DETERMINANTS OF THE STOCK PRICE OF NEPALESE COMMERCIAL BANKS

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfilment of the requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Determinants of the stock price of Nepalese commercial banks**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has 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 this dissertation.

Babita Shrestha

……...

Date:

REPORT OF RESEARCH COMMITTEE

Ms. Babita Shrestha has defended research proposal entitled **"Determinants of the 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 suggestions and guidance of supervisor Bhoj Raj Ojha and submit the dissertation for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Determinants of the stock price of Nepalese Commercial Banks"** presented by Babita Shrestha candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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ABBREVIATIONS

ADBL	:	Agriculture development bank limited
ASBA	:	Application Supported by Block Amount
BVPS	:	Book value per share
C.V.	:	Co-efficient of Variation
CDS	:	Credit Default Swap
CR	:	Current ratio
DEMAT	:	Dematerialization
DPS	:	Dividend per share
DY	:	Dividend Yield
EBL	:	Everest Bank Limited
EPS	:	Earnings per share
GDP	:	Gross domestic product
HBL	:	Himalayan Bank Limited
INF	:	Inflation
IPO	:	Initial Public Offering
Ltd.	:	Limited
NAV	:	Net asset value
NBL	:	Nepal Bank limited
NEPSE	:	Nepal Stock Exchange
NPAT	:	Net profit after tax
NPM	:	Net profit margin
NRB	:	Nepal Rastra Bank
NSBL	:	Nepal SBI bank Limited
P/E ratio	:	Price earnings ratio
PBV	:	Price book value
R/E	:	Retain earnings
ROA	:	Return on assets
ROE	:	Return on equity
S.D	:	Standard deviation
SBL	:	Siddhartha bank limited
SEBON	:	Security Board of Nepal
SPSS	:	Statistical Package for the Social Sciences

ABSTRACT

Stock market is a mechanism through which corporate sectors collect funds to finance productive projects by issuing securities. The equities market is now a necessary one, contributing significantly to economic growth and prosperity by encouraging capital formation. They have the greatest significance for economic growth because they guarantee the flow of resources to the most advantageous investment opportunity. Therefore, this study identifies and analyze the determinants of stock price of Nepalese commercial banks. The prime objective of the studied the Determinants of stock price of Nepalese Commercial banks. Market Per Share (MPS) is dependent variables whereas earnings per share (EPS), dividend per share (DPS), Price earnings ratio (P/E ratio), and book value per share (BVPS) are the independent variables. This research is based on descriptive and causal-comparative research design and the data were collected from books, articles, journals, internet and annual reports of selected banks. Based on the information that is currently available, a mere six out of twenty commercial banks namely, Everest Bank Limited, Himalayan Bank Limited, Nepal Bank Limited, Nepal SBI Bank Limited, Siddhartha Bank Limited, and Agriculture Development Bank Limited have been chosen for research purposes. This study is based on secondary data and covers ten fiscal years from 2012/2013 to 2021/2022. The focus of the study is Nepal's commercial banks. The regression models have been to test the determinants of stock price of Nepalese commercial banks. The result showed that beta coefficient for earnings per share, dividend per share, price earnings ratio and book value per share are positive on market price per share.

Key word: Earnings per share, Dividend per share, P/E ratio, Book value per share and Market price per share.

CHAPTER I

INTRODUCTION

1.1 Background of study

Stock markets are that kind of market where people buy and sells shares of companies which represents ownership of a portion of their profit and losses and provide an important source of cash for long-term economic growth. They also provide an effective means for governments to raise funds through the sale of state-owned firms. Furthermore, equity market investments are an essential portion of people's assets, especially as governments shift their pension schemes to the private sector. In short, it is obvious that equities are becoming an increasingly important capital market in the global economy.

The equities market has developed into a vital marketplace, contributing significantly to economic success by encouraging capital formation and maintaining economic growth. Stock markets serve as a platform for the sharing of risk, the pooling of funds, and the transfer of wealth between savers and capital users. They are not just a venue to trade securities. Because they guarantee the flow of resources to the most profitable investment opportunity, stock markets are crucial for economic progress. The daily stock price is essentially influenced by a wide range of economic factors, including employment, monthly supply, interest rates, gross domestic product, and current accounts. In summary, it is evident that the global economy's equities market is becoming a more significant capital market.

There are basically two types of stock, common stock and preferred stock. Callahan & Iyer (2010) state that common stock has two primary benefits: it can gain value and be sold for profit or it can be retained and the holder will receive quarterly (usually) dividends. However, dividends are dependent on the company’s ability to receive or increase its earnings because dividends are dispensed using the company’s earnings. Preferred stock differs from common stock in that although it doesn’t provide as much room for profit, it guarantees dividends. In addition, holders of preferred stock

are allowed to vote on company decisions and are also paid prior to holders of common stock.

Srinivasan (2012) state that internal factors determine the share prices for different markets, viz., dividend, retained earnings, size, earnings per share, dividend yield, leverage, payout ratio, and book value per share. Understanding the impact of various fundamental variables on share price is very much helpful to investors as it will help them in taking profitable investment decisions.

The term "capital markets" describes the operations that collect money from one entity and make it available to other companies that want money. Capital markets give businesses access to a wider choice of funding options, such as private equity, public equity, and the issue of debt instruments like bonds. They offer risk-adjusted rewards and alternative investment options to savers. The two types of capital markets are primary markets, which deal in newly issued bonds and equity stock, and secondary markets, which exchange assets that are already in circulation with the assistance of securities brokers.

The stock market offers investors the crucial characteristics of liquidity, marketability, and investment safety. Sustainable economic development is facilitated by a well-managed capital market that offers investors long-term cash in return for financial assets. As a result, all governments work to expand and improve their capital markets through a range of laws and regulations. The media has focused mostly on the stock market since it is the location where people can get wealthy quickly, and public interest in the stock market has been rising. (Ghimire & Mishra, 2018).

It encourages the nation's trade and industry to flourish, which has a big effect on the economy. For this reason, the nation's central banks as well as the government, business community, and industries all closely monitor developments in the stock market. Investors' meager and dispersed savings are channeled toward the profitable endeavors of corporate entities through the stock market.

Stock markets serve as a platform for the sharing of risk, the pooling of funds, and the transfer of wealth between savers and capital users. They are not just a venue to trade securities. Because they guarantee the flow of resources to the most lucrative investment possibilities, stock markets are crucial for economic growth. (Kurihara, 2019).

The rule of supply and demand in the market generally determines the price of a share (Tarver, 2019). However, other qualitative and quantitative factors also have a role in determining the stock price. The company's earnings per share, dividend payout ratio, book value per share, cash flow per share, size of the business, NRB policy, monetary policy, fiscal policy, corporate governance, interest rate, political climate, Gross Domestic Product, news, rumors, and numerous other factors are the main factors that affect share price. Understanding these variables and how they might affect share prices is very valuable since it would empower businesses to increase their market value and assist investors in making informed investment decisions.

In a similar vein, investors might find the ideal investment opportunity on the stock market. Furthermore, a long-term venture capital fund is needed to finance many valuable enterprises. An attractive and less dangerous investment is a liquid stock market. Because customers can sell shares fast and easily if they wish to withdraw their funds before the project matures, it encourages savers to invest in long-term initiatives. Simultaneously, firms are able to easily get capital by issuing additional shares. Stock market is the mirror of the economy (Lokeshwarri, 2019). It has become an essential market playing a vital role in economic prosperity that fosters capital formation and sustainable economic growth.

Any company that wants to raise money will list its shares on the market and look into alternatives to taking on debt. The procedure through which a company lists on the stock market and issues shares to interested investors in order to acquire funds is known as an initial public offering (IPO). An initial public offering, or IPO, is the process of listing a company's shares on a regulated capital market. By listing its shares for trading on a reputable stock market, the company generates equity capital

through an initial public offering (IPO), becoming a publicly traded company. De Luca Pasquale (2022) state that the Initial Public Offering (IPO) refers to the listing of company's shares on a regulated capital market. By the IPO the company raises equity capital by listing its shares to be traded by all investors on a recognized stock exchange and becoming public company.

The market for fixed income securities includes the money market. The relatively short-term debt securities that typically mature in a year or less make up the money market. Thus, the money market is a marketplace for the purchase and sale of short-term securities. Short-term lending and borrowing have given rise to a variety of financial instruments. Treasury bills, certificates of deposit, commercial paper, bankers' acceptances, treasury notes and bonds, municipal bonds, and corporate bonds are a few examples of specialized instruments.

Demand and supply considerations are the fundamental determinants of equity share price. The majority of buyers will cause prices to rise, while the majority of sellers will cause prices to fall. Investor demand behavior is influenced by government regulations, company and industry performance, and industry potential. This effect is present in both primary and secondary markets. Both macro and microeconomic viewpoints can be used to analyze the factors influencing the price of an equity share. Macroeconomic variables include government rules, the state of the economy overall, and politics.

This thesis examines the factors and variables that influence the stock price performance of commercial banks in Nepal. Thus, the primary goal of this research is to examine the determinants of stock price and the link between firm-specific characteristics and market price per share of Nepalese commercial banks. It specifically looks at the link between earnings per share, dividends per share, price earnings ratio, book value per share, and market price per share.

Understanding the effect of numerous fundamental variables on share price is extremely beneficial to various parties such as investors, management, the

government, and managers, as it will assist them in making various crucial decisions. Many research have been conducted in developing nations to investigate the factors that influence share prices, but few have been completed in Nepal. Almost all of the authors have used dividend policy as an independent variable, while earning, size, asset growth, return on assets, book value per share, and price earnings ratio have not been as heavily considered. So, the current study attempts to investigate the impact of selected accounting variables such as earnings per share, dividend per share, price earnings ratio, book value per share, return on assets, GDP, inflation, money supply, and various internal, external, and economic variables on the equity price of a Nepalese commercial bank.

1.2 Problem statement

Share price determinants are still a source of worry in the capital market, particularly in developing economies (Jeroh & Okoro, 2015). Tarver (2008) claimed that there hasn't been much research done on what influences share prices in developing capital markets. The little literature, he continues, replicates research conducted in developed markets, and a closer look at these studies shows that they have both empirical and epistemological problems.

Basically, stock price is determined by demand and supply. But there are many other qualitative and quantitative factors that determine the stock price. Stock price is unpredictable to specify exactly what factors determine the stock price. The shares of the commercial bank play a vital role in the overall index of NEPSE and the overall index is highly influenced by the share price of the commercial banks. The sector wise contribution in total traded volume in NEPSE is dominated by the financial sector. 7 The shares of the publicly quoted commercial banks that were registered in NEPSE seem to be the basis of investment to all potential investors.

According to Shubiri et al. (2010), micro and macroeconomic variables have a greater influence on share pricing in the stock market. The impact varies from company to company, industry to industry, economy to economy, and occasionally, but one encouraging finding is that most factors appear to behave consistently across time and industries. For example, higher interest rates and inflation declining earnings, poor

Share price is negatively impacted by management, and vice versa. Most people believe that developed markets are more efficient than emerging markets. A lesser level of market efficiency in less developed nations may be brought on by common traits like lax disclosure laws and thin and irregular trading. In this regard, how micro and macro-economic variables is giong to afffect the share price is the issue in context of Nepal?

Uddin, Rahman, and Hossain (2013) have worked very hard to pinpoint the variables that affect stock market share prices, concentrating solely on Bangladesh's financial industry. From 2005 to 2011, information was gathered from financial sector companies like as banks, insurance providers, and leasing organizations through the Dhaka Stock Exchange (DSE). A few relevant variables were chosen from earlier research to determine the factors that influence stock price (SP), including net profit after tax (NPAT), price earnings ratio (P/E) ratio, net asset value (NAV), and earnings per share (EPS). Using SPSS, a regression model and a few descriptive statistical techniques were used. Results indicate a high correlation between stock prices and earnings per share (EPS), net asset value (NAV), net profit after tax (NPAT), and price earnings ratio (P/E). In this regard, how EPS and P/E ratio is giong to afffect the share price is the issue in context of Nepal?

According to Prabath and Menike (2014), the determination of stock price is influenced by firm-specific characteristics such as book value per share (BVPS), earnings per share (EPS), and dividend per share (DPS). This study looked at the effects of stock price parameters such as book value per share, earnings per share, and dividend per share on a sample of 100 Colombo Stock Exchange (CSE) listed businesses between 2008 and 2012. The results of a single and multiple regression model show that the CSE stock price was significantly impacted by positive and significant EPS, DPS, and BVPS. In this regard, how EPS, DPS and BVPS is giong to afffect the share price is the issue in context of Nepal?

The study's findings indicated that there is a considerable association between the stock price and macroeconomic data, but not the ratio itself. The findings showed that

whereas TAT and EPS had a strong association with stock price movement, ROA, ROE, NPM, CR, DER, PBV, inflation, risk-free rate, and GDP had an insignificant link. This finding suggests that the indicators that can be utilized to forecast changes in stock prices are TAT and EPS. In this regard, how EPS, ROA and GDP is giong to afffect the share price is the issue in context of Nepal?

Gitman (2013) examines a study that included 15 banks from the Karachi Stock Exchange between 2008 and 2011. Because of the short sample size, the results of Arch-Garch and unit root cannot be used to assess stationary and volatile variables. Regressing the dependent variable, share price, and the independent variables, size, dividend yield, return on asset (ROA), and asset growth (AG), is part of the fixed effect regression model test used in the analysis. The findings indicate that whereas the other variables (dividend yield, asset growth, and return on assets) have no meaningful association with the share price, size has a positive and substantial link with it. In this regard, how size is giong to afffect the share price is the issue in context of Nepal?

To sum up, this study deals with the following issues in the context of Nepal.

i. What is the structure and pattern of MPS, EPS, DPS, P/E ratio and BVPS of Nepalese commercial banks? How they have changed over the time period?
ii. What is the relationship between earning per share, dividend per share, price earnings ratio, book value per share and market price per share?
iii. How does MPS, EPS, DPS, P/E ratio and BVPS impact the stock price of Nepalese commercial banks?

1.3 Objectives of Study

In order to increase the profitability and fruitfulness of their investment operations, investors need to have a thorough understanding of share prices, including how they are produced, why they fluctuate, and what variables influence those fluctuations. Regarding the securities listed in NEPSE, a few studies have been conducted. Nonetheless, the majority of the research to date have included topics including risk and return, dividend policy, capital structure analysis, and company deposit mobilization. However, not enough study has been done to offer a fundamental

understanding of the factors that influence stock price. In order to provide a deeper understanding of stock price, the purpose of this study is to determine the factors that influence stock price and how they relate to one another. Furthermore, this study is designed to achieve the following objectives:

- To assess the structure and pattern of MPS, EPS, DPS, P/E ratio and BVPS of Nepalese commercial banks as well as how they have changed over the time period.
- To examine the relationship among earnings per share, dividend per share, price earnings ratio, book value per share and market price per share.
- To analyze the effect of MPS, EPS, DPS, P/E ratio and BVPS on stock price of Nepalese commercial banks.

1.4 Rationale of the Study

Since the study focuses on the factors that influence the stock price of Nepalese commercial banks, investors, managers, bankers, stock analysts, brokers, government officials, academics, students, and any other interested parties will find the study especially important in understanding the factors that influence the commercial banks' stock prices.

The aim of this study is to investigate how the MPS of Nepalese commercial banks relates to key financial metrics such as size, GDP, inflation, money supply, EPS, DPS, P/E ratio, BVPS, and ROA. It is intended that this relationship would illustrate Nepalese Commercial Banks' current situation in regard to the share price determinant. Potential investors could find these findings useful in helping them make wiser investing choices. Similarly, this research offers data regarding the share price's position within the share industry. Furthermore, it is useful to compare the various financial indicators of the industry average with respect to particular banks. It is anticipated that the managers of the various banks will find this information useful. Different information regarding the share market of Nepalese commercial banks is provided by this study. Furthermore, the banking industry in Nepal stands to gain equally from this study as do other non-financial corporate sectors. Investors, decision-makers, and researchers all gain from it.

1.5 Limitations of the study

This study intends to broaden awareness and close the information gap regarding the determinants of stock price of Nepalese commercial banks; however, there are some elements where this question is subject to a few questions. This study aims to investigate the factors that influence the stock price of Nepalese commercial banks in Nepal. The study's key weaknesses are highlighted below:

i. This study is limited to only 20 Commercial banks of Nepal and the study focused on determinants of stock price of Nepalese commercial banks and avoid the other financial aspects.

ii. The study use EPS, DPS, P/E ratio BVPS and MPS as a bank specific variable to determine the share price. But there are other firm specific variables such as real interest, earnings volatility, T-bill rate, ownership structure, investment opportunities, Profitability of the firm so on which the study does not include.

iii. The study has not included other financial institutions like development and finance company that are listed in NEPSE The study had not performed comparative study by segregating the sample based on size, earning, book to market ratio, leverage, dividend payout ratios.

iv. This study is based only in the secondary data. This study does not include the Perception of investor and shareholder toward the share market which also play important role in share price determination.

v. It may also be noted that in this study no attempt has been made to investigate market price behavior of preference shares for non-existence of adequate data.

vi. The study is based on the assumption of linear relationship between dependent and independent variables. Thus, this study has not considered the non-linearity biases those are normally characterized in markets of emerging countries. This study is limited to the past ten years from 2012/13 to 2021/22.

CHAPTER II

LITERATURE REVIEW

A literature review is a review of previous studies that incorporate current knowledge, substantive findings, and theoretical and methodological contributions to a certain field. It also provides relevant propositions in the study's linked domain, allowing all previous studies, their results, and shortcomings to be understood and new research to be undertaken. This chapter provides a brief overview of previous research on common stock and its drivers. Numerous investigations have been carried out to ascertain the factors that influence stock values across various nations. Results from several studies conducted in various markets over various time periods have varied. Not enough research has been done on the stock market in the context of Nepal's financial system. Nonetheless, a few stock market-related articles and magazines are examined and consulted.

2.1 Conceptual review

It makes sense to understand a few financial words that are commonly used in studies about the capital market and finance before delving into the main idea of what factors impact the stock price. Thus, various technical and financial terms pertaining to the stock market are defined in this section.

2.1.1 Common stock.

A corporation's common stock represents a portion of its ownership. The holding of common stock, also known as equity shares, entitles the owner to vote on various matters presented to the stockholders and to participate in the election of the board of directors, in proportion to the number of shares held. It is a residual claim in that payments to preferred stockholders and creditors must be made on time in order for common stockholders to get any payments at all. Shareholders or stockholders are the people who own common stock. Since common stock has no maturity date, it is a constant and essential source of money. Shareholders are entitled to dividends in exchange for their investment commitment. The Board of Directors sets the dividend amount and rate. Common stockholders are theoretically entitled to any value that is

left over after all other claimants have been satisfied in a bankruptcy case. The limited liability of an organization's owners is a major benefit of corporate firms.

Common stock investors may lose their initial investment, but not more than the amount invested in common stock, as common stocks are often "fully paid and non-assessable." In other words, the stockholders are not obligated to provide the company with the money it needs to satisfy its debts should the company fail to fulfill its responsibilities. Nonetheless, it's feasible that the corporation's share worth will be very little as a result of this kind of failure. In the event that this happens, the investors will have lost the same amount that they originally paid for the shares. (Sharpe, Alexander and Bailey, 2000, p. 457).

Since common stockholders receive what remains after all other claims on the company's revenue and assets have been satisfied, they are occasionally referred to as residual owners. Every company issues shares to the public. In a company firm, common stockholders are the real owners. They put money into investments hoping for a big yield. Common stock returns are typically derived from realized capital gains. if their worth rises after being purchased by the public. Because of this, the price of common shares may fluctuate considerably. They fluctuate based on variables including the state of the economy and business performance. (Gitman, 1991, p. 573). Most of the investors are wise to invest their saving funds in stocks, with the expectation of future cash inflow as dividends and maximization of value of their holdings in the market. Dividends and book value of the firm are linked with the earning capacity of the firms, which ultimately increase or decrease the market price of shares. So, brief discussions have been presented in the following paragraphs, on earning per share, dividend per share, book value per share and market price per share.

2.1.2 Earning per share

Net profit per share is another name for earnings per share. It functions as a gauge of a business's profitability. It's a market potential ratio that calculates net income per outstanding share of stock. A high market price is typically the outcome of rising

earnings per share. It is computed by dividing the total number of outstanding shares by the net profit after taxes.

2.1.3 Retained earnings

A portion of the total revenue the company makes is given as a dividend to the shareholders, and the remaining amount is held in reserve for the company's future use or reinvestment. Retained earnings are the sum that the company has held back and are displayed on the liabilities side of the balance sheet. A higher net worth of the company will result from more retained earnings. The net worth will be less the retained earnings.

2.1.4 Dividend

Dividends are the portion of profits that a company gives to its shareholders as cash or equity. Naturally, the dividend lowers the amount of earnings retained by the company and has an impact on the total amount of internal financing. Dividends are the most significant item to stockholders. In the hopes of receiving a portion of the company's profits, they purchase shares. A stockholder's primary goal is to maximize their return on investment. Knowing that the company is making more money makes them happier than anything else since more profits translate into higher dividends in the future.

Forms of Dividend

Cash Dividend

Cash dividends are dividends paid to stockholders in cash. This requires a company to have sufficient funds in its bank account. In the event of a cash dividend distribution, the firm's net worth and total assets are both decreased when the cash dividend is issued because the cash amount and reserves account will be deducted.

Stock Dividend (bonus share)

A bonus share issue is when an existing stockholder receives a share distribution in addition to a cash dividend. The result of this approach is a corresponding increase in the number of outstanding shares of the corporation. As a result, a shareholder

continues to own a portion of the business. The majority of investors would rather receive bonus shares than cash dividends.

2.1.5 Book value per share

A financial metric known as book value per share serves as a per-share evaluation of the minimal worth of an organization's stock. More precisely, this figure is calculated by multiplying the number of existing shares by the original value of the company's common stock after deducting any outflow modifiers (bonuses and dividends) and inflow modifiers (net profit/retained earnings). A corporation will eventually create revenue, most of which is distributed as dividends to stockholders and interest to creditors. Any remaining sum is added to the total recorded in the company's accounts as reserve and surplus or cumulative retained earnings. The book value of the equity is the total of the cumulative retained earnings plus additional entries under stockholder's equity (such "common stocks" and "capital contributed more than par value"). By dividing the entire book value of the stock by the number of outstanding shares, one can determine the book value per share. (Sharpe, Alexander and Bailey, 2000, p. 461).

2.1.6 Stock price/market price per share (MPS)

It is possible to authorize a share of common stock with or without par value. The amount listed in the corporation charter is known as par value. The market values per share of common stock are determined by the company's present and anticipated future dividends, as well as investors' assessed risk of the stock. In general, the par values of most stocks are set at low amounts relative to their market values.

The market price of a share determines the value of the shares and the business. The market price of shares refers to the price at which the shares are exchanged or the amount paid by the buyer to the seller to purchase a stock. The market price of shares varies by company. Because common shareholders control the organizations and have the least priority to claim in liquidation, the share price is extremely volatile and susceptible to environmental conditions. Consequently, the company works to keep the favorable conditions in place in order to increase the share price in the stock market. However, the business has little control on the forces of the external

environment, which have a significant impact on share prices. Consequently, the company makes an effort to modify itself in response to the shifting external factors, with the goal of optimizing the firm's worth or share price.

Because the market price of shares is highly susceptible to environmental variables, share prices rise in a favorable environment and fall in the opposite. The growth in share price is due to market mechanisms or market forces, such as demand and supply. If an organization's earnings and dividends increase, investors have a positive perception of the organization and want to buy its shares, resulting in an increase in demand and an increase in price; on the other hand, suppliers want to hold the shares and supply decreases, and there is a gap between demand and supply, causing the market price of shares to rise. The price that investors are willing to pay for an organization's shares is determined by them, and the price that sellers are willing to receive for selling shares is determined by their presumptions about the company and their expectations for the future. These presumptions and expectations differ from person to person. Given their limited expertise, various people interpret the same circumstance in different ways.

The total market price per share multiplied by the total number of outstanding shares of all listed businesses forms the NEPSE benchmark index. The change in the index is determined by the rise or fall in the share price of a single company. Therefore, market price per share is crucial to understanding the stock market.

The amount of money needed to buy a company's stock on the open market is known as the stock price. The price of a share is Rs. 1000 (or Rs. 100,000 / 10) if Mr. X purchases 10 shares of Everest Bank Ltd. for Rs. 10,000. The amount a buyer pays for a single stock or the amount a seller receives for selling a single stock is, thus, the market price per share.

2.1.7 Par value

A corporation is permitted to issue up to a certain number of common stock shares at the time of its first charter, each of which will frequently have a predetermined par value. If paying common stockholders would lower the value of stockholder

ownership on the balance sheet below the amount represented by the par value of outstanding stock, the corporation may be legally prohibited from doing so. Because of this, the par value is usually less than the initial price at which the stock is sold. Certain companies offer subpar stock. (Sharpe, Alexander, Bailey, 2000, p. 461).

If shares are issued at a premium or a discount, the initial offering price may differ from the par value. In Nepal, the par value of a stock is typically Rs. 100.

2.1.8 Price Earning ratio

It is the ratio of the market price to the company's current earnings per share. It is determined by dividing the current market price by the earnings per share. A lower P/E Ratio shows that the firm shares are less risky to invest in. In Nepal, investors rely heavily on this ratio. They wish to invest in a company with a P/E ratio of less than 25.

2.2. Security Markets

The securities market, which is a part of the larger financial market, is where securities can be purchased and sold by different economic entities according to supply and demand. Equity, bond, and derivative markets are all included in the securities market, which is a place where professional and non-professional participants can meet and set prices.

The stock market can be divided into the following two categories. primary markets, where new securities are released, and secondary markets, where one can purchase and sell already-issued assets. Secondary markets can be further subdivided into over-the-counter (OTC) markets, where independent parties meet together to purchase or sell securities directly, and organized exchanges. The willingness of individuals to hold stocks and bonds rises when they are aware that there is a secondary market where their securities may be sold and converted into cash, hence increasing the ability of businesses to issue securities. A securities market has a number of professional participants, including brokerages, broker-dealers, market makers, investment managers, speculators, and infrastructure providers such as clearing houses and securities depositories.

A securities market is utilized in an economy to attract new capital, convert real assets into financial assets, set prices that balance demand and supply, and give a mechanism to invest money both short and long term. The security market exists to bring together buyers and sellers of securities and to function as a channel for the exchange of financial assets. Security markets are significant components of the capital market.

One of the many methods to divide the securities market is into primary and secondary markets. Whether the issuer is offering the securities for sale is a crucial distinction in this situation. Interestingly, inside the primary market itself, there are new issues that are both seasoned and unsseasoned. A security is originally made available to the public as an unsecured new issue, but a more substantial portion of an already-existing security is issued as a seasoned new issue. The term "IPO" is frequently used to refer to new, unsophisticated stock transactions. An other characteristic that separates apart distinct security markets is the longevity of financial assets. Money markets typically involve financial assets that expire in one year or less; whereas capital markets typically involve financial assets with life spans of greater than one year" (Sharpe, Alexander and Bailey, 2000).

The securities market determines the value and significance of financial assets. It provides firms with a logical and effective way to raise funds while also allowing institutional and individual investors to invest. Thus, the security market is a system that enables investors to quickly convert their securities into cash.

2.2.1 Stock Market and Stock Exchanges

The stock market is a group of markets and stock exchanges where bonds, stocks of publicly traded firms, and other securities are issued and traded. These transactions can occur on formal exchanges or over-the-counter markets. The stock market, often referred to as the equity market, is one of the most important elements of a free-market economy since it gives businesses access to cash in return for investors receiving a portion of the capital market, which is where previously issued securities are traded.

The stock market, which is essentially a secondary market, is where all transferable securities that have previously been issued by corporate entities are traded. The limitations on transferability prevent the shares of private corporations from being traded on the stock market. Stocks of only publicly traded corporations are exchanged on the stock market. The corporation ought to have listed its security in the stock exchange for the share to be tradable on the stock market. Regardless of the organizational structure or status of the issuers, only the securities of currently operating businesses are tradeable on the stock exchange. The trading of publicly traded firm shares and related financial instruments takes place on a stock market. Organized exchanges and less formal over-the-counter markets are the two main categories of stock markets. The actual places where trading in securities takes place under a set of guidelines are known as organized securities exchanges.

Physical, tangible entitlements make up the organized security trades. Each of the larger organizations had its own facility at one point, members who were chosen especially, and an elected board of governors. While everyone stands up, members are referred to have "seats" on the exchange. The right to trade on the exchange is granted to the owner of these seats, which are purchased and sold. (Weston Jhon Frederick and Brigham, 1987, p. 78).

The global capital market's stock activity can be examined using a variety of indices. When comparing index numbers within the same series or with other index numbers, stock market indexes are considered "pure numbers." Typically, an index is a ratio calculated using the average of several securities. To make time differences comparable, a time series of index numbers is typically generated from the same base date and base value, which is typically set at 100, 10, or 1. In order to give the index a temporal perspective, a previous year is chosen as the base year from which the index's base value is calculated. (Francis, 1991).

2.2.2 Security Board of Nepal (SEBON)

The Security Exchange Act, 1983 provided for the establishment of the Security Board of Nepal on June 7, 1993. The independent top regulatory agency, SEBON, has been in charge of overseeing, monitoring, and controlling Nepal's securities market.

The board's goals are to oversee and monitor the activities of the stock exchange and other related businesses related to the securities business, as well as to protect and advance investor interests by regulating the issuance, sale, and distribution of securities as well as the purchase, sale, or exchange of securities. Additionally, the board hopes to contribute to the growth of the capital market by ensuring that securities transactions are equitable, healthy, efficient, and responsible. In addition to its regulatory duty, it also takes on the responsibility of developing the securities market inside the nation.

There are seven members of SEBON's governing board, who come from both the public and private sectors. The government of Nepal appoints a full-time chairperson to the seven-member board, with a four-year term. In order to improve the information and dependability of issuer businesses' prospectuses, SEBON established the "Securities Registration and Issue Approval Committee." Nepal Rastra Bank and the Insurance Board are represented on this committee as needed. Recent developments in SEBON include the dematerialization of stock (DMAT), Application Supported by Block Amount (ASBA), Semi Automated Trading System, and ICRA Nepal (authority for grading for IPO and FPO).

2.2.3 Nepal Stock Exchange (NEPSE)

Biratnagar Jute Mill and Nepal Bank Limited were the first companies to list their shares on the stock exchange in Nepal. These two companies went public in 1937. After nearly 24 years, the business legislation was finally implemented in the country in 1964. In the same year, Nepal issued its first government bond. Following that, Nepal acknowledged the importance of establishing a securities exchange center to enable and support the expansion of the country's capital markets. To complete the mode of operation of the Exchange Center, several conversations were held one after the other, both on the government and private sides. Securities Exchange Center Limited was founded under the Company Act in 1973 at the initiative of the Nepal Government and Nepal Rastra Bank (NRB).The Securities Exchange Center's initial

duties included brokering, underwriting, managing public issuance, and developing markets for government bonds and securities.

Nepal's capital market began to institutionalize following the founding of the Securities Exchange Center (SEC). The government's Industrial Policy also supported the development of Nepal's securities market. The Securities Exchange Center (SEC) was renamed as the Nepal Stock Exchange (NEPSE) in 1993 as a non-profit corporation in accordance with the Securities Exchange Act 1983 by the Nepali government as part of a capital market reform initiative. Likewise, the government of Nepal formed the Securities Board of Nepal (SEBON) on June 7, 1993, the same year, as the highest regulating authority for the securities markets. Under the Securities Act of 2006, SEBON oversees market regulation. Since its founding, SEBON has focused its efforts on legal and regulatory frameworks, offering guidance to the government on issues pertaining to the growth of capital markets, registering public companies' securities, issuing the required securities regulations and guidelines, licensing stock exchange operations, etc. NEPSE has been operating under SEBON's authority.

The Securities Exchange Act of 1983 allowed for the establishment of the Nepal Stock Exchange (NEPSE), which began trading on January 13, 1994. At the moment, NEPSE is Nepal's only secondary market for listed securities. It is used in capital events like dividend and income payments, as well as in the issuance and redemption of securities and other financial instruments. The Securities Exchange Act of 1983 states that the Board of Directors is composed of nine directors. The government of Nepal appoints six directors, with the remaining directors coming from various institutional investors. The Government of Nepal, Nepal Rastra Bank, Nepal Industrial and Development Corporation, and Members make up NEPSE's shareholder ownership structure. It is a licensed dealer in the primary and secondary markets. Until now, it is Nepal's only stock exchange regulated by the Securities Board of Nepal. All broker companies who have earned a certificate of stock trading and are members of (NEPSE) trade on the NEPSE trading floor.Within a short period of time, the NEPSE index experienced considerable ups and downs. On July 27, 2016, the NEPSE benchmark index set a record with a closing index of 1881.45 points, the

highest peak to date. Following the 1881.70 index, the market began to tumble and remained in a bearish trend. NEPSE reached a low of 1218.86 on February 13, 2017, and has since been between 1250 and 1400 points. The NEPSE index reached an all-time high of 1881.45 on July 27, 2016, and a low of 292 on June 15, 2011.

Since August 24, 2007, NEPSE has used a fully automated screen-based trading system (ATS) in place of the open outcry trading system. Securities transactions are carried out on the internet. NEPSE has extended trading hours from Sunday through Thursday, five days a week, from 11:00 A.M. to 3:00 P.M. The transaction is completed after the selling and buying brokers' bid and offer prices coincide. Currently, the NEPSE organized stock market has 208 listed businesses trading, 50 registered brokers, and 14 remote work sites located outside of Kathmandu and Pokhara. It has been attempting to implement a fully automated share trading system. As a result, deals are made on the open trading floor, where the price is decided by supply and demand for the shares or when the bid and offer match.

2.2.4 CDS and Clearing Limited

In order to offer centralized depository, clearing, and settlement services in Nepal, Nepal Stock Exchange Limited (NEPSE) advocated the establishment of CDS and Clearing Limited in 2010 under the business legislation. The company was established on March 31, 2011. The company's primary goal is to serve as a central depository for financial instruments, such as bonds, equities, and warrants. It particularly wants to handle securities that have been dematerialized. The ownership and rights transfer of the financial instruments, as well as the storage, deposit, and withdrawal of securities certificates, are entrusted to this entity. The company will carry out the depository functions in accordance with the Securities Board of Nepal's (SEBON) securities rules.

2.3 Empirical Review

This section of the literature study is devoted to a detailed analysis of significant articles and earlier research on stock pricing. Though many research have been

conducted in both foreign and Nepalese contexts, just a small number are briefly described below.

Chetrri (2023) investigated the variables influencing Nepalese commercial banks' share prices. The dependent variable is the market price per share. The independent variables are the earning per share, price-earnings ratio, book value per share, return on assets, and size. The external factors are inflation, the broad money supply, and the real gross domestic product. To achieve these goals, information was gathered from Nepal Rastra Bank's annual report, which includes banking and financial statistics, as well as the annual report of selected banks, which is based on panel data collected over an 11-year period from 2012 to 2022 of 13 out of 21 commercial banks in Nepal. Secondary data has been employed in the descriptive and casual relationship research design. The impact of firm-specific factors on the share price of Nepalese joint venture commercial banks was examined using multiple regression models, which were estimated. The findings indicate that the size of the firm has an insignificant effect on the price of shares when it comes to Nepalese joint venture commercial banks, but other factors such as earnings per share, price-earnings ratio, book value per share, and return on assets are major determinants of stock price. Goal: Examining the variables influencing Nepal's commercial banks' share prices is the primary goal of the research. taking into account the impact of both external and internal variables on the stock price, such as size, EPS, P/E ratio, BVPS ROA, inflation, broad money supply, and gross domestic product. Method: The study's analysis of pooled cross-sectional data has been done. This study used a causal-comparative research approach to examine the association between market price per share and firm-specific and macroeconomic variables. Eleven years, from 2012 to 2022, were sampled from thirteen commercial banks in Nepal. Results: The relationship between the internal and external factors affecting the share price of Nepal's listed commercial banks is demonstrated via regression analysis. Implication: Before making any decisions, investors should consider the BVPS, P/E ratio, ROA, and inflation. choices pertaining to commercial bank stock investments. New evidence from the Nepalese perspective was found in the study's conclusions, and market participants value this information. The results of this study appear to be especially helpful for fund managers and

equities investors because they may keep an eye out for these important variables when forecasting share prices and assessing stock returns.

Dhodary (2023) examined the factors that affect Nepalese commercial banks' stock prices. In order to provide a concise and accurate study on specific variables and pooled cross-sectional data that are collected from NEPSE listed banks at one point in time, the study is carried out using a quantitative technique followed by descriptive research. Data collection took place throughout the fiscal years 2011–12 and 2020–21. A sample of ten commercial banks was chosen to represent the target population of twenty-six commercial banks. Book value per share, PE ratio, market price per share, business size, dividend payment, return on equity, and dividend payment are the research variables. Multiple regression analysis, correlation analysis, and descriptive statistics are all done under statistical analysis. According to descriptive statistics, Nepalese commercial banks' book value per share and firm size have been increasing consistently, but their profitability, dividends, and stock performance in the market have been quite erratic. In certain years of the year, the P/E ratio is zero since there are no earnings per share for that specific bank. The share price of commercial banks in Nepal has a negative correlation with firm size (FS) and a positive correlation with BVPS, PE, ROE, and DIV. Of the factors that are independent, firm size (FS) is the only variable that is not statistically significant. According to regression analysis, MPS is significantly and positively impacted by BVPS, PE, ROE, and DIV, while MPS is significantly and negatively impacted by firm size (FS).

Goet and Kharel (2022) examined the effects of factors on the market price per share of Nepalese commercial banks, including dividends per share (DPS), earnings per share (EPS), price-earnings ratio (PER), and net worth per share. The influence and correlation of factors influencing stock price behavior have been evaluated using the panel data (40 observations) of four commercial banks. Secondary panel data spanning 10 years (2011/2012-2020/2021) were used in this investigation. The results of this study show that earnings per share has a minimal positive association with the market price per share, earnings per share, and net worth per share of commercial banks, but a large positive link with the dividends per share and price-earnings ratio.

Gyawali (2022) investigated the effects of variables affecting Nepalese commercial banks' stock prices. The dependent variable in this study is MPS, while the independent variables are GDP, ROA, EPS, P/E ratio, DPS, and inflation rate. The secondary data was gathered over a five-year study period, from 2017 to 2021, from the annual reports of particular commercial banks. Using SPSS 23 version, a descriptive and causal-comparative study methodology has been utilized to analyze and interpret the data. Out of the 27 commercial banks, ten are selected as a sample. The method of convenience sampling is employed.To display the effect of independent variables on the dependent variable, several linear regression models have been employed. The outcome demonstrates that DPS, EPS, and P/E ratio have a positive and statistically significant impact on stock price. The inflation rate has a negative and negligible impact on the stock price, while ROA and GDP have a positive but not statistically significant effect.

AI-Dwiry,Ghaith N. AI-Eitan and Weaam Amira (2022) examined the effects of macroeconomic and microeconomic variables on market price per share between 2010 and 2021 using panel data from 13 listed commercial banks in Jordan. The firm-specific variables are return on assets (ROA), book value per share (BV), price-earnings ratio (PE), book value per share (EPS), dividend per share (DPS), and size (S) based on a microeconomic level. In a similar vein, the money supply (MS), GDP, and inflation (INF) were selected as independent variables for macroeconomic analysis, whereas market price per share (MPS) is the dependent variable for the company. The majority of internal and external factors influencing the share price are earnings per share. Using multiple regression models, this study examined the impact of macroeconomic and bank-specific factors on the share price of commercial banks in Jordan. At the 1% level of significance, the regression findings show that the coefficient of EPS is positive. Implying that the MPS will increase with increasing EPS. In Jordan, the same favorable effects for DPS, ROA, and S are thought to be important indicators of stock values. Volume was found to be the most significant determining factor among the elements affecting stock price. This suggests that the stock price increases in proportion to the market capitalization of the company.

Macroeconomic statistics like MS and GDP are important factors that affect stock prices.

Wagle (2021) one of the most important investment avenues that offers substantial returns to investors is the equity share investment; yet, the exceptional volatility of stock prices causes investors' uncertainty as well as difficulties for government authorities and policymakers. Using a set of dependent and independent variables, the goal of this study is to determine the empirical factors that affect the stock market price in commercial banks from 2015–16 to 2019–20. The study uses data from annual reports and a secondary source to analyze 130 observations from 26 (out of 27) commercial banks in Nepal. The research design used was a combination of descriptive and causal-comparative. Regression analysis, correlation, mean, and standard deviation techniques have all been applied to that. The Market to Book (M/B), Price-earnings (P/E), and Earning Yield (E/Y) proportions were found to have a statistically significant positive correlation with the stock market price. On the other hand, the stock market price is positively but marginally impacted by the Dividend Yield percentage (D/Y). The study's conclusions are helpful to government officials, academics, worried bankers, and inquisitive investors since they provide them with additional knowledge about the prospects and returns of the nation's stock market.

Shammout (2020) examined the effects of the following stock characteristics on the market stock price of Jordan's thirteen commercial banks between 2005 and 2018: Earnings Per Share (EPS), Book Value Ratio (BVR), Dividends Per Share (DPS), Dividends Payout Ratio (DPR), Market to Book Ratio (MBR), Price Earnings Ratio (PER), and Yield Per Share (YPE). The effect of the controlling and independent factors on the dependent variable has been demonstrated using multiple linear regression. The study discovered that a stock's market price at Jordanian commercial banks is significantly influenced by its attributes. Additionally, each book value ratio, dividend per share, market to book ratio, price-earnings ratio, and yield per share was found to have a statistically significant effect on the market price at the commercial banks in Jordan. Nevertheless, neither the dividend payment ratio nor the earnings per share had a statistically significant impact on the market price of Jordanian

commercial banks. The study suggests that before making significant investment decisions that could impact their future wealth through stock price forecasts, investors, analysts, and decision-makers should incorporate the characteristics of stocks in their analysis.

Bhattarai (2020) investigated the variables influencing Nepalese commercial banks' market share pricing between 2013–14 and 2017–18. Using practical sampling approaches, the bank's particular secondary panel balance was gathered from 12 sample commercial banks, and macroeconomic variable data was gathered from the Ministry of Finance, Nepal's published economic survey. As independent factors, the study examined the dividend payout ratio, dividend yield, price earnings ratio, bank size, gross domestic product growth rate, and inflation. Descriptive, correlational, and causal comparative research designs were used in the study. The model diagnosis test guided the analysis of the data using the pooled OLS and Fixed Effects Models. The results obtained from both models were nearly identical. The market share price and the dividend payout patio have a statistically significant negative correlation. Together with market share per price, the dividend yield and earnings per share were both statistically significant and favorable. The market share price did not take into account the size of the bank, the rate of inflation, or the growth rate of the GDP. In order to prevent a detrimental impact on the share price, the study advised the commercial bank's management to step up efforts to effectively handle bank-specific factors.

Silwal and Napit (2019) investigated the factors that affect Nepalese commercial banks' stock market prices between 2065–2066 and 2074–2075. It is based on aggregated cross-sectional data from ten banks with stocks listed on the Nepal Stock Exchange during a ten-year period. The study used a causal and correlational comparative research approach, and the findings show that the price-earnings ratio, return on equity, and book value per share all positively correlate with stock price. Size and stock price have a negative correlation that is statistically negligible, whereas dividend yield has a positive but minimal impact on the latter. It also shows that one of the main factors influencing Nepali stock prices is book value per share.

Ghimire and Mishra (2018) between 2012 and 2017, an investigation was conducted to ascertain the correlation between the stock price and explanatory variables such as DPS, EPS, P-E ratio, BV, and Market to BV. This study looks into the factors influencing the stock price using descriptive statistics and simple and multiple regression analysis. The results show that the variables Market to BV and P-E ratio are the important predictors of stock price that directly affect the stock price, using a sample size of 11 financial and nonfinancial enterprises in Nepal. Similar to how EPS has the least impact on stock price, DPS and BV similarly significantly positively affect it.

Summary of table

Authors and Years	**Topics**	**Objectives**	**Methodology**	**Findings**
Chetrri (2023)	Factors Affecting the Share Price of Commercial Banks in Nepal	Examining the variables influencing Nepalese commercial banks' share prices is the goal of this study.	Secondary data has been employed in the descriptive and casual relationship research design.	The results of this study appear to be especially helpful for fund managers and equities investors, as they may keep an eye out for these important variables when estimating stock returns and predicting share prices.
Dhodary (2023)	Determinants of Stock Market Price in Nepalese Commercial Banks	Analyze the factors that affect Nepalese commercial banks' stock prices.	Quantitative method	The share price of commercial banks in Nepal has a negative correlation with firm size (FS) and a positive correlation with BVPS, PE, ROE, and DIV. All of the independent variables have statistical significance,

				with the exception of firm size (FS). According to regression analysis, MPS is significantly and positively impacted by BVPS, PE, ROE, and DIV, while MPS is significantly and negatively impacted by firm size (FS).
Goet and Kharel (2022)	Factors Influencing Stock Price Variability of Commercial Banks in Nepal	Examine the effects of factors on the market price per share of Nepalese commercial banks, including dividends per share (DPS), earnings per share (EPS), price-earnings ratio (PER), and net worth per share.	The influence and correlation of factors influencing stock price behavior have been evaluated using the panel data (40 observations) of four commercial banks. Secondary panel data spanning 10 years (2011/2012-2020/2021) were used in this investigation.	There is a slight positive correlation between earnings per share and the market price per share, earnings per share, and net worth per share of commercial banks, but a large positive correlation between earnings per share and the dividends per share and price-earnings ratio.
Gyawali (2022)	Factors Influencing The Stock Price of Nepalese Commercial Banks	The purpose of this essay is to determine the variables influencing Nepalese commercial banks' stock prices.	Descriptive and causal-comparative research design has been used	The outcome demonstrates that DPS, EPS, and P/E ratio have a positive and statistically significant impact on stock price. The stock price is

				positively but not significantly impacted by ROA and GDP, while the stock price is negatively and not significantly impacted by the inflation rate.
AI-Dwiry,Ghaith N. AI-Eitan and Weaam Amira (2022)	Factors affecting stock price: Evidence from commercial banks in the developing market	The purpose of this study is to examine the effects of macroeconomic and microeconomic factors on market price per share for the period of 2010–2021, utilizing panel data from 13 listed commercial banks in Jordan.	Multiple regression models	Volume was found to be the most significant determining factor among the elements affecting stock price. This suggests that the stock price increases in proportion to the market capitalization of the company. Key factors influencing the stock price are macroeconomic information like GDP and MS .
Wagle (2021)	Determinant of Stock Market Prices in Nepal: A Case of Commercial Banks	Using a set of dependent and independent variables, the purpose of this study is to determine the empirical factors that affect the stock market price of commercial banks from 2015–16 to 2019–20.	The descriptive and causal-comparative research design	A valuable resource for inquisitive investors, anxious bankers, scholars, and government officials seeking to learn more about the prospects and returns of the nation's stock market.

Shammout (2020)	The Impact of Stock Characteristics on Its Market Price in Jordanian Commercial Banks	The purpose of this study is to determine how the market stock price of Jordan's thirteen commercial banks from 2005 to 2018 was impacted by the stock characteristics represented by Earnings Per Share (EPS), Book Value Ratio (BVR), Dividends Per Share (DPS), Dividends Payout Ratio (DPR), Market to Book Ratio (MBR), Price Earnings Ratio (PER), and Yield Per Share (YPE).	Multiple Linear Regression	Additionally, each book value ratio, dividend per share, market to book ratio, price-earnings ratio, and yield per share was found to have a statistically significant effect on the market price at the commercial banks in Jordan. Nevertheless, neither the dividend payment ratio nor the earnings per share had a statistically significant impact on the market price of Jordanian commercial banks. The study suggests that before making significant investment decisions that could impact their future wealth through stock price forecasts, investors, analysts, and decision-makers should incorporate the characteristics of stocks in their analysis. The results obtained from both models were nearly identical. The

				market share price and the dividend payout patio have a statistically signific
Bhattarai (2020)	Determinants of stock price of Nepalese commercial banks	The main objective of this research is to factors that affect the market share price of Commercial banks from 2013/14 to 2017/18 of Nepalese Commercial Banks.	Descriptive, correlation and causal comparative research design	Additionally, each book value ratio, dividend per share, market to book ratio, price-earnings ratio, and yield per share was found to have a statistically significant effect on the market price at the commercial banks in Jordan. Nevertheless, neither the dividend payment ratio nor the earnings per share had a statistically significant impact on the market price of Jordanian commercial banks. The study suggests that before making significant investment decisions that could impact their future wealth through stock price forecasts, investors, analysts, and decision-makers should incorporate the characteristics of stocks in their analysis.

				The results obtained from both models were nearly identical. The market share price and the dividend payout patio have a statistically signific
Silwal and Napit (2019)	Fundamentals of Stock Price in Nepalese commercial banks	This study's primary goal is to identify the factors that influence Nepalese commercial banks' stock market prices between 2065–2066 and 2074–2075.	Correlational and causal comparative research design	Size and stock price have a negative correlation that is statistically negligible, whereas dividend yield has a positive but minimal impact on the latter. It also shows that one of the main factors influencing Nepali stock prices is book value per share.
Ghimire and Mishra (2018)	Determinants of Stock Price in Nepalese Market	This study intends to investigate the association between explanatory variables and stock price.	Simple and multiple regression analysis and descriptive statistics	The findings show that the variables P-E ratio and market to BV are important factors that directly influence stock price. Similarly, EPS has the least impact on stock price, but DPS and BV also significantly positively influence stock price.

2.4 Research Gap

Researchers collected samples only from A-rated commercial banks, which could help predict key stock market moments. Furthermore, analyzing the most influential component determining the share price will yield the most profitable results. As a result, the researcher relied primarily on individual investors for information.

Furthermore, if the examination of financial institutions is undertaken using financial analysis techniques rather than statistical analysis methods, the results will be more applicable. The majority of the research listed above use technical and statistical approaches for analysis, such as regression analysis, correlation coefficient, NEPSE trend, and so on. None of the studies use financial analytic methods for their research, which is critical in the study of financial institutions. Thus, the researcher used financial analysis tools such as the P/E ratio and dividend distribution pattern to determine the financial health of the sample banks. So, the purpose of this study is to examine the relationship between EPS, DPS, and P/E, as well as other influencing factors, on the stock's market price.

A number of qualitative and quantitative elements influence how share prices are formed. Numerous research have shown that one of the key determinants of share price is dividend and earnings per share. Aside from this, however, a number of other factors are also important in shaping price formation, including information, political climate, unstable governments, a lack of forward-thinking policies, and other macroeconomic variables that the researcher is attempting to examine in this study. These factors also play a significant role in price fluctuation and share price formation.

CHAPTER III

RESEARCH METHODOLOGY

The term "research methodology" describes the range of actions taken by researchers in order to achieve specific goals as they study an issue. To accomplish the goals of a systematic research study, an appropriate methodology is needed. Research methodology is an organized approach to problem solving that involves the methodical gathering, organizing, analyzing, interpreting, and reporting of data and information. Presenting the study work's fundamental framework is the goal of this chapter. The research design, demographic, sample, types and sources of data, data analysis techniques, conceptual framework, and definitions of study variables are all included in this chapter.

3.1 Research Design

On the foundation of descriptive and causal comparative research is the research design. The descriptive research design was used in order to gather sufficient information about the fundamental problems related to the management of banks' assets and liabilities and profitability in Nepalese commercial banks. In order to gather sufficient information on the variables influencing financial performance, the descriptive study design has been used. In order to provide a clear image of a given scenario, this type of design entails the methodical collecting and presentation of data. It explains the facts, circumstances, and actual state of affairs. A variety of variables are included in the descriptive study for analysis, including regression analysis, correlation matrices, and descriptive statistics, from which the best-fit models are derived and subsequently examined. For this reason, a descriptive research strategy was used in this study.

3.2 Population and Sample

The entire number of variables observed is simply known as the population. The population includes all companies registered on the Nepal Stock Exchange, but for the purposes of this study, only commercial banks listed on the NEPSE and undertaking share transactions are considered. Currently, there are 20 commercial banks, however

only 19 of them are listed with the NEPSE. Out of the 19 listed commercial banks, the six are chosen at random for analysis.

3.3 Nature and sources of Data

The study's foundation is secondary data that was gathered over a ten-year period, from the fiscal year 2012/2013 to 2021/2022, from Nepal's commercial banks. Every feasible and valuable piece of information has been gathered. Secondary data is used to identify the factors that affect share price in order to illustrate the relationships between the various variables, such as market price per share - earnings per share, market price per share -book value per share, market price per share -dividend per share, and market price per share -price earnings ratio. Secondary sources provide the secondary data that are gathered. Information from books, journals, and articles relevant to the study, as well as annual reports and websites of banks, serve as secondary sources of data.

3.4 Methods of data analysis

The majority of this section is devoted to statistical and economic models that are employed in secondary data analysis. The study employs descriptive, correlational, and regression analysis techniques. The variables' mean, standard deviation, minimum and maximum values are included in the descriptive statistics in order to explain the features of the sample firms. The direction and strength of the relationship between dependent and independent variables are determined using the correlation analysis. Regression analysis is used to determine how much an independent variable, either alone or in combination with other variables, influences a dependent variable. It describes the many statistical tests of significance, such as the F-test, the t-test, the detection test, and linear regression analysis, for model validation. Using the statistical software for social science (SPSS), the F-test is used to assess each model for individual effects.

Statistics Tools

Some statistical methods were employed in the investigation. The following descriptive statistics tools are used to examine the connection between two variables.

Arithmetic Mean or Average

The mean is a numerical value that denotes a set of values and provides insight into the concentration of values in the central region of the distribution. The arithmetic mean of the whole data set is the value that falls between the two extreme observations. By adding up each item and dividing the sum by the total number of things, the arithmetic mean can be calculated.

Mathematically,

$$X = \frac{\sum X}{n}$$

Where,

$\bar{x}$ = Arithmetic Mean

$\sum X$ = Sum of all the values of the variable X

n = Number of observations

Standard Deviation

The absolute dispersion is measured by the standard deviation (σ). The magnitude of the values' departures from their mean will increase with increasing standard deviation. A small standard deviation indicates both strong observational uniformity and series homogeneity, and vice versa. The following formula is used to compute it:

$$\sigma = \sqrt{\frac{\sum (X - \bar{X})^2}{n-1}}$$

Where,

σ = Standard Deviation

X = Number in X-series

$\bar{x}$ = Mean

n = Number of observations in a sample.

Coefficient of Variation

One relative indicator of risk is the coefficient of variation, or CV. Risk per unit of return is calculated by dividing the standard deviation by the expected return. CV is a better statistical technique to compare variability between two or more series. In terms of math,

$$CV = \frac{S}{\bar{x}} \times 100$$

Correlation Coefficient (r)

The relationship between a single dependent variable and a single independent variable, or factor, is known as correlation. Stated differently, correlation refers to the association between two or more variables. Connection, then, is a statistical tool that can be used to ascertain the degree and direction of connection as well as whether or not two or more variables are associated. A positive correlation is one where the value of the variable is directly proportionate. Conversely, when the variables have inversely proportionate values, the correlation is considered negative; yet, the correlation coefficient always stays between +1 and -1. Karl Pearson established the basic correlation coefficient between two variables, say X and Y is given by,

$$\text{Correlation coefficient (rxy)} = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X2 - (\sum X)2}\sqrt{N\sum Y2 - (\sum Y)2}}$$

Where, rxy is the correlation between two variables X and Y,'r' always lies in between +1 and -1

When 'r' = +1, there is perfect positive correlation.

When, 'r' = -1, there is perfect negative correlation.

When 'r' = 0, there is no correlation.

Coefficient of Determination (r2)

The main tool for determining the degree or intensity of the relationship between two variables, x and y, is the coefficient of determination. It is a metric for the overall variance in a dependent variable that may be accounted for by the linear relationship between the dependent and independent variables. R2 is the symbol for the coefficient of determination, and its value is between 0 and unity. The explanatory power increases with proximity to unity. A value of one can occur only if the unexplained

variation is zero, which simply means that all the data points in the scatter diagram fall exactly on the regression line. The R^2 is always a positive number. It can't tell whether the relationship between the two variables are positive or negative. The R^2 is defined as the ratio of explained variance to the total variance. Thus,

Coefficient of determination (r^2)

$$R^2 = 1 - \frac{Unexplained\ Variance}{Total\ Variance}$$

Multiple regression Analysis

The statistical method known as regression analysis is used to forecast an unknown variable's value based on the known value of any other variable. The one whose value is known is known as the independent variable, and the one whose value needs to be estimated is known as the dependent variable. It is employed to ascertain whether or not the provided independent variable has an impact on the dependent variable. The market price per share is the dependent variable in this study, whereas the independent variables are book value per share, earnings per share, dividend per share, and price earnings ratio. Researchers created the regression model for this investigation as follows:

$MPS = \beta 0 + \beta 1EPS + \beta 2DPS + \beta 3P/E\ RATIO + \beta 4BVPS$

Where,

MPS	=	Market price per share
β0	=	Intercept
β1	=	Coefficient of EPS
EPS	=	Earnings per share
β2	=	Coefficient of DPS
DPS	=	Dividend per share
β3	=	Coefficient of P/E Ratio
P/E Ratio	=	Price earnings ratio
β4	=	Coefficient of BVPS
BVPS	=	Book value per share

3.5 Conceptual Framework and definition of variables

The study's conceptual framework outlines methodical justifications of the correlation between dependent and independent variables in an effort to shed light on the factors that influence Nepalese commercial banks' stock prices. This section outlines the factors examined and offers a conceptual foundation for the investigation. The market price per share is the dependent variable in this study, whereas the earning per share, dividend per share, price earnings ratio, and book value per share are the independent factors. As a result, the primary goal and parameters of this investigation are encapsulated in the conceptual model that follows:

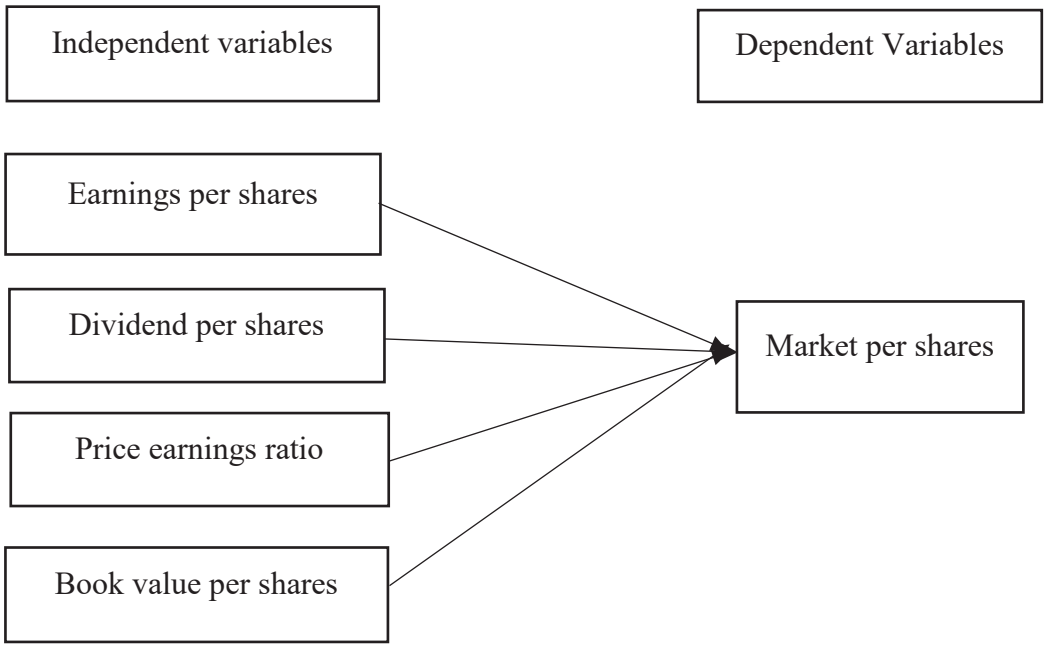

Figure 3.1 Conceptual Framework

Source: Bhattarai, 2020

Dependent variables

The variables influencing Nepalese commercial banks' stock price are presented in this study. Thus, market price per share is one of the dependent variables used by researchers.

Market price per share

The price that an asset would bring in on the open market is its market price. Market value, which is calculated by multiplying the number of outstanding shares by the current share price, is also frequently used to refer to the market capitalization of a publicly traded corporation (Chen, 2019). Market value is very susceptible to long-term fluctuations and is heavily impacted by the business cycle. In a bear market, market values fall, and in a bull market, they rise. Real stock value is expressed as market price per share. It's the amount that both the vendor and the buyer agree to accept. It displays the business's real performance. Every fiscal year, a lot of corporations declare an enticing dividend in an attempt to keep their stock price high. It is computed by taking the total market capitalization and dividing it by the number of outstanding ordinary shares.

It is calculated as follows:

$$\text{Market price per share} = \frac{\text{Market capitalization}}{\text{No. of shares outstanding}}$$

Independent Variables

Important aspects that influence stock price determination include book value per share, earnings per share, dividend per share, and price earnings ratio. For this reason, researchers used these parameters as dependent variables.

Earnings per Share (EPS)

The amount of a company's profit allotted to each outstanding share of common stock is known as earnings per share. The profitability of a business is shown by its earnings per share. It's a market potential ratio that calculates net income per outstanding share of stock. A high market price is typically the outcome of rising earnings per share. It is computed by dividing the total number of outstanding shares by the net profit after taxes. The company's earnings per share contribute to its market share strength.

It is calculated as:

$$\text{EPS} = \frac{\text{Net profit after tax}}{\text{No. of share outstanding}}$$

Dividend per shares (DPS)

A portion of the earnings per share is paid to shareholders, and the remainder is kept by the business. Dividend per share is the amount given to the shareholder from earnings per share. Dividends are the portion of profits that a company gives to its shareholders as cash or equity. Dividends are the most significant item to stockholders. In the hopes of receiving a portion of the company's profits, they purchase shares. A stockholder's primary goal is to maximize their return on investment. Therefore, a company that pays a high dividend per share is thought to be one that values the expectations of its shareholders.

It is calculated as follows:

$$DPS = \frac{\text{Total dividend proposed}}{\text{No. of ordinary share}}$$

Price Earnings ratio (P/E Ratio)

It is the most significant measure that most investors utilize when choosing stocks. It is the ratio of the market price to the company's current earnings per share. The P/E ratio, which compares a company's current share price to its earnings per share, is used to value the business. It is also referred to as the earnings multiple or the price multiple on occasion. The price-to-earnings ratio (P/E) shows how much an investor must invest in a firm in order to receive one rupee of its earnings. By dividing the current market price by earnings per share, it is computed. A lower P/E ratio suggests that investing in the company is less risky. A greater P/E ratio denotes a bigger share price risk for the company. It makes the suggestion as to whether the company's share price is undervalued or expensive. Investors in Nepal heavily depend on this ratio. They wish to put money into a company whose P/E ratio is under 25.

It is calculated as follows:

$$P/E \text{ ratio} = \frac{\text{Market price per share}}{\text{Current earning per share}}$$

Book value per share (BVPS)

The stock's true value as stated in the company's records is its book value per share. A financial metric known as book value per share serves as a per-share evaluation of the minimal worth of an organization's stock. To be more precise, this figure is calculated by multiplying the number of existing shares by the original value of the company's common stock after it has been adjusted for any inflow (retained earnings) and outflow (bonuses and dividends). Another name for it is net worth per share. It is calculated by dividing the total number of outstanding shares by the shareholder's equity.

It is calculated as follows:

$$\text{Book value per share} = \frac{\text{Total paid up capital + reserve and surplus}}{\text{No. of shares outstanding}}$$

CHAPTER IV

RESULT AND DISCUSSION

The primary body of this study is this chapter. The secondary data is gathered in raw format. Thus, such raw data are presented in this chapter in systematic ways and subjected to statistical methods and instruments for analysis. Secondary data are gathered from several sources, presented, and examined independently utilizing both qualitative and quantitative methods. Data collected from multiple sources have been entered into a tabular format for this investigation.

4.1 Data analysis and presentation

In order to extract relevant information, find patterns, recognize trends, and make well-informed judgments, raw data must be inspected, cleaned, transformed, and interpreted. This process is known as data analysis. To extract insights from data, a variety of statistical, mathematical, and computational techniques are applied. Both descriptive (summarizing and characterizing data) and inferential (drawing inferences and forecasts from data) data analysis is possible. The act of conveying to an audience, either graphically or vocally, the conclusions and insights drawn from data analysis is known as data presentation. A clear, succinct, and intelligible representation of the data is necessary for effective data presentation. Making charts, graphs, tables, dashboards, reports, or presentations that highlight the most important findings from the data analysis may fall under this category. The goal of data presentation is to enable decision makers to easily obtain and utilize complex information.

4.1.1 Market Price per Share (MPS)

The price an asset would bring in on the open market is its market price. A publicly listed firm's market value, which is calculated by multiplying the number of outstanding shares by the current share price, is also frequently used to refer to the market capitalization of the company. Market value is very susceptible to long-term fluctuations and is heavily impacted by the business cycle. In a bear market, market

values fall, and in a bull market, they rise. Table 1 presents an analysis of the market price per share of the sample banks.

Table 1
Market price per shares (MPS) *(In Rs)*

Fiscal Year	EBL	HBL	NBL	NSBL	SBL	ADBL	Total	Mean	S.D	C.V
2012/13	1591	700	171	850	300	212	3824	637.3	542.4	85.1
2013/14	2631	941	459	1280	810	756	6877	1146	774.9	67.61
2014/15	2120	813	305	887	678	432	5235	872.5	650.2	74.52
2015/16	3385	1500	470	1875	869	768	8867	1478	1066	72.16
2016/17	1353	886	364	925	485	435	4448	741.3	382.3	51.57
2017/18	663	551	364	499	300	314	2691	448.5	145.8	32.52
2018/19	666	552	281	469	318	409	2695	449.2	144.1	32.08
2019/20	675	540	336	435	296	385	2667	444.5	141.2	31.77
2020/21	738	484	249	409	504	479	2863	477.2	156.3	32.76
2021/22	439	299	443	282	303	331	2097	349.5	31.11	8.901
Total	14261	7266	3442	7911	4863	4521		7044	4035	489
Mean	1426	726.6	344.2	791.1	486.3	452.1		704.4	343.2	48.72
S.D	998.6	331.9	96.72	490.5	225.05	179.9				
C.V	70.02	45.68	28.1	62	46.278	39.79				

Source: SPSS output

Table 1 depicts that Nepal bank has a minimum average market price per share and Everest bank has maximum followed by NSBL, HBL, SBL, ADBL and NBL respectively. The mean market price per share was in a fluctuation trend from fiscal year 2012/13 to 2021/22. The mean market price per share of commercial banks was maximum at fiscal year 2015/16 i.e. 1477.8 and minimum at fiscal year 2021/22 i.e. Rs. 349.5. The overall mean market price per share is Rs. 704.4, this means Everest bank limited, NSBL and Himalayan banks performance are above the mean as per market price per share and the remaining bank fails to meet the average market price per share by their performance. The mean standard deviation in terms of market price per share is Rs. 343.2. Likewise, Nepal bank has the lowest value of standard deviation (Rs. 96.72) and Everest bank has the highest value of standard deviation (Rs. 992.68)

which indicates that EBL has more fluctuation and Everest bank has more stability in the market price per share. The higher fluctuation of market price per share in EBL suggests inconsistent performance of the bank and lower fluctuation of market price per share in Nepal bank suggests consistent performance of the bank. In teams of standard deviation, there is maximum fluctuation occurring in fiscal year 2015/16 i.e. Rs. 1066 and minimum fluctuation at fiscal year 2021/22 i.e. 31.11. NBL has a minimum CV market price per share i.e. Rs. 28.1 and Everest bank has maximum i.e. Rs. 70.02 suggest that NBL has less variation whereas EBL has more variation. The minimum CV market price per share is 8.90 in fiscal year 2020/21 and maximum is Rs. 85.1 in fiscal year 2012/13. The mean CV market price per share is Rs. 48.72.

4.1.2 Earning per share (EPS)

The amount of a company's profit allotted to each outstanding share of common stock is known as earnings per share. The profitability of a business is shown by its earnings per share. The EPS for each sample bank is displayed in table number 2. In NEPSE, sample banks are represented by a trading symbol. It is computed as follows:

$$EPS = \frac{\text{Net profit after tax}}{\text{No. of share outstanding}}$$

Table 2

Earnings per shares *(In Rs)*

Fiscal Year	EBL	HBL	NBL	NSBL	SBL	ADBL	Total	Mean	S.D	C.V
2012/13	91.88	34.19	198.5	32.75	29.8	59.03	446.2	74.36	65.25	87.75
2013/14	86.04	33.1	18.08	34.83	38.63	35.19	245.9	40.98	23.21	56.64
2014/15	78.04	33.37	7.48	34.48	37.77	78.83	270	45	28.07	62.38
2015/16	40.33	43.03	44.59	36.78	41.53	52.79	259.1	43.18	5.4	12.51
2016/17	32.48	33.55	38.77	33.46	26.06	31.59	195.9	32.65	4.08	12.5
2017/18	32.78	23.11	39.98	25.16	26.45	36.64	184.1	30.69	6.81	22.19
2018/19	38.05	32.44	26.99	27.13	23.07	42.88	190.6	31.76	7.61	23.9
2019/20	29.71	27.6	20.68	17.23	19.55	31.45	146.2	24.37	5.94	24.37
2020/21	19.91	28.07	23.43	10.15	22.79	29.13	133.5	22.25	3.06	13.75
2021/22	26.3	18.26	20.29	16.67	23.17	14.41	119.1	19.85	8.59	32.28
Total	475.5	306.7	438.8	268.6	288.8	411.9		365.1	158	348.3
Mean	47.55	30.67	43.88	26.86	28.88	41.19		36.51	19.31	52.89
S.D	26.87	6.808	55.53	9.292	7.741	18.19				
C.V	56.51	20.84	126.5	34.59	26.8	44.16				

Source: SPSS output

Table 2 depicts that NSBL bank has minimum average earnings per share and EBL bank has maximum earnings per share followed by EBL, ADBL, HBL, and SBL bank respectively. The mean earnings per share of commercial banks was maximum at fiscal year 2012/13 i.e. Rs. 74.36 and minimum at fiscal year 2021/22 i.e. Rs. 19.85.

The overall mean earnings per share is Rs. 36.51, this means Everest bank and NBL banks performance are above the mean as per earnings per share and the remaining bank fails to meet the average earnings per share by their performance. The mean standard deviation in terms of earnings per share is Rs. 19.3. Likewise, Nepal HBL bank has the lowest value of standard deviation (Rs. 6.8) and Everest bank has the highest value of standard deviation (Rs. 26.86) which indicates that EBL has more fluctuation and HBL bank has more stable earnings per share. The higher fluctuation of earnings per share in EBL suggests inconsistent performance of the bank and lower fluctuation of EPS in HBL bank suggests consistent performance of the bank. In teams of standard deviation, there is maximum fluctuation occurring in fiscal year 2012/13 i.e. Rs. 65.3 and minimum fluctuation at fiscal year 2020/21 i.e. Rs. 3.06. The minimum CV of earnings per share is S HBL i.e.20.84 and maximum is NBL limited i.e. Rs. 126.53 suggest that HBL has less variation whereas Everest bank has more variation. The minimum CV earnings per share is Rs. 12.5 in fiscal year 2016/17 and maximum is Rs. 87.75 in fiscal year 2012/13. The mean CV earnings per share of Nepalese commercial banks is Rs. 52.89.

4.1.3 Dividend per shares (DPS)

The total of a company's declared dividends for each outstanding common share is known as the dividend per share. The amount is computed by dividing the total number of outstanding ordinary shares issued by the business by the total dividends paid, including interim payments for a given period of time. When making investments, investors heavily rely on this ratio. They like businesses that offer enticing dividends. Table 3 displays each sample bank's DPS. The following formula is used to compute it:

$$\text{DPS} = \frac{\text{Total dividend proposed}}{\text{No. of ordinary share}}$$

Table 3

Dividend per shares *(In Rs)*

Fiscal Year	EBL	HBL	NBL	NSBL	SBL	ADBL	Total	Mean	S.D	C.V
2012/13	60.53	15	0.86	17.16	22.11	63.16	178.8	29.8	25.56	85.76
2013/14	62	21.5	25.39	31.01	23.16	24.58	187.6	31.27	15.85	50.68
2014/15	35	42.11	0	29.84	21.05	16.58	144.6	24.1	14.88	61.75
2015/16	70	31.58	0	29.09	48.75	22.1	201.5	33.59	23.81	70.89
2016/17	33	26.32	0	27.5	14	22.1	122.9	20.49	11.41	55.69
2017/18	20	15.79	0	26.57	13.16	21.05	96.57	16.1	7.59	47.16
2018/19	25	22	25	27.68	25.26	30	154.9	25.82	4.36	16.88
2019/20	10.53	20	16	12.94	15	15.79	90.26	15.04	1.42	9.439
2020/21	10.32	26	17	7.12	15	21.05	96.49	16.08	7.39	45.95
2021/22	20.68	19.11	12	18.6	13.16	13	96.55	16.09	4.16	28.2
Total	347.1	239.4	96.25	227.5	210.7	249.4		228.4	116.4	147.6
Mean	34.71	23.94	9.625	22.75	21.07	24.94		22.84	8.28	36.26
S.D	21.97	8.12	10.71	7.86	10.74	14.25				
C.V	63.3	33.91	111.3	34.55	50.98	57.13				

Source: SPSS output

Table 3 depicts that Nepal bank has minimum average dividend per share and EBL bank has maximum followed by ADBL, HBL, NSBL, and SBL respectively. The mean dividend per share is in a fluctuating trend from fiscal year 2012/13 to 2020/21. The mean dividend per share of commercial banks is maximum at fiscal year 2015/16 i.e. Rs. 33.59 and minimum at fiscal year 2020/21 i.e. Rs. 16.08. The overall mean dividend per share is Rs. 22.84, this means EBL, HBL, and ADBL performance are above the mean as per dividend per share and the remaining bank fails to meet the average dividend per share by their performance. The mean standard deviation in terms of dividend per share is Rs. 8.28. Likewise, Nepal SBI bank has the lowest value of standard deviation (Rs. 7.86) and EBL has the highest value of standard deviation (Rs. 21.97) which indicates that EBL has more fluctuation and Nepal SBI bank has more stability in the dividend per share. The higher fluctuation of DPS in EBL suggests inconsistent performance of the bank and lower fluctuation of DPS in Nepal SBI bank suggests consistent performance of the bank. In teams of standard deviation, there is maximum fluctuation occurring in fiscal year 2012/13 i.e. Rs. 25.56 and

minimum fluctuation at fiscal year 2019/20 i.e. Rs. 1.42. The minimum CV DPS is HBL i.e. 33.9 and maximum is EBL i.e. 633.30 suggest that HBL has less variation whereas EEBL has more variation. The minimum CV of dividend per share is 9.43 in fiscal year 2019/20 and maximum is 85.76 in fiscal year 2012/13.

4.1.4 Price Earnings Ratio (P/E Ratio)

The P/E ratio is a valuation metric that compares a company's current share price to its per-share earnings. It is sometimes referred to as the price multiple or earnings multiple. In essence, the P/E ratio shows how much an investor must pay in a firm to receive one rupee of its earnings.

P/E ratio = MPS / EPS

Table 4

Price earnings ratio *(In Times)*

Fiscal Year	EBL	HBL	NBL	NSBL	SBL	ADBL	Total	Mean	S.D	C.V
2012/13	17.32	20.47	0.86	25.95	10.07	2.96	77.63	12.94	9.98	77.14
2013/14	30.58	28.43	25.39	36.75	20.97	16.03	158.2	26.36	7.3	27.7
2014/15	27.17	24.36	40.78	25.73	17.95	5.48	141.5	23.58	11.6	49.2
2015/16	83.94	34.86	10.54	50.98	20.93	14.55	215.8	35.97	27.78	77.24
2016/17	41.66	26.4	9.39	27.64	18.24	13.77	137.1	22.85	11.61	50.81
2017/18	11.34	23.84	7.03	19.83	11.34	8.51	81.89	13.65	6.68	48.94
2018/19	13.79	17.02	12.45	17.29	13.79	9.54	83.88	13.98	2.91	20.82
2019/20	15.14	19.57	12.04	25.24	15.14	12.24	99.37	16.56	2.59	15.64
2020/21	19.35	17.25	18.9	40.3	19.35	16.44	131.6	21.93	4.05	18.47
2021/22	13.07	16.39	13.21	16.93	13.07	22.98	95.65	15.94	1.72	10.79
Total	273.4	228.6	150.6	286.6	160.9	122.5		203.8	86.22	396.7
Mean	27.34	22.86	15.06	28.66	16.09	12.25		20.38	8.622	39.67
S.D	22.04	5.91	11.16	10.91	3.94	5.85				
C.V	80.63	25.85	74.11	38.06	24.49	47.76				

Source: SPSS output

Table 4 depicts that ADBL has minimum average price earnings ratio and Nepal SBI bank has maximum, EBL, Himalayan bank, SBL and Nepal bank respectively. The mean price earnings ratio was in a fluctuation trend from fiscal year 2012/13 to

2021/22. The mean price earnings ratio of commercial banks was maximum at fiscal year 2015/16 i.e. 35.97 times and minimum at fiscal year 2012/13 i.e. 12.94 times. The overall mean price earnings ratio is 20.38 times, this means NSBL, EBL, and HBL performance are above the mean as per price earnings ratio and the remaining bank fails to meet the average price earnings ratio by their performance. The mean standard deviation in terms of price earnings ratio is 8.62 times. Likewise, Siddhartha bank has the lowest value of standard deviation (3.94) and Everestbank has the highest value of standard deviation (22.04 times) which indicates that Everest bank has more fluctuation and Siddhartha bank has more stability in the price earnings ratio. The higher fluctuation of price earnings ratio in Everest bank suggests inconsistent performance of the bank and lower fluctuation price earnings ratio of Siddhartha bank suggests consistent performance of the bank. In teams of standard deviation, there is maximum fluctuation occurring in fiscal year 2015/16 i.e. 27.78 times and minimum fluctuation in fiscal year 2021/22 i.e. 1.72. SBL has minimum CV price earnings ratio i.e. 24.49 times and Everest bank has maximum i.e.80.62 times suggest that SBL less variation whereas Everest bank has more variation. The minimum CV price earnings ratio is 10.79 times in fiscal year 2021/22 and maximum is 77.14 times in fiscal year 2012/13. The mean coefficient of variation price earnings ratio is 39.67 times.

4.1.5 Book value per shares (BVPS)

The book value per share is the ratio of common equity value to the number of outstanding shares. The book value of equity per share is one metric that investors can use to determine if a stock is undervalued. If a company can raise its BVPS, investors may perceive the shares as more valuable, and the stock price rises.

$$\text{BVPS} = \frac{\text{Value of common equity}}{\text{No. of shares outstanding}}$$

Table 5

Book value per shares *(In Rs)*

Fiscal Year	EBL	HBL	NBL	NSBL	SBL	ADBL	Total	Mean	S.D	C.V
2012/13	291.5	192	977	161.3	154.5	301.2	2077	346.2	315.5	91.11
2013/14	296.3	210	163	171.2	165.4	305.9	1312	218.6	66.16	30.26
2014/15	335.6	208.8	100	186.5	184.4	263.5	1279	213.1	79.85	37.46
2015/16	370.8	196.1	100	184.9	206.5	293.5	1352	225.3	94.19	41.81
2016/17	290	189.8	100	152.2	167.7	196.7	1096	182.7	6.85	3.749
2017/18	201	174.2	286	159.1	162	392	1374	229.1	92.71	40.48
2018/19	220	187.7	298	167.5	169	349	1391	231.8	75.2	32.44
2019/20	220	187.7	266	165.1	164	298	1301	216.8	55.38	25.55
2020/21	233	188.4	263	162.2	186	287	1320	219.9	48.98	22.27
2021/22	242	169.7	246	174.2	172	253	1257	209.5	41.27	19.7
Total	2700	1905	2799	1684	1732	2940		2293	876.1	344.8
Mean	270	190.5	279.9	168.4	173.2	294		229.3	84.24	36.74
S.D	55.71	12.76	25.91	11	15.16	52.67				
C.V	20.63	6.7	9.257	6.532	8.755	17.92				

Source: SPSS output

Table 5 depicts that NSBL bank has minimum average book value per share and Agriculture bank has maximum average book value per share followed by NBL, EBL, HBL and SBL respectively. The mean book value per share of commercial banks is maximum at fiscal year 2012/13 i.e. Rs. 246.2 and minimum at fiscal year 2021/22 i.e. Rs. 209.5. The overall mean book value per share is Rs. 229.3, this means ADBL,NBL and Everest banks performance are above the mean as per book value per share and the remaining bank fails to meet the average book value per share by their performance. The mean standard deviation in terms of book value per share is Rs. 84.24. Likewise, Nepal SBI bank has the lowest value of standard deviation (Rs. 11) and Everest bank limited has the highest value of standard deviation (Rs. 55.71) which indicates that Everest bank limited has more fluctuation and Nepal SBI bank has more stable in the book value per share. The higher fluctuation of book value per share in Everest bank limited suggests inconsistent performance of the bank and lower fluctuation book value per share in Nepal SBI bank suggests consistent performance of thebank. In teams of standard deviation, there is maximum fluctuation

occurring in fiscal year 2015/16 i.e. Rs. 94.19 and minimum fluctuation at fiscal year 2016/17 i.e. Rs. 6.85. NSBL bank has minimum CV book value per share i.e. Rs. 6.53 and Nepal bank has maximum i.e. Rs. 92.14 suggest that NSBL has less variation whereas NEPAL bank has more variation. The minimum CV book value per share is Rs. 3.74 in fiscal year 2016/17 and maximum is Rs. 91.11 in fiscal year 2012/13. The mean CV book value per share is Rs. 36.74.

4.2 Descriptive Analysis

The descriptive statistics associated with variables used in the study for sample banks during the period of 2013/13 through 2021/22 are summarized in Table 6.

Table 6

Descriptive analysis

S.N	Variables	Obs.	Minimum	Maximum	Mean	S.D
1	MPS	60	171	3385	704.4	592.12
2	EPS	60	7.48	198.53	36.5	26.93
3	DPS	60	0	70	21.95	14.77
4	P/E Ratio	60	0.86	83.94	20.37	12.81
5	BVPS	60	100	977	229.31	118.17

Source: SPSS output

The descriptive statistics consists of the number of observations, mean, median, maximum, minimum and standard deviation.

Table 6 shows that market price per share of sample banks in this study ranges from minimum of 171 to maximum of 3385 with a mean value and standard deviation of 592.12 and 118.17 respectively. In terms of earnings per share the value ranges from minimum of 7.48 to maximum of 198.53 with mean value of 36.5 respectively. Earnings per share of standard deviation are 26.93. The dividend per share of sample banks is ranged from minimum of 0 to maximum of 70 with average value and standard deviation of 14.77 and mean 21.95 respectively. In terms of price earnings ratio the value ranges from minimum of

0.86 to maximum of 83.94 with mean value value of 20.37. P/E ratio of standard deviation is 12.81. In terms of book value per share the value ranges from minimum of 100 to maximum of 977.The mean book value per share of Nepalese commercial banks is 229.31. Book value per share of standard deviation is 118.17.

4.3 Pearson's Correlation Analysis

A statistical method for determining the existence and strength of a relationship between two variables is correlation. When two variables are correlated, it means that when one variable's value changes, the other variable tends to change in a particular way. We may use the value of one variable to anticipate the value of the other, therefore it's helpful to understand that relationship. The correlation coefficients are based on the data from six sample commercial banks with 60 observations for the period of 2012/13 through 2021/22.

Table 7

Pearson's Correlation Analysis

		MPS	EPS	DPS	P/E ratio	BVPS
MPS	Pearson correlation	1				
EPS	Pearson correlation	0.233	1			
DPS	Pearson correlation	0.675**	0.19	1		
P/E ratio	Pearson correlation	0.75**	0.19	0.395**	1	
BVPS	Pearson correlation	0.09	0.809**	0.089	0.152	1

** Correlation is significant at the 0.01 level (2-tailed).
*Correlation is significant at the 0.05 level (2-tailed).

Sources: SPSS output

Table 7 shows the Pearson correlations coefficient between dependent and independent variables taken in the study. The results shows a positive relationships of market price per shares with earnings per shares (EPS), Dividend payout ratio (DPS), price earnings ratio (P/E Ratio) and Book value price per share (BVPS). The pearson

correlation between MPS and EPS is 0.233, MPS and DPS is 0.675**, MPS and P/E ratio is 0.75** and MPS and BVPS is 0.09 respectively. Likewise, the pearson correlation between EPS and DPS is 0.19, EPS and P/E ratio is 0.19, EPS and BVPS is 0.809**, DPS and P/E ratio is 0.395**, DPS and BVPS is 0.089, P/E ratio and BVPS is 0.152 respectively.

The result shows that;

- Higher the earnings per share, higher would be the market price per share.
- Higher the dividend per share, higher would be the market price per share.
- Higher the price earnings ratio, higher would be the market price per share.
- Higher the book value per share, higher would be the market price per share.

Regression Analysis

Regression analysis is used to ascertain whether or not the independent variables that have been chosen have an impact on the dependent variable. Regression analysis makes the assumption that there is a causal link between two or more variables, whereas correlation analysis makes no such assumption. The impact of one independent variable on one dependent variable is displayed by single linear regression, whereas the impact of several independent factors on one dependent variable is displayed by multiple linear regression. The dependent variable in this analysis is MPS, while the independent variables are EPS, DPS, P/E ratio, and BVPS. This part of the study primarily looks at regression results from different model specifications to investigate how independent variables affect stock price for secondary data derived from observations. This section aims to evaluate the model's validity using statistical tests of significance, including the t-test, F-test, and coefficient of determination (R2). Analysis of variance (ANOVA) is generally used to assess for significant variations in means.

The effect of independent and dependent variables on the market share price of Nepalese commercial banks is predicted using multiple linear regression. The findings are based on a linear regression model applied to ten-year time series data of commercial banks spanning 2012–2022 and 2021–2022. With the statistic in parenthesis, the provided values are the intercepts and slope coefficients of the

corresponding explanatory variables. The model's predicted explanatory capacity is indicated by R2, and its fit is demonstrated by the F-ratio. The impact of a firm-specific variable on the market share price of Nepalese commercial banks is examined using the model summary, analysis of variance (ANOVA), and beta coefficients results.

4.3.1 Model Summary

Table 8

Impact of EPS, DPS, P/E ratio, BVPS on MPS

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.908[a]	0.824	0.811	257.3752

a. Predictors: (Constant), EPS, DPS, P/E Ratio, BVPS

Source: SPSS output

The R-square, sometimes referred to as the coefficient of determination, is shown in the summary model and can be used to explain variation. Table 8 makes clear that the R-square value is.824, meaning that dependent variables like EPS, DPS, P/E ratio, and BVPS account for 82.4% of the fluctuation in the stock price of Nepalese commercial banks. However, dependent factors account for the remaining 17.6%. Put differently, there exist supplementary factors that account for the variation in the stock market value of commercial banks in Nepal. Similarly, adjusted R2 is.811, meaning that EPS, DPS, P/E ratio, and BVPS after adjustments account for 81.1% of the share price of Nepalese commercial banks. Adjusting degree of freedom. Model of summary also indicate the standard error of the estimate of 257.3752 which shows the variability of the observed value of stock market price of Nepalese commercial banks.

4.3. ANOVA Table

Table 9

Impact of EPS, DPS, P/E ratio, BVPS on MPS

ANOVA[a]

Model		Sum of Squares	DF	Mean Square	F	Sig.
1	Regression	17042576.69	4	4260644.171	64.319	0.001[b]
	Residual	3643309.175	55	66241.995		
	Total	20685886.4	59			

a. Dependent Variable: MPS

b. Predictors: (Constant), EPS, DPS, P/E ratio, BVPS

Source: SPSS output

Table 9 shows the ANOVA. The ANOVA result shows that the F value is 64.319 and p-value is 0.001 i.e. P value is less than 0.05 and is significant at 5 percent level of significance which indicates that independent variables have significant impact on the market share price of Nepalese commercial banks.

4.3.3 Coefficients Impact of EPS, DPS, P/E ratio, BVPS on MPS

Table 10

Impact of EPS, DPS, P/E ratio, BVPS on MPS

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-366.155	100.171		-3.655	0.001
	EPS	10.536	2.216		4.754	0.001
	DPS	13.636	2.623	0.338	5.199	0.001
	P/E Ratio	31.091	2.982	0.673	10.425	0.001
	BVPS	1.129	0.486	0.225	2.323	0.024

a. Dependent Variable: Market Per Share (MPS)

Sources: SPSS output

Table 10 explain that EPS has beta of 10.536 further the beta coefficient implies that Re. 1 change in EPS of Nepalese commercial banks leads to Rs. 10.536 change in MPS factor with other factors remain unchanged. Change is DPS has beta 13.636; the beta coefficient implies that Re. 1 change in dividend per share of Nepalese

commercial banks leads to change Rs. 13.636 change in market share price with other factors remain unchanged. P/E ratio has beta 31.091 similarly the beta coefficient implies that Re. 1 change in P/E ratio of Nepalese commercial banks leads to Rs. 31.091change in stock price. At last BVPS has beta 1.129. Likewise the beta coefficient signifies that Re. 1 change in total assets of Nepalese commercial banks leads Rs. 1.129 change in market price of share with other factors remain unchanged.

4.4 Discussion

Determiners of stock price are the most significant component in the capital market. The study has primarily examined the variables influencing the stock values of Nepalese commercial banks. Both descriptive and research methods were used in the study's execution. To answer a research topic, the study's data was methodically gathered over a ten-year span. For the purposes of this study, a sample of six Nepali commercial banks was used. Secondary sources, namely the annual reports of Nepalese commercial banks, were consulted for data collection.

Bhattarai (2020), The primary aim of this study is to investigate the factors that influence the market share price of Nepalese commercial banks between 2013/14 and 2017/18. The conclusions from both models were essentially the same. A statistically significant negative correlation was observed between the dividend payment ratio and market share price. In relation to market share per price, the dividend yield and earnings per share were both positive and statistically significant. The market share price did not take inflation, GDP growth rate, or bank size into account. The report had advised the commercial bank's management to step up efforts to effectively manage bank-specific factors in order to prevent a negative impact on share price.

The mean MPS of EBL is 1426 greater than mean MPS of NSBL, HBL, SBL, ADBL and NBL Showing EBL has greater performance than other five banks. The SD of MPS is 96.72 lesser than other five banks are showing lesser risk in MPS. Similarly CV of NBL is 28.1% lesser then other five banks showing greater Consistency. The overall mean MPS, EPS, DPS, P/E ratio and BVPS are 704.4, 36.5, 21.95, 20.37 and 229.31 respectively. The MPS was ranged minimum from 171 to maximum 3385 and has standard deviation 592.12 whereas EPS was ranged from minimum 7.48 to

maximum 198.53 and has standard deviation 26.93. The DPS was ranged minimum from 0 to maximum 70 and has standard deviation 14.77 whereas P/E ratio was ranged from minimum 0.86 to maximum 83.94 and has standard deviation 12.81. Likewise, the BVPS was ranged minimum from 100 to maximum 977 and has standard deviation 118.17. The Pearson correlation coefficient between dependent and independent variables taken in the study. The result shows a positive relationship of market per shares with earnings per ratio (EPS), dividend per share (DPS), Price earnings per ratio (P/E ratio) and book value per shares (BVPS). It indicates that larger the earnings per ratio (EPS), dividend per ratio (NPLA), price earnings per ratio (P/E ratio (P/E ratio) and book value per shares (BVP) higher the market price per shares.

Shammout (2020), Additionally, each book value ratio, dividend per share, market to book ratio, price-earnings ratio, and yield per share was found to have a statistically significant effect on the market price at the commercial banks in Jordan. Nevertheless, neither the dividend payment ratio nor the earnings per share had a statistically significant impact on the market price of Jordanian commercial banks.

The study recommends that investors, analysts, and decision-makers use the characteristics of stocks when carrying out analyses before making important investment decisions that can affect their wealth in the future through forecasting stock price.

CHAPTER V

SUMMARY AND CONCLUSION

This is the fifth and last chapter of the study. This chapter is broken into three sections: summary, conclusions, and implications. They are discussed below.

5.1 Summary

Investing in stocks is becoming more and more popular every day. Buying stocks is a popular choice for young people. Acquiring common stock is not a straightforward task. It requires the correct information, risk-taking skills, and patience. Many people are lured to this industry since investing in stocks might result in significant earnings because of the company's dividends and sporadic increase in market value. But occasionally, the stock price falls so much that the dividend paid out by the firm isn't enough to cover the money lost due to MPS depreciation. The stock's price is primarily influenced by demand and supply, but there are numerous other factors that contribute to price fluctuations. Earnings per share, dividends per share, book value per share, price earnings ratio, cost of equity, cost of fund, and other environmental factors such as government policy, fiscal policy, political situation, NRB policy, news, rumours, and interest rates all have an impact on share prices. Nobody can forecast the primary variables influencing share price changes. Many researchers and investors have expressed worry about the primary factors and aspects that influence share price.

According to research done in the Nepalese context by Bhattarai (2014) and Pradhan and Dahal (2016), profits per share has a significant and positive relationship that influences share price. Ghimire and Mishra's (2018) investigation reveals a statistically significant positive correlation between market price per share and dividend per share. Bhattarai (2014) and Ghimire and Mishra (2018) contended that there is a statistically significant positive correlation between market price per share and price earnings ratio. The market price per share and book value per share have a positive and statistically significant relationship, according to Ghimire and Mishra (2018).

The study's primary objectives are to determine the variables that affect share price and examine the relationships between these variables and the market price per share of commercial banks. Six listed commercial banks are therefore considered. An analytical examination has been carried out to compare the market prices of the sample banks with other financial indicators including EPS, DPS, BVPS, and P/E ratio. For this objective, secondary data was gathered from numerous sources, and SPSS and various financial instruments were used for statistical analysis. This study aims to explore the variables influencing the capital market stock values of commercial banks. Commercial banks' share prices have been volatile recently. The study's main objective is to examine stock price drivers using 10 years' worth of data from six sample banks because the stock market seems to be quite sensitive and volatile.

The current study used data collected from six commercial banks in Nepal and a random sample technique. The study was analyzed using panel data from six commercial banks that were listed between 2012/13 and 2021/22 on the Nepal Stock Exchange. The share price of commercial banks has fluctuated in the last few years. With 10 years of data, the study's main objective is to examine stock price determinants because the stock market seems to be quite sensitive and volatile. The analysis made use of secondary data. Secondary data are collected from bank websites and yearly reports during a ten-year period. With a sample size of six and a population size of sixty, the dependent variable in this study is the market price per share. Book value per share, price-earnings ratio, dividends per share, and earnings per share are the independent variables. Utilizing ANOVA analysis, the link between the independent and dependent variables was investigated using Pearson's correlation coefficient.

5.2 Conclusion

This thesis paper addressed determinants of stock price of Nepalese commercial banks. The prime objective of this study is to examine the major determinants of the stock price of sample banks in NEPSE and analyze the relationship of independent

variables with stock price. The study applies descriptive and causal comparative research design. The study of secondary data which are gathered from six commercial banks in Nepal for the period of ten fiscal years from 2012/13 to 2021/22.

With the regard to the main objective of this study to assess the current status of determinants of stock price of Nepalese commercial banks. According to the Market price per share analysis, EBL has highest average market price per share that of NBL has lowest. In compliance with the earnings per shares analysis and dividend per share analysis, EBL has highest average earning per share and NSBL and NBL has lowest. Likewise, Pursuant to the price earnings ratio analysis, NSBL has highest average price earnings ratio that of ADBL has lowest. As per book value per shares analysis, ADBL has highest average book value shares and NSBL has lowest.

The study's key finding is that the market price per share positively correlates with each of the following: earnings per share, dividends per share, price earnings ratio, and book value per share. Similarly, when considered combined, earnings per share and price earnings ratio have a positive relationship with market price per share. The outcome confirms the findings of Bhattarai (2014) and Pradhan and Dahal (2016) about the relationship between market price per share and earnings per share. Although it conflicts with the findings of Enow and P Brijlal (2016), this study is also in line with Ghimire and Mishra's (2018) findings that the dividend per share has a positive and statistically significant relationship with market price per share. This analysis confirms the conclusions of Ghimire and Mishra (2018) and Bhattarai (2014) regarding the relationship between price earnings ratio and market price per share. This work, along with Ghimire and Mishra (2018) and Almumani (2014), supports the notion that there is a positive and statistically significant association between book value per share and market price per share.

Based on the study's findings, market price per share and earnings per share, dividend per share, and book value per share independently have a statistically significant and favorable association. These results, however, conflict with those of Neupane (2004), who discovered that among listed businesses, the market price of a share is not

consistently correlated with NEPSE, dividend per share, book value per share, or profits per share on their own.

5.3 Implications

The study has examined the determinants of stock price of Nepalese commercial banks. There remains enough ground of scope in terms of data, models and methodology for studies in days to come. The study remains enough ground for the further studies, which are listed below:

- The study's findings primarily come from Nepal's commercial banks. Therefore, additional financial sectors including development banks, financing firms, and microfinance companies may be included in future research.
- Similarly, advanced statistical tools can be used to conduct additional investigations. Future research, for instance, can make advantage of causality and non-linear statistical methods.
- The only source of data for this study is secondary. Therefore, by employing primary sources like surveys, questionnaires, special group discussions, etc., future research can become much more thorough. Future research can take into consideration the qualitative phenomena.
- Further investigation should use additional factors including GDP, inflation, and bank size to improve the regression conclusion. Quarterly or monthly data should also be added, as large variations might be observed in annual data.

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