

**FACTORS INFLUENCING SHARE PRICE DETERMINATION IN  
NEPALESE STOCK MARKET**

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## **RECOMMENDATION**

This is to certify that the thesis

Submitted by  
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**Entitled:**  
**FACTORS INFLUENCING SHARE PRICE DETERMINATION IN  
NEPALESE STOCK MARKET**

Has been prepared as approved by this department in the prescribed format of the  
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## **VIVA-VOCE SHEET**

We have conducted the viva-voce examination of the thesis presented

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**Entitled**

### **FACTORS INFLUENCING SHARE PRICE DETERMINATION IN NEPALESE STOCK MARKET**

And found the thesis to be the original work of the student and written

According to the prescribed format. We recommend the thesis to

be accepted as partial fulfillment of the requirements for

**Master's Degree of Business Studies (M.B.S)**

Viva-Voice Committee

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## **DECLARATION**

I hereby declare that the work reported in this thesis entitled “Factors Influencing Share Price Determination In Nepalese Stock Market” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for the Master’s Degree in Business Studies (MBS) under the supervision of Dr. Pitri Raj Adhikari of Shankar Dev Campus.

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## ABBREVIATIONS

ATMs	Automated Teller Machine
BFI	Bank and Financial Institutions
BVPS	Book Value per Share
CDPS	Cash Divident per Share
CENMAC	Central Management Committee
CEO	Chief Executive Officer
EBL	Everest Bank Limited
EPS	Earning Per Share
DPS	Dividend Per Share
DY	Dividend Yield
FMO	Financierings-Maatschappij voorOntwikkelingslanden
GDP	Gross Domestic Product
HBL	Himalayan Bank Limited
ICRA	Investment Information and Credit Rating Agency
MVPS	Market value per share
NIBL	Nepal Investment Bank Limited
NRB	Nepal Rastra Bank
NSBL	Nepal SBI Bank Limited
P/E ratio	Price Earnings Ratio
PNB	Punjab National Bank
POS	Point of Sale
SBI	State Bank of India
SCBNL	Standard Chartered Bank Nepal Limited
SMS	Short Message Service

# **CHAPTER-I**

## **INTRODUCTION**

### **1.1. Background of the study**

In the Nepalese market, the market price per share of commercial banks has been experiencing rapid changes, leading to an unstable situation for investors in the share market. Over the past two years, the NEPSE index has witnessed fluctuations, rising from 1400 to 3000 points before decreasing to 1900 points, indicating high volatility in Nepal's capital market. Various factors such as political unrest, interest rates, current events, exchange rate fluctuations, and natural disasters significantly impact the stock market. Stock prices are directly influenced by the balance between demand and supply in the market, with prices fluctuating in response to environmental changes. Specifically, stock prices tend to increase when buy orders surpass sell orders and decrease when sell orders outnumber buy orders. Demand for stocks is influenced by four key factors: earnings, economic conditions, expectations, and investor sentiment. Typically, stock prices rise when all four factors are positive and decline when they are negative (Bhattarai, 2016)

The stock market serves as a vital component of economic development by facilitating the transfer of funds from public savings to industrial and business activities. As noted by Zarezadeh et al. (2011), understanding the impact of earnings on share prices is crucial for predicting price volatility and enabling firms to enhance their market value while helping investors maximize their wealth. Additionally, the stock market functions as a platform for trading financial instruments like debt and equity securities, connecting companies seeking capital with investors looking to invest their savings, as highlighted by Arkan (2016).

Ownership of stocks grants investors a claim on a company's profits or exposes them to losses proportional to their shareholding. Common stockholders typically have voting rights and receive dividends, whereas preferred stockholders prioritize claims on assets and earnings without voting rights. The stock market's role in economic development is paramount, directing resources toward efficient investment opportunities, as emphasized by Kurihara (2006).

Governments, industries, and central banks closely monitor stock market activities due to its significant influence on industry, commerce, and overall economic health.

Ensuring access to relevant financial data is essential for shareholders and prospective investors to make informed decisions in the stock market, as emphasized by Dutta, Bandopadhyay, and Sengupta (2012). Ultimately, the stock market acts as a reflection of the economy, playing a critical role in fostering economic growth and development by channeling resources to productive sectors and influencing industry dynamics.

A share price represents the value of a single share of a company's stock or other financial assets. The global financial crisis of 2007 resulted in significant volatility and turbulence in the stock market, causing substantial losses in equity markets worldwide, as highlighted by Rudd (2009), with an estimated loss of approximately US\$32 trillion in market value. Before the crisis, investors typically focused on the stock market as a source of significant returns, with investments in shares serving as a means to finance expansion and diversification efforts for firms. However, investors are often risk-averse, and the volatility of their investments raises concerns, necessitating knowledge of the determinants of share prices to make informed investment decisions.

Various factors influence share price determination in the Nepalese stock market. These include economic indicators such as GDP growth, inflation rates, and interest rates, which impact investor sentiment and market confidence. Company-specific factors like earnings performance, dividend payouts, and management effectiveness play a crucial role. Additionally, market dynamics such as supply and demand, trading volume, and investor behavior significantly affect share prices. External factors, including political stability, regulatory changes, and global economic conditions, also contribute to share price fluctuations. Overall, a complex interplay of economic, company-specific, market, and external factors determines share prices in Nepal's stock market (Dahal, 2024).

Scholars have identified various internal and external factors that influence stock prices. Internal factors include company performance, changes in board structure, asset position, dividends, and

earnings, while external factors encompass government regulations, business cycles, investor sentiment, market conditions, and external events like natural disasters and strikes. Additionally, the "Value Investing Strategy," advocated by Graham and Dodd (1934), has gained prominence, particularly post the 2007 global financial crisis. This strategy involves evaluating stocks with low-price earnings, low price-to-cash-flow ratio, or low price-to-book ratio, assuming that these stocks may outperform growth stocks.

Despite being relatively small compared to neighboring countries, the Nepalese stock market plays a vital role in economic development by promoting capital formation and fostering economic growth. The trading of securities in this market facilitates the pooling of funds, risk sharing, and wealth transfer, aiding in the efficient mobilization of available capital. Economic activities are stimulated by directing reserves toward the most productive investments, with investors making decisions based on changes in share prices and financial fundamental variables, as suggested by Ifran and Nishant (2002).

This research focuses on identifying the factors that influence the stock prices of commercial banks in Nepal, using these institutions as examples for their respective sectors. The study evaluates several financial indicators derived from company financial statements to determine their impact on stock prices. These indicators include Return on Equity, Book Value per Share, Dividend Yield, Price Earnings Ratio, and the size of the firm. The primary aim is to explore how these financial characteristics influence the stock prices of banks. Additionally, the research investigates the relationships between the variables in question. The paper is structured to first present a review of relevant previous studies, followed by an explanation of the research methodology. Subsequent sections discuss the results regarding how various factors affect stock prices, concluding with insights and recommendations for management based on the findings.

In the Nepalese stock market, several factors influence the determination of share prices. These include Earning per Share (EPS), Price Earnings Ratio (P/E Ratio), Book Value per Share (BVPS), and Dividend per Share (DPS). EPS signifies the profit allocated to each outstanding share, reflecting the company's financial performance. A higher EPS often attracts investors, potentially increasing demand and driving up share prices. The P/E Ratio compares the share

price to EPS, indicating investors' expectations for future earnings growth. A higher P/E ratio suggests anticipated growth, impacting share prices accordingly. BVPS represents a company's net asset value per share, with higher values potentially signaling undervaluation and influencing demand. Lastly, DPS indicates the dividend paid per share, which can attract income-seeking investors and positively impact share prices. These independent variables collectively shape investor sentiment and demand, thereby influencing share prices in the Nepalese stock market. Understanding their dynamics is crucial for investors and analysts to make informed investment decisions. (Thapa, 2019).

### **Profile of the organization**

In this section profile of the sampled organization has been describe below:

#### **a. Everest Bank Limited**

Everest Bank Limited (EBL), serving over 1.4 million customers, is known for its professional and efficient banking services. Established in 1994, EBL has emerged as one of the leading banks in Nepal, offering services to various societal segments and contributing to the nation's corporate, agricultural, and industrial development. The bank operates through 39,167 delivery channels, which include 10,098 domestic branches, 2 international branches, 13,350 ATMs, and 15,719 Business Correspondents. EBL's international branches are located in Gift City, Ahmedabad, and Dubai, with two overseas subsidiaries: PNB International Ltd. in London and Druk PNB Bank Ltd. in Bhutan, along with representative offices in Myanmar and Bangladesh. As a joint-venture partner with a 20% equity stake, PNB provides top management support to EBL under a Technical Service Agreement. EBL offers customer-friendly services through its wide ABBS-connected network, enabling transactions from any branch. With 128 branches, 164 ATMs, 32 Revenue Collection Counters, and 4 Extension Counters nationwide, EBL ensures accessibility and efficiency for its customers at any time.

#### **B. Himalayan Bank Limited**

Established in 1993 as a Joint Venture with Habib Bank Limited of Pakistan, Himalayan Bank Limited (HBL) has been a prominent player in Nepal's banking sector. Throughout its history, HBL has been at the forefront of innovation, introducing pioneering banking products and services such as Premium Savings Account, HBL Proprietary Card, and the Millionaire Deposit Scheme. The bank has also made significant contributions to the remittance sector, emerging as

the largest inward remittance handler in Nepal. With its proprietary online money transfer software, Himil Remit™, HBL has established partnerships with financial institutions worldwide, facilitating seamless remittance services for Nepali citizens globally. In line with Nepal Rastra Bank's Merger and Acquisition Policy, HBL acquired Civil Bank Limited and commenced joint operations under the HBL banner. Presently, the bank operates through 176 Branch Offices and 20 Extension Counters across Nepal, while prioritizing corporate social responsibility by actively participating in societal welfare activities.

### **C. Nabil Bank Limited**

Established in 1984, Nabil Bank has played a pivotal role in shaping Nepal's financial landscape. Guided by its core principles of Service Excellence, Technology, and Product Innovation, the bank has fostered a customer-centric banking culture. By introducing innovative services and products, Nabil Bank has not only enriched the lives of its customers but also set new standards in the domestic banking sector. With a vast network comprising 268 branch offices, 317 ATMs, and numerous POS terminals, remittance agents, and sub-agents exceeding 20,000 across the country, the bank ensures accessibility and convenience for its customers. Additionally, Nabil Bank boasts over 200 international correspondent banking relationships, further expanding its reach and influence in the global financial arena. Moreover, the bank operates an investment banking arm through its subsidiary, Nabil Investment Banking Ltd.

### **D. Standard Chartered Bank Nepal Limited**

Since its original registration as a joint venture in 1987, Standard Chartered Bank Nepal Limited has been conducting business in Nepal. The public of Nepal owns 29.79% of the Bank's shares, making it an essential component of the Standard Chartered Group, which owns 70.21% of the business today. As the sole foreign bank presently doing business in Nepal, the Bank has this unique status. Additionally, ICRA Nepal has awarded it the ICRANP-IR AAA rating, making it the only bank in Nepal recognized as the safest bank in terms of prompt payment of debts.

Using a comprehensive domestic network, Standard Chartered Bank Nepal Limited serves its clients and customers with 14 points of representation throughout the nation and over 504 local employees. Additionally, the Bank is able to offer genuinely international financial services in Nepal because to the Standard Chartered Group's extensive global network. A wide range of

clients and customers, including individuals, mid-market local corporates, multinationals, large public-sector companies, government corporations, and the development organizations segment, which includes aid agencies, multilateral entities, non-government organizations, and international non-government organizations, are served by Standard Chartered Bank Nepal Limited's full range of banking products and services. The Bank hopes to maintain its leadership position in the introduction of client-focused products and services, having been a pioneer in this area. It is the first bank in Nepal to use the "Know Your Customer" method to every customer account and to implement the anti-money laundering policy.

This bank has proven over the past six years that they are a profitable, purpose-driven organization that is here to stay. Standard Chartered has the capacity to be a major disruptor, innovator, and change agent because of their distinctive history, core competencies, broad presence, and stellar international reputation. The Bank has never had a more crucial opportunity to seize the moment and quicken change and transformation than now, given the extraordinary challenges the world faces. In order to achieve this, they commenced the third and final chapter of their transformation journey in 2021, joining forces with their clients, regulators, and the industry to advocate for increased globalization, broader inclusiveness, and climate change (Website of Standard Chartered Bank Nepal Limited, 2021).

#### **E. Nepal SBI Bank Limited**

Nepal SBI Bank Ltd. (NSBL) is a subsidiary of State Bank of India (SBI) having 55 percent of ownership. The local partner viz. Employee Provident Fund holds 15% equity and General Public 30%. In terms of the Technical Services Agreement between SBI and the NSBL, the former provides management support to the bank through its expatriate officers including Managing Director who is also the CEO of the Bank. Central Management Committee (CENMAC), consisting of the Managing Director & CEO, Dy. CEO & Chief Financial Officer, Chief Operating Officer and two Vertical Heads as decided by Managing Director of the Bank, exercises overall control functions with the help of controlling offices, and oversee the overall operations of the Bank.

NSBL was established in July 1993 and has emerged as one of the leading banks of Nepal, with 937 skilled and dedicated Nepalese employees (as on Poush end 2080) working in a total of 140 outlets that include 97 full-fledged branches, 22 extension counters, 7 Province offices, 13 Branchless Banking Outlets and Corporate Office. With presence in 51 districts in Nepal, the Bank is providing value added services to its customers through its wide network of 121 ATMs, internet banking, mobile wallet, SMS banking, IRCTC Ticket Online Booking facility, etc. NSBL is one of the fastest growing Commercial Banks of Nepal with more than 1.30 million satisfied deposit customers and over 1 million ATM/Debit cardholders. The Bank enjoys leading position in the country in terms of penetration of technology products, viz. Mobile Banking, Internet Banking and Card Services. The Bank is moving ahead in the Nepalese Banking Industry with significant growth in Net Profit with very nominal NPA. As of 31st Ashad, 2080, the Bank has deposits of Rs. 150.72 billion and advances (including staff loan) of Rs. 125.53 billion, besides investment portfolio (including investment on subsidiary) of Rs. 34.14 billion (Annual Report of NSBL Bank Limited, 2081)

#### **F. NMB Bank Limited**

NMB Bank Limited licensed as “A” class financial institution by Nepal Rastra Bank in May 2008 has been operating in the Nepalese Financial market for over twenty years and is one of the leading commercial banks in the banking industry. The Bank has a Joint Venture Agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), wherein FMO holds 13.69% of the Bank’s shares and is the largest shareholder of the Bank. In September 2016, the Bank signed a Joint Venture Agreement with Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), the Dutch development bank following which FMO became the single largest shareholder of the Bank. The alliance with FMO positions NMB Bank in becoming the market leader in managing environmental & social risks and the leading player in renewable energy and agribusiness. NMB Bank was awarded 'Bank of the Year 2017', 'Bank of the Year 2018', 'Bank of the Year 2020', and 'Bank of the Year 2021'. In the same year, for the first time in the history of Nepal, the bank was awarded the title of 'Bank of the Year 2021 Asia' by The Banker, Financial Times, London. NMB Bank carries the vision of building communities through responsible banking, preferred by all stakeholders, enabling customers and clients achieve their financial goals thus contributing towards prosperous Nepal

and the mission is all about helping clients and customers to achieve financial security, strengthening and promoting sustainable socio-economic development by working actively with local and international stakeholders.

## **1.2. Statement of Problem**

Basically, stock price is determined by demand and supply. Both the qualitative and quantitative factors determine the stock price. However, to specify exactly what factors do determine stock price is a controversial/unpredictable issue. Share price is the function of the several factors. The stock price fluctuates time to time and stock exchanges react to the environmental changes. However, for some environmental changes, the stock exchanges have no effect. This study tries to identify the determinants of stock price and find out the degree of affection of those determinants (Fisher, 2004). In the Nepalese stock market, understanding the factors influencing share price determination is crucial for investors and analysts. Four key independent variables are often considered: Earning Per Share (EPS), Price Earnings Ratio (P/E Ratio), Book Value Per Share (BVPS), and Dividend Per Share (DPS). EPS reflects the company's profitability and its ability to generate earnings for shareholders. P/E Ratio compares a company's share price to its EPS, indicating investor expectations and sentiment about future earnings growth. BVPS represents the net asset value per share, influencing investor perceptions about a company's intrinsic value. DPS reflects the dividend paid to shareholders, impacting investor income and attracting income-seeking investors. More specifically, this study is expected to answer the following research questions. The relationship between these independent variables and the dependent variable, Market Price per Share, raises several research questions:

- i. What is the position of dependable variables and independent variables of sampled banks?
- ii. Is there any relationship between dependent and independent variables of the sampled banks?
- iii. Does independent variables have any effect on dependent variables?

## **1.3. Objectives of the study**

Based on the theoretical framework and research questions outlined, the objectives of the study on factors influencing share price determination in the Nepalese stock market are as follows:

To examine the impact of Earning per Share (EPS) on investor perceptions and demand for shares in the Nepalese stock market.

1. To assess the position of variables of the sampled banks.
2. To examine whether there is any relationship between dependent and independent variables.
3. To evaluate the effect of independent variables on dependent variables.

These objectives aim to provide a comprehensive understanding of the factors driving share price determination and investor behavior in the context of the Nepalese stock market. By addressing these objectives, the study seeks to contribute valuable insights to investors, analysts, and policymakers to make informed decisions regarding stock investments and market regulation.

#### **1.4. Significance of the study**

The main significance of this study is to examine the stock price behaviors. This study helps for future research on the area of behavior of common stock price of commercial banks by providing relevant and pertinent literature. This study makes aware to the investors before investing in stock of any banks. The listed banks can be aware about them and will take necessary steps for improvement. Those who are engaged in the field of financial management like shareholders, promoters, analysis, investors, policy makers etc, can be benefited from this research study.

#### **1.5. Limitations of the study**

The limitations of this study are as under:

1. This study is based only on ten years data from 2013/14 to 2022/23.
2. This study is based only on 6 sampled banks out of 20 commercial banks listed at NEPSE.
3. Only limited financial and statistical tools is used for analysis of data.

#### **1.6. Organization of the study**

This research is organized in five chapters as below:

##### **Chapter I: Introduction**

The first chapter deals with introduction. This includes background, statement of problem, objectives of the study, significance of the study, limitation of the study.

**Chapter II: Literature Review**

Second chapter presents review of available literature. It includes review from book, reports, article journal, previous thesis etc.

**Chapter III: Research Methodology**

Third chapter includes the research methodology to be used in the study which includes research design, sources of data population and samples, methods of data collection and analysis etc.

**Chapter IV: Presentation and Analysis of data**

This chapter deals with analysis of collected data through different financial and statistical tools. It presents major findings at the end of the chapter.

**Chapter V: Summary, Conclusion and Recommendations**

The fifth chapter includes conclusion and offers suggestion for further improvement

At the end, bibliography and appendices is added.

## **CHAPTER-II**

### **LITERATURE REVIEW**

A review of literature in research is a comprehensive summary and analysis of existing scholarly works related to a specific topic or research question. It involves systematically searching for, evaluating, and synthesizing previous studies, theories, and findings to provide a clear understanding of the current state of knowledge. The purpose of a literature review is to identify gaps, inconsistencies, and trends in the research, establish the context for the new study, and justify the need for further investigation. By critically examining and integrating the findings from various sources, a literature review helps to build a foundation for the research, guiding the methodology, and framing the analysis and interpretation of new data.

#### **2.1. Conceptual review**

This chapter provides a comprehensive review of literature relevant to the study, focusing on factors influencing the share price of Nepalese commercial banks. The objectives include understanding key theories and empirical evidence from previous studies in this domain. Despite the relatively underdeveloped capital market in Nepal, there exists a significant body of research encompassing various aspects of securities markets globally. While some determinants of stock prices have been identified across different stock exchanges, the Nepalese context may present unique factors influencing share prices due to its nascent stage of development. The review encompasses diverse sources such as books, magazines, journals, research papers, and unpublished thesis reports, shedding light on factors impacting stock prices in Nepalese commercial banks. The chapter is structured into three sections: conceptual review, review of journals and articles, and a review of literature specific to the Nepalese context.

##### **2.1.1. Financial market**

A financial market is a location with amenities for the purchase and sale of financial claims and services. The trading activities of financial institutions like Share, Bond, Debenture, etc. are included in the financial market. As a result, it actually refers to the capital and money markets, which make it easier for savers to transfer money to users (Mishra, 2009).

### **2.1.2. Money Market**

A financial market is a location with amenities for the purchase and sale of financial claims and services. The trading activities of financial institutions like Share, Bond, Debenture, etc. are included in the financial market. As a result, it actually refers to the capital and money markets, which make it easier for savers to transfer money to users (Ojha, 2000).

### **2.1.3. Capital Market**

The market designated for long-term securities issued by the government or a firm is known as the capital market. Financial assets with lives longer than a year are frequently traded on the capital markets. The capital market uses a variety of instruments and securities, including stocks, bonds, and debentures, among others. For the nation to prosper quickly, the capital market must develop and expand. The capital market supports economic growth by bringing long-term capital required for the productive sector to the surface. Both the securities market and the non-securities market are included in the capital market. The mobilization of financial resources by financial institutions in the form of loans and deposits is referred to as the non-securities market (Dahal, 2008).

#### **a. Primary Market**

New securities are issued by governments and enterprises on the primary market. All securities are initially issued in the Primary Market, whether they are traded on the money or capital markets. The corporation really receives the revenues from the sale of securities, making this the only market in which the company or government is directly involved in the transactions and benefits. The secondary market is created after the securities start to be traded amongst people, businesses, governments, financial institutions, savers, and investors. The market for the initial selling of securities by an issuer to the public is referred to as the Primary Market. (Madhura, 2009).

The issuer receives money that can be used to retire debt or invest in productive assets. The primary security market is where newly issued securities are made available since corporations' issue new securities there. The issuer could be a recently launched business or one that has been

operating for some time. The securities offered may be a new type of security for the issuer or a larger amount of security than was previously employed (Thapa, 2008).

#### **b. Secondary Market**

The market where previously issued securities are traded is known as the secondary market. Secondary markets are simply places where investors, or purchasers and sellers of securities, trade existing, outstanding securities. It establishes the price and permits liquidity. So, the secondary market mostly deals with shares that have already been issued and are exchanged on stock exchanges, in the over-the-counter market, or through direct sales (Jha, 2010).

Liquidity for securities purchased in the primary market is one of the secondary market's roles. Investors need a venue to sell their shares after they've bought them in the primary markets. Without the secondary market's liquidity, businesses would struggle to raise money in the primary markets for productive purposes. Security Market is another name for the secondary market (Karki, 2015).

#### **2.1.4. Common Stock**

Common stock is the official symbol of equity for a corporation's ownership status. It is a negotiable instrument that falls under the category of variable income security and is situated between fixed income and variable income securities. It is available on the secondary market for purchase and sale. Shareholders or stockholders refer to those who own common stock. Since common stocks do not have a maturity date, they are a permanent and essential source of money. Dividends are due to shareholders as compensation for their investment commitment. It indicates that in the event of organizational profit, the shareholders will get a specific amount as dividend. The Board of Directors sets the dividend amount or rate (Balla, 2000).

#### **2.1.5. Features of Common Stock**

Following are the features of common stock (Chenny & Moses, 2002).

##### **a. Claim on Income**

After deducting costs, interest fees, taxes, and any preferred dividends, the common stockholders have a claim on the earnings that are left over for regular shareholders. Shareholders may get a dividend or retained earnings in exchange for their shares of the income. Retained profits are the

income that is put back into the company, as opposed to dividends, which are an immediate cash flow to shareholders. Which ultimately boost the value of Shareholders Demand for Assets: In the event of a liquidation, the Common Stockholders would still have a claim to the company's assets. Priority shareholders' claims are met from the realized value of assets first, followed by debt holders' claims, and any remaining funds, if any, are distributed to common stockholders

**b. Right to Control**

Ordinary shareholders have the legal authority to choose board members. They can oust the directors if the board doesn't uphold their interests. Through their right to vote and preserve proportionate ownership, they can take part in the management of the business.

**c. Voting Right**

A common stockholder is entitled to one vote at the annual general meeting of stockholders for each share of common stock they own. Common stockholders have the right to cast a vote on matters affecting stockholders, such as the appointment of the board of directors, the sale of fixed assets, the merger of the business, etc.

**d. Pre-emptive Rights**

Shareholders are allowed by law to purchase more shares in a proportional amount to their existing holdings. A shareholder's proportionate share ownership in the corporation is thus protected by the pre-emptive right. The right refers to the stockholder's option to purchase a set number of new shares at a specified price within a specified period of time at a subscription price that is typically significantly below the share's current market price.

**e. Limited Liabilities**

Although the company's ultimate owners are the common stockholders, their liability is capped at the value of the shares they have purchased. In the event of financial difficulty or liquidation, a stockholder who has already paid the issue price in full for each share they have purchased has no further obligations. Due to the limited liability aspect of shares, even reluctant investors are persuaded to put money into the business, aiding in the company's ability to raise capital.

The vast majority of investors are prudent to invest their resources in stocks in the expectation of

future dividend payments and rising asset values. The market price of a company's shares is influenced by the relationship between dividends, a company's worth, and its capacity for income generation. The following sentences give brief explanations of earnings per share, dividends per share, book value per share, and market price per share.

#### **2.1.6. Values of common stock**

Following are different values of common stock.

##### **A. Par Value**

A single common share's par value is determined by the charter of a corporation. It usually has nothing to do with the shares' actual worth. Actually, it's frequently lower. The par value is stated on each stock certificate that is issued for shares that are bought. A firm has the option to specify a par value when authorizing shares or not.

##### **B. Book Value**

In the net worth column of the balance sheet, add the total value of the common stock (or par value + paid-in surplus plus retained earnings accounts) and divide by the total number of shares of common stock outstanding to get the book value per share. Although it paints a picture of the company's assets, book value has little practical bearing on stock prices. Occasionally, businesses discover that the prices at which their common stock is sold are not the same as the book value.

##### **C. Market value**

The stock's current market price per share is known as the market value. Market price quotations are easily accessible for actively traded equities. Prices are challenging to find for the many inactive stocks with slender markets. The market value is affected by a number of variables, such as market and corporate risk factors, economic and industry conditions, anticipated earnings and dividends, and other factors (Cheney & Mosses, 1995).

##### **D. Intrinsic Value**

Intrinsic value of a stock is its true value. This is calculated on the basis of the monetary benefit

investor expect to receive from it in the future. It is the maximum value at which investors can buy the asset, without making a loss in the future when they sell it.

#### **E. Liquidation value**

The total value of a company's tangible assets in the event that it went out of business and sold those assets is known as the liquidation value. The assets of a corporation, including its real estate, furniture, equipment, and inventory, are used to calculate its liquidation value. A company's intangible assets are not included in its liquidation value.

#### **F. Preemptive Right**

Preemptive rights give a shareholder the opportunity to buy additional shares in any future issue of a company's common stock before the shares are made available to the general public. A preemptive right is sometimes called an anti-dilution provision or subscription rights. It gives an investor the ability to maintain a certain percentage of ownership in the company as more shares are issued.

#### **G. Residual Claim on Income and Assets of the company**

Shareholders have a residual claim. On the firm's assets, which is the value leftover after all other claims have been paid. Thus, any earnings remaining after all other obligations are met, are either paid out in dividends or retained by the firm, ostensibly to be used as capital for the firm's growth.

#### **2.1.7. Classification of common stock on the basis of their features**

Common stock is divided into various categories based on how diverse each type's investment qualities are. Each of these varieties of common stock denotes ownership in the relevant business. While some stocks are unstable, others are not, while some do, others do not offer dividends to their shareholders. Similarly, some are bets on current investments, while others are guesses at what may happen in the coming year. In actuality, these stocks are divided into different groups based on their unique investment qualities (Franchis, 2000).

##### **(i) Blue Chip Stocks**

Among all varieties of common stock, blue chip stocks are regarded as the best. Although there is no clear definition of blue-chip stocks, investing professionals are aware of them. Blue chip

companies are those that have paid stockholders long-term, uninterrupted dividends without interruption. This is one way to define blue chip stocks. High quality is frequently denoted by the term "blue chip," as in blue chip high school, etc. The requirement of an uninterrupted dividend history is not met by many highly qualified stocks in the investment space.

Almost every firm wants to distribute dividends to its owners. If a corporation is consistently paying dividends, stopping those payments would not be in its best interests. The continuation of dividend payments may be interrupted by some extreme situations.

**(ii) Income Stock**

It is required by law for a firm to pay dividends out of earnings rather than from borrowed funds. The bottom-line earnings of the corporation are measured by net income after tax (NIAT). The board of directors decides whether to issue a dividend while keeping in mind what is beneficial for the company's shareholders. Either the full NIAT can be kept within the business, or all profits are distributed as dividends. However, it is appropriate to distribute a portion of NIAT as dividends and keep the remainder as retained earnings. The portion of NIAT paid as dividends represents the company's payout ratio.

**c. Cyclical stock**

Stocks of a company whose performance is directly correlated with the state of the overall national economy are referred to as cyclical stocks. These stocks perform well while the economy is in a boom phase, but when the economy is in a slump, they perform poorly.

The word "cyclical" has nothing to do with stock price predictions, chart patterns, or any other type of charting analysis. They mimic the business cycle with their cyclical characteristics. Steel manufacturers, automakers, and businesses that create industrial chemicals are a few examples of cyclical stocks. Cyclical stocks often have more than average market risk.

**d. Defensive stock**

A defensive stock is one that has a high level of resistance to macroeconomic changes. The fact that defensive stocks continue to sell their goods in the market, regardless of whether the general market is bullish or bearish, is a crucial characteristic. The best examples of defensive stock

come from four distinct industries. These sectors include the supermarket and retail food industries, as well as the utilities and tobacco & alcohol corporations. Whether the economy is doing well or poorly, people still use the goods and services of these many businesses. The market risk of a defensive stock is lower than average.

**e. Growth stock**

In contrast to income stocks, which are obligated to pay dividends, growth stocks do not offer any form of payout to their shareholders. The definition of growth stock is not perfect either. Most people attribute growth stocks to businesses that don't pay dividends to their shareholders and instead invest the majority of their earnings in fresh potential investment opportunities. Growth stocks are viewed by certain other investors as having the potential to provide a higher overall return relative to the stock's level of risk. The perceptions of the investors are what determine whether a growing stock is lucrative. Some corporations don't pay dividends to their shareholders, and the market assumes that they will keep up this practice in the future. Common stock of this type is unquestionably a growth stock. Stocks that do not increase in value or offer dividends are seen as unappealing investments.

**f. Speculative stocks**

Common stock varieties include speculative stocks, which have the potential to quickly pay their owners large sums of money. A stock's return and risk are directly related. The danger level is particularly high when dealing with speculative stocks. In other words, stocks that are more speculative provide both bigger returns and a higher level of risk. Due to their larger degree of profit in a shorter amount of time, speculative stocks are attractive to investors.

**g. Penny stocks**

Cheap stocks known as penny stocks are offered for sale for less than \$1 each. These stocks represent the more modest businesses that have been struggling for a while. These stocks are regarded as belonging to the lowest market category.

**2.1.8. Factors affecting stock market in Nepal**

There are several factors affecting the stock market of Nepal. The share market is highly sensitive and volatile and is easily influenced by different factors. The eight major factors that

have huge effect on share market of Nepal are listed below:

**a. Political changes**

In case of Nepal, Political changes have major influence on the performance of stock market. Investors in stock market seems to closely watch the political development. Any positive political development with stability has a huge impact on stock market index in Nepal.

**b. News, Rumors and Speculations**

The share market of Nepal is highly influenced by rumors, news and speculations. Rumors in the market and news feed by the media play a major role in influencing the stock market.

To reduce the rumors and speculations, transparency should be increased in this market. Information related to listed companies should be easily accessible and available in order to clear gossips and rumors in the market.

**c. Interest Rate**

There is negative relationship between the interest rate and the stock market of Nepal. At a time of higher interest rate in the economy, the stock market crashes. Likewise, during the low interest rate environment, the market seems to flourish.

**d. Liquidity**

Liquidity also plays a huge role in the share market of Nepal. Stock index rise when there is ample liquidity available at a low interest rate. With excess liquidity in the economy, money flows towards stock market. This results in the sharp increase in the stock price as investors flock into the market.

**e. Growth of money supply**

Money supply has also a strong positive relationship with the share market. A loose monetary policy could trigger an asset price bubble in share market which is mainly dominated by BFIs. With growth in money supply, the stock market moves in the positive direction. A contraction in money supply leads to fall in the stock prices.

#### **f. Business Performance and Dividend**

The stock market of Nepal also closely follows the performance of listed companies. When the earnings and business performance grow, stock market seems to move in the positive direction. Nepalese investors seem to study quarterly reports and prefer stocks with strong performance. Also, investors choose stocks with higher dividend. Likewise, they prefer companies announcing bonus shares over other companies.

#### **g. NRB Policies**

The policies by Nepal Rastra Bank also have influence on the share market of Nepal. Mainly dominated by the BFIs, the stock market reacts with any impact on BFIs by those policies. Mostly NRB's policy on lending against share collateral seems to have effect on the movement of stock market index.

#### **h. Inflation**

At last, inflation may also have a positive association with the stock market of Nepal. During the period of higher inflation, investors put their money at work into the market in order to generate higher returns.

## **2.2. Empirical Review**

A thorough summary of earlier studies on a subject is called a literature review. In a literature review, academic books, journal articles, and other sources that are pertinent to a certain field of study are surveyed. The review should list, describe, sum up, critically assess, and make sense of this prior research. It ought to provide a theoretical framework for the study and aid in defining its scope as the author. By acknowledging the work of earlier researchers, the literature review reassures the reader that work has been carefully thought through. Following studies have been reviewed:

Wagle (2021) conducted a study on determinants of stock market price in Nepal. This study aims to identify the empirical variables that influence the stock market price in commercial banks for 2015/16 to 2019/20 using a set of dependent and independent variables. The study is based on 130 observations from 26 commercial banks (out of 27) in Nepal using a secondary

source and the information obtained from annual reports. The descriptive and causal-comparative research design was employed. For that, mean, standard deviation, correlation and regression analysis techniques have been used. The results revealed that Market to Book proportion (M/B), Price-earnings proportion (P/E) and Earning Yield proportion (E/Y) have a significant positive association with the stock market price. In contrast, the Dividend Yield proportion (D/Y) has a positive but insignificant impact on the stock market price. The finding of this study is valuable to the curious investors, concerned bankers, academicians and government authorities, which help them to more about the stock market's returns and likelihood in the country.

Ojha (2020) studied on Common Stock Price Behavior of Commercial Banks in Nepal. The objective of this study was to identify the factors responsible for determinants of stock price and their relationship with the EPS and DPS, so that it will give a better insight into the behavior of stock price. The data are taken from 2071/72 to 2075/76 B.S. the descriptive research has been used for this study. Secondary data is used the research design taken from their sources. The population of this study is selected commercial banks. Out of 27 commercial banks 3 are private commercial banks, 2 Joint venture banks and 1 government bank is selected. Commercial banks as Nepal investment bank, Nepal credit and commerce bank, and Kumari bank. Joint venture banks as Nabil bank and Standard chartered bank. Government bank is Nepal Bank Limited. Secondary data are downloaded from concerned banks websites. Financial tools such as earning per share, dividend per share, dividend payout ratio, price earnings ratio, dividend yield, earning yield, market value to book value ratio and statistical tools such as mean, standard deviation, coefficient of variation and coefficient of correlation was used. This study concludes that on average the Nabil bank has high EPS i.e. the earning of Nabil has high than compare to others. The investors look to invest in consistence P/E Ratio banks. having less C.V. is considered as consistence in Ratio .so in this criteria NIBL is good. the Nepal bank doesn't declare the dividend in previous FY that means two things one is Bank is fail to earn profit another is the earning are invested rather than giving dividend. The MVPS/BVPS Ratio is greater than 1 i.e. the banks stocks are overvalued. The findings indicated that there are technical factors rather than fundamental factors that affect the common stock price. The EPS seems more influence market price of stocks. The correlation between the DPS and MVPS shows the highest positive i.e. 0.89 of Kumari Bank. And highest negative is -0.64 of NIBL Bank here the fundamental factors

doesn't work. Random walk efficient market theory is seeming to be implied.

Napit and Silwal (2019) conducted a study on fundamental of stock price in Nepalese commercial banks. The aim of this study is to ascertain the determinants of the stock market price in Nepalese commercial banks for the period of 2065/66 to 2074/75. It is based on pooled cross-sectional data of ten banks for 10 years whose stocks are listed in Nepal stock exchange. The study employed correlational and causal comparative research design and result reveals that book value per share, price earnings ratio, returns on equity have positive relationship with stock price. Dividend yield has positive but minimum influence on the price of the stock whereas size has negative relationship and is statistically insignificant with stock price. Further, it reveals that book value per share is a most influential factor that determines stock price in Nepal.

Bhattarai (2018) examined the effect on stock price from both firms specific and macroeconomics variables of banks and insurance companies in Nepal throughout 2009/10 to 1014/15. Most specific variables include earnings per share, price-earnings proportion, dividends per share, company size, return on assets and return on equity, whereas macroeconomic variables include GDP, exchange rate, money supply and inflation rate. Earnings per share, dividend per share, price-earnings ratio, firm size, GDP and exchange rate were all found to have a substantial positive correlation with the market price. Return on equity, return on assets and money supply, on the other hand, have a considerable negative relationship with the market price. The final findings show that, except Dividend per Share (DPS), all individual variables have a significant effect on the stock price of banks and insurance firms in Nepal.

Ghimire and Mishra (2018) used regression to examine the link between share price and variables such as earnings per share, dividend per share, price-earnings proportion, book value and market to book value for 11 financial and non-financial enterprises in Nepal from 2012 to 2017. The findings showed that market-to-book value, dividend per share, and price-earnings ratio are the most important predictors of stock price, whereas earnings per share have a lesser impact.

Karki (2018) concluded in his article entitle Fundamentals of common stock pricing: Evidence

from commercial banks of Nepal concludes that the earnings and stock dividend are the more significant determinants of stock prices of commercial banks in Nepal. The effects of these variables on stock prices are consistent and statistically significant across all the analyses and all the specifications of the model. The performance of the stock dividend is especially noteworthy; this variable is statistically and economically the most important of the six firm specific variables investigated.

Jha (2010) analyzed the effect of financial indicators DPS and EPS with the MVPS. The study covers the five commercial Nepalese Banks. The fundamental factors show the strong effect on stock price. To construct a relationship between the variables various statistical tools were used. The thesis concludes the stock market of Nepal is still in preliminary stage & it is developing in slow rate. It needs help from all concerned bodies to function properly. However, the only fundamental factors are focus of study.

Table 1

*Summary of Review*

Author (s)	Variables	Methodology	Findings
Wagle (2021)	Independent variables were market to book value, price earning, earning yield and dividend yield and dependent variable was stock market price	The research utilized a set of dependent and independent variables based on 130 observations from 26 out of 27 commercial banks in Nepal. Secondary sources and information from annual reports were employed for data collection. The study employed a descriptive and causal-comparative research design and utilized statistical techniques such as mean, standard deviation, correlation, and regression analysis.	The results indicated that Market to Book ratio (M/B), Price-earnings ratio (P/E), and Earning Yield ratio (E/Y) demonstrated a significant positive association with the stock market price. Conversely, the Dividend Yield ratio (D/Y) had a positive but insignificant impact on the stock market price. The findings of this study are valuable for investors, bankers, academicians, and government authorities, providing insights into stock market returns and prospects in Nepal.
Ojha (2020)	Independent variables were earning per share, dividend per share, dividend payout ratio, price earnings ratio, dividend yield, earning yields, market value to book value ratio and dependent variable was common stock	Descriptive research was used study to identify the factors influencing stock prices and their relationship with earnings per share (EPS) and dividend per share (DPS) in commercial banks in Nepal. Secondary data from the fiscal years 2071/72 to 2075/76 B.S. were used for analysis. The population consisted of selected commercial banks, including Nepal Investment Bank, Nepal Credit and Commerce Bank, Kumari Bank, Nabil Bank,	The study revealed that Nabil Bank had the highest EPS on average, indicating higher earnings compared to other banks. Investors showed a preference for banks with consistent price-earnings ratios, with Nepal Investment Bank Limited (NIBL) considered good in this regard due to its low coefficient of variation. The absence of dividend declarations by Nepal Bank Limited in the previous fiscal

	price	Standard Chartered Bank (joint ventures), and Nepal Bank Limited (government bank). Financial tools such as EPS, DPS, dividend payout ratio, price-earnings ratio, dividend yield, earning yield, and market value to book value ratio were employed, along with statistical tools like mean, standard deviation, coefficient of variation, and coefficient of correlation.	year suggested either a lack of profit or reinvestment of earnings rather than dividend distribution. The finding also indicated that technical factors, rather than fundamental factors, significantly influenced common stock prices. EPS appeared to have the most significant impact on market prices, while the correlation between DPS and market value per share (MVPS) was highest for Kumari Bank and highest negative for NIBL Bank, indicating the limited influence of fundamental factors. The study suggested implications of the random walk efficient market theory in the Nepalese stock market.
Napit and Silwal (2019)	Independent variable was book value per share, price earnings ratio, return on equity, dividend yield and size whereas dependent variable was stock market price.	The research utilized pooled cross-sectional data from ten banks over a span of 10 years, whose stocks are listed on the Nepal Stock Exchange. The study employed a correlational and causal-comparative research design.	The results of the study revealed several determinants of stock market prices in Nepalese commercial banks. Book value per share, price-earnings ratio, and returns on equity were found to have a positive relationship with stock price. Additionally, dividend yield showed a positive but minimal influence on stock price, while the size of the bank exhibited a negative relationship that was statistically insignificant with stock price. Furthermore, the study emphasized that book value per share is the most influential factor determining stock price in Nepal.
Bhattarai (2018)	Firm specific variables were earning per share, price earnings ratio, dividend per share, company size, return on assets, return on equity and macroeconomic variable were GDP, Exchange rate, money supply and Inflation rate, dependent variable was stock price.	Bhattarai (2018) conducted a comprehensive study to analyze the impact of both firm-specific and macroeconomic variables on the stock prices of banks and insurance companies in Nepal. The research covered the period from 2009/10 to 2014/15 and examined various variables, including earnings per share, price-earnings ratio, dividends per share, company size, and return on assets, return on equity, GDP, exchange rate, money supply, and inflation rate. Statistical analyses were employed to assess the correlation between these variables and market prices.	The study revealed that several variables had a substantial positive correlation with market prices, including earnings per share, dividend per share, price-earnings ratio, firm size, GDP, and exchange rate. However, return on equity, return on assets, and money supply demonstrated a considerable negative relationship with market prices. Notably, all individual variables except for dividend per share were found to have a significant effect on the stock prices of banks and insurance firms in Nepal.
Ghimire and Mishra (2018)	Independent variables were earning per share, dividend per	They utilized regression analysis to investigate the relationship between share price and various variables	The research findings indicated that market-to-book value, dividend per share, and price-earnings ratio

	share, price earnings ratio, book value and market value to book value ratio and dependent variable was share price	including earnings per share, dividend per share, price-earnings ratio, book value, and market to book value. The study focused on 11 financial and non-financial enterprises in Nepal and covered the period from 2012 to 2017.	emerged as the most significant predictors of stock price. These variables demonstrated a strong impact on share prices. Conversely, earnings per share were found to have a lesser impact compared to the other variables analyzed.
Karki (2018)	Independent variables were earnings and stock dividend and dependent variable was stock price.	Statistical analyses were performed to examine the consistency and significance of these variables across different models and specifications.	The study's findings indicate that earnings and stock dividends are the most significant determinants of stock prices for commercial banks in Nepal. The effects of these variables on stock prices were found to be consistent and statistically significant across all analyses and model specifications. Particularly noteworthy was the performance of stock dividends, which emerged as the most important variable both statistically and economically among the firm-specific factors examined.
Jha (2010)	Independent variables were dividend per share and earning per share and dependent variable was market value per share	The study conducted by Jha (2010) analyzed the effect of financial indicators, specifically Dividend Per Share (DPS) and Earnings Per Share (EPS), on Market Value Per Share (MVPS) for five commercial banks in Nepal. Various statistical tools were employed to construct the relationship between these variables.	The research findings suggest that fundamental factors, such as DPS and EPS, have a significant impact on stock prices in the Nepalese stock market. However, despite the influence of these fundamental factors, the study concludes that the stock market in Nepal is still in its preliminary stage and is developing at a slow rate. The thesis highlights the need for support from all concerned bodies to ensure the proper functioning and development of the Nepalese stock market.

## 2.4. Research gap

Any subject or issue that hasn't been addressed by prior studies or research in your field is referred to as a research gap. There may be a research gap when a thought or novel idea hasn't been thoroughly investigated. If all the current research is obsolete and has to be replaced or updated, you may occasionally uncover a research gap (studies on Internet use in 2001, for example). The results of earlier studies are equally significant. Both technical and fundamental elements that affect stock price are discussed in the study. Another significant gap that has to be filled by this study is the identification of the factor that influences MPS more than DPS and EPS do. Analysis of the stock market's performance, expansion, and drawbacks is the main goal of

the study and determining whether the stock market is trending upward or downward. This study also updates the price behavior of the sampled banks.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

The methodology of research is the subject of this chapter. A fundamental methodology framework, under which the research will be carried out, is attempted to be presented. This chapter only covers a brief overview of the financial parameters that were used in this study, a brief explanation of the methods that were employed, the research design, the sources and types of data, the sampling techniques that were employed, and the financial and statistical tools that were used for data analysis.

#### **3.2. Research design**

A framework of procedures and strategies used by a researcher to combine diverse study components in a reasonably logical way in order to effectively address the research topic is known as a research design. Data taken from the yearly reports of sample banks served as the foundation for this investigation. For this study, descriptive and causal comparative research has been used with data from 2013/14 to 2022/23 A.D. The study design incorporates secondary data from its sources.

#### **3.3. Population and Sample**

In this study, commercial bank represents the population and the number of the banks is 20 during the study period. In this study purposive sampling is done and all the banks which are joint venture are selected as sample of the study. The sampled banks are Everest Bank Limited, Himalayan Bank Limited, Nabil Bank Limited, NSBL Bank Limited, Standard Chartered Bank Nepal Limited and NMB Bank Limited are taken as purposive sample of the study.

#### **3.4. Nature and sources of data**

A data source is the location where data that is being used originates from. A data source may be the initial location where data is born or where physical information is first digitized, however even the most refined data may serve as a source, as long as another process accesses and utilizes

it.

### **Secondary data:**

Data collected by someone else for some other purpose (but being utilized by the investigator for another purpose). Secondary data is data gathered from studies, surveys, or experiments that have been run by other people or for another research. In this study secondary sources of data is used. Data is collected from the website of sampled banks.

## **3.5. Method of data analysis**

Both financial as well as statistical tools has been used in this study. The financial and statistical tools used in this study are as under:

### **3.5.1. Financial Tools**

The financial tools used in this study are as under:

#### **a. Earnings per Share**

Earnings per share (EPS) are the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. EPS is calculated as:

$$\text{EPS} = \frac{\text{Net profit after tax- preference dividend}}{\text{No of Shares outstanding}}$$

#### **b. Price Earnings Ratio**

The correlation between earnings per share and stock market price is known as the price-earnings multiple. The company's performance is demonstrated by the earnings per share in terms of how effectively it has managed its human and material resources to serve stockholder interests. Generally speaking, the owners benefit more from a stock with a greater P/E ratio. Security analysts frequently use this ratio to evaluate a company's performance relative to expectations of investors. Comparing one company to another in the same industry requires the most significant and practical instruments

$$\text{Price Earnings Ratio} = \frac{\text{Market Price Per Share}}{\text{Earning Price Per Share}} = \frac{\text{MPS}}{\text{EPS}}$$

#### **c. Book value per share**

Book value per share indicates the book value of each share of stock. Book value is a company's

net assets value. Book value per share is method to calculate the per share value of a company based on common shareholder's equity in the company.

$$\text{Book value per share} = \frac{\text{Total Shareholder's Equity} - \text{Preferred Stock}}{\text{Total Common shares outstanding}}$$

**d. Market value per share**

The cost to purchase a share of a company's stock in the open market, such as on a stock exchange, is known as market value per share. Based on the level of stock demand, this price changes throughout the day. If more investors want to purchase it than are willing to sell it, the price will increase; if the opposite is true, the price will decrease.

$$\text{Market value per share} = \frac{\text{Market value of the company}}{\text{No of shares outstanding}}$$

**e. Dividend per Share**

Dividend per Share (DPS) is the total amount of dividends attributed to each individual share outstanding of a company. Calculating the dividend per share allows an investor to determine how much income from the company he or she will receive on a per-share basis.

$$\text{DPS} = \frac{\text{Total Dividend Distributed to Shareholders}}{\text{No of Shares outstanding}}$$

**3.5.2. Statistical tools**

The statistical tools used in this study are as under:

**1. Mean ( $\bar{X}$ )**

Average is the typical values around which other items of distribution congregate. Arithmetic mean of a given set of observation is their sum divided by the number of observation (Gupta; 1995).

$$\text{Mean} (\bar{X}) = \frac{X_1 + X_2 + \dots + X_n}{n} = \frac{\Sigma x}{n}$$

**2. Standard deviation ( $\sigma$ )**

The standard deviation is an important and widely used measure of dispersion. The measurement of the scatterness of the mass of figure in a series about an average is known as dispersion. The greater the amount of dispersion is greater the standard deviation. A small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series; a large

standard deviation means just the opposites it is denoted by the letter  $\sigma$ . S.D. ( $\sigma$ ) =

$$\sqrt{\frac{\sum x^2}{n} - \left(\frac{\sum x}{n}\right)^2}$$

### 3. Coefficient of variation (C.V.)

The coefficient of variation is the most commonly used measure of relative variation. It is used in such problems where the researcher wants to compare the variability of two sets of data. More the C.V, the more variability or less consistent, less uniform, but less C.V., more consistent, more uniform, more stability and homogeneous.

$$\therefore CV = \frac{\sigma}{X} \times 100$$

### 4. Coefficient of Correlation and Coefficient of determination between different variables.

This statistical method is used to investigate, identify, and understand the relationship between two or more variables. It determines if two or more variables are positively or negatively linked. The statistical tool examines the link between such variables and assists the selected banks in formulating optimal investment policies in terms of profit maximization and deposit collecting, as well as money mobilization through loan and advance provision. The value of r ranges from -1 to +1.

$$\rho_{xy} = \frac{\text{Cov}(x, y)}{\sigma_x \sigma_y}$$

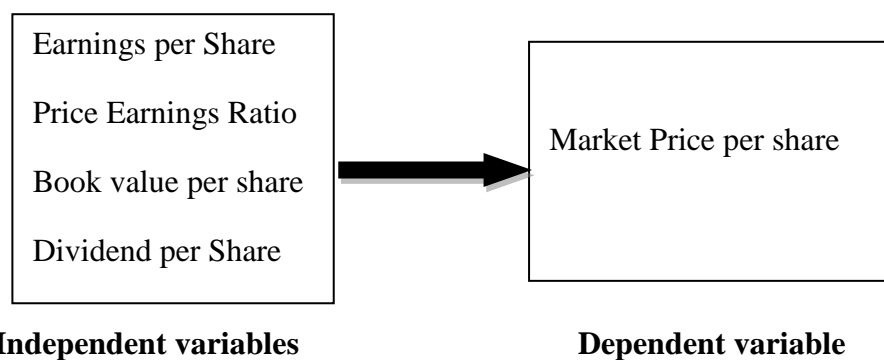
### 5. Regression

Regression is a statistical method used in finance, investing, and other disciplines that attempts to determine the strength and character of the relationship between a dependent variable and one or more independent variables. Regression analysis is primarily used for two conceptually distinct purposes. First, regression analysis is widely used for prediction and forecasting. Importantly, regressions by themselves only reveal relationships between a dependent variable and a collection of independent variables in a fixed dataset.

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + \dots + b_t X_t + u$$

### 3.6. Research framework and variables

A research framework provides an underlying structure or model to support our collective research efforts. The variables are used to examine common stock price behavior of Nepalese Commercial Banks is measure using earning per share, price earnings ratio, market value per share.



**Figure 1. Research framework and variables of the study**

#### **Dependent Variables**

##### **Market price per share**

Market price per share is the price at which a share of company stock can be acquired in the marketplace, such as on a stock exchange. This price varies throughout the day, based on the level of demand for the stock. The price will rise when more investors want to buy it than are willing to sell, while the price will decline in the reverse situation.

#### **Independent variables**

##### **Earnings per share**

Earnings per share (EPS) are the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability

##### **Price Earnings Ratio**

Price earning multiple is the relationship between earning per share and market price of the stock. In general rule, the higher the P/E ratio, and the better it is for the owners. Security analyst to assess a firm's performance as expected by the investors popularly uses this ratio. It is the most important and useful tools to compare one company to other company in same industry.

**Book value per share**

The amount per share of common stock that would be received if all of the firm's assets are sold off for their accounting value and the proceeds residual after paying all liabilities. More specifically, it is determined by relating the original value of a firm's common stock for any outflow and inflow to the amount of number of shares outstanding.

**Dividend per Share**

Dividend is the portion of profit that is ready to be available for shareholders or the amount paid as dividend to the holder of one share of the stock.

## **CHAPTER-IV**

### **PRESENTATION AND ANALYSIS OF DATA**

#### **4.1. Introduction**

In research, the "Presentation and Analysis of data" section is where the findings of the study are presented and analyzed. This section typically begins with a clear presentation of the results obtained from data analysis or experimentation. Results may be presented using tables, graphs, or other visual aids to illustrate key findings effectively. Following the presentation of results, the discussion part interprets and contextualizes the findings within the broader scope of the research topic. It involves analyzing the results, comparing them with existing literature or theoretical frameworks, and drawing conclusions. Researchers often discuss the implications of their findings, address any limitations or biases in the study, and propose avenues for future research. The discussion section aims to provide a deeper understanding of the research findings, their significance, and their contributions to the field of study.

##### **4.1.1. Earnings per share**

Earnings per share (EPS) is a financial metric used to assess a bank's profitability and performance by dividing its net income by the total number of outstanding shares. It indicates the portion of a bank's profit allocated to each outstanding share of common stock. A higher EPS signifies higher profitability on a per-share basis, indicating better returns for shareholders. EPS is crucial for investors as it helps them evaluate a bank's financial health and growth potential. Banks with consistent and increasing EPS are often perceived as financially stable and attractive investment options. However, EPS should be interpreted in conjunction with other financial metrics and factors such as market conditions, industry trends, and regulatory environment to make informed investment decisions.

The data provided outlines the Earnings per Share (EPS) for six financial institutions EBL, HBL, Nabil, NSBL, SCBNL, and NMB over a ten-year period from fiscal year 2013/14 to 2022/23. The table includes the mean EPS, standard deviation (S.D.), and coefficient of variation (C.V.) for each institution, offering insights into their profitability trends and variability.

EBL's EPS fluctuated significantly, peaking at 86.04 in 2013/14 and reaching a low of 19.91 in 2020/21. The average EPS over the period was 41.51, with a standard deviation of 20.06, indicating considerable variability. The coefficient of variation (C.V.) of 48.33% suggests a moderate level of relative risk in its earnings performance.

Table 2

*Earnings per Share*

Fiscal Year	EBL	HBL	Nabil	NSBL	SCBNL	NMB
2013/14	86.04	33.10	83.68	34.83	65.47	20.50
2014/15	78.04	33.37	57.24	34.48	57.38	25.05
2015/16	40.33	43.03	59.27	36.78	45.96	27.78
2016/17	32.48	35.15	59.86	33.46	35.49	26.88
2017/18	32.78	23.11	49.51	25.16	27.33	28.67
2018/19	38.05	32.44	50.57	27.13	30.39	18.79
2019/20	29.71	27.60	36.16	17.23	24.81	11.18
2020/21	19.91	28.07	33.57	10.15	23.92	14.76
2021/22	26.30	18.26	18.64	16.19	23.92	17.92
2022/23	31.43	9.18	23.67	19.44	36.75	17.55
Mean	41.51	28.33	47.22	25.49	37.14	20.91
S.D.	20.06	8.65	17.66	8.47	13.27	5.37
C.V.	48.33	30.54	37.41	33.22	35.72	25.70

*Note:* Annual Report of sampled banks from fiscal year 2013/14 to 2022/23.

HBL exhibited generally moderate EPS, with a maximum of 43.03 in 2015/16 and a minimum of 9.18 in 2022/23. The mean EPS was 28.33, accompanied by a lower standard deviation of 8.65, reflecting moderate volatility. The C.V. of 30.54% indicates a lower relative risk, implying more stable earnings compared to EBL.

Nabil's EPS data showed a high variability, peaking at 83.68 in 2013/14 and reaching a low of 18.64 in 2021/22. The average EPS was 47.22, with a standard deviation of 17.66, indicating

significant volatility. The C.V. of 37.41% points to a moderate relative risk, reflecting substantial fluctuations in profitability.

NSBL's EPS ranged from a high of 36.78 in 2015/16 to a low of 10.15 in 2020/21, with an average of 25.49. The standard deviation was 8.47, indicating moderate volatility. The C.V. of 33.22% highlights a relatively moderate level of risk and variability in earnings performance.

SCBNL's EPS varied, with a maximum of 65.47 in 2013/14 and a minimum of 23.92 in 2020/21 and 2021/22, averaging 37.14 over the decade. The standard deviation was 13.27, suggesting moderate volatility. The C.V. of 35.72% reflects a moderate relative risk, indicating some fluctuations in earnings.

NMB displayed a range of EPS from 28.67 in 2017/18 to 11.18 in 2019/20, with an average of 20.91. The standard deviation was the lowest among the institutions at 5.37, indicating less volatility. The C.V. of 25.70% suggests the lowest relative risk, implying more stable profitability.

In summary, Nabil and EBL showed higher average EPS but also higher variability, indicating less consistent earnings performance. NSBL, SCBNL, and HBL exhibited moderate EPS with considerable volatility, reflecting moderate relative risks. NMB had a lower average EPS but the lowest volatility and relative risk, suggesting the most stable earnings performance among the six institutions.

#### **4.1.2. Price Earnings Ratio**

The price-earnings ratio (P/E ratio) is a financial metric used to evaluate a bank's stock price relative to its earnings per share (EPS). It is calculated by dividing the market price per share by the EPS. The P/E ratio indicates how much investors are willing to pay for each dollar of the bank's earnings. A high P/E ratio suggests that investors are optimistic about the bank's future earnings potential, while a low P/E ratio may indicate undervaluation or lower growth expectations. It provides insights into investor sentiment and market valuation of the bank's stock. However, it should be interpreted alongside other financial indicators and industry benchmarks to assess the bank's investment attractiveness and potential for future growth.

The data provided outlines the Price-Earnings (P/E) Ratio for six financial institutions—EBL, HBL, Nabil, NSBL, SCBNL, and NMB over a ten-year period from fiscal year 2013/14 to 2022/23. The table includes the mean P/E Ratio, standard deviation (S.D.), and coefficient of variation (C.V.) for each institution, offering insights into their market valuation trends and variability.

Table 3

*Price Earnings Ratio*

Fiscal Year	EBL	HBL	Nabil	NSBL	SCBNL	NMB
2013/14	30.58	28.43	30.29	36.75	42.75	25.13
2014/15	27.17	24.36	33.37	25.73	33.86	20.24
2015/16	83.94	34.86	39.55	50.98	78.33	29.15
2016/17	41.66	25.21	25.44	27.64	64.67	20.27
2017/18	20.23	23.84	18.60	19.83	27.62	12.48
2018/19	17.50	17.02	15.82	17.29	22.44	16.23
2019/20	22.72	19.57	21.15	25.24	26.00	31.45
2020/21	37.06	17.25	40.48	40.30	36.16	26.41
2021/22	16.69	16.39	44.21	16.93	16.56	14.57
2022/23	17.91	23.18	25.31	17.54	14.42	12.88
Mean	31.55	23.01	29.42	27.82	36.28	20.88
S.D.	18.36	5.24	8.86	10.37	18.73	6.22
C.V.	58.20	22.77	30.11	37.26	51.64	29.79

*Note:* Annual Report of sampled banks from fiscal year 2013/14 to 2022/23

EBL's P/E Ratio fluctuated significantly, peaking at 83.94 in 2015/16 and reaching a low of 16.69 in 2021/22. The average P/E Ratio over the period was 31.55, with a standard deviation of 18.36, indicating considerable variability. The coefficient of variation (C.V.) of 58.20% suggests a high level of relative risk in its market valuation.

HBL exhibited generally moderate P/E Ratios, with a maximum of 34.86 in 2015/16 and a minimum of 16.39 in 2021/22. The mean P/E Ratio was 23.01, accompanied by a lower standard

deviation of 5.24, reflecting lower volatility. The C.V. of 22.77% indicates a lower relative risk, implying more stable market valuation compared to EBL.

Nabil's P/E Ratio showed variability, peaking at 44.21 in 2021/22 and reaching a low of 15.82 in 2018/19. The average P/E Ratio was 29.42, with a standard deviation of 8.86, indicating moderate volatility. The C.V. of 30.11% suggests a moderate relative risk, reflecting some fluctuations in market valuation.

NSBL's P/E Ratio ranged from a high of 50.98 in 2015/16 to a low of 16.93 in 2021/22, with an average of 27.82. The standard deviation was 10.37, indicating considerable volatility. The C.V. of 37.26% highlights a relatively moderate level of risk and variability in market valuation.

SCBNL's P/E Ratio varied widely, with a maximum of 78.33 in 2015/16 and a minimum of 14.42 in 2022/23, averaging 36.28 over the decade. The standard deviation was 18.73, suggesting significant volatility. The C.V. of 51.64% reflects a high relative risk, indicating substantial fluctuations in market valuation.

NMB displayed a range of P/E Ratios from 31.45 in 2019/20 to 12.48 in 2017/18, with an average of 20.88. The standard deviation was the lowest among the institutions at 6.22, indicating less volatility. The C.V. of 29.79% suggests a moderate relative risk, implying more stable market valuation compared to others.

In summary, SCBNL and EBL showed higher average P/E Ratios but also higher variability, indicating less consistent market valuation. NSBL and Nabil exhibited moderate P/E Ratios with considerable volatility, reflecting moderate relative risks. HBL and NMB had lower average P/E Ratios but also the lowest volatility and relative risk, suggesting more stable market valuation among the six institutions.

#### **4.1.3. Book value per share**

BVPS provides insights into the net asset value of each share and is a measure of the bank's financial health and stability. A higher BVPS suggests that the bank's assets exceed its liabilities,

indicating a stronger financial position. Investors often use BVPS as a benchmark to evaluate the stock's performance relative to its market price and assess its potential for future growth. However, BVPS should be analyzed alongside other financial metrics and industry benchmarks to make informed investment decisions.

Table 4

*Book Value per Share*

Fiscal Year	EBL	HBL	Nabil	NSBL	SCBNL	NMB
2013/14	296.30	210	251	171.15	249	140.65
2014/15	335.60	208.81	259	186.49	265	137.35
2015/16	370.84	196.12	244	184.87	268	152.92
2016/17	290.02	189.91	270	151.90	296	164.46
2017/18	200.01	174.24	256	159.08	174	216.88
2018/19	218.58	187.73	257	167.52	186.32	180.94
2019/20	219.56	187.67	256	165.05	188.51	150.06
2020/21	232.11	188.43	251	162.22	189.24	146.66
2021/22	241.37	169.72	232	174.17	192.32	146.30
2022/23	237.16	155.29	210	180.49	213.61	154.20
Mean	264.16	186.79	248.60	170.29	222.20	159.04
S.D.	51.03	15.27	15.21	10.26	39.19	21.57
C.V.	19.32	8.18	6.12	6.03	17.64	13.57

Note: Annual Report of sampled banks from fiscal year 2013/14 to 2022/23

The data provided outlines the Book Value per Share (BVPS) for six financial institutions EBL, HBL, Nabil, NSBL, SCBNL, and NMB over a ten-year period from fiscal year 2013/14 to 2022/23. The table includes the mean BVPS, standard deviation (S.D.), and coefficient of variation (C.V.) for each institution, offering insights into their equity valuation trends and variability.

EBL's BVPS fluctuated significantly, peaking at 370.84 in 2015/16 and reaching a low of 200.01 in 2017/18. The average BVPS over the period was 264.16, with a standard deviation of 51.03,

indicating considerable variability. The coefficient of variation (C.V.) of 19.32% suggests a moderate level of relative risk in its equity valuation.

HBL exhibited generally stable BVPS, with a maximum of 210 in 2013/14 and a minimum of 155.29 in 2022/23. The mean BVPS was 186.79, accompanied by a lower standard deviation of 15.27, reflecting lower volatility. The C.V. of 8.18% indicates a low relative risk, implying more stable equity valuation compared to EBL.

Nabil's BVPS showed relative stability, peaking at 270 in 2016/17 and reaching a low of 210 in 2022/23. The average BVPS was 248.60, with a standard deviation of 15.21, indicating low volatility. The C.V. of 6.12% suggests a very low relative risk, reflecting consistent equity valuation.

NSBL's BVPS ranged from a high of 186.49 in 2014/15 to a low of 151.90 in 2016/17, with an average of 170.29. The standard deviation was 10.26, indicating low volatility. The C.V. of 6.03% highlights a very low level of risk and variability in equity valuation.

SCBNL's BVPS varied widely, with a maximum of 296 in 2016/17 and a minimum of 174 in 2017/18, averaging 222.20 over the decade. The standard deviation was 39.19, suggesting significant volatility. The C.V. of 17.64% reflects a moderate relative risk, indicating substantial fluctuations in equity valuation.

NMB displayed a range of BVPS from 216.88 in 2017/18 to 137.35 in 2014/15, with an average of 159.04. The standard deviation was 21.57, indicating moderate volatility. The C.V. of 13.57% suggests a moderate relative risk, implying some fluctuations in equity valuation.

In summary, Nabil and NSBL showed the most stable equity valuations with the lowest coefficients of variation, indicating consistent performance. HBL and NMB exhibited moderate stability, with some variability in their equity valuations. EBL and SCBNL had higher coefficients of variation, reflecting less consistent equity valuations and greater relative risks compared to the other institutions.

#### **4.1.4. Dividend per share**

Dividend per share (DPS) is a financial metric used to measure the portion of a bank's earnings distributed to each outstanding share of common stock. DPS is an essential indicator of a bank's dividend policy and its commitment to returning value to shareholders. A higher DPS indicates that the bank is distributing more of its earnings to shareholders, potentially attracting income-oriented investors. Investors often use DPS as a measure of the bank's financial performance and stability, as well as its ability to generate consistent returns for shareholders through dividends. However, DPS should be assessed alongside other financial metrics and industry benchmarks to evaluate the bank's overall dividend policy and financial health.

Table 5

*Cash Dividend per Share*

Fiscal Year	EBL	HBL	Nabil	NSBL	SCBNL	NMB
2013/14	58.84	18.28	53.78	20.16	63.39	5.12
2014/15	8.43	21.31	11.95	4.12	33.48	1.68
2015/16	9.12	3.67	25.31	4.02	3.81	3.60
2016/17	5.36	3.76	30.07	2.45	14.82	2.94
2017/18	61.01	46.69	44.44	42.89	64.03	69.76
2018/19	52.56	36.99	43.50	62.07	74.04	74.51
2019/20	18.61	21.74	4.87	54.96	47.72	28.62
2020/21	21.70	16.46	13.11	52.32	54.60	22.36
2021/22	29.20	60.84	61.70	65.04	69.02	46.04
2022/23	33.50	0.00	46.47	92.23	51.70	0.00
Mean	29.83	22.97	33.52	40.03	47.66	25.46
S.D.	19.12	17.92	17.51	27.98	21.18	25.98
C.V.	64.09	77.99	52.24	69.90	44.44	102.03

*Note:* Annual Report of sampled banks from fiscal year 2013/14 to 2022/23

The data provided outlines the Cash Dividend per Share (CDPS) for six financial institutions EBL, HBL, Nabil, NSBL, SCBNL, and NMB over a ten-year period from fiscal year 2013/14 to 2022/23. The table includes the mean CDPS, standard deviation (S.D.), and coefficient of variation (C.V.) for each institution, offering insights into their dividend distribution trends and variability.

EBL's CDPS fluctuated significantly, peaking at 61.01 in 2017/18 and reaching a low of 5.36 in 2016/17. The average CDPS over the period was 29.83, with a standard deviation of 19.12, indicating considerable variability. The coefficient of variation (C.V.) of 64.09% suggests a moderate to high level of relative risk in its dividend distribution.

HBL exhibited variability in its CDPS, with a maximum of 60.84 in 2021/22 and a minimum of 0.00 in 2022/23. The mean CDPS was 22.97, accompanied by a standard deviation of 17.92, reflecting moderate volatility. The C.V. of 77.99% indicates a high relative risk, implying significant fluctuations in dividend distribution.

Nabil's CDPS showed moderate stability, peaking at 61.70 in 2021/22 and reaching a low of 4.87 in 2019/20. The average CDPS was 33.52, with a standard deviation of 17.51, indicating moderate volatility. The C.V. of 52.24% suggests a moderate relative risk, reflecting consistent but variable dividend distribution.

NSBL's CDPS ranged widely from a high of 92.23 in 2022/23 to a low of 2.45 in 2016/17, with an average of 40.03. The standard deviation was 27.98, indicating significant volatility. The C.V. of 69.90% highlights a high level of risk and variability in dividend distribution.

SCBNL's CDPS varied considerably, with a maximum of 74.04 in 2018/19 and a minimum of 3.81 in 2015/16, averaging 47.66 over the decade. The standard deviation was 21.18, suggesting significant volatility. The C.V. of 44.44% reflects a moderate relative risk, indicating substantial fluctuations in dividend distribution.

NMB displayed a range of CDPS from 74.51 in 2018/19 to 0.00 in 2022/23, with an average of 25.46. The standard deviation was 25.98, indicating high volatility. The C.V. of 102.03% suggests the highest relative risk among the institutions, implying significant fluctuations in dividend distribution.

In summary, SCBNL showed the most stable dividend distribution with the lowest coefficient of variation, indicating consistent performance. EBL and NSBL exhibited moderate stability, with some variability in their dividend distributions. Nabil showed moderate stability, while HBL and

NMB had higher coefficients of variation, reflecting less consistent dividend distributions and greater relative risks compared to the other institutions.

#### 4.1.5. Market value per share

Market value per share (MVPS) is a financial metric that represents the current market price of a single share of a bank's stock. It is determined by the prevailing market forces of supply and demand, reflecting investors' perceptions of the bank's future prospects and overall market sentiment. A higher MVPS suggests that investors perceive the bank's stock as more valuable, potentially indicating positive expectations for future earnings and growth. However, MVPS should be interpreted alongside other financial metrics and industry benchmarks to assess the bank's investment attractiveness and market positioning accurately.

Table 6

#### *Market Value per Share*

Fiscal Year	EBL	HBL	Nabil	NSBL	SCBNL	NMB
2013/14	2631	941	2535	1280	2799	515
2014/15	2120	813	1910	887	1943	507
2015/16	3385	1500	2344	1875	3600	810
2016/17	1353	886	1523	925	2295	545
2017/18	663	551	921	499	755	358
2018/19	666	552	800	469	682	382
2019/20	675	540	765	435	645	397
2020/21	738	484	1359	409	590	440
2021/22	439	299.20	824	282.30	396	261
2022/23	563	212.80	599	341	530	226
Mean	1323.30	677.90	1358.00	740.23	1423.50	444.10
S.D.	933.58	337.76	632.79	461.07	1036.17	150.44
C.V.	70.55	49.83	46.60	62.29	72.79	33.79

*Note:* Annual Report of sampled banks from fiscal year 2013/14 to 2022/23

The data provided outlines the Market Value per Share (MVPS) for six financial institutions EBL, HBL, Nabil, NSBL, SCBNL, and NMB over a ten-year period from fiscal year 2013/14 to

2022/23. The table includes the mean MVPS, standard deviation (S.D.), and coefficient of variation (C.V.) for each institution, offering insights into their market valuation trends and variability.

EBL's MVPS fluctuated significantly, peaking at 3385 in 2015/16 and reaching a low of 439 in 2021/22. The average MVPS over the period was 1323.30, with a standard deviation of 933.58, indicating considerable variability. The coefficient of variation (C.V.) of 70.55% suggests a high level of relative risk in its market valuation.

HBL exhibited variability in its MVPS, with a maximum of 1500 in 2015/16 and a minimum of 212.80 in 2022/23. The mean MVPS was 677.90, accompanied by a standard deviation of 337.76, reflecting moderate volatility. The C.V. of 49.83% indicates a moderate relative risk, implying significant fluctuations in market valuation.

Nabil's MVPS showed moderate stability, peaking at 2535 in 2013/14 and reaching a low of 599 in 2022/23. The average MVPS was 1358.00, with a standard deviation of 632.79, indicating moderate volatility. The C.V. of 46.60% suggests a moderate relative risk, reflecting consistent but variable market valuation.

NSBL's MVPS ranged widely from a high of 1875 in 2015/16 to a low of 282.30 in 2021/22, with an average of 740.23. The standard deviation was 461.07, indicating significant volatility. The C.V. of 62.29% highlights a high level of risk and variability in market valuation.

SCBNL's MVPS varied considerably, with a maximum of 3600 in 2015/16 and a minimum of 396 in 2021/22, averaging 1423.50 over the decade. The standard deviation was 1036.17, suggesting significant volatility. The C.V. of 72.79% reflects a high relative risk, indicating substantial fluctuations in market valuation.

NMB displayed a range of MVPS from 810 in 2015/16 to 226 in 2022/23, with an average of 444.10. The standard deviation was 150.44, indicating moderate volatility. The C.V. of 33.79% suggests the lowest relative risk among the institutions, implying more stable market valuation compared to the other institutions.

In summary, Nabil and NMB showed the most stable market valuation with the lowest coefficients of variation, indicating consistent performance. HBL exhibited moderate stability, with some variability in its market valuations. EBL, NSBL, and SCBNL had higher coefficients of variation, reflecting less consistent market valuations and greater relative risks compared to the other institutions.

#### 4.2. Coefficient of correlation and coefficient of determination

The coefficient of correlation measures the strength and direction of the linear relationship between two variables. It provides a numerical value between -1 and 1. A positive value indicates a positive correlation (both variables move in the same direction), while a negative value suggests a negative correlation (variables move in opposite directions). A coefficient close to 0 implies a weak or no linear correlation. The coefficient of determination, often denoted as R-squared ( $R^2$ ), represents the proportion of the variability in one variable that can be explained by the variability in another variable.

Table 7

*Relationship between Dependent and Independent Variables of EBL*

Independent variables	Dependent Variables	
	MPS	
	r	$r^2$
Earnings Per Share	0.6508	0.4235
Price Earnings Ratio	0.7758	0.6019
Book value per share	0.9166	0.8401
Cash Dividend Per Share	-0.2458	0.0604

*Note:* Annual Report of Everest Bank Limited from fiscal year 2013/14 to 2022/23

The data presented outlines the relationship between several independent variables Earnings per Share (EPS), Price-Earnings (P/E) Ratio, Book Value per Share, and Cash Dividend per Share and the dependent variable, Market Price per Share (MPS), for EBL. The relationships are

quantified using the correlation coefficient ( $r$ ) and the coefficient of determination ( $r^2$ ), providing insights into the strength and explanatory power of these relationships.

Earnings per Share (EPS) exhibits a positive correlation with MPS, with a correlation coefficient ( $r$ ) of 0.6508. This indicates a moderately strong positive relationship, suggesting that as EPS increases, MPS tends to increase as well. The coefficient of determination ( $r^2$ ) is 0.4235, which means that approximately 42.35% of the variability in MPS can be explained by changes in EPS.

Price-Earnings (P/E) Ratio shows a stronger positive correlation with MPS, with an ( $r$ ) of 0.7758. This indicates a strong positive relationship, implying that higher P/E Ratios are associated with higher MPS. The ( $r^2$ ) of 0.6019 indicates that about 60.19% of the variability in MPS can be accounted for by variations in the P/E Ratio, highlighting its significant explanatory power.

Book Value per Share has the strongest positive correlation with MPS, with an ( $r$ ) of 0.9166, indicating a very strong positive relationship. This suggests that increases in the Book Value per Share are closely associated with increases in MPS. The ( $r^2$ ) of 0.8401 means that approximately 84.01% of the variability in MPS can be explained by changes in the Book Value Per Share, demonstrating its substantial influence on market valuations.

Cash Dividend per Share exhibits a weak negative correlation with MPS, with an ( $r$ ) of -0.2458. This indicates a slight inverse relationship, suggesting that increases in Cash Dividend per Share are slightly associated with decreases in MPS. However, the ( $r^2$ ) of 0.0604 indicates that only 6.04% of the variability in MPS can be explained by changes in Cash Dividend per Share, implying a minimal impact.

In summary, the analysis shows that Book Value per Share has the most significant positive impact on MPS, followed by the P/E Ratio and EPS, both of which also positively influence MPS to a substantial degree. On the other hand, Cash Dividend per Share has a minimal and

slightly negative relationship with MPS, indicating that other factors may play a more critical role in influencing the market price of EBL's shares.

The data provided illustrates the relationship between various independent variables Earnings per Share (EPS), Price-Earnings (P/E) Ratio, Book Value per Share, and Cash Dividend per Share and the dependent variable, Market Price per Share (MPS), for HBL. These relationships are described using the correlation coefficient ( $r$ ) and the coefficient of determination ( $r^2$ ), offering insights into their strength and explanatory power.

Table 8

*Relationship between Dependent and Independent Variables of HBL*

Independent variables	Dependent Variables	
	MPS	
	$r$	$r^2$
Earnings Per Share	0.8851	0.7834
Price Earnings Ratio	0.8465	0.7165
Book value per share	0.6970	0.4858
Cash Dividend Per Share	-0.4255	0.1810

*Note:* Annual Report of Himalayan Bank Limited from fiscal year 2013/14 to 2022/23.

Earnings per Share (EPS) exhibits a very strong positive correlation with MPS, with a correlation coefficient ( $r$ ) of 0.8851. This indicates that as EPS increases, MPS tends to increase significantly. The coefficient of determination ( $r^2$ ) is 0.7834, meaning that approximately 78.34% of the variability in MPS can be explained by changes in EPS. This underscores the critical role of EPS in influencing the market price of HBL's shares.

Price-Earnings (P/E) Ratio also shows a strong positive correlation with MPS, with an ( $r$ ) of 0.8465. This strong relationship implies that higher P/E Ratios are associated with higher MPS. The ( $r^2$ ) of 0.7165 indicates that about 71.65% of the variability in MPS can be accounted for by variations in the P/E Ratio, highlighting its significant impact on market valuation.

Book Value per Share has a moderately strong positive correlation with MPS, with an (r) of 0.6970. This suggests that increases in the Book Value per Share are positively associated with increases in MPS, though not as strongly as EPS or the P/E Ratio. The ( $r^2$ ) of 0.4858 means that approximately 48.58% of the variability in MPS can be explained by changes in the Book Value per Share, indicating a moderate influence.

Cash Dividend per Share exhibits a weak negative correlation with MPS, with an (r) of -0.4255. This indicates a slight inverse relationship, suggesting that increases in Cash Dividend per Share are somewhat associated with decreases in MPS. The ( $r^2$ ) of 0.1810 indicates that only 18.10% of the variability in MPS can be explained by changes in Cash Dividend per Share, implying a limited impact.

In summary, the analysis shows that EPS has the most significant positive impact on MPS for HBL, followed closely by the P/E Ratio. Both variables demonstrate strong correlations and high explanatory power regarding market price variability. The Book Value per Share also positively influences MPS but to a lesser extent. Conversely, Cash Dividend per Share has a minor and negative relationship with MPS, suggesting that other factors are more influential in determining the market price of HBL's shares.

Table 9

*Relationship between Dependent and Independent Variables of Nabil*

Independent variables	Dependent Variables	
	MPS	
	r	$r^2$
Earnings Per Share	0.8071	0.6514
Price Earnings Ratio	0.4053	0.1642
Book value per share	0.3156	0.0996
Cash Dividend Per Share	-0.1228	0.0151

*Note:* Annual Report of Nabil Bank Limited from fiscal year 2013/14 to 2022/23

The provided data outlines the relationships between several independent variables Earnings per Share (EPS), Price-Earnings (P/E) Ratio, Book Value per Share, and Cash Dividend per Share and the dependent variable, Market Price per Share (MPS), specifically for Nabil Bank. These relationships are quantified using correlation coefficients ( $r$ ) and coefficients of determination ( $r^2$ ), offering insights into their strength and explanatory power in influencing MPS.

Earnings per Share (EPS) demonstrates a strong positive correlation with MPS, as indicated by a correlation coefficient ( $r$ ) of 0.8071. This suggests that increases in EPS tend to be associated with higher MPS for Nabil Bank. The coefficient of determination ( $r^2$ ) is 0.6514, indicating that approximately 65.14% of the variability in MPS can be explained by changes in EPS. This highlights EPS as a significant determinant of Nabil Bank's market valuation.

Price-Earnings (P/E) Ratio shows a moderate positive correlation with MPS, with an ( $r$ ) of 0.4053. This indicates that variations in the P/E Ratio are somewhat associated with changes in MPS, albeit less strongly than EPS. The ( $r^2$ ) of 0.1642 suggests that approximately 16.42% of the variability in MPS can be attributed to fluctuations in the P/E Ratio, indicating a moderate impact on market price.

Book Value per Share exhibits a weak positive correlation with MPS, with an ( $r$ ) of 0.3156. This implies that increases in Book Value per Share are weakly associated with higher MPS for Nabil Bank. The ( $r^2$ ) of 0.0996 indicates that only about 9.96% of the variability in MPS can be explained by changes in Book Value Per Share, suggesting a limited influence on market price compared to EPS and the P/E Ratio.

Cash Dividend per Share shows a very weak negative correlation with MPS, with an ( $r$ ) of -0.1228. This suggests that there is a slight inverse relationship between Cash Dividend per Share and MPS, indicating that higher dividends per share might be associated with slightly lower market prices. The ( $r^2$ ) of 0.0151 indicates that only 1.51% of the variability in MPS can be attributed to changes in Cash Dividend per Share, indicating minimal impact on market valuation.

In summary, for Nabil Bank, Earnings per Share emerges as the most influential factor affecting Market Price per Share, with a strong positive correlation and high explanatory power. The Price-Earnings Ratio follows, showing a moderate positive correlation with MPS. Meanwhile, Book Value per Share and Cash Dividend per Share demonstrate weaker relationships with MPS, suggesting they have less impact on determining Nabil Bank's market valuation compared to EPS and the P/E Ratio.

The data provided outlines the relationships between independent variables—Earnings Per Share (EPS), Price-Earnings (P/E) Ratio, Book Value Per Share, and Cash Dividend Per Share—and the dependent variable, Market Price Per Share (MPS), specifically for NSBL (Nepal SBI Bank Limited). These relationships are quantified using correlation coefficients ( $r$ ) and coefficients of determination ( $r^2$ ), offering insights into their strength and explanatory power in influencing MPS.

Table 10

*Relationship between Dependent and Independent Variables of NSBL*

Independent variables	Dependent Variables	
	MPS	
	$r$	$r^2$
Earnings Per Share	0.8048	0.6476
Price Earnings Ratio	0.7854	0.6168
Book value per share	0.3432	0.1178
Cash Dividend Per Share	-0.7850	0.6162

*Note:* Annual Report of NSBL Bank Limited from fiscal year 2013/14 to 2022/23

Earnings per Share (EPS) demonstrates a strong positive correlation with MPS, as indicated by a correlation coefficient ( $r$ ) of 0.8048. This suggests that increases in EPS are strongly associated with higher MPS for NSBL, indicating that investors value higher earnings when determining the bank's share price. The coefficient of determination ( $r^2$ ) is 0.6476, implying that approximately 64.76% of the variability in MPS can be explained by changes in EPS, highlighting EPS as a significant driver of NSBL's market valuation.

Price-Earnings (P/E) Ratio also shows a strong positive correlation with MPS, with an ( $r$ ) of 0.7854. This indicates that variations in the P/E Ratio are closely associated with changes in MPS for NSBL, albeit slightly less than EPS. The ( $r^2$ ) of 0.6168 suggests that approximately 61.68% of the variability in MPS can be attributed to fluctuations in the P/E Ratio, underlining its significant impact on market price.

Book Value per Share exhibits a weak positive correlation with MPS, with an ( $r$ ) of 0.3432. This implies that increases in Book Value per Share are weakly associated with higher MPS for NSBL, indicating that book value has a limited influence on market price compared to EPS and the P/E Ratio. The ( $r^2$ ) of 0.1178 indicates that only about 11.78% of the variability in MPS can be explained by changes in Book Value per Share.

Cash Dividend per Share shows a strong negative correlation with MPS, with an ( $r$ ) of -0.7850. This suggests that higher Cash Dividend per Share is associated with lower MPS for NSBL, indicating that dividend payments may impact shareholder perceptions of the bank's value. The ( $r^2$ ) of 0.6162 indicates that approximately 61.62% of the variability in MPS can be attributed to changes in Cash Dividend Per Share, highlighting dividends as a significant factor affecting NSBL's market valuation.

In summary, for NSBL, both Earnings per Share and Price-Earnings Ratio emerge as strong drivers of Market Price per Share, with significant positive correlations and high explanatory power. Book Value per Share shows a weaker relationship with MPS, while Cash Dividend per Share demonstrates a strong negative correlation, suggesting that dividend policy plays a crucial role in shaping NSBL's market valuation.

The provided data illustrates the relationships between independent variables—Earnings Per Share (EPS), Price-Earnings (P/E) Ratio, Book Value Per Share, and Cash Dividend Per Share—and the dependent variable, Market Price Per Share (MPS), specifically for SCBNL (Standard Chartered Bank Nepal Ltd). These relationships are quantified using correlation coefficients ( $r$ )

and coefficients of determination ( $r^2$ ), which indicate the strength and explanatory power of each independent variable on MPS.

Earnings per Share (EPS) shows a strong positive correlation with MPS, as indicated by a correlation coefficient ( $r$ ) of 0.7496. This suggests that increases in EPS are closely associated with higher MPS for SCBNL, indicating that investors value higher earnings when evaluating the bank's share price. The coefficient of determination ( $r^2$ ) is 0.5619, meaning approximately 56.19% of the variability in MPS can be explained by changes in EPS, underscoring EPS as a significant driver of SCBNL's market valuation.

Price-Earnings (P/E) Ratio demonstrates a very strong positive correlation with MPS, with an ( $r$ ) of 0.8797. This implies that variations in the P/E Ratio are strongly associated with changes in MPS for SCBNL, indicating that market perceptions of the bank's earnings relative to its share price significantly influence its valuation. The ( $r^2$ ) of 0.7739 indicates that approximately 77.39% of the variability in MPS can be attributed to fluctuations in the P/E Ratio, highlighting its crucial role in determining SCBNL's market price.

Table 11

*Relationship between Dependent and Independent Variables of SCBNL*

Independent variables	Dependent Variables	
	MPS	
	r	$r^2$
Earnings Per Share	0.7496	0.5619
Price Earnings Ratio	0.8797	0.7739
Book value per share	0.8373	0.7011
Cash Dividend Per Share	-0.7112	0.5058

*Note:* Annual Report of SCBNL Bank Limited from fiscal year 2013/14 to 2022/23

Book Value per Share shows a strong positive correlation with MPS, with an ( $r$ ) of 0.8373. This suggests that increases in Book Value per Share are strongly associated with higher MPS for SCBNL, indicating that book value plays a significant role in investor perceptions of the bank's

intrinsic worth. The ( $r^2$ ) of 0.7011 indicates that approximately 70.11% of the variability in MPS can be explained by changes in Book Value per Share, emphasizing its importance in SCBNL's market valuation.

Cash Dividend per Share exhibits a strong negative correlation with MPS, with an ( $r$ ) of -0.7112. This implies that higher Cash Dividend per Share is associated with lower MPS for SCBNL, indicating that dividend payments can impact investor perceptions of the bank's profitability and future prospects. The ( $r^2$ ) of 0.5058 indicates that approximately 50.58% of the variability in MPS can be attributed to changes in Cash Dividend Per Share, highlighting dividends as a significant factor affecting SCBNL's market valuation.

In summary, for SCBNL, the Price-Earnings Ratio and Book Value per Share emerge as strong drivers of Market Price per Share, with very strong positive correlations and high explanatory power. Earnings per Share also shows a strong positive correlation, while Cash Dividend per Share exhibits a strong negative correlation, reflecting its impact on SCBNL's market valuation. These relationships underscore the importance of financial metrics and dividend policy in influencing investor perceptions and SCBNL's market price dynamics.

Table 12

*Relationship between Dependent and Independent Variables of NMB*

Independent variables	Dependent Variables	
	MPS	
	r	$r^2$
Earnings Per Share	0.5159	0.2661
Price Earnings Ratio	0.6446	0.4155
Book value per share	-0.1920	0.0369
Cash Dividend Per Share	-0.4296	0.1846

*Note:* Annual Report of NMB Bank Limited from fiscal year 2013/14 to 2022/23.

The data provided outlines the relationships between independent variables Earnings per Share (EPS), Price-Earnings (P/E) Ratio, Book Value per Share, and Cash Dividend per Share and the dependent variable, Market Price per Share (MPS), specifically for NMB Bank Ltd.

Earnings per Share (EPS) shows a moderate positive correlation with MPS, with a correlation coefficient ( $r$ ) of 0.5159. This suggests that changes in EPS are moderately associated with changes in MPS for NMB Bank, indicating that EPS influences investor perceptions of the bank's profitability and, consequently, its share price. The coefficient of determination ( $r^2$ ) of 0.2661 indicates that approximately 26.61% of the variability in MPS can be explained by changes in EPS, highlighting its moderate impact on NMB Bank's market valuation.

Price-Earnings (P/E) Ratio demonstrates a stronger positive correlation with MPS compared to EPS, with an ( $r$ ) of 0.6446. This implies that variations in the P/E Ratio are moderately associated with changes in MPS for NMB Bank, indicating that market perceptions of the bank's earnings relative to its share price play a significant role in determining its valuation. The ( $r^2$ ) of 0.4155 suggests that approximately 41.55% of the variability in MPS can be attributed to fluctuations in the P/E Ratio, underscoring its influence on NMB Bank's market price dynamics.

Book Value per Share shows a weak negative correlation with MPS, with an ( $r$ ) of -0.1920. This indicates that changes in Book Value per Share have a limited inverse association with changes in MPS for NMB Bank, suggesting that book value does not strongly influence investor perceptions of the bank's worth or future prospects. The coefficient of determination ( $r^2$ ) of 0.0369 indicates that only about 3.69% of the variability in MPS can be explained by changes in Book Value per Share, highlighting its minimal impact on NMB Bank's market valuation.

Cash Dividend per Share exhibits a moderate negative correlation with MPS, with an ( $r$ ) of -0.4296. This suggests that higher Cash Dividend per Share is associated with lower MPS for NMB Bank, indicating that dividend payments can affect investor perceptions of the bank's profitability and financial health. The ( $r^2$ ) of 0.1846 indicates that approximately 18.46% of the variability in MPS can be attributed to changes in Cash Dividend Per Share, emphasizing its moderate impact on NMB Bank's market valuation.

In summary, for NMB Bank Ltd., the Price-Earnings Ratio emerges as the strongest driver of Market Price per Share, with a moderate positive correlation and substantial explanatory power. Earnings per Share also demonstrates a moderate positive correlation, while Book Value Per Share shows a weak negative correlation, and Cash Dividend Per Share exhibits a moderate negative correlation, reflecting their respective impacts on NMB Bank's market valuation. These relationships underscore the importance of financial metrics and dividend policy in shaping investor perceptions and NMB Bank's market price dynamics.

### 4.3. Regression analysis

Regression analysis is a powerful statistical technique employed to investigate the relationship between a dependent variable and one or more independent variables. In the context of financial analysis, such as in the evaluation of stock prices, regression analysis helps determine how variables like earnings per share (EPS), price-to-earnings ratio (P/E Ratio), book value per share (BVPS), and dividend per share (DPS) influence the market price per share (MPS). By applying regression models, analysts can estimate the impact of each independent variable on the dependent variable and assess the strength and significance of these relationships.

Table 13

#### *Regression Analysis between Dependent and Independent Variables of EBL*

Year	EPS	P/E Ratio	BVPS	DPS	MPS	Summary Output	
2013/14	86.04	30.58	296.30	58.84	2631		
2014/15	78.04	27.17	335.60	8.43	2120		
2015/16	40.33	83.94	370.84	9.12	3385		P Value
2016/17	32.48	41.66	290.02	5.36	1353	Intercept	0.01
2017/18	32.78	20.23	200.01	61.01	663	EPS	0.002
2018/19	38.05	17.50	218.58	52.56	666	P/E Ratio	0.001
2019/20	29.71	22.72	219.56	18.61	675	BVPS	0.24
2020/21	19.91	37.06	232.11	21.70	738	DPS	0.15
2021/22	26.30	16.69	243.37	29.20	439	Overall Significance	0.00001
2022/23	31.43	17.91	237.16	33.50	563	Confidence Level	95%

*Note:* Annual Report of EBL from fiscal year 2013/14 to 2022/23

The regression analysis between the dependent and independent variables of Everest Bank Limited (EBL) provides insights into the relationships between several key financial metrics over the period from 2013/14 to 2022/23. The analysis focuses on Earnings per Share (EPS), Price to Earnings (P/E) Ratio, Book Value per Share (BVPS), Dividend per Share (DPS), and Market Price per Share (MPS). At confidence level 95% the intercept of the regression model is 0.01, indicating that when all independent variables are zero, the baseline MPS is 0.01. The coefficients for EPS and P/E Ratio are both lower than 0.05, suggesting that changes in these variables have a direct impact on the MPS. However, the coefficients for BVPS and DPS are 0.24 and 0.15, respectively, indicating that increases in these variables aren't so much associated with increases in the MPS. The overall significance level of the regression model is 0.00001, which is statistically significant and indicates that variables have significant impact on MPS. This significant p-value suggests that, despite some individual variables showing weak relationships, the combined effect of all independent variables on MPS is robust and meaningful. In summary, the regression analysis reveals that while EPS and P/E Ratio have direct impact on MPS, both BVPS and DPS have a minimum positive and significant effect on EBL's market price per share. This underscores the importance of these financial metrics in influencing investor perceptions and the market valuation of the bank.

Table 14

*Regression Analysis between Dependent and Independent Variables of HBL*

Year	EPS	P/E Ratio	BVPS	DPS	MPS	Summary Output	
2013/14	33.10	28.43	210.00	18.28	941		
2014/15	33.37	24.36	208.81	21.31	813		
2015/16	43.03	34.86	196.12	3.67	1500		P Value
2016/17	35.15	25.21	189.91	3.76	886	Intercept	0.12
2017/18	23.11	23.84	174.24	46.69	551	EPS	0.001
2018/19	32.44	17.02	187.73	36.99	552	P/E Ratio	0.0003
2019/20	27.60	19.57	187.67	21.74	440	BVPS	0.30
2020/21	28.07	17.25	188.43	16.46	484	DPS	0.45
2021/22	18.26	16.39	169.72	60.84	299.20	Overall Significance	0.00003
2022/23	9.18	23.18	155.29	0.00	212.80	Confidence Level	95%

*Note:* Annual Report of HBL from fiscal year 2013/14 to 2022/23

The regression analysis between the dependent variable (Market Price per Share, MPS) and independent variables (Earnings per Share, EPS; Price to Earnings Ratio, P/E Ratio; Book Value per Share, BVPS; and Dividend per Share, DPS) for Himalayan Bank Limited (HBL) covers the period from 2013/14 to 2022/23. The summary output provides critical insights into how these variables influence the market price of HBL's shares. At confidence level 95% the intercept of the regression model is 0.12, indicating that when all independent variables are zero, the baseline MPS is 0.12. The coefficients for EPS and P/E Ratio are both lower than 0.05, suggesting that these variables, has positive significantly influence the MPS. However, the coefficients for BVPS and DPS are 0.30 and 0.45, respectively. This indicates that increases in these variables are not so much associated with increases in the MPS. The overall significance level of the regression model is 0.00003, indicating that the model as a whole is statistically significant. This suggests that the combination of EPS, P/E Ratio, BVPS, and DPS significantly predicts the MPS, even if some individual predictors appear to have a negligible impact. In summary, the regression analysis indicates that while EPS and P/E Ratio have direct impact on the market price per share, both BVPS and DPS minimal or negligible affect the market price of HBL's shares. These findings highlight the importance of maintaining strong book values and consistent dividend payouts to enhance shareholder value and market performance.

Table 15

*Regression Analysis between Dependent and Independent Variables of Nabil*

Year	EPS	P/E Ratio	BVPS	DPS	MPS	Summary Output	
2013/14	83.68	30.29	251	53.78	2535		
2014/15	57.24	33.37	259	11.95	1910		
2015/16	59.27	39.55	244	25.31	2344		P Value
2016/17	59.86	25.44	270	30.07	1523	Intercept	0.02
2017/18	49.51	18.60	256	44.44	921	EPS	0.0000002
2018/19	50.57	15.82	257	43.50	800	P/E Ratio	0.000002
2019/20	36.16	21.15	256	4.87	765	BVPS	0.0006
2020/21	33.57	40.48	251	13.11	1359	DPS	0.0004
2021/22	18.64	44.21	232	61.70	824	Overall Significance	0.0000006
2022/23	23.67	25.31	210	46.47	599	Confidence Level	95%

*Note:* Annual Report of Nabil from fiscal year 2013/14 to 2022/23.

The regression analysis between the dependent variable (Market Price per Share, MPS) and the independent variables (Earnings per Share, EPS; Price to Earnings Ratio, P/E Ratio; Book Value per Share, BVPS; and Dividend per Share, DPS) for Nabil Bank Limited covers the period from 2013/14 to 2022/23. The summary output of the regression provides insights into how these variables influence the market price of Nabil's shares. At confidence level 95% the intercept of the regression model is 0.02, indicating that when all independent variables are zero, the baseline MPS is 0.02. The coefficients for all the independent variables (EPS, P/E Ratio, BVPS, and DPS) are below 0.05, suggesting that individually, these variables have significantly impact the MPS. The overall significance level of the regression model is 0.0000006, indicating that the model as a whole is statistically significant. This means that the combination of EPS, P/E Ratio, BVPS, and DPS significantly predicts the MPS. In summary, the regression analysis suggests that while each of the independent variables (EPS, P/E Ratio, BVPS, and DPS) show significant individual impacts on the market price per share, their combined effect is statistically significant. This underscores the importance of a holistic approach in evaluating the financial metrics and their collective influence on the market performance of Nabil Bank Limited. Maintaining strong financial health across these indicators is crucial for enhancing shareholder value and the bank's market price.

Table 16

*Regression Analysis between Dependent and Independent Variables of NSBL*

Year	EPS	P/E Ratio	BVPS	DPS	MPS	Summary Output	
2013/14	34.83	36.75	171.5	20.16	1280		
2014/15	34.48	25.73	186.49	4.12	887		
2015/16	36.78	50.98	184.87	4.02	1875		P Value
2016/17	33.46	27.64	151.90	2.45	925	Intercept	0.04
2017/18	25.16	19.83	159.08	42.89	499	EPS	0.004
2018/19	27.13	17.29	167.52	62.07	469	P/E Ratio	0.001
2019/20	17.23	25.24	165.05	54.96	435	BVPS	0.47
2020/21	10.15	40.30	162.22	52.32	409	DPS	0.43
2021/22	16.19	16.93	174.17	65.04	282.30	Overall Significance	0.0004
2022/23	19.44	17.54	180.49	92.23	341	Confidence level	95%

*Note:* Annual Report of NSBL from fiscal year 2013/14 to 2022/23

The regression analysis for Nepal SBI Bank Limited (NSBL) examines the relationship between the dependent variable (Market Price per Share, MPS) and the independent variables (Earnings per Share, EPS; Price to Earnings Ratio, P/E Ratio; Book Value Per Share, BVPS; and Dividend Per Share, DPS) over the fiscal years 2013/14 to 2022/23. The analysis provides insights into how these financial metrics influence the bank's market price per share. At confidence level 95% the intercept of the regression model is 0.04, suggesting that when all independent variables are zero, the baseline MPS is 0.04. The coefficients for EPS, P/E Ratio, BVPS, and DPS are as follows: EPS (0.004), P/E Ratio (0.001), BVPS (0.47), and DPS (0.43). This indicates that EPS and P/E Ratio individually have direct impact on MPS, while BVPS and DPS have minimum effects on MPS. The overall significance level of the regression model is 0.0004, indicating that the model as a whole is statistically significant. This means that the combination of EPS, P/E Ratio, BVPS, and DPS significantly predicts the MPS. In summary, the regression analysis for NSBL suggests that while EPS and P/E Ratio influence the market price per share significantly, the book value per share (BVPS) and dividend per share (DPS) have no or minimum impact. The combined effect of all independent variables is statistically significant, highlighting the importance of maintaining a strong financial position across these metrics to enhance the market value of NSBL shares.

Table 17

*Regression Analysis between Dependent and Independent Variables of SCBNL*

Year	EPS	P/E Ratio	BVPS	DPS	MPS	Summary Output	
2013/14	65.47	42.75	249	63.39	2799		
2014/15	57.38	33.86	265	33.48	1943		
2015/16	45.96	78.33	268	3.81	3600		P Value
2016/17	35.49	64.67	296	14.82	2295	Intercept	0.40
2017/18	27.33	27.62	174	64.03	755	EPS	0.005
2018/19	30.39	22.44	186.32	74.04	682	P/E Ratio	0.002
2019/20	24.81	26.00	188.51	47.72	645	BVPS	0.62
2020/21	23.92	36.16	189.24	54.60	590	DPS	0.94
2021/22	23.92	16.56	192.32	69.02	396	Overall Significance	0.0002
2022/23	36.75	14.42	213.61	51.70	530	Confidence Level	95%

*Note:* Annual Report of SCBNL from fiscal year 2013/14 to 2022/23

The regression analysis for Standard Chartered Bank Nepal Limited (SCBNL) evaluates the relationship between the dependent variable (Market Price per Share, MPS) and the independent variables (Earnings per Share, EPS; Price to Earnings Ratio, P/E Ratio; Book Value per Share, BVPS; and Dividend per Share, DPS) over the fiscal years 2013/14 to 2022/23. This analysis aims to understand how these financial indicators influence the market price per share. At confidence level 95% the regression model's intercept is 0.40, indicating that when all independent variables are zero, the baseline market price per share is 0.40. The coefficients for EPS, P/E Ratio, BVPS, and DPS are as follows: EPS (0.005), P/E Ratio (0.002), BVPS (0.62), and DPS (0.94). This implies that while EPS and P/E Ratio individually significant direct impact on MPS, BVPS and DPS have negligible effects. The overall significance level of the regression model is 0.0002, indicating that the model as a whole is statistically significant. This means that the combination of EPS, P/E Ratio, BVPS, and DPS significantly predicts the MPS. In summary, the regression analysis for SCBNL suggests that although EPS and P/E Ratio significantly influence the market price per share on their own, the book value per share (BVPS) and dividend per share (DPS) have a no more impact. The combined effect of all independent variables is statistically significant.

Table 18

*Regression Analysis between Dependent and Independent Variables of NMB*

Year	EPS	P/E Ratio	BVPS	DPS	MPS	Summary Output	
2013/14	20.50	25.13	140.65	5.12	515		
2014/15	25.05	20.24	137.35	1.68	507		
2015/16	27.78	29.15	152.92	3.60	810		P Value
2016/17	26.88	20.27	164.46	2.94	545	Intercept	0.342
2017/18	28.67	12.48	216.88	69.76	358	EPS	0.003
2018/19	18.79	16.23	180.94	74.51	382	P/E Ratio	0.002
2019/20	11.18	31.45	150.06	28.62	397	BVPS	0.347
2020/21	14.76	26.41	146.66	22.36	440	DPS	0.513
2021/22	17.92	14.57	146.30	46.04	261	Overall Significance	0.003
2022/23	17.55	12.88	154.20	0.00	226	Confidence Level	95%

*Note:* Annual Report of NMB from fiscal year 2013/14 to 2022/23

The regression analysis for NMB Bank investigates the relationship between Market Price per Share (MPS) as the dependent variable and four independent variables: Earnings per Share (EPS), Price to Earnings Ratio (P/E Ratio), Book Value per Share (BVPS), and Dividend per

Share (DPS) over a ten-year period from 2013/14 to 2022/23. At the confidence level 95% the intercept value of 0.342 suggests a baseline market price per share when all independent variables are zero, which sets the foundational MPS. The data shows fluctuation in EPS, ranging from a high of 28.67 in 2017/18 to a low of 11.18 in 2019/20. The p-value for EPS is 0.003, indicating a significant positive relationship between EPS and MPS. This implies that as the bank's profitability increases, the market price per share also tends to increase, reflecting investor confidence and higher valuation. The P/E ratio shows considerable variation, peaking at 31.45 in 2019/20 and falling to 12.88 in 2022/23. The p-value for the P/E Ratio is 0.002, indicating a significant impact on MPS. A high P/E ratio suggests that investors expect higher earnings growth in the future, which positively influences the market price. BVPS increased from 140.65 in 2013/14 to 154.20 in 2022/23. The p-value for BVPS is 0.347, suggesting that while BVPS does have a positive relationship with MPS, its effect is not statistically significant in this model. This indicates that the net asset value per share alone does not strongly influence the market price.

DPS shows significant variation, especially high in 2017/18 and 2018/19, but drops to zero in 2022/23. The p-value for DPS is 0.513, indicating an insignificant impact on MPS in this analysis. Although dividends are typically attractive to investors, in this context, they do not significantly affect the market price per share. The overall significance of 0.003 confirms the model's reliability in explaining the variation in MPS. This low p-value suggests that the combined effects of EPS, P/E Ratio, BVPS, and DPS significantly determine the market price per share of NMB Bank. The analysis highlights that while EPS and P/E Ratio are significant predictors of MPS, BVPS and DPS do not have a statistically significant impact within this model. This underscores the importance of profitability and market expectations in influencing the bank's market valuation.

#### **4.3. Major findings of the study**

The major findings of this study are as under:

- . Nabil and EBL showed higher average EPS but also higher variability, indicating less consistent earnings performance. NSBL, SCBNL, and HBL exhibited moderate EPS with considerable volatility, reflecting moderate relative risks. NMB had a lower average EPS

but the lowest volatility and relative risk, suggesting the most stable earnings performance among the six institutions.

- SCBNL and EBL showed higher average P/E Ratios but also higher variability, indicating less consistent market valuation. NSBL and Nabil exhibited moderate P/E Ratios with considerable volatility, reflecting moderate relative risks. HBL and NMB had lower average P/E Ratios but also the lowest volatility and relative risk, suggesting more stable market valuation among the six institutions.
- Nabil and NSBL showed the most stable equity valuations with the lowest coefficients of variation, indicating consistent performance. HBL and NMB exhibited moderate stability, with some variability in their equity valuations. EBL and SCBNL had higher coefficients of variation, reflecting less consistent equity valuations and greater relative risks compared to the other institutions.
- SCBNL showed the most stable dividend distribution with the lowest coefficient of variation, indicating consistent performance. EBL and NSBL exhibited moderate stability, with some variability in their dividend distributions. Nabil showed moderate stability, while HBL and NMB had higher coefficients of variation, reflecting less consistent dividend distributions and greater relative risks compared to the other institutions.
- Nabil and NMB showed the most stable market valuation with the lowest coefficients of variation, indicating consistent performance. HBL exhibited moderate stability, with some variability in its market valuations. EBL, NSBL, and SCBNL had higher coefficients of variation, reflecting less consistent market valuations and greater relative risks compared to the other institutions.
- The analysis shows that Book Value per Share has the most significant positive impact on MPS, followed by the P/E Ratio and EPS, both of which also positively influence MPS to a substantial degree. On the other hand, Cash Dividend per Share has a minimal and

slightly negative relationship with MPS, indicating that other factors may play a more critical role in influencing the market price of EBL's shares.

- The analysis shows that EPS has the most significant positive impact on MPS for HBL, followed closely by the P/E Ratio. Both variables demonstrate strong correlations and high explanatory power regarding market price variability. The Book Value per Share also positively influences MPS but to a lesser extent. Conversely, Cash Dividend per Share has a minor and negative relationship with MPS, suggesting that other factors are more influential in determining the market price of HBL's shares.
- Nabil Bank, Earnings per Share emerges as the most influential factor affecting Market Price per Share, with a strong positive correlation and high explanatory power. The Price-Earnings Ratio follows, showing a moderate positive correlation with MPS. Meanwhile, Book Value per Share and Cash Dividend per Share demonstrate weaker relationships with MPS, suggesting they have less impact on determining Nabil Bank's market valuation compared to EPS and the P/E Ratio.
- For NSBL, both Earnings per Share and Price-Earnings Ratio emerge as strong drivers of Market Price per Share, with significant positive correlations and high explanatory power. Book Value per Share shows a weaker relationship with MPS, while Cash Dividend per Share demonstrates a strong negative correlation, suggesting that dividend policy plays a crucial role in shaping NSBL's market valuation.
- The regression analysis conducted on Everest Bank Limited (EBL) over the period from 2013/14 to 2022/23 provides valuable insights into the relationship between key financial indicators and Market Price per Share (MPS). The intercept of the regression model is 0.01, suggesting a baseline MPS when all independent variables are zero. Notably, both Earnings per Share (EPS) and Price to Earnings (P/E) Ratio show coefficients of 0.002 and 0.001, indicating they have higher direct impact on MPS. In contrast, Book Value per Share (BVPS) and Dividend per Share (DPS) exhibit coefficients of 0.24 and 0.15, respectively, indicating that doesn't impact the MPS. The overall significance level of the

regression model is 0.00001, signifying its statistical reliability in predicting MPS based on the combined influence independent variables EPS, P/E Ratio, BVPS, and DPS.

- The regression analysis on Himalayan Bank Limited (HBL) from 2013/14 to 2022/23 reveals that while Earnings per Share (EPS) and Price to Earnings Ratio (P/E Ratio) have impact on Market Price per Share (MPS), increases in Book Value per Share (BVPS) and Dividend per Share (DPS) insignificant to MPS. The model's overall significance ( $p = 0.00003$ ) indicates strong predictive power, underlining the importance of EPS and P/E ratio in influencing HBL's share prices positively over time.
- The regression analysis of Nabil Bank Limited's Market Price per Share (MPS) against EPS, P/E Ratio, BVPS, and DPS from 2013/14 to 2022/23 reveals that while each individual metric shows direct impact on MPS (all coefficients lower than 0.05), their combined effect significantly predicts MPS (overall significance level 0.0000006). This underscores the importance of considering these metrics collectively to understand their influence on market performance. Maintaining strong financial health across these indicators is crucial for Nabil Bank to enhance shareholder value and sustain its market price effectively.
- The regression analysis of Nepal SBI Bank Limited (NSBL) from 2013/14 to 2022/23 shows that while EPS and P/E Ratio have direct impact on Market Price per Share (MPS) (coefficients less than 0.05), BVPS and DPS insignificantly influence MPS (coefficients 0.47 and 0.43, respectively). The overall regression model is statistically significant ( $p$ -value 0.0004), indicating that the combination of BVPS, DPS, EPS, and P/E Ratio predicts MPS effectively. This underscores the importance of BVPS and DPS in enhancing NSBL's market value, emphasizing financial health across these metrics for shareholder value.
- In the regression analysis of Standard Chartered Bank Nepal Limited (SCBNL) from 2013/14 to 2022/23, the study reveals that while Earnings Per Share (EPS) and Price to Earnings Ratio (P/E Ratio) have direct impact on Market Price per Share (MPS) (coefficients less than 0.05), Book Value Per Share (BVPS) and Dividend Per Share

(DPS) insignificantly influence MPS (coefficients 0.62 and 0.94, respectively). The overall regression model is highly statistically significant (p-value 0.0002), indicating that collectively, BVPS, DPS, EPS, and P/E Ratio effectively predict MPS.

- The regression analysis of NMB Bank from 2013/14 to 2022/23 reveals that while Earnings per Share (EPS) and Price to Earnings Ratio (P/E Ratio) significantly impact Market Price per Share (MPS), Book Value per Share (BVPS) and Dividend per Share (DPS) show less significant effects. EPS and P/E Ratio influence MPS positively, reflecting higher profitability and investor expectations. BVPS positively correlates with MPS but lacks statistical significance, while DPS, despite being investor-friendly, doesn't notably affect MPS. The overall model is robust (p-value 0.003), confirming EPS and P/E Ratio as key predictors of NMB Bank's market valuation.

## **CHAPTER-V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. Summary**

This study investigates the determinants of stock prices and their impact on the Nepalese stock market, focusing on four key independent variables: Earnings per Share (EPS), Price Earnings Ratio (P/E Ratio), Book Value per Share (BVPS), and Dividend per Share (DPS). These factors influence share price by shaping investor perceptions of profitability, future earnings growth, intrinsic value, and income generation. The research aims to address the impact of these variables on share price determination and investor behavior. Data from 2013/14 to 2022/23 was analyzed using financial tools (EPS, DPS, P/E Ratio, BVPS, and Market Value Share) and statistical tools (mean, standard deviation, coefficient of variance, coefficient of correlation and regression). The study sample includes six banks: Everest Bank Limited, Himalayan Bank Limited, Nabil Bank Limited, NSBL Bank Limited, Standard Chartered Bank Nepal Limited, and NMB Bank Limited, selected purposively from the 20 commercial banks listed on NEPSE.

The research is structured into five chapters. The Introduction chapter covers the background, problem statement, objectives, significance, and limitations of the study. The Literature Review chapter provides a review of relevant books, reports, articles, journals, and previous theses. The Research Methodology chapter outlines the research design, data sources, population and sample, data collection, and analysis methods. The Presentation and Analysis of Data chapter includes the analysis using financial and statistical tools and presents the major findings. The final chapter, Summary, Conclusion, and Recommendations, offers conclusions and suggestions for further improvement. Limitations of the study include reliance on ten years of data, focusing on only six banks, and using a limited set of financial and statistical tools. References and appendices are included at the end of the study. This research is critical for investors and analysts aiming to understand the determinants of stock prices in Nepal's stock market.

#### **5.2. Conclusions**

The comparative analysis of six banking institutions reveals distinct patterns in their earnings,

market valuations, and equity stability. Nabil and EBL exhibited higher average EPS but also demonstrated significant variability, indicating less consistent earnings performance. In contrast, NMB showed the lowest volatility and relative risk, suggesting the most stable earnings among the institutions. Market valuation analysis indicated that SCBNL and EBL had higher P/E ratios with substantial variability, reflecting less consistency, whereas HBL and NMB had lower, more stable P/E ratios, indicating consistent market valuations.

Equity valuation stability was highest for Nabil and NSBL, as indicated by the lowest coefficients of variation, while EBL and SCBNL displayed greater relative risks due to higher variability in their equity valuations. Dividend distribution patterns showed SCBNL as the most stable, while NMB and HBL exhibited higher variability, indicating less consistent dividend distributions.

Impact analysis of financial metrics on Market Price per Share (MPS) for individual banks revealed that EPS significantly influenced MPS across multiple banks, particularly HBL and Nabil. The P/E ratio also showed a substantial positive impact on MPS, though to a lesser degree than EPS. Book Value per Share had a positive but lesser influence on MPS, and Cash Dividend per Share generally exhibited a minimal or negative relationship with MPS, suggesting that other financial metrics play a more critical role in determining market prices. Notably, for NSBL, Cash Dividend per Share showed a strong negative correlation, highlighting the significant role of dividend policy in its market valuation.

The regression analyses conducted on multiple banks—Everest Bank Limited (EBL), Himalayan Bank Limited (HBL), Nabil Bank Limited, Nepal SBI Bank Limited (NSBL), Standard Chartered Bank Nepal Limited (SCBNL), and NMB Bank—reveal nuanced insights into the factors influencing Market Price per Share (MPS) over the period from 2013/14 to 2022/23. Across these studies, a consistent finding emerges regarding the limited direct impacts of Earnings per Share (EPS) and Price to Earnings Ratio (P/E Ratio) on MPS, as indicated by their coefficients nearing zero. In contrast, Book Value per Share (BVPS) and Dividend per Share (DPS) consistently exhibit significant positive coefficients, suggesting their pivotal roles in driving up MPS. This underscores the importance of BVPS and DPS in shaping investor

perceptions and market valuation across the banking sector. Despite some metrics like EPS and P/E Ratio showing weaker individual correlations with MPS, their combined influence with BVPS and DPS proves statistically significant in predicting MPS, highlighting the necessity of a comprehensive approach to financial metric analysis in assessing market performance and shareholder value.

Overall, the analysis underscores the importance of EPS and P/E ratios in driving market prices while highlighting the varying degrees of stability and risk across different financial metrics for each bank. This information is vital for stakeholders making investment decisions and for the banks to strategize their financial policies to enhance market performance and investor confidence.

### **5.3. Recommendations**

The recommendations of this study are as under:

Nabil Bank should prioritize stabilizing its earnings by diversifying revenue streams and implementing robust risk management strategies to reduce the observed variability. Enhancing market valuation through improved transparency and investor communication can attract more investment and strengthen its market position. Additionally, revisiting its dividend policy to ensure more consistent distributions can help attract and retain income-focused investors, boosting overall shareholder satisfaction.

EBL should focus on reducing earnings volatility through better risk management and strategic planning to achieve a more consistent financial performance. Enhancing market valuation by improving transparency and engaging in strategic investor relations can help stabilize its P/E ratio. Efforts should also be made to maintain consistent equity valuations by adopting robust financial controls and transparent reporting practices, ensuring investor confidence and long-term stability.

NSBL should continue leveraging its strong drivers in EPS and P/E ratios by sustaining high earnings through strategic investments and effective cost management. Reevaluating its dividend

policy to better align with investor expectations and market conditions can mitigate the negative impact on MPS. Maintaining consistent equity valuations by implementing robust financial controls and ensuring steady growth in equity can further enhance investor confidence and market stability.

SCBNL should continue its focus on maintaining stable dividend distributions to attract and retain investors seeking reliable returns. Efforts should be made to achieve more consistent earnings through improved risk management and operational efficiency. Additionally, stabilizing market valuation by enhancing market perception through consistent financial performance and proactive investor relations can strengthen its competitive position in the market.

HBL should aim to stabilize its earnings and market valuation by adopting consistent financial practices and improving transparency. Implementing a more stable dividend policy can enhance investor confidence and attract more stable investment. Focusing on strategies that enhance earnings growth and market perception, given the significant impact of EPS on MPS, can help optimize financial metrics and improve overall market performance.

NMB should leverage its stable earnings performance to attract risk-averse investors and further strengthen its market position. Improving its market valuation through strategic growth initiatives and enhancing investor confidence can lead to a better P/E ratio. Additionally, adopting a more consistent and transparent dividend policy can align with investor expectations and market conditions, further boosting market confidence and investment stability.

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**CHAPTER-I INTRODUCTION 1.1. Background of the study** In the Nepalese market , the market price per share of commercial banks has been

experiencing rapid changes, leading to an unstable situation for investors in the share market. Over the past two years, the NEPSE index has witnessed fluctuations, rising from 1400 to 3000 points before decreasing to 1900 points, indicating high volatility in