A COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR OF NEPALESE COMMERCIAL BANKS

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

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **A COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR 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 the dissertation.

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REPORT OF RESEARCH COMMITTEE

Bishal Adhikari has defended research proposal entitle **A COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR OF NEPALESE COMMERCIAL BANKS** the research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Joginder Goet and submit the thesis for evaluation and vice-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR OF NEPALESE COMMERCIAL BANKS** Presented by Bishal Adhikari a 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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Perfection is anything can hardly be thought of knowing the universal fact "Human is Error", I Have taken utmost care to avoid errors, but I know they are inescapable, so I shall be obliged if they are forgiven.

Bishal Adhikari

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ABBREVIATIONS

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

ABSTRACT

The stock market in Nepal is still in its developmental stages and requires support from various stakeholders to operate efficiently. It's crucial for the government to establish and enforce effective regulations to foster the growth of the stock market. Listed companies play a vital role by adhering to these regulations, promptly disclosing financial statements, avoiding rumors, and refraining from stock price manipulation. This study aims to evaluate the behavior of share prices, particularly focusing on the weak efficient market hypothesis, and determine whether successive price changes are independent or dependent on historical price changes, with a specific emphasis on the banking sector. The primary indicator of a company's profitability from the perspective of ordinary shareholders is the earnings per share (EPS). NABIL boasts the highest EPS at RS.61.912, while Nepal Investment Bank Limited has the lowest at Rs.33.18. Higher earnings typically correlate with better performance. However, there's noticeable fluctuation in dividend per share, with SCBNL offering the highest average dividend of Rs.50.712, while HBL offers the lowest at Rs.28.424. Investors inclined towards long-term investments often favor companies with higher dividend yields. All banks demonstrate healthy and positive price-to-earnings (P/E) multiples. However, the relationship between earnings and price exhibits mixed behavior, emphasizing the need for firms to strike a balance between dividends and retained earnings. Dividend distribution plays a crucial role in achieving organizational goals and satisfying shareholders. Decisions regarding dividends are typically made by the board of directors, considering factors like the cost of paying dividends versus retaining earnings. The allocation of profits between dividend payouts and retained earnings significantly impacts the market value of shares. Therefore, it's imperative for companies to adopt a prudent policy that aligns with both shareholders' interests and corporate objectives.

Keywords: Market Price Per Share, Dividend Per Share, Price Earnings Ratio, Book Value Per Share, Return on Assets And Return on Equity

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

A stock price represents the cost of purchasing one share in a company within a specific timeframe, a fundamental concept in the equity market, reflecting fluctuations in stock values. According to Kanniainen (2007), stock price volatility serves as an indicator of the frequency of new information arrivals. This volatility garners attention from investors, brokers, dealers, academics, and regulators, as it not only signifies risk but also reflects significant news impacting the firm. Guo (2002) further suggests that stock price embodies the systemic risk faced by investors engaged in ordinary share investments, crucial for investors inherently averse to risk as it gauges their exposure to risk levels. Moreover, the response of stock prices to unexpected dividend change announcements correlates with the dividend preferences of the marginal investor within the firm, holding other factors constant (Silwal & Napit, 2019).

It's widely understood that investing in the stock market can yield high returns, but it also carries the risk of capital loss due to the market's inherent volatility. Share prices in the stock market constantly fluctuate, influenced by various factors. Understanding these factors can provide insights into stock price movements. As noted by Shrestha (2021), several crucial factors impact share prices in India.

Among the multitude of factors, some key ones stand out. The stock market operates on the basic economic principle of supply and demand, driving the price of stocks. When demand surpasses supply for a stock, indicating more buyers than sellers, its price tends to rise. Conversely, when supply exceeds demand, signaling more sellers than buyers, the stock price typically falls. This dynamic reflects the willingness of buyers to invest in a stock when demand outweighs supply and the eagerness of sellers to offload stocks when supply surpasses demand, as highlighted by Sharpe (2018).

Common stocks represent ownership in primarily tangible or productive assets. Shareholders benefit when the company thrives and suffer losses if it flounders. Dividends, cash payments made regularly by corporations to their shareholders, are determined by the board of directors and can vary from nothing to any feasible amount

the company can afford (Ray, 2018). Stock prices serve as key indicators of stock market returns, influenced by demand, supply, firm-specific factors, and macroeconomic variables. Stock returns fluctuate due to changes in stock prices, which are influenced by internal or bank-specific factors such as earnings per share, bank size, and book-to-market equity (Rahman & Siddikee, 2020).

Empirical studies on asset pricing have identified several variables, apart from market risk, that explain variation in stock returns. Notably, firm size, leverage, P/E ratio, cash flow-to-stock price ratio, and book-to-market equity are significant factors in asset pricing tests (Alam & Uddin, 2019). Fama and French (1992) found book-to-market equity to be the most significant factor in explaining cross-sectional returns. Analysis of Japanese stocks revealed that earnings yield, size, book-to-market ratio, and cash flow yield influence cross-sectional differences in stock returns, with book-to-market ratio and cash flow yield being particularly significant (Hemadivya & Devi, 2013).

The Price Earnings Ratio (PER) gauges how investors perceive a company's growth prospects, reflected in the stock price they are willing to pay per dollar of profit. A higher PER suggests optimistic expectations about the company's future development, leading investors to pay a premium for certain earnings per share (Bhattarai, 2020). Pradhan (1993) observed that dividend payouts affect common stock prices, with major factors influencing corporate dividend policy including earnings, cash availability, past dividends, and concerns about increasing stock prices. Stock prices in Nepal exhibit systematic patterns that can be valuable for predicting future price movements by analyzing past price behavior.

The financial sector plays a vital role in aggregating dispersed savings for capital formation, with the Nepalese stock market aiding in this effort by mobilizing savings for economic sustainability. It provides a platform for growth in the real sector, particularly contributing to major infrastructural development in the nation. However, Nepal's securities market is still in its nascent stages, necessitating further development. Commercial banks' shares are the primary component of the securities market in Nepal, and their price behavior significantly influences the Nepal Stock Exchange index (Poudel, 2020).

Financial institutions are integral to modern economies, serving as intermediaries between savers and borrowers, facilitating the transfer of funds. Modern banking institutions are recognized as essential drivers of economic growth, addressing the primary challenge faced by developing countries slow economic development. Economic progress relies on regular finance supply to leading sectors like agriculture, industry, and trade (Niroula, 2021).

The capital market acts as a platform for trading financial assets with lifespan exceeding one year. It encompasses various financial assets, from long-term government bonds to ordinary shares of companies. Stock markets are a significant component of the capital market, where firms' shares are traded, either through primary market transactions between issuing firms and investors or secondary market transactions among investors (Sharpe, 2018).

Stock markets are vital economic institutions, directing investment to where it's most needed and can be optimally utilized (Ritter & Silber, 1993). They serve as channels for channelizing public savings into industrial and business enterprises, a crucial prerequisite for economic growth. Moreover, efficient stock markets play a critical role in allocating resources to various investment projects, contributing to economic development (Liu et al., 2022).

Stock markets facilitate liquidity and productivity risk management by preventing premature capital liquidation, thus enhancing firm productivity. Additionally, they accelerate growth indirectly by mitigating liquidity risk, encouraging firm investment. The principal roles of stock markets include raising capital for firms, enabling investor wealth diversification, performing screening and monitoring functions, and complementing other financial intermediaries (Sharpe, 2018).

Highly developed and accessible financial markets are crucial for channeling savings into investments, bridging the gap between savers and potential investors. Often, those with the vision and ability to identify profitable investment opportunities are not the same individuals generating current savings. If the financial transmission mechanism, such as stock markets, is inefficient, it can hinder the flow of funds to business investment, leading to suboptimal economic activity levels (Ghimire, 2018).

In liquid and efficient stock markets, investors assume lower levels of risk, leading to increased investment in stock portfolios. Simultaneously, companies benefit from ongoing access to capital raised through equity issues. By facilitating long-term and more profitable investments, liquid markets improve capital allocation and enhance prospects for economic growth. Moreover, stock market liquidity can incentivize more investment by reducing risk and increasing profitability (Fuss, 2017).

Stock markets play a vital role in fulfilling long-term capital needs for productive investment, mobilizing capital essential for economic development. Capital markets encompass various instruments such as debt, stocks, preferred stocks, bonds, and convertible issues, classified into primary and secondary markets. While the primary market deals with new issues, the secondary market involves trading existing securities. The secondary market is crucial as it complements the primary market, ensuring liquidity and enabling investors to trade existing securities efficiently (Martikainen, 2018).

The existence of a well-functioning secondary market reassures purchasers of primary securities, ensuring liquidity when needed. Therefore, primary and secondary markets are complementary, not competitive, as one without the other would be incomplete. Efficient financial markets are indispensable for adequate capital formation and economic growth (Pradhan, 2019).

Market equilibrium and rational financial markets are essential for the development of financial markets, which, in turn, drive economic growth and prosperity. However, achieving equilibrium in real-world financial markets is challenging. Financial markets encompass both money and capital markets, with the money market dealing with short-term financial assets and the capital market playing a vital role in boosting economic activities and mobilizing resources within the economy (Sarkar & Rakshit, 2023).

Market prices of securities are influenced by various factors, leading to fluctuations over extended periods. Numerous theories and models have been developed to understand and predict the behavior of security prices over time.

1.1.1 Brief History of Sample Banks

This study focuses on analyzing five commercial banks listed on the Nepal Stock

Exchange (NEPSE). Here's a brief overview of these banks:

Nepal Investment Bank Ltd (NIBL)

Nepal Investment Bank Ltd. (NIBL), formerly known as Nepal Indosuez Bank Ltd., was established in 1986 through a joint venture between Nepalese entities and its French partner, Credit Agricole Indosuez, a subsidiary of one of the world's largest banking groups. Following Credit Agricola Indosuez's decision to disassociate, a consortium of companies, including bankers, professionals, industrialists, and businesspersons, acquired a 50% shareholding from Credit Agricole Indosuez in Nepal Indosuez Bank Ltd., prompting a name change to Nepal Investment Bank Ltd. As of April 2002, the bank's shareholding structure comprised a consortium of companies owning 50% of the capital, with Rastriya Banijya Bank and Rastriya Beema Sansthan each holding 15% of the capital, and the remaining shares held by the public. NIBL operates 44 branch offices, with its head office located in Durbarmarg, Kathmandu.

Himalayan Bank Limited (HBL)

Established in 1992 through a joint venture with Habib Bank Limited of Pakistan, Himalayan Bank Limited (HBL) was founded by a group of prominent individuals in Nepal, along with the Employees Provident Fund and Habib Bank Limited of Pakistan. Operations commenced in January 1993 with the bank's primary goal being to become the preferred banking institution. Despite facing stiff competition in Nepal's banking sector, Himalayan Bank has maintained a leading position in key banking activities such as loans and deposits. Offering a diverse range of commercial banking services, including industrial and merchant banking, HBL operates through 44 branch offices, with its corporate headquarters located in Kamaladi, Kathmandu.

Standard Chartered Bank Limited (SCBL)

Standard Chartered Bank Nepal Limited (SCBL) has been operating in Nepal since 1987 when it was initially established as a joint-venture entity. Today, it is a significant part of the Standard Chartered Group, with the group holding a 75% ownership stake in the company, while the Nepalese public owns the remaining 25% shares. SCBL holds the distinction of being the largest international bank currently operating in Nepal. With 15 branch offices and 4 extension counters across the

country, its head office is situated in New Baneshwor, Kathmandu.

Nabil Bank Limited (NABIL)

Nabil Bank Limited, established in July 1984, holds the distinction of being Nepal's first foreign joint venture bank. The bank was founded with the aim of providing modern banking services adhering to international standards across various sectors of society. Nabil has been a pioneer in introducing innovative products and marketing concepts within the domestic banking sector, marking a significant milestone in Nepal's banking history by ushering in an era of modern banking with a primary focus on customer satisfaction. Offering a comprehensive range of commercial banking services, Nabil operates through 48 points of representation and maintains a widespread presence with over 1300 Nabil Remit agents nationwide. Its head office is situated in Durbar Marg, Kathmandu.

Everest Bank Limited (EBL)

Established in 1994, Everest Bank Limited (EBL) aimed to provide professional and efficient banking services to various segments of society. In 1997, EBL formed a joint venture with Punjab National Bank (PNB), India, with local Nepalese promoters holding 50% of the bank's equity, PNB contributing 20%, and the remaining 30% owned by the public. EBL focuses on offering customer-friendly services through its network connected via the ABBS system, allowing operational transactions from any branch. With 50 branches, 73 ATM counters, 5 extension counters, and 22 revenue collection points across the country, EBL stands out as an efficient and accessible banking option for its customers. Its head office is situated in Lazimpat, Kathmandu.

1.2 Problem Statement

Banks play a significant role globally, serving both individuals and organizations as depositors or borrowers. They maintain confidence in the monetary system through close relationships with regulatory authorities and government oversight. Therefore, there is widespread interest in banks' well-being, particularly in their solvency, liquidity, and risk levels (Sharpe, 2018).

Profitability is a key indicator of financial performance, reflecting sound business management, cost control, and credit risk management. It is crucial for an enterprise's

survival and growth, contributing to capital adequacy through profit retention. Liquidity, the availability of funds to meet financial commitments, and solvency, the excess of assets over liabilities, are essential for a bank's operations and overall health (Poudel, 2020).

In today's context, investors are drawn to the banking sector, necessitating comparative studies among different banks. Neglecting relevant information about other banks can lead to negative long-term impacts (Niraula, 2021). Customers are attracted to banks offering efficient services, while investors seek banks with high dividends, profits, and reliability in payment capabilities (Martikainen, 2018).

Therefore, this study focuses on analyzing the financial positions of five commercial banks operating in Nepal, aiming to benefit both customers and investors. While several studies have examined the financial performance of the banking sector in Nepal, there is a gap in comprehensive studies focusing on commercial banks listed in Nepal's securities board (Ghimire, 2018). The research problem aims to be explored through the following questions:

- What is the structure and pattern of Market Price per Share (MPS), Return on equity (ROE), Dividend per Share (DPS), Price earnings Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA)?
- Is there any relationship between Market Price per Share (MPS), Return on equity (ROE), Dividend per Share (DPS), Price earnings Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA)?
- How does Return on equity (ROE), Dividend per Share (DPS), Price earnings Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA) affect the Market price per share of commercial banks?

1.3 Objectives of the Study

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

- To assess the structure and pattern of Market Price per Share (MPS), Return on equity (ROE), Dividend per Share (DPS), Price earnings Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA).

- To examine the relationship of Market Price per Share (MPS), Return on equity (ROE), Dividend per Share (DPS), Price earnings Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA).
- To analyze the impact of Return on equity (ROE), Dividend per Share (DPS), Price earnings Ratio (P/E), Book Value per Share (BVPS) and Return on Assets Ratio (ROA) affect the Market price per share of commercial banks.

1.4 Rationale of the Study

While there has been extensive research on various aspects of commercial banks' performances, this specific topic has not received significant attention in the context of Nepal. Therefore, this study aims to shed light on the factors influencing the stock prices of Nepalese commercial banks. By exploring this area, the research seeks to enhance understanding of securities market trends in the banking sector. Investors will gain insights into how market fluctuations impact their investments and returns. Additionally, this study may offer valuable guidance to the government for reviewing and reforming financial policies. Furthermore, it will provide useful feedback for academic institutions, bank employees, trainees, investors, financial professionals, policymaking bodies, and other stakeholders involved with banks.

1.5 Limitations of the Study

They are the reliability of the statistical tools used, lack of research experience is the major limitations and some other limitations can be listed as follows:

- This study examines data from the past ten years, spanning from 2013/014 to 2022/023.
- The analysis is limited to five commercial banks: Nabil Bank Limited, Nepal Investment Mega Bank Limited, Himalayan Bank Ltd, Standard Chartered Bank Limited, and Everest Bank Ltd.
- Both primary and secondary data sources are utilized, with a heavier reliance on secondary data obtained from annual reports, bank websites, and related magazines and journals. The accuracy of the conclusions is contingent upon the reliability of the pooled secondary data.
- The study provides an overview of past and present factors influencing stock prices of

commercial banks in Nepal, without making projections about their future.

- Specific internal variables affecting the Market Price per Share (MPS) of banks, such as dividend per share, book value per share, price-earnings ratio, return on equity, and return on assets, are the primary focus of the study, while other variables are not considered.

CHAPTER II
LITERATURE REVIEW

This chapter theoretical review, conceptual review, empirical reviews and research gap were presented.

2.1 Theoretical Review

In many developing countries, economic growth is being propelled by the investment sector. Stock prices are determined by the interplay of demand and supply: when demand exceeds supply, stock prices rise, and vice versa. Business cycle theories aim to track the evolution of various economic variables over time to understand and predict economic progress during boom periods. Two main theories explain stock price behavior: the classical approach and the efficient market theory approach. The classical approach encompasses fundamental analysis theory and technical analysis theory. In contrast, the efficient market theory posits three forms of efficient market hypothesis. The classical approach views the market as inefficient, while the efficient market theory asserts that the market is efficient. Before the emergence of the efficient market theory, investors were typically categorized into two groups: fundamentalists and technicians (Reilly, 1986).

A. Convention or Classical Approach

The conventional or classical approach includes fundamental analysis and technical analysis theories. One of the major divisions in the ranks of financial analysis is between those using fundamental analysis (known as fundamental analysts or fundamental) and those using technical analysis (known as technical analyst or technicians).

a) Fundamental Analysis

In the fundamental approach, security analysts or prospective investors focus on analyzing various factors such as economic conditions, industry trends, and specific company information including product demand, earnings, dividends, and management practices. This analysis aims to determine the intrinsic value of the firm's securities. Fundamental analysis begins with the premise that the true value of any financial asset equals the present value of all expected cash flows. Investors forecast the timing and magnitude of these cash flows and then discount them to their present value using an

appropriate discount rate. Fundamentalists evaluate stock value within a risk-return framework based on earning potential and the economic landscape.

Fundamentalists believe that the value of shares is contingent upon anticipated future returns and corresponding capitalization rates, which represent the appropriate risk-adjusted cost of equity. Accordingly, the value of a share, according to this model, equals the present value of future earnings from equity discounted at a risk-adjusted capitalization rate. This approach necessitates comprehensive disclosure of financial and economic information. Inadequate or irregular dissemination of information hampers the accurate assessment of share market value. The actual price of a security is seen as a reflection of investors' expectations, which change in response to new information. Market prices are anchored in intrinsic values, with the value of common stock being the present value of all future income streams accruing to shareholders (Francis, 1986).

b) Technical Analysis

The technical analysis theory of share price behavior relies on historical stock market data to forecast future price movements. This approach involves studying past price and value data of stocks to identify patterns or trends in price movements. Analysts examine past prices to recognize recurring trends or patterns, then analyze recent stock prices to identify emerging trends or patterns resembling past ones, operating under the assumption that these trends repeat themselves. Technical analysts employ a specialized form of market analysis, akin to predicting the pattern of wallpaper behind a mirror based on the pattern above it (Miller, 1981).

Technical analysis operates on the premise that security prices are determined by the interaction of supply and demand. Its tools are designed to measure these dynamics. Analysts record historical financial data on charts and study these charts to discern meaningful patterns for predicting future prices. In this method, little consideration is given to future earnings and dividends. Analysts typically focus on predicting short-term price movements, offering recommendations on the timing of buying or selling specific stocks or groups of stocks, or stocks in general. Technical analysis is often associated with answering the question "when." Some fundamental assumptions of technical analysis theory include:

- Market value is determined by the interplay of demand and supply.
- Demand and supply are influenced by numerous factors, both rational and irrational.
- Security prices tend to exhibit trends that persist despite minor market fluctuations.
- Changes in trends are triggered by shifts in demand and supply.
- These shifts can be eventually detected in market transaction charts.
- Patterns in market behavior tend to repeat themselves.

Technical analysis posits that past market patterns will recur in the future and can be utilized for predictive purposes. It involves studying past market behavior in relation to various financial and economic variables to forecast the future. While financial and economic variables may change, they are to be adjusted in light of the current situation. Stock prices typically move in trends due to imbalances between supply and demand: when supply exceeds demand, prices trend downward, and vice versa. If demand and supply are balanced, the market moves sideways within a trading range.

Charles Dow is a prominent figure associated with this theory. As adherents of this theory anticipate future share prices based on past price movements depicted in charts and graphs, this approach is commonly referred to as the Chartist approach. Some charts are used to predict the movement of individual securities, while others forecast the movement of market indices.

B. Efficient Market Theory

An efficient market is characterized by shares always being accurately priced, with little possibility of consistently outperforming the market except through luck. In such a market, current market prices fully reflect all available information, facilitating the most productive allocation of scarce resources. An Efficient Market (EM) is defined as one where security prices promptly and accurately reflect all known information (John, 1998).

Efficient markets are marked by a large number of knowledgeable and profit-maximizing independent buyers and sellers, with new information generated randomly and investors adjusting to it rapidly (Sharpe, 2018). The degree of market efficiency has significant implications for the economy and investment decision-makers, as it ensures accurate

signals for allocating capital resources correctly. The efficient market hypothesis has been a subject of extensive study, focusing not only on informational efficiency but also on allocation and operational efficiency (Weston and Copland, 1996).

For a security market to be efficient, several conditions must be met, including the existence of knowledgeable investors who actively participate in the market, ensuring that prices reflect new inventions and better products, with information being freely available and generated randomly (John, 1998). Investors must react quickly and accurately to new information, adjusting stock prices accordingly, and must be rational in recognizing efficient assets and investing where returns are relatively high (Bhalla, 1983).

Overall, an efficient market is essential for the optimal allocation of capital resources, with accurate price signals guiding investment decisions effectively.

a) Weak-Form Market Efficiency: According to the weak form of market efficiency, stock prices incorporate all past information regarding price movements. This hypothesis posits that investors cannot achieve excess returns by devising trading strategies based on historical price or return data (Weston and Copland, 1996). The key implication of the weak form hypothesis is that past rates of return and other market information should not correlate with future stock prices or returns. Investors cannot predict future stock prices by analyzing historical data and expect to outperform the market index.

In an efficient capital market, there should be no significant correlation between security prices over time to confirm weak form efficiency (Fama, 1965). Empirical tests generally support the notion of serial independence among security prices over time. Another approach to testing weak form efficiency involves formulating trading strategies using historical security prices and comparing their performance with the market. If investors consistently outperform the market with their trading strategies, it indicates market inefficiency.

However, numerous studies have demonstrated that investors are unable to consistently beat the market with trading rules, suggesting that the market is indeed efficient in its weak form.

b) Semi-Strong Form of Efficiency: The semi-strong form of market efficiency suggests that security prices incorporate all publicly available information. This means that investors cannot achieve excess returns by utilizing publicly available resources such as corporate annual reports, stock market price data, or other publicly accessible information like earnings reports, dividends, stock split announcements, new product developments, financial news, or magazines (e.g., The Economic Times). All such information is already reflected in the current security prices. If the semi-strong form hypothesis holds true, investors can only earn returns equivalent to those obtained through a passive buy-and-hold strategy (Francis, 1986).

This aspect of market efficiency is often contentious because it implies that efforts by security analysts to identify mispriced securities using publicly available information are futile, as such information is already factored into the current prices. The semi-strong efficient market hypothesis suggests that market prices adjust rapidly to new information, making it difficult for investors to outperform the market using publicly available data.

c) Strong Form of Efficiency: The strong form of market efficiency posits that security prices incorporate all published and unpublished public as well as private information. It encompasses both the weak and semi-strong forms of efficiency. According to this version, there should be no opportunities for any investor to consistently achieve above-average rates of return. It represents the most stringent form of market efficiency, asserting that prices fully reflect all information, whether public or non-public (John, 1998).

An effective way to test the validity of the strong efficient market hypothesis is to analyze the profitability of securities trades executed by insiders. This involves examining whether insiders, who have access to privileged information, are able to consistently earn statistically significant trading profits.

C. Random Walk Efficient Market Theory

The random walk theory posits that future income streams from equity investments are independent of preceding income, implying that future prices cannot be predicted based on past price behavior. Attempting to forecast future prices using solely historical price change information is unlikely to succeed, as successive price changes are considered

independent. However, the theory does not suggest that stock prices are irrational in their determination; rather, it asserts that prices fluctuate randomly within an equilibrium position determined by the relative forces of demand and supply in a free and competitive market. In an efficient market, any deviations of stock prices from their intrinsic value due to varying insights into future prospects are quickly seized upon by professional investors and astute nonprofessionals. Their active buying and selling actions drive the price back to its equilibrium position. Therefore, while share prices may fluctuate randomly, market mechanisms ensure that discrepancies are corrected swiftly. A competitive market is sensitive to any disparities, and prices are assumed to reflect all relevant information. Despite the considerable attention given to market efficiency by researchers and academics, there is a vocal opposing view. Critics argue that the stock market is neither competitive nor efficient. They suggest that various factors may undermine the efficiency and competitiveness of the market (John, 1998).

2.2 Empirical Review

2.2.1 International Articles

Sarkar and Rakshit (2023) investigated the factors influencing the performance of commercial banks in India from 2000 to 2017, focusing on macroeconomic factors. They employed return on assets (ROA), return on equity (ROE), and net interest margin (NIM) as performance measures, analyzing a panel of public and private sector commercial banks. Utilizing macro variables such as GDP, inflation, and lending interest rates, along with bank-specific and macroeconomic control variables, they applied the first difference generalized method of moments (GMM) method. Their findings indicated that external variables significantly impact commercial banks' performance, remaining consistent even with the sequential inclusion of control variables. This study holds relevance for bankers, planners, and policymakers in formulating appropriate policies for commercial banks.

Singh (2022) focused on stock price determinants in the Muscat securities market, Oman. Analyzing data from 2011 to 2016, they examined firm-specific variables such as firm size, dividends payout, earnings per share (EPS), debt ratio, price-earnings (PE) ratio, and lagged dependent variables using panel data regression with a random effect model. They tested hypotheses based on the semi-strong form of Efficient Market Hypothesis (EMH)

and Arbitrage Pricing Theory (APT). Their results indicated that EPS, debt ratio, and lagged stock prices significantly determined stock prices, while dividend payout, firm size, and PE ratio were insignificant. This research contributes to understanding the dynamics of stock prices in the Muscat securities market.

Liu et al. (2022) explored the short-term effects of COVID-19 on China's stock market and other global financial markets. They observed a decline in Chinese and Asian stock markets post-COVID-19 outbreak, with the banking and insurance sectors experiencing negative abnormal returns. Their study extended to sharia-compliant firms in various industries, where the banking sector exhibited the worst performance. Investigating different COVID-19 related events, they found that the banking sector was among the most affected in Saudi Arabia and Indonesia. Additionally, their analysis of WHO announcements' impact on stock performances across various indices revealed varying effects across developed and developing countries.

Hunjara and Muhammad (2021) examined factors influencing stock price fluctuations, finding that dividend yield and payout ratio significantly impacted stock prices. They employed an ordinary least square regression model and found a negative relationship between dividend yield and stock price, and a positive relationship between payout ratio and stock price. These results contradicted the dividend irrelevance theory, providing insights into dividend policy's influence on stock prices.

Rahman and Siddikee (2020) studied the impact of cash and stock dividends on share prices on the Dhaka Stock Exchange. Their research aimed to determine whether stock dividends had a greater impact on share prices compared to cash dividends. They found no evidence of abnormal returns on the declaration day for both types of dividends. Their findings suggest a strategy for investors to maximize abnormal returns by holding shares after stock dividend announcements and selling them on the 12th working day. Conversely, cash dividends did not yield abnormal returns, offering guidance to investors considering investment options in DSE-listed companies.

Alam and Uddin (2019) investigated the relationship between interest rates and stock prices across developed and developing countries. They analyzed monthly data from January 2003 to 2018, focusing on fifteen countries including Australia, Bangladesh,

Canada, Chile, Colombia, Germany, Italy, Jamaica, Japan, Malaysia, Mexico, the Philippines, South Africa, Spain, and Venezuela. Their findings challenged the notion of market efficiency in the weak form, as none of the stock markets followed the random walk model. Using time series and panel regressions, they explored the relationship between share prices and interest rates, finding a significant negative correlation in all countries. Additionally, six countries showed a significant negative relationship between changes in interest rates and changes in share prices. They concluded that controlling interest rates could stimulate demand for shares, benefiting the stock exchanges and promoting investment in these countries.

Francis (2019) investigated whether investors could earn excess returns using publicly available information in various forms such as corporate annual reports, stock market data, earnings, dividends, and other financial indicators. Their study tested the semi-strong form of the Efficient Market Hypothesis (EMH), which posits that all publicly available information is already reflected in stock prices. They suggested that if the semi-strong hypothesis holds true, investors could only achieve average returns through a buy-and-hold strategy, indicating limited opportunities for excess returns.

Arkan (2018) focused on the significance of financial ratios in predicting stock price trends, particularly in emerging markets. Their research aimed to identify the key financial ratios from financial statements that influence stock prices. They found that ratios such as return on assets (ROA), return on equity (ROE), net profit ratio, price-to-earnings (P/E) ratio, and earnings per share (EPS) had strong positive correlations with stock price behavior across various sectors. Their study underscored the importance of financial analysis using these ratios for informed investment decision-making.

Martikainen (2018) explored the relationship between financial ratios and stock price behavior in the Finnish stock market. Their study aimed to understand how the economic dimensions of firms are reflected in stock price behavior. They found that financial ratios had varying explanatory power throughout the year, with increased significance nearing financial reporting periods. Their empirical evidence suggested that financial ratios play a substantive role in pricing relationships in the stock market.

Ray (2018) investigated the Granger causal relationship between macroeconomic variables and stock price behavior in India. Using annual data from 1990-91 to 2016-17, they analyzed the impact of various macroeconomic factors on stock prices. Their findings revealed that variables such as oil prices, gold prices, balance of trade, interest rates, foreign exchange reserves, gross domestic product (GDP), and industrial production index significantly influenced Indian stock prices. These results have implications for domestic and foreign investors, stock market regulators, policymakers, and analysts.

Sharpe (2018) explored the concept of market efficiency, emphasizing the presence of knowledgeable and profit-maximizing investors, random generation of new information, and rapid adjustment to information among investors. Market efficiency holds significant implications for the economy and investment decision-makers, ensuring that security prices accurately reflect available information and facilitate proper allocation of capital resources.

Ahmad et al. (2018) conducted a literature review on stock price behavior in Malaysia, focusing on the efficient market hypothesis and the impact of economic and financial variables on stock prices. They highlighted the significance of the Malaysian stock market, ranking as the second-largest in Southeast Asia by domestic market capitalization. The review synthesized existing research on the efficient market hypothesis and the influence of economic factors on stock prices, providing insights into the dynamics of the Malaysian stock market.

Adittya (2017) conducted a study on the stock price behavior surrounding the release of financial statements, focusing on banks listed on the Dhaka Stock Exchange (DSE). While numerous studies have explored market reactions to financial information globally, relatively few have investigated this phenomenon in Bangladesh. Adittya's research analyzed daily share prices and market returns from 2011 to 2015 using event study methodology and secondary data. Despite the analysis, the results showed that the average abnormal returns were not statistically significant at a 5% significance level. Therefore, the study concluded that it is not feasible to earn abnormal returns by utilizing the information contained in the financial statements of banks listed on the DSE.

Bayrakdaroglu et al. (2017) examined the relationship between profitability ratios and stock prices, focusing on firms listed in the Borsa Istanbul 100 Index (BIST-100). Investors utilize various information resources to maximize their earnings from financial instruments, including financial ratio information obtained from firms' financial statements. The study aimed to determine whether there is a correlation between stock prices and profitability ratios and whether profitability ratios can serve as indicators for maximizing earnings from stock investments. Panel data regression analysis was conducted between lagged stock prices and profitability ratios such as gross profit margin, operating profit margin, net profit margin, return on assets, and return on equity. The analysis, performed using the fixed effects model and Driscoll-Kraay Estimator, revealed a positive linear relationship between firms' net profit margin and their stock prices. Thus, considering the net profit margin in investment decisions may contribute to investors' earnings.

Fuss (2017) investigated the impact of financial liberalization on stock price behavior in Asian emerging markets, particularly focusing on the stochastic properties of local index returns. The study aimed to test the hypothesis that stock market prices follow a random walk and to examine how financial integration affects return predictability. The empirical findings suggested that financial integration influences return predictability in a manner that may limit domestic investors' ability to develop trading strategies to earn abnormal returns.

2.2.2 National Articles

Shrestha et al. (2023) conducted research to evaluate the impact of various factors on stock market prices in Nepalese commercial banks. Utilizing a causal-comparative research design and a quantitative approach, the study analyzed secondary data spanning a decade from 2010/11 to 2019/20. Pearson's multiple correlations and linear regression analysis were employed for data analysis. Their findings revealed that Earnings Per Share (EPS) and Dividend per Share (DPS) had a negative and statistically insignificant effect on Market Price per Share (MPS), while the Price/Earnings (P/E) ratio also showed a positive but statistically insignificant impact on MPS. Conversely, Book Value per Share (BVPS) and the Market to Book Value ratio exhibited a positive and statistically

significant effect on MPS, suggesting that an increase in BVPS and Market to BV ratio could lead to a significant rise in MPS.

Niroula (2021) explored the behavior of stock prices in Nepalese commercial banks, focusing on various determinants such as EPS, PE Ratio, Dividend Yield (DY) ratio, Size, Return on Equity (ROE), Book Value per Share (BVPS), and Return on Assets (ROA). Using data from commercial banks' annual reports over five years from 2015/16 to 2019/20, the study employed descriptive and analytical research designs, analyzing the data through SPSS version 23. The research involved a sample of eighteen commercial banks out of a population of twenty-seven, selected using convenience sampling techniques. Multiple linear regression models were utilized to demonstrate the impact of independent variables on MPS, revealing a positive and statistically significant effect of EPS, PE ratio, and bank size on MPS, while other variables exhibited negligible effects.

Shrestha (2021) discussed stock investment behavior in Nepal, highlighting issues within the NEPSE and proposing suggestions for improvement. The article identified problems including speculative trading behavior and low trading volumes, emphasizing the importance of institutional investors over individual speculators. It advocated for stronger regulatory oversight and incentives for long-term investment through measures such as paperless trading, tax breaks for institutional investors, and promoting a culture of corporate governance. The article emphasized the need for international best practices in guiding Nepal's stock market development to enhance economic growth.

Bhattarai (2020) investigated calendar effects, day effects, weekend effects, and seasonal effects in the Nepali capital market, revealing trends similar to those observed internationally. The study, conducted by the Securities Research Center and Services Pvt. Ltd., found that the Nepali market exhibited the highest volatility on Sundays, with the highest returns recorded on this day. Additionally, the study showed that the Nepali market experienced the highest volatility and returns on Sundays and the lowest on Wednesdays.

Poudel (2020) explored the share price movement of joint venture commercial banks in Nepal and its relationship with publicly available information. The study aimed to assess the risk associated with investments in commercial banks and examine the extent to

which the Efficient Market Hypothesis (EMH) applies to the Nepalese stock exchange market. Findings indicated that publicly available information did not fully account for share price movements, highlighting issues regarding data transparency in financial reporting by Nepalese commercial banks. Additionally, the study underscored the importance of adhering to international accounting standards to improve data reliability and transparency.

Pradhan (2019) conducted a study on the Nepalese stock market, focusing on listed and traded shares in the secondary market to gain insights into stock market behavior. The research aimed to investigate factors such as market equity, market value to book value, price-earnings ratio, and dividends in relation to liquidity, leverage, profitability, asset turnover, and interest coverage. The study employed a cross-sectional analysis of 55 observations spanning from 1986 to 1990. Despite attempts to obtain data directly from individual enterprises, the information remained confidential.

Thapa (2019) examined the influencing factors of stock prices in Nepal, particularly in Nepalese commercial banks listed on the Nepal Stock Exchange Ltd. The study collected data from questionnaires and financial statements spanning from 2008 to 2018 AD and analyzed them using a simple linear regression model. Findings revealed significant positive associations between earnings per share (EPS), dividend per share (DPS), effective regulations, company profiles, and luck with share prices, while interest rates (IR) and price-to-earnings ratios (PER) showed significant inverse associations. The study highlighted challenges in accessing regular stock market data due to the lack of a comprehensive database.

Silwal and Napit (2019) analyzed the determinants of stock prices in Nepalese commercial banks using pooled cross-sectional data from ten banks listed on the Nepal Stock Exchange. The study revealed positive relationships between book value per share, price-earnings ratio, and return on equity with stock prices. However, dividend yield had a minimal positive influence, while size showed a negative and statistically insignificant relationship with stock prices. The study emphasized the significant role of book value per share in determining stock prices in Nepal.

Shrestha (2017) investigated the determinants of stock market performance in Nepal using monthly data from mid-August 2000 to mid-July 2014. The study assessed the impact of political changes and policies by Nepal Rastra Bank on lending against share collateral. Empirical results from Ordinary Least Squares (OLS) estimations indicated a positive response of the stock market performance to inflation and broad money growth, while interest rates had a negative effect.

Poudel (2016) analyzed the determinants of stock prices in the Nepal Stock Exchange (NEPSE), focusing on private commercial banks. The study utilized various statistical and financial tools such as arithmetic mean, correlation and regression analysis, and t-tests. A descriptive research design was adopted, and data were analyzed using SPSS. Findings from Z-tests indicated statistically significant relationships between variables.

Table 1

Review of Empirical Summary

Author & Date	Title	Objectives	Methodology	Variables	Conclusions
Sarkar and Rakshit (2023)	Factors Influencing the Performance of Commercial Banks.	To investigates the determinants of commercial bank's performance in India over the period from 2000 to 2017 with special reference to the macroeconomic factors.	first difference generalized method of moments (GMM) method has been applied to observe the impact of these macroeconomic factors on the performance of commercial banks	Dependent Variables: Bank's Performance Independent Variables: ROA, ROE and Interest Margin External Variables: GDP, Inflation and lending Interest Rates.	Results indicate that external variables significantly affect commercial banks' performance and these findings remain unaltered with the sequential inclusion of all control variables. This work has immense importance to the bankers, planners and policymakers in shaping appropriate policy decisions for the commercial banks.
Singh (2022)	Stock Price Determinants: Empirical Evidence from Muscat Securities Market, Oman.	To analyze the stock price determinant of securities markets.	Regression and correlation analysis were used.	Independent Variable: Stock Price(MPS) Dependent Variables: Size, DPR, EPS, P/E ratio.	EPS, debt ratio and first lag of stock prices are significant determinants of stock prices. Dividend payout, firm size and PE ratio are insignificant variables.

Alam and Uddin (2019)	Relationship between interest rate and stock price: empirical evidence from developed and developing countrie	To investigate the reasons of market inefficiency, relationship between share price and interest rate, and changes of share price and changes of interest rate were determined	Time series and panel regressions.	Dependent Variables: Stock Price Independent Variables: Market interest rates.	All of the countries it is found that interest rate has significant negative relationship with share price and for six countries it is found that changes of interest rate have significant negative relationship with changes of share price. So, if the interest rate is considerably controlled for these countries, it will be the great benefit of these countries' stock exchange through demand pull way of more investors in share market, and supply push way of more extensional investment of companies.
Hunjara and Muhammad (2021)	Stock dividend and fluctuation in its stock prices.	The main objective of this study is to find the factors which cause fluctuation in stock prices and different results have been found.	A descriptive research design has been used to make the analysis more conclusive. The diagnostic analysis mainly highlights to find out the actual position of the companies using different statistical and financial tools	Dependent variables Market Price Per share. Independent variables are Dividend Yield, Divided Payout Ratio, ROA, and ROE.	Dividend yield is negatively related with stock price and dividend payout ratio is positively related with stock price which means that these results are against dividend irrelevance theory.
Ruhani, Islam and Ahmad (2018)	Effects of financial market variables on stock prices: a review of the literature	To explain the effect of financial market variables and stock price.	Five selected financial market variables, market capitalization, earnings per share, price earnings	Dependent Variable: Stock Price (MPS) Independent Variables :market capitalization, earnings per share, price	There are the opinions of the positive significant relationship between market capitalization and stock price. Both of the relevance and irrelevance theory of Gordon and

			multiples, dividend yield, and trading volume are reviewed in this study. Correlation analyses have been used.	earnings multiples, dividend yield, and trading volume	Modigliani have the strong evidence in the current literature that keeps on the dilemma and provides the scopes for future research. Based on that, it is evidenced that price-earnings multiples have a negative significant effect on stock price. The reviewed studies state the co integrating relationship between the stock price and the trading volume as the trading volume is a source of risk.
Adittya (2017)	Stock Price Behavior around the Release of Financial Statements	To examine the effect of financial performance announcement on share returns of firms listed at the Dhaka Stock Exchange by analyzing daily share prices and market returns for the period.	Using the event study methodology, secondary data is collected and analyzed on the basis of the market model.	Dependent Variable: Share Price Independent Variable: Market Return	The results obtained indicate that the average abnormal returns were not significant at 5% significance level. Thus, it is not possible to earn abnormal returns using the information contained in the financial statements of banks enlisted in the Dhaka Stock Exchange.
Bayrakdaroglu, Mirgen and Kuyu (2017)	Relationship between profitability ratios and stock prices: an empirical analysis on bist-100	To determine the relationship between stock prices and profitability ratios which take place in financial ratios and also to analyze if profitability ratios can be directive indicator.	Panel data regression analysis was applied between lagged stock prices of firms in ISE100 and their profitability ratios including gross profit margin, operating profit margin, net profit margin,	Dependent Variable: Stock Market Price Independent Variable: Net profit margin	It was determined that there is a positive linear relationship between firms' net profit margin and their stock prices. It was concluded that while making investment decisions, taking net profit margin into consideration can contribute to investors' earnings.

			return on asset and return on equity.		
Rahman and Siddikee (2020)	Effect of Cash & Stock Dividends on Share Price.	The study aimed to identify whether stock dividends has more impacts on the share prices than that of the cash dividends using the data of a promising emerging market- DSE	study are Dividend Per Share, Debt To Equity Ratio, Book Value Per Share, Price Earnings Ratio, Debt to assets Ratio	Dependent variables: Market Price Per share. Independent variables are DPR, D/E ratio, BVPS, P/E ratio, Debt to Assets ratio.	The finding of the study proposes an interesting policy to the investors who are willing to invest with the companies listed under the DSE
Francis (2019)	Semi-Strong form of Efficiency, in the semi-strong form of efficiency	This implies that no investors could earn excess return using publicly available resources such as corporate annual reports, stock market price information or all publicly available data	Correlation analysis establishes the closeness of relationship between the two and more variables. It measures the degree of relationship or association between variables	Dependent variables Market Price Per share. Independent variables are DPR, ROA and ROE.	The Economic Times). In fact, such publicly available information is already impounded in the current security prices. If the semi-strong hypothesis is true, then only a few than what could be earned by using a native buy and hold strategy.
Thomas Arkan, (2018)	The Importance of Financial Ratios in Predicting Stock Price Trends.	The objectives of the study are to investigate the importance of financial ratios derived from financial statements to predict stock price trends in emerging markets.	Dispersion is the degree of the variation of the individual items about a central value. The standard deviation measures the absolute dispersion	Dependent variables Market Price Per share. Independent variables are trends of predicting stock price.	Even though these studies were carried out few years back, it can provide intellectual ground in our domestic stock market and its dimension in the present context also.
Teppo Martikainen, (2018)	Modeling stock price behaviour by financial ratios	When studying the intra-year explanatory power of financial ratios. It is reported that the	The coefficient of determination is a measure of the degree of liner association or	Dependent variables Market Price Per share. Independent variables are profitability	Empirical evidence strongly indicates that financial ratios represent pricing relationships in a substantive manner.

		explanatory power of financial ratios tends to increase when the reporting day approaches	Correlation between two variable one of which happens to be independent and other being dependent variable.	ratios.	
Sarbapriya Ray, (2018)	Testing Granger Causal Relationship between Macroeconomic Variables and Stock Price Behaviour.	The study indicate that oil price and gold price have a significant negative effect on stock price, while balance of trade, interest rate, foreign exchange reserve, gross domestic product, industrial production index and money supply positively influence Indian stock price	The variable, whose value is given, is called independent variable and the variable whose value is to be predicted is called "dependent variable". Hence, regression determines the average probable change in one variable based on a certain amount of change in another.	Dependent variables Market Price Per share. Independent variables are balance of trade, interest rate, foreign exchange reserve, gross domestic product, industrial production index and money supply.	The results have implications on domestic as well as foreign investors, stock market
Sharpe, (2018)	Efficient market is that, there is large number of knowledgeable and profit	The degree of market efficiency has important implication for the economy and for investment decision makers.	Dividend Per Share, Return on Equity ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, Book Value Ratio	Dependent variables Market Price Per share. Independent variables are Dividend per Share, Return on Equity ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, Book Value Ratio.	In an economic sense, it is important that security prices provide accurate signals that can be used to allocate capital resources correctly. Incorrectly, prices securities would result in incorrect allocation of capital.
Fuss (2017)	Financial Liberalization and Stock Price Behaviour in	It is examine the stochastic properties of local index	There is high degree positive relationship between DPS	Dependent variables Market Price Per share.	These empirical findings suggest that financial integration affects the return

	Asian Emerging Markets	returns and to test the hypothesis that stock market prices follow a random walk	and EPS in most of the bank.	Independent variables are DPS and EPS.	predictability in such a way that domestic investors might not be able to develop trading strategies allowing them to earn abnormal returns.
Shrestha, Acharya and Dhakal (2023)	The internal financial determinants of stock price.	To assess the effect of determinants on stock market prices in Nepalese commercial banks.	The quantitative approach was adopted. Secondary data was applied to the study. The study used the convenience sampling method to select commercial banks	Dependent Variables: MPS Independent Variables: EPS, DPS, P/E ratio, BVPS, Market to Book Value ratio.	Earnings Per Share (EPS) and Dividend Per Share (DPS) have a negative and statistically insignificant effect on the Market Price Per Share (MPS). The Price Earning (P/E) ratio has a positive and statistically insignificant effect on MPS. MK to BV ratio has a positive and statistically significant effect on MPS.
Silwal and Napit (2019)	Determinants of the stock market price in Nepalese commercial banks.	The paper investigates the relationship between earnings per share, book value per share, price earnings ratio, return on assets and size of the bank on market price.	Bivariate correlation and multiple linear regression models are used.	Market Value per share (MVPS) as dependent variable and EPS, P/E ratio, Book Value per share (BVPS), ROA and size as independent variable.	BVPS, EPS and P/E ratio have positive significant relationship and return on assets has positive insignificant impact on market price. Size has negative relationship and is statistically insignificant with stock price.
Shrestha (2017)	Determinants of Stock Market Performance in Nepal	Stock Market the objectives of the study were study and analyze stock price trend and behavior.	Correlation analysis is the statistical tools that can be used to describe the degree which one variable is nearly related to another	Dependent variables Market Value Per share. Independent variables are DPS and EPS.	The finding of the study shows that the performance of stock market is found to respond positively to inflation and broad money growth, and negatively to interest rate.
Bhattarai, (2020)	Determinants of share price of commercial bank in Nepal	Examine the factors that affect the market price of commercial banks.	Convenient sampling technique. The study was employed descriptive,	Dependent Variable: Market Share Price Independent Variables:	The dividend payout ratio has negative and statistically significant with market share price. The dividend yield,

			correlation and casual comparative research design.	dividend payout ratio, dividend yield, earnings per share, price earnings ratio, bank size and gross domestic products growth rate and inflation rate	earnings per share, price earnings ratio were positive and statistically significant with market share price. The inflation rate was not role to determine the market share price.
Niroula,(2021)	Stock Price Behavior of Commercial Banks of Nepal	examine the behavior of stock price in Nepalese commercial banks	Descriptive and analytical research design is used to analyze and interpret the data multiple linear regression model has been used.	Dependent Variable: MPS Independent Variable: EPS, PE Ratio, DY ratio, Size, ROE, BV per share and ROA	Positive and statistically significant effect of EPS, PE ratio and size of banks on MPS. Other variables have negligible effects.
Thapa (2019)	Influencing Factors of Stock Price in Nepal	explores the influencing factors of stock price in Nepal	Questionnaire and financial statement of concerned organizations and analyzed using simple linear regression model.	Dependent Variable: Stock Price Independent Variables: Dividend, Interest Rate, Earning per Share, Capital Market	Earnings per share (EPS), dividend per share (DPS), market whims and rumors, company profiles and success depend upon luck have the significant positive association with share price while interest rate (IR) and price to earnings ratio (PER), significant inverse association with share price.
Poudel, (2016)	Determinant of Stock Price of Selected Banks in Nepal	To explore the determinants of stock price in NEPSE, with special focus to private commercial banks.	Arithmetic mean, correlation and regression analysis, t-test is the major statistical tools that have been used for the study.	Dependent Variables: Market Price of the Stock Independent Variables: BVPS, DPS, EPS.	Earnings, dividends and book value per share increases, the market price per share also increases and vice versa. But in the case of NEPSE, this theory does not seem to be true hundred percent. As there are various other factors too that affects the share price.

2.3 Research Gap

Previous research has predominantly focused on examining the determinants of stock prices among commercial banks listed on the Nepal Stock Exchange (NEPSE), with studies conducted by Silwal & Napit (2019), Bhattarai (2020), Pradhan (2019), and Poudel (2020) indicating a dearth of prior research in this area. However, despite the existing body of literature, there remains a notable research gap in comprehensively analyzing the factors influencing stock prices in Nepal. Given the rapid pace of global developments and changes, previous studies may not adequately explain current phenomena.

A crucial aspect missing from the existing literature is a comparative study among different banks, which could provide valuable insights into the variations in stock price determinants across institutions. Neglecting such comparative analyses may lead to detrimental effects in the long run, as customers and investors are attracted to banks offering efficient services and high returns. Consequently, it is essential to consider factors such as liquidity, profitability, and market positioning to ensure banks' competitiveness and long-term viability.

This study aims to address this gap by examining the financial positions of three commercial banks operating in Nepal. While numerous studies have investigated the financial performance of the banking sector in Nepal, there is a lack of comprehensive research specifically focusing on commercial banks listed on the Nepal Stock Exchange. Therefore, this study seeks to provide a detailed analysis of the financial positions of these banks to enhance understanding and inform decision-making in the Nepalese banking sector.

CHAPTER III

RESEARCH METHODOLOGY

This section outlines the methodologies employed during the research period and provides a succinct introduction to the financial parameters utilized in this study. It covers aspects such as research design, data sources, sampling methods, and the statistical and financial tools employed for data analysis.

3.1 Research Design

The research design outlines the methodological approach adopted for the study and provides a detailed plan for its execution, utilizing various empirical data for problem analysis. Descriptive and causal-comparative research designs have been employed to enhance the conclusiveness of the analysis. The diagnostic analysis primarily aims to ascertain the true position of the companies through the utilization of diverse statistical and financial tools. Furthermore, the research design is based on applied research, leveraging existing theories, knowledge, methods, and techniques from the research community to address practical issues effectively.

3.2 Population and Sample

This study focuses exclusively on the commercial banking sector within the stock market. Purposive sampling was employed to select the sample banks for analysis. The data used are drawn from the listed banks in the stock market. As of 2080/09/20, there were 20 listed commercial banks. To represent the performance of the capital market, a sample of 5 banks was selected. These sample banks are as follows:

- Nabil Bank Limited
- Nepal Investment Mega Bank Limited
- Himalayan Bank Limited
- Standard Chartered Bank Limited
- Everest Bank Limited

3.3 Nature and Sources of Data Collection and Data Collection Instruments

Various sources were utilized to gather the necessary information and data for this study, primarily relying on secondary sources. These secondary sources include annual reports,

trading reports, and official records from the stock exchange. Additionally, data were obtained from the annual reports of specific banks and the Nepal Stock Exchange website (www.nepalstock.com). Other relevant data, such as information from the Nepal Rastra Bank (NRB), the Ministry of Finance, and national and international journals, were also reviewed through their respective websites. The data collection method employed in this study is secondary in nature. Statistical analyses, including correlation and regression, were conducted using the Statistical Package for the Social Sciences (SPSS 27). The study encompasses data from the fiscal years 2014/015 to 2022/023, spanning a period of ten years due to limitations in past data availability.

3.4 Method of Analysis

In order to analyze the factors influencing stock prices in Nepal, it is insufficient to simply present the data without further processing. To derive meaningful conclusions, various mathematical and statistical tools have been employed to process the relevant data in this study. Both statistical and financial tools have been utilized to analyze and interpret the data, enabling the researchers to draw informed conclusions based on their findings.

3.4.1 Statistical Tools

The primary statistical tools utilized in this study include arithmetic mean, standard deviation, coefficient of variation, correlation coefficient, and regression analysis. Additionally, other statistical techniques have been employed as needed to analyze the data comprehensively.

3.4.1.1 Mean

The mean or arithmetic average of a series is calculated by summing up all the values of the individual items in the series and then dividing this sum by the total number of items. In mathematical terms, if X_1X_2 ...Xn represent the (N) observations in the series, the mean, often represented by $\overline{x}$, is calculated as:

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

3.4.1.2 Standard deviation (σ)

The standard deviation (σ) provides a measure of the dispersion or spread of data points around the mean. It is calculated as the positive square root of the average of the squared deviations from the arithmetic mean. A larger standard deviation indicates greater variability in the data, while a smaller standard deviation suggests more consistency. Symbolically, the standard deviation can be represented as:

$$\text{S.D } (\sigma) = \sqrt{\frac{1}{n}\sum(X - \overline{X})^2}$$

σ = Standard deviations

n= number of observations

$\overline{X}$ = Arithmetic mean

3.4.1.3 Coefficient of variation (C.V.)

The coefficient of variation (C.V.) serves as a relative measure of dispersion, calculated by expressing the standard deviation as a percentage of the mean. It allows for the comparison of variability among two or more distributions. Being a relative measure, it is unaffected by the units of measurement. A higher C.V. value indicates greater variability, while a lower value suggests less variability. This can be expressed as:

$$\text{Coefficient of variation (C.V.)} = \frac{\sigma}{\overline{X}} \times 100$$

Where,

CV= Coefficient of Variation

σ = Standard deviations

$\overline{X}$ = Arithmetic mean

3.4.1.4 Correlation Coefficient

Correlation analysis assesses the strength and direction of the relationship between two or more variables. It quantifies the extent to which variables are associated with each other. Karl Pearson's coefficient of correlation is a commonly used metric to gauge the degree of association between variables.

$$\text{Correlation Coefficient (r)} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}}$$

3.4.1.5 Coefficient of Determination (r^2)

The coefficient of correlation quantifies the linear relationship between two variables and reflects the extent to which variations in one variable are linked to another variable. However, for a clearer understanding of this relationship, the coefficient of determination is often more informative. This measure indicates the percentage of variation in the dependent variable that can be attributed to the independent variable. In essence, the coefficient of determination represents the ratio of explained variance to total variance. Mathematically, it is calculated as the square of the correlation coefficient, denoted as r^2.

Emblematically,

$$r^2 = \frac{\text{Explained Variance}}{\text{Total Variance}}$$

3.4.1.6 Regression Analysis

Regression analysis is a statistical method employed to predict the value of one variable based on the known values of other variables. It assumes a close relationship between two variables and estimates the value of one variable from another. The known variable is termed the independent variable, while the variable to be predicted is known as the dependent variable. Therefore, regression helps ascertain the average expected change in one variable given a specific change in another. It establishes an approximate functional relationship between variables to determine whether the dependent variable is influenced by the independent variable. Regression analysis is a fundamental tool in various scientific disciplines and is particularly prevalent in economics and business research. It categorizes into different types, and in this study, the focus is on analyzing the regression equation presented below:

The model (1) is: Projected (MPS) ($\ddot{Y}$) = $\alpha + \beta1*DPS + \beta2*ROE + \beta3*BVPS + \beta4 * P/E + \beta5*ROA + tn$

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

DPS= ($\beta1$) Dividend per Share: Independent Variable

ROE= (β2) Return on Equity: Independent Variable

BVPS= (β3) Book Value per Share: Independent Variable

P/E = (β4) Price Earnings Ratio: Independent Variable

ROA = (β5) Return on Assets Ratio: Independent Variable

tn = others

The parameters of the models, denoted by β_1, are crucial elements in regression analysis. It's important to note that in this context, i ranges from 1 to 5, representing the analysis of five commercial banks, while n ranges from 1 to 10, covering a period of ten years from 2013/14 to 2022/23.

3.4.2 Financial Tools

Financial parameters play a crucial role in assessing the financial health and performance of an organization. These parameters are derived from financial statements and disclosures, providing valuable insights into various aspects of the organization's financial status. In this study, several financial variables have been utilized to analyze market capitalization, share price, earnings per share (EPS), and dividend per share (DPS).

3.4.2.1 Market Price per Share

The market value per share represents the price at which a single share of a company's stock can be purchased in the market, typically on a stock exchange. This value is dynamic and fluctuates based on the prevailing demand for the stock, which can change throughout the trading day.

$$\text{Market Price per Share} = \frac{Total\ Market\ Capitalization}{No.\ of\ stocks\ outstasnding}$$

3.4.2.2 Dividend per Share

Dividend refers to the share of profits that a company distributes among its shareholders. It represents the portion of net profits allocated to equity shareholders, with the remaining portion retained within the business. Dividends are paid out to shareholders in the form of dividends per share (DPS), which represents the amount distributed per individual share owned.

$$\text{Dividend per Share} = \frac{\text{Dividend available to ordinary shareholders}}{\text{No. of stocks outstanding}}$$

3.4.2.3 Price Earnings Ratio

The price-earnings (P/E) multiple is a measure of the relationship between a company's earnings per share (EPS) and its market price per share. EPS indicates the company's performance by demonstrating how effectively it has utilized its resources to meet shareholder interests. Therefore, the P/E multiple represents the market's current valuation of each unit of reported EPS.

$$\text{P/E ratio} = \frac{\text{Market Price of a Share}}{\text{Earning Price of a Share}}$$

3.4.2.4 Book Value per Share

Book value per share (BVPS) is calculated by dividing a company's common equity by the number of shares it has outstanding. BVPS represents the net asset value of the firm, which is determined by subtracting total liabilities from total assets, on a per-share basis. When a stock is undervalued, its book value per share tends to be higher than its current market price.

$$\text{Book Value per Share} = \frac{\text{Common Equity}}{\text{No of Share Outstandin g}}$$

3.4.2.5 Return on Total Assets

In this context, profitability is assessed by examining the relationship between net profits and assets, often referred to as the Return on Assets (ROA) ratio. This ratio quantifies the efficiency of a company's management in generating profits from its available assets. A higher ROA indicates better performance. The ROA is calculated as follows:

$$\text{Return on Total Assets} = \frac{\text{Net Profit after Tax}}{\text{Total Assets}}$$

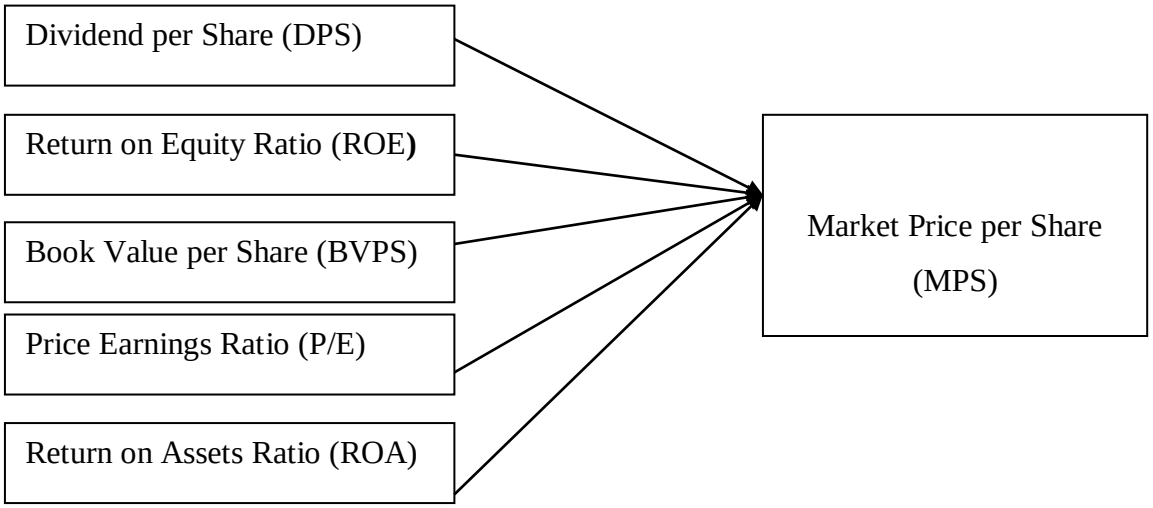
3.4.2.6 Return on Common Equity

Return on Common Equity is a metric that evaluates the return generated on the investment made by common stockholders in the company. Typically, higher returns signify greater benefits for the owners. This ratio is calculated as follows:

$$\text{Return on Common Equity} = \frac{\text{Net Profit after Tax}}{\text{Shareholders Equity}}$$

3.5 Research Framework and Definition of the Variables

The study incorporates various factors known to influence stock prices, including Dividend per Share, Return on Equity ratio, Book Value per Share, Price Earnings Ratio, Return on Asset Ratio, and Book Value Ratio. A schematic diagram illustrating the relationship between stock price and these factors is presented in Figure 1.



(Source: Silwal & Napit, 2019)

Figure 1: Research Framework

Financial parameters serve as indicators of an organization's financial health, extracted from financial statements and disclosures. Several financial variables, including market capitalization, market share price, earnings per share, and dividend per share, have been utilized to assess various aspects of the stock market.

3.5.1 Market Price per Share

Market value per share represents the cost at which an individual share of a company's stock can be purchased in the open market, typically on a stock exchange. This value fluctuates continuously throughout the trading day, influenced by the prevailing demand for the stock (Silwal & Napit, 2019).

3.5.2 Dividend per Share

Dividend represents the share of profits allocated to shareholders by a company. It constitutes a portion of the company's net earnings, with the remainder often reinvested in the business. DPS, or Dividend Per Share, denotes the dividend amount distributed to each shareholder on a per-share basis. It is calculated by dividing the total distributed profit among shareholders by the number of ordinary shares outstanding (Silwal & Napit, 2019).

3.5.3 Price Earnings Ratio

The Price Earnings (P/E) ratio signifies the relationship between a company's earnings per share (EPS) and its market price per share. EPS is indicative of a company's performance, showcasing its ability to effectively utilize resources to meet shareholder expectations. Therefore, the P/E multiple reflects the market's valuation, representing the price investors are willing to pay for each unit of reported EPS(Silwal & Napit, 2019).

3.5.4 Book Value per Share

Book value per share (BVPS) is calculated by dividing a company's common equity by the total number of shares outstanding. It represents the net asset value of a firm per share, derived from subtracting total liabilities from total assets. This metric provides insight into the intrinsic value of each share based on the company's financial position (Silwal & Napit, 2019).

3.5.5 Return on Total Assets

In this context, profitability is assessed by the ratio of net profits to assets, commonly known as return on assets (ROA). ROA, also referred to as the profit-to-assets ratio, gauges the efficiency of a company's management in generating profits relative to its total assets. A higher ROA indicates better performance, as it signifies a greater return on the company's asset base (Silwal & Napit, 2019).

3.5.6 Return on Common Equity

Return on common equity evaluates the return generated on the investment made by common stockholders in the company. Higher returns typically indicate greater benefits for the owners (Silwal & Napit, 2019).

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Presentation and Analysis

4.1.1 Dividend per Share

Dividends represent a portion of a company's profits that is distributed to its shareholders. After deducting the portion of net profits allocated for reinvestment, the remaining balance is distributed among equity shareholders as dividends.

Table 2

DPS of the sample banks *(Rs. Rupes)*

Years	HBL	NIBL	NABIL	SCBNL	EBL
2013/014	45.23	39.12	47.23	30.12	51.20
2014/015	40.12	38.14	51.12	28.12	58.12
2015/016	39.45	47.12	57.12	45.39	39.45
2016/017	35.12	42.23	66.28	40.28	65.45
2017/018	45.12	39.45	60.12	39.12	63.12
2018/019	42.11	40.00	65.00	51.50	62.63
2019/020	31.58	34.70	36.84	44.21	36.58
2020/021	26.32	41.00	45.00	35.09	73.68
2021/022	26.32	40.00	48.00	105.26	34.74
2022/023	15.79	40.00	34.00	17.50	20.00
Average	34.716	40.176	51.071	43.659	50.497
S.D	9.628	3.144	11.049	23.744	17.063
C V	27.73	7.83	21.64	54.38	33.79

(Source: annual report of sample bank appendix I and III)

Table 2 shows that the data presenting on the Dividend Per Share (DPS) of several banks over the years. DPS indicates the portion of a company's earnings that is paid out to shareholders as dividends on a per-share basis. There seems to be some fluctuations in DPS across the years for each bank. Some banks show a general increase in DPS over the years, while others exhibit fluctuations or even declines.

Among the banks, Standard Chartered Bank Nepal Limited (SCBNL) and Everest Bank Limited (EBL) have shown relatively higher DPS on average compared to others. Nabil Bank Limited (NABIL) also has a relatively high average DPS. Nepal Investment Bank Limited (NIBL) and Himalayan Bank Limited (HBL) have comparatively lower average DPS.

SD measures the dispersion or variability of the DPS data points from the mean. Banks like SCBNL and EBL have higher SD, indicating more variability in their DPS over the years. On the other hand, NIBL has the lowest SD, suggesting more stability in its DPS compared to others. CV is the ratio of SD to the mean and is used to compare the variability of different sets of data. A higher CV indicates greater relative variability. SCBNL has the highest CV, indicating the highest relative variability in DPS among the banks. NIBL has the lowest CV, indicating the lowest relative variability. Investors may prefer banks with more stable and increasing DPS over time, as it reflects a consistent dividend payout.

However, high variability in DPS might indicate a more dynamic financial performance, which could be perceived positively or negatively depending on the investor's risk appetite. Overall, this analysis provides insights into the dividend performance of the sample banks over the specified period, aiding investors in making informed decisions.

4.1.2 Return on Common Equity

The return on common equity measures the return earned on the common stockholders' investment in the firm. Return on common equity is calculated as follows:

Table 3

ROE of Sample Banks **(in percent)**

Years	HBL	NIBL	NABIL	SCBNL	EBL
2013/014	18.20	24.21	27.25	29.30	17.12
2014/015	16.23	30.12	26.45	32.45	21.30
2015/016	25.14	29.65	23.22	30.12	19.40
2016/017	18.45	27.12	30.65	26.14	24.23
2017/018	16.25	26.45	28.14	29.45	21.45
2018/019	17.06	24.49	27.97	26.27	29.04
2019/020	24.53	19.99	22.73	21.69	23.25
2020/021	21.22	15.66	25.61	17.18	10.88
2021/022	21.58	16.64	26.65	11.98	11.20
2022/023	14.17	15.21	27.78	18.66	16.39
Average	19.71	18.38	26.15	19.14	18.15
S.D	4.07	3.90	2.14	5.42	0.23
C V	20.64%	21.21%	8.18%	28.31%	1.26%

(Source: annual report of sample bank appendix I and III)

Table 3 shows that the analysis of the Return on Equity (ROE) data for the sample banks. The ROE values for each bank fluctuate over the years, indicating variations in their profitability and efficiency in generating returns for shareholders' equity. Some banks show a general trend of fluctuation, while others exhibit more stability or even declines in ROE.

Nabil Bank Limited (NABIL) has the highest average ROE among the sample banks, indicating relatively better profitability and efficiency in utilizing shareholders' equity to generate earnings. Himalayan Bank Limited (HBL) also shows a decent average ROE, though slightly lower than NABIL. Other banks like Nepal Investment Bank Limited (NIBL) and Standard Chartered Bank Nepal Limited (SCBNL) have moderate average ROE values. Everest Bank Limited (EBL) has the lowest average ROE among the sample banks. Standard deviation measures the variability of ROE values around their mean. Coefficient of Variation (CV) provides a relative measure of variability by expressing SD

as a percentage of the mean. SCBNL has the highest SD and CV, indicating higher variability in its ROE values compared to others. Conversely, EBL has the lowest SD and CV, suggesting relatively lower variability in its ROE.

There is higher ROE values generally indicate better profitability and efficiency in utilizing shareholders' equity to generate profits. Investors often prefer companies with stable or increasing ROE over time, reflecting consistent profitability and efficient use of resources. Banks with higher ROE may be considered more financially sound and attractive for investment. However, it's essential to consider other factors such as risk, industry conditions, and future growth prospects alongside ROE when making investment decisions. Overall, this analysis provides insights into the profitability and efficiency of the sample banks in generating returns for their shareholders over the specified period.

Table 4

BVPS Ratio of Sample Banks **(in percent)**

Years/Banks	**HBL**	**NIBL**	**NABIL**	**SCBNL**	**EBL**
2013/014	3.69	8.12	6.12	7.12	4.12
2014/015	4.12	6.47	5.45	10.23	9.50
2015/016	7.45	4.15	8.25	11.25	8.45
2016/017	6.28	5.66	7.12	12.23	6.25
2017/018	4.12	4.12	11.23	10.25	7.12
2018/019	3.89	5.78	10.1	11.23	8.88
2019/020	7.65	4.54	7.37	7.34	6.32
2020/021	4.91	5.56	7.61	13.46	9.13
2021/022	4.67	4.38	5.64	7.75	4.67
2022/023	3.16	2.63	3.6	4.34	3.31
Average	4.994	5.141	7.249	9.52	6.775
S.D	1.587	1.519	2.250	2.795	2.219
C V	31.77	29.55	31.04	29.36	32.75

(Source: annual report of sample bank appendix I and III)

Table 4 presented that the Book Value Per Share (BVPS) ratio data for the sample banks. The BVPS ratios for each bank fluctuate over the years, indicating variations in their book value per share. Some banks show a general trend of fluctuation, while others exhibit more stability or even declines in BVPS. Standard Chartered Bank Nepal Limited (SCBNL) has the highest average BVPS ratio among the sample banks, indicating a higher book value per share on average. Nabil Bank Limited (NABIL) also shows a relatively high average BVPS ratio, though slightly lower than SCBNL. Other banks like Everest Bank Limited (EBL) and Nepal Investment Bank Limited (NIBL) have moderate average BVPS ratios. Himalayan Bank Limited (HBL) has the lowest average BVPS ratio among the sample banks. Standard deviation measures the variability of BVPS ratio values around their mean. Coefficient of Variation (CV) provides a relative measure of variability by expressing SD as a percentage of the mean. BVPS ratios of all banks have relatively high SDs and CVs, indicating considerable variability in their book value per share over the years. BVPS is an important financial metric that reflects the per-share value of a company based on its assets and liabilities. A higher BVPS ratio indicates a higher book value per share, which could imply a stronger financial position and potential attractiveness for investors. Investors typically look for companies with a consistent or increasing BVPS over time, as it suggests growth and value creation. However, high variability in BVPS ratios may reflect fluctuations in a company's financial performance or changes in its asset base. It's essential for investors to consider BVPS alongside other financial metrics and qualitative factors when making investment decisions. Overall, this analysis provides insights into the book value per share of the sample banks and their performance in creating shareholder value over the specified period.

4.1.3 Price Earnings Ratio

Price earning multiple is the relationship between earning per share and market price of the stock. Earnings per share shows the company's performance in the sense that how well the company has managed its material as well as human resources to satisfy the interest of stockholders.

Table 5

Price earnings ratio of sample banks (in times)

Years/Banks	HBL	NIBL	NABIL	SCBNL	EBL
2013/014	27.50	20.13	31.25	66.36	48.12
2014/015	29.20	38.12	28.47	58.45	56.25
2015/016	31.45	32.12	25.45	56.12	30.12
2016/017	26.39	26.39	33.25	42.36	29.45
2017/018	28.12	25.12	31.25	41.12	31.25
2018/019	24.36	23.60	30.29	42.75	30.58
2019/020	34.86	22.80	33.37	33.86	27.17
2020/021	26.40	35.50	39.55	78.33	83.94
2021/022	25.21	26.30	25.44	64.67	41.66
2022/023	23.84	17.40	18.60	27.62	20.23
Average	27.733	26.748	29.692	51.164	39.877
S.D	3.39	6.62	5.67	16.10	18.84
C V	12.22	24.75	19.09	31.46	47.23

(Source: annual report of sample bank appendix I and III)

Table 5 demonstrates that the Price-to-Earnings (P/E) ratio serves as a crucial indicator for evaluating the performance of stocks in the stock market. The P/E ratios for each bank fluctuate over the years, reflecting variations in the market's valuation of these banks relative to their earnings. Some banks show consistent or fluctuating trends, while others exhibit more erratic changes in their P/E ratios.

Standard Chartered Bank Nepal Limited (SCBNL) has the highest average P/E ratio among the sample banks, indicating that investors are willing to pay a higher price for each unit of earnings from SCBNL's shares, relative to other banks. Everest Bank Limited (EBL) also has a relatively high average P/E ratio, though lower than SCBNL. Nabil Bank Limited (NABIL) and Himalayan Bank Limited (HBL) have moderate average P/E ratios. Nepal Investment Bank Limited (NIBL) has the lowest average P/E ratio among the sample banks. SD measures the variability of P/E ratio values around their mean.

Coefficient of Variation (CV) provides a relative measure of variability by expressing SD as a percentage of the mean. P/E ratios of all banks have varying levels of SDs and CVs, indicating differing degrees of variability in their market valuations relative to earnings over the years. Overall, this analysis provides insights into how the market values the sample banks relative to their earnings, helping investors gauge their investment potential.

4.1.4 Return on Total Assets

In this context, the profitability ratio assesses the correlation between net profits and assets, often referred to as the Return on Assets (ROA) or profit-to-assets ratio. A higher ROA signifies enhanced performance, indicating that the firm is generating more profits relative to its assets. The calculation for Return on Assets is outlined as follows:

Table 6

ROA of Sample Banks **(In percent)**

Years/Banks	HBL	NIBL	NABIL	SCBNL	EBL
2013/014	1.28	3.45	2.44	1.40	1.88
2014/015	1.56	2.24	2.88	1.25	2.88
2015/016	1.14	2.14	2.47	1.23	2.78
2016/017	2.39	3.20	2.45	2.36	2.99
2017/018	2.12	2.36	2.23	2.15	2.36
2018/019	1.34	2.30	2.89	2.51	2.25
2019/020	1.94	1.90	2.06	1.99	1.85
2020/021	2.03	2.00	2.32	1.98	1.59
2021/022	2.19	2.10	2.69	1.84	1.83
2022/023	1.67	2.10	2.61	2.61	1.97
Average	1.83	2.08	2.51	2.18	1.89
S.D	0.47	0.15	0.32	0.32	0.23
C V	25.68%	7.21%	12.74%	14.67%	12.61%

(Source: annual report of sample bank appendix I and III)

Table 6 shows that the Return on Assets (ROA) data for the sample banks. The ROA values for each bank fluctuate over the years, indicating variations in their efficiency in generating profits from their assets. Some banks show consistent or fluctuating trends, while others exhibit more stable or erratic changes in their ROA.

Nabil Bank Limited (NABIL) has the highest average ROA among the sample banks, indicating that NABIL is more efficient in generating profits from its assets, on average. Himalayan Bank Limited (HBL) and Standard Chartered Bank Nepal Limited (SCBNL) also have relatively high average ROA values, though slightly lower than NABIL. Nepal Investment Bank Limited (NIBL) and Everest Bank Limited (EBL) have moderate average ROA values.

SD measures the variability of ROA values around their mean. Coefficient of Variation (CV) provides a relative measure of variability by expressing SD as a percentage of the mean. ROA values of all banks have varying levels of SDs and CVs, indicating differing degrees of variability in their efficiency in generating profits from assets over the years.

Overall, this analysis provides insights into the efficiency of the sample banks in utilizing their assets to generate profits, which is crucial for assessing their financial health and performance.

4.1.5 Market Price per Share

The market price per share holds significant importance for all stakeholders involved. Often considered as the face of a company, a favorable market price per share is crucial. Investors, in particular, prioritize a higher market price per share over other indicators when evaluating investment opportunities.

Table 7

MPS of the selected banks (in Rs)

Years/Banks	HBL	NIBL	NABIL	SCBNL	EBL
2013/014	654	665	2780	3974	2145
2014/015	756	945	2512	4150	2220
2015/016	789	840	1780	39450	2478
2016/017	665	745	1845	3451	2845
2017/018	745	845	2145	3540	3370
2018/019	813	960	2535	2799	2631
2019/020	1500	704	1910	1943	2120
2020/021	886	1040	2344	3600	3385
2021/022	886	770	1523	2295	1353
2022/023	551	621	921	755	663
Average	824.5	813.5	2029.5	6595.7	2321
S.D	259.40	137.21	553.75	11590.86	842.97
C V	31.46	16.87	27.28	175.73	36.32

(Source: annual report of sample bank appendix I and III)

Table 7 illustrates the market price per share (MPS) as a quick indicator of the value attributed to each share. The data reveals notable fluctuations in MPS values across the years for each bank, reflecting changes in their respective market valuations. Some banks show consistent or fluctuating trends, while others exhibit more stable or erratic changes in their MPS. Standard Chartered Bank Nepal Limited (SCBNL) has the highest average MPS among the selected banks, indicating a higher market valuation per share on average. Everest Bank Limited (EBL) also has a relatively high average MPS, though lower than SCBNL. Nepal Investment Bank Limited (NIBL) and Himalayan Bank Limited (HBL) have moderate average MPS values. Nabil Bank Limited (NABIL) has the lowest average MPS among the selected banks. SD measures the variability of MPS values around their mean. Coefficient of Variation (CV) provides a relative measure of variability by expressing SD as a percentage of the mean. MPS values of all banks have

varying levels of SDs and CVs, indicating differing degrees of variability in their market valuations over the years.

The MPS reflects the market's perception of the value of a company's shares and is influenced by various factors such as financial performance, industry trends, and investor sentiment. Higher MPS values may indicate that investors have confidence in the future growth and profitability of the bank. Conversely, lower MPS values may suggest concerns about the bank's performance or prospects. Banks with higher average MPS may be perceived as more valuable or attractive investment opportunities by investors. However, it's essential to consider other factors such as earnings growth, dividend yield, and risk factors when evaluating investment opportunities. Overall, this analysis provides insights into the market valuation of the selected banks and their perceived value by investors over the specified period.

4.2 Descriptive Analysis

In this section, the study examines the relationship between Leverage, Liquidity, Tangibility, and Size of banks with key elements such as Return on Assets (ROA) and Earnings per Share (EPS) separately for each of the sampled listed Banks. ROA and EPS are considered dependent variables, while Leverage, Liquidity, Tangibility, and Size, along with other factors like Return on Equity, Price Earnings Ratio (PER), Dividend per Share Ratio (DPR), and Dividend Yield (DY), are taken as independent variables.

To understand the impact of these independent variables on ROA and EPS, correlation analysis is conducted to assess their relationship. Simple correlations and coefficient of determination are calculated to gauge the effect of each independent variable on ROA and EPS. Multiple regression analysis is then employed to determine the magnitude of the effects of these independent variables on the dependent variables, i.e., ROA and EPS. The regression equations are established to identify the magnitude of these effects.

Descriptive statistics are utilized to provide information on ROA, EPS, PER, DPR, and DY of the five commercial banks over the period from 2013/014 to 2022/023. This includes calculating the mean value, standard deviation, range, maximum, and minimum

values for each sector, aiding in understanding the characteristics of the data under analysis.

Table 8

Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
LNDPS	50	2.76	4.66	3.73	0.35
LNROE	50	2.39	3.48	3.08	0.28
LNBVPS	50	0.97	2.60	1.83	0.40
LNPE	50	2.86	4.43	3.49	0.36
LNROA	50	0.13	1.24	0.74	0.25
LNMPS	50	6.31	10.58	7.35	0.78
Valid N (listwise)	50				

Source: Using SPSS version 27

Table 8 represents that the descriptive statistics provide a snapshot of various financial metrics for a selection of banks. It is interpret the descriptive statistics for the variables, LNDPS, LNROE, LNBVPS, LNPE, LNROA and LNMPS. LNDPS has the natural log of dividend per share ranges from approximately 2.76 to 4.66, with an average value of 3.73 and a relatively low variability around the mean, as indicated by the standard deviation of 0.35. Similarly, LNROE, the natural log of return on equity ranges from approximately 2.39 to 3.48, with an average value of 3.08 and relatively low variability around the mean, as indicated by the standard deviation of 0.28. In the same way, LNBVPS has the natural log of book value per share ranges from approximately 0.97 to 2.60, with an average value of 1.83 and moderate variability around the mean, as indicated by the standard deviation of 0.40. However, LNPE has natural log of price earnings ratio ranges from approximately 2.86 to 4.43, with an average value of 3.49 and relatively low variability around the mean, as indicated by the standard deviation of 0.36. Similarly, LNROA has natural log of return on assets ranges from approximately 0.13 to 1.24, with an average value of 0.74 and relatively low variability around the mean, as indicated by the standard deviation of 0.25. At last, the natural log of market price per share ranges from approximately 6.31 to 10.58, with an average value of 7.35 and

moderate variability around the mean, as indicated by the standard deviation of 0.78. These descriptive statistics provide insights into the distribution and variability of the natural log-transformed variables in the dataset.

Table 9

Correlations Matrix

Variables		LNDPS	LNROE	LNBVPS	LNPE	LNROA	LNMPS
LNDPS	Pearson Correlation	1					
	Sig. (2-tailed)						
LNROE	Pearson Correlation	0.066	1				
	Sig. (2-tailed)	0.649					
LNBVPS	Pearson Correlation	.404**	.390**	1			
	Sig. (2-tailed)	0.004	0.005				
LNPE	Pearson Correlation	.310*	-0.072	.629**	1		
	Sig. (2-tailed)	0.028	0.618	0.000			
LNROA	Pearson Correlation	0.191	0.241	0.092	-.334*	1	
	Sig. (2-tailed)	0.185	0.092	0.524	0.018		
LNMPS	Pearson Correlation	.388**	.324*	.724**	.676**	-0.130	1
	Sig. (2-tailed)	0.005	0.022	0.000	0.000	0.370	

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

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

Source: Using SPSS version 27

This correlation matrix table 9 examines the relationships between different financial variables for the selected banks. The correlation matrix provides insight into the relationships between the variable LNMPS and the other five variables: LNDPS, LNROE, LNBVPS, LNPE, and LNROA. LNDPS has a significant positive correlation between LNMPS and LNDPS ($r = 0.388$, $p = 0.005$), indicating that there is a moderate positive relationship between the natural logarithm of market price per share (LNMPS) and the natural logarithm of dividends per share (LNDPS). LNROE shows there is a significant positive correlation between LNMPS and LNROE ($r = 0.324$, $p = 0.022$), suggesting a moderate positive relationship between the natural logarithm of market price per share (LNMPS) and the natural logarithm of return on equity (LNROE).

Similarly, LNBVPS shows that there is a highly significant positive correlation between LNMPS and LNBVPS ($r = 0.724$, $p < 0.01$), indicating a strong positive relationship between the natural logarithm of market price per share (LNMPS) and the natural logarithm of book value per share (LNBVPS). In the same way, LNPE shows there is a highly significant positive correlation between LNMPS and LNPE ($r = 0.676$, $p < 0.01$), suggesting a strong positive relationship between the natural logarithm of market price per share (LNMPS) and the natural logarithm of earnings per share (LNPE). At last LNROA shows that there is no significant correlation between LNMPS and LNROA ($r = -0.130$, $p = 0.370$), indicating that there is no substantial linear relationship between the natural logarithm of market price per share (LNMPS) and the natural logarithm of return on assets (LNROA). It is conclude that the LNMPS shows significant positive correlations with LNDPS, LNROE, LNBVPS, and LNPE, indications suggest that the market price per share has a tendency to rise in correlation with dividends per share, return on equity, book value per share, and earnings per share. However, there is no significant correlation between LNMPS and LNROA.

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.811[a]	0.658	0.619	0.481

a. Predictors: (Constant), LNBVPS, LNROA, LNDPS, LNROE, LNPE

Source: Using SPSS version 27

In the table 10 shows that the model summary provides essential insights into the regression model's performance where R indicates a strong positive linear relationship between the predictors (LNBVPS, LNROA, LNDPS, LNROE, LNPE) and the dependent variable. The correlation coefficient is 0.811. R square demonstrates that approximately 65.8% of the variance in the dependent variable is explained by the independent variables. The adjusted R square takes into account the number of predictors in the model and provides a more accurate estimate of the proportion of variance explained. In this case, its 0.619, indicating that approximately 61.9% of the variance in the dependent variable is explained by the independent variables. Std. error of the estimate the average

distance between the observed values and the predicted values of the dependent variable. In this model, it's 0.481. Overall, the model summary offers valuable insights into how well the independent variables predict the dependent variable and the overall fit of the regression model.

Table 11

ANOVA[a] Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.548	5	3.910	16.932	<.001[b]
	Residual	10.160	44	0.231		
	Total	29.708	49			

a. Dependent Variable: LNMPS

b. Predictors: (Constant), LNBVPS, LNROA, LNDPS, LNROE, LNPE

Source: Using SPSS version 27

Table 11 presents the ANOVA results for the regression model predicting the market price per share (MPS) using a combination of predictor variables, with LNBVPS, LNROA, LNDPS, LNROE, and LNPE as predictors, significantly explains the variance in the dependent variable LNMPS. The model is highly significant ($p < .001$), with an F-value of 16.932. This suggests that the independent variables collectively contribute to predicting LNMPS.

Table 12

Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.074	1.515		0.049	0.961
LNDPS	0.295	0.224	0.132	1.317	0.195
LNROE	0.686	0.302	0.243	2.267	0.028
LNROA	-0.326	0.326	-0.106	-0.999	0.323
LNPE	0.897	0.315	0.412	2.847	0.007
LNBVPS	0.643	0.293	0.327	2.192	0.034

a. Dependent Variable: LNMPS

Source: Using SPSS version 27

The table 12 shows that the regression analysis exploring the relationship between the natural log of market price per share (LNMPS) and several independent variables, that found in the following ways. The constant data is 0.074. The intercept of the regression line, indicating the expected value of LNMPS when all independent variables are zero, natural log of Dividend Per Share while the coefficient (0.295) suggests a positive association with LNMPS, the lack of statistical significance (p = 0.195) indicates that LNDPS may not exert a significant impact on LNMPS. In the same way LNROE (Natural Log of Return on Equity) with a coefficient of 0.686 and statistical significance (p = 0.028), LNROE demonstrates a significant positive influence on LNMPS. Similarly, LNROA (Natural Log of Return on Assets) shows a negative coefficient (-0.326), LNROA does not appear statistically significant (p = 0.323), suggesting it may not significantly affect LNMPS. In the same way, LNPE (Natural Log of Price Earnings Ratio) exhibits a substantial coefficient (0.897) and statistical significance (p = 0.007), indicating a significant positive impact on LNMPS. At last, LNBVPS (Natural Log of Book Value Per Share) demonstrates a noteworthy coefficient (0.643) and statistical significance (p = 0.034), suggesting a significant positive association with LNMPS.

In summary, LNROE, LNPE, and LNBVPS emerge as significant predictors of LNMPS in this regression model, while LNDPS and LNROA do not demonstrate statistical significance, implying they may not play a significant role in determining LNMPS.

4.3 Discussion

Descriptive statistics reveal the range, average values, and variability of key variables such as the natural log of dividend per share (LNDPS), return on equity (LNROE), book value per share (LNBVPS), price earnings ratio (LNPE), return on assets (LNROA), and LNMPS. Additionally, correlation matrices elucidate significant associations among these variables, indicating, for instance, positive correlations between LNDPS and LNBVPS, as well as LNPE, and significant positive relationships between LNBVPS and both LNDPS and LNROE.

Further analysis through regression modeling confirms the significance of LNROE, LNPE, and LNBVPS as predictors of LNMPS, while LNDPS and LNROA show no statistical significance. The model summary underscores the strength of the linear

relationship between predictors and LNMPS, with approximately 65.8% of its variance explained by the independent variables. ANOVA results validate the collective contribution of the predictor variables in explaining LNMPS variance. In conclusion, LNROE, LNPE, and LNBVPS emerge as pivotal factors in understanding and predicting LNMPS, offering valuable insights for investment decision-making.

This studies finding align with several previous scholarly works, including those by Sarkar and Rakshit (2023), Singh (2022), Liu et al. (2022), Hunjara and Muhammad (2021), and Rahman and Siddikee (2020), who identified significant impacts of certain financial metrics on market price per share (LNMPS). Specifically, LNROE, LNPE, and LNBVPS emerge as significant predictors in our regression model, consistent with the findings of these scholars.

However, the results diverge from the studies by Francis (2019), Martikinee (2018), and Ahmad et al. (2018), who reported insignificant impacts of similar variables in their analyses. This disparity may stem from differences in dataset composition, methodological approaches, or contextual factors across studies. While this research underscores the importance of LNROE, LNPE, and LNBVPS in predicting LNMPS, the contrasting findings highlight the nuanced nature of financial analysis and the necessity for comprehensive understanding and contextualization of results in different settings.

CHAPTER-V
SUMMARY AND CONCLUSION

5.1 Summary

The current study focuses on analyzing the behavior of stock prices through financial and statistical analysis of five banks: SCBNL, EBL, NIBL, NABIL, and HBL, over a ten-year period from 2013/14 to 2022/23. The researcher utilized financial and statistical tools to conduct a comprehensive analysis of the sample banks. The first chapter outlines the basic assumptions, importance, research issues, problems, objectives, rationale, and limitations of the study.

In the second chapter, previous research on the topic is reviewed to understand the development in the field and key concepts used in the study. This chapter also summarizes the findings of earlier studies to provide background knowledge and prevent duplication.

The third chapter discusses the research methodologies, including research design, data sources, population and sample selection, data collection techniques, and analytical tools. A descriptive cum analytical research design was adopted, and five major banks were selected using simple random sampling. Secondary data from annual reports, publications, newspapers, theses, journals, and websites were used, and appropriate mathematical, statistical, and financial tools were applied for data analysis.

In the fourth chapter, the results and discussions are presented, with data analyzed systematically according to the study objectives. The comparative financial performance analysis of the banks is conducted, highlighting key findings and insights.

The final chapter provides a summary of the study, including how it was conducted, the conclusions drawn, and the implications of the findings. The regression analysis reveals significant associations between certain financial variables, such as ROE, price-earnings ratio (PE), and book value per share (BVPS) of banks. However, other variables like DPS and return on assets (ROA), do not show significant correlations with MPS in this analysis. These findings align with some previous research but differ from others,

suggesting the need for further investigation to reconcile discrepancies and enhance understanding of the relationships between financial variables and MPS.

5.2 Conclusion

This dissertation examines the determinants of stock prices in commercial banks within the context of Nepal. It investigates how various variables affect share prices based on data from five commercial banks listed on the Nepal Stock Exchange. Throughout the study period, the market prices per share (MPS) of these banks fluctuated, influenced by selected variables as well as external factors like government policies and the COVID-19 pandemic. Notably, there's a declining trend in MPS for each bank, with NIBL experiencing a significant average decrease and SCBNL maintaining the highest average MPS.

Similarly, return on equity (ROE), dividends per share (DPS), price earning ratio (P/E), and market-to-book value ratio (MV/BV) also exhibit fluctuating trends during the study period, attributed to various factors including the chosen variables and external influences. For instance, EBL sees a considerable decrease in average ROE, while SCBNL maintains the highest average ROE. HBL, on the other hand, experiences a notable decline in average DPS, with SCBNL having the highest average DPS. The D/E ratio experiences a downward trend for each bank, with HBL experiencing the most significant decrease and SCBNL having the highest average P/E ratio. Additionally, NIBL sees a considerable decrease in average MV/BV, while SCBNL maintains the highest average MV/BV.

The regression analysis reveals significant associations between certain financial variables, such as ROE, price-earnings ratio (PE), and book value per share (BVPS) of banks. However, other variables like DPS and return on assets (ROA), do not show significant correlations with MPS in this analysis. These findings align with some previous studies but differ from others, suggesting the need for further research to reconcile discrepancies and deepen the understanding of the relationships between financial variables and MPS in the banking sector.

5.3 Implications

The analysis of the data yields several implications:

- Nepal is actively pursuing economic development through global trends and collaborations with developed nations. Shareholders invest in equity capital with expectations of earning dividends or capital gains. Balancing dividends and retained earnings is crucial for firms, as high payouts satisfy shareholders' dividend needs while increasing stock prices enhance capital gains, thereby achieving effective goal fulfillment and shareholder satisfaction.
- Dividend decisions are made by the board of directors, considering profits after tax which can either be distributed as dividends or retained to bolster shareholders' funds. Paying dividends attracts new investors and signals financial health, influencing the market value of shares. Therefore, firms must strike a prudent balance between shareholder interests and corporate goals.
- When firms lack investment opportunities, distributing dividends becomes a preferred option, allowing shareholders to seek alternative investment opportunities elsewhere. Individual investment decisions are often influenced by signals from the capital market, necessitating reliable and investor-focused market mechanisms with efficient operations and effective management.
- Regulatory bodies must coordinate closely to ensure systematic, fast, and transparent buying and selling procedures for shares, enhancing investor confidence and market integrity. Rational investors rely on studying past trends and patterns in stock prices to predict future changes, ensuring prudent investment decisions.
- Government policies should not only aim at capital market development but also timely and effective implementation. Sectors like commercial banks, finance companies, and manufacturing & processing companies' exhibit better performance, recommending investors to consider investing in these sectors.
- Stockbrokers and other securities professionals should develop expertise, while market intermediaries must have adequate infrastructure to provide optimal services to investors. Further research and analysis by regulatory bodies are essential to enhance market efficiency, reduce manipulation, and stimulate market activity.

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Abstract The stock market in Nepal is still in its developmental stages and requires support from various stakeholders to operate efficiently. It's crucial for the government to establish and enforce effective regulations to foster the growth of the stock market. Listed companies play a vital role by adhering to these regulations, promptly disclosing financial statements, avoiding rumors, and refraining from stock price manipulation. This study aims to evaluate the behavior of share prices, particularly focusing on the

weak efficient market hypothesis, and determine **whether successive price changes are independent or dependent** on historical **price changes, with**

a specific emphasis on the banking sector. The primary indicator of a company's profitability from the perspective of ordinary shareholders is the earnings per share (EPS). NABIL boasts the highest EPS at RS.61.912, while Nepal Investment Bank Limited has the lowest at Rs.33.18. Higher earnings typically correlate with better performance. However, there's noticeable

fluctuation in dividend per share , with **SCBNL** offering the highest **average dividend of Rs**

.50.712, while HBL offers the lowest at Rs.28.424. Investors inclined towards long- term investments often favor companies with higher dividend yields. All banks demonstrate healthy and positive price-to-earnings (P/E) multiples. However, the relationship between earnings and price exhibits mixed behavior, emphasizing the need for firms to strike a balance between dividends and retained earnings. Dividend distribution plays a crucial role in achieving organizational goals and satisfying shareholders. Decisions regarding dividends are typically made by the board of directors, considering factors like the cost of