific objectives of the study are:

- To analyze the structure and pattern of Market Price Per Share (MPS), Return on equity (ROE), Dividend Per Share (DPS), Price earning Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA).
- To examine the relationship of Market Price Per Share (MPS), Return on equity (ROE), Dividend Per Share (DPS), Price earning Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA).
- To determine the impact of Return on equity (ROE), Dividend Per Share (DPS), Price earning Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA) affect the Market price per share of commercial banks and to find the higher influencing factor among the selected variables.

1.4 Rationale of the Study

The research on commercial banks in Nepal has predominantly focused on various aspects of their performance, but there has been a notable lack of emphasis on the specific topic of stock price behavior. Therefore, this study aims to fill this gap by shedding light on the factors influencing the stock price behaviors of Nepalese commercial banks. By delving into this area, the research seeks to offer valuable insights into the trends within the securities market, particularly pertaining to the banking sector.

Through this investigation, investors will gain a deeper understanding of how market fluctuations impact their investments and returns, enabling them to make more informed decisions. Furthermore, the findings of this study may serve as a basis for the government to review and reform financial policies, thereby fostering a more robust and efficient financial system.

Additionally, the study is anticipated to provide valuable feedback for various stakeholders, including academic institutions, bank employees, trainees, investors, financial professionals, policy-making bodies, and other individuals concerned with the banking sector. By elucidating the intricacies of stock price behaviors in Nepalese commercial banks, this research aims to contribute to the broader understanding of the dynamics within the financial industry, ultimately benefiting stakeholders across various sectors.

1.5 Limitations of the Study

Not any study is free of the limitations, so as this study does have its own limitations. They are the reliability of the statistical tools used, lack of research experience is the major limitations, and some other limitations can be listed as follows:

- This study only analyzes the last ten years data i.e. from 2013/014 to 2022/023.
- The study is based on the primary as well as the secondary data's. However, the study has to depend more on the secondary data taken from the annual reports, internet website of the banks. Similarly, on the other bank related magazines and journals. Therefore, the reliability of the conclusions depends on the accuracy of the pooled secondary data.

- There may be so many financial instruments equity shares, preference shares, debentures, and government bond etc. but only equity share considered in this study.
- The study covers past and present state of the stock price behaviors of commercial banks in Nepal. Hence, it does not make any projections about its future.

CHAPTER-II

REVIEW OF LITERATURE

This chapter has included two sections that is theoretical review and empirical review. On the basis of the different citations it can be described in two sections.

2.1 Theoretical Review

A. Convention or Classical Approach

The conventional or classical approach to financial analysis encompasses two main theories: fundamental analysis and technical analysis.

a) Fundamental Analysis

Fundamental analysis involves analyzing various factors such as economic indicators, industry trends, and company-specific information like earnings, dividends, and management performance to determine the intrinsic value of a security. This approach starts with the premise that the true value of a financial asset is the present value of all expected future cash flows. The fundamentalist evaluates stocks based on their earning potential and the prevailing economic conditions.

According to fundamentalists, the value of shares is contingent upon anticipated future returns and the associated capitalization rates. These rates represent the risk-adjusted cost of equity. Thus, the value of a share is calculated as the present value of its future earnings discounted at the appropriate capitalization rate. However, this approach necessitates comprehensive disclosure of financial and economic information. Without regular, reliable, and complete information dissemination, the market cannot accurately ascertain the value of shares. The market price of a security reflects investors' expectations, which are subject to change based on new information. In essence, the intrinsic value of a share is determined by its future income streams.

b) Technical Analysis

Contrary to fundamental analysis, technical analysis focuses on past market data to predict future price movements. This theory examines historical price and volume data to identify recurring patterns or trends. Technical analysts believe that these patterns tend to

repeat themselves over time. They study market transactions recorded on charts to discern meaningful patterns that can forecast future price trends.

Technical analysis operates on the premise that security prices are determined by the supply and demand dynamics in the market. Analysts utilize various tools to gauge these dynamics and predict future price movements. Unlike fundamental analysis, technical analysis pays little attention to future earnings or dividends. Instead, it aims to forecast short-term price movements and provides recommendations on the timing of buying or selling stocks.

Some key assumptions of technical analysis include:

- Market value is determined by the interaction of supply and demand.
- Demand and supply are influenced by numerous rational and irrational factors.
- Security prices exhibit trends that persist over time, with changes in trends driven by shifts in supply and demand.
- Trends can be detected and analyzed through charts of market transactions.
- Past market patterns tend to repeat themselves in the future, allowing for predictive analysis.

In summary, technical analysis relies on the study of past market behavior to forecast future price movements, whereas fundamental analysis evaluates securities based on their intrinsic value and earning potential. Both approaches provide valuable insights for investors and analysts in navigating the financial markets.

B. Efficient Market Theory

An efficient market is characterized by shares consistently being correctly priced and the inability to consistently outperform the market except by luck. In such a market, current market prices reflect all available information, and the allocation of scarce resources is done most productively, known as allocative efficiency. The capital market's role is to efficiently allocate investible resources.

Efficient Market (EM) theory posits that security prices quickly and accurately reflect all known information (Johns, 1992). In an efficient market, a security's current price is the best estimate of its intrinsic value, and opportunities for abnormal profits through trading

on public information are minimal (Weston and Copland, 1995). EM requires a large number of knowledgeable, profit-maximizing investors, costless and widely available information, and rapid adjustment to new information (Sharpe, 1998).

The degree of market efficiency has significant implications for the economy and investment decision-makers. Inefficient prices could lead to misallocation of capital. Information dissemination is crucial for estimating market prices accurately, and market efficiency encompasses informational, allocative, and operational efficiency.

The requirements for an efficient market include knowledgeable investors, efficient pricing, costless and widely available information, random information generation, negligible transaction costs, and rapid investor reactions to new information (Johns, 1998). Investors must be rational and recognize efficient assets to invest where returns are relatively high (Bhalla, 1983).

Weak-Form Market Efficiency suggests that stock prices reflect all past information, and no investor can earn excess returns based on historical prices or returns (Weston and Copland, 1996). Empirical tests have shown no significant correlation between security prices over time (Fama, 1965), and trading strategies based on historical prices generally do not outperform the market.

Semi-Strong Form of Efficiency posits that security prices reflect all publicly available information, making it impossible for investors to earn excess returns using such information (Francis, 1986). In the Strong Form of Efficiency, security prices reflect all public and private information, including insider information, leaving no room for above-average returns (John, 1943).

In summary, market efficiency theories provide frameworks for understanding how information is incorporated into security prices and the implications for investors and the economy. They underscore the importance of information dissemination, investor rationality, and the efficiency of market mechanisms.

C. Random Walk Efficient Market Theory

The random walk theory posits that future equity investment income streams are independent of preceding income streams. This implies that future prices cannot be

predicted based solely on past price behavior. Attempting to predict future prices using only historical price change information is unlikely to succeed, as successive price changes are considered independent. However, this independence does not mean that prices do not reflect the intrinsic value of the security.

According to the random walk theory, if a stock price deviates from its intrinsic value due to varying insights into the firm's future prospects, investors, both professional and non-professional, will capitalize on these short-term deviations and actively trade the stock, ultimately driving the price back to its equilibrium position. Therefore, while share prices may fluctuate randomly, market mechanisms ensure that discrepancies are corrected.

In a free and competitive market, share prices are determined by the relative forces of supply and demand. The efficient market hypothesis asserts that in such a market, share prices automatically adjust to reflect all relevant information, making the market highly sensitive to new information. Any discrepancies between market prices and intrinsic values are swiftly corrected.

Despite being a subject of significant academic and research interest, the efficient market theory has its critics. Opponents argue that the stock market is neither competitive nor efficient. They contend that various factors undermine market efficiency and competitiveness (John, 1943).

2.2 Empirical review

2.2.1 International Articles

Hunjara & Muhammad (2021) conducted a study on the Fluctuation in Stock Prices due to Dividend Policies. They aimed to identify factors influencing stock price fluctuations and found significant impacts of dividend yield and dividend payout ratio on stock prices, contrary to the dividend irrelevance theory. They employed ordinary least square regression model for analysis.

Bhattarai (2020) discussed the Calendar, Day, Weekend, and Seasonal Effects in the Nepali Capital Market, highlighting variations in returns and volatility across different days and seasons. The study observed higher volatility on Sundays and lower volatility on Tuesdays, mirroring trends seen in international markets.

Rahman & Siddiquee (2020) conducted research on the Declaration Effect of Cash & Stock Dividends on Share Price at the Dhaka Stock Exchange. They aimed to compare the impact of stock dividends versus cash dividends on share prices. The study found no evidence of abnormal returns on the declaration day for either type of dividend, suggesting a strategy for investors to maximize returns.

Francis (2019) delved into Semi-Strong Form Efficiency, stating that security prices reflect all publicly available information. The article argued that investors cannot earn excess returns using publicly available resources, as such information is already incorporated into current security prices.

Pradhan (2019) studied the Small Capital Market's Stock Market Behavior in Nepal, focusing on listed and traded shares. The study utilized cross-sectional analysis to address various aspects of stock market equity, including market value, dividends, liquidity, leverage, profitability, and more.

Arkan (2018) investigated the Role of Financial Ratios in Predicting Stock Price Trends in Emerging Markets, highlighting the importance of financial ratios derived from financial statements. The study identified key ratios impacting stock prices across different sectors, providing insights for decision-makers.

Martikainen (2018) researched Modeling Stock Price Behavior by Financial Ratios in the Finnish stock market. The study aimed to uncover economic dimensions reflected in stock price behavior and observed that financial ratios' explanatory power tends to increase around reporting days.

Ray (2018) explored the Granger Causal Relationship Between Macroeconomic Variables and Stock Price Behavior in India. The study analyzed annual data from 1990-91 to 2016-17 and found significant impacts of various macroeconomic factors on Indian stock prices, with implications for investors, regulators, policymakers, and analysts.

2.2.2 Review of Previous Thesis

Reviewing past theses and dissertations provides valuable insights into previous research conducted by scholars and students in the field. Several studies have explored various

aspects of share price behavior, focusing on factors such as dividend policies, market information, efficient market hypotheses, and the impact of macroeconomic variables. Here's a summary of the key findings from some of these studies:

Ojha (2021) investigated Financial Performance and Common Stock Pricing, revealing the dominance of the banking sector in the Nepalese stock market. The study found that firms with longer establishment histories exhibited relatively stable profitability parameters, while dividend per share (DPS) was more stable than dividend payout ratio.

Poudel (2020) examined Share Price Movement of Joint Venture Commercial Banks in Nepal, aiming to assess the influence of publicly available information on share price movements. The study revealed that publicly available information did not fully support share price movements, highlighting issues with data transparency in financial statements prepared by Nepalese commercial banks.

K.C. (2019) explored Efficient Market Hypotheses and Behavior of Share Prices in Nepal, utilizing various statistical tools to analyze the Nepalese stock market. The study suggested that historical information may not fully reflect in security prices, and identified dividends, retained earnings, bond share, and right issues as key factors affecting share prices.

Timsina (2018) investigated Dividend Policy and its Impact on Stock Price of Selected Commercial Banks, finding a high degree of positive relationship between dividend per share (DPS) and earnings per share (EPS) in most banks. The study also observed a normal positive relationship between DPS and EPS.

Bista (2018) studied The Impact of Dividend on Market Price of Shares of Selected Commercial Banks, aiming to analyze dividend policies and their relation with market value. The study noted fluctuating trends in earnings per share (EPS) and dividend per share (DPS) among commercial banks, and highlighted the changing concepts and practices in dividend policy over time.

Sapkota (2016) analyzed Stock Price Behavior of Listed Finance Companies in Nepal, focusing on stock price and volume, relationship between book value per share (BVPS) and market value per share (MVPS), and risk-return associated with common stock

investment. The study found that finance companies exhibited lower risk compared to average stocks traded in the stock exchange.

These studies collectively contribute to our understanding of share price behavior in the Nepalese context, shedding light on various factors influencing stock prices and market dynamics.

Table 1

Empirical Summary of Review

Author & Year	Title	Objectives	Methodology	Variables	Conclusions
Hunjara & Muhammad (2021)	Stock dividend and fluctuation in its stock prices.	The main objective of this study is to find the factors which cause fluctuation in stock prices.	A descriptive research design has been used to make the analysis more conclusive by using different statistical and financial tools.	Dependent variables Market Price Per share. Independent variables are Dividend Yield, Dividend Payout Ratio, ROA, and ROE.	Dividend yield is negatively related with stock price and dividend payout ratio is positively related with stock price.
Rahman & Siddiquee (2020)	Effect of Cash & Stock Dividends on Share Price.	The study aimed to identify whether stock dividends has more impacts on the share prices than that of the cash dividends	Study are Dividend Per Share, Debt To Equity Ratio, Book Value Per Share, Price Earnings Ratio, Debt to assets Ratio	Dependent variables Market Price Per share. Independent variables are DPR, D/E ratio, BVPS, P/E ratio, Debt to Assets ratio.	The finding of the study proposes an interesting policy to the investors who are willing to invest with the companies listed under the DSE.
Francis (2019)	Semi-Strong form of Efficiency, in the semi-strong form	The objective of the study is “can investors earn excess return using publicly	Correlation analysis establishes the closeness of relationship	Dependent variables Market Price Per share.	Publicly available information is already impounded in

	of efficiency	available resources such as corporate annual reports, stock market price information or all publicly available data.”	between the two and more variables. It measures the degree of relationship or association between variables	Independent variables are DPR, ROA and ROE.	the current security prices. If the semi-strong hypothesis is true, then only a few than what could be earned by using a native buy and hold strategy.
Thomas Arkan (2018)	The Importance of Financial Ratios in Predicting Stock Price Trends.	The objectives of the study are to investigate the importance of financial ratios derived from financial statements to predict stock price trends in emerging markets.	The different financial as well as the statistical tools are used to predict Stock price trends.	Dependent variables Market Price Per share. Independent variables are trends of predicting stock price.	Financial ratios are important for the prediction of Stock Price Trends.
Teppo Martikainen (2018)	Modeling stock price behaviour by financial ratios	The study aims to find out the Stock price behavior by financial ratios.	The coefficient of determination and Correlation between two variables are analysed.	Dependent variables Market Price Per share. Independent variables are profitability ratios.	Empirical evidence strongly indicates that financial ratios represent pricing relationships in a substantive manner.
Sarbapriya Ray, (2018)	Testing Granger Causal Relationship between Macroeconomic Variables and Stock Price Behaviour.	The study indicate that oil price and gold price have a significant negative effect on stock price.	Regression determines the average probable change in one variable based on a certain amount of change in another.	Dependent variables Market Price Per share. Independent variables are balance of trade, interest rate, foreign exchange reserve,	The results have implications on domestic as well as foreign investors, stock market.

Pradhan (2019)	The Stock Market of Small Capital Market in Nepalese Context helps to provide.	The purpose of this study is to address the stock market equity, market value to book value, price earnings and dividends with liquidity, leverage profitability assets turnover and interest coverage.	Dividend Per share (DPS) of the firms was relatively more stable then the dividend payout ratio. That is why payout ratio and dividend yields were highly fluctuating during the research period.	gross domestic product. Dependent variables Market Price Per share. Independent variables are Dividend Per Share, Return on Equity ratio.	Data could not be obtained on contacting the individual enterprise as they traded them confidential
Ojha (2021)	Financial Performance and Common Stock Pricing.	The main objectives were study and examine the difference of financial performance and stock price behavior, the relationship of dividends and stock price.	Dividend Per share (DPS) of the firms was relatively more stable then the dividend payout ratio.	Dependent variables Market Price Per share. Independent variables are Dividend Per Share, DPR.	There was significant positive correlation between the dividends paid and stock price of banking.
K.C. (2019)	Efficient Market Hypotheses and Behavior of the Share Prices in Nepal.	The main objectives were comprehensive investigation of weak and other form of efficient market hypotheses.	Statistical tools like lest square equation is used.	Dependent variables Market Value Per share. Independent variables are Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio.	The findings were different statistical tools were uses in the study serial correlation, the run test, weighted mean, median, chi-square test, and spear's rank correlation.
Timsina (2018)	Dividend Policy and Its Impact on Stock Price of Selected Commercial Banks.	The main objectives were identifying the trend and development of stock market and economic growth.	Different Statistical as well as financial analysis are conducted to find Dividend Policy and Its Impact on Stock	Dependent variables Market Value Per share. Independent variables are DPS	There is positive relationship between Dividend Policy and Stock Price.

Bista (2018)	Impact of Dividend on Market Price of Shares of Selected Commercial Banks	The aim to highlight the various aspects of dividend policies and practices in Nepal and to analyze the variables such as DPS, DPR, dividend yield and their relation with market value	Price The calculation of EPS and DPS of commercial banks in average are fluctuating year by year.	and EPS. Dependent variables Market Value Per share. Independent variables are DPS and EPS.	There is certain kind of relationship model to explain the relation between price and dividend.
Sapkota (2016)	Stock Price Behavior of Listed Finance Companies in Nepal.	The main objectives analyze the stock price and relationship between BVPS and MVPS.	The price-to-Earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.	Dependent variables Market Value Per share. Independent variables are DPS, EPS, P/E ratio, Earning yields.	There is positive relationship between Dependant and independent variables.

2.3 Research Gap

The research gap refers to the disparity between previous research and the current study. In today's rapidly evolving world, existing research may not fully capture the latest developments and phenomena. While numerous studies have been conducted in related areas, there's a noticeable dearth of research on the specific topic of "Determinants of Stock Price in Nepalese Commercial Banks." It's crucial to conduct a comparative analysis among different banks to avoid overlooking relevant information, which could have negative implications in the long term. Customers are drawn to banks that offer efficient services, while investors are inclined to invest in banks that provide high dividends, profits, and reliability in payments. To thrive in a competitive market, banks must consider factors such as liquidity, profitability, market position, and other relevant metrics. Therefore, this study aims to analyze the determinants of stock prices for three commercial banks operating in Nepal. Despite various studies on the financial performance of the banking sector in Nepal, there's a notable gap in broad studies

focusing specifically on commercial banks listed on the security board of Nepal. This study seeks to address this gap by providing a comprehensive analysis of stock price determinants in the context of Nepalese commercial banks.

CHAPTER III

RESEARCH METHODOLOGY

This chapter outlines the methodologies employed during the research period, as well as a concise introduction to the financial parameters utilized in the study. It discusses the research design, sources, and nature of data, sampling methodology, and the statistical and financial tools employed for data analysis.

3.1 Research Design

The research design outlines the methodological approach employed in the study, providing a detailed plan for conducting the research and analyzing the empirical data to address the research problem effectively. A descriptive research design has been utilized to ensure the analysis is comprehensive. The diagnostic analysis aims to ascertain the actual position of commercial banks through the application of various statistical and financial tools. For instance, Sapkota (2016) investigated the Stock Price Behavior of Listed Financial Companies in Nepal, utilizing financial and statistical tools such as correlation and regression analysis. Market price per share was considered as the dependent variable, while BVPS, DPS, EPS, and P/E Ratio were treated as independent variables. Similarly, Ojha (2021) conducted research on Financial Performance and Common Stock Pricing, employing a descriptive research design and utilizing various statistical and financial tools for analysis. Additionally, Sarbapriya Ray (2018) explored the testing of Granger Causal Relationship between Macroeconomic Variables and Stock Price Behavior, employing regression analysis to determine the relationship between the dependent and independent variables. The study covers census data from fiscal year 2013/014 to 2022/023, spanning a ten-year period due to the unavailability of past data.

3.2 Population and Sample

In the stock market, various sectors exist, including commercial banks, insurance, finance, hotels, trading, manufacturing and processing, among others. However, this study focuses solely on the commercial banks sector. The data utilized for this study are drawn from banks listed in the stock market. As of the date 2080/02/20, there are a total of 20 listed commercial banks in Nepal. For the sake of data collection ease and to ensure

accuracy in results and trends concerning Market Price Per Share of Nepalese Commercial Banks, only three banks have been selected as a representative sample to depict the performance of the capital market. The selected sample banks are as follows:

- Everest Bank Limited
- Himalayan Bank Limited
- NABIL Bank Limited

3.3 Nature and Sources of Data Collection

Data collection for this study relies on various sources, predominantly secondary data. The information is gathered from multiple sources including annual reports, trading reports, official records of the stock exchange, and the annual reports of the specific banks. Additionally, data from reputable online sources such as the Nepal Stock Exchange website (www.nepalstock.com) are utilized. Supplementary data from sources like the Nepal Rastra Bank, the Ministry of Finance, national and international journals, and the websites of the selected sample banks are also reviewed. The primary method employed for data collection is secondary, ensuring a comprehensive and diverse dataset for analysis.

3.4 Data Analysis Technique

Simply presenting data is insufficient for analyzing stock price behavior; it requires further processing. Various mathematical and statistical tools have been devised to process the pertinent data effectively, enabling researchers to draw meaningful conclusions. In this study, a combination of statistical and financial tools has been employed to analyze and interpret the data, facilitating a comprehensive understanding of stock price behavior and aiding in drawing insightful conclusions.

3.4.1 Statistical Tools

The primary statistical tools utilized in this study include arithmetic mean, coefficient of correlation, and probable error. Additionally, other statistical methods are employed as needed to ensure a comprehensive analysis of the data.

3.4.1.1 Mean

The mean, or arithmetic average, of a series is calculated by dividing the sum of all the values in the series by the total number of observations. In mathematical terms, if X_1, X_2, \dots, X_n represent the 'N' observations, then the mean, typically represented by \bar{X} , is determined by the formula:

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

3.4.1.2 Correlation Coefficient

Correlation analysis evaluates the strength and direction of the relationship between two or more variables. It quantifies the extent of association between variables. Karl Pearson's Coefficient of Correlation is a commonly used statistical measure to assess the degree of correlation among variables.

3.4.1.3 Regression Analysis

Regression analysis is a statistical method used to predict the value of one variable based on the known value of another variable, assuming a close relationship between the two. It allows for the estimation of the value of a dependent variable from an independent variable. The independent variable represents the known value, while the dependent variable is the one to be predicted. Regression analysis establishes an approximate functional relationship between variables, determining the average change in one variable for a given change in another. It assesses whether the dependent variable is influenced by the independent variable. Widely employed in various scientific fields, regression analysis is particularly prominent in economics and business research for establishing causal relationships between variables. In this study, regression equations are analyzed to understand the relationship between variables.

*The model (1) is: Projected (MPS) (\hat{Y}) = $\alpha + \beta_1 * DPS + \beta_2 * ROE + \beta_3 * BVPS + \beta_4 * P/E + \beta_5 * ROA + tn$*

MPS= (Y) Market Price Per Share: Dependent Variable

DPS= (β_1) Dividend Per Share: Independent Variable

ROE= (β_2) Return on Equity: Independent Variable

BVPS= (β_3) Book Value Per Share: Independent Variable

P/E = (β_4) Price Earning Ratio: Independent Variable

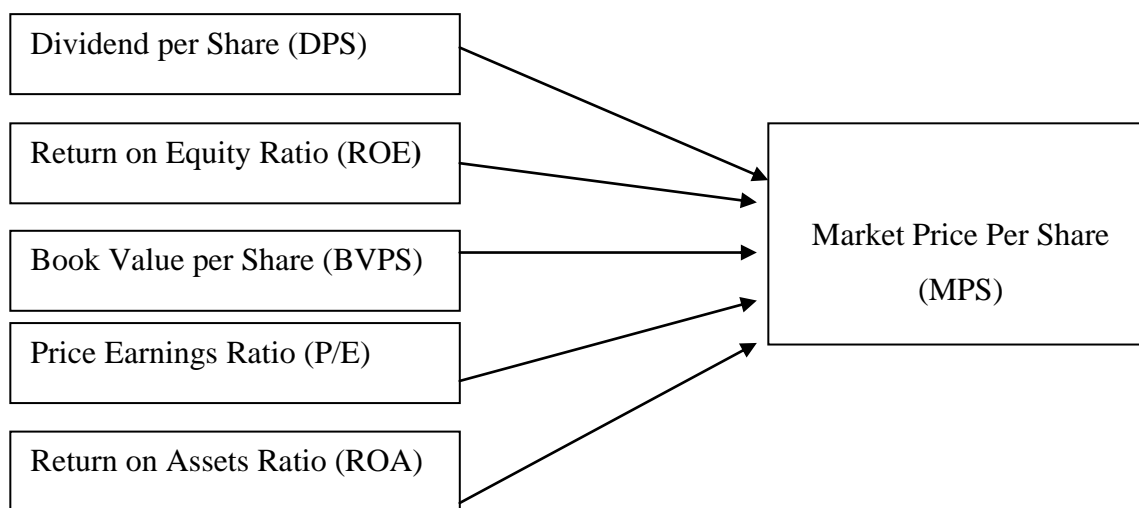
ROA = (β_5) Return on Assets Ratio: Independent Variable

tn = others

β_1 are the parameters of the models. In addition, we note that $i = 1, 2, \dots, 5$ since we are analyzing 3 commercial banks while $n = 1, 2, \dots, 5$ since our analysis captures 10 years from 2012/13 - 2022/023.

3.5 Research Framework

According to the literature review, the primary factors influencing stock prices analyzed in this study include Dividend Per Share, Return on Equity ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, Book Value Ratio, among others. Figure 1 illustrates the schematic diagram depicting the relationship between stock price and these identified factors.



(Source: Silwal and Napit, 2019)

Figure 1: Research Framework

3.6 Definition of the Variables

Financial parameters serve as indicators of an organization's financial health and are derived from its financial statements and disclosures. Some key financial variables utilized in this study to assess market capitalization, share price, earnings per share (EPS), and dividend per share (DPS) are outlined below:

Earnings Price per Share (EPS)

EPS reflects the profitability of a firm on a per-share basis for ordinary shareholders. It is calculated by dividing the profits available to shareholders by the number of outstanding shares. EPS is closely monitored by investors as it is considered a crucial measure of corporate performance.

Dividend per Share (DPS)

DPS represents the portion of profits allocated to shareholders in the form of dividends. It is calculated by dividing the net distributed profit attributable to shareholders by the number of ordinary shares outstanding.

Dividend Yield

Dividend yield illustrates the relationship between DPS and market price per share. It is calculated by dividing the cash dividend per share by the market value per share.

Market Value to Book Value Ratio

This ratio compares the market price of a share to its book value per share. It helps identify undervalued or overvalued securities by assessing the market value relative to the actual worth of the company.

Price Earnings Ratio (P/E Ratio)

The P/E ratio measures the relationship between EPS and the market price of a stock. It reflects the price investors are willing to pay for each rupee of EPS and indicates their expectations about the company's future growth prospects.

Return on Total Assets (ROA)

ROA evaluates the profitability of a firm in relation to its assets. It measures management's efficiency in generating profits with the available assets.

Return on Common Equity

This metric assesses the return earned on common stockholders' investment in the firm. It signifies the profit distributed to equity shareholders.

These financial parameters, derived from financial statements and literature findings, provide valuable insights into the financial status and performance of organizations, aiding investors and analysts in decision-making processes.

CHAPTER IV

RESULTS AND DISCUSSION

The central focus of this study revolves around the presentation and analysis of data, which entails conducting a comparative assessment of the financial performance of companies and analyzing stock market prices in the context of dividends and earnings within the Nepal Stock Market. This involves examining and comparing various financial metrics and indicators across different companies, as well as delving into the relationship between market prices of stocks and factors such as dividend payments and earnings.

4.1 Presentation and Descriptive Analysis of financial variables

The performance of companies listed on the stock exchange significantly influences the capital market dynamics. A company exhibiting strong performance typically demonstrates higher market prices, increased transaction volumes, heightened demand for its stocks, reduced risk perception, and lower cost of capital. Several indicators are employed to evaluate company performance, including market price per share, dividend per share, return on equity ratio, book value per share, price-earnings ratio, and return on assets ratio.

4.1.1 Market Price per Share

Market price per share represents the value at which shares are bought and sold between sellers and buyers in the market. It holds significant importance for all stakeholders involved. A robust market price per share often serves as the public face of a company, influencing investor perception positively. Conversely, a decline in market price can have adverse effects on the company, potentially leading to financial distress or even bankruptcy if the decrease is severe and sustained. For investors, market price per share is typically a primary consideration, often prioritized over other performance indicators.

Table 2
Market Price per Share

(In Rs)

Years/Banks	HBL	NABIL	EBL
2013/014	700	1815	1591
2014/015	941	2535	2651
2015/016	813	1910	2120
2016/017	1500	2344	3385
2017/018	886	1523	1353
2018/019	551	921	663
2019/020	552	800	666
2020/021	540	765	675
2021/022	484	1359	738
2022/023	299.2	824	439
Mean	726.62	1479.6	1426.1
S.D	335.8838	654.40	998.62
C.V	0.46226	0.444309	0.70025

(Source: Annual report)

Table 2 presents the market price per share (MPS) values for each of the sample banks across different fiscal years. In the fiscal year 2012/13, NABIL bank recorded the highest MPS, while HBL had the lowest. Subsequently, from 2013/14 to 2015/16, EBL consistently reported the highest MPS, with HBL consistently having the lowest. Notably, HBL consistently exhibited comparatively lower market prices compared to the other banks, indicating lower market valuation. The market price demonstrates the volatility of the DPS of the sample banks. NABIL exhibits the highest market price overall, followed by EBL. In terms of risk, EBL exhibits the highest standard deviation among the three banks, indicating greater volatility. Conversely, NABIL and HBL demonstrate lower variation, suggesting relatively lower risk compared to EBL.

4.1.2 Dividend per Share

Dividend represents the share of profits allocated to shareholders. It constitutes the portion of net profits that is distributed to equity shareholders, while the remainder is retained within the company. Dividend per share (DPS) is the dividend paid to shareholders on a per share basis. Essentially, DPS is calculated by dividing the total distributed profit among shareholders by the number of ordinary shares outstanding.

Table 3

Dividend per Share

(in %)

Years	HBL	NABIL	EBL
2013/014	15.00	65	60.53
2014/015	21.05	65	62
2015/016	42.11	36.84	36.57
2016/017	31.58	45	70
2017/018	26.32	48	34.74
2018/019	15.79	34	20
2019/020	22.00	34	25
2020/021	20.00	35.26	10.53
2021/022	26.00	38	10.32
2022/023	19.11	30	20.68
Mean	23.895	43.11	35.037
S. D	8.1333	12.6962	21.9753
C.V	0.340377	0.2945061	0.627204

(Source: Annual report)

Table 3 illustrates that HBL, NABIL, and EBL Banks are prominent in issuing substantial dividends. NABIL Bank, on average, has provided commendable dividends, while EBL has also offered satisfactory dividends to its shareholders. However, compared to the other two banks, its dividend rate is lower. Everest Bank has exhibited the highest total risk, as indicated by its highest standard deviation. Conversely, NABIL and HBL have demonstrated lower risks in comparison. Additionally, EBL has the highest coefficient of variation (C.V), suggesting the highest variation in dividend per

share. In contrast, NABIL and EBL have exhibited lower variations. It is widely believed that dividend declarations have a positive impact on share prices. In the context of Nepal, only the banking sector consistently pays dividends, which could contribute to the relatively high prices of banking sector stocks in the stock market.

4.1.3 Return on Equity Ratio (ROE)

The return on common equity assesses the profitability of the investment made by common stockholders in a company. Typically, higher returns indicate greater benefits for the owners. The return on common equity is computed by dividing the net income available to common shareholders by the average common equity.

Table 4

Return on Equity

(in %)

Years	HBL	NABIL	EBL
2013/014	17.81	32.78	30.47
2014/015	16.85	27.97	28.4
2015/016	17.06	22.73	22.85
2016/017	24.53	25.61	20.61
2017/018	21.58	22.41	17.38
2018/019	14.17	20.94	16
2019/020	18.34	17.76	17.33
2020/021	15.4	13.61	13.5
2021/022	14.89	15.19	8.56
2022/023	10.76	9.78	10.88
Mean	17.139	20.878	18.598
S.D	3.8575	6.97767	18.598
C.V	0.2251	0.33421	0.382442773

(Source: Annual report)

Table 4 illustrates the performance of stocks for HBL, NABIL, and EBL during the study period. EBL's stock performance is notably strong, while HBL and NABIL also exhibit favorable performance. The average Return on Equity (ROE) for the 10-year period is presented in the figure. ROE reflects the volatility of dividends per share for the sample

banks. EBL demonstrates the highest ROE, while HBL shows the lowest. NABIL exhibits the highest average ROE at 32.78%, followed closely by EBL at 30.47%. This suggests promising returns for shareholders concerning their investments. However, there is also a higher risk associated with EBL, NABIL, and HBL, with EBL showing the highest coefficient of variation, indicating greater variation in returns for shareholders.

4.1.4 Book Value per Share (BVPS)

The market value to book value ratio represents the relationship between a company's share price and its book value per share.

Table 5

Book Value per Share

(in Rs)

Years	HBL	NABIL	EBL
2013/014	192	275	291.53
2014/015	210	251	296.3
2015/016	208.81	259	335.6
2016/017	196.12	244	370.84
2017/018	189.91	270	290.02
2018/019	174.24	256	200.01
2019/020	187.73	257	218.58
2020/021	187.67	256	219.56
2021/022	188.43	251	232.11
2022/023	169.72	232	241.37
Mean	190.465	255.1	269.592
S.D	12.7624	12.151	56.1432
C.V	0.067006	0.047634	0.208252

(Source: Annual report)

Table 5 indicates that EBL consistently maintained the highest Book Value per Share from 2012/13 to 2016/17, followed by NABIL with the second-highest book value. On the other hand, HBL had a lower book value compared to the other two banks. Similarly, NABIL Bank held the highest book value from 2017/18 to 2020/21, with Everest Bank securing the second-highest position and HBL ranking third. These findings suggest that

EBL exhibited the highest standard deviation, indicating greater risk compared to the other banks, while HBL and NABIL showed similar levels of risk. Additionally, EBL also demonstrated a higher coefficient of variation, indicating a greater degree of variation in Book Value per Share.

4.1.5 Price Earnings Ratio

The price-earnings ratio (P/E ratio) is a measure of the relationship between a company's earnings per share (EPS) and its market price per share. EPS reflects a company's performance by indicating how effectively it has managed its resources to meet shareholder expectations. The P/E ratio serves as an indicator of investor sentiment and market perception regarding a firm's performance. Security analysts commonly rely on this ratio to evaluate a company's performance relative to investor expectations.

Table 6

<i>Price Earnings Ratio</i>		(in times)	
Years	HBL	NABIL	EBL
2013/014	20.47	19.08	17.32
2014/015	28.43	30.29	30.58
2015/016	24.36	33.37	27.17
2016/017	34.86	39.55	83.94
2017/018	25.40	25.44	41.66
2018/019	23.84	18.6	20.23
2019/020	17.02	15.82	17.50
2020/021	19.57	21.15	22.72
2021/022	17.25	40.48	37.06
2022/023	16.39	44.21	16.69
Mean	22.74	28.799	31.487
S. D	5.846068	10.27061	20.3421
C.V	0.257083	0.3566	0.646046

(Source: Annual report)

Table 6 underscores the significance of consistency in the P/E ratio over a period rather than solely focusing on a high but volatile P/E ratio. Consistency in the P/E ratio tends to

positively influence the share price in the market, as rational investors prefer stability over fluctuations in this ratio. The P/E ratio serves as a crucial indicator of stock performance in the market. Among the sample banks, EBL exhibits the highest average P/E ratio throughout the study period, indicating strong market perception. However, HBL demonstrates the most consistent P/E ratio over time. Conversely, EBL displays a higher standard deviation compared to the other two banks, suggesting increased risk. NABIL also shows good consistency in its P/E ratio.

4.1.6 Return on Total Assets

In this context, profitability is assessed by analyzing the relationship between net profits and assets, known as the return on assets (ROA) or profit-to-assets ratio. This metric evaluates how efficiently management utilizes available assets to generate profits. A higher return on total assets signifies better performance, indicating effective asset utilization. The return on total assets is calculated by:

Table 7

<i>Return on Assets</i>			(in %)
Years	HBL	NABIL	EBL
2013/014	1.54	3.25	2.39
2014/015	1.30	2.89	2.25
2015/016	1.34	2.06	1.85
2016/017	1.94	2.32	1.61
2017/018	2.19	2.69	1.72
2018/019	1.67	2.61	1.97
2019/020	2.21	2.11	1.94
2020/021	1.79	1.58	1.42
2021/022	1.68	1.71	0.89
2022/023	1.09	1.2	1.13
Mean	1.675	2.242	1.717
S.D	0.37242	0.63559	0.4710048
C.V	0.22234	0.283492	0.27432

(Source: Annual report)

Table 7 indicates that higher ROA tends to positively influence the market price. The average ROA for all sample banks from 2013/014 to 2022/023 is shown in the figure below. The Return on Assets serves as an indicator of volatility in the DPS of sample banks. NABIL Bank consistently demonstrates the highest ROA, reaching 3.25% in 2021/22, while HBL Bank consistently exhibits the lowest ROA, at 1.09. Notably, all banks maintain ROA levels above the acceptable threshold, indicating efficient asset utilization. Specifically, NABIL Bank appears to be the most effective in leveraging its total assets. Conversely, HBL Bank consistently shows lower ROA compared to its counterparts, with a peak of 2.21 in 2018/19.

4.2 Summery of the Variables

This study aims to investigate the direct impact of DPS, ROE, P/E ratio, BVPS, and ROA on the fluctuation of stock prices. This relationship will be assessed using various statistical tools, with the coefficient of correlation, particularly Karl Pearson's method, being a commonly employed technique.

Table 8

Descriptive Statistics

Statistics	MPS	DPS	ROE	BVPS	P/E	ROA
Mean	1210.77	34.014	18.8717	238.3857	27.6753	1.8780
Std. Deviation	774.83	16.87082	6.15447	47.94369	13.62382	.55326
Minimum	299.2	10.32	8.56	169.72	15.82	.89
Maximum	3385	70.00	32.78	370.84	83.94	3.25

Source: SPSS Programmer

Table 8 presents the descriptive statistics of MPS, DPS, ROE, BVPS, P/E ratio, and ROA for the sample banks over a ten-year period from 2011/12 to 2021/2022. The table includes the mean, standard deviation, minimum, and maximum values of these variables. MPS ranges from Rs. 299.2 to Rs. 3385, with an average of Rs. 1210.77 and a standard deviation of Rs. 774.83. DPS ranges from Rs. 10.32 to Rs. 70.00, with an average of Rs. 34.0140 and a standard deviation of Rs. 16.87082. ROE varies from 8.56 to 32.78, with an average of 18.8717 and a standard deviation of 6.15447. BVPS ranges from Rs. 169.72 to Rs. 370.84, with an average of Rs. 238.3857 and a standard deviation

of Rs. 47.94369. Similarly, the P/E ratio ranges from 15.82 to 83.94, with an average of 27.6753 and a standard deviation of 47.94369. Lastly, ROA ranges from 0.89 to 3.25, with an average of 1.8780 and a standard deviation of 0.55326.

4.3 Statistical Analysis of the Variables

Financial analysis comprises both Correlation Analysis and Regression Analysis of the variables. Correlation analysis is employed to assess the relationship between two or more variables, while regression analysis aids in determining the value of a dependent variable based on the values of other independent variables.

4.3.1 Correlation Analysis

In this section, the relationship among DPS, ROE, BVPS, P/E, ROA, and MPS of banks is examined. Correlation analysis is conducted to assess the relationship among these variables, including their coefficient of determination. Simple correlations and multiple coefficient correlations are calculated for hypothesis testing. Additionally, multiple regression analysis is performed to determine the extent of the effects of independent variables on the dependent variable, and the magnitude is determined by establishing regression equations.

Table 9

Correlations Matrix

Variables	MPS	DPS	ROE	BVPS	P/E	ROA
MPS	1					
DPS	.838**	1				
ROE	.703**	.774**	1			
BVPS	.777**	.722**	.447*	1		
P/E	.659**	.397*	.040	.546**	1	
ROA	.459*	.628**	.849**	.279	-.159	1

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

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

Source: SPSS Programmer

The correlations among the study variables were tested using correlation analysis with ROE, P/E, BVPS, ROA, MPS, and DPS separately, as presented in Table 9. The highest correlation, observed to be 0.838, was between MPS and DPS. The market price of the share exhibits a positive relationship with all independent variables, including dividend per share, return on equity, book value per share, profit earnings ratio, and return on assets of the sample banks. These results indicate that higher values of dividend per share, return on equity, price earnings ratio, book value per share, and return on assets correspond to higher market prices per share.

4.3.2 Regression Analysis

Regression analysis is employed to ascertain the statistical relationship between two or more variables and to make predictions of one variable based on the others. In this study, multiple regression analyses have been conducted, with MPS serving as the dependent variable and DPS, ROE, P/E Ratio, BVPS, and ROA acting as independent variables.

Table 10

ANOVA Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16149598.55	5	3229919.710	61.479	<.001 ^b
	Residual	1260896.148	24	52537.339		
	Total	17410494.70	29			

Source: SPSS Programmer

According to the ANOVA statistics presented in Table 10, the significance level of the processed data, which represents the population parameters, is 0.001%, indicating its suitability for drawing conclusions about the population's parameters since the significance value (p-value) is less than the standard threshold of 5%. The Fisher's ratio (F-statistics) of 61.479 suggests the validity of the estimated model, with a corresponding p-value of 0.001, indicating that the explanatory variables are significantly associated

with the dependent variable. This implies that collectively, the explanatory variables strongly influence the behavior of market share prices.

The regression results detailing the independent effects of ROE, DPS, P/E ratio, BVPS, and ROA on MPS are presented in Table 11 below.

Table 11

Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.963 ^a	.928	.912	229.21025

Source: SPSS Programmer

The regression model utilizing ordinary least squares (OLS) is employed for analysis. The R-Square, also known as the coefficient of determination, is 92.8%, indicating that the model can explain approximately 92.8% of the variability in the Return on Assets of the sampled commercial banks. This suggests that the model can elucidate around 92.8% of the systematic variation in the dependent variable.

In other words, the R-Square demonstrates that 92.8% of the changes in the Market Price per Share (MPS) of Nepalese commercial banks can be attributed to variations in DPS, ROE, BVPS, P/E ratio, and ROA, while the remaining 7.2% may be influenced by other factors. The correlation coefficient (R) illustrates the relationship between the study variables, with a highly significant positive relationship observed at 0.963. This finding is supported by the adjusted R-square of approximately 92.8%, indicating the proportion of total variance explained by the model.

The regression results detailing the independent effects of DPS, ROE, P/E ratio, BVPS, and ROA on MPS are presented in Table 12 below:

Table 12
Coefficients Table

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1654.700	319.268		-5.183	<.001
DPS	4.887	5.699	.106	.858	.400
ROE	72.678	16.179	.577	4.492	<.001
BVPS	3.407	1.416	.211	2.406	.024
PE	26.476	4.343	.466	6.097	<.001
ROA	-115.651	159.296	-.083	-.726	.475

Source: SPSS Programmer

The regression analysis from Table 12 reveals insightful findings regarding the relationships between key variables and the market price per share (MPS) of Nepalese commercial banks. Firstly, it's established that a unit increase in dividend per share (DPS), return on equity (ROE), book value per share (BVPS), and price-earnings (P/E) ratio leads to respective increases in MPS, whereas a unit increase in return on assets (ROA) results in a decrease in MPS. These relationships indicate a positive association between MPS and DPS, ROE, BVPS, and P/E ratio, but a negative association with ROA.

Furthermore, statistical significance is observed for ROE, BVPS, and P/E ratio, indicating that these variables significantly influence MPS at a 95% confidence level. Conversely, DPS and ROA show insignificant impact on share prices of banks, as indicated by their p-values being greater than 0.05.

From the analysis of average market prices per share, NABIL Bank exhibits the highest average price per share, while HBL Bank shows the lowest. Similarly, in terms of DPS, NABIL Bank has the highest average, and HBL has the lowest. Additionally, NABIL Bank demonstrates the highest average ROE, while Everest Bank (EBL) exhibits the lowest. BVPS fluctuates among the banks, with Everest Bank showing the highest variation. Regarding P/E ratio, Everest Bank has the highest average, and HBL Bank has

the lowest. Lastly, NABIL Bank displays the highest average ROA, while HBL Bank has the lowest.

In conclusion, bivariate correlation analysis confirms a positive correlation between MPS and DPS, ROE, BVPS, P/E ratio, and ROA. The coefficient of multiple determination indicates that 92.8% of the variation in MPS is explained by DPS, ROE, BVPS, P/E ratio, and ROA, with the remainder unexplained. The regression coefficients affirm the positive relationship of DPS, ROE, BVPS, and P/E ratio with MPS, while ROA shows a negative relationship. Tests of significance reveal that ROE, BVPS, and P/E ratio significantly affect MPS, while DPS and ROA have an insignificant impact.

4.4 Discussion

This study employed descriptive and multiple regression analyses to explore the factors influencing the market share price (MPS) of Nepalese commercial banks. The research methodology utilized secondary data collected from the annual reports of selected commercial banks. Various financial and statistical tools were applied to obtain the study results.

One of the key findings indicates a positive and significant relationship between the price-earnings (P/E) ratio and MPS, aligning with previous studies by Bhattarai (2020) and Silwal and Napit (2019). This suggests that the P/E ratio serves as a crucial determinant of stock prices, signaling the financial health and growth prospects of the company. A high P/E ratio indicates investor optimism regarding future earnings growth, leading to increased demand and subsequently higher stock prices.

Similarly, the study reveals a positive and significant relationship between return on equity (ROE) and MPS, consistent with findings by Bhattarai (2020) and Silwal and Napit (2019). ROE, being an indicator of profitability, influences investor sentiment by reflecting the company's ability to generate returns. As ROE increases, investors seek stocks with higher profitability, thus driving up stock prices.

Furthermore, book value per share (BVPS) demonstrates a positive and significant relationship with MPS, consistent with studies by Bhattarai (2020), Silwal and Napit (2019), and Poudel (2016). BVPS serves as an indicator of a company's financial

performance and past record, influencing investor confidence. A high BVPS signifies a strong financial foundation, attracting investor interest and positively impacting stock prices.

However, the study finds that dividend per share (DPS) has an insignificant relationship with stock price, contrary to Silwal and Napit (2019). While Silwal and Napit reported a significant positive relationship between DPS and MPS, this study indicates a positive yet insignificant correlation. This disparity could be attributed to variations in the study period and market conditions, as well as differing levels of investor awareness regarding factors affecting stock prices.

Moreover, return on assets (ROA) exhibits an insignificant negative relationship with MPS, inconsistent with Silwal and Napit (2019). While Silwal and Napit found a positive yet insignificant relationship between ROA and MPS, this study suggests a negative but insignificant correlation. Similarly, Niroula (2021) also reported negligible effects of ROA on MPS. These contradictions in results may stem from differences in study periods, market dynamics, and methodologies employed.

In conclusion, this study contributes to the understanding of factors influencing MPS in Nepalese commercial banks. The findings highlight the significance of variables such as P/E ratio, ROE, and BVPS in determining stock prices, while also shedding light on the nuanced relationships between DPS, ROA, and MPS. Further research incorporating a wider range of variables and a longer study period could provide deeper insights into the dynamics of stock price determinants in the Nepalese market.

CHAPTER V

SUMMARY AND CONCLUSIONS

The culmination of this research encapsulates the essence of the study's findings, drawing conclusions, and outlining implications for stakeholders and organizations. Through the analysis of secondary data, significant insights into the factors influencing market share prices (MPS) of Nepalese commercial banks have been derived. This final chapter serves to synthesize these findings and offer valuable implications for various stakeholders.

5.1 Summary

This chapter encapsulates the essence of the entire study, providing a succinct summary and highlighting the key findings. The primary aim of the research was to delve into the internal factors influencing the stock prices of Nepalese commercial banks, thereby contributing to the literature in corporate finance within the Nepalese context.

Chapter one laid the groundwork by offering an in-depth background on market prices and delineating the study's objectives. It also elucidated the significance of the research, acknowledged its limitations, and outlined the organizational structure of the study. The core objective was to scrutinize the relationship between internal factors namely, DPS, ROE, P/E ratio, BVPS, and ROA and their impact on stock prices in Nepalese commercial banks. Specific objectives included analyzing the structure and pattern of Market Price Per Share (MPS) and other financial metrics, exploring their relationships, assessing their impact on MPS, and identifying the most influential factor among the selected variables. Chapter two delved into the theoretical underpinnings of securities markets and share prices, exploring various stock valuation models and theories. It also conducted a comprehensive review of international literature on factors affecting share prices in commercial banks, highlighting critical issues and identifying research gaps to be addressed. Chapter three elucidated the research design, including the target population, sample selection, data collection procedures, and analytical methodologies. Utilizing a purposive sampling approach, the study focused on three sampled commercial banks HBL, NABIL, and EBL selected from a total population of 21 commercial banks. Descriptive and causal-comparative research designs were employed to fulfill the study

objectives. In chapter four, the empirical results of the study were presented and discussed. Through the application of appropriate financial and analytical tools, data were analyzed and interpreted, elucidating significant findings related to the factors influencing commercial bank stock prices. Overall, this study contributes valuable insights into the internal determinants of stock prices in Nepalese commercial banks, offering implications for stakeholders and avenues for future research in the domain of corporate finance.

The research employed descriptive and multiple regression analyses to explore the relationships between key financial indicators and MPS. The study revealed several noteworthy findings: a positive and significant relationship between the price-earnings (P/E) ratio, return on equity (ROE), and book value per share (BVPS) with MPS. Conversely, dividend per share (DPS) exhibited an insignificant relationship with MPS, while return on assets (ROA) demonstrated an insignificant negative correlation. These findings underscore the importance of financial performance metrics such as P/E ratio, ROE, and BVPS in driving stock prices, while also highlighting the nuanced relationships between DPS, ROA, and MPS.

5.2 Conclusion

In recent times, there has been a growing interest in understanding the factors that influence share prices in Nepal, particularly within the context of Nepalese commercial banks. The banking sector, in particular, is keen on unraveling these factors, given the frequent trading of bank shares in the Nepalese market, making them a prime investment opportunity for Nepalese investors. This study focused on investigating the impact of dividend per share, return on equity, price earnings ratio, book value per share, and return on assets of commercial banks listed on the Nepal Stock Exchange Limited.

Over the study period, the findings revealed that return on equity, price earnings ratio, and book value per share exhibited significant positive associations with share prices. This suggests that an increase in return on equity, price earnings ratio, and book value per share is likely to lead to a corresponding increase in share prices, and conversely, a decrease in these metrics could result in a decline in share prices. However, the study found that dividend per share and return on assets had no explanatory power in predicting

stock price movements. In other words, fluctuations in dividend per share and return on assets did not significantly impact share prices.

In conclusion, the study identifies return on equity, price earnings ratio, and book value per share as the primary determinants of share prices in Nepalese commercial banks. These findings offer valuable insights for market participants, particularly equity investors and fund managers. By keeping a close eye on these significant factors, investors and fund managers can better estimate stock returns and make more accurate predictions regarding share prices. Ultimately, the study's results contribute to enhancing understanding and decision-making within the Nepalese stock market landscape.

5.3 Implication

One significant implication of the study's findings is the guidance it provides to investors and portfolio analysts in Nepal regarding key factors to consider when making investment decisions in commercial bank stocks. By focusing on factors such as book value per share (BVPS), return on equity (ROE), and price earnings ratio (P/E ratio), investors can make more informed choices about their investment portfolios, potentially leading to improved returns.

Furthermore, the study highlights the importance of conducting further research to explore the impact of macroeconomic variables on stock prices within the context of firms listed on the Nepal Stock Exchange (NEPSE). Understanding how factors beyond the scope of this study influence share prices could provide investors with a more comprehensive view of the market dynamics and help them make more accurate predictions regarding stock price movements.

Additionally, efforts to enhance public awareness of the stock market among the general population could significantly benefit from the findings of this study. Establishing dedicated departments or independent organizations tasked with educating and informing potential investors through various channels such as seminars, advertisements, and media campaigns could help broaden participation in the stock market and contribute to the overall development of the financial sector in Nepal.

Furthermore, future research endeavors could expand the scope of the study to include other financial sectors such as development banks, insurance companies, and microfinance institutions. Incorporating primary data or a combination of primary and secondary data could provide deeper insights into investor preferences and stakeholder perspectives, enriching the understanding of market dynamics.

Expanding the sample size and extending the study period in future research endeavors would enhance the robustness and reliability of the findings, allowing for more comprehensive analyses and more accurate predictions. Exploring alternative statistical models beyond multiple linear regressions, such as nonlinear statistical tools and bidirectional causality analyses, could offer more nuanced insights into the relationships under investigation, further advancing knowledge in the field of finance and investment in Nepal.

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APPENDIX

Appendix I

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	30	299.20	3385.00	1210.7733	774.83023
DPS	30	10.32	70.00	34.0140	16.87082
ROE	30	8.56	32.78	18.8717	6.15447
BVPS	30	169.72	370.84	238.3857	47.94369
PE	30	15.82	83.94	27.6753	13.62382
ROA	30	.89	3.25	1.8780	.55326
Valid N (listwise)	30				

Appendix II

Correlations

		MPS	DPS	ROE	BVPS	PE	ROA
MPS	Pearson Correlation	1	.838**	.703**	.777**	.659**	.459*
	Sig. (2-tailed)		.000	.000	.000	.000	.011
	N	30	30	30	30	30	30
DPS	Pearson Correlation	.838**	1	.774**	.722**	.397*	.628**
	Sig. (2-tailed)	.000		.000	.000	.030	.000
	N	30	30	30	30	30	30
ROE	Pearson Correlation	.703**	.774**	1	.447*	.040	.849**
	Sig. (2-tailed)	.000	.000		.013	.833	.000
	N	30	30	30	30	30	30
BVPS	Pearson Correlation	.777**	.722**	.447*	1	.546**	.279
	Sig. (2-tailed)	.000	.000	.013		.002	.136
	N	30	30	30	30	30	30
PE	Pearson Correlation	.659**	.397*	.040	.546**	1	-.159
	Sig. (2-tailed)	.000	.030	.833	.002		.402
	N	30	30	30	30	30	30
ROA	Pearson Correlation	.459*	.628**	.849**	.279	-.159	1
	Sig. (2-tailed)	.011	.000	.000	.136	.402	
	N	30	30	30	30	30	30

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

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

Appendix III

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16149598.551	5	3229919.710	61.479	.000 ^b
	Residual	1260896.148	24	52537.339		
	Total	17410494.699	29			

a. Dependent Variable: MPS

b. Predictors: (Constant), ROA, PE, BVPS, DPS, ROE

Appendix IV

Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.963 ^a	.928	.912		229.21025

a. Predictors: (Constant), ROA, PE, BVPS, DPS, ROE

Appendix V

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1654.700	319.268		-5.183	.000
	DPS	4.887	5.699	.106	.858	.400
	ROE	72.678	16.179	.577	4.492	.000
	BVPS	3.407	1.416	.211	2.406	.024
	PE	26.476	4.343	.466	6.097	.000
	ROA	-115.651	159.296	-.083	-.726	.475

a. Dependent Variable: MPS

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ABSTRACT The primary aim of this investigation is to explore how internal factors such as

Dividend Per Share (DPS), Return on Equity (ROE), Price/Earnings (P/E) ratio, Book Value Per Share (BVPS

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), and Return on Assets (ROA) influence stock prices within the Nepalese commercial banking sector. This study has specific objectives, including the examination of the structure and trends of Market Price Per Share (MPS), ROE, DPS, P/E ratio, BVPS, and ROA. Additionally, it seeks to analyze the interrelationships among MPS, ROE, DPS, P/E ratio, BVPS, and ROA, and to ascertain how ROE, DPS,

P/E ratio, BVPS, and ROA collectively impact **the market price** per **share of**

3

commercial banks, identifying the most influential factor among these variables. Chapter two delves into a comprehensive review of theoretical literature concerning securities markets and share prices, encompassing discussions on various stock valuation models and theories of stock pricing. It also incorporates a thorough examination of international articles and theses concerning factors influencing share prices within commercial banking sectors. This section critically evaluates major issues and concludes with a summary highlighting the

gaps to be addressed **by the study. The** research aims **to** shed light on **the** multifaceted **factors** influencing **the market share** prices **of Nepalese commercial banks**

2

. Key Word: Market Price Per Share (MPS), Return on Equity (ROE), Dividend

Per Share (DPS), **Price Earnings Ratio (P/E), Book Value Per Share (BVPS), Return on Assets (ROA**

2

) CHAPTER-I INTRODUCTION 1.1 Background of the Study Stock price volatility reflects the fluctuations in stock prices over a given period, serving as a barometer of the rate at which new information impacts the market, as noted by Kannianen (2007). It garners attention from various stakeholders including investors, brokers, academics, and regulators due to its implications for risk assessment and firm valuation, as highlighted by Guo (2002). Denis et al. (1994) posit that the response of stock prices to unexpected dividend changes is intertwined with the preferences of the marginal investor towards dividends. The importance of stock market prices in influencing investment decisions is underscored by Hemadivya and Devi (2013), prompting extensive research in this area, particularly regarding stock price