

IMPACT OF FIRM SPECIFIC VARIABLES ON STOCK PRICE: EVIDENCE FROM NEPALESE COMMERCIAL BANKS

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CERTIFICATION OF AUTHORSHIP

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

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

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REPORT OF RESEARCH COMMITTEE

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ABBREVIATIONS

ADBL	:	Agricultural Development Bank Limited
ANOVA	:	Analysis of variance
BVPS	:	Book Value per Share
CC	:	Coefficient of variations
CRR	:	Cash Reserve Ratio
DFL	:	Degree of financial leverage
DPS	:	Dividend per Share
EBIT	:	Earnings before interest and tax
EPS	:	Earnings per share
ER	:	Exchange rate
GBIME	:	Global IME Bank Limited
GDPR	:	Gross domestic product growth rate
IR	:	Inflation rate
MPS	:	Market price per share
N	:	Number of observations
NABIL	:	Nabil Bank Limited
NIC	:	NIC Asia Bank Limited
NPA	:	Non-performing Assets
NPESE	:	Nepal Stock Exchange
NPLR	:	Non-performing loan ratio
NSBI	:	Nepal SBI Bank Limited
PCBL	:	Prime Commercial Bank Limited
PER	:	Price earnings ratio
ROA	:	Return on assets
ROE	:	Return on equity
SBL	:	Sanima Bank Limited
SD	:	Standard Deviation
Std.	:	Standard deviation

ABSTRACT

The research examines factors that affect the stock prices of commercial banks in Nepal. Using stratified selection, seven commercial banks representing the private, public-private, government-owned, and joint venture categories were selected from a total of twenty banks. In addition to descriptive and causal-comparative designs, the research uses statistical tools such as mean, standard deviation, correlation, and multiple linear regression analysis. Among the significant factors that were examined were book value per share, profits per share, dividends per share, price-earnings ratio, cash reserve ratio, and non-performing loan ratio.

The findings indicate that the price-to-earnings ratio, book value per share, and earnings per share all significantly affect stock prices. More precisely, rising price-to-earnings ratios and increasing earnings per share are associated with higher stock prices. Moreover, book value per share positively affects stock prices, highlighting its importance in the evaluation of companies. There is inconsistent research on the link between dividends per share and stock prices; some studies find no discernable association at all, while others show a favorable correlation.

The disclosures have important implications for investors and decision-makers in Nepal's commercial banking sector. Investors may utilize these insights to make more educated decisions by focusing on key financial indicators such as the book value per share, earnings per share, and price-to-earnings ratio. Lawmakers may also use this data to create regulations aimed at enhancing the financial stability and appeal of the banking sector.

Keywords: Stock Price, Book Value per Share, Earnings per Share, Dividend per Share, Price Earnings Ratio, Cash Reserve Ratio and Non-Performing Loan Ratio

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

The stock market, commonly referred to as the share or equity market, is a vital marketplace for the in-person trading of shares between buyers and sellers. Since it enables for long-term investments in real capital, the stock market is vital for economic advancement in Nepal. It pulls together money from multiple investors, offering listed firms access to long-term capital that helps them expand as a company and allows investors a broad choice of investment alternatives. Understanding how macroeconomic issues like interest rates, inflation, and currency rates impact stock prices is vital for the finance and investing sectors (Banz, 2022).

Due to the stock market's volatility, it may be difficult for fund managers and investors to forecast stock prices with enough precision to produce considerable gains. Although share liquidity is helpful and may help investors beat the market, it is still difficult to forecast share prices because of the effect of both intrinsic and extrinsic factors (Malhotra & Tandon, 2020). This complexity underlines the requirement of extensive appraisals of the market environment and critical elements.

An fundamental purpose of the stock market in a country's financial system is to allow the efficient allocation of resources. It makes it feasible for groups and governments to secure long-term finance for new initiatives. Stock markets are more subject to macroeconomic variables like GDP, imports, exports, and currency rates in developing nations like Nepal. The way these variables combine typically enables investors know whether to anticipate greater or lower returns on their investments, which impacts fluctuations in the stock market. The broad money supply, interest rate, inflation, and exchange rate are major macroeconomic factors in Nepal that routinely impact stock market values (Kadariya, 2021).

Though specific findings fluctuate, research reveals a substantial relationship between macroeconomic circumstances and stock performance. There is a gap in the study

regarding Nepal as there haven't been many studies looking at how these macroeconomic issues impact stock performance. Despite being tiny in contrast to other nations, the Nepalese stock market is vital to the nation's economic prosperity. In the present global economy, making optimal use of money is vital, and the capital market plays a significant role in facilitating the interchange of financial assets (Tease, 2020; Kurihara, 2019).

This study looks at how Nepal's stock market pricing is impacted by macroeconomic and bank-specific factors. In addition to bank-specific features like the cash reserve ratio, non-performing loan ratio, and return on assets, it takes into consideration macroeconomic indicators like GDP, inflation, and interest rates. When examining the benefits of stock market investments and their involvement in price hikes, policymakers, researchers, and other stakeholders should take notice of the outcomes. The study also examines the relationship between GDP, interest rates, and inflation and stock prices, offering suggestions for reducing the inflationary impact of Nepal's budget deficit and offering insights into national policy and economic success (Singh & Tiwari, 2020; Monther & Kaothar, 2020; Ebrahimi, 2011).

1.2 Problem Statement

Though there have been numerous theoretical and empirical research undertaken in more established markets, there is still a great lot to learn about the application of understanding stock price variables in smaller, growing countries like Nepal. Prior research undertaken in developed nations have highlighted the remarkable influence of macroeconomic factors and firm-specific features on stock prices. Graham (1973) underlined the essential significance that individual firms play in choosing the success or failure of stocks. He also noted that regular price swings sometimes defy fundamental explanations (Watanabe, 2008), resulting in stock market volatility whose causes are still unclear.

Many empirical studies have sought to identify the determinants affecting stock prices in various nations, with differing degrees of success in different markets and historical eras. For example, Uddin (2009) identified in their study a significant linear correlation between market return and some microeconomic variables, whereas Nirmala, Sanju, and Ramachandran (2011) indicated that price-earnings ratios, leverage, and dividends

were crucial determinants in the Indian market. In a similar spirit, Sharma (2011) underlined the influence of factors like book value per share and dividend payout ratio on stock prices and, on the basis of their study, suggested a policy of liberal dividend payments.

Even although there is a lot of research undertaken in other countries, there is still a paucity of reliable empirical data supporting firm-specific variables impacting stock prices in Nepal. Notably, Banz (1981), Reinganum (1981), and Keim (1983) addressed the influence of business size on stock returns; yet, there aren't any research of this sort undertaken in the Nepalese context. In order to overcome this empirical knowledge gap, the present study assesses the prediction capacity of firm-specific determinants in effecting stock prices utilizing recent data from commercial banks in the Nepalese stock market.

Furthermore, research has revealed that macroeconomic factors and stock performance are substantially associated, which highlights the relevance of evaluating this relationship in the context of Nepal's distinct economic climate. Theoretical frameworks reveal a relationship between stock returns and macroeconomic volatility; research such as Fisher (1930) imply a positive association between stock prices and inflation, whereas Jaffe & Mandelkar (1976) and Fama (1981) propose an unfavorable correlation. Even Nevertheless, there is still a shortage of research that is explicitly focused on Nepal, which underscores the need for future investigation.

Last but not least, although some study Pradhan, 2003; Basnet, 2007 has looked at how dividends impact Nepalese stock prices, other research Baskota, 2007 has demonstrated that there isn't much continuous volatility in the Nepalese market, and macroeconomic factors have limited capacity to explain it. The complexity of the dynamics of the Nepalese stock market is further highlighted by study by Bhattarai and Joshi (2009), which reveals reliance between the stock index and key macroeconomic factors over both short and long periods. Thus, this study seeks to contribute to a better understanding of stock price determinants in the context of Nepal's economy by a complete examination of firm-specific and macroeconomic factors.

The study deals with following issues:

- i) What is the status of book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, non-performing loan ratio and market price per share of Nepalese commercial banks?
- ii) Is there relationship between book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, non-performing loan ratio and market price per share?
- iii) What is the impact of book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, non-performing loan ratio on market price per share?

1.3 Objective of the study

Examining the factors that affect Nepalese commercial banks' stock values while taking bank-specific factors into account is the main objective of this study. The following are the specific goals:

- i) To assess the status of book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, non-performing loan ratio and market price per share of Nepalese commercial banks.
- ii) To examine the relationship between book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, non-performing loan ratio and market price per share.
- iii) To analyze the impact of book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, non-performing loan ratio on market price per share.

1.4 Research Hypotheses

A hypothesis is a tentative explanation, possible fix, or anticipated solutions to the issues a scientist is currently antagonizing. The following are the recommended research's opening assumptions:

H1: There is significant impact of book value per share on market price per share.

H2: There is significant impact of earnings per share on market price per share.

H3: There is significant impact of dividend per share on market price per share.

H4: There is significant impact of price earnings ratio on market price per share.

H5: There is significant impact of cash reserve ratio on market price per share.

H6: There is significant impact of non-performing loan ratio on market price per share.

1.5 Rationale of the study

The purpose of the research is to give a detailed understanding of the dynamics impacting Nepal's commercial banks' stock prices, with a focus on both external macroeconomic factors and internal bank-specific difficulties. The banking business in Nepal is critical to the nation's economy as it acts as a key intermediary for both financial transactions and economic growth. To measure the performance and financial health of these banks, it is vital to look at the condition of major financial indicators including market price per share, cash reserve ratio, earnings per share, dividend per share, book value per share, and non-performing loan ratio. The study attempts to give insights into the banks' operational efficiency, profitability, risk management techniques, and market value by evaluating these characteristics.

Understanding the nation's policy, objective, and degree of success as pursued by the government is useful. Researchers, decision-makers, and academics who wish to understand more about how macroeconomic indices impact the Nepalese stock market may find this research to be informative. Whether a rise in these factors leads in an increase in stock prices in Nepal is illustrated by the co-relationship findings between stock prices and explanatory variables. This conclusion contributes in the design of monetary and fiscal policies targeted at promoting the growth of the Nepali stock market.

1.6 Limitations of the Study

The study is constraint to the following issues

- i) Out of 20 commercial banks the research works with 7 commercial banks.
- ii) This research is solely focused on quantitative data that has been acquired from the secondary sources. The research has utilized just time period data from 2013/14 to 2022/23.
- iii) The overall conclusion gained from this research may not be applicable universally.

- iv) The research is primarily reliant on secondary data and information. Thus, the conclusion and consequences of the research are bound by the veracity of that information acquired.
- v) As per the study design, descriptive and casual comparative research design has only been examined for data analysis.
- vi) In this research, sub-variables of variables such as market price per share, book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, non-performing loan ratio have not been applied and investigated.
- vii) Limited financial and statistical instruments have been applied to accomplish outcomes.

CHAPTER II

LITERATURE REVIEW

2.1 Conceptual Review

The market price per share of a firm, which is influenced by a number of different elements, is a reflection of the attitude and expectations of investors. A fundamental comprehension of the company's intrinsic worth may be obtained by investors via the use of book value per share (BVPS) as a baseline concept. There is a possibility that the stock is affordable if the market price per share is lower than the book value per share (BVPS), and if the BVPS is much higher, there is a possibility that there is potential for future growth. A high PER suggests that there is conviction in the expansion of future earnings. Price-to-earnings ratio (PER) and earnings per share (EPS) are two metrics that may shed light on a company's profitability and the sentiment of investors. DPS, which stands for dividend per share, may attract investors who are focused on income, which might lead to a rise in demand and price. On the other hand, financial ratios, such as the Non-performing Loan Ratio (NPLR) and the Cash Reserve Ratio (CRR), are more indirectly connected to share prices, but they are vital for determining whether or not a bank is financially stable. Because the market price per share is ultimately defined by the combination of these elements and bigger market dynamics, it is vital to conduct a full study before making choices about investments.

Concept of Stock Price Behavior

The term "stock market" refers to a place that is not too organized and serves as a venue for buyers and sellers to trade stocks when stock exchanges are held in person. The stock market is also known as the share market or the equity market. It is general known that Nepal's stock market plays a key role in the economic growth of the country. The stock market has made it feasible for the economy to guarantee long-term commitments in real capital. This sort of stock market gives listed firms on stock exchanges with long-term financing, enabling them to grow and providing investors an additional route for investing. It achieves this by combining the cash from numerous investors. Numerous macroeconomic issues effect the economy of Nepal. Several variables,

including inflation, interest rates, and currency rates, have a considerable influence on variations in stock prices. The price of the stock market is frequently heavily impacted by these variables as well. Gaining a grasp of how macroeconomic factors impact stock prices is vital because it makes it simpler to learn about the various benefits and downsides of these variables. The sensitivity of the stock market to macroeconomic factors is significant in many areas of finance and investing, and it helps to understand the link between these variables and stock market prices (index) (Banz, 1981).

The stock market acts as a mechanism for the correct allocation of resources, making it a key component of any country's financial system. It makes it feasible for groups and governments to secure long-term finance for new initiatives. The stock markets in developing nations are undoubtedly subject to a range of macroeconomic variables, such as GDP, imports, exports, and currency rates. The stock market must eventually grow as a component of the financial market when there is a substantial demand for financial products. Among the several signals that advise stock market investors whether to anticipate greater or worse returns on their stock investments are macroeconomic considerations. Thus, fluctuations in the stock market are generally driven by macroeconomic difficulties. Nonetheless, the key variables impacting the price of Nepal's stock market are the broad money supply, interest rate, inflation, and currency rate. The stock market in the country is still emerging and not completely established.

The stock market is regarded as a barometer of the health of the economy as it has an influence on the status of the national economy. Investment in the country's economy is driven by the stock market. Growth in the stock index is frequently perceived positively since it demonstrates that investors have high hopes for the future health of the economy. But a quick gain in the stock market isn't necessarily a positive thing, particularly if the fundamentals don't support it. The financial and economic systems are at peril as a consequence of this unsustainable increase, which will finally force the index to plummet. In order to prevent bubble busts and market crashes, authorities must constantly follow the growth of the stock market and be ready to take appropriate action when required. To achieve this, one must know how financial and non-financial elements impact the stock market index. Stock prices are significantly impacted by economic considerations (Banz, 1981). This article explores the macroeconomic

elements impacting stock market prices and trends in the Nepalese stock market using secondary data analysis.

Relation between Book Value per Share and Market Price per Share

A important indication of a company's net asset value per share is book value per share, or BVPS. By dividing the total amount of shareholders' equity by the total number of outstanding shares, it is calculated. To evaluate whether a company is trading at a discount or premium to its intrinsic value, the relationship between BVPS and the market price per share is widely applied (Penman, 2012).

If the market price per share is less than the book value per share (BVPS), the stock might be termed cheap. The assets of the corporation are valued higher by investors than what the prevailing market price reflects. On the other hand, if market price per share considerably surpasses BVPS, it may signal that investors have great ambitions for the company's future development and profitability, which may lead to an expensive stock (Penman, 2012).

Relation between Earnings per Share and Market Price per Share

Dividend by the total number of outstanding shares, profits per share (EPS) shows a company's profitability per outstanding share. When analyzing a stock's value, the connection between EPS and market price per share is significant. To measure this connection, investors typically apply the Price Earnings Ratio (PER), which is calculated as the market price per share divided by EPS. A larger price-to-earnings ratio (PER) shows that investors are enthusiastic about the company's prospects for future growth and are willing to pay more for each dollar of profits. On the other side, a lower PER can signal that investors are more pessimistic, which might result in a lower market price per share (Damodaran, 2012).

Relation between Dividend per Share and Market Price per Share

The amount of a company's profits that is handed to shareholders as dividends is known as dividend per share, or DPS. For income-oriented investors seeking for steady cash flows from their assets, knowing the relationship between DPS and the market price per share is key. Increased demand for the stock may stem from a company's capacity

to attract in income-focused investors with regular increases in dividends per share. The market price per share may rise as a consequence of this increased demand. On the other hand, a company's market price per share might decline if it ceases paying dividends because income-focused investors can hunt for alternative investments with stronger returns (Brealey et al., 2012).

Relation between Price Earnings Ratio and Market Price per Share

A significant valuation metric that compares a company's market price per share to its profits per share (EPS) is the price-earnings ratio, or PER. The price to earnings ratio (PER) informs us how much investors are willing to pay for each unit of profits that the business generates. A high price-to-earnings ratio (PER) in proportion to the market price per share implies that investors are willing to pay a premium for the company's shares because they are confident in its potential for future growth. On the other hand, a lower PER can be a symptom of more cautious investor attitude or fears about the growth prospects of the business, which might result in a lower market price per share (Brealey et al., 2017).

Relation between Cash Reserve Ratio and Market Price per Share

One financial indicator that is widely used in the banking industry is the Cash Reserve Ratio (CRR). It stands for the proportion of total deposits held by a bank with the central bank that needs to be maintained in reserve. Although CRR is a critical statistic for analyzing a bank's soundness financially, its association with market price per share is not as clear-cut. When considering a bank's investment attractiveness, investors in banking stocks take into consideration several elements such as loan quality, earnings, and macroeconomic circumstances. Although substantial, CRR is generally just one of many factors examined, and its direct effect on market price per share may be negligible (Mishkin & Eakins, 2015).

Relation between Non-performing Loan Ratio and Market Price per Share

The proportion of a bank's loans that are not being returned by borrowers is evaluated by the Non-performing Loan Ratio (NPLR), which implies probable credit risk. Like CRR, NPLR is critical for analyzing the risk exposure and financial health of a bank. Although NPLR may cause worries for investors, a variety of variables determine how

it relates to market price per share. NPLR is frequently analyzed by investors in combination with other financial indicators, the quality of profits, and the status of the economy at large. While a high NPLR is one component of the puzzle, it has the power to damage investor confidence and result in a decreased market price per share (Mishkin & Eakins, 2015).

2.2 Theoretical Review

The different relevant theories linked to stock price have been mentioned for review purpose below.

Arbitrary Pricing Theory

The concept that financial markets dependably and properly reflect an asset's true value is put into doubt by arbitrary pricing theory. This theory accepts that markets are not always totally rational and implies that prices can vary considerably from what basic analysis might predict. Rather from being exclusively driven by reason and factual knowledge, emotion, feelings, and psychological components typically affect investor behavior. The theory stresses how these irrational causes impact market prices, especially in times of speculation. One well-known source that addresses market irrationality is Robert J. Shiller's 2015 book, "Irrational Exuberance," which stresses how psychological and emotional aspects may result in arbitrary pricing. Shiller (2015) presents an example of how market mispricings may be largely driven by speculation and collective investor behavior via his analysis of the dot-com boom of the late 1990s.

Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) states that asset prices fully capture all available information in financial markets, in contrast to Arbitrary Pricing Theory (Fama, 1970). According to the weak-form EMH, all prior trade data, including volume and price information, is integrated into current pricing. According to Fama's (1970) thorough explanation of this variant of EMH, technical analysis cannot consistently produce excess returns as all prior market data has already been priced in.

Extending this premise, the semi-strong version of Efficient Market Hypothesis (EMH) postulates that asset prices take into account all publicly available information,

including financial statements, news, and other disclosures made to the public, in addition to historical data. This argues that since public information is swiftly integrated into stock prices, neither technical nor fundamental research can constantly outperform the market (Fama, 1970). Comprehending this semi-strong variant is crucial to understanding the all-encompassing nature of market efficiency as stated by Fama.

According to the strong version of the extended marginal utility hypothesis (EMH), asset prices properly reflect all available information, including insider knowledge. The financial literature, notably Burton Malkiel's work on market efficiency (Malkiel, 2003), examines this sort of EMH in considerable length. The strong form illustrates the total efficiency of markets by asserting that even individuals with insider information are unable to consistently create higher profits.

Two conflicting ideas on market behavior are the Efficient Market Hypothesis and the Arbitrary Pricing Theory. The idea of Arbitrary Pricing stresses how emotions and irrational behavior may impact market prices and create mispricing. However, according to the Efficient Market Hypothesis, asset prices in efficient markets take into account all available information, making it impossible for investors to frequently achieve returns that are greater than average. The manner that investing strategies and portfolio management are undertaken are strongly affected by these various viewpoints. When exploring the real-world applications of Efficient Market Hypothesis (EMH), Malkiel (2003) points out that passive investment approaches like index funds could function better than active management if markets are genuinely efficient. On the other hand, the acceptance of irrational market behavior in Arbitrary Pricing Theory indicates that savvy investors would be able to take advantage of mispricings (Shiller, 2015; Fama, 1970; Malkiel, 2003).

2.3 Empirical Review

Hartono et al. (2024) investigated four variables that effect the stock prices of marine firms listed on the Indonesia Stock Exchange between 2013 and 2019. The study employed the least squares dummy variable approach and panel data regression analysis to investigate the association between different parameters and profitability. The findings suggested that profitability and financial leverage were solid predictors, however business size and market value were not judged relevant indicators. This study

stresses the unique aspects that impact stock prices in the marine industry, giving aid to investors and business managers in making decisions that would maximize the value of their firm.

Jigeer and Koroleva (2023) utilized a panel data regression model to analyze the link between internal and external variables and the profitability of China's city commercial banks throughout the period from 2008 to 2020. The study, which comprised 16 urban commercial banks, revealed that internal criteria such as the size of the bank, its capital adequacy, credit quality, and operational efficiency had a major effect on profitability. Additionally, external variables like as inflation and the gross domestic product (GDP) of the province also had a considerable influence. Nevertheless, liquidity had no discernible influence. These findings give significant information for regulators and bank management to increase profitability.

Saputra (2022) intended to evaluate the aspects that effect the stock prices of food and beverage enterprises listed on the Indonesia Stock Exchange between 2018 and 2021. The study, which evaluated a sample of 10 enterprises, used multiple linear regression analysis and showed that net profit had a large impact on stock prices, whereas total debt and income did not have a significant effect. The research employed quantitative descriptive statistics and deployed the IBM SPSS 27 tool for data analysis, demonstrating the considerable influence of earnings on firm value.

Li and Pan (2022) studied the application of machine learning and deep learning in financial data analysis, notably for predicting stock prices. Using a hybrid ensemble learning model mixing recurrent neural networks and a fully connected neural network, the study indicated improved performance above traditional models in anticipating market movements for the S&P 500 Index. The model displayed remarkable increases in precision, recall, F1-score, and movement direction accuracy, showing the potential of deep learning technology in financial forecasting.

Le and Thack (2022) investigated post-IPO price volatility for 76 IPOs on the Hanoi Stock Exchange between 2013 and 2018. The study focused on characteristics including oversubscription rate, business size, issue size, internal equity ownership, and listing time. The data revealed that oversubscription rate and firm size were connected to IPO price volatility, while issue size, price, listing delay, and internal equity

ownership were not appreciably predictive. The research demonstrates the ongoing concerns of undervaluation and overvaluation in Vietnamese SOE IPO pricing.

Gnawali (2022) employs multiple linear regression analysis to assess the effect of net profit, total debt, and income on stock prices of enterprises listed on the Indonesia Stock Exchange from 2018 to 2021. The investigation, done using IBM SPSS 27, found that net profit greatly influenced stock prices, whereas total debt and income did not. The study underscores the relevance of profits in establishing stock values, delivering insights for investors and financial experts.

Ahamed (2021) investigated the connection between asset size and liquidity risk in banks, finding that larger banks frequently have better liquidity conditions and lower liquidity risk. The study also indicated favorable but small links between liquidity difficulties and return on equity and capital adequacy ratio. Additionally, domestic credit and GDP positively benefited liquidity issues, although inflation had a negative effect. These findings show that banks should carefully handle these variables to avert future liquidity concerns.

Zuhroh, Rofik, and Echchab (2021) analyzed the reaction of banks issuers' stock prices to changes in interest rates and exchange rates, mainly focusing on intermediate and higher clusters. The study found that middle cluster issuers were more subject to interest rate and exchange rate changes, while higher clusters displayed the biggest inflation coefficient and greater resilience. Higher beta values in the top clusters offered anomalous returns, implying a stronger tolerance for risk and larger rewards. This reveals that issuers in the middle cluster are more optimal for short-term investments, but those in the top cluster are better suited for long-term investments due to their resistance to uncertainty and chance for abnormal returns.

Huy et al. (2020) studied the effect of macroeconomic factors on the stock prices of commercial banks in Vietnam, using Sacombank (STB) as a case study from 2014 to 2019. Employing multiple data collection and analysis approaches, including regression analysis, the study revealed seven macroeconomic factors that greatly affect STB's stock price. These drivers include GDP growth, CPI, loan rates, and the risk-free rate. The statistics suggest that faster GDP growth and lower CPI and lending rates favorably impact stock prices. This research delivers helpful information for

policymakers and bank management in designing approaches to improve economic growth and stabilize macroeconomic issues.

Riaz et al. (2020) analyzed the behavior of Pakistani stock market investors during the COVID-19 outbreak, revealing important drivers affecting investing decisions. Data was acquired from 167 individual investors, revealing that quick wealth development, loss aversion, fear of losses, expected firm profitability, and gut beliefs about the economy were major factors. Additionally, historical stock performance, majority shareholders' opinions, and recommendations from brokers and family/friends all had a key role. This paper gives a full understanding of investor behavior during the epidemic and suggests recommendations for increasing the Pakistani stock market's growth and stability.

Chowdhury et al. (2019) evaluated the effect of numerous financial circumstances on the share prices of banks and non-bank financial enterprises in Bangladesh from 2011 to 2015. Using multiple regression analysis using SPSS 20, the study demonstrated that factors such as dividends, P/E ratios, NAV, EPS, dividend payout ratios, and size greatly effect bank stock prices. For non-bank financial enterprises, only NAV, P/E ratios, dividends, and payout ratios were significant. The research highlights the differing effects of various financial measures on different types of financial institutions, delivering insights for investors and regulators in the Bangladeshi financial system.

Antono et al. (2019) investigated the factors affecting the stock prices of mining enterprises, focused on variables such as global crude oil prices, inflation, currency rates, and P/E ratios. The study conducted panel data regression analysis on a sample of 35 mining enterprises from four sub-sectors, revealing that global oil prices and P/E ratios had a large favorable effect on stock prices. In contrast, inflation had a negative affect, whereas exchange rates were not particularly influential. These findings underscore the significance of global economic indices in determining the stock prices of mining businesses, delivering valuable information for investors and financial specialists.

Jermittiparsert et al. (2019) analyzed the relationship between financial measures and stock prices in the ASEAN region, employing data from enterprises in Malaysia,

Indonesia, Thailand, and Singapore from 2012 to 2016. The study ran multiple regression analysis and revealed various important drivers affecting stock prices, including current ratio, quick ratio, assets growth, return on equity, return on assets, return on capital employed, and P/E ratio. Despite its limitations, such as a five-year time span and low sample size, the research helps to understanding the relevance of financial features in stock price determination in the ASEAN context.

Al Arif and Rahmawati (2018) explored the elements affecting market share in Indonesia's Islamic banking business. The study found that criteria such as profit-sharing yield, operational efficiency rate, default rate, and interest rates of conventional banks greatly influenced market share. However, profitability ratio and liquidity ratio did not have a considerable affect. These findings imply that Islamic banks should focus on enhancing internal features to increase development and performance. The research delivers helpful statistics for policymakers and banking management attempting to enhance the market share of Islamic banks in Indonesia.

Anwar (2017) investigated the drivers driving investment in the Kurdistan stock market, specifically in Erbil. The study adopted a quantitative method, acquiring data from 71 completed questionnaires out of 100 dispersed. Single regression analysis indicated that supply and demand had the highest influence on stock investment, followed by economic, competitive, and political factors. These findings highlight the role of market dynamics in deciding investment decisions in Kurdistan's stock exchange. The research gives a framework for generating strategies to attract new investors and boost the market's growth.

Al-Qaisi et al. (2016) studied the effect of many factors on the market stock price of insurance enterprises listed on the Amman Stock Exchange from 2011 to 2015. The study applied basic and advanced linear regression analysis, revealing that ROA, debt ratio, age, and size of the business greatly influenced stock prices. However, ROE did not indicate a relevant correlation with stock prices. These studies offer insights into the primary drivers of stock prices for insurance firms, presenting advice for investors and financial professionals in the Jordanian market.

Enow and Brijlal (2016) explored the characteristics affecting share prices of enterprises listed on the Johannesburg stock market from 2009 to 2013. Using multiple

regression analysis, the study found that variations in dividend per share, earnings per share, and P/E ratio accounted for 57.8% of share price swings. Earnings per share and P/E ratio were highly positively connected to share prices, however dividends per share were not. This research shows that managers may enhance shareholder value by focused on improving five crucial financial indicators.

Sharif et al. (2015) explored the determinants of share prices in the Bahraini financial market, using a panel data set of 41 enterprises listed between 2006 and 2010. Employing pooled OLS regression with robust standard errors, fixed effects, and random effects models, the study found return on equity, book value per share, dividend yield, P/E ratio, and firm size as major determinants of share prices. The strong R² values demonstrated robust model fit, demonstrating that these qualities are crucial for making knowledgeable investment decisions in the Bahraini market.

Arshad et al. (2015) evaluated the characteristics effecting share prices of commercial banks listed on the Karachi Stock Exchange from 2007 to 2013. Using linear multiple regression analysis, the study found that earnings per share had the most favorable effect on share prices. In contrast, book-to-market value ratio and interest rate demonstrated considerable negative relationships with share prices. The findings underline the relevance of profits in driving share prices, but other measures like GDP, P/E ratio, and dividends did not exhibit a relevant link.

Khan (2012) investigated the characteristics effecting share prices on Pakistan's Karachi Stock Exchange (KSE) 100 index from 2000 to 2009. The study applied correlation and linear multiple regression analysis to analyze the effect of book-to-market ratio, P/E ratio, dividends, GDP, and interest rates. The data suggested that GDP, dividends, and P/E ratio had a positive and strong correlation with share prices, but interest rates and book-to-market ratio had a negative impact. These findings establish a foundation for designing economic strategies to boost stock market performance.

Uwuigbe et al. (2012) studied the drivers effecting share prices in the Nigerian stock exchange market, using a sample of thirty listed enterprises from 2006 to 2010. The study employs regression analysis to assess the effect of financial performance, dividend distribution, and financial leverage on share prices. The data indicated a strong

positive connection between financial performance and share prices. Dividend distributions and financial leverage greatly influenced share prices, suggesting that these components are critical for understanding stock price fluctuations in the Nigerian market.

Al-Tamimi et al. (2011) studied the variables affecting mining stock prices in the UAE stock markets from 1990 to 2005. Using a regression model with five independent variables, the study found that earnings per share (EPS) had a large favorable impact on stock prices. GDP and money supply both displayed positive but not statistically significant coefficients, but interest rate and consumer price index had negative and statistically significant impacts. These findings accord with past research and offer insights into the primary drivers of stock prices in the UAE's growing market.

2.4 Research Gap

Prior research and studies on the macroeconomic and macroeconomic variable variables influencing are done using the evident technique, which takes into consideration the most prominent indicators. It was determined that no researcher had utilized the full nature of commercial banks as a sample for the study during the review of previous theses, which is what the researcher employed as a sample for this research. It is consequently hoped that this study will complete the gap created by the previous researcher. Although the researcher studied samples from a range of commercial banks and financial institutions, the primary concentrate of this study is on "A" grade commercial banks. Furthermore, the most effective strategy is to study the macroeconomic and microeconomic elements that have the biggest impact on the market price per share.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research design

Both the descriptive and causal comparative study designs have been explored in this paper. Both causal and descriptive comparative research methodologies of analysis were applied in this study. Book value per share, earnings per share, dividend per share, price-earnings ratio, cash reserve ratio, market price per share, and non-performing loan ratio are the study's components.

3.2 Population, Sample and Sampling design

As of mid-January 2024, the Nepal Rastra Bank Report lists twenty (20) "A" class commercial banks in the country. The study's sample banks were chosen using the stratified sampling technique. All varieties of banks have been selected to provide a representative sampling. The main emphasis of the study has been on the trajectory of micro and macroeconomic parameters, such as book value per share, profits per share, dividend per share, price-earnings ratio, cash reserve ratio, and non-performing loan ratio.

Table 1

Specification of Sample and Sample Period

S N	Name of Commercial Banks	Abb.	Sample Period	No. of Observations
1	Agricultural Development Bank Limited	ADBL	2013/14-2022/23	10
2	Sanima Bank Limited	SBL	2013/14-2022/23	10
3	NIC Asia Bank Limited	NIC	2013/14-2022/23	10
4	Nepal SBI Bank Limited	NSBI	2013/14-2022/23	10
5	Nabil Bank Limited	NABIL	2013/14-2022/23	10
6	Prime Commercial Bank Limited	PCBL	2013/14-2022/23	10
7	Global IME Bank Limited	GBIME	2013/14-2022/23	10
Total No. of Observations				70

Consequently, the research is predicated on seventy observations.

There are seven commercial banks in the sample. The sample organizations for this study were chosen using the stratified sampling approach. The sample banks were

chosen based on the various types of banks, such as government-owned banks, joint venture banks, and privately held commercial banks.

3.3 Nature and Sources of Data

Secondary data from a range of publicly accessible stock market reports served as the study's main source of data. The information and data that were collected have been edited, organized, and classified based on the kind of data. In order to achieve the desired objectives and conduct hypothesis testing, the collected data has been ready for a range of tabular and visual presentations. A statistical computer program for data analysis was used to analyze the gathered data in order to estimate the regression equation and perform the several statistical tests.

3.4 Instruments of Data

A spreadsheet in Excel was used to record the collected data, and SPSS version 25 was used for analysis. For this research, a combination of bank-specific and macroeconomic parameters were employed to get data. Among the metrics exclusive to the bank were book value per share, profits per share, dividends per share, price-earnings ratio, cash reserve ratio, and non-performing loan ratio. The purpose of selecting these indicators was to assess the stability and financial performance of the commercial banks.

3.5 Research Framework and Definitions of Variables

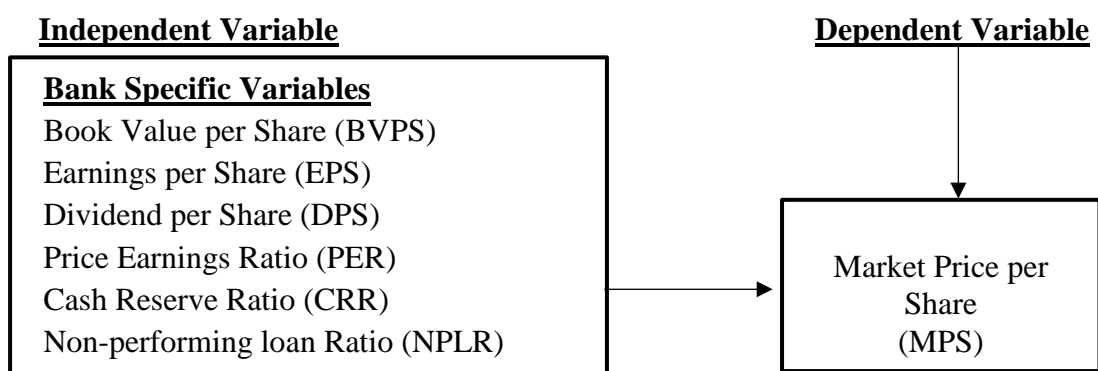


Figure 1: *Research Framework*

3.6 Definition of Variables

Book Value per Share

The amount that represents a company's net asset value for each outstanding share of common stock is disclosed via a financial metric called book value per share. It is calculated by taking the total number of outstanding shares and dividing it by the total

shareholder equity of the firm. Menike and Prabath (2014) report that throughout the course of the whole research period, there was a significant and positive association. Consequently, we may reject the null hypothesis and accept the alternative hypothesis, which holds that stock price and BVPS have a positive connection. The greatest value of the model's explanatory power, according to study, is 22%. This indicates that the BVPS accounts for 22% of the variation in stock prices. The explanatory power of this metric is less than that of the EPS and DPS of the Colombo Stock Exchange.

Earnings per Share

Earnings per share (EPS), a financial metric, shows how much of a company's profit is allocated to each outstanding share of common stock. It is calculated by dividing net income by the number of outstanding shares of the company. Profits per share and stock prices are positively correlated, claim Khan et al. (2019). The commercial banks in Pakistan were the subject of a study that found a correlation between rising stock prices and increased profitability per share. This demonstrates that investors value firms with higher profits per share and that these businesses often have a positive impact on stock prices.

Dividend per Share

Dividend per share (DPS) is a financial metric that shows how much of an organization's profits are distributed to shareholders on a share-by-share basis. It is calculated by dividing the total number of outstanding shares by the total dividends paid by the company. According to Baker and Powell (2009), stock returns and dividend yields which are correlated with dividends per share have a complex connection that is impacted by a number of factors. The study indicates that high dividend yields might sometimes be a sign of low-cost companies, which could lead to better stock returns in the future. Dividend yields by themselves, however, are a poor indicator of future stock price performance because of a number of other factors that may also have a significant impact, such as market circumstances, business fundamentals, and investor sentiment.

Price Earnings Ratio

The price-earnings ratio, or P/E ratio, is a financial metric that contrasts a company's stock price with its earnings per share (EPS). It is computed by dividing the market price per share by the EPS. Auerbach and Reilly (2011) suggest that the price-earnings

ratio and stock price may have a complex connection that fluctuates based on investor behavior and market conditions. The study shows that companies with high development potential and higher projected future earnings often have higher stock values, which suggests that investors are ready to pay a premium for them.

Cash Reserve Ratio

The cash reserve ratio is used for credit management as loans are given out based on liquidity in accordance with NRB guidelines, policies, and procedures. "A" class commercial banks are only permitted to keep an eighty percent CD ratio. This makes loan management crucial for all financial institutions and managers alike. Liquidity ratios assess a company's capacity to settle its maturing short-term debt. Liquidity ratios are important to short-term creditors since they are concerned about the company's capacity to pay its current debts (Karki, 2018).

Non-Performing Loan Ratio

The non-performing loans ratio (NPLR), which is regarded as a gauge of credit risk management, shows the credit quality of the bank. NPLR in particular shows how banks manage their credit risk since it describes the ratio of loan losses to total loans (Hosna et al., 2009).

Market Price per Share

The dynamics of supply and demand for a particular security in the market ultimately determine the market price of the share, according to Khanna and Zahir (1982). Daily price fluctuations are a result of changes in the purchasing and selling pressure throughout time. These oscillations make it difficult to choose which market price to regress as a dependent variable measure. The closing price of the bank's shares at the end of its fiscal year serves as a proxy for the market price in this study. The market price is the dependent variable in this study.

3.7 Methods of Analysis

This study's analytical approach included both descriptive and inferential analysis. The mean, minimum, maximum, and standard deviation have all been used in the descriptive analysis of the data. Together with descriptive data, a correlation matrix including the components is shown. The correlation matrix shows that several of the independent variables have strong relationships with one another. The relationship

between dependent and independent variables has been ascertained by regression analysis.

Descriptive Statistical Tools

Using descriptive statistical approaches makes it simpler to identify the trend in the financial status of the sample institutions. It also looks at the relationships between factors and helps banks make informed choices that forward the goals of the company. Descriptive analytical techniques such as variance, standard deviation, and mean (arithmetic) have been used in this work.

A) Average/ Mean

A collection of observations' arithmetic mean is calculated by dividing their sum by the total number of observations.

B) Standard Deviation

The standard deviation is the square root of the total squares of the deviations from the mean, expressed in terms of deviations. Because of this, the arithmetic average must be found before the variances of each item from the average can be squared to get the standard deviation. Divide the sum by the total number of components after you have added up all of the squared deviations. The square root of the obtained number may be used to determine the series' standard deviation (Elhance & Agarwal, 2000).

C) Coefficient of Variation (C.V.)

The coefficient of variation is computed in order to compare the variability of two distributions. In contrast, a distribution with a greater coefficient of variation (C.V.) series is seen to be more variable or heterogeneous than the other, while one with a lower C.V. series is thought to be more homogeneous, uniform, or less variable than the other.

Inferential Statistical Tools

Unlike data description, which concentrates on defining the sample data, inferential analysis concentrates on estimating or testing hypotheses about the population by using the sample alone. This process is formally known as inferential statistics. The two primary types of inferential statistics are parametric and non-parametric. This research has used parametric tests such as regression and correlation analysis.

A) Coefficient of Correlation (r)

Correlation analysis, which encompasses many procedures and ways to ascertain the degree of linkage between the two variables, is a statistical tool used to investigate the relationship between two variables. Correlation analysis makes it possible to comprehend the direction and degree of the relationship between the two variables under examination. However, it ignores the relationship between the variables' causes and effects.

B) Regression Analysis

Regression may be physically defined as moving back in time, traveling backward, or reverting to the average value. Regression analysis is the process of analyzing the connection between variations in one series and variations in another. It determines the kind and strength of correlation that exists between two variables. Regression is therefore defined as the estimate of unknown values or the prediction of one variable from the known values of other variables.

The Regression Model

$$MPS = \beta_0 + \beta_1 BVPS + \beta_2 EPS + \beta_3 DPS + \beta_4 PER + \beta_5 CRR + \beta_6 NPLR + \varepsilon$$

Where,

β_0	= Constant Value
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$	= Coefficient of Independent Variables
MPS	= Market Price per Share
BVPS	= Book Value per Share
EPS	= Earnings per Share
DPS	= Dividend per Share
PER	= Price Earnings Ratio
CRR	= Cash Reserve Ratio
NPLR	= Non-performing Loan Ratio
ε	= Error Terms

CHAPTER-IV

RESULTS AND DISCUSSION

4.1 Results

The results inculcates different statistical and financial tools for fact findings purpose. The findings related to variables and samples have been presented in tables. In addition, to identify the cause and effect relationship between variable the statistical tools like correlation and regression have been employed along with hypotheses test.

4.1.1 Descriptive Analysis

For the analysis, statistical methods including mean, standard deviation, and coefficient of variation, range, and trend estimate are employed. The developments in bank-specific indicators, such as book value per share, earnings per share, dividend per share, price earnings ratio, cash reserve ratio, and non-performing loan ratio, are examined in the first section of the chapter.

Table 2

Structure and Patter of Book Value per Share

Year/Banks	PCBL	GBIME	NABIL	NIC	ADBL	NSBI	SBL
2013/14	126.11	116.19	275.00	190.00	243.32	161.26	120.24
2014/15	137.07	123.10	251.00	211.00	204.63	171.15	127.77
2015/16	138.93	118.80	259.00	207.00	245.69	184.62	134.52
2016/17	145.84	121.75	244.00	161.00	296.91	178.19	120.97
2017/18	149.16	127.19	228.00	151.00	230.88	150.15	131.36
2018/19	139.52	152.77	256.00	145.00	305.31	159.08	134.83
2019/20	143.84	158.40	257.00	169.00	314.49	167.52	149.85
2020/21	146.78	151.95	256.00	177.00	297.92	165.05	145.64
2021/22	148.86	151.26	251.00	181.00	286.73	162.22	154.14
2022/23	144.75	158.60	232.00	215.00	252.94	174.17	149.29
Mean	142.09	138.00	250.90	180.70	267.88	167.34	136.86
SD	6.99	17.88	13.60	24.87	37.06	10.05	12.25
CV	4.92	12.96	5.42	13.76	13.84	6.01	8.95

Source: Annual Reports of Sample Banks from Fiscal Year 2013/14-2022/23

Important details on the Book Value per Share (in Rs.) for several banks throughout a variety of time periods are provided in Table 2. The mean (average) value indicates the central trend of the data for each bank. For instance, NABIL has the highest mean book value per share at 250.90 rupees, followed by NIC at 180.70 rupees. SBL, on the other hand, has the lowest mean Book Value per Share at 136.86 Rs. The standard deviation (SD) quantifies the data's variability or dispersion. More fluctuations in the Book Value per Share over time are indicated by a higher standard deviation. With an SD of 37.06 Rs., the values of NIC exhibit more significant fluctuations, whilst the values of NSBI have the lowest SD of 10.05 Rs., indicating more stable levels. The coefficient of variation (CV), which is the ratio of the standard deviation to the mean, is a useful tool for comparing the relative variability of banks. Higher CV values imply more relative variability. With a CV of 4.92%, PCBL has relatively steady values, but ADBL's CV of 13.84% indicates significant fluctuation in its Book Value per Share. Further research and analysis utilizing this data will help us better understand the financial performance and stability of these organizations.

Table 3

Structure and Patter of Earnings per Share

Year/Bank	PCBL	GBIME	NABIL	NIC	ADBL	NSBI	SBL
2013/14	18.55	16.15	91.05	47.41	59.03	32.50	15.13
2014/15	20.97	19.57	83.68	35.98	35.19	34.83	19.28
2015/16	23.74	15.58	57.24	25.59	78.83	34.84	24.47
2016/17	30.11	19.33	59.27	28.31	52.79	34.29	32.55
2017/18	23.21	22.57	58.41	23.06	31.59	30.61	26.31
2018/19	21.49	23.64	51.84	16.62	36.91	25.16	21.22
2019/20	23.60	23.47	50.57	34.22	42.88	27.13	28.22
2020/21	16.10	17.99	36.16	31.89	31.45	17.23	20.18
2021/22	20.32	19.25	33.57	28.18	29.13	10.15	23.94
2022/23	14.94	20.84	18.64	36.45	14.41	16.67	18.48
Mean	21.30	19.84	54.04	30.77	41.22	26.34	22.98
SD	4.33	2.83	21.89	8.49	18.19	8.85	5.16
CV	20.32	14.25	40.51	27.59	44.12	33.58	22.46

Source: Annual Reports of Sample Banks from Fiscal Year 2013/14-2022/23

Table 3 shows the Earnings per Share (EPS) in Indian rupees for different banks over a period of years. The mean values provide an overview of each bank's average EPS. NABIL is the clear victor with the highest mean EPS of 54.04 Rs., followed by NIC with 30.77 Rs. The company with the lowest mean EPS, however, is GBIME (19.84 Rs). The standard deviation (SD) may be used to determine the dispersion or variability of the EPS data. Higher SD value banks' EPS changed more over time, such as NABIL (21.89 Rs.) and ADBL (18.19 Rs.). In contrast, GBIME has the lowest SD (2.83 Rs.), indicating more consistent EPS numbers. The coefficient of variation (CV), which expresses the standard deviation as a percentage of the mean, makes it possible to compare the relative variability amongst banks. Higher CV values imply more relative variability. While ADBL has the highest CV (44.12%), suggesting large relative variability in its EPS, GBIME has the lowest CV (14.25%), showing significantly less variation. These findings provide insight into the performance and stability of these institutions' profits, which is valuable information for future studies.

Table 4

Structure and Patter of Dividend per Share

Year/Banks	PCBL	GBIME	NABIL	NIC	ADBL	NSBI	SBL
2013/14	15.00	0.00	65.00	20.00	31.58	20.00	10.53
2014/15	20.00	4.00	65.00	30.00	15.79	22.07	15.79
2015/16	18.95	0.00	36.84	41.05	15.79	28.42	21.05
2016/17	17.25	0.00	45.00	27.00	21.05	29.53	15.79
2017/18	27.00	10.00	48.00	21.05	21.05	16.34	16.00
2018/19	16.00	16.00	34.00	10.53	6.00	15.79	14.00
2019/20	16.00	13.00	34.00	21.05	6.00	16.84	21.05
2020/21	15.00	14.00	35.26	20.00	15.00	9.47	13.60
2021/22	16.00	10.00	38.00	0.00	20.00	5.31	17.89
2022/23	4.00	3.00	30.00	0.00	2.00	10.53	10.98
Mean	16.52	7.00	43.11	19.07	15.43	17.43	15.67
SD	5.68	6.29	12.70	12.80	8.84	7.87	3.63
CV	34.39	89.85	29.45	67.15	57.31	45.15	23.16

Source: Annual Reports of Sample Banks from Fiscal Year 2013/14-2022/23

Table 4 displays the Dividend per Share (DPS) in rupees for many banks throughout a variety of time periods. The table may be analyzed using the mean, standard deviation (SD), and coefficient of variation (CV) to get important insights. The mean figures indicate each bank's average DPS. NABIL is the clear leader with the highest mean DPS of 43.11 Rs., followed by NIC with 19.07 Rs. GBIME, however, has the lowest average DPS (7.00 Rs.). The SD quantifies the variability or dispersion of the DPS data. Over time, the DPS of banks with larger SD values, such as GBIME (6.29 Rs.) and NIC (12.80 Rs.), has varied considerably. SBL has the lowest SD (3.63 Rs.), indicating a higher degree of consistency in its DPS values, nonetheless. With the highest CV (89.85%), GBIME exhibits the most relative volatility in its DPS. The relative variability across banks is compared using the CV. On the other hand, SBL has the lowest CV (23.16%), which suggests a lesser level of unpredictability. These findings give important information for further research and shed light on the stability and dividend performance of these organizations.

Table 5

Structure and Patter of Price Earnings Ratio

Year/Banks	PCBL	GBIME	NABIL	NIC	ADBL	NSBI	SBL
2013/14	17.47	26.74	19.08	11.69	2.96	25.95	17.18
2014/15	27.80	32.70	30.29	26.96	16.03	36.75	33.09
2015/16	19.16	30.74	33.37	24.11	5.48	25.46	22.68
2016/17	24.77	26.64	39.55	28.19	14.55	54.68	23.04
2017/18	18.14	17.19	26.07	19.30	13.77	30.22	16.38
2018/19	13.36	12.27	18.60	19.01	8.51	19.83	15.27
2019/20	11.78	12.48	15.82	13.09	9.54	17.29	12.33
2020/21	15.84	13.29	21.15	17.34	12.24	25.24	16.35
2021/22	23.57	22.90	40.48	35.27	16.44	40.30	20.26
2022/23	17.74	12.06	44.21	19.10	22.98	16.93	14.94
Mean	18.96	20.70	28.86	21.41	12.25	29.27	19.15
SD	5.06	8.18	10.25	7.24	5.85	11.79	5.98
CV	26.67	39.51	35.51	33.83	47.76	40.28	31.22

Source: Annual Reports of Sample Banks from Fiscal Year 2013/14-2022/23

Table 5 displays the Price Earnings Ratio (P/E ratio) in terms of times for a number of banks throughout a variety of years. Analyze the table with the use of the coefficient of variation (CV), standard deviation (SD), and mean to get crucial information. The mean figures indicate each bank's average P/E ratio. NABIL is the most remarkable, with a usual P/E ratio of 28.86 times, followed by NIC at 21.41 times. Conversely, ADBL has the lowest mean P/E ratio at 12.25 times. The SD quantifies the dispersion or variability of the P/E ratio data. P/E ratios varied more over time for banks with larger standard deviations, such as GBIME (8.18 times) and NSBI (11.79 times). However, PCBL has the lowest SD (5.06 times), indicating more stable P/E ratio levels. With the highest CV (39.51%), GBIME's P/E ratio seems to be very variable. The relative variability across banks is measured by the CV. On the other hand, PCBL has the lowest CV (26.67%), which suggests less volatility. These statistics provide valuable information for research purposes, shedding light on the value and investor attitude toward these institutions based on their P/E ratios.

Table 6

Structure and Patter of Cash Reserve Ratio

Year/Bank	PCBL	GBIME	NABIL	NIC	ADBL	NSBI	SBL
2013/14	12.96	32.25	9.32	29.27	32.27	9.58	30.96
2014/15	11.80	31.11	11.32	28.68	30.43	9.32	26.68
2015/16	10.83	30.12	14.15	28.91	28.77	10.92	22.32
2016/17	10.97	35.14	6.77	23.79	23.33	8.33	24.24
2017/18	13.27	33.54	10.02	25.80	31.18	10.04	26.08
2018/19	11.42	25.34	10.05	24.45	29.15	7.18	24.72
2019/20	9.83	22.13	4.78	26.05	27.20	6.65	22.87
2020/21	7.25	24.58	11.20	27.09	33.98	8.89	24.01
2021/22	7.18	29.89	11.46	20.65	36.21	3.22	22.15
2022/23	5.51	23.55	4.13	20.30	25.96	3.05	27.07
Mean	10.10	28.77	9.32	25.50	29.85	7.72	25.11
SD	2.62	4.53	3.17	3.22	3.83	2.73	2.69
CV	25.97	15.75	34.03	12.64	12.82	35.32	10.72

Source: Annual Reports of Sample Banks from Fiscal Year 2013/14-2022/23

Table 6 displays the Cash Reserve Ratio (CRR) as a percentage for several banks throughout a variety of time periods. The table may be analyzed using the mean, standard deviation (SD), and coefficient of variation (CV) to get important insights. The averages show the average CRR for each bank. GBIME comes up with the highest mean CRR of 28.77%, followed by NSBI with 29.85%. Conversely, PCBL has the lowest mean CRR of 10.10%. The SD quantifies the dispersion or variability of the CRR data. Banks with higher SD values, such as GBIME (4.53%) and NSBI (3.83%), have had larger fluctuations in their CRR over time. However, PCBL has the lowest SD (2.62%), indicating a higher degree of consistency in its CRR readings. With the greatest CV (15.75%), GBIME seems to have a significant degree of relative variability in its CRR. The relative variability across banks is compared using the CV. On the other side, NSBI seems to be slightly less variable with the lowest CV (35.32%). These findings clarify the cash reserve needs and liquidity management strategies of these institutions and provide important information for further research.

Table 7

Structure and Patter of Non-Performing Loan Ratio

Year/Banks	PCBL	GBIME	NABIL	NIC	ADBL	NSBI	SBL
2013/14	2.19	1.28	2.33	2.32	5.85	0.37	0.03
2014/15	1.99	1.41	2.13	2.33	5.46	0.26	0.02
2015/16	2.23	1.74	2.23	2.07	5.35	0.19	0.07
2016/17	2.72	0.55	1.82	0.76	4.36	0.14	0.02
2017/18	2.50	0.77	1.14	0.36	4.60	0.10	0.01
2018/19	2.43	1.60	0.55	0.06	3.50	0.20	0.30
2019/20	2.86	1.89	0.74	0.46	3.29	0.20	0.08
2020/21	1.95	2.23	0.98	0.75	2.84	0.23	0.45
2021/22	2.29	2.55	0.84	0.50	1.88	0.23	0.12
2022/23	1.77	2.27	1.63	0.53	2.09	0.15	0.33
Mean	2.29	1.63	1.44	1.01	3.92	0.21	0.14
SD	0.34	0.65	0.67	0.87	1.42	0.07	0.16
CV	14.99	39.75	46.42	85.91	36.11	36.01	111.38

Source: Annual Reports of Sample Banks from Fiscal Year 2013/14-2022/23

Table 7 displays the Non-Performing Loan (NPL) Ratio as a percentage for a number of banks across a range of years. The table may be analyzed using the mean, standard deviation (SD), and coefficient of variation (CV) to get important insights. The averages show the average NPL ratio for each bank. PCBL is the most prominent with a mean NPL ratio of 2.29%, followed by ADBL with 3.92%. Conversely, NSBI has the lowest mean NPL ratio at 0.21%. The SD quantifies the dispersion or variability of the NPL ratio data. Over time, banks with higher SD values such as ADBL (1.42%) and NIC (0.87%) saw more fluctuations in their non-performing loan (NPL) ratios. However, NSBI has the lowest standard deviation (0.07%), indicating that its NPL ratio figures are more reliable. With the highest CV (85.91%), NIC's NPL rate seems to fluctuate significantly. The relative variability across banks is measured by the CV. On the other side, NSBI looks to have a little less variability with the lowest CV (36.01%).

Table 8

Structure and Patter of Market Price per Share

Year/Banks	PCBL	GBIME	NABIL	NIC	ADBL	NSBI	SBL
2013/14	324	432	1815	554	212	850	260
2014/15	583	640	2535	970	565	1280	638
2015/16	455	479	1910	617	432	887	555
2016/17	746	515	2344	798	768	1875	750
2017/18	421	388	1523	445	435	935	431
2018/19	287	490	921	316	314	499	324
2019/20	278	293	800	448	409	469	348
2020/21	255	239	765	553	385	435	330
2021/22	479	395	715	994	479	409	485
2022/23	265	251	824	696	331	282	276
Mean	409.30	412.20	1415.20	639.10	433.00	792.10	439.70
SD	161.50	126.68	700.65	225.50	152.04	490.84	164.64
CV	39.46	30.73	49.51	35.28	35.11	61.97	37.44

Source: Annual Reports of Sample Banks from Fiscal Year 2013/14-2022/23

Table 8 displays the Market Price per Share (in rupees) for a number of banks over a period of years. Analyzing the table with the coefficient of variation (CV), standard deviation (SD), and mean might provide important information. The mean statistics

indicate each bank's average market price per share. NABIL has the highest mean market price at 1415.20 rupees per share, followed by NSBI at 792.10 rupees. On the other hand, PCBL has the lowest price, with a mean market price per share of 409.30 Rs. The standard deviation quantifies the variability or dispersion of the market price per share data. The market prices per share of banks with larger standard deviation (SD) scores, such as NSBI (490.84 Rs.) and NABIL (700.65 Rs.), varied more over time. The lowest standard deviation, GBIME (126.68 rupees), on the other hand, suggests to more stable market prices per share. With the highest CV (61.97%), NSBI seems to have significant relative volatility in its market price per share. The relative variability across banks is compared using the CV. Conversely, GBIME has the lowest CV (30.73%), corresponding to a reduced level of unpredictability.

Table 9

Overall Descriptive Analysis

Variables	Minimum	Maximum	Mean	Std. Deviation
BVPS	116.19	314.49	183.40	54.38
EPS	10.15	78.83	29.14	13.21
DPS	0.00	65.00	19.17	13.47
PER	2.96	54.68	21.51	9.52
CRR	3.05	36.21	19.48	9.78
NPLR	0.01	5.85	1.52	1.41
MPS	212.00	2535.00	648.66	481.42

Table 9 displays the overall descriptive statistics for the key variables used to evaluate the stock prices of commercial banks in Nepal. Each statistic displays the central tendency and variability of these parameters within the research sample of banks.

Starting with BVPS, Table 9 displays a range of values from 116.19 to 314.49, with a mean of 183.40 and a standard deviation of 54.38. This demonstrates that, with a mean value of 183.40 units of currency, the average book value per share (BVPS) varies considerably throughout the banks that were investigated. The BVPS values are scattered, as shown by the standard deviation, which gauges the degree of dispersion around this mean. This might affect how investors see the asset bases and financial stability of these institutions.

The EPS, or profitability per outstanding share, has a standard deviation of 13.21 and a mean of 29.14. The range is 10.15 to 78.83. This suggests that various banks make money at varying rates; a mean EPS of 29.14 indicates average profitability per share. The variance in the banks' EPS performance is highlighted by the standard deviation, and this has an impact on investors' perceptions of the stability and growth potential of earnings.

DPS ranges from 0.00 to 65.00, with a mean of 19.17 and a standard deviation of 13.47. This variance in dividend payments per share, with an average dividend payout per share of 19.17, suggests that the banks have distinct dividend policies. The standard deviation, which illustrates how the DPS values are dispersed around the mean, may have an impact on investor assessments of income stability and shareholder returns.

Price-to-earnings ratio, or PER, is a metric used to determine a company's market worth based on its earnings. It ranges from 2.96 to 54.68, with a mean of 21.51 and a standard deviation of 9.52. The average price investors are willing to pay per unit of profit, or mean PER of 21.51, reveals varying market perceptions of the banks' potential for development and the caliber of their earnings. The standard deviation shows how PER values deviate from this mean and impact stock price volatility and investor mood.

The percentage of total deposits that banks must hold in reserve, or the CRR, has a mean of 19.48 and a standard deviation of 9.78. The range of it is 3.05 to 36.21. Different reserve requirements for banks have an effect on how they manage their liquidity and risk levels. The sample's average reserve ratio, or mean CRR of 19.48, shapes investor perceptions of financial stability; the standard deviation, on the other hand, shows how much this average deviates from the mean.

The non-performing loan ratio (NPLR) ranges from 0.01 to 5.85, with a mean of 1.52 and a standard deviation of 1.41. The different credit risk management techniques and asset quality used by the banks are reflected in the diversity in non-performing loan rates. The standard deviation, which displays the distribution of NPLR values around this average, has an effect on investor confidence in asset quality and potential loan losses. An average of 1.52 is the mean proportion of non-performing loans (NPLR).

The bank stocks' market price per share (MPS) is 648.66 with a standard deviation of 481.42. The range of the MPS is 212.00 to 2535.00. The significant discrepancy in stock prices may be ascribed to divergent perspectives among investors and the market about the banks' previous performance and future development prospects. The average market price per share (MPS) for the sample is 648.66, and the standard deviation shows how much price variation influences both market volatility and investing decisions.

4.1.2 Correlation Analysis

Table 10 displays a pairwise correlation matrix showing the link between several financial factors. These factors include market price per share (MPS), cash reserve ratio (CRR), book value per share (BVPS), earnings per share (EPS), dividend per share (DPS), price earnings ratio (PER), and non-performing loan ratio (NPLR). The direction and strength of the relationships between these variables are shown by the correlation coefficients, which are represented by the numbers in the table.

Table 10

Correlation Analysis

Variables	BVPS	EPS	DPS	PER	CRR	NPLR	MPS
BVPS	1						
EPS	.618** (0.000)	1					
DPS	.477** (0.000)	.456** (0.000)	1				
PER	-0.183 (0.130)	-.249* (0.037)	0.157 (0.195)	1			
CRR	-0.068 (0.578)	0.092 (0.448)	-.284* (0.017)	-.370** (0.002)	1		
NPLR	.451** (0.000)	0.229 (0.057)	0.135 (0.264)	-.300* (0.012)	0.075 (0.535)	1	
MPS	.365** (0.002)	.480** (0.000)	.662** (0.000)	.620** (0.000)	-.272* (0.023)	-0.028 (0.816)	1

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

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

Note: Figures in parentheses are p-value.

The correlation coefficient between BVPS and MPS is 0.365**, significant at the 0.01 level of analysis, indicating a highly positive link. This indicates that there is a tendency

for the market price per share of a firm to rise in tandem with an increase in book value per share. This is most likely due to investors' perception that companies with higher book values per share have stronger financial stability and asset support. In such circumstances, investors are often ready to pay a premium above market value for the shares of these businesses.

At the 0.01 level, the correlation coefficient of 0.480** between EPS and MPS indicates a significant and favorable relationship. Increased earnings per share, which are commonly linked to improved profitability, typically result in a rise in a company's market price per share. Investors see profitable businesses favorably and are prepared to pay more for shares since they believe the business will prosper and remain financially stable.

The correlation value of 0.662** indicates a strong positive relationship between DPS and MPS and is highly significant at the 0.01 level. A company will usually provide higher dividends per share to income-seeking investors that value consistent cash flows from their investments. This greater demand may result in an increase in the stock's market price per share. Because of this, companies with a history of distributing large dividends often have more expensive stock prices, indicating that investors favor income-producing assets.

At the 0.01 level, the correlation value of 0.620** indicates a very significant positive relationship between PER and MPS. A higher price-to-earnings ratio often indicates that investors have faith in the company's ability to succeed in the future and are ready to pay more for every dollar of profits. As a result, a greater PER is linked to a larger market price per share. Investors are sometimes more eager to invest in higher PER equities because they anticipate more future profits and capital gains.

The correlation value of -0.272*, which is significant at the 0.05 level, shows that the relationship between CRR and MPS is significantly negative. When banks' CRR is lower, they could be able to lend more money, which might boost economic activity and company profitability. Reduced cash reserve requirements would positively impact the market price per share since they would lead to lower interest rates, which would encourage stock market investment.

With a correlation coefficient of -0.028, the p-value of 0.816 indicates that there is no statistically significant relationship between NPLR and MPS. This implies that there is not a significant linear correlation between the NPLR and the Market Price per Share. It is important to understand that although non-performing loans may provide information about the overall health of the economy and the financial standing of banks, they may not have a direct, linear effect on the stock market since stock values are influenced by a variety of other variables.

4.1.3 Regression Analysis

Multiple linear regression analysis is a statistical method for simulating the relationship between a dependent variable and many independent factors. In this study, the market price per share (MPS) is the dependent variable, while the independent variables are the cash reserve ratio (CRR), book value per share (BVPS), earnings per share (EPS), dividend per share (DPS), price earnings ratio (PER), and non-performing loan ratio (NPLR).

Table 11

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.944	.891	.881	.19729

Predictors: (Constant), NPLR, CRR, EPS, PER, DPS, BVPS

The model summary in Table 11 provides important information about the fit and performance of a regression model. This specific model aims to predict the natural logarithm of Market Price per Share (MPS) using a number of independent variables, including NPLR (Non-Performing Loan Ratio), CRR (Cash Reserve Ratio), EPS (Earnings per Share), PER (Price Earnings Ratio), DPS (Dividend per Share), and BVPS (Book Value per Share).

Correlation coefficient, or R, is: The value of 0.944 in the "R" column is the correlation coefficient, which illustrates the strength and direction of the linear connection between the actual values of MPS and the expected values based on the independent variables. In this case, the correlation coefficient is 0.944, a very high value that suggests a significant positive relationship between the predicted and actual figures.

"R Square" or coefficient of determination: The proportion of MPS variance that can be explained by the independent variables in the model is shown by the "R Square" value of 0.891. The fact that these independent variables in this instance explain around 89.1% of the variance in MPS indicates that the model performs a reasonable job of characterizing the changes in MPS.

The "Adjusted R Square" of 0.881 is an alternate version of R Square that accounts for the number of independent variables in the model. R Square is adjusted somewhat to account for the potential inclusion of irrelevant variables. The fact that the Adjusted R Square in this case is just slightly less than the R Square suggests that even after accounting for model complexity, the model's capacity for explanation is maintained.

The average difference between the model's predicted values and the actual MPS values is measured by the residuals' standard error. A reduced standard error (0.19729 in this case), which indicates that the model's predictions are often close to the actual values, adds further evidence to the model's reliability.

Table 12

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	20.024	6	3.337	85.744	.000
Residual	2.452	63	.039		
Total	22.476	69			

Dependent Variable: MPS

Predictors: (Constant), NPLR, CRR, EPS, PER, DPS, BVPS

The F-statistic is the Mean Square for "Regression" divided by the Mean Square for "Residual," with respect to residual. It assesses whether the variation left unexplained is significantly less than the variance explained by the model. The F-statistic of 85.744 shows that, in this case, the variation described by the regression model is much more than the variance that cannot be explained.

Level of Significance, or Sig. The significance level (p-value) associated with the F-statistic assesses the statistical significance of the model as a whole. It shows the probability that a high F-statistic may be seen by chance. The low p-value of .000, indicating the strong significance of the regression model, illustrates the statistical

importance of the correlations between the independent variables (NPLR, CRR, EPS, PER, DPS, and BVPS) and the dependent variable (MPS).

Table 13

Coefficient Analysis

		Unstandardized Coefficients			
Model		B	Std. Error	t	Sig.
1	(Constant)	0.694	0.631	1.099	0.276
	BVPS	0.096	0.124	0.771	0.443
	EPS	0.666	0.081	8.257	0.000
	DPS	0.014	0.002	6.007	0.000
	PER	0.858	0.059	14.602	0.000
	CRR	0.038	0.042	0.899	0.372
	NPLR	0.004	0.019	0.198	0.844

Dependent Variable: MPS

The constant term, represented by the coefficient of 0.694, serves as the MPS baseline or intercept value when all other independent variables are zero. The t-value of 1.099 indicates the constant's importance. In this case, the constant term does not statistically substantially contribute to the model's ability to explain variations in MPS, as shown by the relatively modest t-value and the p-value (Sig.) of 0.276.

It is predicted that MPS will climb by around 0.096 units for every unit increase in BVPS, with a positive coefficient of 0.096 for BVPS. The t-value, which gauges the significance of the association, is quite low in this case, with a p-value (Sig.) of 0.443, indicating that the regression model suggests that BVPS is not statistically significant in explaining variations in MPS.

For every unit increase in profits per share, MPS should grow by about 0.666 units, according to the strong and positive correlation of 0.666 for EPS. The high t-value and very low p-value (Sig.) indicate that EPS is highly statistically significant in explaining variations in MPS. This implies that the market price per share is very favorably impacted by the performance of the company's profits, as measured by EPS.

MPS is expected to improve by around 0.014 units for every unit increase in Dividend per Share (DPS), with a positive coefficient of 0.014 for DPS. The t-value and p-value (Sig.) indicate that DPS is highly statistically significant in explaining variations in MPS, making it a helpful predictor. This suggests that dividends paid per share have a large positive influence on the market price per share.

MPS is expected to improve by around 0.858 units for every unit increase in the Price Earnings Ratio, according to the PER, which has a significant and positive coefficient of 0.858. The very low p-value (Sig.) and high t-value indicate that PER is highly statistically significant in explaining variations in MPS. This suggests that a higher Price Earnings Ratio and the market price per share are significantly positively correlated.

The Cash Reserve Ratio (CRR) has a positive coefficient of 0.038, which indicates that a rise in MPS of around 0.038 units is expected for every unit increase in the CRR. But according to the t-value and p-value (Sig.), CRR is not statistically significant in this specific model for describing changes in MPS.

NPLR's positive coefficient of 0.004 means that for every unit increase in the Non-Performing Loan Ratio, MPS should increase by about 0.004 units. The model indicates that NPLR does not provide a statistically significant explanation for changes in MPS, as seen by the remarkably low t-value and high p-value (Sig). In summary, the statistical approaches indicate that EPS, DPS, and PER are extremely significant predictors of MPS, and their positive coefficients indicate a strong favorable impact on MPS. BVPS, CRR, NPLR, and the constant term, on the other hand, are not included in this specific regression model as statistically significant predictors.

4.1.4 Hypotheses Test

Using multiple regression analysis and the significance level (p-value) to evaluate the alternative hypotheses (H1 to H6), it is possible to determine whether or not each independent variable significantly affects Market Price per Share (MPS).

H1: There is a significant impact of Book Value per Share (BVPS) on Market Price per Share (MPS).

For BVPS, regression analysis yielded a coefficient of 0.096 and a p-value of 0.443. Since the p-value (0.443) is higher than the conventional significance level of 0.05, we are unable to reject the null hypothesis (H₀) for BVPS. This shows that there is no statistically significant relationship between BVPS and MPS based on the current dataset and research technique. The coefficient of 0.096 indicates a positive relationship between BVPS and MPS, even if it is not statistically significant at the specified level of confidence. Therefore, while BVPS may change MPS directionally, the evidence does not support its importance in explaining changes in MPS in our study.

H₂: There is a significant impact of Earnings per Share (EPS) on Market Price per Share (MPS).

The EPS regression study yielded a coefficient of 0.666 and an incredibly low p-value of 0.000. The null hypothesis (H₀) for EPS is rejected since this p-value is much lower than the customary significance threshold of 0.05. Regression analysis demonstrates that EPS has a large and positive impact on MPS. The coefficient of 0.666 indicates that for every unit increase in EPS, MPS should increase by 0.666 units, all other things being equal. This strong statistical significance demonstrates the impact of earnings performance in influencing market values and investor perceptions of bank stock prices.

H₃: There is a significant impact of Dividend per Share (DPS) on Market Price per Share (MPS).

In the DPS analysis, a very low p-value of 0.000 was discovered with a coefficient of 0.014. The null hypothesis (H₀) may be rejected since the p-value for DPS is less than 0.05, indicating a significant and positive effect on MPS. The correlation of 0.014 shows that increases in DPS are connected with corresponding increases in MPS after controlling for other factors. This study supports the hypothesis that dividend policies may influence investor decisions and increase stock values, which indicate steady financial performance and returns to shareholders.

H₄: There is a significant impact of Price Earnings Ratio (PER) on Market Price per Share (MPS).

The PER regression analysis yielded a coefficient of 0.858 and an incredibly low p-value of 0.000. Since the p-value for PER is less than 0.05, we reject the null hypothesis

(H0), indicating that PER significantly and favorably affects MPS. Higher PER ratios and higher MPS are positively correlated, as seen by the coefficient of 0.858, suggesting that investors are willing to pay more for companies with greater earnings multiples. This relationship demonstrates the importance of development prospects and profit expectations in affecting stock prices in the Nepalese commercial banking sector.

H5: There is a significant impact of Cash Reserve Ratio (CRR) on Market Price per Share (MPS).

A CRR analysis yielded a p-value of 0.372 and a coefficient of 0.038, both of which are more than the significance level of 0.05. Therefore, we are unable to reject the null hypothesis (H0) for CRR based on the data from this research, indicating that CRR does not have a statistically significant impact on MPS. A marginally positive relationship between CRR and MPS is shown by the coefficient of 0.038, but not one that is statistically significant. This implies that changes in CRR levels have no impact on market perceptions or the value of commercial bank stocks in Nepal, in contrast to other factors examined in this study.

H6: There is a significant impact of Non-Performing Loan Ratio (NPLR) on Market Price per Share (MPS).

The results of the regression analysis for NPLR were a p-value of 0.844 and a coefficient of 0.004. It is not possible to rule out the null hypothesis (H0) since the p-value for NPLR is considerably more than 0.05. This indicates that NPLR has no statistically significant impact on MPS based on the dataset and model parameters that are provided. The coefficient of 0.004 shows that there is no appreciable association between NPLR and MPS, indicating that throughout the course of the research, changes in the proportion of non-performing loans in Nepalese commercial banks have little effect on the stock prices of these banks.

The regression study clarifies the specific impacts of BVPS, EPS, DPS, PER, CRR, and NPLR on MPS in the context of Nepalese commercial banking. The analysis's findings indicate that although BVPS, CRR, and NPLR do not have statistically significant relationships with MPS, EPS, DPS, and PER do, indicating their importance in affecting stock prices. Therefore, having a better understanding of the factors affecting

stock market values in Nepal's banking sector may be beneficial for investors, financial analysts, and policymakers.

Table 14

Hypotheses Summary

Alternative Hypotheses	P-value	Remarks
H1: There is significant impact of book value per share on market price per share.	.442	Rejected
H2: There is significant impact of earnings per share on market price per share.	.000	Accepted
H3: There is significant impact of dividend per share on market price per share.	.000	Accepted
H4: There is significant impact of price earnings ratio on market price per share.	.000	Accepted
H5: There is significant impact of cash reserve ratio on market price per share.	.372	Rejected
H6: There is significant impact of non-performing loan ratio on market price per share.	.844	Rejected

4.2 Discussion

The purpose of this study is to investigate the variables affecting the stock prices of Nepalese commercial banks. The significance of the price-to-earnings (P/E) ratio in predicting stock market movements across several global financial sectors has been extensively studied. Chowdhury, Dovash, and Islam (2019) assert that stock prices in Bangladesh's financial sectors are significantly impacted by the P/E ratio. Similar findings were backed by Antono, Jaharadak, and Khaitibi (2019), who noted that the P/E ratio and the price of oil globally had a big influence on stock prices. According to Jermittiparsert et al. (2019) and Sharif, Purohit, and Pillai (2015), who also pointed out that the P/E ratio has a big influence on share prices in the Bahraini market, the P/E ratio is important in determining stock prices. Further support for these findings came from Enow and Brijlal (2016), who discovered a positive correlation between share prices and the P/E ratio.

The consistent findings of these studies demonstrate a robust correlation between stock prices and the P/E ratio, suggesting that market participants and investors carefully

evaluate this metric when making investment decisions. This congruence is further supported by the results of Khan (2012) and Gnawali (2022), who in their independent studies also found substantial positive connections between the P/E ratio and share prices. The results of Arshad, Arshaad, Yousaf, and Jamil (2015), who found no evidence of a relationship between share prices and the P/E ratio, are noteworthy since they contradict one another. These variations might be the consequence of various sample sizes, various approaches, or certain environmental factors that are particular to each study topic.

Another significant element that has been identified by the research as impacting stock prices is earnings per share (EPS). Chowdhury, Dovash, and Islam (2019) validated the conclusions of Enow and Brijlal (2016), who identified a solid positive connection between EPS and share prices, by establishing the considerable effect of EPS on stock prices within Bangladesh's financial sectors. Gnawali (2022) offered further evidence in support of these findings by highlighting the positive correlation between EPS and firm prices and indicating that robust profit performance significantly enhances market value.

However, dividend per share (DPS) provides a more nuanced view of its effect on stock prices. Gnawali (2022) demonstrated a substantial and positive correlation between greater DPS and higher stock prices; Sharif, Purohit, and Pillai's (2015) examination of the Bahraini market supported this finding. On the other hand, Enow and Brijlal (2016) found no significant link between DPS and share prices, whilst Arshad, Arshaad, Yousaf, and Jamil (2015) suggested that there was no correlation between DPS and share prices in their research setting.

In spite of these conflicting findings, Khan (2012) showed a high positive correlation between DPS and share prices, corroborating the claims made by Gnawali (2022) and Sharif, Purohit, and Pillai (2015) on the capacity of dividends to boost shareholder value. This discrepancy in results demonstrates the complex interplay between dividend policy, investor expectations, and broader economic conditions that shapes stock market behavior.

Furthermore, it becomes clear that book value per share (BVPS) is an important element influencing stock prices. Sharif, Purohit, and Pillai (2015) found a significant and positive correlation between BVPS and stock prices, suggesting that growing book values per share contribute to higher stock prices. This research emphasizes the need of strong asset bases and strong financial fundamentals in sustaining market confidence and value metrics. The fundamental notion that investors evaluating bank shares should carefully consider both excellent financial health and asset quality is supported by the BVPS data.

In conclusion, analyzing the factors influencing Nepalese commercial banks' stock prices reveals a number of significant discoveries. A good way to predict changes in stock prices is to look at the P/E ratio, which conveys mood in the market and growth forecasts. Earnings per share (EPS) is an important aspect since high EPS performance increases stock values. Research has shown that the impact of dividend per share (DPS) varies, suggesting a complicated relationship influenced by dividend policy and investor preferences. Book value per share ultimately highlights the need of strong asset bases in maintaining stock prices (BVPS). These findings provide routes for thoughtful investment choices and decision-making, and they are a helpful tool for regulators, financial analysts, and investors navigating the dynamic Nepalese banking market. Future research that focuses on specific bank-level attributes and external economic forces should contribute to our understanding of the factors influencing stock prices in Nepal's commercial banking industry.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

This study attempts to provide light on the factors influencing the stock prices of seven Nepalese commercial banks with a variety of ownership structures, including private, government-owned, joint ventures, and public-private partnerships. Using a stratified sample approach based on bank ownership classifications, the research collected annual financial reports for ten years, resulting in a dataset containing seventy observations. Descriptive analysis and causal comparative study designs are the methodologies used to investigate the relationship between dependent variables, such as market price per share, and independent variables, such as book value per share, earnings per share, dividend per share, price-earnings ratio, cash reserve ratio, and non-performing loan ratio. Statistical methods like mean, standard deviation, range, correlation analysis, and multiple linear regression were utilized to identify trends and causal correlations between these variables.

Some significant findings are shown by a review of many studies that examined the variables affecting Nepalese commercial banks' stock values. First and foremost, one of the major factors that consistently influences stock prices is the price-to-earnings (P/E) ratio. Greater P/E ratios are often a sign of investor optimism and potential future profit growth. This figure is used to measure expectations for growth and the mood of the market. Second, studies showing a positive relationship between EPS and firm value suggest that EPS significantly affects stock prices. A bank's stock price rising in response to strong profit performance is an indication that investors are confident in the company's profitability and healthy financial condition.

Regarding the impact of dividend per share (DPS) on stock prices, conflicting opinions surface. The study presents mixed results; some suggest that higher dividend payments are positively correlated with both company value and investor appeal. This discrepancy emphasizes the several aspects that investors must consider when assessing dividend policy and their impact on market perception and investor returns.

Additionally, research demonstrates that book value per share, or BVPS, is a key element that raises stock values. The propensity for banks with stronger asset bases and higher BVPS to have higher stock prices illustrates the importance of financial strength and asset quality in investor decision-making within the Nepalese banking sector.

This research emphasizes the crucial roles that the P/E ratio, EPS, and BVPS play in affecting the stock prices of Nepal's commercial banks. These findings provide useful information for stakeholders, including investors and financial analysts, navigating Nepal's dynamic banking sector. A complete understanding of these crucial factors will enable stakeholders in this business to make well-informed decisions about capital allocation, risk assessments, and investment plans. Additional research on specific bank-level factors and outside economic forces will improve our understanding of the dynamics of stock prices in Nepal's commercial banking sector.

5.2 Conclusion

Investors examining the stock prices of Nepalese commercial banks should consider important financial indicators. The price-to-earnings (P/E) ratio's ongoing significance demonstrates how well it serves to gauge the state of the market and future growth possibilities. Furthermore, the significance of earnings per share (EPS) highlights how profitability attracts investors and drives up stock prices. Nonetheless, the contradictory results on the relationship between stock prices and dividend per share (DPS) suggest that investors should also evaluate dividend policy and overall financial health.

Important financial indicators including book value per share (BVPS), earnings per share (EPS), and dividend per share (DPS) have a positive correlation with market price per share (MPS). This implies that companies with larger book values, higher dividend payments, and superior profitability often command higher stock prices. Additionally, the noteworthy positive correlation shown between the P/E ratio and MPS indicates that investors are willing to pay a premium for companies with higher P/E ratios.

Stock prices and the cash reserve requirement (CRR) have a negative association, indicating that reducing the CRR in the banking industry might have a positive impact on stock prices. On the other hand, the non-performing loan ratio (NPLR) does not demonstrate a robust linear connection with MPS, indicating that factors other than

those taken into account in this correlation analysis may have an effect on its influence on stock market dynamics.

5.3 Implications

Practical Implications

The findings of the correlation and regression analyses provide many helpful insights. First off, investors and market participants should consider the price-to-earnings (P/E) ratio as a helpful tool when making decisions regarding investments in Nepalese commercial banks, considering the strong connection that exists between stock prices and P/E ratios. Good P/E ratio banks could find more enticing investment options. Secondly, the significance of earnings per share (EPS) underscores the importance of bank profitability. Investors and stakeholders should pay close attention to a bank's EPS performance as it may serve as a reliable indicator of future changes in the stock price. Furthermore, the inconsistent findings on the relationship between dividend per share (DPS) and stock prices imply that investors should exercise caution when relying solely on DPS as a factor. It is advisable to do a more in-depth examination of a bank's overall financial health and dividend policy instead.

Theoretical Implications

Theoretically, these findings contribute to our understanding of the variables influencing stock prices in relation to Nepali commercial banks. Current financial theories emphasize the importance of growth expectations and market mood, which is consistent with the substantial link shown between the P/E ratio and stock prices. This demonstrates that these concepts are still relevant to Nepal's banking sector. The inconsistent DPS findings suggest that the relationship between dividends and stock prices may vary depending on the markets and economic conditions. This highlights how important it is to create financial theories and carry out research using an advanced, context-specific approach.

Future Scope

The findings open up various avenues for further research. Initially, more investigation on the factors influencing the P/E ratio in Nepal's banking sector might contribute to elucidating its dynamics and stock price impacts. Moreover, a more thorough understanding of the market dynamics might be attained by examining the impact of

extraneous financial and macroeconomic variables, such interest rates or regulatory changes, on the stock prices of commercial banks in Nepal. Additional investigation into how investor attitude and behavioral factors affect stock price determination may provide light on the psychological aspects of investment choices in the Nepalese context. Lastly, conducting long-term research to assess these associations' durability in the face of changing economic conditions may provide investors and decision-makers with important information about Nepal's emerging banking sector.

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APPENDIX

Entities	YEARS	CRR	NPLR	EPS	PE	DPS	BVPS	MPS
PCBL	2013/14	12.96	2.19	18.55	17.47	15.00	126.11	324
	2014/15	11.80	1.99	20.97	27.80	20.00	137.07	583
	2015/16	10.83	2.23	23.74	19.16	18.95	138.93	455
	2016/17	10.97	2.72	30.11	24.77	17.25	145.84	746
	2017/18	13.27	2.50	23.21	18.14	27.00	149.16	421
	2018/19	11.42	2.43	21.49	13.36	16.00	139.52	287
	2019/20	9.83	2.86	23.60	11.78	16.00	143.84	278
	2020/21	7.25	1.95	16.10	15.84	15.00	146.78	255
	2021/22	7.18	2.29	20.32	23.57	16.00	148.86	479
	2022/23	5.51	1.77	14.94	17.74	4.00	144.75	265
GBIME	2013/14	32.25	1.28	16.15	26.74	0.00	116.19	432
	2014/15	31.11	1.41	19.57	32.70	4.00	123.10	640
	2015/16	30.12	1.74	15.58	30.74	0.00	118.80	479
	2016/17	35.14	0.55	19.33	26.64	0.00	121.75	515
	2017/18	33.54	0.77	22.57	17.19	10.00	127.19	388
	2018/19	25.34	1.60	23.64	12.27	16.00	152.77	490
	2019/20	22.13	1.89	23.47	12.48	13.00	158.40	293
	2020/21	24.58	2.23	17.99	13.29	14.00	151.95	239
	2021/22	29.89	2.55	19.25	22.90	10.00	151.26	395
	2022/23	23.55	2.27	20.84	12.06	3.00	158.60	251
NABIL	2013/14	9.32	2.33	91.05	19.08	65.00	275.00	1815
	2014/15	11.32	2.13	83.68	30.29	65.00	251.00	2535
	2015/16	14.15	2.23	57.24	33.37	36.84	259.00	1910
	2016/17	6.77	1.82	59.27	39.55	45.00	244.00	2344
	2017/18	10.02	1.14	58.41	26.07	48.00	228.00	1523
	2018/19	10.05	0.55	51.84	18.60	34.00	256.00	921
	2019/20	4.78	0.74	50.57	15.82	34.00	257.00	800
	2020/21	11.20	0.98	36.16	21.15	35.26	256.00	765
	2021/22	11.46	0.84	33.57	40.48	38.00	251.00	715
	2022/23	4.13	1.63	18.64	44.21	30.00	232.00	824
NIC	2013/14	29.27	2.32	47.41	11.69	20.00	190.00	554
	2014/15	28.68	2.33	35.98	26.96	30.00	211.00	970
	2015/16	28.91	2.07	25.59	24.11	41.05	207.00	617
	2016/17	23.79	0.76	28.31	28.19	27.00	161.00	798
	2017/18	25.80	0.36	23.06	19.30	21.05	151.00	445
	2018/19	24.45	0.06	16.62	19.01	10.53	145.00	316
	2019/20	26.05	0.46	34.22	13.09	21.05	169.00	448
	2020/21	27.09	0.75	31.89	17.34	20.00	177.00	553
	2021/22	20.65	0.50	28.18	35.27	0.00	181.00	994

	2022/23	20.30	0.53	36.45	19.10	0.00	215.00	696
ADBL	2013/14	32.27	5.85	59.03	2.96	31.58	243.32	212
	2014/15	30.43	5.46	35.19	16.03	15.79	204.63	565
	2015/16	28.77	5.35	78.83	5.48	15.79	245.69	432
	2016/17	23.33	4.36	52.79	14.55	21.05	296.91	768
	2017/18	31.18	4.60	31.59	13.77	21.05	230.88	435
	2018/19	29.15	3.50	36.91	8.51	6.00	305.31	314
	2019/20	27.20	3.29	42.88	9.54	6.00	314.49	409
	2020/21	33.98	2.84	31.45	12.24	15.00	297.92	385
	2021/22	36.21	1.88	29.13	16.44	20.00	286.67	479
	2022/23	25.96	2.09	14.41	22.98	2.00	252.94	331
NSBI	2013/14	9.58	0.37	32.50	25.95	20.00	161.26	850
	2014/15	9.32	0.26	34.83	36.75	22.07	171.15	1280
	2015/16	10.92	0.19	34.84	25.46	28.42	184.62	887
	2016/17	8.33	0.14	34.29	54.68	29.53	178.19	1875
	2017/18	10.04	0.10	30.61	30.22	16.34	150.15	935
	2018/19	7.18	0.20	25.16	19.83	15.79	159.08	499
	2019/20	6.65	0.20	27.13	17.29	16.84	167.52	469
	2020/21	8.89	0.23	17.23	25.24	9.47	165.05	435
	2021/22	3.22	0.23	10.15	40.30	5.31	162.22	409
	2022/23	3.05	0.15	16.67	16.93	10.53	174.17	282
SBL	2013/14	30.96	0.03	15.13	17.18	10.53	120.24	260
	2014/15	26.68	0.02	19.28	33.09	15.79	127.77	638
	2015/16	22.32	0.07	24.47	22.68	21.05	134.52	555
	2016/17	24.24	0.02	32.55	23.04	15.79	120.97	750
	2017/18	26.08	0.01	26.31	16.38	16.00	131.36	431
	2018/19	24.72	0.30	21.22	15.27	14.00	134.83	324
	2019/20	22.87	0.08	28.22	12.33	21.05	149.85	348
	2020/21	24.01	0.45	20.18	16.35	13.60	145.64	330
	2021/22	22.15	0.12	23.94	20.26	17.89	154.14	485
	2022/23	27.07	0.33	18.48	14.94	10.98	149.29	276

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
BVPS	70	116.19	314.49	183.3950	54.38491
EPS	70	10.15	78.83	29.1423	13.21247
DPS	70	.00	65.00	19.1746	13.47447
PER	70	2.96	54.68	21.5141	9.52257
CRR	70	3.05	36.21	19.4803	9.78455
NPLR	70	.01	5.85	1.5210	1.40714
MPS	70	212.00	2535.00	648.6571	481.41699
Valid N (listwise)	70				

Correlations

		Ln_BVPS	Ln_EPS	DPS	LN_PER	Ln_CRR	Ln_NPLR	LN_MPS
Ln_BVPS	Pearson Correlation	1	.618**	.477**	-.183	-.068	.451**	.365**
	Sig. (2-tailed)		.000	.000	.130	.578	.000	.002
	N	70	70	70	70	70	70	70
Ln_EPS	Pearson Correlation	.618**	1	.456**	-.249*	.092	.229	.480**
	Sig. (2-tailed)	.000		.000	.037	.448	.057	.000
	N	70	70	70	70	70	70	70
DPS	Pearson Correlation	.477**	.456**	1	.157	-.284*	.135	.662**
	Sig. (2-tailed)	.000	.000		.195	.017	.264	.000
	N	70	70	70	70	70	70	70
LN_PER	Pearson Correlation	-.183	-.249*	.157	1	-.370**	-.300*	.620**
	Sig. (2-tailed)	.130	.037	.195		.002	.012	.000
	N	70	70	70	70	70	70	70
Ln_CRR	Pearson Correlation	-.068	.092	-.284*	-.370**	1	.075	-.272*
	Sig. (2-tailed)	.578	.448	.017	.002		.535	.023
	N	70	70	70	70	70	70	70
Ln_NPLR	Pearson Correlation	.451**	.229	.135	-.300*	.075	1	-.028
	Sig. (2-tailed)	.000	.057	.264	.012	.535		.816
	N	70	70	70	70	70	70	70
LN_MPS	Pearson Correlation	.365**	.480**	.662**	.620**	-.272*	-.028	1
	Sig. (2-tailed)	.002	.000	.000	.000	.023	.816	
	N	70	70	70	70	70	70	70

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

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

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.944 ^a	.891	.881	.19729

a. Predictors: (Constant), Ln_NPLR, Ln_CRR, Ln_EPS, LN_PER, DPS, Ln_BVPS

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.024	6	3.337	85.744	.000 ^b
	Residual	2.452	63	.039		
	Total	22.476	69			

a. Dependent Variable: LN_MPS

b. Predictors: (Constant), Ln_NPLR, Ln_CRR, Ln_EPS, LN_PER, DPS, Ln_BVPS

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.694	.631		1.099	.276
	Ln_BVPS	.096	.124	.047	.771	.443
	Ln_EPS	.666	.081	.477	8.257	.000
	DPS	.014	.002	.321	6.007	.000
	LN_PER	.858	.059	.716	14.602	.000
	Ln_CRR	.038	.042	.042	.899	.372
	Ln_NPLR	.004	.019	.010	.198	.844

a. Dependent Variable: LN_MPS

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ABSTRACT The research examines factors that affect the stock prices of commercial banks in Nepal. Using stratified selection, seven commercial banks representing the private, public-private, government-owned, and joint venture categories were selected from a total of twenty banks. In addition to descriptive and causal-comparative designs, the research uses statistical tools such as mean, standard deviation, correlation, and multiple linear regression analysis. Among the significant factors that were examined were books

value per share , profits **per share** , dividends **per share, price-earnings ratio** , cash reserve ratio, **and**

non-performing loan ratio. The findings indicate that the price-to-earnings ratio, book value per share, and earnings per share all significantly affect stock prices. More precisely, rising price-to-earnings ratios and increasing earnings per share are associated with higher stock prices. Moreover, book value per share positively affects stock prices, highlighting its importance in the evaluation of companies. There is inconsistent research on the link between dividends per share and stock prices; some studies find no discernable association at all, while others show a favorable correlation. The disclosures have important implications for investors and decision-makers in Nepal's commercial banking sector. Investors may utilize these insights to make more educated decisions by focusing on key financial indicators such as the

book value per share, earnings per share, and price-to-earnings ratio

. Lawmakers may also use this data to create regulations aimed at enhancing the financial stability and appeal of the banking sector.

Keywords: Stock Price,

Book Value per Share, Earnings per Share, Dividend per Share, Price Earnings Ratio , Cash Reserve Ratio **and**

Non-Performing Loan Ratio i CHAPTER-I INTRODUCTION 1.1 Background of the Study The stock market, commonly referred to as the share or equity market, is a vital marketplace for the in-person trading of shares between buyers and sellers. Since it enables for long-