

ANALYZING THE STOCK PRICE TRENDS OF COMMERCIAL BANKS LISTED ON NEPSE

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By

Kamala Aryal

Campus Roll No: 47/074

Exam Roll No: 5637/18

T.U. Regd. No: 7-2-302-210-2011

Shanker Dev Campus

Kathmandu, Nepal

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“Analyzing the Stock Price Trends of Commercial Banks Listed on NEPSE”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

.....

Kamala Aryal

Date:

REPORT OF RESEARCH COMMITTEE

Ms. **Kamala Aryal** has defended research proposal entitled “**Analyzing the Stock Price Trends of Commercial Banks Listed on NEPSE**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Keshar Singh Khati submit the dissertation for evaluation and viva-voce examination.

.....
Keshar Singh Khati
Dissertation Supervisor

Dissertation Proposal Defended Date:

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Dissertation Submitted Date :

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.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Research Department

Dissertation Viva-voce Date:

.....

APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Analyzing the Stock Price Trends of Commercial Banks Listed on NEPSE** ” presented by Kamala Aryal candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

.....
Keshar Singh Khati
Dissertation Supervisor

.....
Internal Examiner

.....
Internal Expert

.....
External Expert

.....
Asso. Prof. Dr. Sajeeb Kumar Shrestha
Chairperson, Research Committee

.....
Asso. Prof. Dr. Krishna Prasad Acharya
Campus Chief

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ABBREVIATIONS

A.D.	:	Anno Domini
ANOVA	:	Analysis of Variance
ATM	:	Automated Teller Machine
ATS	:	Automated Trading System
Avg	:	Average
BSE	:	Bombay Stock Exchange
BVPS	:	Book Value Per Share
CDS	:	Central Depository System
CDSC	:	CDS and Clearing Limited
DPS	:	Dividend per Share
EBL	:	Everest Bank Limited
EPS	:	Earning Per Share
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GR	:	Growth Rate
IMF	:	International Monetary Fund
KSE	:	Karachi Stock Exchange
MPS	:	Market Price Per Share
NABIL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Exchange
NIB	:	Nepal Investment Bank Limited
NSE	:	National Stock Exchange
P/E	:	Price Earning
ROA	:	Return on Assets

ROE	:	Return on Equity
SD	:	Standard Deviation
SEBON	:	Securities Board of Nepal
SEC	:	Securities Exchange Centre
SMC	:	Securities Marketing Centre
TU	:	Tribhuvan University
WPI	:	Wholesale Price Index

ABSTRACT

This study investigates the stock price trends of commercial banks listed on the Nepal Stock Exchange (NEPSE) over a specified period. The primary objective is to comprehensively analyze the dynamics influencing these trends, utilizing historical stock price data, statistical analysis techniques, and econometric modeling. Through trend analysis, correlation studies, and regression modeling, the research aims to identify key factors such as financial performance metrics (e.g., profitability, asset quality), market conditions (e.g., trading volumes, volatility), and macroeconomic indicators (e.g., interest rates, GDP growth) that impact stock prices. By evaluating these factors, the study seeks to provide a deeper understanding of the underlying mechanisms driving stock price movements in the Nepalese commercial banking sector. The significance of this research lies in its potential to offer valuable insights for investors seeking to make informed investment decisions, regulators aiming to develop effective market policies, and academia interested in advancing knowledge of financial markets and economic dynamics. Through rigorous analysis and interpretation of findings, this study contributes to enhancing transparency and understanding within the NEPSE-listed commercial banks' stock market, facilitating more informed decision-making processes across various stakeholders.

Keywords: *Stock Prices, Earning Per Share, Book Value Per Share, Growth rate, Regression Analysis*

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

The markets made up of long-term securities issued by corporations or the government are known as capital markets. The capital market is usually associated with financial assets that are held for more than a year. The process of turning dispersed savings and investable resources into real investments is known as the capital market. One of the many elements that significantly influences the country's economic development is the capital market (Levine and Zervos, 1998). Among the key players in the capital market are saving institutions like banks, investment trusts or firms, stock exchanges, and specialist financial organizations (Bolton and Ludwing, 1998). The capital market's main function is to distribute the capital stock of the economy across the many productive sectors (Fisher and Ronald, 2000).

The ownership share in a business is represented by its stock, often known as capital stock. A portion of a company's ownership is represented by shares. Shares of ordinary stock or preferred stock are the usual forms of stock. Common stock usually provides voting rights that can be used to influence business decisions as a unit of ownership. Unlike ordinary stock, preferred stock is legally entitled to a specific amount of dividend payments before any dividends may be paid to other shareholders. This is how preferred stock differentiates from common stock. Generally speaking, preferred stock does not include voting rights. Preferred stock that has the ability to be converted into a set number of common shares by the holder is known as convertible preferred stock. This option is typically available at any point after a set date. According to Bolton and Ludwing (1998), shares of this type of stock are referred to as "convertible preferred shares" or "convertible preference shares."

Any person or entity that is legally the owner of one or more shares in a joint stock corporation is referred to as a shareholder (or stockholder). Shareholders are present in both private and public enterprises.

The stock market is where typical stock trading occurs. One important area of the capital market is the stock market. Corporate sectors can raise money to finance the productive sectors by issuing shares through the stock market.

Primary and secondary markets are additional categories for the stock market. The primary market is the stock market organization that offers a distinct setup for recently issued securities, whereas the secondary market is the market for purchasing and disposing of older assets. Liquidity provision for these securities is the primary purpose of the secondary market. Encouraging new investors is the purpose of giving such assets liquidity. As a result, the secondary market is necessary to continue investing in the business.

An organization for the orderly purchase and sale of listed existing securities is the stock exchange market. Only listed securities are traded on this market. The supply and demand of securities affect their pricing. The financial markets in emerging nations are not well established. There is a fairly narrow selection of market instruments available. Low income and savings rates, together with a lack of investment options, are constraints on the capital markets.

In Nepal, the stock market has a very short history. In order to facilitate and encourage the expansion of the capital market, the Securities Exchange Center (SEC) was founded in 1976 (Gurung, 2004). But only in 1981 did it open its floor to secondary share trading, and then only for government bonds (NRB, 1996). The Securities Exchange Act of 1984 allowed corporations to trade shares on the SEC's floor, although relatively little was traded. When Securities Exchange Center changed its name to Nepal Stock Exchange (NEPSE) Limited in 1993, the country's first formalized stock market was established. In early 1994, the NEPSE launched for business with a trading floor. It is now Nepal's sole stock exchange. Because of this, the Nepali stock market is still developing but is particularly interesting because it has expanded greatly since it was founded. It was founded to raise funds as an alternative to the country's traditional banking industry in order to support economic growth and development.

The government of Nepal created the Securities Board of Nepal (SEBON) on June 7, 1993, to oversee the country's securities markets. As per the Securities Act of 2006, it has

been supervising the market. The primary responsibilities of SEBON include overseeing and monitoring the operations of stock exchanges, securities dealers, and the issuance, transfer, sale, and exchange of registered securities. The Government appoints a full-time chairperson to the SEBON Governing Board for a four-year term, making the total number of members seven. A representative from the Institute of Chartered Accountants of Nepal, a representative from the Federation of Nepalese Chambers of Commerce and Industries, a joint secretary of the Ministry of Finance, a joint secretary of the Ministry of Law, Justice, and Parliamentary Affairs, and one member appointed by the government from among the experts pertaining to the management of the financial or economic sector are among the other members of the Board.

On August 24, 2007, NEPSE launched its structured Automated Trading technology (ATS), a technology that is interoperable with other countries. The Nepal Stock Exchange (NEPSE) supports CDS and Clearing Limited (CDSC), a firm founded in 2010 under the company act to offer centralized depository, clearing, and settlement services in Nepal. The business opened for business on March 31, 2011. The company's primary goal is to serve as a central depository for a variety of instruments, including bonds, warrants, and equity. It particularly handles dematerialized securities. The firm carries out the depository activities in accordance with the Securities Board of Nepal's (SEBON) securities legislation. The "NEPSE Automated Trading System" (NATS), a completely screen-based automated trading system that uses the order-driven market theory, is the foundation upon which NEPSE runs. Dematerialized securities are bought and sold using NATS.

Purchasing stock shares is a very liquid investing option. One of the key elements influencing an investor's choice to make an investment is the share's market price. The theories also imply that a number of factors, including earnings per share, dividends per share, and book value per share, influence the market price of a share (Sharma, 2011). The supply and demand of stocks impact their price. To maintain equilibrium (or balance) between supply and demand, stock prices must change. Determining share prices is a complex and conflicting task (Malik, Qureshi Azeem, 2012). Numerous fundamental internal factors influenced stock market prices; the findings showed that these internal factors also explained the degree to which these factors affected stock market prices as

well as the generally strong correlation between stock market prices and the independent internal factors (Allahawiah Amro, 2012).

The profit the firm generated per share during the most recent quarter is known as earnings per share. Investors will probably feel safer and more confident about the prospective return on their investment in a firm if it delivers a healthy-looking earnings report. Both the stock's price and demand will increase. However, a company's stock price might drop rapidly if it produces negative earnings or has poor performance and reputation. Over the long term, changes in EPS have a significant impact on share price because, on average, a company's share price rises when its profits increase and falls when its earnings decrease. However, in the near term, the relationship between EPS and MPS may be inverse (Kumar, 2017).

One of the key factors influencing the market value of an equity share is book value. It represents the company's own fund worth per share. The value of each share in a firm is indicated by its book value. The book value is a reflection of the past earnings, dividend distribution policy of the business and financial choices. A corporation with a high book value is likely eligible for a bonus if it has substantial reserves. A low book value suggests either a lax dividend and bonus policy or a dismal track record of profitability achievement. Reinvesting retained revenues in the company's lucrative ventures leads to the expansion of the enterprise. This ultimately leads to an increase in the share's market price. Nevertheless, the investment in new business opportunities reduces book value. Furthermore, reinvesting retained earnings in unsuccessful ventures has a negative impact on book value and the market price of shares (Bhatt, 2013). Thus, choices about investments and dividends have an impact on book value. Furthermore, decisions on investments and dividends have an impact on market value.

The cost of one share of any number of tradable stocks of a business, derivative, or other financial asset is known as the share price. To put it plainly, the stock price is the greatest price at which a person is willing to purchase a stock, or the lowest price at which it may be purchased (Andersen & Subbaraman, 1996). One of the key elements influencing an investor's choice to make an investment is the share's market price. The share's market price is influenced by several variables. As such, it is not at all easy to anticipate share prices. According to Malhotra and Tandon (2018), stock price changes are influenced by

both intrinsic and extrinsic causes, indicating that share price movement is not a reliable indicator of share prices.

1.2 Problem Statement

The market price of a share is significantly influenced by earnings per share, dividends per share, and book value per share. According to a study, earnings per share and dividends per share are the main factors influencing market price (Sharma, 2011). Miller and Modigliani (1961) discovered that the dividend payout ratio, or dividend policy, had no bearing on the company's stock price. Finding the key factors influencing the stock price of commercial banks on the Nepalese stock market is the goal of this investigation. Given this, the following is a possible presentation of the research problem for this study:

- a) What are the main factors influencing commercial banks' stock prices on the Nepalese stock exchange?
- b) How do EPS, BVPS, and GR impact commercial banks' stock prices on the Nepalese stock exchange?

1.3 Objectives of the Study

examined the interactions between the explanatory variables—book value, earnings per share, and dividend per share—and the market price per share. Nonetheless, the following are the goals of this research:

To evaluate the factors that influence stock prices in the Nepalese stock market. Examining the impact of EPS, BVPS, and GR on the price of commercial bank stocks on the Nepalese stock exchange.

- To evaluate the sample banks' EPS, BVPS, GR, and MPS positions.
- To Assess the Effects of GR, EPS, and BVPS on Stock Price.

1.4 Rationale of the Study

The goal of this study was to establish a connection between MPS and the key financial metrics in the Nepalese stock market, such as EPS, BVPS, and GR. It is anticipated that this study would assist prospective investors in the Nepalese stock market in making more informed choices. University students may learn a lot about the trend of stock prices in the Nepalese share market from the study and conclusions. The CEOs and managers of

reputable businesses, managers of investment firms, managers of mutual funds, issue managers, and brokers are anticipated to find this study useful in their decision-making processes. It could also be beneficial to future researchers studying the same subject.

1.5 Limitations of the Study

The following areas have been the exclusive focus of this study:

- a) The research was restricted to examining three commercial banks.
- b) The study's scope was limited to data spanning 10 years, from FY 2013–14 to FY 2022–2023.
- c) Time and money restrictions have hindered our study.
- d) The secondary data served as the study's foundation. Therefore, the outcome is dependent on how trustworthy the secondary data is.
- e) The SEBON, NEPSE, NRB, NABIL, EBL, and NIB yearly reports served as the foundation for the research.
- f) The research's scope has been restricted due to inadequate data and outdated information not being readily available.
- g) All of the variables influencing MPS except EPS, BVPS, and GR have been completely

CHAPTER II

REVIEW OF LITERATURE

The fundamental concepts of the research study are demonstrated in previous research papers, books, articles, and dissertations. They are examined under the headings of conceptual reviews, thesis reviews, and article reviews.

2.1 Theoretical Review

Numerous empirical investigations have been carried out about the factors that influence stock prices. A number of scholars looked studied the correlation between certain internal and/or external elements and stock prices. Depending on the study's parameters, the findings present a range of conclusions. A portion of those elements could apply to all stock markets. A few of these research have been reviewed in this section.

2.1.1 Common Stock

The restricted liability of an organization's owners is a major benefit of corporate firms. Common stock investors may lose their initial investment but not more since common stocks are typically "fully paid and non-assessable." In other words, the stockholders are not obligated to provide the company with the money it needs to satisfy its debts should the company fail to fulfill its responsibilities. Nonetheless, it's feasible that the corporation's share worth will be very little as a result of this kind of failure. If this happens, the investors will lose money equivalent to what they paid for the shares (Sharpe, Alexander, and Bailey, 2000).

Common stock is also known as "finance an equity share is the ownership of a company that gives the owner the right to participate in electing the board of directors and voting on other matter brought before the stockholders, in proportion to the number of shares hold".

2.1.2 Stock Certificates

A single certificate representing the ownership of a company's stock has traditionally been used, on which the number of shares held by a certain investor is shown. A stock certificate of this kind is often registered, and the investor's name, address, and holding

are recorded in the company's records. Depending on the extent of the investor's holdings, dividend payments, voting materials, annual and quarterly reports, and other mailings are then delivered to them directly.

An investor may transfer their shares of stock to a new owner with the help of the issuing company or, more frequently, the company's appointed transfer agent. The old stock certificate will be canceled by this agency, and a new 26-one will be issued in its stead, payable to the new owner. Often, a register will verify that the certificate cancellation and issuance was completed correctly. Listed businesses and trust entities typically serve as registrars and transfer agents. Numerous investors have opted not to participate in these sometimes-laborious processes. Rather, electronic records are employed in place of embossed certificates through the usage of depository trust corporations (Sharpe, Alexander, and Bailey, 2000).

2.1.3 Securities

"When taking out a loan from a Pawnbroker, the borrower is required to leave anything of value as collateral. If the loan (plus interest) is not repaid, the pawnbroker may sell the pawned object to recoup the loan balance (plus interest) and maybe even turn a profit. Pawn tickets serve as a record of the terms of the arrangement. Typically, if a college student takes out a loan to purchase a car, the lender will keep the vehicle until the debt is paid back. Should there be a default, the lender has the right to seize the vehicle and sell it to recoup their expenses. In this instance, the loan is secured by the formal title certificate that the state has issued. When someone borrows money for a trip, they may just sign a document committing to pay it back with interest. Since there is no security, no particular asset has been pledged to the lender in the event of failure, making the loan unsecured. To try to recoup the whole loan amount in such a case, the lender would have to sue the borrower in court. The only documentation of such a loan is a piece of paper known as a promissory note (Francis, 2002).

When a business takes out a loan, it might not provide collateral. For instance, certain loans could be backed or secured by particular assets (buildings or machinery). Mortgage bonds, which specify the repayment period and the specific assets pledged to the lender in the case of default, are used to record these loans. It is far more typical for corporations to simply pledge all of their assets, maybe along with a clause indicating how the divisions

would be handled in the case of failure. A debenture bond is a type of commitment like this.

Lastly, a business may guarantee a portion of the money received from investors. Nothing is promised or committed that cannot be broken. The company just pays whatever its directors decide is appropriate at any given time. On the other hand, the investor has the right to be involved in choosing the board of directors officers. The investor is shielded by this privilege from grave fraud. An investor's legally recognized right is represented by a share of common stock that may be sold to another person, who will then be allowed to exercise the right. Common stock holders are seen as owners of the company and have some theoretical control over how it is run through the board of directors. Generally speaking, an investor's rights to certain prospects or property, as well as the circumstances in which they may be exercised, are only represented by a piece of paper. A security is a piece of paper that serves as proof of ownership. All of its rights and conditions would move with it to a different investor. As a result, everything is a security, including shares of common stock and pawn tickets. Therefore, it is possible to interpret the term "security" as a legal representation of the right to receive future benefits under certain conditions. Security analysis's main goal is to find misplaced securities by figuring out these potential future advantages, the circumstances in which they will be obtained, and how likely it is that these circumstances will exist.

2.1.4 Security Market

The purpose of the securities market is to connect buyers and sellers of securities; in other words, it is a platform designed to make the transfer of financial assets easier. There are several techniques to differentiate between main, secondary, and one-way security markets. The important distinction in this case is whether the issuer is making the securities available for purchase. It's interesting to note that there are seasoned and unseasoned new concerns inside the primary market itself. An unsecured new issue is the first time a security is offered to the public, whereas a seasoned new issue is the issuing of a larger quantity of an already existing security. Initial public offerings (IPOs) are a common term used to describe unseasoned fresh stock transactions.

The duration of financial assets is a further factor in differentiating various security markets. Financial assets having a one-year expiration date or less are usually found in

money markets, whereas financial assets with a one-year or longer life duration are found in capital markets (Sharpe, Alexander and Bailey, 2000).

2.1.5 Stock Market and Stock Exchange

Securities that are still in circulation from earlier issues are traded on secondary markets. The stock market is by far the most significant secondary market for financial managers and the most active one. This is where the firm's stock price is set, and as maximizing the stock price is the main objective of financial management, understanding the market where this price is set is crucial for anybody operating a corporation.

The established exchanges, which comprise the American Stock Exchange (AMEX), the New York Stock Exchange (NYSE), and many regional exchanges, and the less formal over-the-counter markets, are the two main categories of stock markets. We'll start with the organized exchanges because they have a real, physical market place and are simpler to explain and comprehend. Physical entitlements in an organized security exchange are palpable. Every bigger organization used to have its own facility, members who were chosen in advance, and an elected board of governors. Although everyone stands up, members are referred to have "seats" on the exchange. The right to trade on the exchange is granted to the holders of these seats, which are purchased and sold (Weston and Brigham, 1987).

2.1.6 Capital Market in Nepal Stock Market NEPSE

The sole stock exchange in Nepal is the Nepal Stock Exchange Limited. The secondary market and enterprise sector investment opportunities were made available to investors of all sizes through the Nepal Stock Exchange NEPSE market. NEPSE's primary goal is to give government and corporate securities unfettered marketability and liquidity by enabling trade on its trending floor via member market intermediaries including brokers and market makers, among others. NEPSE trades with commercial banks, hydroelectric power plants, insurance providers, and financiers, among other businesses. As of January 2021, the exchange has fifty registered brokers. The main NEPSE index for all stock markets is the NEPSE index. As of January 30, 2021, there were 279 businesses listed on the stock market.

The secondary market is the Nepal Stock Exchange. Operating under the Securities Exchange statute of 1983, NEPSE was founded in accordance with the business statute. The trading floor of NEPSE was inaugurated on January 13, 1994. NEPSE's shareholders include the Nepali government, Nepal Rastra Bank, Nepal Industrial Development Corporation, and its members.

2.1.7 NEPSE Online Trading System (NOTS)

On November 6, 2018, Nepal Stock Exchange Limited (NEPSE) formally introduced the NEPSE Online Trading System (NOTS). The purpose of "NOTS" is to enable online order placement for investors, with all trading, clearing, and settlement occurring through electronic means. The new system's greater convenience will benefit a wide range of market players. Additionally, the technology will provide Nepal's stock market a whole new level of vibrancy.

Honorable Finance Minister Dr. Yuvaraj Khatiwada gave the occasion its start. The Honorable Finance Minister declared, "With the launch of NOTS, Nepal's capital market has taken a new leap" during the event. In addition, he stated that in addition to the introduction of new technologies, policies should be improved, new products should be developed, investor engagement should rise, and the present capital market should be expanded.

Shiva Raj Shrestha, the deputy governor of Nepal Rastra Bank, also spoke on the NRB's plan to sell down its NEPSE holding in light of its regulatory responsibilities. He did, however, reassure that NRB will keep up its active participation in the growth of the capital market.

As the regulator of the Nepalese capital market, Dr. Rewat Bahadur Karki, chairman of SEBON, expressed his pleasure at being a part of the inauguration ceremony. Similarly, Beema Samiti's chairwoman, Chiranjibi Chapagain, thanked NEPSE and all of the investors on the introduction of the new system.

Laxman Neupane, Chairman, opened the session with a brief welcome, followed by Chandra Singh Saud, CEO of NEPSE. (Refer to NEPSE (2018)).

2.1.8 SEBON Policy

The goal of the 2050 Jetha Securities Board of Nepal was to oversee, direct, regulate, coordinate, and monitor the whole capital market. The Ministry of Finance oversees the operations of the Securities Board of Nepal. Since its inception, the board has worked to grow and regulate the market.

The statute also states that a board would be constituted to safeguard investors' interests, standardize securities transactions, and advance the capital market. To achieve its goals, the Securities Board of Nepal is governed by a board of directors of its own. There are seven members of the board of directors. which will have a full-time chairman appointed by the Nepalese government, as well as one representative from each of the following: the Securities Board of Nepal, the Federation of Nepalese Chamber of Commerce & Industry, Nepal Rastra Bank, Chartered Accountants Association, and the Ministry of Finance. These organizations also develop market development policies, grant licenses to open and run stock exchanges, register public offerings, and more.

Goals: Below are listed SEBON's general objectives:

- By regulating the issue, sale, and distribution of securities as well as the acquisition, sale, or exchange of securities, to advance and safeguard investors' interests.
- Oversee, maintain, and keep an eye on the operations of the stock exchange and corporate entities engaged in the securities industry.
- Contribute to the growth of the capital market by ensuring that securities transactions are equitable, sound, efficient, and responsible.

Functions: The following are SEBON's primary functions:

- To offer HMG advice on matters pertaining to the growth of the capital market and the defense of investors' interests.
- To authorize stock exchange operations and monitor them to ensure securities are traded in a healthy manner.
- To register and oversee market intermediaries engaged in secondary trading securities in addition to main offerings.
- To control securities offerings to the public, such as mutual and trust funds.
- To keep an eye on and oversee the trading of securities.

- To carry out studies and research in the field of capital markets.
- To organize conferences, workshops, and seminars; to take part in regional or global programs of this kind; to join forums and communicate with external regulators.

According to SEBON statistics, debentures accounted for about 55% of all public issues in the fiscal year 2076–2077. This was a result of more commercial banks issuing debentures since their loanable funds significantly decreased throughout the review period. Similarly, throughout the fiscal year, four mutual funds issued their shares to the general public, representing an 18% reduction in the market. By the end of January 2076, the board had seen a 1.79% growth rate in NEPSE, compared to a 3.75% rise in the float index the year before. Similarly, NEPSE's listed firms increased by 7.19%, bringing the total number of listed companies to 209. The market capitalization climbed by 24.33% to Rs 15.79 kharba during the review period, from Rs 12.70 kharba the previous year. Similarly, in the fiscal year 2076–2077, the market saw a transaction of Rs 96.99 arba, a decrease of 15.85% from the previous year. The NEPSE reported an average daily transaction of Rs 43.89 crore, a 19.60% decrease from the year prior. As said on Sharesansar.com

2.1.9 Mutual Funds

Open-end investing businesses are commonly referred to as mutual funds. The prospectus for each mutual fund outlines the specific investing policy for that fund. Bond funds, on the other hand, hold fixed-income assets, whilst money market mutual funds hold the short-term, low-risk instruments of the money market. Some funds' requirements are much more specific. As an illustration, certain fixed-income funds will invest mostly in Treasury bonds, while others will focus on mortgage-backed securities. Mutual funds are managed by management organizations as a family, or "complex." They oversee the whole fund raising process and then charge a management fee to run it. These organizations manage a group of funds under one roof, making it simple for investors to move assets across funds and between market sectors while still enjoying the advantages of centralized record keeping.

In Nepal, mutual funds have a little history. In Nepal, the idea of mutual funds is relatively new. Mutual funds are crucial in helping developing nations like Nepal direct savings into the capital market. Mutual funds are a great tool for encouraging Nepal's growing middle class population to save money. The two largest mutual funds in Nepal are Citizen Investment Trust (CIT) and NIDC Capital Market (NCM) Mutual Fund.

2.1.10 Stock Split

A straight stock split, sometimes referred to as a stock split, is effectively an increase in the number of shares by the corporation. A corporation may double, treble, or quadruple the number of outstanding shares in the event of a stock split. The only thing that changes in the economic reality is the market price of each share, which gets dropped. Therefore, investors' excitement about stock splits is utterly illogical.

A stock split results in a decrease in the par, or stated, value of the shares and an increase in the number of shares that are outstanding. The company's overall net value has not altered. The stock split solely involves extra certificates indicating new shares rather than any cash distribution.

Reverse Stock Split

a technique that exchanges a specific number of outstanding shares for one new share of stock in order to increase the market price of a company's stock.

A reverse split results in a decrease in the number of shares that are outstanding and a rise in the shares' par, or stated, value. The company's overall net value has not altered. There is just an extra certificate indicating new shares in the reverse split; there is no monetary payment involved.

2.1.11 Par Value

"Upon initially chartered, a company is permitted to issue a maximum number of shares of common stock, each of which is frequently assigned a par value. If paying common stockholders would lower the value of stockholder ownership on the balance sheet below the amount represented by the par value of outstanding shares, the business may be legally prohibited from doing so. Because of this, the par value is usually less than the initial price at which the stock is sold. Certain companies offer subpar stock. (In this

scenario, the par value needs to be noted in a specific location.)" Bailey, Sharpe, and Alexander (2000). If equities are offered at a premium or discount to par value, the original offering price of a share may differ from that amount.

2.1.12 Book Value

"A business will eventually earn money, most of which is distributed to stockholders as dividends and creditors as interest. Any remaining sum is added to the total recorded in the company's records as cumulative retained profits. The book value of the equity is the total of the cumulative retained earnings plus additional entries under shareholders' equity (like "common stocks" and "capital contributed in excess of par value"): Total Retained Earnings + Capital Contributed Over Par + Common Stock = Book Value of Equity According to Sharpe, Alexander, and Bailey (2000), "the book value per share is calculated by dividing the book value of the equity by the total number of outstanding shares."

2.1.13 Earnings per Share

The earning per share of the company often interests management and current or potential investors. The amount earned on each outstanding share of common stock during the accounting period, ascertained by dividing the total earnings available to the firm's common stock holders for the period by the quantity of outstanding common stock.

$$\text{EPS} = \frac{\text{Net Profit After tax} - \text{Preference Dividend}}{\text{No. of outstanding share}}$$

2.1.14 Dividend

A dividend is the portion of earnings that a company distributes to its shareholders as cash. Naturally, the dividend lowers the amount of earnings retained by the company and has an impact on the overall amount of internal financing. Dividends are the most significant item to investors. In the hopes of receiving a portion of the company's earnings, they purchase shares. Stockholders' primary motivation is to see a return on their investment; nothing makes them happier than to learn about the company's profitability, and more profits translate into higher dividend payments.

A. Cash Dividend

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

B. Bonus Share/ Stock Dividend

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

2.1.15 Market Price per Share (MPS)

It is possible to approve a share of common stock with or without par value. The amount listed in the corporation charter is known as par value. The market values per share of common stock are determined by the company's present and projected dividends, investor perception of stock risk, and par values, which are typically set at relatively low numbers compared to market values (Van Horne and Wachowicz, 2000).

"Common stockholders are frequently referred to as residual owners since, in effect, they are the ones who receive the residual after all other claims have been fulfilled regarding the fund's revenue and assets. Every company issues shares to the public. In a company firm, common shareholders are the real owners. They put money into investments hoping for a big yield. Common stock returns are typically derived from realized capital gains. If their worth rises after being purchased by the public. Because of this, the price of ordinary shares may fluctuate considerably. They fluctuate because of things like the state of the economy and business performance (Gitman, 1991).

The market price of a share indicates both the organization's and the shares' worth. The amount that a buyer pays a seller to acquire stock in a firm is known as the market price of shares, which is also the price at which the shares are exchanged. The market value of a company's shares differs from another. The share price is especially susceptible to environmental conditions and very volatile since ordinary shareholders control the organization and have the lowest priority to claim in a liquidation. There are two kinds of

environments in an organization: internal and external. The atmosphere that exists inside an organization is referred to as the internal environment, and it has some control on the company. In order to enhance stock market share price, the firm works to establish a favorable atmosphere. However, the business has little control on the forces of the external environment, which have a significant impact on share prices. Consequently, the company makes an effort to modify itself in response to the shifting external factors, with the goal of optimizing the firm's worth or share price.

Because the market price of shares is highly influenced by external factors, a favorable climate will raise share prices, and vice versa. Demand and supply, or other market dynamics, are what drove this increase in share price. A company's demand will rise if its earnings and dividends rise because investors will view it favorably and want to purchase shares; conversely, if suppliers prefer to hold their shares, supply will fall and there will be a discrepancy between supply and demand, driving up the market price of shares. The price that investors are willing to pay for an organization's shares is determined by them, and the price that sellers are willing to receive for selling shares is determined by their presumptions about the company and their expectations for the future. These presumptions and expectations differ from person to person. Given their limited expertise, various people interpret the same circumstance in different ways. The stock index provides a proxy for the share's market price. The proxy for all listed firms in NEPSE is the NEPSE index. Thus, it's one of the NEPSE stock price indicators. The world's capital market may be analyzed using a variety of indexes. "Stock market indexes are "pure numbers" that are used to compare index numbers within the same series or with other index numbers." Typically, an index is a ratio calculated using the average of many stocks. To make time differences comparable, a time series of index numbers is often generated from the same base date and base value, which is typically set at 100, 10, or 1. To provide the index a temporal perspective, a previous year is chosen as the base year from which the index's base value is computed (Francis, 1991).

2.2 Empirical Review

Khan (2012) studied the factors that influence share prices at the Karachi Stock Exchange. The primary goal of the research is to identify several factors that influence share prices and how these factors relate to the prices of Pakistan's Karachi Stock Exchange (KSE) 100 index shares. Five quantitative indicators were chosen to determine

the direction and strength of the association after a literature research was completed. These determinants are the Book to Market (BM) ratio, Price Earnings (P/E) ratio, Dividend, Gross Domestic Product (GDP), and Interest Rate. 34 businesses have been randomly chosen as a representative from the 34 KSE sectors. Data covering the period of 2000-2009 has been gathered for the firms in the sample. The -Correlation Model and Linear Multiple Regression are the analytical tools. With the exception of the interest rate and the P/E ratio, it has been determined that every examined component positively and significantly correlates with share prices. Share prices grow in response to increases in the GDP, dividends, and P/E ratio. Share prices are adversely correlated with the BM ratio and interest rate. Thus, the theories created for the GDP rate, interest rate, dividend per share, BM ratio, and P/E ratio are accepted.

A survey study titled "Factors Affecting Stock Market Prices in Amman Stock Exchange" was carried out by Anahawiah & Aniro (2012). Through the perspectives of respondents, this study seeks to determine the influence of the most fundamental elements on the market share price of listed businesses on the Amman Stock Exchange. Both internal and external variables are included in this list. The Amman Stock Exchange's 227 listed firms made up the study's population. A random selection of sixty companies was taken out. Analytical and descriptive methods were used in the investigation. Two types of data were used by the researchers to accomplish the study's goals: primary and secondary data. The study used the statistical package for social sciences (SPSS) and the relevant statistical techniques to test hypotheses. These are the ANOVA analysis test and descriptive statistical metrics. The study's findings demonstrated that both internal and external variables have an influence on the stock prices of firms listed on the Amman Stock Exchange. The kind of a firm's business had the least influence, but the pace of inflation had the most. The researcher made a number of recommendations based on the study's goals and findings, including enhancing the role of businesses by having them participate in the creation of rules and regulations.

The study Determinants of Stock Prices: Empirical Evidence from NSE 100 Companies was carried out by Malhotra & Tandon (2018). The purpose of this study is to determine the variables affecting stock prices in various stock markets. The body of existing research provides compelling evidence that firm-specific factors like dividends, book value, earnings, and so on influence stock price movement. The goal of the current study

is to identify the variables that affect stock prices for the 100 National Stock Exchange (NSE) businesses. Using a linear regression model, a sample of 95 contexts covering the years 2007–2012 is chosen. The results show that while dividend yield has a significant inverse relationship with the market price of the firm's stock, book value, earnings per share, and price earnings ratio have a significant positive association with the firm's stock price.

A Study on Relationship between Market Price & Earnings per Share with Reference to Selected Companies was conducted by Hemadivya & Devi (2013). According to researcher, the most basic factors that influence price of equity share are demand and supply factors. Prices rise when the majority of people purchase, and fall when the majority of people sell. The performance and potential of businesses, governments, and industries all influence investor demand in both primary and secondary markets. Both macro and microeconomic viewpoints can be used to analyze the variables influencing the price of an equity share. Macroeconomic variables encompass governmental rules, the state of the economy overall, and the political landscape. As a result, the current study looks at the connection between and influence of EPS on the market price of certain firms.

Bhattarai (2014), conducted the research on the topic of determinants of share price of listed companies listed on the Nepal Stock Exchange Limited over the period of 2006 to 2014. In this research data was sourced from the annual reports of the sampled listed companies and analyzed using regression model. The results revealed that earning per share and price earnings ratios have the significant positive association with share price while dividend yield showed the significant inverse association with share price. The major conclusion of the study is that dividend yield, earning per share and price; - earnings ratio are When most people buy something, prices rise, and when most people sell something, prices decrease. Investor demand in primary and secondary markets is affected by the success and prospects of companies, governments, and sectors. A variety of macro and microeconomic perspectives are available for examining the factors affecting the cost of an equity share. Macroeconomic factors include the political environment, overall economic conditions, and governmental regulations. Consequently, the present investigation examines the relationship and impact of EPS on the market

value of certain companies. The primary determinants of share price in Nepalese firms that are listed.

In order to investigate the empirical link between stock price and certain factors, such as book value per share, dividend per share, earning ratio, dividend payout ratio, and size in terms of total assets, Almunani (2014) performed study. A sample of seven Jordanian banks and forty-nine observations (containing branches of seven banks) were collected by the researcher between 2005 and 2011 and the banks were listed on the Amman Stock Exchange (ASE). This study examined the fundamentals of share valuation by correlation, regression, and ratio analysis. The results showed that size, earning-per-share, book value per share, price-earnings ratio, and earning-per-share are important factors that affect stock price.

The study "Factors Affecting the Stock Price Movement: A Case Study on Dhaka Stock Exchange" was carried out by Islam, Salam, and Hasan in 2015. Seventeen factors have been chosen for the study because they seem to have an impact on how the price of stocks moves in Bangladesh's capital market. After using SPSS dimension reduction, also known as component analysis, to the 17 variables, the research identified 5 key determinants that impact stock price. Industry Performance, Market Influences, Company Performances, Investor Decisions, and Financial Considerations are the factors that were collected. Additionally, one variable, EPS, is examined together with the stock price to determine the impact of a chosen variable on stock price movement. It was concluded that there is a strong correlation between EPS and changes in stock prices in the capital market. As we have got different factors can affect the stock price movement, however, investor should protect himself from the bad result of these factors. Investors should take into account three primary factors, which are completely acknowledged with corn information and performance, risk management, and ongoing stock monitoring, both before and after doing an analysis in the stock market.

The study, Dividend Effect on Stock Price: An Empirical Analysis of Malawi Listed Companies, was carried out by Majanga (2016). The argument in this research has focused on a company's stock price and the several elements that influence its rise or fall. One of the most notable aspects that most academics highlight is the quantity of dividends that the company declares to its investors. The purpose of this essay is to determine if a

company's dividends and stock price are directly correlated, with a focus on the Malawi stock exchange. The study examines secondary data sets for thirteen regional businesses that were listed between 2008 and 2014 on the Malawi Stock Exchange. The study demonstrates a substantial positive connection between stock price and dividends, retention ratio, profit after tax, earnings per share, and return on equity over a seven-year period. The correlation analysis uses stock price as an independent variable. Thus, the research proves that on the. According to the Malawi Stock Exchange (MSE), a company's dividend and stock price have a significant positive correlation. The research also reveals that a variety of factors influence stock price, with dividends being one of the most important ones.

The results of this study will assist managers of listed companies, who act as stewards, and potential and current investors in understanding and appreciating the impact of dividend declarations—or lack thereof—on the psychology of stockholders, which in turn influences the price of the corresponding company's shares on the stock exchange.

The influence of fundamental variables on the stock price of Nepalese commercial banks was studied by Pradhan and Paudel (2017). The independent variables are earnings per share, dividends per share, net profit margin, return on equity, and return on assets.

Furthermore, the dependent variables are the market price per share and the change in the market price per share. Data are gathered from the annual reports of the chosen listed firms as well as the Banking and Financial Statistics and Bank Supervision Report issued by Nepal Rastra Bank. Based on 13 Nepalese listed firms between 2007 and 2014, 104 observations in total were made for the study. To determine the importance and influence of fundamental variables on the stock price of Nepalese listed businesses, regression models are estimated. The findings indicate a positive relationship between the stock price (market price per share and change in market price per share) and dividend per share (DPS), return on assets (ROA), and earnings per share (EPS). This suggests that a greater stock price would correspond with better DPS, ROA, and EPS. Net profit margin, however, has a negative relationship with stock price. According to the regression's findings, at the five percent significance level, the beta coefficients for DPS and EPS are positively significant when paired with market price per share.

In 2018, Ghimire and Mishra carried out study on the factors that influence stock prices in the Nepalese market. For the time period (2012-2017), a sample size of 11 financial and non-financial enterprises was chosen. Multiple regression analysis and descriptive statistics estimation were employed by researchers to examine the effects of certain variables, including DPS, EPS, P-Fi ratio, BV, and MPS. Positive influence has been used in this investigation with DPS. The stock price is least influenced by BV and EPS.

Based on research that is available in both international and Nepalese contexts, Rakhil (2018) examined the impact of a few key macroeconomic determinants on stock market performance, including remittances, money supply, exchange rate, and interest rate. Rakhil showed that while interest rates and currency rates have a negative impact on stock market performance, remittances and money supply have a beneficial impact. There was, however, disagreement about the impact of each macroeconomic condition on stock market performance due to the abundance of literature that supported and refuted these conclusions. Therefore, using this combination of factors in the Nepalese context, comparable research may be expanded using a new technique that may better explain and assess the performance of the Nepalese stock market and helps to decrease confusion among literature.

According to Jauhari and Yadav (2014), the Sensex index's volatility in India is correlated with macroeconomic factors such as GDP, savings, capital creation, gold price, industrial production, money supply, exchange rate, WPI, and interest rate. However, Naik and Padhi (2012) also looked at the BSE Sensex, a measure of the Indian stock market, and found that there was a negative correlation with inflation but a positive correlation with the money supply and industrial production. It was discovered that the short-term interest rate and the currency rate had little influence on Indian stock values. The long-term correlation between stock prices and macroeconomic factors such as the industrial index, interest rate, currency rate, and inflation in Pakistan was demonstrated by Rashid (2008). In particular, Khan (2014) observed that the interest rate had a negative relationship with stock prices (KSE-100 index) in Pakistan, but the exchange rate, inflation, and GDP growth rate had positive relationships.

Sharma (2011) investigated the empirical link between the prices of equity shares and explanatory factors for the years 1993–1994 to 2008–09, including book value per share,

dividend per share, earning per share, price–earnings ratio, dividend yield, dividend payment, and size in terms of sale. The findings showed that the market price of a share was significantly influenced by earnings per share, dividends per share, and book value per share. The study's further findings showed that the two biggest factors influencing market price were earnings per share and dividend per share.

2.3 Research Gap

Most frequently taken into consideration are earlier studies and researches on the NEPSE's stock price determinants. Reviewing earlier theses reveals that the researchers did not employ Growth Rate (GR), a significant measure of changes in the market value of shares, as a driver of stock price variation. This study closes the gap that the previous studies had left unfilled. The study may vary from previous studies in terms of sample firms, data presentation, and statistical and financial instruments utilized for data interpretation and analysis. It also employs statistical techniques like correlation coefficient and multiple regression analysis. With five years of data from the fiscal years 2015–16 through 2020–21, the research will examine the factors that influence the stock prices of the three commercial banks in light of the aforementioned research gap.

CHAPTER III

RESEARCH MEHODOLOGY

The term "research methodology" refers to the several approaches that are often used by researchers to analyze their research topic and its rationale. Accordingly, research technique is an orderly, methodical attempt to look at a certain issue that has to be solved (Wolf and Pant, 1999). Research technique is one of the most crucial components of any study as it should always be carried out in a methodical manner. Research technique is crucial for any researcher to properly evaluate the research topic. The process of completely and methodically addressing the research topic is generalized by research methodology. Consequently, research technique is employed to ensure that the study's goals are satisfied.

In addition to outlining the research methodology, this chapter examines the reasoning behind the techniques as they apply to the particular research subject. In this context, the study design, data type and sources, population and sample, and data analysis techniques and tools are covered in the chapter on research methodology.

3.1 Research Design

According to Kerlinger (1978), research design is the framework, approach, and plan of an inquiry that aims to control variance and provide a response to research questions. It is the overarching research strategy that outlines a clear and rational approach to address predetermined research question(s) through data collection, interpretation, analysis, and discussion.

This study's primary goal is to investigate how MPS interacts with EPS, BVPS, and GR. Descriptive and causal comparative study designs will thus be used to ascertain how EPS, BVPS, and GR affect stock price.

3.2 Population and Sample and Sampling Design

Only the shares of 19 of the current 20 commercial banks—private, government-owned, and joint ventures—have been traded on NEPSE. The population is thus 19. The

convenience sampling method is used to pick three commercial banks as the study's sample size from the population.

3.4 Nature and Sources of Data

The data's nature will be incidental. The secondary data will come from a variety of sources, including journals, unpublished thesis reports, newspapers, Wikipedia, Investopedia, Sharesansar.com, Merolagani.com, bulletins from various agencies, annual reports and websites of associated banks, NRB, SEBON, and NEPSE, and more.

3.5 Analysis of Data

Several techniques are used to tabulate, process, analyze, and classify the data. Regression analysis and the Karl Pearson Correlation Coefficient have been computed. To find the percentage degree of association between the variables, the coefficient of determination has been determined. Similar to this, the linear association between MPS and EPS, MPS and BVPS, and MPS and GR has been examined using simple regression analysis. In addition, MPS's link to EPS, BVPS, and GR has been ascertained through the use of multiple regression analysis.

To ascertain the strength and direction of the association between the variables, the correlation coefficient is computed. The correlation coefficient for Karl Pearson is provided by:

$$r = \frac{\text{cov}(X,Y)}{\sqrt{\text{var}(X)}\sqrt{\text{var}(Y)}}$$

where,

X= MPS (Dependent Variable)

Y= EPS/ BVPS/ GR (Independent Variable)

When one of the independent variables is changed while the other independent variables are kept constant, regression analysis is used to look at how the dependent variable's usual value changes.

Multiple Regression Analysis

The algebraic connection between one dependent variable and two or more independent variables is represented by the multiple linear regression equation. With the values of the

independent variables known, this relationship is used to estimate the value of the dependent variable. It is provided by:

$$X = a + b_1X_1 + b_2X_2 + b_3X_3$$

where,

X = MPS (Dependent Variable)

X_1 = EPS (Independent Variable)

X_2 = BVPS (Independent Variable)

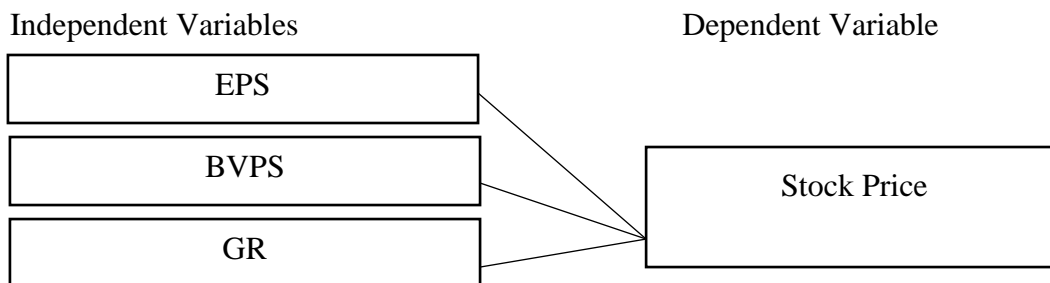
X_3 = GR (Independent Variable)

a = Y-intercept and

b_1 , b_2 and b_3 are the coefficients of X_1 , X_2 and X_3 respectively

3.6 Research Framework and Definition of Variables

The dependent variable of stock price is the main variable of interest in this study. The literature research has demonstrated the correlation between stock price, EPS, BVPS, and GR. In order to understand the link, three independent variables will be employed. EPS, BVPS, and GR will be these three variables.



Definition Variables

The market stock price will be regarded as a dependent variable in this study. The variance in Nepal's commercial banks' stock price fluctuations will be explained by three independent factors. EPS, BVPS, and GR will be these three variables.

Earning Per Share (EPS)

A company's earnings per share is calculated by dividing its total number of outstanding common stock shares by its profit. Profit per share (EPS) displays a company's earnings per share of its stock. Because investors would pay more for a firm with more earnings, a higher EPS is indicative of greater value.

It is computed using:

$$\text{EPS} = \frac{\text{Net Income}}{\text{Total number of share outstanding}}$$

Book Value per Share (BVPS)

The equity accessible to common shareholders divided by the total number of outstanding shares is known as book value per share, or BVPS. This is the lowest amount of equity that a firm can have.

It is computed using:

$$\text{BVPS} = \frac{\text{Shareholders' Equity}}{\text{Total number of share outstanding}}$$

Growth Rate (GR)

The percentage increase in net profit after taxes over the prior year's net profit after taxes is known as the growth rate.

It is computed using:

$$\text{GR} = \frac{\text{Current Year Net Profit} - \text{Previous Year Net Profit}}{\text{Previous Year Net Profit}} \times 100\%$$

Market Price per Share (MPS)

The amount that investors are ready to pay for each share of common stock is known as the market price per share. Share prices fluctuate in response to demand from investors. It should go without saying that the pricing affects how much a share will cost.

CHAPTER IV

RESULTS AND DISSUASION

In compliance with the study approach outlined in chapter III, data gathered from secondary sources are presented and evaluated in this chapter in order to meet the goals outlined in chapter I.

4.1 Presentation of Data

The information gathered from various secondary sources is displayed below.

4.1.1 Earning Per Share (EPS)

A company's earnings per share is calculated by dividing its total number of outstanding common stock shares by its profit. Profit per share (EPS) displays a company's earnings per share of its stock. Because investors would pay more for a firm with more earnings, a higher EPS is indicative of greater value.

Table 1

Earnings Per Share (EPS) of Sample Banks

(In Rs.)

Fiscal Year	EBL	NABIL	NIB
2013/14	86.04	76.12	40.70
2014/15	78.04	57.24	30.90
2015/16	40.33	59.27	29.30
2016/17	32.48	59.86	29.30
2017/18	32.78	51.84	35.70
2018/19	38.05	50.57	26.43
2019/20	29.71	36.16	17.03
2020/21	19.91	33.57	22.00
2021/22	26.30	18.64	20.70
2022/23	31.43	23.67	13.90
Mean	41.51	46.69	26.60
SD	22.18	18.11	8.32
CV (%)	53.43	38.78	31.30

Source: Appendix I

NABIL's average earnings per share (EPS) throughout the research period was Rs. 46.69, more than that of other sample banks. NABIL's standard deviation is 18.11. Compared to other sample banks, EBL has a larger coefficient of variation, indicating a higher level of risk associated with its earning potential. Compared to other sample banks, NIB 31.30% has a lower coefficient of variance. It implies that NIB has more uniformity in earning per Share during the study period and it is less fluctuating among other sample banks during the study period.

4.1.2 Book Value per Share (BVPS)

The equity accessible to common shareholders divided by the total number of outstanding shares is known as book value per share, or BVPS. This is the lowest amount of equity that a firm can have.

Table 2

Book Value per Share (BVPS) of Sample Banks

(In Rs.)

Fiscal Year	EBL	NABIL	NIB
2013/14	296	251	166
2014/15	335	259	155
2015/16	371	244	189
2016/17	290	270	176
2017/18	201	256	234
2018/19	220	257	199
2019/20	220	256	191
2020/21	235	251	198
2021/22	239	232	186
2022/23	237	210	163
Mean	264.45	248.60	185.60
SD	56.10	16.81	22.67
CV (%)	21.21	6.76	12.22

Source: Appendix I

The average bank-wide profit margin throughout the research period was Rs. 264.45, with a standard deviation of 56.10. This figure is larger than that of other banks. NABIL has a

lower coefficient of variation than other banks, at 6.76%. Less variation in book value per share results from it. EBL has a higher coefficient of variation than other sample banks, at 21.21%. It suggests that the BVPS of EBL fluctuates a lot.

4.1.3 Growth Rate (GR)

The percentage increase in net profit after taxes over the prior year's net profit after taxes is known as the growth rate.

Table 3

Growth Rate (GR) of Sample Banks

(In Percentage)

Fiscal Year	EBL	NABIL	NIB
2013/14	5.34	4.55	1.28
2014/15	1.59	(9.74)	1.15
2015/16	14.92	34.65	30.02
2016/17	17.07	31.32	56.51
2017/18	21.89	7.55	(8.34)
2018/19	18.30	6.45	(9.16)
2019/20	(17.61)	(18.30)	(27.10)
2020/21	(22.19)	30.73	46.86
2021/22	24.09	(6.00)	6.72
2022/23	38.37	50.49	(2.02)
Mean	10.18	13.17	9.59
SD	18.79	22.42	26.48
CV (%)	184.64	170.25	276.09

Source: Appendix I

Compared to other sample banks, NABIL had a higher average growth rate of 13.17% over the research period. Its standard deviation, which is 22.42%, is less than that of NIB but greater than that of EBL. Since NIB's coefficient of variation is larger than that of EBL and NABIL, it may be inferred that growth rate fluctuations are more pronounced than they are for EBL and NABL. The average growth rate of NIB is 9.59% which is the lowest among the sample banks.

4.1.4 Market Price per Share (MPS)

The amount that investors are ready to pay for each share of common stock is known as the market price per share. Share prices fluctuate in response to demand from investors. It should go without saying that the pricing affects how much a share will cost.

Table 4

Market Price per Share (MPS) of Sample Banks

(In Rs.)

Fiscal Year	EBL	NABIL	NIB
2013/14	2631	2535	960
2014/15	2120	1910	704
2015/16	3385	2344	1040
2016/17	1353	1523	770
2017/18	663	921	621
2018/19	666	800	519
2019/20	675	765	431
2020/21	738	1359	460
2021/22	439	824	265
2022/23	563	499	174
Mean	1323.30	1348.00	594.40
SD	1032.11	712.23	281.16
CV (%)	78.00	52.84	47.30

Source: Appendix I

The average MPS of NABIL throughout the research period was Rs. 1348, greater than that of EBL and NIB. EBL has a greater standard deviation (1032.11) and coefficient of variance (78.00%) than other sample banks. This indicates that compared to NABIL and NIB, the market price of EBL fluctuates a lot. Among the sample banks, NIB has the lowest average MPS at Rs. 281.16. It has a coefficient of variation of 47.30% and a standard deviation of 281.16. This suggests that, in contrast to other sample banks, there is less variation in the market price of NIB.

4.1.5 Analysis of Financial Indicators

Table 5

Overall EPS, BVPS, GR and MPS of Sample Banks

Sample Banks	Avg. EPS	Avg. BVPS	Avg. GR	Avg. MPS
EBL	41.51	264.45	10.18	1323.3
NABIL	46.69	248.6	13.17	1348
NIB	26.6	185.6	9.59	594.4
Overall Mean	38.27	232.88	10.98	1088.57
Overall SD	10.43	41.71	1.92	428.14
Overall CV (%)	27.26	17.91	17.48	39.33

Source: Appendix I

The sample banks' overall EPS throughout the research period was determined to be Rs. 38.27, with an overall standard deviation of 10.43 and an overall CV of 27.26%. Comparably, the sample banks' overall BVPS is Rs. 232.88, their overall standard deviation is 41.71, and their overall CV is 17.91%. Similarly, the sample banks have an overall GR of 10.98%, an overall standard deviation of 1.92%, and an overall CV of 17.48%. In conclusion, the sample banks had an overall MPS of Rs. 1088.58, an overall standard deviation of Rs. 428.17, and an overall CV of 39.33%.

4.2 Analysis of Data

Regression analysis and the Karl Pearson Correlation Coefficient have been computed. To find the percentage degree of association between the variables, the coefficient of determination has been determined. In a similar vein, MPS's link to EPS, BVPS, and GR has also been ascertained by multiple regression analysis.

4.2.1 Correlation Analysis

The link between EPS, BVPS, and GR and MPS of sample banks has been determined by correlation analysis.

Table 6

Correlation of MPS with EPS, BVPS and GR of Sample Banks

	EPS	BVPS	GR	MPS
EPS	1			
BVPS	.597**	1		
GR	0.006	-0.040	1	
MPS	.760**	.755**	0.045	1

Correlations		EPS	BVPS	GR	MPS
EPS	Pearson Correlation	1	.597**	0.006	.760**
	Sig. (2-tailed)		0.000	0.974	0.000
	N	30	30	30	30
BVPS	Pearson Correlation	.597**	1	-0.040	.755**
	Sig. (2-tailed)	0.000		0.834	0.000
	N	30	30	30	30
GR	Pearson Correlation	0.006	-0.040	1	0.045
	Sig. (2-tailed)	0.974	0.834		0.812
	N	30	30	30	30
MPS	Pearson Correlation	.760**	.755**	0.045	1
	Sig. (2-tailed)	0.000	0.000	0.812	
	N	30	30	30	30

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

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

MPS and EPS of EBL, NABIL, and NIB have a 0.760 connection. At the 5% level of significance (2 tailed), it demonstrates a substantial positive correlation between MPS and EPS. It suggests that MPS rises in tandem with an increase in EPS and vice versa. Similarly, there is a 0.755 connection between the MPS and BVPS of NABIL, NIB, and EBL. At the 0.01 level of significance (2-tailed), it shows that MPS and BVPS have a substantial positive correlation. It suggests that MPS rises in tandem with an increase in BVPS and vice versa. Similarly, there is a 0.045 association between MPS and GR of EBL, NABIL, and NIB. There is a very weak positive link between MPS and GR, according to the correlation. The degree of relationship between MPS and the individual factor correlations is quite strong. We are unable to determine which one aspect is more important in determining MPS pricing. Nearly equal weight is given to each component in determining the share price.

4.2.2 Regression Analysis

Regression analysis is used to ascertain whether or not the independent variables have an impact on the dependent variable. A study of multiple regression is used to determine how MPS relates to EPS, BVPS, and GR. where EPS, BVPS, and GR are the independent variables and MPS is the dependent variable.

Table 7

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.850 ^a	0.722	0.690	445.31

a. Predictors: (Constant), GR, EPS, BVPS

Table 7 demonstrates that the multiple correlation coefficient (R) value, which indicates how well the independent variable predicts the dependent variable, is 0.850. The model's three independent variables account for 72.20 percent of the variance in EBL, NABIL, and NIB, according to the R-square, or coefficient of determination. The corrected R2 result demonstrates that the explanatory factors, earning per share, book value per share, and growth rate of net profit, account for 69.0% of the variance in the dependent variable, or MPS.

Table 8

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13374322.231	3	4458107.410	22.481	.000 ^b
	Residual	5155929.136	26	198304.967		
	Total	18530251.367	29			

a. Dependent Variable: MPS

b. Predictors: (Constant), GR, EPS, BVPS

In a similar vein, Table 8 demonstrates that the F-statistic is 22.481 and significant because the significance level is less than 5%. Thus, it can be said that the market price

per share of Nepalese commercial banks is significantly influenced by earnings per share, book value per share, and the growth rate of net profit.

Table 9

Regression Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1501.318	411.964		-3.644	0.001
EPS	20.350	5.507	0.477	3.696	0.001
BVPS	7.672	2.097	0.473	3.659	0.001
GR	2.221	3.757	0.061	0.591	0.560

a. Dependent Variable: MPS

The market price per share and book value per share P values are both less than 0.05, at 0.001 and 0.001, respectively, indicating a strong influence of BVPS and EPS on MPS. The growth rate P value of 0.560, which is more than 0.05, is discovered to indicate that the effect of GR on MPS is negligible.

4.3 Discussion

The goal of the study was to identify the factors that influence stock price volatility and how those factors affect share market prices. Analyzing the factors that influence stock prices in the Nepalese stock market is the primary goal of this study. And the specific objectives are to examine the effect of EPS, BVPS and GR on the stock price of commercial banks in Nepalese Stock Market, to analyze the relationship between EPS, BVPS and GR with stock price and to assess the position of EPS, BVPS, GR and MPS of sample banks.

Demand and supply considerations are the fundamental determinants of equity share price. Prices rise when the majority of people purchase, and fall when the majority of people sell. The performance and potential of businesses, governments, and industries all influence investor demand in both primary and secondary markets. Both macro and microeconomic viewpoints can be used to analyze the variables influencing the price of an equity share. Macroeconomic variables encompass governmental rules, the state of the

economy overall, and the political landscape. Thus, the goal of the current study is to determine how EPS and market price of certain firms are related (Hemadivya & Devi, 2013).

Regression analysis was used to examine the study data, which came from the annual reports of the selected listed corporations. The findings demonstrated that, although growth rate had a negligible relationship with share price, earnings per share and price earnings ratios had a strong positive link with share price. The study's main finding is that the two most important variables affecting share price in Nepalese listed businesses are book value per share and income per share.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

With the launch of the NEPSE Online Trading System (NOTS) on November 6, 2018, there has been a notable increase in investors and market capitalization in Nepal's capital market, which is now in a rising stage. The capital market, shares, book value, par value, market price, pricing mechanism, and the variables influencing the market price of shares are, however, concepts that the general public and investors lack. They want to invest but are unable to do so since they do not know enough about this topic. Regarding the capital market, every major party that controlled the country had a different policy and point of view. Thus, as the administration has changed, so too have policies and priorities. Despite being on the priority list in both the interim three-year plan and the tenth five-year plan, the government has not prioritized the growth of the capital market. The development of the capital market cannot be implemented by the government. Consequently, the lack of sufficient transparency in the listed businesses' and the capital market's performances is impeding the latter's development. Stock investors lack the knowledge and training necessary to make educated guesses about share prices.

The goal of the study was to identify the factors that influence stock price volatility and how those factors affect share market prices. Analyzing the factors that influence stock prices in the Nepalese stock market is the primary goal of this study. Additionally, the particular goals are to evaluate the position of EPS, BVPS, GR, and MPS of sample banks as well as the impact of these metrics on the stock price of commercial banks on the Nepalese Stock Market. Additionally, the link between EPS, BVPS, and GR and stock price will be examined.

In order to achieve the intended goals, a variety of literatures were examined to gain a thorough understanding of the factors that influence stock price. A variety of statistical methods were considered in order to investigate the variables influencing stock price. The impacts of EPS, BVPS, and GR on MPS of the sample banks in the Nepalese Stock Market were examined using correlation analysis. The impacts of EPS, BVPS, and GR on the MPS of the sample banks were further examined using simple regression and multiple

regression analysis. To clarify the position of EPS, BVPS, and GR of the sample banks, the findings were displayed in tables and figures. At the 0.01 level of significance (2-tailed), there is a strong positive connection between EPS and BVPS with MPS of EBL, NABIL, and NIB. That being said, there is relatively no link between GR and MPS.

5.2 Conclusion

The purpose of this research paper is to investigate the factors that influence stock price fluctuation and how they affect it. For the study, three commercial banks with NEPSE listings were chosen as examples. The independent variables included in this study to examine its impact on the share's market price are EPS, BVPS, and GR.

According to the study's conclusions, market price per share and EPS have a strong positive correlation for each of the sample banks. We might thus draw the conclusion that the MPS is heavily reliant on the banks' EPS. The results of the multiple regression analysis demonstrate how closely the sample banks' MPS, EPS, BVPS, and GR are related. It clarifies that the combined impact of EPS, BVPS, and GR of these sample effective initiatives to limit random fluctuation of MPS and establish the banks has a significant influence on the MPS of the sample banks.

5.3 Implications

The following highlights the main suggestions that may be made in light of this research:

- In order to provide investors confidence in the NEPSE, SEBO/N, and NRB, the Nepalese stock market (NEPSE, SEBON, and NRB) should implement a system of routine monitoring and review.
- People in Nepal have demonstrated a propensity to chase businesses that have given out larger bonuses and right-of-share, most likely at the expense of potential future development. Instead of using intuitive, logical finance reasoning, people spend their hard-earned money based on hearsay and rumors that are disseminated in the financial market. Investment banks and credit rating organizations are thus required to evaluate the businesses.
- Businesses should routinely update investors on their financial situation by sending them updated reports. A distinct entity is required to assess the advantages and disadvantages of publicly traded corporations and to provide

appropriate disclosures and recommendations to the general public on investment risk. This will assist investors in making wise decisions about their money at the appropriate times to reduce or eliminate risk. Investor interests should be adequately protected by the NRB, SEBO, and NEPSE.

- Tight laws and regulations should be created and put into place by the government to support the growth of the share market. It is necessary to set up a system that allows the flawed organization to respond right away.
- Any company's ultimate goal is to maximize its investors' wealth position, which is mostly dependent on the correct trends of EPS, BVPS, GR, and other important indicators. It is imperative that investors are well-informed about this reality to enable them to make wise investment decisions. To this end, public corporations ought to regularly initiate thoughtfully crafted awareness efforts.
- A larger sample size, sophisticated technique, a high number of observations, and a main survey can all be used in future research.

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ABSTRACT This study investigates the stock price trends

of commercial banks listed on the Nepal Stock Exchange (NEPSE) **over** a specified **period**

. The primary objective is to comprehensively analyze the dynamics influencing these trends, utilizing historical stock price data, statistical analysis techniques, and econometric modeling. Through trend analysis, correlation studies, and regression modeling, the research aims to identify key factors such as financial performance metrics (e.g., profitability, asset quality), market conditions (e.g., trading volumes, volatility), and macroeconomic indicators (e.g., interest rates, GDP growth) that impact stock prices. By evaluating these factors, the study seeks to provide a deeper understanding of the underlying mechanisms driving stock price movements in the Nepalese commercial banking sector. The significance of this research lies in its potential to offer valuable insights for investors seeking to make informed investment decisions, regulators aiming to develop effective market policies, and academia interested in advancing knowledge of financial markets and economic dynamics. Through rigorous analysis and interpretation of findings, this study contributes to enhancing transparency and understanding within the NEPSE-listed commercial banks' stock market, facilitating more informed decision-making processes across various stakeholders. Keywords: Stock Prices, Earnig Per Share, Book Value Per Share, Growth rate, Regression Analysis, Financial Indicators

CHAPTER-I INTRODUCTION 1.1 Background of the Study The markets made up of long-term securities issued by corporations or the government are known as capital markets. The capital market is usually associated with financial assets that are held for more than a year. The process of turning dispersed savings and investable resources into real investments is known as the capital market. One of the many elements that significantly influences the country's