An Analysis of Share Price Behavior of Commercial Banks in Nepal

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

By

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CERTIFICATION OF AUTHORSHIP

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

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Dikshya Dahal

December, 2024

REPORT OF RESEARCH COMMITTEE

Mrs. Dikshya Dahal has defended research proposal entitled **An Analysis of Share Price Behavior of Commercial Banks in Nepal** 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 Prakash Kumar Gautam, PhD, and submit the dissertation for evaluation and viva voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled **An Analysis of Share Price Behavior of Commercial Banks in Nepal** presented by **Dikshya Dahal** for degree of **Master of Business Studies**. We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

ADBL	: Agriculture development Bank Limited
AGM	: Annual General Meeting
APT	: Arbitrage Pricing Theory
ATM	: Automated Teller Machine
BVPS	: Book Value Per Share
CAPM	: Capital Assets Pricing Management
CV	: Coefficient of Variation
d.f	: Degree of Freedom
DPR	: Dividend Payout Ratio
DPS	: Dividend Per Share
DY	: Dividend Yield
EBL	: Everest Bank Limited
EMH	: Efficient Market Hypothesis
EPS	: Earning Per Share
FY	: Fiscal Year
GBIME	: Global IME Bank Limited
GDP	: Gross Domestic Product
HBL	: Himalayan Bank Limited
MBL	: Machhapuchhre Bank Limited
MPS	: Market Price Per Share
MPT	: Modern Portfolio Theory
NBL	: Nepal Bank Limited

NEPSE : Nepal Stock Exchange

NFRS : Nepal Financial Reporting Standards

NICA : NIC Asia Bank Limited

No : Number

NRB : Nepal Rastra Bank

NRN : Non-Residential Nepalese

NWPS : Net Worth Per Share

OTC : Over the Counter Market

P/E : Price Earnings Ratio

ROA : Return on Assets

ROE : Return on Equity

RSI : Relative Strength Index

S. D : Standard Deviation

S. N : Serial Number

SANIMA : Sanima Bank Limited

SBL : Siddhartha Bank Limited

SCB : Standard Chartered Bank Limited

Se : Standard Error

SEBON : Security Board of Nepal

% : Percentage

t-cal : Calculated Value of t

t-Tab : Tabulated Value of T

ABSTRACT

This study is mainly focused on determining the effect of different financial indicators of commercial banks of Nepal on the market price of those banks. It analyzes how the price fluctuates with respect to different financial indicators such as EPS, DPS, BVPS, PE and DPR. For determining such effects or relations, secondary data has been extensively used. Different statistical and financial tools are employed for the analysis of these parameters. Correlation analysis has been carried out to determine the strength of relation between dependent and independent variables. Simple regression analysis and multiple regression analysis has been done to determine regression equation of the dependent variable on a single and multiple independent variable respectively. Microsoft Excel has been used as the analysis software.

The results revealed that the correlation between MPS and other financial indicators varies among different banks. The correlation between MPS and EPS is highest for MBL, while that between MPS and DPS is highest for EBL. Similarly, correlation of MPS with BVPS and DPR are highest for EBL and with PE is highest for SCB. The results of simple regression analysis have been tested by employing t-test, which revealed that there is statistically significant relationship between MPS and all independent variables.

The multiple regression analysis of all banks combined revealed that EPS and P/E have a significant effect on the dependent variable, as their t-statistics are large (well above the critical value) and their p-values are very small. DPS, BVPS and DPR are not statistically significant, as their p-values are greater than 0.05, indicating they do not have a meaningful impact on the dependent variable.

Keywords: Market Value per Share, Earning Per Share, Dividend Per Share, Book Value Per Share, Dividend Payout Ratio, Price Earnings Ratio, Correlation Analysis, Regression Analysis

CHAPTER I
INTRODUCTION

1.1 Background of the study

The steady progress of development activities relies heavily on the sufficient supply of both medium- and long-term capital for productive investment projects, which ties directly to finance. Finance plays a crucial role in gathering or converting capital to meet the financial demands of different institutions. For effective allocation of financial resources, the financial market acts as an intermediary, connecting entities with excess funds to those in need. Essentially, financial markets create a space where fund providers and those seeking funds can conduct transactions. These markets are made up of the money market and the capital market.

The money market is created by a financial relationship between suppliers and demanders of short-term funds, which have maturities of one year or less. Most of the money market transactions are made in marketable securities, which are short-term debt instruments such as treasury bills, commercial papers and negotiable certificates of deposit issued by government, business and financial institutions. The money market exits because certain individuals, businesses, governments and financial institutions have temporary idle funds that they wish to place in some type of liquid asset or short-term, interest-earning instrument. At the same time, other individuals, businesses, governments and financial institutions find themselves in need of seasonal or temporary financing. The money market thus brings together the suppliers and demanders of short-term liquid funds." (Gitman 2009)

The stock market is where people buy and sell shares of companies. This can happen on official exchanges, like the New York Stock Exchange, or through over-the-counter (OTC) markets, all of which follow certain rules. While the stock market is often talked about, it's not always well understood. Its main purpose is to bring together people who want to buy and sell stocks, making it easier to trade and ensuring that shares are easier to buy and sell quickly.

The price of stock refers to the current market value of a single share of that stock while being traded on a stock exchange platform. When a company offers its shares for public trading, it assigns them a specific price and valuation, which are intended to reflect the company's actual value. In Nepal Stock Exchange, the first trading day price is set to be equal to 1 to 3 times the

book value of that stock. Fluctuations in a stock's price are influenced by various factors like economic shifts, industry changes, political events, conflicts, and environmental alterations. (Giri,2024)

The banking sector holds significant importance in the economic progress of a nation. Banks serve as intermediaries that gather deposits from diverse sources and then invest the pooled funds in sectors like agriculture, trade, commerce, industry, and tourism, among others. Accordingly, banks are highly beneficial and essential for a modern society, especially playing a crucial role in the economic advancement of developing nations like Nepal. In recent years, scholars and professionals have shown keen interest in the movement of stock prices as it can serve as an indicator of risk in financial markets. There has been a growing focus on modeling the fluctuating volatility of stock returns over time. (Shrestha & Subedi, 2014)

The performance of stock prices in the banking industry can significantly influence the stability of the financial system and the prosperity of investors (Khadka & Pokharel, 2019)

1.2 Problem Statement

After a company becomes public and its shares are traded on a stock exchange, the price of its shares is set by how many people want to buy or sell them. If many people want to buy shares because of positive news, the price goes up. Research shows that the prices of shares in Nepal can be unpredictable, and currently, the market is rising.

Research on the stock price variability of commercial banks is relatively limited, despite the banking sector's crucial role in the country's economic development. While some studies have explored the factors affecting stock price fluctuations in Nepalese commercial banks, there is a significant gap in research on how this variability impacts the banking sector and the broader economy. (Khadka & Pokharel, 2019)

This study aims to identify what factors affect stock prices and how much these factors influence them. It will analyze the share prices of commercial banks in Nepal using financial information to understand their behavior and discuss on the implications of these variations. This study will try to answer the following questions:

1. What are the determinants of stock prices?
2. How the earning per share affects the share price?

3. What is the effect of dividend per share on the share price?
4. How the book value per share affects the share price of Nepalese commercial banks?
5. What is the effect of PE ratio on the share price?
6. Is the trend of MPS running in accordance with these financial indicators?

1.3 Objective of the study

The objectives of this study will be examining the impact of the internal factors on the stock price of Commercial Banks in Nepal. The major objectives will be to examine the effect of firm specific variables in share price. However, specific objectives of the study are as follows:

1. To determine the effect of EPS, DPS, BVPS, DPR and P/E ratio on MPS.
2. To measure the relationship of MPS with EPS, DPS, BVPS, DPR and P/E ratio.
3. To determine a regression model predicting MPS based on studied variables.

1.4 Rationale of the study

As we know, it is quite essential to understand the financial strengths of the company in terms of financial indicators, i.e. EPS, BVPS, DPS, DPR, PE Ratio etc. These financial indicators play important role to determine MPS in the market. Here, one question arises, is the MPS of the Nepalese public company sufficiently guided by financial performance. This study is focused on the analysis of the relationship of MPS with different financial variables. This study will include the relation of market price per share with earning per share, book value per share and dividend per share. This research will be helpful for commercial banks to analyze their activities and to know about factors which affect the share price of commercial banks. It is important for students, researchers, investors, planners and policy makers to meet their personal and organizational goals. The research is also helpful to different policy makers such as SEBON, NEPSE, NRB etc. to formulate better policy in the area of share market and share price.

Likewise, this information is expected to be helpful to the manager of the respective company. This thesis will provide the information about the position of share price in share industry.

1.5 Limitation of the Study

As every research or study has its' own limitations, this study has some limitations as below:

1. Only 10 commercial banks out of 19 commercial banks listed in the stock exchange have been taken into consideration for the study.
2. The study covers all the relevant data and information only for 10 years, i.e. from Fiscal Years 2071/2072 to 2080/81.
3. Only few financial and statistical tools is used in the study.
4. There are some differences in the published data from various sources.

CHAPTER II
LITERATURE REVIEW

The "Review of Literature" involves studying past research and relevant information to expand existing knowledge and deeply explore a subject. It begins with finding a suitable topic and continues through various related studies. This chapter focuses on reviewing of various books, magazines, journals, research papers, published/unpublished thesis reports etc. which affects the stock price in Nepalese commercial banks.

2.1 Conceptual Review

2.1.1 Security Board of Nepal (SEBON)

The Securities Board of Nepal (SEBON) was set up by the Government of Nepal on June 7, 1993, to oversee the country's securities markets. It operates under the Securities Exchange Act, 2006. SEBON advises the government on how to improve the capital market and is responsible for registering securities of companies that are allowed to issue them to the public.

SEBON keeps an eye on stock exchanges and securities dealers, checking their activities to make sure they follow the rules. It can suspend or cancel their licenses if they break the rules. SEBON also gives licenses to companies that want to deal in securities and supervises investment schemes and funds.

Additionally, SEBON manages the clearing accounts for securities trades and controls the volume of trades. It protects investors from insider trading and other illegal activities. The board reviews financial statements of companies and securities dealers, giving them instructions when needed to ensure they follow the rules. SEBON also organizes the process for buying company shares and works with other agencies to make sure securities and corporate issues are properly supervised. Overall, SEBON’s goal is to promote the growth, transparency, and fairness of the securities market.

2.1.2 Nepal Stock Exchange (NEPSE)

Nepal Stock Exchange (NEPSE) is only one license holder of mediator of Security Board of Nepal. NEPSE is the only stock exchange in the country, whose ownership structure is shown in Table 1.

According to the Security Bylaws (1996) and the Stock Exchange and Transactions Bylaws (1998), companies offering securities must have them listed on the stock exchange within three months after the offer closes. The stock exchange then provides a platform for trading shares of these listed companies, which helps create liquidity (easier buying and selling) for the shares. As of September 2024, there are 245 listed companies, including Commercial Banks, Hydropower Companies, Insurance Companies, and Finance Companies. The exchange had 75 registered brokers as of September 2024.

Table 1

Capital Structure of NEPSE

S. N	Shareholders	Ownership %	No. of Shares
1	Government of Nepal	58.66	58,66,000
2	Nepal Rastra Bank	9.5	9,50,000
3	Employees Provident fund	10	10,00,000
4	Rastriya Banijya Bank	11.23	11,23,000
5	Laxmi Bank Ltd	5	5,00,000
6	Prabhu Bank Ltd	5	5,00,000
7	Others	0.6	60,000

Source: https://www.nepalstock.com/about-us/introduction

2.1.3 Stock Market

Share market can provide an innovation and valuable source of capital for long term economic development and it also provides a useful mechanism for government. The nature of stock market is efficient if a current share price reflects all available information. However, the efficient market is under serious doubt since majority of corporate firms such as manufacturing and trading are under performing except banking and some service sector. In an efficient market, share prices would be analyzed by fundamental and technical analysis. Fundamental analysis is evaluating the intrinsic value of the company and technical analysis evaluates the stock price movement. Share price is the most important indicator used by investors to invest

on a particular share. The main objective of investing in the stock market is to maximize the return at low level of risk and minimize the risk at the high level of return. Investor will select the investment alternative with the highest return. Investors are those persons and companies who are buying and selling shares.

2.1.4 Common Stock

The stock market is a system where people buy and sell shares of companies. These shares represent ownership in the companies. The market helps companies raise money for growth and allows investors to trade shares. Share prices change based on company performance and market conditions. The goal for investors is to buy shares at a low price and sell them at a higher price to make a profit. Common stock is a way for companies to get money for the long term. When you own common stock, you have a piece of the company and a share in its profits. Each stock certificate is a legal document showing your ownership. Only corporations can issue common stock, not sole proprietorships or partnerships. Common stockholders have the right to vote on company decisions, but they also take on some risk because they get paid after all other claims are settled if the company fails. They have limited liability, meaning they're only responsible for the amount they invested. Common stock provides a safety net for creditors if the company faces losses. The "equity of total assets" ratio helps show how much value might be lost before creditors face losses. Shareholders, who are the owners of common stock, get certificates for their shares and usually have one vote per share. The maximum number of shares a company can issue is set in its corporate charter. The money raised from common stock is called fixed capital and can't be paid back during the company's life. The price of common stock on the market depends on factors like earnings per share, dividends, and book value. Lower bank interest rates can increase the demand for shares, while higher rates can decrease it.

2.1.1 Commercial Banks

Commercial banks in Nepal are key financial institutions that offer a broad range of services to individuals, businesses, and government entities. They primarily function to accept deposits, including savings, fixed, and current accounts, providing a secure place for funds. Banks also extend loans for various needs such as personal, home, and business loans, with interest charged on these credits. In addition, they facilitate payments and transfers through various

channels like online and mobile banking, and manage foreign exchange transactions. Some banks also offer investment services and financial advisory to help customers manage and grow their wealth. Regulated by the Nepal Rastra Bank, the central bank of Nepal, commercial banks are vital to the country's economic stability and development. The sector has expanded significantly, reaching more customers and offering an increasing array of financial products and services. It regulates the buying, selling, and transfer of these securities and gives permission for stock exchanges to operate, making sure they follow the laws.

2.1.5 Organizations Under Study

This dissertation focuses on the stock price behavior of ten prominent commercial banks in Nepal: Machhapuchhre Bank, Siddhartha Bank, Everest Bank, Sanima Bank, Global IME Bank, Nepal bank, Agriculture Development Bank, Standard Chartered Bank, Himalayan Bank and Nic Asia Bank. These banks have consistently been among the leading institutions in terms of market capitalization, volume of trading, and profitability. The study examines how their stock prices behave, the factors that influence these movements, and the implications for investors and stakeholders.

Global IME Bank ltd

Global IME Bank Ltd, previously known as Global Bank, was founded in Nepal in January 2007 as a private company. In 2012, it merged with IME Financial Institution and Lord Buddha Finance to become Global IME Bank. Between 2012 and 2019, several other financial institutions, including 4 development banks, 2 commercial banks, and 1 finance company, also merged with Global IME Bank. The bank's head office is located in Panipokhari, Kathmandu. It has 270 branches, including the head office, 38 extension and revenue collection centers, 249 branchless banking points, and 257 ATMs across the country.

Siddhartha Bank ltd

Siddhartha Bank Limited (SBL) is a major bank in Nepal, licensed by Nepal Rastra Bank as an “A” Class financial institution. It was established on December 24, 2002. The bank has grown significantly, with 183 branches and 3 extension counters across the country. Siddhartha Bank is known for being reliable, trustworthy, and technologically advanced. It offers its services through its extensive branch network and is one of the rapidly growing banks in Nepal.

The bank's promoters come from various private sectors and bring valuable business experience to help improve the bank.

Machhapuchhere Bank ltd

Machhapuchchhre Bank Limited was established in 1998 as the first regional commercial bank from western Nepal and began operations in Pokhara in 2000. The bank aims to meet customer needs by combining excellent service with advanced technology and international best practices. It was a pioneer in introducing new banking technologies in Nepal. Machhapuchchhre Bank offers modern banking services such as Any Branch Banking, Internet Banking, Mobile Banking, Safe Deposit Lockers, utility bill payments, and ATM services with VISA Debit Cards. It also provides 365-day banking and evening counter services at many of its branches. The bank has 136 branches, 128 branchless banking units, and 159 ATMs across the country.

Sanima Bank ltd

Sanima Bank Limited was established in 2004 as a national-level development bank with the goal of supporting national development. It was founded by prominent non-resident Nepalese (NRN) businessmen. The bank received its operating license from Nepal Rastra Bank and became the 32nd commercial bank in Nepal. Sanima Bank is dedicated to exceeding customer expectations through continuous improvements and innovations. In 2017, the bank acquired Bagmati Development Bank Ltd. It offers a wide range of banking products and services to both corporate and retail customers through 102 full branches and 28 extension counters across all 7 provinces in Nepal.

Everest Bank ltd

Established in 2051 B.S. (1994), the bank began its operations with its first branch in New Baneshwor on 1st Kartik 2051. Initially, it was associated with United Bank of India Ltd. However, in 2053 B.S. (1996), United Bank of India Ltd. transferred its equity to Punjab National Bank (PNB), India. This led to a partnership with PNB, which provided management services and banking expertise to the bank through a technical service agreement. With PNB's support, the bank developed strong systems and procedures, and over time, it has grown into one of the leading private sector banks in Nepal. It is recognized as one of the fastest-growing

commercial banks in the country. The bank aims to become a world-class, progressive, and customer-friendly institution, offering a wide range of financial services and integrating advanced technology, especially for the middle class.

Nepal Bank ltd

Nepal Bank Limited, established in 1994 B.S, is the first commercial bank in Nepal, playing a crucial role in the country's banking sector. It offers a wide range of services, including savings accounts, fixed deposits, and loans for personal, home, business, and agricultural needs. The bank also provides foreign exchange services and facilitates remittances, which are vital for many families relying on money from abroad. With an extensive branch network across Nepal, it ensures accessibility to both urban and rural customers, complemented by digital banking options for convenience. Regulated by the Nepal Rastra Bank, it adheres to strict financial standards and engages in corporate social responsibility initiatives to support community development. Over the years, Nepal Bank Limited has garnered recognition for its contributions and commitment to delivering quality banking services.

Agriculture Development Bank ltd

The Agriculture Development Bank of Nepal (ADBL) was established in 1968 to support farmers and the agricultural sector. Its main goal is to help improve farming, ensure food security, and boost the income of rural communities. The bank provides various services, like loans for buying seeds, livestock, and farming equipment, as well as savings accounts for farmers. ADBL also runs programs to promote modern farming techniques and the use of technology in agriculture. It works closely with the government and other organizations to implement agricultural policies and projects. By providing essential financial support and promoting modern practices, ADBL helps create a more prosperous future for Nepal's rural communities.

Standard Chartered Bank ltd

Standard Chartered Bank Nepal is a subsidiary of Standard Chartered Bank, which is a major international bank headquartered in London. Standard Chartered Bank Nepal, established in 1987 A.D, is one of the prominent banks in the country, offering a wide range of financial services. It provides retail banking options like savings and current accounts, personal and

home loans, and various credit cards. For businesses, the bank has corporate banking services, including trade finance and customized loans. It also offers investment services, such as wealth management and mutual funds. The bank is committed to supporting the local economy through initiatives in corporate social responsibility, focusing on education, health, and environmental sustainability. Operating under the regulations of the Nepal Rastra Bank, it ensures compliance with local laws while maintaining a network of branches across major cities for customer accessibility. Additionally, Standard Chartered offers robust digital banking options and customer support through multiple channels.

Himalayan Bank ltd

Himalayan Bank Ltd is a prominent commercial bank in Nepal. Established in 1993, it offers a wide range of financial services, including savings and current accounts, loans, and investment products. The bank focuses on providing quality customer service and has a strong network of branches across the country. Himalayan Bank also engages in various community and social initiatives, contributing to local development. With a commitment to innovation, it has embraced digital banking solutions to enhance customer experience.

NIC Asia Bank ltd

NIC Asia Bank Ltd is one of the top commercial banks in Nepal, founded in 1998. It provides various financial services, such as savings accounts, loans, and investment options. The bank has many branches and ATMs across the country, making it easy for people to access banking services. NIC Asia focuses on good customer service and uses technology to offer digital banking solutions for convenience. The bank also participates in community projects to support local development.

2.1.6 Share price Behavior

Share price behavior refers to how the price of a company's stock changes over time. It involves tracking whether the price is generally going up, down, or staying the same. Key aspects include trends, which show the overall direction of the price movement; volatility, which measures how much the price fluctuates; and volume, which indicates how many shares are being traded. Patterns in price charts can help predict future movements, while market sentiment reflects investor attitudes influenced by news and company performance.

Additionally, company-specific news and technical tools are used to analyze and forecast share price changes. Understanding these elements helps investors make informed decisions about buying or selling stocks.

2.1.7 Technical Analysis

Technical analysis of shares involves examining historical market data, particularly price and volume, to forecast future stock price movements. This method operates on the premise that all relevant information is already reflected in the stock price, and that prices move in trends, whether upward, downward, or sideways. Analysts use various types of charts, such as line, bar, and candlestick charts, to identify patterns like head and shoulders or double tops and bottoms, which can signal potential trend reversals. They also apply indicators and tools, including moving averages, Relative Strength Index (RSI), and MACD, to analyze price trends and market conditions. Volume analysis, which looks at the number of shares traded, helps confirm trends and patterns. Support and resistance levels, where prices tend to stabilize or reverse, are also key in technical analysis. While it can provide valuable insights, technical analysis has limitations as it does not consider fundamental factors like a company's financial health, and its predictions are based on patterns and probabilities, not certainties. Hence, it is often used alongside other analysis methods for a more comprehensive view.

2.1.8 Fundamental Analysis

Fundamental analysis is a method used to assess the value of a stock by examining a company's financial health, performance, and the broader economic environment. This approach involves analyzing financial statements, such as the income statement, balance sheet, and cash flow statement, to understand a company's profitability, assets, liabilities, and cash flow. Key valuation metrics used in fundamental analysis include the Price-to-Earnings (P/E) ratio, Price-to-Book (P/B) ratio, and Dividend Yield, which help evaluate whether a stock is undervalued or overvalued. Additionally, the analysis includes evaluating the company's business model, competitive position, management, and growth prospects. It also considers industry trends and economic conditions, such as interest rates and inflation. Analysts use models like the Discounted Cash Flow (DCF) to estimate a stock's intrinsic value. By comparing this intrinsic value to the current market price, investors can make informed decisions about buying,

holding, or selling stocks based on the company's underlying value rather than short-term market fluctuations.

2.1.9 Book Value Per Share (BVPS)

Book value per share shows how much each share of a company is worth based on what the company owns minus what it owes. It tells you the value of each share if the company were to sell everything and pay off its debts. Unlike market value, which changes based on how investors feel, book value is based on real numbers from the company's financial records. Investors use this to see if a stock is fairly priced. If the market price is much higher than the book value, it might mean people expect the company to grow. If it's lower, it could mean the company is struggling or undervalued.

2.1.10 Market Price Per Share (MPS)

Market value per share refers to the current price at which a company's stock is traded in the market. It fluctuates based on various factors, including the company's financial performance, expected future dividends, and the perceived risk by investors. Unlike par value, which is a fixed nominal value recorded in the corporate charter, market value is driven by market forces such as supply and demand. When investors have confidence in a company's future growth and earnings, demand for its shares increases, raising the market value. Conversely, poor performance or negative external factors can decrease demand, leading to a drop in the stock's market price. Overall, market value per share reflects how much investors are willing to pay for a share at any given time.

2.1.11 Dividend Price Per Share (DPS)

The dividend price per share is the amount of money a company pays to its shareholders for each share they own. It's like a reward for owning a piece of the company, usually paid out of the company's profits. For example, if a company declares a dividend of Rs. 2 per share and we own 10 shares, we would receive Rs. 20.

2.1.12 Dividend Yield (DY)

The dividend yield is a way to measure how much money you earn from a company's dividends compared to the price of one share of its stock. To find it, you take the dividend per share and divide it by the share price. This number is usually shown as a percentage. It helps investors

understand how much a company is paying out in dividends each year, based on its current share price.

2.1.13 Dividend Payout Ratio (DPR)

The dividend payout ratio is a measure that shows what portion of a company's earnings is paid out to shareholders as dividends. It is calculated by dividing the total dividends paid by the company by its net income (profit). In simple terms, it tells us how much money a company is giving back to its shareholders compared to how much it earns. A higher ratio means the company is paying out more of its earnings as dividends, while a lower ratio means it's keeping more of its earnings to reinvest in the business.

2.1.14 Earning Price Per Share (EPS)

Earnings per share (EPS) is a way to show how much profit a company makes for each share of its stock. It helps investors see how well the company is doing. To calculate EPS, you take the company's total profit (after expenses), subtract any payments made to preferred shareholders, and divide that by the total number of shares available. This number allows investors to compare different companies and see their performance, with higher EPS usually seen as a good sign. However, EPS has its limits; it doesn't give a full picture of a company's financial health, can be influenced by different accounting methods, and doesn't account for the company's debt. So, while EPS is useful for understanding profitability, it should be looked at alongside other financial information for a clearer view.

2.1.15 Price-to-Earnings Ratio (P/E Ratio)

The price-to-earnings (P/E) ratio is a way to see if a company's stock price makes sense compared to how much money it makes. You find it by dividing the stock's current price by its earnings per share (EPS). If the P/E ratio is high, it means people expect the company to grow and are willing to pay more for its stock, but it could also mean the stock is overpriced. A low P/E ratio might mean the stock is a good deal or that the company is facing problems. Investors often look at the P/E ratio to decide if a stock is a smart buy based on how much money the company earns.

2.1.16 Retained Earning

Retained earnings are the money a company keeps from its profits instead of giving it to shareholders as dividends. This money is often used to invest in new projects, pay off debts, or save for future needs. We can see retained earnings on the company's balance sheet. They are calculated by adding the previous retained earnings to the profit made and then subtracting any dividends paid. In simple terms, retained earnings show how much profit a company has saved over time to help it grow and cover costs.

2.1.17 Return on Equity (ROE)

Return on equity (ROE) is an important measure that shows how well a company uses the money invested by its shareholders to make profits. It's calculated by dividing the company's net income (the profit it earns after all expenses and taxes) by shareholders' equity (the total money invested by shareholders). A higher ROE means the company is good at turning investment into profit, which is appealing to investors. ROE is useful for comparing companies in the same industry because different sectors have different standards. However, it's important to look at ROE along with other financial metrics, like return on assets (ROA) and debt levels, to get a complete picture of a company's health. Sometimes, companies may try to make their ROE look better through certain strategies, so understanding the full context is key.

2.2 Theoretical Review

2.2.1 Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) suggests that stock prices always reflect all available information. As a result, no investor can consistently "beat the market" by using publicly available information(Fama, 1970). EMH has three levels:

- **Weak Form**: Current stock prices incorporate all past trading information (like price history and trading volume), making technical analysis ineffective.
- **Semi-Strong Form**: Stock prices reflect all publicly available information, including financial reports and news, so fundamental analysis also becomes ineffective.
- **Strong Form**: Even insider information is reflected in stock prices, meaning no one can consistently outperform the market.

2.2.2 Random Walk Theory

This theory argues that stock prices move in a random and unpredictable manner. Since each price change is independent of past movements, no pattern or trend can be reliably used to predict future prices. It supports the idea that trying to "time the market" is futile because future prices are random(Malkiel 1973).

2.2.3 Fundamental Analysis Theory

This approach suggests that stock prices are driven by the intrinsic value of the company. Investors analyze factors like earnings, revenue, debt, and industry conditions to determine if a stock is overvalued or undervalued. When the market realizes a stock's "true" value, its price adjusts accordingly. Unlike EMH, this theory assumes that investors can identify mispriced stocks.

2.2.4 Technical Analysis Theory

This theory proposes that stock prices move according to patterns, trends, and historical data. It assumes that market psychology, investor sentiment, and supply-demand forces cause predictable patterns in stock prices. By analyzing past price charts and indicators, technical analysts attempt to predict future movements.

2.2.5 Behavioral Finance Theory

Unlike traditional theories, behavioral finance considers human psychology and emotions as key drivers of stock price behavior. It suggests that irrational behaviors like fear, greed, overconfidence, and herding influence stock prices. This theory explains phenomena like market bubbles and crashes, which are not fully explained by EMH or Random Walk Theory.

2.2.6 Arbitrage Pricing Theory (APT)

The Arbitrage Pricing Theory (APT) suggests that stock prices are influenced by multiple factors or risks, such as inflation, interest rates, and market sentiment. Unlike EMH, APT allows for mispricing in the short term but assumes that arbitrage (buying undervalued assets and selling overvalued ones) will eventually restore fair prices. (Ross, 1973)

2.2.7 Portfolio Theory

Portfolio theory, also known as Modern Portfolio Theory (MPT), was introduced by economist Harry Markowitz in 1952. This theory helps investors construct an optimal investment portfolio that balances risk and return. Instead of focusing on individual assets, MPT emphasizes how different assets interact within a portfolio. One of its key principles is diversification, which involves spreading investments across various asset classes like stocks, bonds, and real estate to reduce overall risk. The idea is that if one asset performs poorly, others may perform well, thus minimizing potential losses. MPT also focuses on the relationship between risk and return, where investors aim to maximize returns for a given level of risk or, alternatively, minimize risk for a desired return. To visualize this balance, the concept of the efficient frontier is used, which is a curve representing all the possible portfolios that provide the best return for the least risk. Portfolios on this frontier are considered optimal.

2.2.8 Capital Asset Pricing Theory

The Capital Asset Pricing Model (CAPM) is a financial theory that explains the relationship between the expected return of an investment and its risk. Developed by William F. Sharpe, John Lintner, and Jan Mossin in the 1960s, CAPM builds on Modern Portfolio Theory (MPT) by introducing a more specific way to measure an asset's risk and its expected return. The core idea of CAPM is that investors need to be compensated for both the time value of money and the risk associated with the investment. The CAPM model separates risk into two categories: systematic risk and unsystematic risk. Systematic risk, also known as market risk, is the risk that affects the entire market (like interest rate changes or economic recessions) and cannot be avoided through diversification. In contrast, unsystematic risk is specific to an individual company or industry and can be reduced through diversification. CAPM assumes that since unsystematic risk can be diversified away, only systematic risk matters when determining an asset's expected return.

2.3 Empirical Review

Paudel (2002) conducted research on "Investing in Shares of Commercial Banks in Nepal: An Assessment of Return and Risk Elements". This paper tried to determine whether the shares of commercial banks in Nepal were correctly priced and to trace their future price movements when striving towards equilibrium. For this, some theoretical models were discussed to analyze

return and risk characteristics of those shares. The correlation coefficients between the returns on individual shares and the return on market portfolio were analyzed with the objective of decomposing the total risk into systematic and unsystematic components. The analysis of the individual stock's beta coefficient helped determine the minimum rate of return required by the investor to compensate for systematic risk. Statistical results suggested that the analyzed shares here were not in equilibrium with most of the shares being less risky than the market. While all the shares examined appear to be attractive to the potential investors since they produce higher rates of return than that of the average stock, the various shares had different degrees of risk with some shares being unable to generate the minimum rate of return (i.e., the sum of risk free-rate plus a premium for additional risk bearing).

Pradhan, (2003)conducted research on "Effects of dividends on common stock price: the Nepalese evidence". The major purpose of this paper is to explain share price, dividend and retained earnings relationships in the context of Nepal. It attempts to ascertain the effect of dividend payment and retained earnings on market price of share. It is not yet known in Nepal whether there is customary strong dividend or retained earning effect on market price of share and if the Nepalese stock market has started recognizing the impact of retained earnings. The findings indicate that share value is affected by dividend payments. This finding is consistent with the existence of net preference for current dividends as opposed to capital gains. There is an indication that a somewhat higher investor valuation may be placed on dividends than on retain earnings. To the extent that this conclusion is valid, it is possible that management might be able, at least in some measure, to increase stock prices by raising dividends. However, the opposite may be true in growth companies where management might be able to increase share price by greater retention of earnings which could not be revealed by this study. Thus, it may be pointed out that dividend payment is more important as compared to retained earnings in Nepal. If the company retains more earnings, the market price of share may decline.

Mainali (2003) undertook his study on the share price behavior of listed commercial banks with major objectives as to analyze the share price behavior of commercial banks listed with NEPSE and to examine the risk involved in the common stock investment of the sample commercial banks. His findings were that the past and present price changes can screen out some valuable information in forecasting future price changes and there exists a significant

difference in the actual and expected number of runs for the series daily closing price changes of the sampled commercial banks and today's price change is dependent upon the information of yesterday's price changes.

Adhikari, (2004) studied the behavior of share in the market in his thesis entitled “Share Price Behavior of Joint Venture Banks in Nepal”. The main objectives of the research were to examine the price trend, risk and return analysis of joint venture Banks, effects of dividend on the price of the stock and market price of stocks are over or under priced. The study concluded that the shares of publicly quoted joint venture commercial banks were less risky as compared to the other average stocks traded in the stock exchange. In his study, he has taken seven joint venture commercial banks as a sample for examining the relationship as well as for using different indicators. The study concluded that good track record of the financial position; market penetration and continuous declaration of dividends encouraged the potential investors to buy the share of joint venture commercial banks. Therefore, the share of joint venture commercial banks emerged as the blue chips in the Nepalese stock market. In the securities market analysis, it was found that all the banks under study were underpriced and the potentiality of each bank in gaining in the market remained prevalent.

Neupane (2004) conducted a study on Determinants of Stock Price in Nepal Stock Exchange taking 11 sample organizations using various financial and statistical tools like standard deviation, correlation, regression analysis, t-test, Z-test. He concluded that in NEPSE, DPS, BPS and EPS individually do not have consistent relationship with the market price of share, among the listed companies. The pricing behavior varies from one company to another. But EPS, BPS and DPS, jointly have significant effect in market price shares. So, there may be other major factors affecting the share price significantly. NEPSE is in its primary stage, adopting open outcry system for stock trading and stockbrokers lack professionalism to create investing opportunities in NEPSE. Commercial banking sector has dominated the overall performance of NEPSE. Manufacturing and processing, trading and hotel sector have weak performance. So financial intermediaries are strong but their ultimate investment is suffering.

Gautam (2005) conducted a research on “A Study on the Behavior of Stock Market Price in Nepalese Security Market”. The main objectives of the research were to examine and study the price trend with the help of NEPSE index, volume of stock traded, impact of signaling factors

on NEPSE, to find the correlation coefficient and regression analysis between the sampled companies and to analyze the closing market price of the sampled companies. The major findings of the study were as follows: The price trend of the sampled companies was not in a predictable trend and the volume of the stock traded was in a fluctuating trend during the study period. The relationship between EPS and DPS and EPS and NWPS was positive. The regression analysis between the EPS and market price showed that all sample companies had positive regression coefficient which indicated that the price would increase at an average rate. The major signaling factors such as closure of major industries, closure of multinational companies and political demonstrations of four political parties played a major role in determining the NEPSE index. Gautam recommended formulating "Investors Protection Act" to remove difficulties such as transaction facilities in the stock market. She also stressed on the need of adopting one window policy to provide all services while granting approval.

Sapkota (2005) studied "Stock Price Behavior of the Listed Finance Companies in Nepal". His study specifically aimed to study and analyze stock price trend and volume of stock traded in the secondary market, relationship between BVPS and MVPS of the finance companies and to analyze the risk and return associated in the common stock investment of the selected finance companies. He used financial and statistical tools like standard deviation, correlation analysis, beta coefficient, t-test etc. to study the stock price behavior. In his study, he had taken ten finance companies as a sample and the sample period covered FY 1998/99 to FY 2003/04 for examining the relationship as well as for using different indicators. The major findings of the study were as follows:

1. Among the various groups of industries commercial banks and manufacturing and processing group were in a dominant position in terms of volume and traded amount.

2. The beta coefficient which measured the risk of individual security in relative terms suggested that none of the shares of sample finance companies were at high risk. The shares of finance companies were less risky than those average stocks traded in the stock exchange due to good track record of their financial position, market penetration and continuous declaration of dividends.

3. The run test which measures the randomness of sample events suggested that the changes in the market price of the common stocks of selected finance companies were not random. In fact,

run in every finance company it was lower than expected. This indicated that market over reacted to the available information.

4. The correlation coefficient and the regression analysis revealed that there was no relation between the BVPS and the MVPS.

Sapkota in his research had concluded that compared to the position and performance of the stock market in Nepal, it was not able to gain strong economic position as expected due to market limitations like limited number of buyers and sellers, rigid government policies and weak position of corporate sector etc. He recommended formulating "Investors Protection Act" for removing stock market difficulties. Moreover, he also recommended that NEPSE, the regulatory body, should impose effective provisions to its members to control excessive price fluctuations and conduct periodic research on stock issues and avail the findings to the public which would help people make better investment decisions.

Joshi, (2006) conducted research on "Day-of-the-Week Effect: Is it an Industry Specific Phenomenon?" In his study, the researcher had reexamined the day-of-the week effect in stock returns for Nepalese Stock market using broad index and industrial indices by accounting for the beginning of the week difference for the sample period 1995 to 2005. The study was particularly motivated by Joshi and K.C. (2005) who reported the Thursday effect for broad stock market Nepal Stock exchange (NEPSE) index and Brusa, Liu and Schulman (2003) who documented that Monday effect exists not only in broad stock market but also in most of the industrial indices for US stock market and thus is not an industry- specific phenomenon. The results of his studies indicated that the day-of-the-week effect did not exist in broad index but existed only in few of the industries and was thus the industry specific phenomenon. This finding was inconsistent to that observed for stock market of US. Moreover, disappearing phenomenon across industries was also observed in the research.

Joshi and Bhattarai, (2006) conducted a research on "Stock Returns and Economically Neutral Behavioral Variables Relationship in the Nepalese Stock Market". Their research was conducted to assess the relationship between economically neutral behavioral variables and stock returns documented in Saunders (1993), Hirsh Leifer and Shum way (2003), Cao and Wei (2004, 2005) and Kamstra, Kramer and Levi (2003) by examining a stock market of a single small developing country-Nepal, Nepal Stock Exchange (NEPSE), that have received

little attention in the literature. In particular the research was focused on three mood proxy variables, all continuous: two were the weather variables (cloud cover and temperature) and third one was a biorhythm variable (SAD). The results of their study showed that there was a significant relationship (positive) between stock returns and economically neutral behavioral variable represented by the cloud cover. This finding was inconsistent to that reported by Saunders (1993) and Hirsh Leifer and Shumway (2003) who observed significant negative relationship between stock returns and Cloud cover. With respect to temperature and SAD variable the researcher did not observe such significant relationship. The results were also inconsistent to the findings documented in Cao and Wei (2004, 2005) and Kamstra et al (2003) who reported the significantly negative relationship between stock returns and temperature and positive and significant relationship between stock returns and SAD variable respectively. The findings were however consistent for sub-period (the exception being first sample period) and for one of the industrial indexes examined. The overall results lead to the conclusion that Nepalese stock market is not efficient in the weak form of efficiency.

Baral and Shrestha, (2006) conducted a research on "Daily Stock Price Behavior of Commercial Banks in Nepal". This study examines the stock price behavior of listed commercial banks by using the daily price movements of commercial banks sampled randomly in the fiscal year 2005/06.Observations of daily stock prices of sampled banks indicate that there is a large variation in their stock prices in the fiscal year 2005/06. They are not doing well in Nepalese stock market. Most of the serial coefficients are significantly deviated from zero and statistically insignificant. It signifies that the successive price changes are dependent. Therefore, the Nepalese stock market is inefficient in pricing the shares. Runs test results also show that the percentage of deviation between the observed and actual number of runs in the series of price changes is significant. It is obvious that the successive price changes are not random. Thus, RWH does not hold true in the context of Nepalese stock market.

Thapa, (2007) has studied the behavior of Nepal Stock Exchange (NSE) index on Behavior of Nepal Stock Exchange Index. The study endeavors to examine the efficiency of the behavior of NEPSE index. It covers the period of five years from 2000-2005 by considering all the sectors. Conclusion says that the growth of the capital market is in slow pace. Banks and

finance companies are in better position. NEPSE Index shows no sign of improvement and reflects the aggregate volatility of the share prices of the listed companies.

Dhakal, (2007) conducted a research on Determinants of Share Price on Nepalese Commercial Banks with randomly selected 10 commercial banks concluded that the MPS of most of the banks are found to be correlated with other individual financial indicator like BPS, EPS and DPS insignificantly. This shows that they individually rarely influence share price but they have combined effect on it. Most banks are unknown about laws and policies regarding share market but poor rules and regulation as well as infective regulatory mechanism of market makers are the problem of Nepalese capital market. Due to the inadequate knowledge of share market among Nepalese investors, capital market of Nepal has not been well developed yet. The reason why commercial banks are only the attractive sectors to invest, in the view of investors is that they are better managed and controlled, that is why they are in profit and distribute good rate of dividend.

Baskota, (2007) conducted a research on "The Behavior of Common Stocks in Nepalese Capital Market". The major objectives of this study are to analyze the behavior of stock price, investing behavior of general public and relationship between EPS and its respective variables. The study has analyzed two commercial banks, two trading companies, one finance company, two manufacturing and processing companies, two insurance companies and one hotel listed in the NEPSE for FY 2000/01 to FY 2004/05. The study analyzed EPS, DPS, MPS and NWPS and used correlation Analysis and Regression Analysis to analyze the data. The major findings of the study were: MPS was affected either positively or negatively by dividend as well as earnings of the organization. EPS, DPS and NWPS individually did not have consistent relationship with the market price of the stock. The pricing varied from one company to other but the EPS, DPS and NWPS jointly had significant effect in the market price of share. Moreover, the research also concluded that the Nepalese investors did not had adequate knowledge of capital market and were not qualified enough to analyze the market scenario and forecast share price. Commercial banking sector dominated the overall performance of Nepalese stock market whereas Manufacturing, Trading and Hotel sectors showed weak performance. The research also concluded that company's performance, disclosure of financial information, timely Annual General Meeting (AGM), political stability, national economy,

demand and supply situation, security situation of the country were the major factors affecting the share price in NEPSE.

Dahal, (2007) conducted a research on "Determinants of Stock Price of Listed Companies in NEPSE". The major objectives of this study were to determine the major financial indicators that has influenced the stock price, to study whether stock of the company was overpriced, underpriced or equilibrium priced and to study investors response regarding the change of stock price. The research used three banks, three finance companies, three insurance companies and three manufacturing companies as a sample of the study. Correlation and Regression analysis between different financial indicators and Market Price of the stock was conducted as a part of research. The major findings of this study were: Pricing behavior differed from companies to companies. Although DPS, BVPS and EPS jointly had significant effect on the share price, these financial indicators individually did not have consistent relationship with MVPS which indicated that there might be other major factors influencing and determining the share prices significantly. Analysis of the pricing status of the common stocks of the sample companies strongly concluded that none of the sample companies were equilibrium priced, some were overpriced whereas other were underpriced. He also added that if stocks were underpriced the demand in stock market heavily mounted up and insufficient supply of stocks caused price to rise. The research also concluded that the NEPSE stock market was in an infant stage and there was a gap between theory and practice of investment in Nepalese stock market due to lack of proper study of stock market.

Baniya, (2008) conducted a research on "Share Price Behavior of Commercial Banks and Effect of Macroeconomic Variables in Nepalese Stock Market". The specific objectives of the study were to study and analyses stock price trend and behavior of the selected commercial banks, draw the main influencing factors of share price and to examine the impacts of GDP, rate of interest and rate of inflation on NEPSE Index. This study covered the period from FY 2001/02 to FY 2005/06. The researcher used monthly closing price of five commercial banks for analysis. Similarly, to establish the relationship between the NEPSE index and the macroeconomic variables GDP, rate of interest and rate of inflation during the study period were taken. The research used regression analysis to see the effect of macro-economic variables on the NEPSE. The major findings of this study were as follows: The graphical

analysis and volatility test showed that stock price behavior of sample commercial banks was not even, some showed fluctuating trend whereas another showed moderate trend. The results of run test showed market price of selected commercial banks were not random which indicated that market overreacted to the available information. There was no significant relationship between GDP and NEPSE which indicated that higher annual NEPSE index did not have positive relationship with GDP. Similarly, there was no supporting evidence to prove that the change in the market interest rate on deposit could have affected the NEPSE Index. The degree of impact in stock price due to the change in interest rate was conditional on corporate environment. If the corporate environment was bright enough the fall in the market interest on deposit increased the security price in the stock market and vice-versa. The trend of NEPSE index and the rate of inflation was not supporting with each other which proved that there was no significant relationship between NEPSE index and the rate of inflation. Finally, the study concluded that NEPSE was not influenced by macro-economic variables.

Acharya, (2008) conducted a research on Determinants of Stock price in Nepalese Commercial Banks with randomly selected 10 commercial banks, concluded that Share price are affected by different kinds of micro and macro variables such as EPS, DPS, information disclosed, political instability, growth rate according to respondent's survey. However, interest rate, retention ratio, cost of equity, market liquidity, change in management do not significantly affect the share price in NEPSE.

Mahat, (2010) has conducted a research on "Share Price Behavior of Listed Commercial Banks." The prime objective of his study was to analyze the performance of stock market and the behavior of share price of listed commercial banks. The other specific objectives were to provide glimpse of NEPSE, examine the risk involved in the common stock investment of the sampled commercial banks and discuss the movements of stock market price. He used parametric and non-parametric test to explore the randomness of stock return. He used standard deviation coefficient of variation beta coefficient for individual stock to test the friskiness of share. The results of estimate serial correlation were found to have deviated significantly from the expected value zero i.e., serially correlated. So, that the results obtained from the serial correlation tests tend to invalidate the hypothesis of independence. The results of run tests also consistence with the results of serial correlation tests. He found that past and present price

changes can screen out some valuable information in predicting future price changes. So, there exists sufficient amount of opportunity for sophisticated investors. The statistical analysis is regarding the risk and return of sampled stock showed that most of the stock seemed to be riskier than the average stock. But most of the banks are offering cash dividends every year, which many not are applicable to other non-banking firms.

Sigdel, (2015) "Technical Analysis on Common Stock of listed Joint Venture Commercial Banks" has focused to study of pattern of share price movement. He expresses that within the periphery of the stated problems the board objectives of this study are to analyze "technically' the market price of common stocks of selected five joint venture commercial banks listed in the NEPSE Ltd. and its significance in the content of Nepal. The researcher conducted the research by 2072/073 he has used the different tools like moving average analysis, chart analysis, bar chart analysis, and line chart analysis and also used questionnaires, analysis of open-end opinions of investors. He concluded that his finding that market index reflects market trend and it 32 takes all issues listed on the exchange on account. The analysis of shares through technical approach is based on actual price movement in the market and it's not based on anticipated forecast value. Thus, analyzing the share with technical tools, increase chance of taking right actions at right time but it largely depends on the skill or expertise of analysis. And the investment behavior of investors in the stock market of Nepal is miserable. Through investors are conscious enough to take investment decision in comparison to previous days, they still lack knowledge on investment analysis process and about the right time when investment should be made.

Niroula, (2021) conducted a research on, "stock price behavior of commercial banks of Nepal". This study looked at how certain factors affect stock prices in Nepal's commercial banks. It focused on earnings per share (EPS), price-earnings (PE) ratio, dividend yield (DY), bank size, return on equity (ROE), and return on assets (ROA). The researcher utilized descriptive and analytical research design used in SPSS software for analysis of data and samples. The results showed that EPS, PE ratio, and bank size have a strong and positive effect on stock prices. While DY and ROA also influence stock prices positively, their effect isn't significant. On the other hand, ROE and book value per share have a small or negative impact. Overall, the research confirms that investors in Nepal consider these performance indicators when buying

stocks. It suggests that future studies could explore the stock prices of other types of financial institutions or companies listed on the Nepal Stock Exchange using the same factors.

Parajuli, (2023) conducted a Research on, “STOCK PRICE BEHAVIOR OF COMMERCIAL BANKS OF NEPAL”. This study focused on analyzing the stock price behavior of commercial banks in Nepal, recognizing that stock prices are influenced by both demand-supply dynamics and qualitative and quantitative factors. It aimed to identify key determinants, such as earnings per share (EPS), book value per share (BVPS), and dividends per share (DPS), and assess their relationship with stock prices using statistical and financial tools like correlation, regression, and econometric models. The study employed secondary daily and yearly stock data and uses software like IBM SPSS for analysis. Results showed significant positive and negative relationships between market price per share (MPS) and financial indicators (EPS, DPS, BPS). Additionally, run and autocorrelation tests revealed that stock price behavior was not random, indicating that specific determinants influence stock prices in Nepal's commercial banks. The findings were valuable for public investors in managing risk and portfolios, while also offering insights to policymakers, regulators, and corporate governance on market dynamics, risk management, and transparency in the banking sector.

Giri, (2024) conducted a research on Factors affecting Stock Price Behavior of Commercial Banks in Nepal Stock Exchange. The study investigated share price volatility among Nepali commercial banks and analyzed the correlation between key financial indicators: earnings per share (EPS), dividends per share (DPS), net worth per share (NWPS), and price-earnings (P/E) ratio. It found a strong positive correlation between EPS, DPS, and P/E ratio, while the market price per share had an insignificant relationship with EPS. The most significant factors affecting share prices were identified as DPS, EPS, NWPS, and P/E ratio, which together explained 77.30% of the variation in market price shares. The study highlights the need for investors to consider these indicators, along with other factors like corporate cost of capital, when making investment decisions. It also emphasizes the importance of stable dividends for attracting investors and suggests that enhancing the stock market's diversity by encouraging listings from other sectors could provide more investment options and foster growth in Nepal's developing economy.

Table 2

Major Findings

S.N	Study	Area	Major Findings
1	Paudel, (2002)	Investing in shares of commercial banks in Nepal	Shares of commercial banks were not correctly priced, with most being less risky than the market. Higher returns were noted, but some shares failed to meet the minimum required return.
2	Pradhan, (2003)	Effect of dividends on common stock price in Nepal	Share value is more affected by dividends than retained earnings. A preference for current dividends exists, potentially increasing stock prices.
3	Mainali, (2003)	Share price behavior of listed commercial banks	Past and present price changes provide valuable forecasting information. Significant differences in actual vs. expected price changes indicate dependence on past information.
4	Adhikari, (2004)	Share Price Behavior of Joint Venture Banks in Nepal	Shares of joint venture banks were less risky and appeared as blue chips in the market, generally underpriced and attracting investors.
5	Neupane, (2004)	Determinants of Stock Price in NEPSE	EPS, BPS, and DPS jointly affect stock prices, but individually, they have inconsistent effects. The banking sector

			dominates the market, while manufacturing performs poorly.
6	Gautam, (2005)	Behavior of stock market price in Nepal	Price trends of sampled companies were unpredictable, and stock volumes fluctuated. Major signaling factors like industry closures and political unrest influenced the NEPSE index.
7	Sapkota, (2005)	Stock Price Behavior of the Listed Finance Companies in Nepal	Stock prices in finance were less risky than average stocks, with market overreactions to information. Pricing behavior was not random.
8	Joshi, (2006)	Day-of-the-week effect on stock returns in Nepalese stock market	No day-of-the-week effect in the broad index, but it existed in some industries, indicating an industry-specific phenomenon.
9	Joshi & Bhattarai, (2006)	Stock Returns and Economically Neutral Behavioral Variables Relationship in the Nepalese Stock Market	A significant positive relationship was found between stock returns and cloud cover, while no significant relationships were noted with temperature and SAD. The findings indicate inefficiency in the Nepalese stock market.

10	Baral & Shrestha, (2006)	Daily stock price behavior of commercial banks in Nepal	Stock prices showed large variations, with dependent price changes indicating inefficiency. The random walk hypothesis (RWH) does not hold in this context.
11	Thapa, (2007)	Behavior of Nepal Stock Exchange index	NEPSE index growth is slow, with banks and finance companies performing better than other sectors.
12	Dhakal, (2007)	Determinants of Share Price on Nepalese Commercial Banks	Nepalese commercial banks are influenced by the combined effect of financial indicators like BPS, EPS, and DPS, rather than individually. Weak regulations, poor market oversight, and limited investor knowledge hinder market development, while commercial banks remain a preferred investment due to better management, profitability, and attractive dividends.
13	Dahal, (2007)	Determinants of stock price in listed companies in NEPSE	Pricing behavior differed among companies. Although DPS, BVPS, and EPS jointly affected stock prices, individually they had inconsistent relationships. The NEPSE market is still developing, facing regulatory inefficiencies.
14	Baskota, (2007)	Behavior of common stocks in Nepalese capital market	Analyzed stock price, investing behavior, and relationships between EPS and other variables. Found that stock prices are

			affected by dividends and earnings, but pricing varies by company.
15	Baniya, (2008)	Share Price Behavior of Commercial Banks & Effect of Macroeconomic Variables In Nepalese Stock Market	Stock prices exhibited fluctuating trends. No significant relationship was found between GDP, interest rate, and inflation with NEPSE index, indicating NEPSE's independence from macroeconomic factors.
16	Acharya, (2008)	Determinants of stock price in Nepalese commercial banks	Share prices are influenced by various micro and macro variables like EPS, DPS, and political stability. Interest rates and market liquidity had little significant effect.
17	Mahat, (2010)	Share price behavior of listed commercial banks in Nepal	Stock prices tended to be riskier than average. Past price changes could inform future price predictions, and bank shares generally provided dividends, unlike non-banking firms.
18	Sigdel, (2015)	Technical analysis of common stock in joint venture commercial banks	Analysis based on technical tools aids investment decisions, but investor knowledge about investment analysis remains insufficient.
19	Niroula, (2021)	Stock Price Behavior of Commercial Banks in Nepal	EPS, PE ratio, and bank size significantly boost stock prices in Nepal, while DY and ROA have a weaker impact. ROE and book value per share show minimal effects. It

			suggests further research on other financial institutions.
20	Parajuli, (2023)	Stock Price Behavior of Commercial Banks of Nepal	Positive and negative relationships between market price (MPS) and financial indicators (EPS, DPS, BPS); stock prices are not random based on run and autocorrelation tests.
21	Giri, (2024)	Factors affecting Stock Price Behavior of Commercial Banks in Nepal Stock Exchange	The key factors affecting the share prices of Nepalese commercial banks are DPS, EPS, net worth per share, and the P/E ratio. while MPS had a weak link with EPS.

2.4 Research Gap

Previous research has explored the behavior of share prices among various banks and financial institutions. However, this study specifically focuses on the share price behavior of commercial banks in Nepal. Its aim is to investigate share price behavior and its impact by examining ten commercial banks: Global Ime bank, Sanima Bank, Machhapuchhre Bank, Siddhartha bank, Everest Bank, Nepal bank, Agriculture Development Bank, Standard Chartered bank, Himalayan Bank and Nic Asia bank. Earlier studies highlighted both the fluctuations in different companies' share prices and investors' preferences when buying or selling securities. This research addresses a gap by using secondary data and information for analysis. Additionally, it looks into the relationships among Earnings Per Share (EPS), Dividend Per Share (DPS), Market Value Per Share (MVPS), Dividend Payout Ratio (DPR), and dividend yield, as well as the effect of dividends on share prices and their volatility.

CHAPTER III
RESEARCH METHODOLOGY

Research methodology refers to the structured approach used to find solutions to problems. It involves carefully planning how to gather, analyze, and interpret data. It outlines the types and sources of data, how it will be presented, and the techniques used for analysis. The study utilizes both primary and secondary data sources. It combines descriptive and exploratory research to explain different theories about stock behavior and the capital market.

3.1 Research Design

The research design applies both descriptive and causal comparative techniques to determine the factors affecting share price. As per the nature of the research secondary data have been extensively used. The study analyzes the relationship between variables of the Nepalese commercial banks during the time period of 2071/2072 to 2080/81. The research design framework is shown in figure 1.

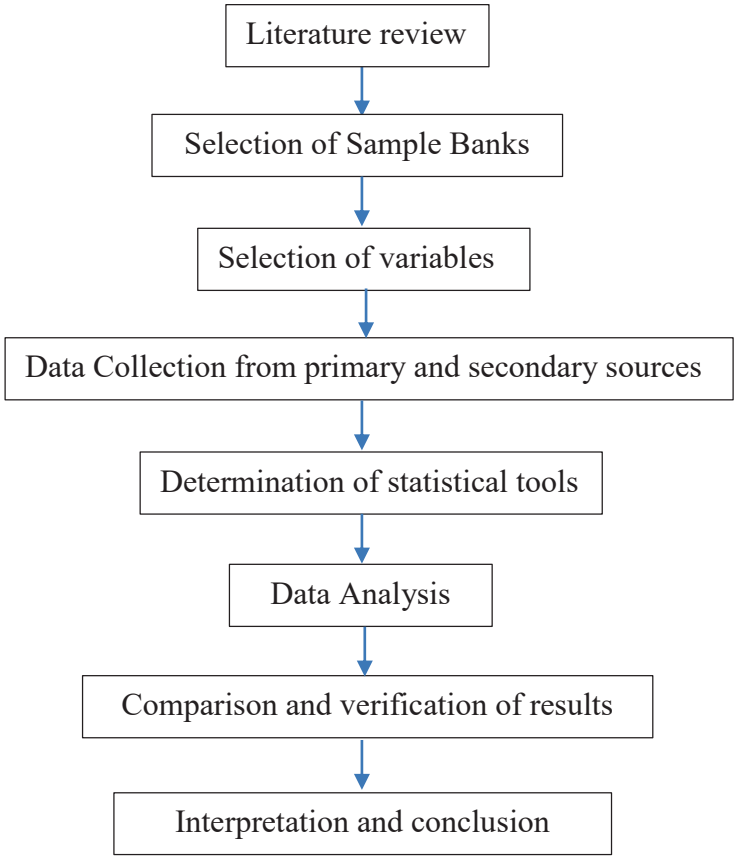

Figure 1: Research Methodology Flowchart

3.2 Research Framework and Definition of variables

The conceptual framework is designed to understand the factor that may affect the market price per share. The conceptual framework contains independent variable and dependent variable. The independent variables are EPS, DPS, BVPS, DPR and PE ratio. Independent variable is the variables which affect other variables to change and the researcher had control over them and dependent variables showed the effect of manipulating the independent variable. From the frame work dependent variable is Market price per share.

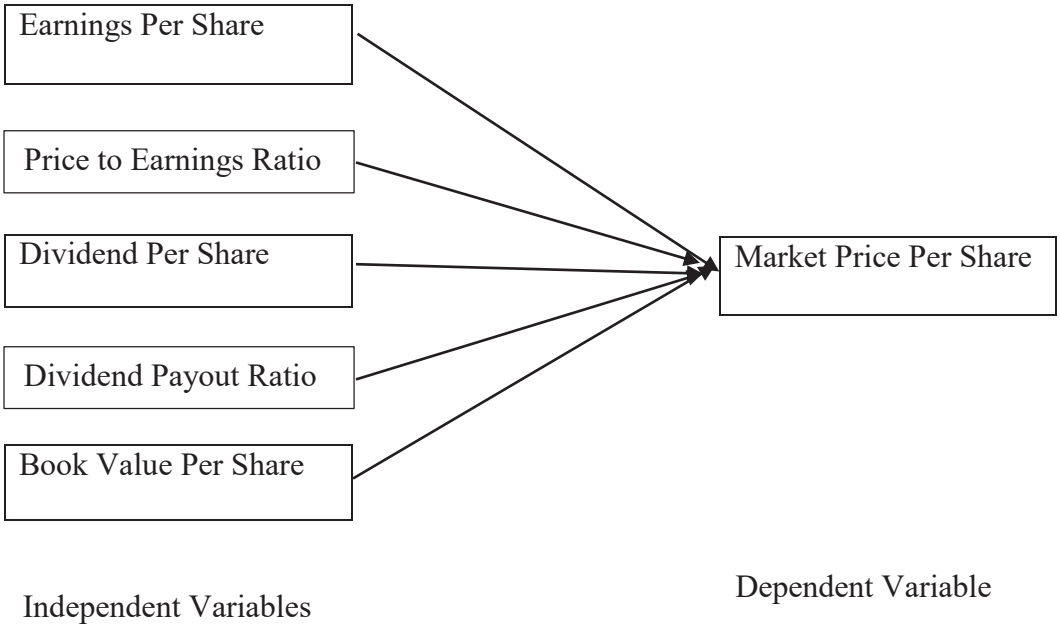

Figure 2: Research Framework

3.3 Population and Sample

All the companies listed in NEPSE are considered to be the total population of the study. There are 20 commercial banks in Nepal. Out of them the 19 commercial banks listed and are doing share transaction in NEPSE are considered as the sample of the study. Among them only ten commercial banks are considered as the population and samples to the study.

The selected Banks are: Global Ime bank, Sanima Bank, Machhapuchhre Bank, Siddhartha bank, Everest Bank, Nepal bank, Agriculture Development Bank, Standard Chartered bank, Himalayan Bank and Nic Asia bank.

3.4 Sample Size and Sampling Method

Ten commercial banks have been taken as samples and random sampling method has been used to choose the samples. The random sampling is taken to eliminate biasness and its simplicity to choose the samples. Random sampling is used to ensure that every individual in a population has an equal chance of being selected, making the sample unbiased and representative. It reduces selection bias, ensures diversity, and allows researchers to generalize results to the entire population. Random sampling supports statistical analysis, enabling the calculation of confidence intervals and error margins This method is less time consuming and easier to implement.

3.5 Nature and Source of Data

This study is based on secondary data only which are gathered from ten commercial banks in Nepal for the period of ten fiscal years from 2071/2072 to 2080/81. Secondary data are based on various published and unpublished sources like annual report of sampled companies, journals, magazines, web sites etc. The secondary data had been collected from the published materials of different organizations such as: NEPSE website, Mero Lagani's website, Nepali paisa website, Bizzsala, Share Sansar, Nepse Alpha, SEBON, Nepal Rastra Bank etc. Most of the data were taken from trading reports of NEPSE and financial statements of the banks under study. Ten years data will be collected. The primary data will not be used throughout the study.

3.6 Data Collection Procedure

In order to make the study more reliable and coherent secondary sources have been applied here while collecting data, facts and statistics. This study is mainly based on secondary data. The main sources of secondary data are monthly and annual reading reports, official records, and other relevant publications of Nepal Stock Exchange and Security Board of Nepal. From these sources the relevant historical data regarding the market price, trading volumes and market index of share price are gathered for analysis purpose.

3.7 Data Processing Procedure

Data has been processed in such a manner that make clear picture about the position and condition of stock price behavior of the commercial banks. According to the needs and objectives of the study all data from the secondary sources are compiled, processed and

tabulated. The relevant data have been instructed in meaningful tables and figures. It helps to find out the conclusion from the available data, with the help of various statistical as well as financial tools.

3.8 Financial Tools

The tools which are used to measure financial performance of the organization from long term as well as short term point of view is called financial tools. Following financial tools has been used for the study:

3.8.1 Market Price Per Share (MPS)

The MPS is the amount in which a share of the stock is traded in the market. It is calculated as:

$$MPS = \frac{Total\ market\ Capitalization}{Number\ of\ shares\ outstanding}$$

3.8.2 Book Value Per Share (BPS)

The book value per share represents the real net worth per share. It is simple the ratio of net worth (Share capital plus retained earnings i.e. ownership capital) and the number of existing shares. It is calculated as:

$$BPS = \frac{Networth}{Number\ of\ shares\ Outstanding}$$

3.8.3 Dividend Per Share (DPS)

The DPS is the amount paid as dividend to the holder of one share of the stock. It is calculated as:

$$DPS = \frac{Total\ Dividend\ paid}{Number\ of\ shares\ outstanding}$$

3.8.4 Earning Per Share (EPS)

EPS is a key indicator of a company's profitability and is widely used by investors to assess a company's performance. It is calculated as:

$$EPS = \frac{\text{Net Income}}{Total\ Number\ of\ Shares\ Outstanding}$$

3.8.5 Dividend Payout Ratio (D/P Ratio)

D/P ratio is percentage of profit that is distributed as dividend. This ratio reflects percentage of profit is distributed as dividend and what percentage of profit is remained as reverse & surplus for the growth of the company. It is calculated as:

$$DPR = \frac{DPS}{EPS}$$

3.8.6 Price Earnings Ratio (P/E Ratio)

This ratio reflects the price currently paid by the market for each rupee of current reported earnings per share (EPS). It is also very useful to prospective investors. It is calculated by dividing the market value share (MVS) by earning per share.

$$\frac{P}{E} Ratio = \frac{MPS}{EPS}$$

3.9 Statistical Tools

Data collected from secondary sources of data were analyzed by using the analytical tools like Mean, Standard Deviation, Correlation and Regression analysis etc. Then the following statistical tool are taken, which are given below:

3.9.1 Mean

The mean, often called the average, is a way to find the central value of a group of numbers. We calculate it by adding up all the numbers in the group and then dividing the total by how many numbers there are.

The Formula is:

$$Mean\ (\bar{x}) = \frac{Sum\ of\ all\ Values(\sum X)}{Number\ of\ values(N)}$$

Where,

$\bar{x}$ =Mean

$\sum$ X= Sum of all values

N= Number of Values

3.9.2 Standard Deviation

The standard deviation is a way to measure how much the values in a dataset differ from the average (mean). When it comes to investments, it helps to understand the risk of a stock: the smaller the standard deviation, the lower the risk. Even if two datasets have the same average, their ranges might differ, and standard deviation helps compare them.

It is calculated by taking the square root of the variance, which is the average of the squared differences between each value and the mean. It is denoted by σ. Mathematically,

$$\sigma = \sqrt{\frac{\Sigma(x-\bar{x})^2}{n}}$$

3.9.3 Coefficient of Variation (CV)

The coefficient of variation (CV) is a way to measure how much risk (variation) you are taking for each unit of return (profit). It is calculated by dividing the standard deviation (risk) by the average expected return.

This is useful for comparing two or more options where the expected returns are different. For example, if one investment offers higher returns but also comes with higher risk, the CV helps investors decide if the trade-off is worth it. Mathematically,

$$CV = \frac{\sigma}{\bar{x}}$$

3.9.4 Correlation Analysis

Correlation is a statistical tool used to measure the relationship between two or more variables in a group or sample. It shows how strongly one variable is linked to another in a straight-line pattern. The correlation coefficient, called ‘r’, measures the strength of this relationship. In this study, Karl Pearson's method was used to find the correlation coefficient. The value of 'r' can range from +1 to -1. A value of +1 means the variables have a perfect positive relationship they increase together. A value of -1 shows a perfect negative relationship when one goes up, the other goes down. A value of 0 means there is no straight-line relationship between the

variables. The simple correlation coefficient for the n pairs (x_1, y_1), (x_2, y_2), ……, (x_n, y_n) is calculated as:

$$r = \frac{n\,\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{n\Sigma x^2 - (\Sigma x)^2}\sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

where,

y = value of dependent variable

x = value of independent variable

n = number of observations in sample

3.9.5 Regression Analysis

Regression analysis is a statistical method used to understand the relationship between two or more variables. It helps estimate the value of a dependent variable based on one or more independent variables. By analyzing this relationship, regression measures how strongly the dependent variable is linked to the independent variables, allowing predictions to be made about future values.

3.9.5.1 Simple regression Analysis

Simple regression analysis is a way to understand the relationship between two variables — one that we can control (called the independent variable) and one that we want to predict or understand (called the dependent variable).

In case of two variables x and y, we will have two regression lines called the regression equation and also estimating equations. Since there are two regression lines, there are two regression equations.

x and y are the independent and dependent variable respectively.

The simple regression equation of y on x can be expressed as

$y = a + bx$

We shall get the normal equation for estimating ‘a’ and ‘b’ as:

$\Sigma y = na + b\Sigma x$

$\Sigma xy = a\Sigma x + b\Sigma x^2$

The coefficient 'b' is the slope of line of regression of y on x. it is also called coefficient of regression. It demonstrates the increment in the value of dependent value for a unit change in the value of independent variable x. it is calculated as:

$$b = \frac{n\Sigma xy - \Sigma x.\Sigma y}{n\Sigma x^2 - (\Sigma x)^2}$$

Similarly, the value of y-intercept, represented by 'a' can be calculated as:

$$\text{a} = \frac{\Sigma x^2 \Sigma y - (\Sigma x)(\Sigma xy)}{n\Sigma x^2 - (\Sigma x)^2}$$

3.9.5.2 Multiple Regression Analysis

Multiple regression analysis is a statistical method used to understand the relationship between one dependent variable and two or more independent variables. It extends simple regression, where only one independent variable is considered, by allowing multiple factors to influence the outcome. In this study, MPS is dependent variable and EPS, DPS, P/E ratio, DPR and BVPS are considered as independent variables. Generally, in multiple regression analysis, methods of least square, standard error of estimate and multiple coefficient of determination are computed for this purpose. The multiple regression equation is

$MPS = a + b_1 EPS + b_2 DPS + b_3 DPR + b_4 P/E + b_5 BVPS + \varepsilon$……(i)

Where,

a= Regression intercept, which indicates MPS does not go below this point even if other variables have zero value

b's = Multiple regression coefficient

b_1=Partial regression coefficient of MPS on EPS when DPS, DPR, P/E and BVPS are constant

b_2= Partial regression coefficient of MPS on DPS when EPS, DPR, P/E and BVPS are constant

b_3=Partial regression coefficient of MPS on DPR when EPS, DPS, P/E and BVPS are constant

b_4= Partial regression coefficient of MPS on P/E when EPS, DPS, DPR and BVPS are constant

b_5=Partial regression coefficient of MPS on BVPS when EPS, DPS, DPR and P/E are constant

DPS= Dividend Per Share

EPS=Earning Per Shares

DPR=Dividend Payout ratio

P/E ratio= Price Earnings Ratio

BVPS=Book Value Per Share

MPS=Market Value Per Share

ε = Error term or residual (the part of MPS that cannot be explained by the model)

To determine the value of a, b_1, b_2, b_3, b_4 and b_5 the following five normal equations are solved simultaneously,

$MPS=Na+b_1\Sigma EPS+b_2\Sigma DPS+b_3\Sigma BVPS+b_4\Sigma DPR+b_5\Sigma P/E+ \varepsilon$ ……. (ii)

$MPS=a+b_1(EPS)+\varepsilon$……. (iii)

$MPS=a+b_2(DPS)+\varepsilon$……. (iv)

$MPS=a+b_3(BVPS)+\varepsilon$……. (v)

$MPS=a+b_4(DPR)+\varepsilon$……. (vi)

$MPS=a+b_5(P/E)+\varepsilon$……. (vii)

Where, N is number of observations taking in the calculation.

3.9.6 Coefficient of multiple Determination r^2

The coefficient of determination is a statistical measure used to evaluate how well a model, particularly a regression model, explains the variability in the data. Which gives the percentage variation in the dependent variable that is accounted for by the dependent variables. In other words, the coefficient of determination gives the ratio of expected variance to the total variance. The coefficient of determination is given by the square of the correlation coefficient, i.e. r^2

$$\text{Coefficient of Determination}=\frac{Explained\ Variation}{Total\ Variation}$$

3.9.7 Test of Regression Coefficient by t-Test

It was developed for the significant contribution in the theory of sampling applicable in case of small samples. When population variance is not known, the test is commonly known as student's t-test, and is based on the t-distribution.

As the sample size gets larger, the shape of the t-distribution loses its flatness and becomes approximately equal to the normal distribution. For applying t-test in context of small samples,

the t-value is calculated first of all and then compared with table value 't' at certain level of significance for given degree of freedom. If the calculated value of 't' exceeds the table value say ($t_{0.05}$) it infers that the difference is significant at 5% level but if 't' is less than the concerning table value of 't' the difference is not treated as significant. The t-test is used when two conditions are fulfilled.

I: the sample size is less than 30.

II: the population standard deviation must be unknown.

In using t-test we assume the following:

1. That the population is normal approximately normal.

2. That the observations are independent and the samples are randomly draw samples

3. That in case of two samples, population variance is regarded as equal if equality of the two populations means is to be tested.

3.9.7.1 t-Test for significance of an observed sample Correlation Coefficient

Let r be the observed sample correlation coefficient a sample of n pairs of observations from bi-veriate normal population. In order to test whether the sample correlation coefficient is significant of any correlation between the variables in the population, t-test for significance of an observed sample correlation coefficient is applied. The steps for testing of significance of an observed sample correlation coefficient are as follows.

Step-1 Null Hypothesis (H_o): P=0: that is population correlation coefficient is zero. In other words, the variables are insignificantly correlated in the population i.e. r is not significant of correlation in the population.

Alternative Hypothesis (H_1): P≠0: that is population correlation coefficient is not zero. In other words, the variables are significantly correlated in the population i.e. r not significant of correlation in the population.

Step-2 Test statistic, under H_0, the test statistics is;

$$t=\sqrt{\frac{r}{1-r^2}} * \sqrt{n-2}$$

t n-2 i.e. follows, t-distribution with (n-2) d.f, n being the sample.

r = simple correlation coefficient

Step-3 Obtained the tabulated value of t for (n-2) d.f. at α level of significance according as whether the alternative hypothesis is one tailed or two tailed tests.

Step-4 Decision: Decide by comparing the calculated value of t with tabulated value of t, it is not significant and it is accepted otherwise, it is rejected.

CHAPTER IV
RESULTS AND DISCUSSION

4.1 Introduction

This chapter focuses on showing, analyzing, and explaining the data collected for the study. It takes raw data and turns it into a clear and easy-to-understand format. The chapter examines how the stock prices of commercial banks behave, using both financial and statistical methods to make sense of the data.

4.2 Behavior of Market Index

Market indexes play a crucial role in security analysis and portfolio management. They serve as benchmarks for both individual and institutional investors to assess the performance of their portfolios. Market indexes help identify the relationship between past price changes and economic factors and are used to measure systematic risk for individual securities and portfolios. Technical analysis relies on current price movements to predict future trends in the stock market. Additionally, stock market indexes are used to observe economic growth trends, analyze and forecast business cycles, and link stock market performance to economic activities. An index is essentially a tool for tracking changes in a group of related factors over time. In this study, various indicators such as the NEPSE Index, Banking Index, NEPSE SENSEX, market capitalization, number of listed and traded companies, and stock trading volumes are analyzed.

4.2.1 Annual Trend Analysis of NEPSE Index and Banking Index

In this study, the index is used as a tool to evaluate the stock market's performance. It looks at whether stock prices are rising or falling in response to different changing factors. A higher index indicates that market prices of securities are going up, reflecting better performance by companies, while a lower index suggests the opposite. NEPSE follows the Standard and Poor's Index method for its calculation by taking the market capitalization of all listed securities. The following table shows the annual trend analysis of the NEPSE Index and Banking Index:

Table 3

Annual Trend Analysis of NEPSE Index and Banking Index

Fiscal Year	Nepse Index	% Change	Banking Index	% Change
2071/72	961	-	831	-
2072/73	1718	78.77	1573.71	89.37
2073/74	1583	-7.86	1418.81	-9.84
2074/75	1212	-23.44	1023.56	-27.86
2075/76	1259	3.88	1128.91	10.29
2076/77	1362	8.18	1153	2.13
2077/78	2883	111.67	1964.81	70.41
2078/79	2009	-30.31	1363.39	-30.61
2079/80	2097	4.38	1234.80	-9.43
2080/81	2240.41	6.84	1221.73	-1.06

(Source: https://www.sharesansar.com/newsdetail/nepse-yearly-performance-highlights-climbs-683-in-fy-208081-ending-at-224041-2024-07-15, https://nepalstock.com/indices and Yearly Reports of Nepse)

Table 3 shows the movement of NEPSE Index and Banking Index during the FY 2071/72 to FY 2080/81. The trend analysis of the NEPSE Index and the Banking Index over the given fiscal years reveals significant volatility in both indices. The NEPSE Index experienced substantial growth during 2072/73 (78.77%) and 2077/78 (111.67%), but it also faced sharp declines in 2074/75 (-23.43%) and 2078/79 (-30.31%). In recent years, the index showed moderate growth, increasing by 4.38% in 2079/80 and 6.83% in 2080/81.

Similarly, the Banking Index followed a comparable pattern of fluctuation, with notable growth in 2072/73 (89.38%) and 2077/78 (70.41%), while steep declines occurred in 2074/75 (-27.86%) and 2078/79 (-30.61%). The last fiscal year, 2080/81, saw a minor decrease in the Banking Index (-1.05%), reflecting a more stable trend. Overall, the data highlights the cyclical nature of the market, characterized by periods of rapid growth followed by significant corrections.

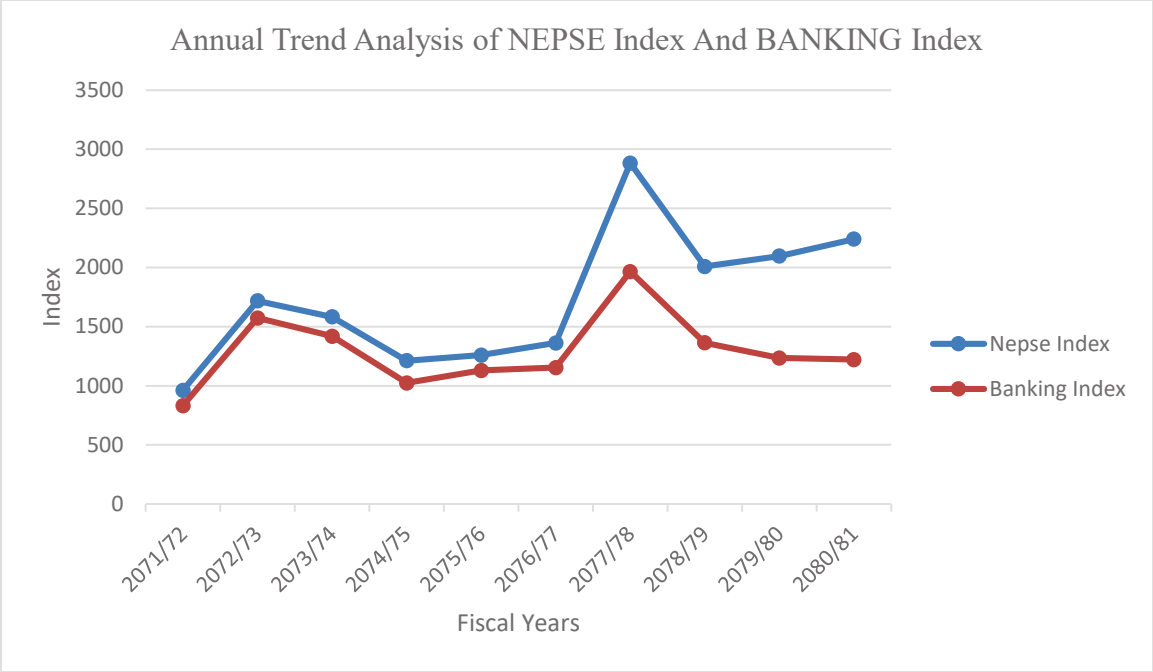

Figure 3: Annual Trend Analysis of NEPSE Index and Banking Index

4.3 Analysis of Financial Indicators

Analysis of the financial indicators is conducted to identify the financial strength and weakness of a firm. In this study, detailed analysis of financial indicators like the Market Price Per Share, Earnings Per Share and Dividend Per Share of the sample commercial banks is conducted according to the objectives of the study. Moreover, statistical tools such as, mean, standard deviation and coefficient of variation is used to interpret financial indicators.

4.3.1 Analysis of MPS of the Sample Commercial Banks

The Market Price Per Share (MPS) is the stock's value that a company can gain by selling a share in the market. It reflects the current or actual price paid for a share during a market transaction. The capital market sets the MPS, and for this study, the year-end closing price from NEPSE has been used as the Market Price Per Share. The table below presents the MPS for the selected commercial banks as listed in the NEPSE Index.

Table 4

Market Price Per Shares of the Sample Commercial Banks (Rs.)

Fiscal Year	GBIME	SBL	MBL	Sanima	EBL	NBL	ADBL	SCB	HBL	NICA	Average
2071/72	522.00	686.76	535.04	545.07	2,068.58	353.51	489.52	2,067.60	856.43	717.39	884.19
2072/73	476.34	727.61	593.80	739.31	2,733.67	350.82	566.90	2,835.44	1,233.01	826.72	1,108.36
2073/74	445.72	891.57	533.38	566.70	2,462.79	433.09	602.36	2,652.88	1,152.49	568.56	1,030.95
2074/75	330.76	367.22	271.83	359.43	972.80	341.68	383.34	1,436.64	721.73	354.84	554.03
2075/76	293.86	313.06	228.03	324.19	606.20	303.47	351.76	647.44	519.80	410.60	399.84
2076/77	273.10	307.81	236.19	335.02	613.35	299.34	404.33	602.13	527.06	453.59	405.19
2077/78	361.79	386.28	283.83	372.05	740.75	380.39	452.48	631.02	561.12	776.55	494.63
2078/79	358.10	439.65	320.10	379.54	589.47	386.27	440.06	486.11	305.92	820.16	452.54
2079/80	189.95	286.35	229.19	250.03	508.88	270.09	287.82	470.10	283.03	713.88	348.93
2080/81	195.36	243.78	201.99	256.43	529.98	232.09	249.11	539.09	197.57	526.39	317.18
Total	3,446.98	4,650.09	3,433.38	4,127.77	11,826.45	3,350.76	4,227.67	12,368.44	6,358.16	6,168.67	5,995.84
Mean	344.70	465.01	343.34	412.78	1,182.65	335.08	422.77	1,236.84	635.82	616.87	599.58
SD	112.35	222.40	150.03	155.73	879.19	59.65	112.53	945.54	355.26	175.99	316.87
CV	32.59	47.83	43.70	37.73	74.34	17.80	26.62	76.45	55.87	28.53	44.15

Source: Annual Reports of Sample Banks, https://www.investopaper.com and https://merolagani.com/CompanyReports

The data presented for the banks over the fiscal years reveals both trends and significant fluctuations in their market prices. For instance, GBIME starts with a market price of 522.00 in 2071/72, but shows a steady decline, reaching 195.36 by 2080/81. This downward trend is accompanied by high variability, as indicated by a Standard Deviation (SD) of 112.35 and a Coefficient of Variation (CV) of 32.59, suggesting that GBIME's market price has been volatile throughout the period. Similarly, SBL begins at 686.76 and reaches 243.78 by the end of the period, indicating a decline in market price as well, but with some fluctuations along the way, as shown by its CV of 47.83, which reflects significant variability.

MBL has a similar pattern of fluctuations, beginning at 535.04 and ending at 201.99, showing a decline with notable price changes in between. Its CV of 43.70 also suggests notable instability. On the other hand, SANIMA's market price starts at 545.07 and gradually declines to 256.43, reflecting a consistent but less erratic drop compared to some of the other banks. EBL shows the highest market price of all banks, reaching 2,068.58 in 2071/72, but declines to 529.98 by 2080/81. Despite its high initial price, EBL experiences the most substantial volatility, with a CV of 74.34, which indicates a high degree of unpredictability in its price.

NBL and ADBL both show fluctuating trends, but with more stability compared to others. SCB experiences sharp fluctuations, peaking at 2,835.44 in 2072/73 before declining to 539.09 in 2080/81, with a high SD of 945.54 and CV of 76.45, making its market price highly unpredictable. HBL and NICA show declining market prices as well, with NICA maintaining a relatively higher market price towards the end, though it too experiences volatility.

Overall, the data highlights that while some banks like EBL and SCB have high market prices, they are marked by significant volatility, making them less predictable in terms of their future market performance. In contrast, banks like NBL and ADBL maintain more stable prices over time, though they do not show the same growth as others. This analysis suggests that while higher market prices may reflect initial strength, they are also more susceptible to market fluctuations, which may make them riskier investments compared to the more stable banks with lower market prices.

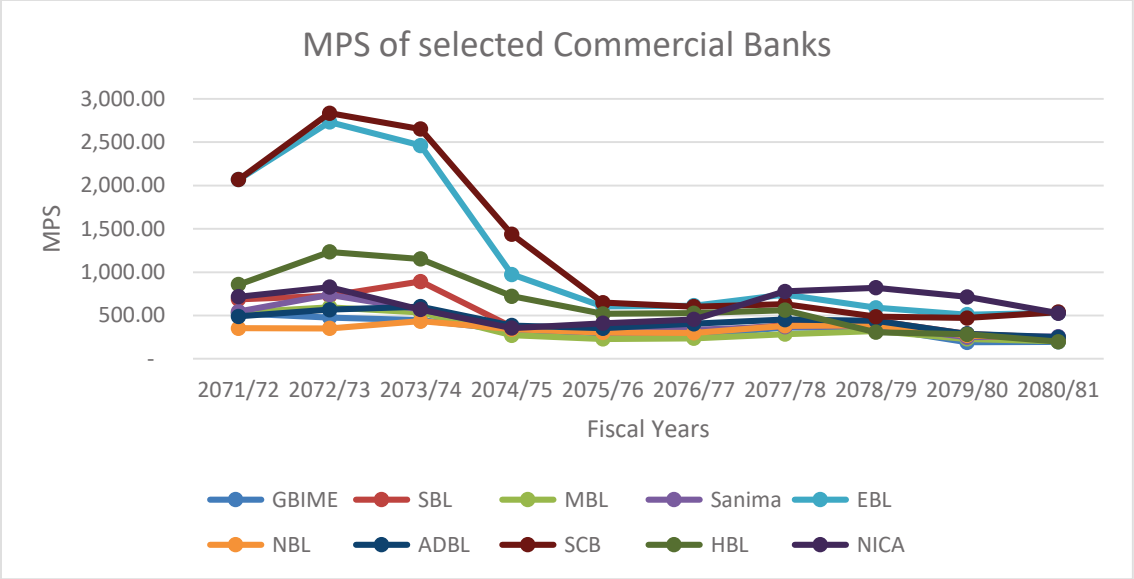

Figure 4: MPS of Selected Commercial Banks

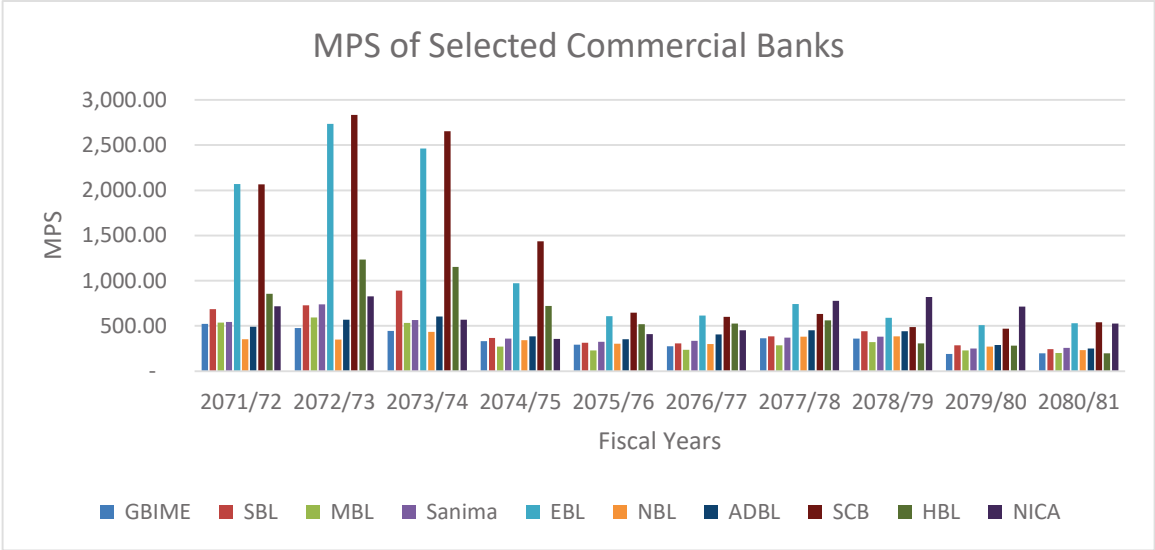

Figure 5:MPS of Selected Commercial Banks

4.3.2 Analysis of EPS of the Sample Commercial Banks

Earnings Per Share (EPS) is a key financial metric used to assess a company's ability to generate earnings. It shows the profitability of shareholders' investments on a per-share basis. EPS is often regarded as the most critical factor in determining a share's value. A higher EPS suggests that the company is generating strong returns for its shareholders. The table below highlights the EPS of the selected commercial banks.

Table 5

Earnings Per Share of the Sample Commercial Banks (Rs.)

Fiscal Year	GBIME	SBL	MBL	SANIMA	EBL	NBL	ADBL	SCB	HBL	NICA	Average
2071/72	15.58	37.77	22.20	24.47	78.04	7.48	78.83	56.38	43.03	25.59	38.94
2072/73	19.33	41.53	25.04	32.55	40.33	44.59	52.79	45.96	33.55	28.31	36.40
2073/74	25.51	26.60	24.00	26.31	32.48	38.77	31.59	35.49	35.15	23.06	29.90
2074/75	23.64	26.45	15.81	21.22	32.78	39.98	36.91	27.33	23.11	16.62	26.39
2075/76	23.47	23.07	21.07	28.22	38.05	26.99	42.88	30.39	32.44	34.22	30.08
2076/77	17.99	19.55	14.96	20.18	29.71	20.68	31.45	24.81	27.60	31.89	23.88
2077/78	19.25	22.79	17.76	23.94	19.91	23.43	29.13	23.92	28.07	28.18	23.64
2078/79	20.84	20.60	16.64	18.48	26.30	20.29	14.41	23.92	18.26	36.45	21.62
2079/80	22.06	22.48	15.85	20.91	31.43	23.39	7.42	36.75	9.81	38.44	22.85
2080/81	16.65	21.40	10.76	17.65	31.47	11.28	24.75	34.73	13.10	9.26	19.11
Total	204.32	262.24	184.09	233.93	360.50	256.88	350.16	339.68	264.12	272.02	272.79
Mean	20.43	26.22	18.41	23.39	36.05	25.69	35.02	33.97	26.41	27.20	27.28
SD	3.24	7.48	4.52	4.66	15.80	12.19	20.14	10.54	10.40	9.06	9.80
CV	15.86	28.51	24.56	19.92	43.83	47.47	57.53	31.02	39.39	33.31	34.14

Source: Annual Reports of Sample Banks, https://www.investopaper.com and https://merolagani.com/CompanyReports

The EPS data of the selected commercial banks reveals significant variation in performance across the years. Everest Bank Limited (EBL) consistently posted the highest total EPS (360.50) and an average of 36.05, but its performance was quite volatile, as indicated by a high coefficient of variation (CV) of 43.83%. In contrast, Mega Bank Limited (MBL) had the lowest total EPS (184.09) and an average of 18.41, reflecting weaker profitability, though its earnings were relatively more stable compared to some other banks, as seen in its CV of 24.56%.

Global IME Bank (GBIME) stood out for its stability, having the lowest CV (15.86%), indicating consistent performance over the years. While its EPS was not as high as some others, its lower volatility could appeal to risk-averse investors. On the other hand, Agricultural Development Bank Limited (ADBL) showed high volatility in its earnings, with the highest CV of 57.53%, despite having a strong total EPS of 350.16.

Looking at the broader trend, most banks, including EBL, ADBL, and Standard Chartered Bank (SCB), posted high EPS values in the early years (2071/72 and 2072/73). However, from 2073/74 onward, there was a noticeable decline in EPS across most banks, culminating in a sector-wide drop in average EPS from 38.94 in 2071/72 to just 19.11 in 2080/81. This decline suggests potential challenges within the banking sector, possibly due to increased competition, tighter regulations, or broader economic factors.

Banks like Nabil Bank Limited (NBL) and SCB managed to maintain relatively high average EPS values (25.69 and 33.97, respectively), although they too faced some fluctuations. On the other hand, Himalayan Bank Limited (HBL) and NIC Asia saw sharper declines in their earnings, particularly in the later years, with NIC Asia's EPS dropping drastically from 25.59 in 2071/72 to just 9.26 in 2080/81. This suggests that while some banks have been able to maintain stable or even high profits, others are grappling with significant challenges that have impacted their earnings over time.

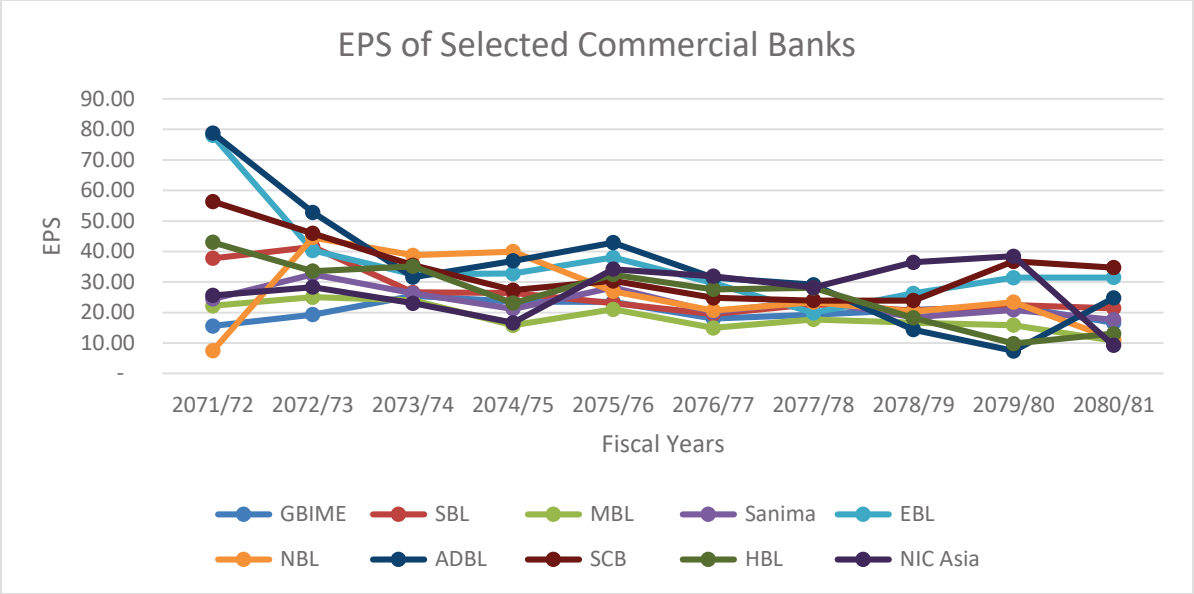

Figure 6: EPS of Selected Commercial Banks

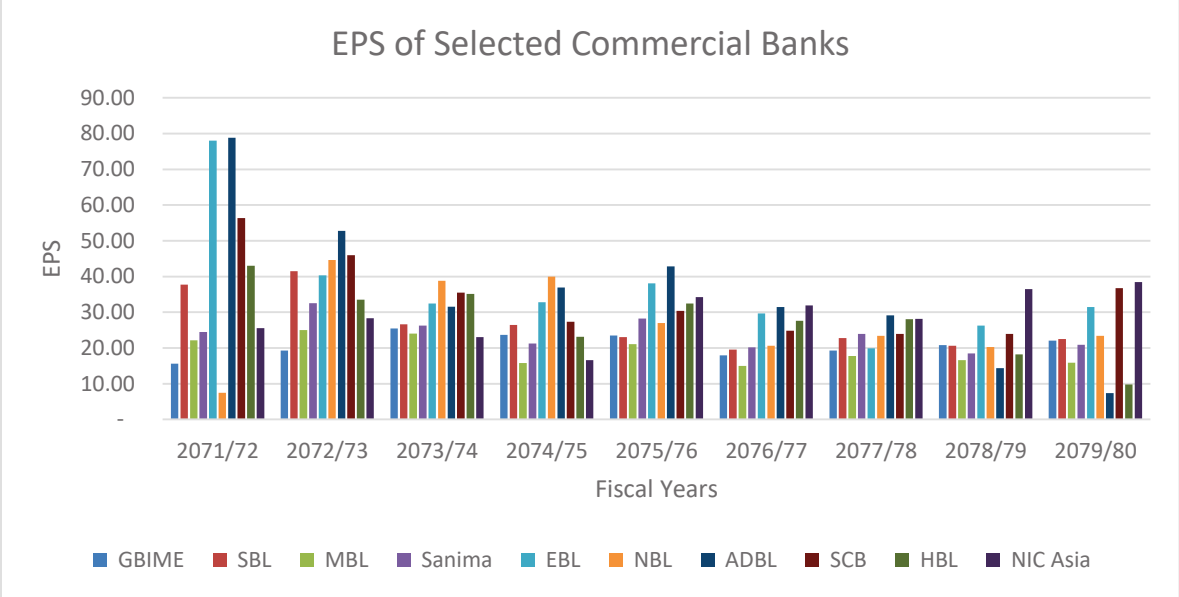

Figure 7: EPS of Selected Commercial Banks

4.3.3 Analysis of DPS of the Sample Commercial Banks

Dividend Per Share (DPS) is a significant financial measure that indicates the amount of dividend paid to each equity shareholder. It reflects the actual dividend shareholders receive. The table below presents the DPS of the selected commercial banks.

Table 6

Dividend Per Share of the Sample Commercial Banks (%)

F/Y	GBIME	SBL	MBL	SANIMA	EBL	NBL	ADBL	SCB	HBL	NICA	Average
2071/72	23	21.05	16.84	21.5	36.57	0	15.79	44.21	42.1	41.05	26.21
2072/73	15.76	39	21.84	15.79	70	0	21.05	35.08	31.58	27.37	27.75
2073/74	20	14	15	16	34.74	0	21.05	105.26	26.32	21.05	27.34
2074/75	16	13.16	10	14	20	0	21.05	17.5	15.79	10.53	13.80
2075/76	25.5	25.26	16	21.05	25	25	30	22.5	22	21.05	23.34
2076/77	16	15	10.4	13.6	10.53	16	15.79	11.84	20	20	14.92
2077/78	13.5	15	14	17.89	10.32	17	21.05	13.06	26	0	14.78
2078/79	13.6	13.16	0	10.98	20.68	12	13	16.51	19.11	0	11.90
2079/80	9	4.21	14	14.7	20.53	0	0	19	0	30.53	11.20
2080/81	5.5	0	0	5.26	15.53	0	0	25.5	0	0	5.18
Total	157.86	159.84	118.08	150.77	263.9	70	158.78	310.46	202.9	171.58	176.42
Mean	15.79	15.98	11.81	15.08	26.39	7.00	15.88	31.05	20.29	17.16	17.64
SD	6.02	10.84	7.05	4.75	17.68	9.57	9.54	27.95	13.00	14.22	12.06
CV (%)	38.13	67.81	59.71	31.49	66.99	136.69	60.08	90.04	64.05	82.87	69.79

Source: Annual Reports of Sample Banks, https://www.investopaper.com and https://merolagani.com/CompanyReports

Table 6 shows the comparative DPS of the ten commercial banks under study with their mean, standard deviation and coefficient of variation covering the period from FY 2071/72 to FY 2080/81. The analysis of the data reveals significant variability in the performance of the sampled banks, as indicated by their respective Coefficients of Variation (CV). Global IME Bank (GBIME) demonstrates the most consistent and stable performance with the lowest CV of 38.13%, making it an attractive option for risk-averse investors. In contrast, Nepal Bank (NBL) shows the highest CV of 136.69%, reflecting extreme fluctuations and a high degree of instability in its performance. Other banks, such as Machhapuchhre (MBL) and Agriculture Development Bank (ADBL), exhibit moderate variability with CVs of 59.71% and 60.08%, respectively, indicating relatively stable performance compared to the more volatile banks.

However, banks like Sanima, Everest, Standard Chartered, and NIC Asia show higher CVs, ranging from 82.87% to 122.8%, signaling significant fluctuations and increased risk for investors. The average CV across all banks is 80.64%, highlighting that most banks experience substantial variability in their performance metrics over the fiscal years. Banks with CVs below this average, such as GBIME, Siddhartha, and ADBL, are comparatively more stable, while those above the average, including Everest, NIC Asia, and Nepal Bank, exhibit higher performance volatility.

These findings suggest that banks with lower CVs, such as GBIME, are better suited for conservative stakeholders seeking consistent returns, while banks with higher CVs may appeal to risk-tolerant investors looking for potentially higher but inconsistent gains. Overall, the significant variability across most banks underscores the need for further investigation into the factors driving performance instability, such as economic conditions, market dynamics, or management practices. This analysis provides valuable insights for stakeholders to make informed investment and strategic decisions.

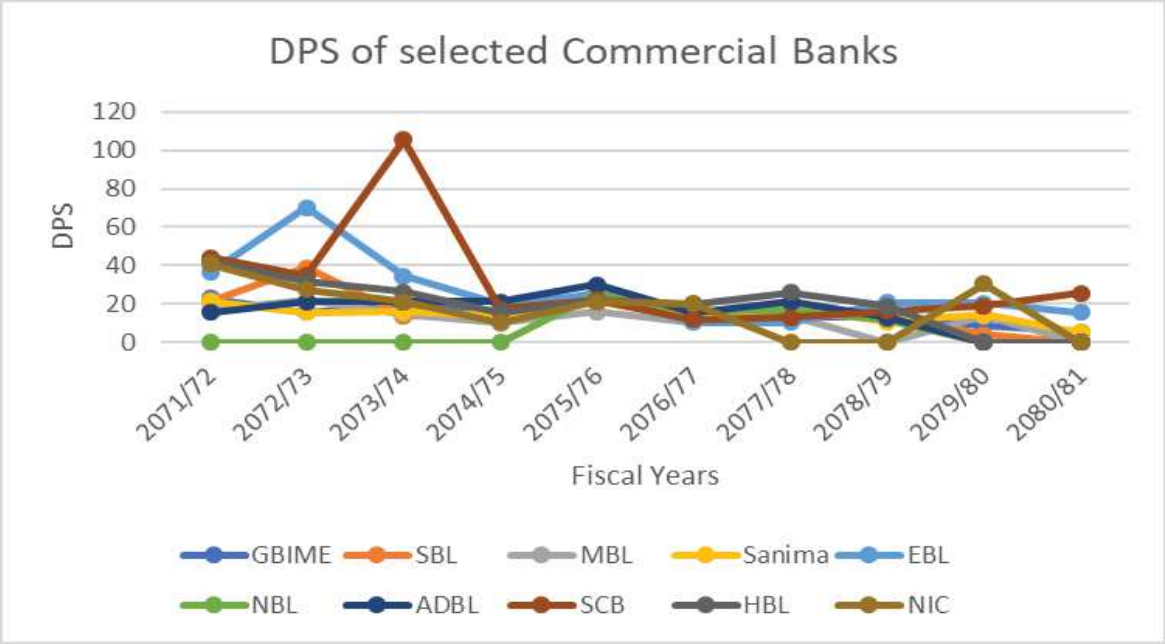

Figure 8: Dividend Per Share of Sample Commercial Banks

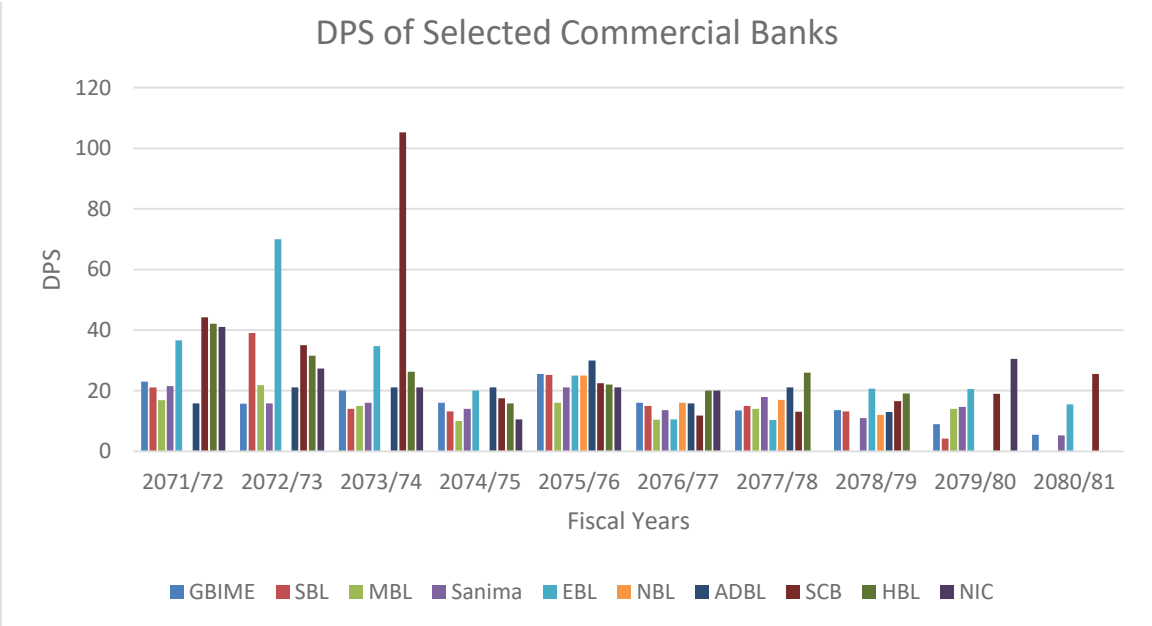

Figure 9: Dividend Per Share of the Sample Commercial Banks

4.3.4 Analysis of BVPs of Sample Commercial Banks

The book value per share represents the real net worth per share. It is simple the ratio of net worth (Share capital plus retained earnings i.e. ownership capital) and the number of existing shares. The table below presents the BVPs of the selected commercial banks.

Table 7

Book Value Per Share of Sample Commercial Banks (Rs)

F/Y	GBIME	SBL	MBL	SANIMA	EBL	NBL	ADBL	SCB	HBL	NICA	Average
2071/72	118.79	184.43	137.46	134.52	335.00	59.26	245.68	264.60	196.12	151.00	182.69
2072/73	120.21	206.54	138.18	174.89	370.00	103.85	296.90	267.53	180.81	161.00	201.99
2073/74	161.31	167.74	124.43	131.36	290.00	142.39	234.91	296.18	189.91	151.00	188.92
2074/75	165.99	161.89	128.57	134.83	200.00	372.66	247.00	173.82	174.24	145.00	190.40
2075/76	158.62	170.79	139.49	149.85	218.58	298.45	314.18	186.32	187.73	169.07	199.31
2076/77	152.92	163.57	136.96	145.64	219.56	266.17	237.66	188.51	187.67	177.43	187.61
2077/78	151.11	186.09	142.10	154.14	232.11	262.84	234.27	189.24	188.43	180.76	192.11
2078/79	156.11	172.38	141.23	149.29	241.36	239.93	212.25	192.32	169.72	214.83	188.94
2079/80	164.05	179.63	157.47	155.53	237.10	248.55	211.60	213.61	155.29	254.16	197.70
2080/81	168.81	196.36	148.80	154.06	236.27	257.57	233.38	217.60	176.90	202.24	199.20
Total	1,517.92	1,789.42	1,394.69	1,484.11	2,579.98	2,251.67	2,467.83	2,189.74	1,806.82	1,806.49	1,928.87
Mean	151.79	178.94	139.47	148.41	258.00	225.17	246.78	218.97	180.68	180.65	192.89
SD	17.91	14.56	9.30	12.89	55.53	94.95	33.41	42.24	12.03	34.32	32.71
CV (%)	11.80	8.14	6.67	8.68	21.52	42.17	13.54	19.29	6.66	19.00	15.75

Source: Annual Reports of Sample Banks, https://www.investopaper.com and https://merolagani.com/CompanyReports

Table 7 presents the book value per share (BVPS) for ten banks (GBIME, SBL, MBL, SANIMA, EBL, NBL, ADBL, SCB, HBL, and NICA) over ten fiscal years, from 2071/72 to 2080/81. The average BVPS across all banks fluctuated, starting at 182.69 in 2071/72 and peaking at 201.99 in 2072/73, with fiscal year 2080/81 showing a relatively high average of 199.20. Among the banks, EBL consistently maintained the highest BVPS, with a total of 2,579.98 and an average of 258.00, highlighting its strong financial position. In contrast, MBL had the lowest total (1,394.69) and mean BVPS (139.47), indicating relatively weaker equity value per share.

The standard deviation and coefficient of variation (CV) provide insights into the stability of BVPS over time. NBL exhibited the highest variability, with a standard deviation of 94.95 and a CV of 42.17, reflecting significant fluctuations in its book value per share. Similarly, EBL had a high standard deviation (55.53) and CV (21.52), suggesting some level of inconsistency despite its strong average BVPS. On the other hand, HBL and MBL had the lowest standard deviations (12.03 and 9.30, respectively) and CVs (6.66 and 6.67), indicating stable BVPS trends over the years.

This analysis shows that while banks like EBL and NBL have high book values per share, their greater variability could signal potential risks or market fluctuations. Conversely, HBL and MBL offer more consistent BVPS performance, which may appeal to investors seeking stability in their equity investments.

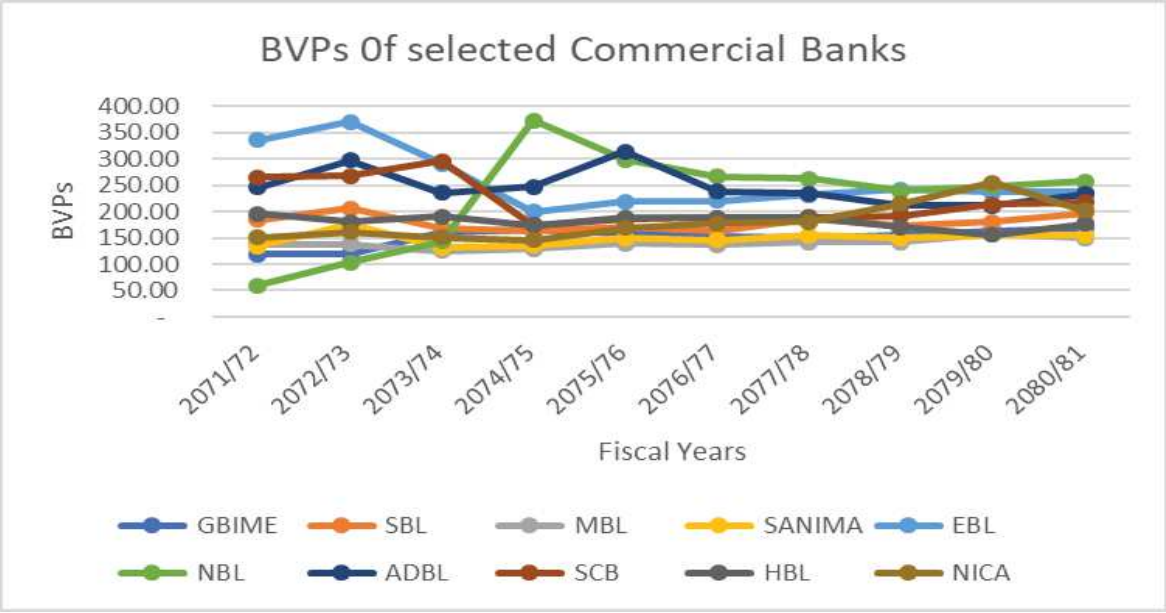

Figure 10: BVPs of Sample Commercial Banks

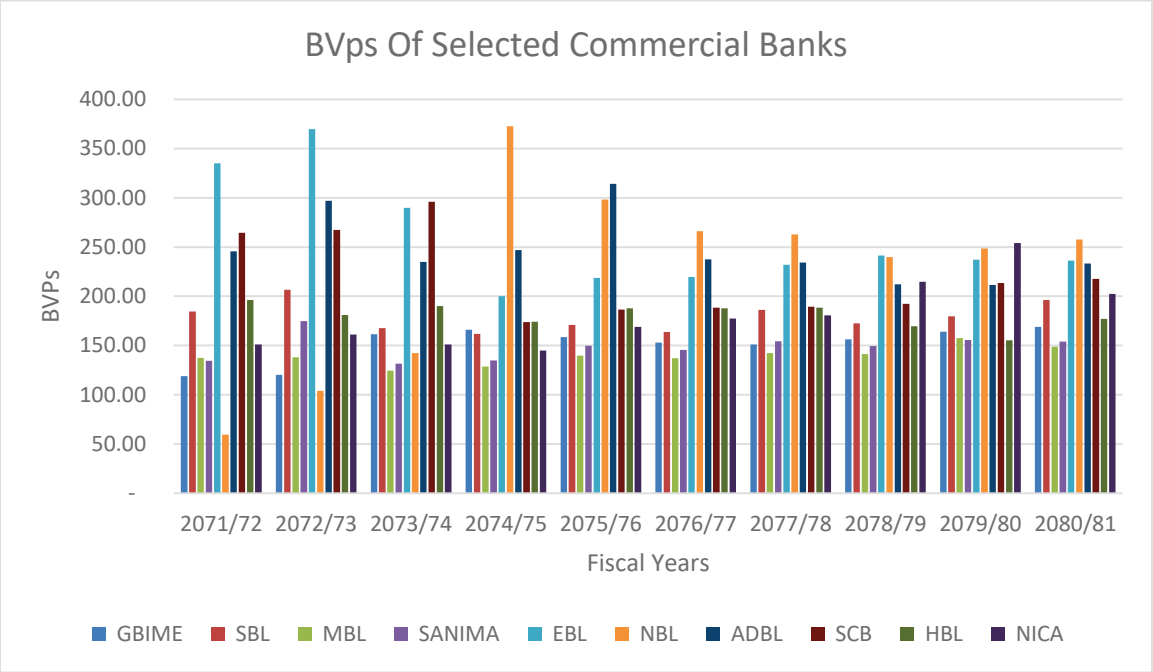

Figure 11: BVPs of Sample Commercial Banks

4.3.5 Analysis of DPR of sample Commercial Banks

D/P ratio is percentage of profit that is distributed as dividend. This ratio reflects percentage of profit is distributed as dividend and what percentage of profit is remained as reverse & surplus for the growth of the company. The table below presents the DPR of the selected commercial banks.

Table 8

DPR of sample Commercial Banks

F/Y	GBIME	SBL	MBL	SANIMA	EBL	NBL	ADBL	SCB	HBL	NICA	Average
2071/72	1.48	0.56	0.76	0.88	0.47	-	0.20	0.78	0.98	1.60	0.77
2072/73	0.82	0.94	0.87	0.49	1.74	-	0.40	0.76	0.94	0.97	0.79
2073/74	0.78	0.53	0.63	0.61	1.07	-	0.67	2.96	0.75	0.91	0.89
2074/75	0.68	0.50	0.63	0.66	0.61	-	0.57	0.64	0.68	0.63	0.56
2075/76	1.09	1.10	0.76	0.75	0.66	0.93	0.70	0.74	0.68	0.62	0.80
2076/77	0.89	0.77	0.70	0.67	0.35	0.77	0.50	0.48	0.72	0.63	0.65
2077/78	0.70	0.66	0.79	0.75	0.52	0.73	0.72	0.55	0.93	-	0.64
2078/79	0.65	0.64	-	0.59	0.79	0.59	0.90	0.69	1.05	-	0.59
2079/80	0.41	0.19	0.88	0.70	0.65	-	-	0.52	-	0.79	0.41
2080/81	0.33	-	-	0.30	0.49	-	-	0.73	-	-	0.19
Total	7.83	5.89	6.02	6.40	7.35	3.02	4.66	8.85	6.73	6.15	6.29
Mean	0.78	0.59	0.60	0.64	0.74	0.30	0.47	0.89	0.67	0.62	0.63
SD	0.33	0.32	0.33	0.16	0.41	0.40	0.31	0.74	0.38	0.51	0.39
CV (%)	41.98	54.96	54.54	24.88	55.14	131.84	66.74	83.25	56.21	83.07	65.26

Source: Annual Reports of Sample Banks, https://www.investopaper.com and https://merolagani.com/CompanyReports

The Dividend Payout Ratio (DPR) analysis for various banks over the fiscal years 2071/72 to 2080/81 highlights trends and patterns in their dividend distribution policies. The banks analyzed include GBIME, SBL, MBL, Sanima, EBL, NBL, ADBL, SCB, HBL, and NICA, with an average calculated for each fiscal year. Over the ten years, GBIME showed a total DPR of 7.83, with a mean of 0.78 and a relatively low coefficient of variation (CV) of 41.98%, indicating stable dividend payouts. SCB had the highest total DPR of 8.85, reflecting its shareholder-friendly policy, although it had a CV of 83.25%, showing moderate volatility.

On the other hand, NBL had the lowest total DPR of 3.02, with a mean of 0.30, and its CV of 131.84% suggests inconsistent dividend payouts. Similarly, ADBL and HBL showed moderate total DPRs of 4.66 and 6.73, respectively, with CVs of 66.74% and 56.21%, indicating relatively higher volatility compared to GBIME but more stability than NBL.

Notably, in recent years, most banks demonstrated a declining DPR trend. For instance, in 2080/81, GBIME's DPR dropped to 0.33 from 0.41 in 2079/80, and SBL reduced its ratio from 0.19 to 0.30. This downward trend could be attributed to either challenging economic conditions or a strategic focus on retaining earnings for reinvestment. The overall mean DPR across all banks for the entire period stands at 0.63, and the standard deviation is 0.39, reflecting moderate variability in payouts. Sanima Bank, with a mean DPR of 0.64 and a CV of 24.88%, showed the most consistent dividend policy, while NBL had the highest fluctuations, suggesting differing priorities and financial conditions among the banks.

This analysis provides a comprehensive view of dividend distribution practices, highlighting stability in some banks and variability in others, with external economic factors likely influencing recent declines.

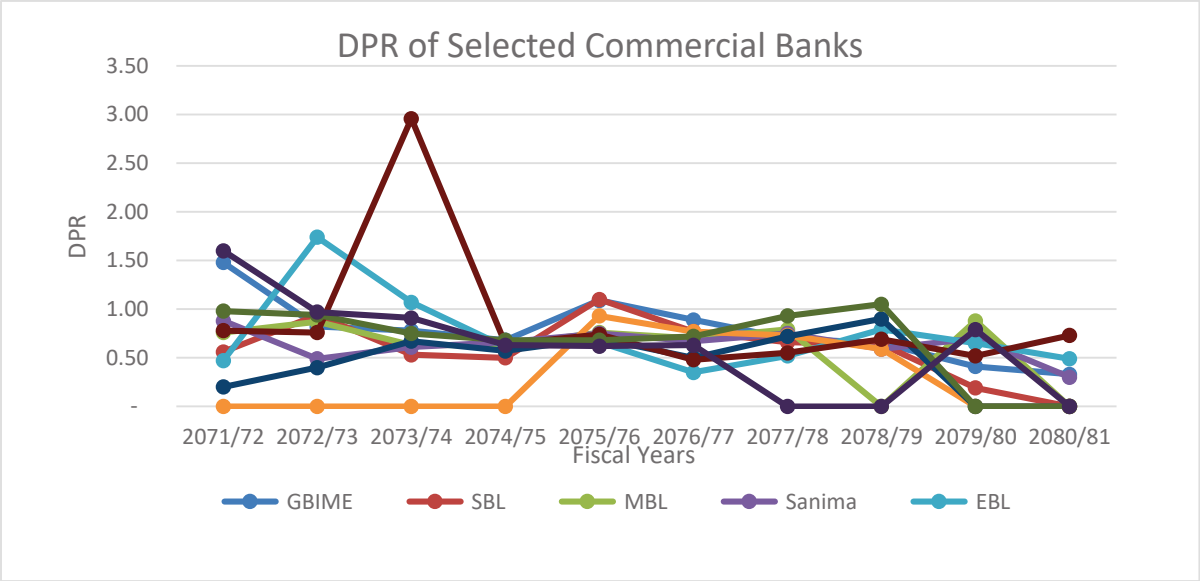

Figure 12: DPR of Selected Commercial Banks

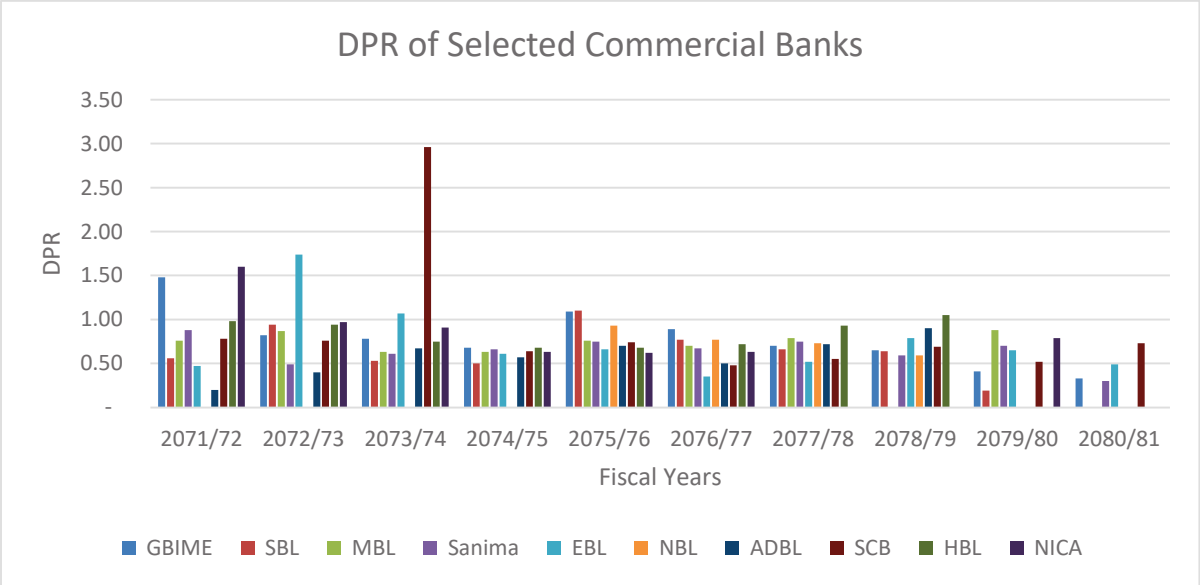

Figure 13: DPR of Selected Commercial Banks

4.3.6 Price Earnings Ratio (P/E Ratio)

This ratio reflects the price currently paid by the market for each rupee of current reported earnings per share (EPS). It is also very useful to prospective investors. It is calculated by dividing the market value share (MPS) by earning per share (EPS). The table below presents the P/E Ratio of the selected commercial banks.

Table 9

P/E Ratio of sample Commercial Banks

F/Y	GBIME	SBL	MBL	SANIMA	EBL	NBL	ADBL	SCB	HBL	NICA	Average
2071/72	33.50	18.18	24.10	22.28	26.51	47.26	47.26	36.67	19.90	28.03	30.37
2072/73	24.64	17.52	23.71	22.71	67.78	7.87	7.87	61.69	36.75	29.20	29.97
2073/74	17.47	33.52	22.22	21.54	75.82	11.17	11.17	74.75	32.79	24.66	32.51
2074/75	13.99	13.88	17.19	16.94	29.68	8.55	8.55	52.57	31.23	21.35	21.39
2075/76	12.52	13.57	10.82	11.49	15.93	11.25	11.24	21.30	16.02	12.00	13.61
2076/77	15.18	15.74	15.79	16.60	20.64	14.47	14.47	24.27	19.10	14.22	17.05
2077/78	18.79	16.95	15.98	15.54	37.20	16.24	16.24	26.38	19.99	27.56	21.09
2078/79	17.18	21.34	19.24	20.54	22.41	19.04	19.04	20.32	16.75	22.50	19.84
2079/80	8.61	12.74	14.46	11.96	16.19	11.55	11.55	12.79	28.85	18.57	14.73
2080/81	11.73	11.39	18.77	14.53	16.84	20.58	20.58	15.52	15.08	56.85	20.19
Total	173.61	174.83	182.28	174.13	329.00	167.98	167.97	346.26	236.46	254.94	220.75
Mean	17.36	17.48	18.23	17.41	32.90	16.80	16.80	34.63	23.65	25.49	22.07
SD	7.18	6.36	4.25	4.16	21.64	11.50	11.50	21.26	7.94	12.43	10.82
CV (%)	41.33	36.37	23.34	23.92	65.77	68.47	68.48	61.40	33.57	48.78	47.14

Source: Annual Reports of Sample Banks, https://www.investopaper.com and https://merolagani.com/CompanyReports

The table presents the Price-to-Earnings (P/E) ratios of various banks over the fiscal years 2071/72 to 2080/81. Among the banks, EBL and SCB show the highest P/E ratios, with EBL peaking at 75.82 in 2073/74 and SCB reaching 74.75 in the same year. These two banks demonstrate greater fluctuations in their P/E ratios, signaling a more volatile market perception. In contrast, other banks like SBL and MBL exhibit more stability. For instance, SBL's P/E ratio starts at 18.18 in 2071/72 and reaches a low of 13.57 in 2075/76, while MBL's P/E ratio fluctuates moderately, ranging from 24.10 in 2071/72 to 10.82 in 2075/76.

NBL and ADBL show some of the most stable P/E ratios throughout the period, with NBL consistently staying below 20 and ADBL following a similar trend. In the fiscal year 2078/79, NBL's P/E ratio was 19.04, while ADBL's remained at 11.17 for several years, reflecting a steady and predictable valuation. The overall average P/E ratio for all banks across the 10 years is 22.07, indicating a balanced market valuation. However, EBL and SCB have notably higher average P/E ratios of 32.90 and 34.63, respectively, suggesting that these banks are viewed as higher growth opportunities, albeit with more volatility.

The standard deviations (SD) of the P/E ratios show significant differences in volatility across the banks. EBL and SCB have the highest SDs of 21.64 and 21.26, respectively, indicating that their valuations are subject to larger fluctuations. On the other hand, NBL and ADBL have the lowest SDs of 11.50, suggesting more consistent performance. The coefficient of variation (CV), which measures the relative variability of the P/E ratios, is highest for NBL and ADBL at 68.47 and 68.48, respectively, indicating substantial variability relative to their averages. Overall, while EBL and SCB exhibit higher volatility and risk, banks like NBL, ADBL, SBL, and MBL offer more stability, making them less risky investments in terms of P/E ratio fluctuations.

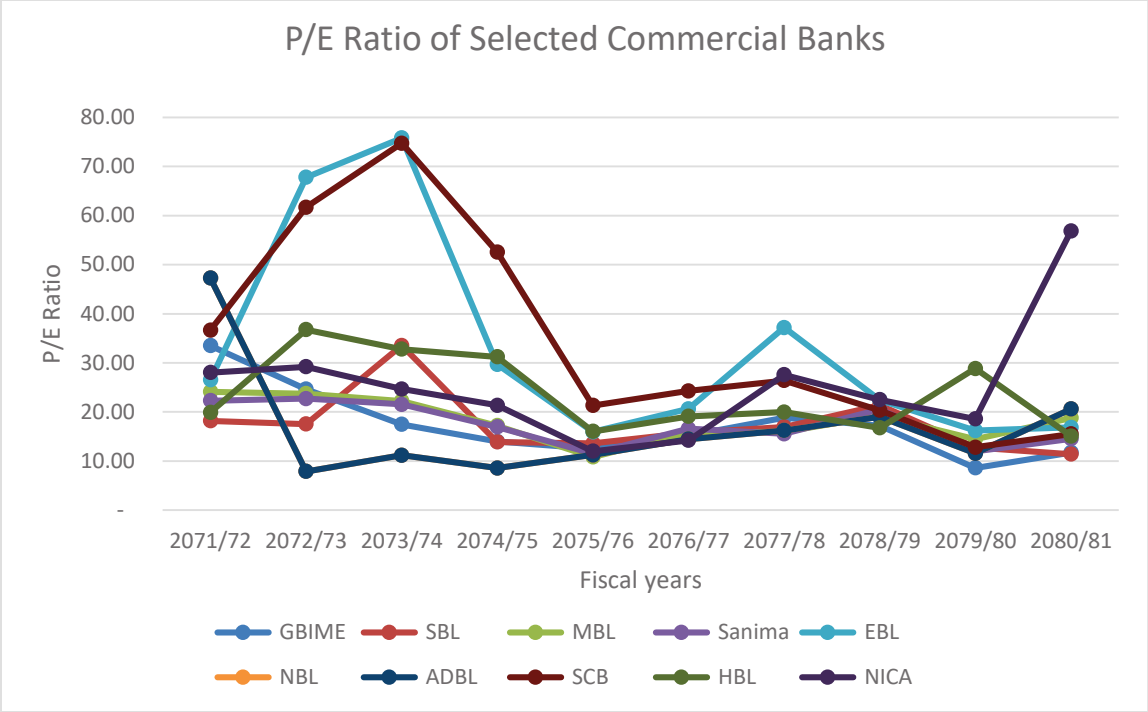

Figure 14: P/E Ratio of Selected Commercial Banks

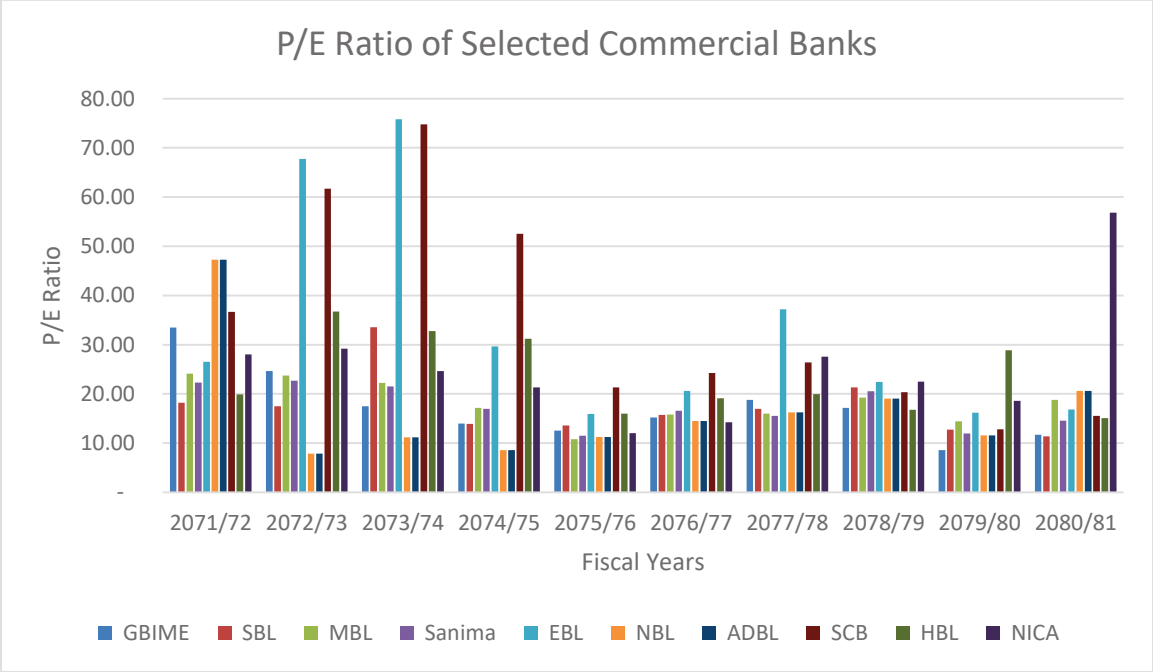

Figure 15: P/E Ratio of Selected Commercial Banks

4.4 Statistical Analysis

This chapter incorporates some statistical tools, which are used to analyze the data to achieve the objectives of the study. In this study, statistical tools such as correlation coefficient analysis and regression analysis are conducted:

4.4.1 Correlation Coefficient Analysis

Correlation is a statistical tool used to measure the relationship between two or more variables in a group or sample. It shows how strongly one variable is linked to another in a straight-line pattern. The correlation coefficient, called 'r', measures the strength of this relationship. In this study, Karl Pearson's method was used to find the correlation coefficient. The Pearson co-efficient of correlation is used to assess the relationship between MPS and EPS, DPS, BVPS, DPR and P/E Ratio of sample banks of the year 2071/72 to 2080/81 at 1% and 5% level of significance.

To find out the relationship between EPS, BVPS, DPS, DPR and P/E Ratio to the MPS of the different commercial banks, results of each banks are presented below.

4.4.1.1 Correlation analysis of GBIME

Table 10

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of GBIME

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	-0.067	1				
DPS	0.609	0.261	1			
BVPS	-0.777	0.507	-0.406	1		
DPR	0.689	-0.202	0.881	-0.682	1	
PE	0.895	-0.481	0.470	-0.908	0.748	1

The correlation analysis between dependent variable MPS (Market Price per Share) and the independent variables DPS (Dividends per Share), EPS (Earnings per Share), BVPS (Book Value per Share), DPR (Dividend Payout Ratio), and P/E ratio provides significant insights into how these factors influence market price. The moderate positive correlation of 0.609 between DPS and MPS suggests that higher dividend payouts are associated with higher market prices, indicating that investors often value companies that provide steady income

through dividends. Similarly, the strong positive correlation of 0.689 between DPR and MPS underscores the importance of dividend policy in driving market valuation, as companies with higher payout ratios tend to be perceived as more reliable and less risky investments.

On the other hand, the correlation between EPS and MPS is -0.067, which is very weak and negative, suggesting that changes in earnings per share have little direct impact on market prices. This weak relationship indicates that investors may prioritize other metrics, such as dividends or growth expectations, over earnings alone. Meanwhile, the strong negative correlation of -0.777 between BVPS and MPS highlights an inverse relationship, where companies with higher book values often experience lower market prices. This could be because investors focus more on growth prospects and profitability rather than intrinsic book value, particularly for growth-oriented firms.

The most significant relationship is between the P/E ratio and MPS, with a very strong positive correlation of 0.895. This indicates that market prices are highly influenced by valuation multiples, as a higher P/E ratio reflects greater investor confidence in a company's growth and future earnings potential. Overall, these findings reveal that market price is more sensitive to investor sentiment and valuation metrics like dividends and the P/E ratio, while fundamental indicators such as earnings and book value have less direct influence on stock prices.

4.4.1.2 Correlation analysis of SBL

Table 11

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of SBL

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.695	1				
DPS	0.513	0.723	1			
BVPS	0.159	0.543	0.279	1		
DPR	0.243	0.275	0.848	-0.130	1	
PE	0.815	0.152	0.147	-0.232	0.144	1

The correlation table shows that Earnings per Share (EPS) has a strong positive relationship with the Market Price per Share (MPS), with a correlation of 0.695. This means that as a

company's earnings increase, its stock price tends to rise significantly, indicating that investors value profitability highly when determining stock prices.

Dividends per Share (DPS) also have a moderate positive correlation with MPS (0.512), meaning that companies that pay higher dividends are likely to have higher stock prices. This suggests that dividend payments can attract income-focused investors, influencing market prices to some extent.

On the other hand, Book Value per Share (BVPS) has a weak correlation with MPS (0.159). This shows that the intrinsic value of a company's assets doesn't have a strong effect on its stock price, which might be because market prices are more influenced by earnings and investor sentiment than by asset values.

The Dividend Payout Ratio (DPR) shows a weak positive correlation of 0.243 with MPS. This indicates that while the proportion of earnings paid out as dividends can affect stock prices, it is not a major driver of price movements compared to other factors like profitability or market sentiment.

Finally, the P/E ratio has a very strong positive correlation of 0.815 with MPS. This suggests that investor expectations, reflected in the P/E ratio, play a key role in determining stock prices, with higher P/E ratios often associated with higher market prices due to optimism about future growth. In summary, profitability (EPS) and market expectations (P/E) are the most significant factors affecting stock prices, while dividend policy and asset value have less influence.

4.4.1.3 Correlation analysis of MBL

Table 12

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of MBL

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.844	1				
DPS	0.572	0.796	1			
BVPS	-0.485	-0.490	-0.226	1		
DPR	0.288	0.551	0.925	-0.098	1	
PE	0.855	0.448	0.148	-0.361	-0.107	1

The correlation table reveals several important relationships between various financial metrics and the Market Price per Share (MPS). Earnings per Share (EPS) shows a very strong positive correlation of 0.844 with MPS. This means that as a company's earnings per share increase, its stock price tends to rise significantly. Investors tend to value higher earnings, making EPS a key driver of stock price, indicating its strong significance in determining market valuation.

Dividends per Share (DPS) also show a moderate positive correlation of 0.572 with MPS. This suggests that companies that pay higher dividends are likely to have higher stock prices, as dividends attract income-seeking investors. While this relationship is significant, it is not as strong as the one between EPS and MPS, indicating that while dividends are important, profitability remains the more influential factor.

In contrast, Book Value per Share (BVPS) has a negative correlation of -0.485 with MPS. This indicates that as the book value per share increases, the market price tends to decrease. This negative relationship suggests that the market does not highly value a company’s current book value, possibly because investors prioritize future growth and profitability over the value of assets.

The Dividend Payout Ratio (DPR) shows a weak positive correlation of 0.288 with MPS. While the ratio of earnings paid out as dividends does influence the stock price, the impact is relatively small compared to other metrics like earnings or dividends per share. This weak correlation suggests that the market does not heavily weigh the payout ratio when determining stock prices.

Finally, the Price-to-Earnings (P/E) ratio has a very strong positive correlation of 0.855 with MPS. This indicates that market price is highly influenced by investor sentiment and expectations about future earnings. A higher P/E ratio, often linked to expectations of growth, corresponds with a higher market price, highlighting the significance of investor perceptions in driving stock valuations.

In summary, EPS and the P/E ratio have the strongest influence on MPS, reflecting the importance of profitability and market expectations. DPS plays a moderate role, while BVPS and DPR have weaker influences on stock prices. The data suggests that earnings and growth

expectations are the key factors driving market valuations, while asset value and dividend payout ratios have a lesser impact.

4.4.1.4 Correlation analysis of Sanima Bank

Table 13

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of SANIMA

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.760	1				
DPS	0.374	0.658	1			
BVPS	0.149	0.318	-0.190	1		
DPR	0.015	0.179	0.847	-0.432	1	
PE	0.845	0.312	0.098	-0.125	-0.026	1

The correlation table for Sanima Bank provides important insights into how various financial factors relate to the Market Price per Share (MPS). The Earnings per Share (EPS) shows a strong positive correlation of 0.7598 with MPS. This means that as the bank's earnings per share increase, its stock price tends to rise as well. This relationship highlights how much investors value profitability when determining a company’s stock price, making EPS a key factor in driving MPS.

Dividends per Share (DPS) has a moderate positive correlation of 0.374 with MPS. While this shows that higher dividends are somewhat linked to higher stock prices, the correlation is weaker than that of EPS. This suggests that while dividends matter, they are not as important as earnings when it comes to influencing the stock price. Income-focused investors may appreciate dividends, but other factors like profitability have a stronger impact on the market price.

Book Value per Share (BVPS) shows a very weak positive correlation of 0.149 with MPS. This indicates that the book value of the company has little effect on its stock price. Investors likely focus more on a company's earnings and growth potential than on its book value, which explains why BVPS has such a minimal impact on the stock price.

The Dividend Payout Ratio (DPR) shows almost no correlation with MPS, with a value of 0.015. This means that the proportion of earnings paid out as dividends does not significantly

affect Sanima Bank's stock price. While some investors might care about how much the company pays out in dividends, this does not strongly influence the market price of the stock.

Finally, the Price-to-Earnings (P/E) ratio has a very strong positive correlation of 0.845 with MPS. This indicates that market price is highly influenced by investor sentiment and expectations about future earnings. A higher P/E ratio, which often reflects optimism about a company's future growth, is associated with a higher stock price. This shows that investor expectations play a significant role in determining the bank's stock price.

In summary, for Sanima Bank, EPS and P/E ratio are the most important factors influencing the stock price. These factors reflect how investors view the bank's profitability and future growth. DPS also has an impact, but it is not as significant as earnings. BVPS and DPR, on the other hand, have very little effect on the stock price, meaning that investors prioritize earnings and growth prospects over asset values and dividend payout ratios.

4.4.1.5 Correlation analysis of EBL

Table 14

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of EBL

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.491	1				
DPS	0.858	0.436	1			
BVPS	0.886	0.599	0.887	1		
DPR	0.724	-0.016	0.887	0.689	1	
PE	0.858	-0.011	0.672	0.636	0.777	1

Looking at the correlation table for Everest Bank, we can see how different financial factors are related to the Market Price per Share (MPS). Earnings per Share (EPS) has a moderate positive correlation of 0.491 with MPS. This means that as Everest Bank's earnings increase, its stock price also tends to rise, but not as strongly as other factors. While EPS is important, it's not the biggest influence on the stock price in this case.

Dividends per Share (DPS) shows a very strong positive correlation of 0.858 with MPS. This means that when the bank pays higher dividends, its stock price tends to increase significantly.

This strong relationship suggests that investors value dividends highly, and the more the bank pays out, the more likely its stock price will rise.

Book Value per Share (BVPS) also shows a very strong positive correlation of 0.886 with MPS. This indicates that the market price of the bank's stock is closely tied to the value of its assets. As the bank's book value per share increases, the stock price tends to follow. This shows that investors place a lot of value on the bank's financial strength and assets.

The Dividend Payout Ratio (DPR) has a strong positive correlation of 0.724 with MPS. This means that when the bank increases the percentage of earnings it pays out as dividends, its stock price tends to rise. A higher payout ratio seems to signal financial stability to investors, which boosts the stock price.

Finally, the Price-to-Earnings (P/E) Ratio shows a very strong positive correlation of 0.858 with MPS. This suggests that when investors have high expectations for future earnings, the bank's stock price tends to increase. The P/E ratio plays a major role in how the stock price is determined, reflecting the market's confidence in the bank's growth potential.

In summary, DPS, BVPS, and P/E ratio have the strongest influence on the stock price of Everest Bank, with DPS having the biggest impact. Investors seem to focus on the bank's dividend payments, the strength of its assets, and future earnings expectations more than just current earnings when deciding the stock price.

4.4.1.6 Correlation analysis of NBL

Table 15

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of NBL

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.417	1				
DPS	0.004	-0.144	1			
BVPS	-0.359	0.092	0.404	1		
DPR	0.029	-0.172	0.989	0.399	1	
PE	0.019	-0.763	-0.160	-0.530	-0.146	1

Looking at the correlation table for Nepal Bank, we can see how different financial factors relate to the Market Price per Share (MPS).

Earnings per Share (EPS) has a moderate positive correlation of 0.417 with MPS. This means that as the bank's earnings increase, its stock price tends to rise, but the relationship is not very strong. EPS is an important factor, but it does not have the most significant impact on the stock price.

Dividends per Share (DPS) shows a very weak positive correlation of 0.004 with MPS. This suggests that there is almost no relationship between DPS and the stock price of Nepal Bank. Whether the bank pays higher dividends does not significantly affect its stock price.

Book Value per Share (BVPS) has a negative correlation of -0.359 with MPS. This means that as the bank's book value per share increases, its stock price tends to decrease, although this relationship is not very strong. It suggests that investors may not value the bank's assets as much when determining the stock price, or they might focus more on other factors.

Dividend Payout Ratio (DPR) has a weak positive correlation of 0.029 with MPS. Like DPS, this suggests that the proportion of earnings paid out as dividends has very little effect on the stock price. There is a slight positive relationship, but it is not significant enough to impact the stock price meaningfully.

Finally, the Price-to-Earnings (P/E) Ratio shows a correlation of 0.019 with MPS. This means that as the P/E ratio increases, the stock price tends to increase slightly. Like DPR, this suggests that the Price-to-earning ratio has very little effect on the stock price. There is a slight positive relationship, but it is not significant enough to impact the stock price meaningfully.

In summary, for Nepal Bank, none of the financial factors—EPS, DPS, BVPS, DPR, or P/E—have a very strong relationship with the stock price. EPS has the most noticeable positive impact, but it's still weak. DPS, BVPS, DPR, and P/E all have either weak or negative relationships with MPS, suggesting that the stock price of Nepal Bank is not significantly driven by these factors.

4.4.1.7 Correlation analysis of ADBL

Table 16

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of ADBL

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.455	1				
DPS	0.566	0.475	1			
BVPS	0.192	0.551	0.683	1		
DPR	0.464	-0.079	0.726	0.153	1	
PE	-0.172	-0.763	-0.509	-0.633	-0.020	1

Looking at the correlation table for Agriculture Development Bank, we can interpret the relationships between its financial factors and the Market Price per Share (MPS).

Earnings per Share (EPS) has a moderate positive correlation of 0.455 with MPS. This suggests that as the bank's earnings increase, its stock price tends to increase as well, but the relationship is not very strong. EPS is a factor that impacts the stock price, but there are other factors that seem to play a more significant role.

Dividends per Share (DPS) shows a positive correlation of 0.566 with MPS. This means that higher dividends are somewhat linked to a higher stock price, but the relationship is moderate. Investors may value dividends, but it's not the strongest factor affecting the bank's stock price.

Book Value per Share (BVPS) has a weaker positive correlation of 0.192 with MPS. This suggests that while the bank’s asset value has some effect on its stock price, the correlation is relatively weak. Investors may not place a high priority on the book value when determining the market price.

Dividend Payout Ratio (DPR) has a positive correlation of 0.464 with MPS. This indicates that as the bank's dividend payout ratio increases, its stock price tends to increase, although the relationship is not very strong. A higher payout ratio might signal financial stability, but it’s not the most significant driver of the stock price.

Price-to-Earnings (P/E) Ratio shows a negative correlation of -0.172 with MPS. This means that as the P/E ratio increases, the stock price tends to decrease slightly, though the relationship

is weak. This suggests that investors may not be placing as much value on the P/E ratio when determining the stock price for Agriculture Development Bank.

In summary, for Agriculture Development Bank, DPS has the strongest positive correlation with MPS, followed by EPS and DPR, indicating that dividends and earnings play important roles in determining the stock price. BVPS has a weaker relationship, while P/E has a very weak negative correlation with MPS. This suggests that investors in this bank are more likely to value dividends and earnings when determining stock price, with less emphasis on asset value or future earnings expectations.

4.4.1.8 Correlation analysis of SCB

Table 17

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of SCB

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.641					
DPS	0.723	0.394	1			
BVPS	0.828	0.741	0.847	1		
DPR	0.589	0.137	0.964	0.697	1	
PE	0.915	0.301	0.731	0.645	0.695	1

Looking at the correlation table for Standard Chartered Bank, we can interpret how various financial factors relate to the Market Price per Share (MPS).

Earnings per Share (EPS) has a moderate positive correlation of 0.641 with MPS. This means that as the bank's earnings per share increase, its stock price tends to rise. While the relationship is strong, it is not the strongest, indicating that other factors also play a role in determining the stock price.

Dividends per Share (DPS) shows a strong positive correlation of 0.723 with MPS. This indicates that higher dividends are closely linked to a higher stock price. Investors seem to place significant value on the bank's dividend payments, and as the bank increases its dividends, the stock price tends to rise.

Book Value per Share (BVPS) shows a very strong positive correlation of 0.828 with MPS. This suggests that the market price of the bank's stock is strongly influenced by the book value of its assets. As the bank's book value per share increases, the stock price tends to follow, indicating that investors place a high value on the bank's assets and financial strength.

Dividend Payout Ratio (DPR) has a moderate positive correlation of 0.589 with MPS. This means that as the bank's dividend payout ratio increases, the stock price tends to increase as well, though the relationship is not as strong as that of DPS. A higher payout ratio signals stability and might lead to a rise in stock price, but it's not as closely tied to the stock price as DPS or BVPS.

Price-to-Earnings (P/E) Ratio shows a very strong positive correlation of 0.915 with MPS. This indicates that as the P/E ratio increases, meaning that investors have high expectations for the bank's future earnings, the stock price tends to rise. The P/E ratio is a key driver of the stock price, reflecting the market's confidence in the bank's future growth potential.

In summary, for Standard Chartered Bank, the P/E ratio and BVPS have the strongest positive relationships with the stock price, indicating that investors value the bank's growth prospects and its financial strength. DPS also has a strong positive relationship with MPS, showing that dividend payments are an important factor. EPS and DPR have moderate positive correlations with the stock price, meaning that while earnings and dividend payout ratios are important, they are less influential than dividends and asset values in determining the stock price.

4.4.1.9 Correlation analysis of HBL

Table 18

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of HBL

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.769	1				
DPS	0.725	0.942	1			
BVPS	0.514	0.874	0.769	1		
DPR	0.540	0.713	0.870	0.569	1	
PE	0.718	0.151	0.141	-0.185	0.061	1

Looking at the correlation table for Himalayan Bank, we can interpret how different financial factors relate to the Market Price per Share (MPS).

Earnings per Share (EPS) has a strong positive correlation of 0.769 with MPS. This means that as the bank's earnings per share increase, its stock price tends to rise. EPS plays a significant role in determining the stock price, and investors seem to closely watch the bank's profitability when making decisions.

Dividends per Share (DPS) shows a very strong positive correlation of 0.725 with MPS. This indicates that higher dividends are closely tied to a higher stock price. Investors in Himalayan Bank seem to place great value on dividend payouts, and when the bank pays more dividends, the stock price tends to increase.

Book Value per Share (BVPS) has a moderate positive correlation of 0.514 with MPS. While BVPS is positively related to stock price, the relationship is weaker compared to EPS and DPS. This suggests that investors may consider the bank's asset value when determining the stock price, but it is not as important as earnings or dividends.

Dividend Payout Ratio (DPR) shows a moderate positive correlation of 0.540 with MPS. This means that as the bank's dividend payout ratio increases, the stock price tends to rise as well. A higher DPR is seen as a sign of stability and shareholder value, which is important to investors, but the correlation is not as strong as DPS or EPS.

Price-to-Earnings (P/E) Ratio has a weak positive correlation of 0.718 with MPS. Although there is a positive relationship, the correlation is lower compared to other factors like DPS and EPS. This indicates that while investors may consider future earnings growth when determining the stock price, it's not as strong a driver as dividends and profitability.

In summary, for Himalayan Bank, EPS and DPS have the strongest positive relationships with MPS. Investors seem to prioritize earnings and dividend payments when determining the bank's stock price. BVPS and DPR also have positive correlations, but they are not as influential in determining stock price as the other factors. The P/E ratio has a weaker positive correlation, suggesting that future earnings expectations play a lesser role compared to profitability and dividend payments in influencing the stock price.

4.4.1.10 Correlation analysis of NIC Asia Bank

Table 19

Correlation of EPS, DPS, BVPS, DPR and P/E Ratio to MPS of NICA

	MPS	EPS	DPS	BVPS	DPR	PE
MPS	1					
EPS	0.389	1				
DPS	0.064	0.302	1			
BVPS	0.345	0.423	-0.186	1		
DPR	0.002	0.100	0.952	-0.424	1	
PE	0.152	-0.756	-0.362	0.074	-0.290	1

Looking at the correlation table for NIC Asia Bank, we can interpret the relationships between its financial factors and the Market Price per Share (MPS).

Earnings per Share (EPS) has a moderate positive correlation of 0.389 with MPS. This means that as the bank's earnings increase, its stock price tends to rise, but the relationship is not very strong. EPS is a factor, but not a major one in determining the stock price.

Dividends per Share (DPS) has a very weak positive correlation of 0.064 with MPS. This indicates that there is almost no relationship between DPS and the stock price. Whether the bank pays higher dividends has little to no effect on the market price of its shares.

Book Value per Share (BVPS) shows a moderate positive correlation of 0.345 with MPS. This means that the stock price is somewhat influenced by the value of the bank's assets. As the bank's book value per share increases, the stock price tends to increase slightly, but the relationship is not very strong.

Dividend Payout Ratio (DPR) has a very weak positive correlation of 0.002 with MPS. This suggests that the percentage of earnings the bank pays out as dividends has almost no effect on the stock price. The relationship is negligible, indicating that investors do not focus much on the bank's payout ratio.

Price-to-Earnings (P/E) Ratio shows a negative correlation of -0.152 with MPS. This indicates that as the P/E ratio increases, the stock price tends to decrease slightly. This weak negative

relationship suggests that investors may not place a lot of value on the P/E ratio when determining the stock price for NIC Asia Bank.

In summary, for NIC Asia Bank, EPS has the strongest positive relationship with MPS, though it is still a moderate correlation. DPS and DPR have very weak relationships with the stock price, meaning that dividends and payout ratios are not significant factors for investors in determining the stock price. BVPS has a moderate positive relationship, indicating that the bank's asset value has some influence on the stock price, but it is not the most important factor. The P/E ratio shows a weak negative correlation, suggesting that market expectations of future earnings growth have little impact on the stock price.

4.4.2 Regression Analysis

4.4.2.1 Simple Regression Analysis

a. Simple regression analysis of individual banks

i. Regression Equation of MPS on EPS by using the method t-Test (MPS = a + b EPS)

The table 20 provides insight into the relationship between an independent variable and a dependent variable for 10 different banks. The regression coefficient is split into two parts: the intercept (a) and the slope (b). The intercept (a) represents the expected value of the MPS when EPS is zero, while the slope (b) indicates the change in the MPS for every one-unit increase in the EPS. Positive slope values, as seen in EBL, NICA, and others, suggest a direct relationship, while negative slope values, such as those for HBL, MBL, SANIMA, SBL, and SCB, indicate an inverse relationship.

The r-squared (r^2) value reveals the proportion of variation in the MPS that can be explained by the EPS. Higher r^2 values, like those for MBL (0.71) and SANIMA (0.58), imply a stronger relationship, meaning the independent variable explains most of the variation in the dependent variable. On the other hand, a low r^2, such as that for GBIME (0.004), indicates that the EPS has almost no influence on MPS.

The comparison of calculated t-values with tabulated t-values determines the significance of the results. If the calculated value is greater than the tabulated value, the relationship is deemed significant. This is the case for HBL, MBL, SANIMA, SBL, and SCB, where the calculated values exceed the tabulated value of 2.306. This implies that, for these banks, the EPS has a

statistically significant impact on the MPS. In contrast, for ADBL, EBL, GBIME, NBL, and NICA, the calculated t-values are less than the tabulated value, leading to an insignificant result, which means there is not enough evidence to claim a meaningful relationship.

Table 20

Regression Equation of Market Price on EPS by using the method t-Test

SN	Banks	Regression Coefficient a	b	r^2	Calculated Value	Tabulated Value	Results
1	ADBL	333.78	2.54	0.20	1.444	2.306	Insign.
2	EBL	197.09	27.34	0.24	1.596	2.306	Insign.
3	GBIME	391.92	-2.31	0.004	-0.189	2.306	Insign.
4	HBL	-57.94	26.27	0.59	3.405	2.306	Sign.
5	MBL	-172.25	28.01	0.71	4.449	2.306	Sign.
6	NBL	282.65	2.04	0.17	1.298	2.306	Insign.
7	NICA	411.44	7.55	0.15	1.193	2.306	Insign.
8	SANIMA	-181.20	25.39	0.58	3.306	2.306	Sign.
9	SBL	-76.98	20.67	0.48	2.731	2.306	Sign.
10	SCB	-717.68	57.54	0.41	2.363	2.306	Sign.

Source: Annex 2

In summary, MBL and SANIMA exhibit the strongest relationships between the MPS and EPS, as evidenced by their high r^2 values and significant results. In contrast, GBIME shows almost no relationship due to its extremely low r^2 value and insignificant result. Overall, five banks (HBL, MBL, SANIMA, SBL, and SCB) have a statistically significant relationship between the MPS and EPS, while the remaining five do not.

ii. Regression Equation of MPS on DPS by using the method t-Test (MPS=a +b DPS)

The regression analysis of the relationship between Market Price per Share (MPS) and Dividend per Share (DPS) for 10 banks provides valuable insights. The regression coefficients (a and b) represent the intercept and slope of the regression line, where the slope (b) indicates how much MPS changes for every unit increase in DPS. The coefficient of determination (r^2) measures how much of the variation in MPS can be explained by DPS. The calculated value,

compared to the tabulated value, determines whether the relationship is statistically significant. If the calculated value exceeds the tabulated value, the result is considered significant; otherwise, it is insignificant.

Table 21

Regression Equation of MPS on DPS by using the method t-Test

SN	Banks	Regression Coefficient		r^2	Calculated	Tabulated	Results
		a	b		Value	Value	
1	ADBL	316.76	6.68	0.32	1.941	2.306	Insign.
2	EBL	57.38	42.65	0.74	4.725	2.306	Sign.
3	GBIME	165.25	11.37	0.37	2.172	2.306	Insign.
4	HBL	233.63	19.82	0.53	2.978	2.306	Sign.
5	MBL	199.69	12.16	0.33	1.971	2.306	Insign.
6	NBL	334.88	0.028	0.00	0.012	2.306	Insign.
7	NICA	603.21	0.796	0.004	0.182	2.306	Insign.
8	SANIMA	228.03	12.25	0.139	1.139	2.306	Insign.
9	SBL	296.69	10.52	0.263	1.689	2.306	Insign.
10	SCB	475.99	24.53	0.523	2.962	2.306	Sign.

Source: Annex 2

For ADBL, the slope (b = 6.68) suggests a slight positive relationship between DPS and MPS, but the calculated value (1.941) is less than the tabulated value (2.306), making the result insignificant. In the case of EBL, the slope (b = 42.65) indicates a strong positive effect, and since the calculated value (4.725) exceeds the tabulated value, the relationship is significant. Similarly, HBL has a significant relationship, as the slope (b = 19.82) shows a positive impact of DPS on MPS, with a calculated value (2.978) higher than the tabulated value. For SCB, the slope (b = 24.53) also reveals a positive link, and the calculated value (2.962) exceeds the tabulated value, making the relationship significant.

On the other hand, for GBIME, MBL, NBL, NICA, SANIMA, and SBL, the relationships between DPS and MPS are insignificant. The slopes for these banks range from small to moderate, but their calculated values are all lower than the tabulated value (2.306), indicating that changes in DPS do not significantly influence MPS for these banks. NBL and NICA have

extremely low slopes and r^2 values, showing a negligible or near-zero relationship between DPS and MPS. For SANIMA, although the slope (b = 12.25) shows some increase in MPS with DPS, the relationship is still statistically insignificant due to the low calculated value (1.139).

In summary, the analysis reveals that only EBL, HBL, and SCB have a statistically significant relationship between DPS and MPS, suggesting that changes in DPS significantly impact MPS for these banks. For the remaining banks, the relationship is insignificant, implying that DPS does not play a major role in explaining changes in MPS. This analysis highlights the variability in how dividend policy influences market price across different banks.

iii. Regression Equation of MPS on DPR by using the method t-Test (MPS=a + b DPR)

The regression analysis of the relationship between Market Price per Share (MPS) and Dividend Payout Ratio (DPR) for 10 banks highlights the extent to which changes in DPR influence MPS. The regression coefficients (a and b) represent the intercept and slope of the regression line, where the slope (b) indicates the change in MPS for every unit change in DPR.

The coefficient of determination (r^2) explains the proportion of variance in MPS that can be attributed to DPR. To determine if the relationship is statistically significant, the calculated value is compared to the tabulated value. If the calculated value is greater than the tabulated value, the relationship is considered significant; otherwise, it is insignificant.

For ADBL, the slope (b = 167.53) suggests a positive impact of DPR on MPS, but the calculated value (1.479) is less than the tabulated value (2.306), making the relationship insignificant. For EBL, the slope (b = 1576.02) is quite large, indicating a strong positive relationship between DPR and MPS. The calculated value (2.965) exceeds the tabulated value, making this relationship significant. Similarly, GBIME shows a strong positive relationship with a slope (b = 236.33) and a calculated value (2.689) that is higher than the tabulated value, making it significant.

In contrast, for HBL, MBL, NBL, NICA, SANIMA, and SBL, the relationships between DPR and MPS are insignificant. HBL has a large slope (b = 508.05), indicating a potential positive influence of DPR on MPS, but its calculated value (1.815) is less than the tabulated value, making the relationship insignificant. MBL, NBL, NICA, SANIMA, and SBL all exhibit

relatively small slopes (131.44, 4.379, 0.757, 14.72, and 167.33, respectively) and have calculated values that are much smaller than the tabulated value. For instance, NBL, NICA, and SANIMA have extremely low slopes and r^2 values close to zero, indicating that changes in DPR have a negligible impact on MPS for these banks. SBL has a slope of 167.33, but its calculated value (0.709) is significantly below the tabulated value, making the relationship insignificant.

Table 22

Regression Equation of MPS on DPR by using the method t-Test

SN	Banks	Regression Coefficient		r^2	Calculated Value	Tabulated Value	Results
		a	b				
1	ADBL	344.67	167.53	0.215	1.479	2.306	Insign.
2	EBL	25.41	1576.02	0.524	2.965	2.306	Sign.
3	GBIME	159.87	236.33	0.475	2.689	2.306	Sign.
4	HBL	294.04	508.05	0.292	1.815	2.306	Insign.
5	MBL	264.286	131.44	0.083	0.849	2.306	Insign.
6	NBL	333.75	4.379	0.0008	0.083	2.306	Insign.
7	NICA	616.40	0.757	$4.85*10^{-6}$	0.0062	2.306	Insign.
8	SANIMA	403.36	14.72	0.00023	0.043	2.306	Insign.
9	SBL	366.73	167.33	0.059	0.709	2.306	Insign.
10	SCB	567.46	756.26	0.347	2.062	2.306	Insign.

Source: Annex 2

In summary, the analysis reveals that only EBL and GBIME have a statistically significant relationship between DPR and MPS, indicating that changes in DPR significantly influence MPS for these banks. For the other banks, the relationship is insignificant, suggesting that variations in DPR do not have a clear or strong impact on MPS. The analysis also highlights that, while some banks like HBL and ADBL have relatively large slopes, their calculated values fail to exceed the tabulated value, resulting in insignificant relationships. This analysis emphasizes the diverse nature of the relationship between dividend payout and market price across the 10 banks.

iv. Regression Equation of MPS on BVPS by using the method t-Test (MPS= a + b BVPS)

The regression analysis of the relationship between Market Price per Share (MPS) and Book Value per Share (BVPS) for 10 banks provides insight into how BVPS influences MPS. The regression coefficients (a and b) represent the intercept and slope of the regression line, where the slope (b) indicates the change in MPS for every unit change in BVPS. The coefficient of determination (r^2) measures the extent to which BVPS explains the variability in MPS. The calculated value is compared to the tabulated value to determine the significance of the relationship. If the calculated value is greater than the tabulated value, the relationship is significant; otherwise, it is insignificant.

For ADBL, the slope (b = 0.647) indicates a small positive relationship between BVPS and MPS. However, the calculated value (0.553) is less than the tabulated value (2.306), making the relationship insignificant. In the case of EBL, the slope (b = 14.027) shows a strong positive impact of BVPS on MPS, and since the calculated value (5.403) exceeds the tabulated value, the relationship is significant. For SCB, the slope (b = 18.53) indicates a strong positive relationship, and the calculated value (4.171) exceeds the tabulated value, making the relationship significant.

Table 23

Regression Equation of MPS on BVPS by using the method t-Test

SN	Banks	Regression Coefficient		r^2	Calculated	Tabulated	Results
		a	b		Value	Value	
1	ADBL	263.14	0.647	0.037	0.553	2.306	Insign.
2	EBL	-2436.46	14.027	0.787	5.403	2.306	Sign.
3	GBIME	1084.57	-4.87	0.60	-3.489	2.306	Insign.
4	HBL	-2106.38	15.18	0.264	1.694	2.306	Insign.
5	MBL	1435.21	-7.83	0.235	-1.569	2.306	Insign.
6	NBL	385.81	-0.225	0.129	-1.087	2.306	Insign.
7	NICA	297.63	1.77	0.119	1.038	2.306	Insign.
8	SANIMA	145.57	1.8	0.022	0.426	2.306	Insign.
9	SBL	30.43	2.43	0.025	0.455	2.306	Insign.
10	SCB	-2820.05	18.53	0.685	4.171	2.306	Sign.

Source: Annex 2

For the remaining banks — GBIME, HBL, MBL, NBL, NICA, SANIMA, and SBL — the relationships between BVPS and MPS are insignificant. Some of these banks, such as GBIME and MBL, have negative slopes, indicating that an increase in BVPS may be linked to a decrease in MPS, though this relationship is not statistically significant. For example, GBIME has a slope of -4.87, and its calculated value (-3.489) does not exceed the tabulated value, so the relationship is insignificant. Similarly, MBL shows a negative slope (-7.83) and an insignificant calculated value (-1.569). NBL also has a negative slope (-0.225), suggesting a weak inverse relationship with MPS, but its calculated value (-1.087) is too small to be considered significant. NICA, SANIMA, and SBL have small positive slopes (1.77, 1.8, and 2.43, respectively), but their calculated values (1.038, 0.426, and 0.455, respectively) are lower than the tabulated value, making the relationships insignificant.

In summary, the analysis reveals that only EBL and SCB have a statistically significant relationship between BVPS and MPS, indicating that changes in BVPS significantly affect MPS for these banks. For the other banks, the relationship is insignificant, meaning changes in BVPS do not have a clear or strong impact on MPS. Interestingly, some banks like GBIME, MBL, and NBL exhibit negative slopes, suggesting an inverse relationship, but this relationship is not statistically significant. This analysis highlights the varied nature of the relationship between book value and market price across the 10 banks.

v. Regression Equation of MPS on P/E by using the method t-Test (MPS=a + b P/E)

The regression analysis of the relationship between Market Price per Share (MPS) and Price-to-Earnings (P/E) ratio for 10 banks provides insights into how changes in the P/E ratio influence MPS. The regression coefficients (a and b) represent the intercept and slope of the regression line, where the slope (b) indicates the change in MPS for every unit change in the P/E ratio. The coefficient of determination (r^2) measures the extent to which the P/E ratio explains the variability in MPS. The calculated value is compared with the tabulated value to determine the significance of the relationship. If the calculated value is greater than the tabulated value, the relationship is significant; otherwise, it is insignificant.

Table 24

Regression Equation of MPS on P/E by using the method t-Test

SN	Banks	Regression Coefficient		r^2	Calculated	Tabulated	Results
		a	b		Value	Value	
1	ADBL	452.54	-1.834	0.029	-0.493	2.306	Insign.
2	EBL	35.922	34.853	0.736	4.721	2.306	Sign.
3	GBIME	101.28	14.019	0.802	5.691	2.306	Sign.
4	HBL	-124.04	32.133	0.515	2.917	2.306	Sign.
5	MBL	-206.076	30.139	0.731	4.660	2.306	Sign.
6	NBL	333.46	0.096	0.000	0.053	2.306	Insign.
7	NICA	561.959	2.154	0.023	0.435	2.306	Insign.
8	SANIMA	-137.527	31.605	0.714	4.474	2.306	Sign.
9	SBL	-33.226	28.497	0.663	3.971	2.306	Sign.
10	SCB	-172.91	40.71	0.838	6.430	2.306	Sign.

Source: Annex 2

For ADBL, the slope (b = -1.834) indicates a weak negative relationship between P/E and MPS. The calculated value (-0.493) is less than the tabulated value (2.306), making the relationship insignificant. NBL and NICA also have insignificant relationships, with slopes of 0.096 and 2.154, respectively, indicating that changes in P/E have little to no effect on MPS for these banks. Their calculated values (0.053 and 0.435) are far below the tabulated value, confirming the insignificance of the relationship.

On the other hand, the relationship between P/E and MPS is significant for EBL, GBIME, HBL, MBL, SANIMA, SBL, and SCB. EBL has a positive slope (b = 34.853), suggesting that an increase in the P/E ratio leads to a rise in MPS. The calculated value (4.721) exceeds the tabulated value, making the relationship significant. GBIME also shows a strong positive relationship, with a slope (b = 14.019) and a calculated value (5.691) higher than the tabulated value, indicating that changes in the P/E ratio have a significant impact on MPS. HBL, MBL, SANIMA, SBL, and SCB all have large positive slopes (32.133, 30.139, 31.605, 28.497, and 40.71, respectively), suggesting that an increase in P/E is associated with an increase in MPS.

The calculated values for these banks (2.917, 4.660, 4.474, 3.971, and 6.430) all exceed the tabulated value (2.306), making the relationships statistically significant.

In summary, the analysis reveals that EBL, GBIME, HBL, MBL, SANIMA, SBL, and SCB have a statistically significant relationship between the P/E ratio and MPS. This implies that changes in the P/E ratio significantly influence MPS for these banks. For ADBL, NBL, and NICA, the relationships are insignificant, meaning changes in the P/E ratio do not have a clear or strong impact on MPS for these banks. Notably, some banks like ADBL show a negative slope, suggesting a possible inverse relationship, but this relationship is not statistically significant. This analysis highlights the variability in how the P/E ratio affects market prices across different banks.

b. **Simple Regression Analysis of all banks combined**

In this section, the regression equation of MPS on other independent variables individually, considering all 100 pairs of observations for each regression equation, has been determined.

Table 25

Simple Regression Analysis of all banks combined

SN	Independent Variable	Regression Coefficient		r^2	Calculated Value (t)	Tabulated Value	Results
		a	b				
1	EPS	-6.342	22.21	0.251	5.734	1.984	Sign.
2	DPS	142.35	25.92	0.508	10.065	1.984	Sign.
3	BVPS	-265.538	4.485	0.226	5.346	1.984	Sign.
4	DPR	229.679	588.365	0.221	5.274	1.984	Sign.
5	PE	-94.806	31.535	0.638	13.148	1.984	Sign.

Source: Annex 3

From table 25, the regression equation of MPS on EPS considering all values of MPS of all banks and corresponding EPS of all banks, is given by

MPS = -6.342 + 22.21 EPS.

The calculated value of t is 5.734 which is greater than the tabulated value for df=98 i.e. 1.984, which implies that the individual predictor i.e. EPS in the regression model significantly

contributes to predicting the MPS. Also, the value of r^2 being 0.251 implies that 25.1% of the change in MPS can be predicted by the change in EPS, keeping another factors constant.

Similarly, the regression equation of MPS on DPS is given by

MPS = 142.35 + 25.92DPS.

The calculated value of t is 10.065 which is significantly greater than the tabulated value for df=98 i.e. 1.984, which implies that the individual predictor i.e. DPS in the regression model significantly contributes to predicting the MPS. Also, the value of r^2 being 0.508 implies that 50.8% of the change in MPS can be predicted by the change in DPS, keeping another factors constant.

The regression equation of MPS on BVPS is given by

MPS = -265.538+ 4.485BVPS.

The calculated value of t is 5.346 which is greater than the tabulated value for df=98 i.e. 1.984, which implies that the individual predictor i.e. BVPS in the regression model significantly contributes to predicting the MPS. Also, the value of r^2 being 0.226 implies that 22.6% of the change in MPS can be predicted by the change in BVPS, keeping another factors constant.

The regression equation of MPS on DPR is given by

MPS = 229.679+ 4.485DPR.

The calculated value of t is 5.274 which is greater than the tabulated value for df=98 i.e. 1.984, which implies that the individual predictor i.e. DPR in the regression model significantly contributes to predicting the MPS. Also, the value of r^2 being 0.221 implies that 22.1% of the change in MPS can be predicted by the change in DPR, keeping another factors constant.

The regression equation of MPS on P/E is given by

MPS = -94.806+ 31.535P/E.

The calculated value of t is 13.148 which is significantly greater than the tabulated value for df=98 i.e. 1.984, which implies that the individual predictor i.e. P/E in the regression model significantly contributes to predicting the MPS. Also, the value of r^2 being 0.638 implies that

63.8% of the change in MPS can be predicted by the change in P/E, keeping another factors constant.

4.4.2.2 Multiple Regression Analysis

Multiple regression analysis is the basis for this chapter because the analysis part is fully covered by multiple regression analysis. Under this analysis, influence of independent variables upon dependent variable is measured and evaluated. In other words, multiple regression helps to establish the functional relation between dependent and independent variables and provides a mechanism for estimate. The purpose of multiple regression analysis in this study is to analyze the combined effect of EPS, DPS, BVPS, DPR and P/E on MPS of the sampled Banks.

a. Multiple Regression Analysis of Individual Banks

MPS on EPS, DPS, BVPS, DPR and P/E of ADBL

$$MPS = 284.81 + 4.419EPS + 5.052DPS - 0.914BVPS + 96.223DPR + 5.159P/E$$

The given equation models the MPS as a function of financial variables. Each component of the equation contributes to the prediction of the MPS. The constant term, 284.81, represents the base value of MPS when all the other variables are zero. The variable EPS has a coefficient of 4.419, meaning that for every 1-unit increase in EPS, the MPS is expected to increase by 4.419 units. Similarly, DPS has a coefficient of 5.052, indicating that a 1-unit increase in DPS leads to a 5.052-unit increase in MPS.

On the other hand, BVPS has a negative coefficient of -0.914, implying that a 1-unit increase in BVPS results in a 0.914-unit decrease in MPS. This might suggest that higher book values are seen as less favorable in this model, possibly reflecting market perception of growth potential. The DPR, which shows the proportion of earnings paid as dividends, has a significant positive impact with a coefficient of 96.223. This indicates that as the dividend payout ratio increases by 1 unit, the MPS increases substantially by 96.223 units. Lastly, P/E has a coefficient of 5.159, showing that a 1-unit increase in the P/E ratio corresponds to a 5.159-unit increase in MPS.

In summary, the model predicts MPS using six key factors: EPS, DPS, BVPS, DPR, P/E, and a constant. Positive coefficients on EPS, DPS, DPR, and P/E suggest they have a direct positive influence on MPS, while the negative coefficient on BVPS suggests an inverse relationship.

MPS on EPS, DPS, BVPS, DPR and P/E of EBL

MPS = -808.517 + 18.884EPS + 15.525DPS + 0.574BVPS - 340.689DPR + 30.483P/E

The given equation models MPS as a function of several financial indicators. The constant term, -808.517, represents the base value of MPS when all the other variables are zero. EPS has a positive coefficient of 18.884, meaning that for every 1-unit increase in EPS, the MPS is expected to increase by 18.884 units. Similarly, DPS has a coefficient of 15.525, indicating that a 1-unit increase in DPS leads to a 15.525-unit increase in MPS.

BVPS has a small positive coefficient of 0.574, suggesting that a 1-unit increase in BVPS results in a 0.574-unit increase in MPS. In contrast, DPR has a large negative coefficient of -340.689, meaning that as the dividend payout ratio increases by 1 unit, the MPS decreases by 340.689 units. This suggests that higher dividend payouts might be seen as a signal of lower future growth potential, which negatively impacts market price. Finally, P/E has a positive coefficient of 30.483, indicating that a 1-unit increase in the P/E ratio corresponds to a 30.483-unit increase in MPS.

In summary, this model predicts MPS using six factors: EPS, DPS, BVPS, DPR, P/E, and a constant. Positive coefficients on EPS, DPS, BVPS, and P/E suggest that increases in these variables have a positive effect on MPS. However, the negative coefficient on DPR indicates that higher dividend payouts are associated with a decrease in MPS.

MPS on EPS, DPS, BVPS, DPR and P/E of GBIME

MPS= -142.593 + 6.282EPS + 14.215DPS + 0.134BVPS - 320.439DPR + 21.013P/E

The given equation models the MPS of GBIME as a function of five key financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, -142.593, represents the base value of MPS when all the other financial variables are zero.

The first variable, EPS, has a positive coefficient of 6.282, meaning that for every 1-unit increase in EPS, the MPS increases by 6.282 units. Similarly, DPS has a positive coefficient

of 14.215, indicating that a 1-unit increase in DPS leads to a 14.215-unit increase in MPS. These positive relationships suggest that higher earnings and dividends have a favorable impact on the market price of GBIME's shares.

BVPS has a small positive coefficient of 0.134, implying that a 1-unit increase in BVPS results in only a 0.134-unit increase in MPS. This suggests that book value has a relatively small impact on market price compared to other variables in the model. On the other hand, DPR has a large negative coefficient of -320.439, which indicates that as the DPR increases by 1 unit, the MPS decreases by 320.439 units. This might reflect market sentiment that higher dividend payouts reduce future growth potential, negatively affecting the share price. Lastly, P/E has a positive coefficient of 21.013, meaning that a 1-unit increase in the P/E ratio results in a 21.013-unit increase in MPS, suggesting that higher investor confidence or growth expectations positively impact the stock price.

In summary, this model predicts GBIME's MPS using five financial variables. Positive coefficients on EPS, DPS, BVPS, and P/E indicate that increases in these variables positively affect MPS. However, the large negative coefficient on DPR suggests that higher dividend payouts have a strong negative impact on the share price. This model highlights the importance of balancing dividend payouts with investor expectations for growth and profitability.

MPS on EPS, DPS, BVPS, DPR and P/E of HBL

$$MPS= -2233.499 + 8.929EPS + 1.719DPS + 9.898BVPS + 59.931DPR + 32.559P/E$$

The given equation models the MPS of HBL as a function of five key financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, -2233.499, represents the base value of MPS when all other financial variables are zero. This negative value is not practically possible.

EPS has a positive coefficient of 8.929, meaning that for every 1-unit increase in EPS, the MPS increases by 8.929 units. DPS has a smaller positive coefficient of 1.719, indicating that a 1-unit increase in DPS results in a 1.719-unit increase in MPS. The relatively small impact of DPS suggests that dividends play a less significant role in determining the market price compared to the other variables in the model.

BVPS has a positive coefficient of 9.898, implying that a 1-unit increase in BVPS leads to a 9.898-unit increase in MPS. This shows that the book value of the company's equity has a notable impact on its market price. DPR has a large positive coefficient of 59.931, indicating that a 1-unit increase in the dividend payout ratio raises the MPS by 59.931 units. This suggests that, unlike in some other models where DPR negatively impacts MPS, investors in HBL view higher dividend payouts as a positive signal, possibly reflecting strong financial health.

Lastly, P/E has a positive coefficient of 32.559, meaning that a 1-unit increase in the P/E ratio increases the MPS by 32.559 units. This reflects the market's positive response to higher growth expectations or investor confidence.

In summary, the MPS of HBL is influenced by five financial variables: EPS, DPS, BVPS, DPR, and P/E. Positive coefficients on all these variables indicate that increases in each of them have a favorable impact on MPS. DPR and P/E have the largest coefficients, suggesting that investors place high value on the company's dividend policy and market confidence in its growth prospects. This model highlights the importance of profitability, equity value, and investor sentiment in driving HBL’s share price.

MPS on EPS, DPS, BVPS, DPR and P/E of MBL

$$MPS= -440.128 + 18.398EPS - 1.034DPS + 0.192BVPS + 43.718DPR + 22.153P/E$$

The given equation models the MPS of MBL as a function of five key financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, -440.128, represents the base value of MPS when all the other variables are zero. This negative value indicates that, without the positive influence of the other financial variables, the MPS would be significantly negative, but this is not practically possible.

EPS has a positive coefficient of 18.398, meaning that for every 1-unit increase in EPS, the MPS increases by 18.398 units. This suggests that higher earnings have a strong positive impact on the market price of MBL's shares. DPS, however, has a negative coefficient of -1.034, indicating that a 1-unit increase in DPS results in a 1.034-unit decrease in MPS. This negative relationship could reflect the market's perception that higher dividend payouts reduce retained earnings, potentially limiting future growth opportunities.

BVPS has a small positive coefficient of 0.192, meaning that a 1-unit increase in BVPS raises the MPS by only 0.192 units. This indicates that changes in the company's book value have a minimal impact on its market price. On the other hand, DPR has a large positive coefficient of 43.718, suggesting that a 1-unit increase in the DPR increases the MPS by 43.718 units. This positive relationship implies that, unlike DPS, a higher DPR is viewed favorably by investors, potentially signaling financial strength and stability.

Finally, P/E has a positive coefficient of 22.153, meaning that a 1-unit increase in the P/E ratio raises the MPS by 22.153 units. This highlights the role of investor sentiment and growth expectations in shaping the market price.

In summary, the MPS of MBL is determined by five financial variables: EPS, DPS, BVPS, DPR, and P/E. Positive coefficients on EPS, BVPS, DPR, and P/E indicate that increases in these variables positively influence the MPS. The negative coefficient on DPS, however, suggests that higher dividend payouts may negatively impact the market price, potentially due to reduced future growth potential. This model highlights the complex relationships between financial performance, investor sentiment, and MBL’s share price.

MPS on EPS, DPS, BVPS, DPR and P/E of NBL

MPS = 72.985 + 6.483EPS - 11.796DPS - 0.066BVPS + 347.701DPR + 5.242P/E

The given equation models the MPS of NBL as a function of five key financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, 72.985, represents the base value of MPS when all the other financial variables are zero. This positive constant suggests that even in the absence of changes in the other financial indicators, the MPS would still have a base value of 72.985 units.

EPS has a positive coefficient of 6.483, meaning that for every 1-unit increase in EPS, the MPS increases by 6.483 units. This indicates that higher company earnings have a favorable impact on the market price of NBL's shares. DPS, however, has a negative coefficient of -11.796, implying that a 1-unit increase in DPS results in an 11.796-unit decrease in MPS. This negative relationship could suggest that higher dividend payouts are perceived by investors as a reduction in retained earnings, which may limit future growth potential.

BVPS has a small negative coefficient of -0.066, suggesting that a 1-unit increase in BVPS leads to a 0.066-unit decrease in MPS. This may indicate that increases in the book value are not viewed as particularly beneficial to the market price, possibly because book value changes are less directly linked to profitability. On the other hand, DPR has a large positive coefficient of 347.701, meaning that a 1-unit increase in DPR raises the MPS by 347.701 units. This indicates that a higher dividend payout ratio is viewed favorably by the market, likely signaling strong financial health or the company's ability to sustain higher dividend payments.

Finally, P/E has a positive coefficient of 5.242, meaning that a 1-unit increase in the P/E ratio raises the MPS by 5.242 units. This reflects the role of market sentiment and growth expectations, as a higher P/E ratio often signals investor confidence in the company's future prospects.

In summary, the MPS of NBL is driven by five financial factors: EPS, DPS, BVPS, DPR, and P/E. Positive coefficients on EPS, DPR, and P/E indicate that increases in these variables positively impact the MPS. On the other hand, the negative coefficients on DPS and BVPS suggest that increases in these variables reduce MPS. This model shows that while higher earnings, dividend payout ratios, and P/E ratios contribute to share price growth, excessive dividends and increases in book value may have the opposite effect on NBL's market price.

MPS on EPS, DPS, BVPS, DPR and P/E of NICA

$$MPS= -1016.38 + 39.499EPS - 28.475DPS - 0.163BVPS + 834.487DPR + 22.099P/E$$

The given equation models the MPS of NICA as a function of five financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, -1016.38, represents the base value of MPS when all other variables are zero. This negative constant implies that, in the absence of the positive effects from the other financial indicators, the MPS would be significantly negative, underscoring the importance of these factors in driving NICA’s share price.

EPS has a positive coefficient of 39.499, meaning that for every 1-unit increase in EPS, the MPS increases by 39.499 units. This indicates that company earnings have a strong positive impact on the market price of NICA's shares. DPS, however, has a negative coefficient of -28.475, implying that a 1-unit increase in DPS results in a 28.475-unit decrease in MPS. This

negative relationship could suggest that higher dividend payments are perceived as reducing retained earnings, which might limit future growth potential.

BVPS has a small negative coefficient of -0.163, indicating that a 1-unit increase in BVPS reduces MPS by 0.163 units. This suggests that changes in the book value have a minimal negative impact on the market price, possibly reflecting the idea that increases in book value are less relevant to investors focused on market-driven valuation. DPR has a large positive coefficient of 834.487, meaning that a 1-unit increase in the DPR raises the MPS by 834.487 units. This indicates that a higher dividend payout ratio is viewed very positively by the market, perhaps as a signal of strong financial health or consistent returns to shareholders.

Finally, P/E has a positive coefficient of 22.099, meaning that a 1-unit increase in the P/E ratio raises the MPS by 22.099 units. This highlights the role of investor sentiment and growth expectations in shaping NICA's share price, as higher P/E ratios often reflect greater investor confidence in the company’s future profitability.

In summary, the MPS of NICA is influenced by five financial variables: EPS, DPS, BVPS, DPR, and P/E. Positive coefficients on EPS, DPR, and P/E suggest that increases in these factors positively affect MPS. On the other hand, the negative coefficients on DPS and BVPS imply that increases in these variables reduce MPS. This model highlights that while higher earnings, dividend payout ratios, and P/E ratios contribute to a higher market price, excessive dividends and increases in book value might negatively affect the share price. The large positive influence of DPR suggests that NICA's investors may place high value on the company's dividend policy.

MPS on EPS, DPS, BVPS, DPR and P/E of SANIMA

$$MPS= -561.467 + 23.603EPS - 9.301DPS + 0.245BVPS + 151.497DPR + 24.64P/E$$

The given equation models the MPS of SANIMA as a function of five financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, -561.467, represents the base value of MPS when all the other financial variables are zero. This negative constant indicates that, in the absence of the positive influence of the other variables, the MPS would be significantly negative, emphasizing the importance of these financial factors in driving SANIMA’s share price.

EPS has a positive coefficient of 23.603, meaning that for every 1-unit increase in EPS, the MPS increases by 23.603 units. This indicates that higher earnings have a strong positive influence on the market price of SANIMA's shares. DPS, however, has a negative coefficient of -9.301, implying that a 1-unit increase in DPS results in a 9.301-unit decrease in MPS. This negative relationship suggests that higher dividend payouts may reduce the company's retained earnings, potentially limiting future growth prospects, which is reflected negatively in the market price.

BVP has a small positive coefficient of 0.245, meaning that a 1-unit increase in BVPS results in a 0.245-unit increase in MPS. This suggests that changes in book value have only a minor influence on SANIMA's market price. DPR has a large positive coefficient of 151.497, indicating that a 1-unit increase in the DPR increases the MPS by 151.497 units. This positive relationship shows that higher dividend payout ratios are viewed favorably by investors, possibly as a signal of the company's financial health and its ability to provide consistent returns to shareholders.

Finally, P/E has a positive coefficient of 24.64, meaning that a 1-unit increase in the P/E ratio raises the MPS by 24.64 units. This highlights the role of investor sentiment and growth expectations in driving SANIMA's share price, as higher P/E ratios are often associated with investor confidence in the company's future profitability.

In summary, the MPS of SANIMA is influenced by five financial variables: EPS, DPS, BVPS, DPR, and P/E. Positive coefficients on EPS, BVPS, DPR, and P/E suggest that increases in these variables positively affect MPS. On the other hand, the negative coefficient on DPS implies that higher dividend payouts may negatively impact MPS, likely because of the reduced capacity for future growth. This model highlights that while higher earnings, payout ratios, and investor sentiment contribute to a higher market price, excessive dividend payments may reduce the company's attractiveness to investors.

MPS on EPS, DPS, BVPS, DPR and P/E of SBL

$$MPS = -490.385 + 18.176EPS - 1.175DPS + 0.237BVPS + 13.837DPR + 25.562P/E$$

The given equation models the MPS of SBL as a function of five financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, -490.385, represents the base value of MPS

when all the other financial variables are zero. This negative constant suggests that, without the positive influence of these financial indicators, the MPS would be significantly negative, emphasizing the importance of these factors in driving SBL's share price. However, negative value of MPS is not possible.

EPS has a positive coefficient of 18.176, meaning that for every 1-unit increase in EPS, the MPS increases by 18.176 units. This indicates that higher earnings have a strong positive impact on the market price of SBL's shares. DPS, however, has a negative coefficient of -1.175, implying that a 1-unit increase in DPS results in a 1.175-unit decrease in MPS. This negative relationship could indicate that higher dividend payouts are perceived by investors as reducing retained earnings, which may limit the company's capacity for future growth.

BVPS has a small positive coefficient of 0.237, meaning that a 1-unit increase in BVPS raises the MPS by 0.237 units. This suggests that changes in book value have only a minimal positive impact on the market price of SBL. DPR has a positive coefficient of 13.837, indicating that a 1-unit increase in the DPR increases the MPS by 13.837 units. This positive impact suggests that a higher dividend payout ratio is viewed favorably by investors, possibly as a signal of financial stability or the company's ability to provide consistent returns.

Finally, P/E has a positive coefficient of 25.562, meaning that a 1-unit increase in the P/E ratio raises the MPS by 25.562 units. This highlights the role of investor sentiment and growth expectations in driving SBL's market price, as higher P/E ratios are typically associated with greater investor confidence in the company's future profitability.

In summary, the MPS of SBL is driven by five financial variables: EPS, DPS, BVPS, DPR, and P/E. Positive coefficients on EPS, BVPS, DPR, and P/E indicate that increases in these variables positively affect MPS. On the other hand, the negative coefficient on DPS suggests that higher dividend payouts may reduce MPS, likely because they are associated with reduced retained earnings and future growth capacity. This model highlights that while higher earnings, payout ratios, and investor sentiment contribute to a higher market price, excessive dividend payments may negatively impact SBL's share price.

MPS on EPS, DPS, BVPS, DPR and P/E of SCB

$$MPS = -1931.95 + 19.073EPS - 1.832DPS + 6.967BVPS - 210.099DPR + 35.753P/E$$

The given equation models the Market Price per Share MPS of SCB as a function of five financial variables: EPS, DPS, BVPS, DPR, and P/E. The constant term, -1931.95, represents the base value of MPS when all the other financial variables are zero. This large negative constant suggests that, without the positive influence of these financial indicators, the MPS would be significantly negative, highlighting the importance of these factors in driving SCB's share price. However, negative value of MPS is not possible.

EPS has a positive coefficient of 19.073, meaning that for every 1-unit increase in EPS, the MPS increases by 19.073 units. This indicates that higher earnings have a strong positive influence on SCB's market price, as earnings are a key indicator of profitability. DPS, however, has a negative coefficient of -1.832, implying that a 1-unit increase in DPS results in a 1.832-unit decrease in MPS. This negative relationship may suggest that higher dividend payments are seen as reducing retained earnings, which could limit the company's future growth opportunities.

BVPS has a positive coefficient of 6.967, meaning that a 1-unit increase in BVPS raises the MPS by 6.967 units. This indicates that changes in the company's book value have a moderate positive impact on the market price, as a higher book value may signal stronger asset backing for each share. DPR has a negative coefficient of -210.099, indicating that a 1-unit increase in the DPR reduces the MPS by 210.099 units. This large negative impact suggests that a higher payout ratio is viewed negatively by investors, possibly due to concerns about the company's ability to retain earnings for reinvestment and future growth.

Finally, P/E has a positive coefficient of 35.753, meaning that a 1-unit increase in the P/E ratio raises the MPS by 35.753 units. This highlights the role of investor sentiment and growth expectations in shaping SCB's market price, as higher P/E ratios typically reflect investor confidence in future profitability.

In summary, the MPS of SCB is influenced by five financial variables: EPS, DPS, BVPS, DPR, and P/E. Positive coefficients on EPS, BVPS, and P/E suggest that increases in these variables positively impact MPS. On the other hand, the negative coefficients on DPS and DPR indicate that higher dividend payments and a higher dividend payout ratio may negatively affect the market price. This model highlights that while higher earnings, book value, and investor

sentiment drive the share price upward, excessive dividend payments and a higher payout ratio may have a detrimental impact on SCB's market price.

Table 26

Multiple Regression Analysis of Individual Banks:

Bank	Correlation Coefficient (r)	Coefficient of Determination (r2)	Standard Error of Estimate (Se)	MPS Intercept (a)	EPS (b1)	DPS (b2)	BVPS (b3)	DPR (b4)	P/E (b5)	t-Calc	t -Tab
ADBL	0.768	0.59	108.034	284.81	4.42	5.05	-0.91	96.22	5.16	3.870	2.306
EBL	0.999	1.00	69.26	-808.52	18.88	15.53	0.57	-340.69	30.48	53.434	2.306
GBIME	0.997	0.99	13.56	-142.59	6.28	14.22	0.13	-320.44	21.01	34.787	2.306
HBL	0.988	0.98	83.088	-2233.50	8.93	1.72	9.90	59.93	32.56	18.051	2.306
MBL	1.000	1.00	7.108	-440.13	18.40	-1.03	0.19	43.72	22.15	89.432	2.306
NBL	0.818	0.67	51.499	72.99	6.48	-11.80	-0.07	347.70	5.24	4.447	2.306
NICA	0.935	0.87	93.478	-1016.38	39.50	-28.48	-0.16	834.49	22.10	7.712	2.306
SANIMA	0.997	0.99	19.359	-561.47	23.60	-9.30	0.25	151.50	24.64	34.271	2.306
SBL	0.999	1.00	16.384	-490.39	18.18	-1.18	0.24	13.84	25.56	57.718	2.306
SCB	0.997	0.99	107.57	-1931.95	19.07	-1.83	6.97	-210.10	35.75	37.112	2.306

Source: Annex 4

The table 26 shows the results of a regression analysis for 10 sample commercial banks, where the goal is to understand how factors like EPS, DPS, BVPS, DPR, and P/E affect the MPS. To determine whether these factors are important, we compare the t-Calculated values with the t-Tabulated value, which is 2.306. If the t-Calculated value is greater than the t-Tabulated value, it means the factor is statistically significant. In this case, for all the sample banks, the t-Calculated values for the different factors are all higher than 2.306, meaning the combined effect of factors—EPS, DPS, BVPS, DPR, and P/E— is significant on MPS. This shows that these variables are important in predicting MPS for each bank. So, based on the results, we can confidently say that these financial factors are meaningful predictors of the market price per share for the banks analyzed.

b. Multiple Regression Analysis of All Banks Combined

In this section, a single regression equation of the independent variable MPS on all other dependent variables, considering all the observations of all banks, has been determined. The coefficients and intercepts of the regression line are presented in table 27.

Table 27

Multiple Regression Analysis of All Banks Combined

Parameters	Values
Correlation Coefficient (r)	0.957
Coefficient of Determination (r^2)	0.916
Adjusted R Square	0.912
Standard Error	157.855
MPS Intercept (a)	-638.877
EPS (b1)	16.620
DPS (b2)	9.675
BVPS (b3)	0.363
DPR (b4)	-97.234
P/E (b5)	27.497
t-Calculated	9.538
t -Tabulated	1.984

Source: Annex 5

Table 28

Regression Statistics

	Coefficients	Standard Error	t Stat	P-value
Intercept	-638.877	99.476	-6.422	0.000
EPS	16.620	2.287	7.266	0.000
DPS	9.675	4.283	2.259	0.026
BVPS	0.363	0.362	1.003	0.318
PE	27.497	1.511	18.203	0.000
DPR	-97.234	121.287	-0.802	0.425

The regression equation of MPS on EPS, DPS, BVPS, DPR and PE is given by

MPS = -638.877 + 16.62 EPS + 9.675 DPS + 0.363 BVPS – 97.234 DPR + 27.497 PE

Interpretation

Multiple R (0.957): A value of 0.957 indicates a very strong positive correlation between the variables, meaning the model does a good job at predicting the dependent variable.

R Square (0.916): This is the coefficient of determination, and it shows that about **91.6%** of the variation in the dependent variable can be explained by the independent variables in the model. This is a high value, suggesting the model is highly effective at capturing the relationship.

Adjusted R Square (0.912): This is a modified version of R-Square that adjusts for the number of predictors in the model. It is slightly lower than R Square but still indicates a very strong model fit. The difference is small, meaning the added predictors are useful and the model remains robust.

Standard Error (157.855): This value measures the average distance between the observed values and the regression line. A smaller standard error would indicate that the model's predictions are closer to the actual data points. A standard error of 157.855 suggests there is some variability in the predictions, but it is relatively close to the observed values given the scale of the data.

This regression model appears to be very effective, with a high correlation (Multiple R), a large proportion of the variation explained (R Square), and a very strong adjusted R Square,

indicating that the model is a good fit. The standard error, while not very small, is reasonable given the scale of the data. Overall, the model is a reliable predictor of the dependent variable.

The regression results provided for the coefficients, standard errors, t-statistics, and p-values help us understand the statistical significance of each variable in predicting the dependent variable.

1. Intercept:

- **Coefficient**: -638.88
- **Standard Error**: 99.48
- **t-Stat**: -6.42
- **P-value**: 5.45E-09

The intercept represents the value of the dependent variable when all independent variables (EPS, DPS, BVPS, P/E, and DPR) are equal to zero. The coefficient of -638.88 suggests that, in this case, the dependent variable would be negative if all predictors were zero. However, this is unlikely to happen in real-world scenarios. The standard error of 99.48 indicates the variability of the intercept coefficient estimate. The t-statistic of -6.42 (which is much less than -1.984, the critical value at a 5% significance level) and the extremely small p-value (5.45E-09, far below 0.05) show that the intercept is statistically significant, meaning it is a reliable component of the regression model.

2. EPS (Earnings Per Share):

- **Coefficient**: 16.62
- **Standard Error**: 2.29
- **t-Stat**: 7.27
- **P-value**: 1.07E-10

The coefficient for EPS (16.62) indicates that for each unit increase in EPS, the dependent variable increases by 16.62 units, assuming all other variables are constant. The standard error of 2.29 shows the precision of the EPS coefficient estimate. A smaller standard error means the estimate is more precise. The t-statistic of 7.27 is significantly larger than the critical value of 1.984, and the p-value (1.07E-10) is very small (much less than 0.05), meaning that EPS is highly statistically significant and has a strong positive relationship with the dependent variable.

3. DPS (Dividend Per Share):

- **Coefficient**: 9.68
- **Standard Error**: 4.28
- **t-Stat**: 2.26
- **P-value**: 0.0262

The coefficient for DPS (9.68) suggests that for each unit increase in DPS, the dependent variable increases by 9.68 units, with other variables held constant. The standard error of 4.28 shows some variability in the DPS estimate, indicating a somewhat less precise estimate than EPS, but still reasonably reliable. The t-statistic of 2.26 is just above the critical value of 1.984, and the p-value (0.0262) is less than 0.05, meaning DPS is statistically significant has a positive effect on the dependent variable.

4. BVPS (Book Value Per Share):

- **Coefficient**: 0.36
- **Standard Error**: 0.36
- **t-Stat**: 1.00
- **P-value**: 0.318

The coefficient for BVPS (0.36) suggests that for each unit increase in BVPS, the dependent variable increases by 0.36 units. The standard error of 0.36 is the same as the coefficient, which means there is a high level of uncertainty about the precision of the BVPS estimate. The t-stat of 1.00 is much smaller than the critical value of 1.984, and the p-value (0.318) is much higher than 0.05, indicating that BVPS is **not statistically significant**. This means BVPS does not have a meaningful effect on the dependent variable in this model.

5. P/E (Price-to-Earnings Ratio):

- **Coefficient**: 27.50
- **Standard Error**: 1.51
- **t-Stat**: 18.20
- **P-value**: 1.42E-32

The coefficient for P/E (27.50) indicates that for each unit increase in P/E, the dependent variable increases by 27.50 units. The standard error of 1.51 is relatively small, indicating that the estimate of the P/E coefficient is precise. The t-statistic of 18.20 is extremely large (much

greater than the critical value of 1.984), and the p-value (1.42E-32) is extraordinarily small, indicating that P/E is highly statistically significant. This means P/E has a strong positive relationship with the dependent variable and is one of the most important predictors in the model.

6. DPR (Dividend Payout Ratio):

- **Coefficient**: -97.23
- **Standard Error**: 121.29
- **t-Stat**: -0.80
- **P-value**: 0.4248

The coefficient for DPR (-97.23) suggests that for each unit increase in DPR, the dependent variable decreases by 97.23 units. The standard error of 121.29 is very large relative to the coefficient, indicating a high level of uncertainty in estimating the impact of DPR. The t-stat of -0.80 is much smaller than the critical value of 1.984, and the p-value (0.425) is greater than 0.05, indicating that DPR is **not statistically significant**. This suggests that DPR does not meaningfully affect the dependent variable in this model.

4.5 Major Findings

The major finds of all calculations and analysis conducted above are listed in this section.

1. The analysis of market price per share MPS of the sample banks revealed that the prices of almost all banks followed a declining pattern in the studied time frame. The price of NBL is most stable with lowest CV of 17.80 and the price of SCB has the highest CV of 76.45.
2. The analysis of EPS of the sample banks revealed that EBL has maintained the highest average EPS of Rs. 36.05 and MBL has provided the lowest average EPS of 18.41 over the 10 years' time period.
3. The analysis of DPS of the sample banks indicated that SCB has provided the highest average dividend of 31.05% to the shareholders and NBL has provided the lowest average dividend of 7% to its shareholders.
4. The analysis of BVPS has shown that EBL has maintained the highest average book value of Rs. 258 and MBL has the lowest average book value of Rs. 139.47 over the studied timeframe.

5. The dividend payout ratio was found to be highest for SCB being 0.89 and lowest for NBL being 0.30.
6. The PE ratio of NBL and ADBL was found to be lowest on average being 16.80 and the PE ratio of SCB was highest being 34.63.
7. The correlation analysis of MPS and EPS of all banks revealed that the two variables had highest correlation coefficient of 0.844 for MBL and lowest of -0.67 for GBIME. For MPS and DPS, the highest correlation is 0.858 for EBL, indicating a strong positive relationship, while the lowest is 0.004 for NBL, suggesting almost no relationship. Regarding BVPS, EBL again shows the highest correlation at 0.886, while GBIME has the lowest at -0.78, reflecting an inverse relationship. For DPR, the strongest positive correlation is 0.723 for EBL, while NICA shows the weakest at 0.002, indicating no significant connection. Lastly, for PE, the highest correlation is 0.915 for SCB, demonstrating a strong relationship, whereas the lowest is -0.172 for ADBL, reflecting a weak inverse association.
8. The regression analysis of MPS of individual banks on EPS suggested that five banks (HBL, MBL, SANIMA, SBL, and SCB) have a statistically significant relationship between the MPS and EPS, based on t-test while the remaining five do not.
9. The regression analysis of MPS of individual banks on DPS reveals that only EBL, HBL, and SCB have a statistically significant relationship between DPS and MPS. For the remaining banks, the relationship is insignificant, implying that DPS does not play a major role in explaining changes in MPS.
10. Similarly, the MPS and BVPS of only EBL and SCB have statistically significant relationship. The MPS and DPR of only EBL and GBIME have statistically significant relationship. And finally, the MPS and PE of 7 banks except ADBL, NBL and NICA have statistically significant relationship.
11. While performing the simple regression analysis of all banks combined, it was found that there is statistically significant relationship between MPS and all independent variables, as suggested by the t-test.
12. Through multiple regression analysis of individual banks, it was found out that the multiple correlation coefficient R was highest for MBL being 0.999, and was lowest for ADBL being 0.768.

13. The multiple regression analysis of all banks combined revealed that EPS, DPS and P/E have a significant effect on the dependent variable, as their t-statistics are large (well above the critical value) and their p-values are very small (below 0.05). BVPS and DPR are not statistically significant, as their p-values are greater than 0.05, indicating they do not have a meaningful impact on the dependent variable. P/E has a small standard error, suggesting its coefficient estimate is highly reliable, while BVPS and DPR have relatively high standard errors, indicating less precision.

4.6 Discussion

The findings of the correlation analysis indicated that the correlation coefficient between MPS and different financial indicators varies significantly among the sample banks. Strong positive correlations between MPS and EPS (e.g., r=0.844 for MBL) and MPS and DPS (e.g., r=0.85 for EBL) is consistent with studies indicating that EPS and DPS often show strong correlations with stock prices (MPS), as they are fundamental indicators of profitability and shareholder returns (Khan et al., 2013) (Sharma, 2011).

Negative correlations for some banks, (e.g., r=−0.67 for GBIME) (MPS and EPS), (r=−0.78 for GBIME (MPS and BVPS) might reflect unique market dynamics, inconsistent dividend policies, or variations in investor sentiment.

While analyzing the correlation coefficients of MPS and independent variable of all banks, EBL showed the most consistent results, the correlation coefficients between MPS and DPS, MPS and BVPS as well as MPS and DPR are highest compared with similar coefficients of all other banks. The other two pair relations (MPS-EPS ad MPS-PE) also have a strong positive correlation coefficient in case of EBL. High correlations and significance for this bank suggest strong investor confidence in these banks' financial metrics, consistent with the signaling theory of dividends and earnings.

The findings of simple regression analysis of the variables of individual banks indicated that the statistical significance of the relation between MPS and independent variable varied widely among the sample banks. This finding is consistent with the findings from correlation analysis. Also, while conducting analysis of individual banks, only 10 pairs of data are considered for

each calculation, which may be numerically insufficient to provide a statistically significant result.

The simple regression analysis of all banks combined resulted that there is statistically significant relationship between MPS and all independent variables, as suggested by the t-test. This result can be justified also by the large number of observations (100) used in the analysis. Also, it can be concluded that all the considered financial indicators have significant effect on the market price of any stock. The results are consistent with the study by Baskota (2007) where it was found out that stock prices are affected by dividends and earnings, but pricing varies by company.

The multiple regression analysis of individual banks pictured a different scenario. it was found out that the multiple correlation coefficient R was highest for MBL being 0.9995, and was lowest for ADBL being 0.768. These high values of R while considering the combined effect of all financial indicators, suggest that there is a significant relationship between the joint effect of indicators and the market price. In contrast, the individual indicators had a weak significance as discussed earlier. This result is consistent with the findings of Dahal (2007) where it was found out that although DPS, BVPS, and EPS jointly affected stock prices, individually they had inconsistent relationships.

The multiple regression analysis of all banks combined revealed that EPS, DPS and P/E have a significant effect on the dependent variable. BVPS and DPR are not statistically significant. P/E has a small standard error, suggesting its coefficient estimate is highly reliable, while BVPS and DPR have relatively high standard errors, indicating less precision. This model establishes EPS, DPS and PE ratio as the most suitable financial indicators that have an impact on the price of a stock. This result is consistent with the findings of Niroula (2021) which emphasizes that EPS, PE ratio, and bank size significantly boost stock prices in Nepal, while DY and ROA have a weaker impact. ROE and book value per share show minimal effects. It suggests further research on other financial institutions.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary of the study

The study deals about the share price behavior of listed commercial banks in Nepal. To achieve the goal of the study the whole study is divided into five chapters. The main objective of the study is to examine the effect of firm specific variables on price of stock. The specific objectives are to study the effect of EPS, DPS, BVPS, DPR and PE on stock price and determine a regression model based on such variables.

A sample of 10 commercial banks have been taken for the study, and data have been collected for a duration of past 10 years through primary and secondary sources. Each variable has 100 observed data. Since the price of a stock varies according to the trading day, a yearly average value was calculated considering the closing price of each day and taking mean of the closing price.

The values of other variables are based on the annual reports of the concerned banks. These reports were accessed mainly through the website of concerned banks and also through other secondary websites, in cases where the data were unavailable in the bank's website.

The analysis part mainly focuses on performing correlation analysis to determine correlation coefficient and regression analysis to determine regression equation of the dependent variable on the independent variable. The correlation coefficient of the MPS of individual banks with other variables such as EPS, BVPS, etc., has been determined for each bank and compared in the findings section.

The regression analysis has been carried out in four segments. Firstly, simple regression analysis was conducted for each bank, between MPS and one of the independent variables each time. While doing so, 10 pairs of observations were analyzed at a time. A total of 50 regression equations were developed on this segment. The statistical significance of each regression model was tested using the t-test, where the calculated value of t was compared against the tabulated value. Secondly, simple regression analysis was conducted between MPS of all banks combined (100 observations) and one of the independent variables at a time (also 100

observations). A total of 5 regression equations were developed in this section. Similar significance test was carried out and results were interpreted as in the major findings.

Then, multiple regression analyses were carried out in similar way. For each bank, the regression equation of MPS on the independent variables combined, giving one intercept and five regression coefficients, was determined. A total of 10 regression equations were formulated for 10 different banks. Statistical significance was checked using t-test. Finally, a single regression model was developed, using all the available data, which determined the regression of MPS on EPS, DPS, BVPS, DPR and PE of all banks combined. The statistical significance of the overall regression model and also of each individual component has been analyzed.

5.2 Conclusion

In this study, the share price fluctuation of commercial banks of Nepal was investigated, along with the correlation between the variables (EPS, DPS, BVPS, DPR and P/E ratio) of banks that are listed on the Nepal Stock Exchange Limited. The study results revealed that, earnings per share, dividend per share and the PE ratio has a strong positive correlation with market price of the share, as well as book value per share and dividend payout ratio have moderate positive correlation with the market price. The study concludes that the most significant factor influencing the share prices of Nepalese commercial banks is dividend per share as it has the highest correlation coefficient with market price.

The correlation analysis of individual banks suggested that EBL has the most consistent results, the correlation coefficients between MPS and DPS, MPS and BVPS as well as MPS and DPR being highest for EBL compared with similar coefficients of all other banks. High correlations and significance for this bank suggest strong investor confidence in these banks' financial metrics, consistent with the signaling theory of dividends and earnings.

The regression models developed for individual banks do not accurately predict the link between the independent and dependent variables. However, the combined multiple regression model, considering all data of sample banks in a single basket, shows that there is a significant positive relationship between MPS and EPS, DPS and PE ratio. The coefficient of determination being 0.916 shows that about **91.6%** of the variation in the dependent variable

can be explained by the independent variables suggesting the model is highly effective at capturing the relationship. The remaining variations may be contributed by factors not considered in this analysis such as number of shares outstanding, investors sentiment towards the individual banks, right shares issuance and many more. The results provide potential investors an excellent opportunity to make investment decisions by properly investigating the three financial indicators and finding out the undervalued or overvalued stocks. Other two indicators i.e., DPR and BVPS do not have a meaningful impact on the dependent variable in the developed model.

5.3 Implications and Recommendations

The implications of this study highlight the practical, theoretical, and policy-related consequences of the study's findings. It also offers actionable suggestions for stakeholders, practitioners, or future researchers.

1. The significance of EPS, DPS, and P/E implies that investors should prioritize these variables when assessing investment opportunities. Investors should pay more attention to companies with strong EPS and favorable P/E ratios, as they have a significant influence on the market price. Managers and financial analysts can use these findings to understand how certain financial metrics affect company value. Improving EPS and maintaining a favorable P/E ratio could positively impact the company's overall valuation.
2. The study provides new insights into the influence of financial indicators (EPS, DPS, P/E, BVPS, and DPR) on the dependent variable i.e., stock price. It reaffirms previous studies that highlight the importance of EPS, DPS, and P/E ratios as significant predictors. Also, variables like BVPS and DPR were found to be statistically insignificant. This supports existing theories, suggesting that not all financial metrics are critical in influencing the dependent variable.
3. The high R-squared (91.6%) implies that the multiple regression model is a useful tool for explaining the variation in the dependent variable, supporting the use of similar models in future studies.
4. The findings of the study concluded that the market price of stocks in Nepal are non-random and predictable, as its variation can be described largely by the variation in financial metrices. Further research can be conducted to construct stock price forecasting

models taking into consideration more financial as well as variables which are related overall economy.

5. Regulatory authorities should ensure that companies are transparent in reporting key performance indicators like EPS, DPS, and P/E, as these significantly influence firm valuation. Regulators should educate and protect investors by ensuring they have access to clear, accurate, and timely financial information.
6. The study was carried out on 10 commercial banks for a period of 10 years. A larger inclusion of sample banks, for a longer period of time is expected to increase the accuracy and validity of the results. Further study on such framework is recommended.
7. The commercial banks of Nepal underwent merger and acquisition process after 2074 BS due to NRB regulations. The study timeframe of this research includes this era. Long term halt of trading in NEPSE, change in capital structure of banks, and other consequences of the merger and acquisition process can also have significant implications in the price behavior of commercial banks. A qualitative research on such framework is also recommended.

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Annex 1

Major variables of all banks

All Banks							
Bank	Year	MPS(1 year avg)	EPS	DPS	BVPS	PE	DPR
ADBL	71/72	489.52	78.83	15.79	245.68	6.21	0.20
	72/73	566.90	52.79	21.05	296.9	10.74	0.40
	73/74	602.36	31.59	21.05	234.91	19.07	0.67
	74/75	383.34	36.91	21.05	247	10.39	0.57
	75/76	351.76	42.88	30	314.18	8.20	0.70
	76/77	404.33	31.45	15.79	237.66	12.86	0.50
	77/78	452.48	29.13	21.05	234.27	15.53	0.72
	78/79	440.06	14.41	13	212.25	30.54	0.90
	79/80	287.82	7.42	0	211.6	38.79	0.00
	80/81	249.11	24.75	0	233.38	10.07	0.00
EBL	71/72	2068.58	78.04	36.6	335	26.51	0.47
	72/73	2733.67	40.33	70	370	67.78	1.74
	73/74	2462.79	32.48	34.7	290	75.82	1.07
	74/75	972.80	32.78	20	200	29.68	0.61
	75/76	606.20	38.05	25	218.58	15.93	0.66
	76/77	613.35	29.71	10.5	219.56	20.64	0.35
	77/78	740.75	19.91	10.3	232.11	37.20	0.52
	78/79	589.47	26.3	20.7	241.36	22.41	0.79
	79/80	508.88	31.43	20.5	237.1	16.19	0.65
	80/81	529.98	31.47	15.5	236.27	16.84	0.49
GBIME	71/72	522.00	15.58	23	118.79	33.50	1.48
	72/73	476.34	19.33	15.76	120.21	24.64	0.82
	73/74	445.72	25.51	20	161.31	17.47	0.78
	74/75	330.76	23.64	16	165.99	13.99	0.68
	75/76	293.86	23.47	25.5	158.62	12.52	1.09
	76/77	273.10	17.99	16	152.92	15.18	0.89
	77/78	361.79	19.25	13.5	151.11	18.79	0.70
	78/79	358.10	20.84	13.6	156.11	17.18	0.65
	79/80	189.95	22.06	9	164.05	8.61	0.41
	80/81	195.36	16.65	5.5	168.81	11.73	0.33
HBL	71/72	856.43	43.03	42.1	196.12	19.90	0.98
	72/73	1233.01	33.55	31.6	180.81	36.75	0.94
	73/74	1152.49	35.15	26.3	189.91	32.79	0.75
	74/75	721.73	23.11	15.8	174.24	31.23	0.68
	75/76	519.80	32.44	22	187.73	16.02	0.68
	76/77	527.06	27.6	20	187.67	19.10	0.72
	77/78	561.12	28.07	26	188.43	19.99	0.93

	78/79	305.92	18.26	19.1	169.72	16.75	1.05
	79/80	283.03	9.81	0	155.29	28.85	0.00
	80/81	197.57	13.1	0	176.9	15.08	0.00
MBL	71/72	535.04	22.2	16.84	137.46	24.10	0.76
	72/73	593.80	25.04	21.84	138.18	23.71	0.87
	73/74	533.38	24	15	124.43	22.22	0.63
	74/75	271.83	15.81	10	128.57	17.19	0.63
	75/76	228.03	21.07	16	139.49	10.82	0.76
	76/77	236.19	14.96	10.4	136.96	15.79	0.70
	77/78	283.83	17.76	14	142.1	15.98	0.79
	78/79	320.10	16.64	0	141.23	19.24	0.00
	79/80	229.19	15.85	14	157.47	14.46	0.88
	80/81	201.99	10.76	0	148.8	18.77	0.00
NBL	71/72	353.51	7.48	0	59.26	47.26	0.00
	72/73	350.82	44.59	0	103.85	7.87	0.00
	73/74	433.09	38.77	0	142.39	11.17	0.00
	74/75	341.68	39.98	0	372.66	8.55	0.00
	75/76	303.47	26.99	25	298.45	11.24	0.93
	76/77	299.34	20.68	16	266.17	14.47	0.77
	77/78	380.39	23.43	17	262.84	16.24	0.73
	78/79	386.27	20.29	12	239.93	19.04	0.59
	79/80	270.09	23.39	0	248.55	11.55	0.00
	80/81	232.09	11.28	0	257.57	20.58	0.00
NICA	71/72	717.39	25.59	41.05	151	28.03	1.60
	72/73	826.72	28.31	27.37	161	29.20	0.97
	73/74	568.56	23.06	21.05	151	24.66	0.91
	74/75	354.84	16.62	10.53	145	21.35	0.63
	75/76	410.60	34.22	21.05	169.07	12.00	0.62
	76/77	453.59	31.89	20	177.43	14.22	0.63
	77/78	776.55	28.18	0	180.76	27.56	0.00
	78/79	820.16	36.45	0	214.83	22.50	0.00
	79/80	713.88	38.44	30.53	254.16	18.57	0.79
	80/81	526.39	9.26	0	202.24	56.85	0.00
SANIMA	71/72	545.07	24.47	21.5	134.52	22.28	0.88
	72/73	739.31	32.55	15.79	174.89	22.71	0.49
	73/74	566.70	26.31	16	131.36	21.54	0.61
	74/75	359.43	21.22	14	134.83	16.94	0.66
	75/76	324.19	28.22	21.05	149.85	11.49	0.75
	76/77	335.02	20.18	13.6	145.64	16.60	0.67
	77/78	372.05	23.94	17.89	154.14	15.54	0.75
	78/79	379.54	18.48	10.98	149.29	20.54	0.59
	79/80	250.03	20.91	14.7	155.53	11.96	0.70

	80/81	256.43	17.65	5.26	154.06	14.53	0.30
SBL	71/72	686.76	37.77	21.1	184.43	18.18	0.56
	72/73	727.61	41.53	39	206.54	17.52	0.94
	73/74	891.57	26.6	14	167.74	33.52	0.53
	74/75	367.22	26.45	13.2	161.89	13.88	0.50
	75/76	313.06	23.07	25.3	170.79	13.57	1.10
	76/77	307.81	19.55	15	163.57	15.74	0.77
	77/78	386.28	22.79	15	186.09	16.95	0.66
	78/79	439.65	20.6	13.2	172.38	21.34	0.64
	79/80	286.35	22.48	4.21	179.63	12.74	0.19
	80/81	243.78	21.4	0	196.36	11.39	0.00
SCB	71/72	2067.60	56.38	44.2	264.60	36.67	0.78
	72/73	2835.44	45.96	35.1	267.53	61.69	0.76
	73/74	2652.88	35.49	105	296.18	74.75	2.96
	74/75	1436.64	27.33	17.5	173.82	52.57	0.64
	75/76	647.44	30.39	22.5	186.32	21.30	0.74
	76/77	602.13	24.81	11.8	188.51	24.27	0.48
	77/78	631.02	23.92	13.1	189.24	26.38	0.55
	78/79	486.11	23.92	16.5	192.32	20.32	0.69
	79/80	470.10	36.75	19	213.61	12.79	0.52
	80/81	539.09	34.73	25.5	217.60	15.52	0.73

Annex 2

Simple regression analysis of individual banks

ADBL

Regression Statistics	
Multiple R	0.454867741
R Square	0.206904662
Adjusted R Square	0.107767745
Standard Error	106.295551
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	333.7842067	70.16889731	4.75686835	0.001432551
EPS	2.541195633	1.759019554	1.444665938	0.18655292

Regression Statistics	
Multiple R	0.565911559
R Square	0.320255893
Adjusted R Square	0.235287879
Standard Error	98.40680113
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	316.7649176	62.84541636	5.040382194	0.001001149
DPS	6.676016839	3.438718227	1.941425961	0.088151976

Regression Statistics	
Multiple R	0.192043369
R Square	0.036880656
Adjusted R Square	-0.083509262
Standard Error	117.1365536
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	263.137338	290.7778394	0.904942889	0.391932995
BVPS	0.646841051	1.168673825	0.553482963	0.595058671

Regression Statistics	
Multiple R	0.463526718
R Square	0.214857019
Adjusted R Square	0.116714146
Standard Error	105.7612963
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	344.6579455	62.49291451	5.515152369	0.000563589
DPR	167.5370727	113.2310497	1.479603635	0.177244541

Regression Statistics	
Multiple R	0.171843388
R Square	0.02953015
Adjusted R Square	-0.091778581
Standard Error	117.5826957
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	452.5470709	70.89284903	6.38353624	0.000212838
PE	-1.833906752	3.716981959	-0.493385971	0.634997892

EBL

Regression Statistics	
Multiple R	0.491322978
R Square	0.241398269
Adjusted R Square	0.146573052
Standard Error	812.2083824
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	197.0991721	668.9628	0.294634	0.7757743
EPS	27.33830521	17.1343	1.595531	0.149260106

Regression Statistics	
Multiple R	0.858037562
R Square	0.736228459
Adjusted R Square	0.703257016
Standard Error	478.9327341
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	57.38638629	282.2123282	0.203344718	0.843942556
DPS	42.65575014	9.026933823	4.725386381	0.001491769

Regression Statistics	
Multiple R	0.885934673
R Square	0.784880245
Adjusted R Square	0.757990276
Standard Error	432.514528
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-2436.46537	683.6976973	-3.563658879	0.007361361
BVPS(annual)	14.0276686	2.596443952	5.402646414	0.000643981

Regression Statistics	
Multiple R	0.723536906
R Square	0.523505655
Adjusted R Square	0.463943861
Standard Error	643.708773
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	25.40827232	440.2307108	0.057715811	0.955390566
DPR	1576.021868	531.6005637	2.964673057	0.018017128

Regression Statistics	
Multiple R	0.857826534
R Square	0.735866362
Adjusted R Square	0.702849658
Standard Error	479.2613522
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	35.92217404	286.3024769	0.125469309	0.903247784
PE	34.85308208	7.382587046	4.720984916	0.001500258

GBIME

Regression Statistics	
Multiple R	0.066683611
R Square	0.004446704
Adjusted R Square	-0.119997458
Standard Error	118.8967539
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	391.9255947	252.6544039	1.55123	0.1594
EPS	-2.311452366	12.22793449	-0.189	0.8548

Regression Statistics	
Multiple R	0.609063231
R Square	0.37095802
Adjusted R Square	0.292327772
Standard Error	94.50995481
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	165.251333	87.85631459	1.880927213	0.096767417
DPS	11.36745642	5.233542279	2.172038709	0.061622415

Regression Statistics	
Multiple R	0.776863982
R Square	0.603517647
Adjusted R Square	0.553957352
Standard Error	75.03254405
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	1084.57263	213.3451263	5.083653183	0.000948831
BVPS	-4.8742663	1.396790279	-3.489619289	0.008203

Regression Statistics	
Multiple R	0.689020467
R Square	0.474749204
Adjusted R Square	0.409092855
Standard Error	86.36168356
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	159.8748754	73.95944514	2.16165596	0.062627592
DPR	236.3326644	87.88808352	2.689018294	0.027538485

Regression Statistics	
Multiple R	0.895488479
R Square	0.801899616
Adjusted R Square	0.777137067
Standard Error	53.03717698
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	101.2822444	45.94522737	2.204412737	0.058589335
PE	14.01891788	2.463497664	5.690656048	0.000459304

HBL

Regression Statistics	
Multiple R	0.76923
R Square	0.591714
Adjusted R Square	0.540679
Standard Error	240.7684
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-57.9392	217.5064	-0.26638	0.796684
EPS	26.26667	7.714114	3.405014	0.009291

Regression Statistics	
Multiple R	0.725174016
R Square	0.525877353
Adjusted R Square	0.466612022
Standard Error	259.455474
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	233.6303763	157.9904633	1.478762524	0.177463702
DPS	19.82186416	6.654303699	2.978803652	0.017632575

Regression Statistics	
Multiple R	0.513990276
R Square	0.264186004
Adjusted R Square	0.172209254
Standard Error	323.2224442
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-2106.38555	1621.243758	-1.299240499	0.230051697
BVPS	15.17694928	8.955062245	1.694789926	0.128562393

Regression Statistics	
Multiple R	0.539988973
R Square	0.291588091
Adjusted R Square	0.203036602
Standard Error	317.146859
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	294.0364495	213.38433	1.377966458	0.205525112
DPR	508.052827	279.9767155	1.814625284	0.107129807

Regression Statistics				
Multiple R		0.717915394		
R Square		0.515402513		
Adjusted R Square		0.454827827		
Standard Error		262.3059044		
Observations		10		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-124.0371605	273.384156	-0.453710128	0.662092291
PE	32.13334803	11.01611084	2.916941241	0.019381872

MBL

Regression Statistics				
Multiple R		0.843946		
R Square		0.712246		
Adjusted R Square		0.676276		
Standard Error		85.36132		
Observations		10		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-172.251	118.9685	-1.44787	0.185681
EPS	28.00745	6.293968	4.449887	0.00214

Regression Statistics				
Multiple R		0.571755668		
R Square		0.326904544		
Adjusted R Square		0.242767612		
Standard Error		130.5534924		
Observations		10		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	199.6854511	83.75928688	2.384039533	0.044265709
DPS	12.16569689	6.171913751	1.971138512	0.084195243

Regression Statistics				
Multiple R		0.485189601		
R Square		0.235408949		
Adjusted R Square		0.139835067		
Standard Error		139.1440917		
Observations		10		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	1435.211409	697.1035451	2.058820988	0.073494468
BVPS	-7.828789259	4.988301909	-1.569429718	0.155187173

Regression Statistics	
Multiple R	0.287771957
R Square	0.082812699
Adjusted R Square	-0.031835713
Standard Error	152.3979697
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	264.2858725	104.7575769	2.522833004	0.035651127
DPR	131.4380108	154.6523522	0.849893383	0.420090356

Regression Statistics	
Multiple R	0.854872837
R Square	0.730807567
Adjusted R Square	0.697158513
Standard Error	82.56226307
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-206.0759773	120.7484757	-1.706654897	0.126274095
PE	30.13894304	6.467149943	4.660313013	0.00162279

NBL

Regression Statistics	
Multiple R	0.417217
R Square	0.17407
Adjusted R Square	0.070829
Standard Error	57.494
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	282.6501	44.27941	6.38333	0.000213
EPS	2.040862	1.571731	1.298481	0.2303

Regression Statistics	
Multiple R	0.004422063
R Square	1.95546E-05
Adjusted R Square	-0.124978001
Standard Error	63.26255026
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	334.8828166	25.2627586	13.25598767	1.00067E-06
DPS	0.027564955	2.203855367	0.012507606	0.990326925

Regression Statistics	
Multiple R	0.35869507
R Square	0.128662153
Adjusted R Square	0.019744923
Standard Error	59.05330801
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	385.8117446	50.2775533	7.673638021	5.88607E-05
BVPS	-0.225326284	0.207316918	-1.086868776	0.308754062

Regression Statistics	
Multiple R	0.029194729
R Square	0.000852332
Adjusted R Square	-0.124041126
Standard Error	63.23620244
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	333.7543939	25.60724873	13.03359051	1.13954E-06
DPR	4.379840263	53.01804032	0.082610376	0.936190936

Regression Statistics	
Multiple R	0.01858875
R Square	0.000345542
Adjusted R Square	-0.124611266
Standard Error	63.25223784
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	333.456893	36.71269164	9.082877832	1.73227E-05
PE	0.096384997	1.832901845	0.052586011	0.959351157

NICA

Regression Statistics	
Multiple R	0.388801
R Square	0.151166
Adjusted R Square	0.045062
Standard Error	171.9832
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	411.439	180.496	2.279491	0.052113
EPS	7.551958	6.327016	1.193605	0.266824

Regression Statistics	
Multiple R	0.064304531
R Square	0.004135073
Adjusted R Square	-0.120348043
Standard Error	186.2837397
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	603.2102105	95.31621173	6.328516415	0.000225754
DPS	0.795967296	4.367258273	0.182257894	0.859914062

Regression Statistics	
Multiple R	0.344559261
R Square	0.118721084
Adjusted R Square	0.00856122
Standard Error	175.2392634
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	297.6331088	312.4619116	0.952542047	0.368711333
BVPS	1.767152371	1.702243822	1.03813117	0.329565549

Regression Statistics	
Multiple R	0.00220277
R Square	4.8522E-06
Adjusted R Square	-0.124994541
Standard Error	186.6696338
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	616.4013479	95.29147777	6.468588402	0.000194447
DPR	0.757360393	121.559054	0.006230391	0.995181463

Regression Statistics	
Multiple R	0.152156938
R Square	0.023151734
Adjusted R Square	-0.0989543
Standard Error	184.4965647
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	561.9592005	138.9425747	4.044542874	0.003712239
PE	2.153775965	4.946264401	0.435434864	0.674756145

SANIMA

Regression Statistics	
Multiple R	0.759837
R Square	0.577352
Adjusted R Square	0.524521
Standard Error	107.3804
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-181.201	182.8583	-0.99094	0.350738
EPS	25.39125	7.680834	3.305794	0.010765

Regression Statistics	
Multiple R	0.373565346
R Square	0.139551068
Adjusted R Square	0.031994952
Standard Error	153.2138107
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	228.0297242	169.2735447	1.34710787	0.214856519
DPS	12.25355789	10.75754523	1.139066359	0.287632161

Regression Statistics	
Multiple R	0.149020422
R Square	0.022207086
Adjusted R Square	-0.100017028
Standard Error	163.3273092
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	145.5739193	628.9883634	0.231441355	0.822781793
BVPS	1.800423804	4.223839499	0.426252892	0.681160996

Regression Statistics	
Multiple R	0.015090593
R Square	0.000227726
Adjusted R Square	-0.124743808
Standard Error	165.1527877
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	403.3619399	226.6479816	1.779684676	0.113004817
DPR	14.72436147	344.9337737	0.042687503	0.966996845

Regression Statistics	
Multiple R	0.845237515
R Square	0.714426457
Adjusted R Square	0.678729764
Standard Error	88.26618366
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-137.5270477	126.1362669	-1.090305359	0.307326569
PE	31.60486358	7.064625544	4.473678525	0.002073093

SBL

Regression Statistics	
Multiple R	0.694726
R Square	0.482644
Adjusted R Square	0.417975
Standard Error	169.6694
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-76.9826	205.5213	-0.37457	0.717713
EPS	20.66778	7.565364	2.731895	0.02577

Regression Statistics	
Multiple R	0.512871357
R Square	0.263037029
Adjusted R Square	0.170916658
Standard Error	202.5031749
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	296.6918328	118.4174643	2.505473618	0.036628319
DPS	10.51917858	6.2251701	1.689781711	0.129539783

Regression Statistics	
Multiple R	0.1590289
R Square	0.025290191
Adjusted R Square	-0.09654854
Standard Error	232.8877641
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	30.43575093	956.6882375	0.031813656	0.975400049
BVPS	2.428571595	5.330494899	0.455599647	0.66078943

Regression Statistics	
Multiple R	0.243246646
R Square	0.059168931
Adjusted R Square	-0.05843495
Standard Error	228.8046405
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	366.73357	156.3059571	2.346254594	0.046954988
DPR	167.327279	235.9015096	0.709309912	0.498279895

Regression Statistics	
Multiple R	0.814527716
R Square	0.663455401
Adjusted R Square	0.621387326
Standard Error	136.8454354
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-33.2265978	132.7135507	-0.25036326	0.808616179
PE	28.4966288	7.17569445	3.971271213	0.004111608

SCB

Regression Statistics	
Multiple R	0.64127
R Square	0.411227
Adjusted R Square	0.337631
Standard Error	769.5368
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-717.682	861.9212	-0.83265	0.429195
EPS	57.54023	24.34218	2.363808	0.045686

Regression Statistics	
Multiple R	0.723194865
R Square	0.523010813
Adjusted R Square	0.463387165
Standard Error	692.6436359
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	475.9909854	337.5948808	1.409947284	0.196227622
DPS	24.52782671	8.281576324	2.961734064	0.018098201

Regression Statistics	
Multiple R	0.82764084
R Square	0.684989361
Adjusted R Square	0.645613031
Standard Error	562.8830776
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-2820.056227	988.8328451	-2.85190388	0.021416277
BVPS	18.52685419	4.441988072	4.170847352	0.003118477

Regression Statistics	
Multiple R	0.589141059
R Square	0.347087188
Adjusted R Square	0.265473086
Standard Error	810.3696673
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	567.455851	413.5597014	1.372125594	0.207263929
DPR	756.2628223	366.7212377	2.062228048	0.073106539

Regression Statistics	
Multiple R	0.915363619
R Square	0.837890556
Adjusted R Square	0.817626875
Standard Error	403.7938868
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-172.9071523	253.7095261	-0.681516201	0.514785763
PE	40.71209142	6.33124224	6.430348087	0.000202489

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ANNEX 3

Simple regression analysis of all banks combined

i. Regression of MPS on EPS

Regression Statistics				
Multiple R		0.501242838		
R Square		0.251244383		
Adjusted R Square		0.243604019		
Standard Error		461.4408334		
Observations		100		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-6.342296154	115.3005963	-0.055006621	0.956245175
EPS	22.21185192	3.873411148	5.734442091	1.08573E-07

ii. Regression of MPS on DPS

Regression Statistics				
Multiple R		0.712956819		
R Square		0.508307425		
Adjusted R Square		0.503290154		
Standard Error		373.9321453		
Observations		100		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	142.3499622	58.83719152	2.41938744	0.017390823
DPS	25.92057365	2.575224934	10.06536295	8.73049E-17

iii. Regression of MPS on BVPS

Regression Statistics				
Multiple R		0.475141084		
R Square		0.22575905		
Adjusted R Square		0.217858632		
Standard Error		469.2281357		
Observations		100		
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-265.5385163	168.50287	-1.575869398	0.118278711
BVPS	4.485132092	0.839030377	5.345613476	5.88186E-07

iv. Regression of MPS on DPR

Regression Statistics			
Multiple R	0.470182831		
R Square	0.221071894		
Adjusted R Square	0.213123648		
Standard Error	470.6463161		
Observations	100		
	Coefficients	*Standard Error*	*t Stat*
Intercept	229.6790628	84.4661954	2.719183239
DPR	588.3658155	111.5620061	5.2738906

v. Regression of MPS on PE

Regression Statistics				
Multiple R	0.798877787			
R Square	0.638205718			
Adjusted R Square	0.63451394			
Standard Error	320.7575041			
Observations	100			
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-94.80759082	61.79059945	-1.534336803	0.128169011
PE	31.53554093	2.398489108	13.14808595	2.31704E-23

ANNEX 4

Multiple regression analysis of individual banks

ADBL

Regression Statistics	
Multiple R	0.768357733
R Square	0.590373605
Adjusted R Square	0.078340612
Standard Error	108.0342231
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	284.8105789	552.4781352	0.515514662	0.633376299
EPS	4.419033253	3.417925544	1.292899215	0.265667231
DPS	5.052552458	13.65108974	0.370120815	0.730056876
BVPS	-0.914326928	2.135035412	-0.428249069	0.690521905
DPR	96.22304157	311.3484122	0.309052617	0.772710079
PE	5.158911311	5.751323822	0.896995452	0.420428627

EBL

Regression Statistics	
Multiple R	0.998619969
R Square	0.997241842
Adjusted R Square	0.993794143
Standard Error	69.26042584
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-808.517119	335.1136436	-2.412665478	0.073342807
EPS(NFRS)	18.88400752	7.065509351	2.672702927	0.055649237
DPS	15.52466615	13.66635333	1.135977227	0.31941025
BVPS	0.573953812	1.179572517	0.48657781	0.652014853
DPR	-340.6896048	555.9084223	-0.612852029	0.573104801
PE	30.48283469	1.961599935	15.53978166	0.00010011

GBIME

Regression Statistics	
Multiple R	0.996754093
R Square	0.993518722
Adjusted R Square	0.985417126
Standard Error	13.5669757
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-142.5926525	132.8208629	-1.073571195	0.34346468
EPS	6.281544248	4.47929244	1.402351896	0.233450626
DPS	14.21532456	5.311252312	2.67645439	0.055432518
BVPS	0.133651286	0.616731205	0.216709135	0.839038988
DPR	-320.4391929	104.6076607	-3.063247862	0.037539319
PE	21.01285768	1.784936309	11.77232912	0.000297916

HBL

Regression Statistics	
Multiple R	0.987769304
R Square	0.975688198
Adjusted R Square	0.945298445
Standard Error	83.0885278
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-2233.499492	1136.557394	-1.965144483	0.120839903
EPS	8.929725749	16.68512033	0.535190971	0.620886447
DPS	1.718864306	13.06731966	0.131539164	0.901699638
BVPS	9.897719386	7.221608587	1.370569904	0.242387606
DPR	59.93111367	200.1637155	0.299410478	0.779539692
PE	32.55952703	4.961726748	6.562136265	0.002789695

MBL

Regression Statistics	
Multiple R	0.999501026
R Square	0.999002302
Adjusted R Square	0.997755179
Standard Error	7.108284537
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-440.1281459	65.55553323	-6.713821461	0.002562254
EPS	18.39788391	1.705453183	10.78768042	0.000418755
DPS	-1.034373772	2.340567567	-0.441932882	0.681379491
BVPS	0.192569312	0.324039676	0.594276957	0.584308328
DPR	43.71816224	37.40035262	1.168923798	0.307343351
PE	22.15337362	0.757976159	29.22700583	8.15891E-06

NBL

Regression Statistics	
Multiple R	0.817720701
R Square	0.668667145
Adjusted R Square	0.254501075
Standard Error	51.49892827
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	72.9852531	171.5088082	0.425548133	0.69233409
EPS	6.483421694	2.835103808	2.286837496	0.084149787
DPS	-11.79653196	12.23447656	-0.964204058	0.389545381
BVPS	-0.065835662	0.265672167	-0.2478079	0.816484113
DPR	347.7005589	297.1389411	1.170161533	0.306898369
PE	5.242003878	3.40996003	1.537262558	0.199044526

NICA

Regression Statistics	
Multiple R	0.935209212
R Square	0.87461627
Adjusted R Square	0.717886607
Standard Error	93.47819546
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-1016.380608	380.2212227	-2.673129607	0.055624539
EPS	39.4985321	8.426638208	4.687341634	0.009396284
DPS	-28.47516112	13.38603584	-2.127228812	0.100520791
BVPS	-0.16344349	1.799051614	-0.090849806	0.931979556
DPR	834.4869395	387.4942402	2.153546693	0.097592565
PE	22.09857481	5.133763881	4.304556135	0.012600132

SANIMA

Regression Statistics	
Multiple R	0.996559738
R Square	0.993131311
Adjusted R Square	0.98454545
Standard Error	19.35919463
Observations	10

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-561.4667562	141.030643	-3.981168518	0.016385137
EPS	23.60333512	7.732798659	3.052366441	0.037940354

DPS	-9.301100638	12.76910309	-0.728406731	0.506717987
BVPS	0.245415804	0.753816797	0.325564255	0.761072691
DPR	151.4967483	273.7313144	0.553450557	0.60943222
PE	24.64018029	2.050741582	12.01525366	0.000275059

SBL

Regression Statistics				
Multiple R	0.998793194			
R Square	0.997587844			
Adjusted R Square	0.99457265			
Standard Error	16.38425383			
Observations	10			
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-490.385487	190.0899171	-2.57975538	0.061343269
EPS	18.17625177	3.376851245	5.382603631	0.005758614
DPS	-1.17477775	5.004854934	-0.23472763	0.825946225
BVPS	0.237396402	0.720315692	0.32957272	0.758258862
DPR	13.83729995	126.1710293	0.109670976	0.917952227
PE	25.56225266	0.940045021	27.19258343	1.08754E-05

SCB

Regression Statistics				
Multiple R	0.997119595			
R Square	0.994247486			
Adjusted R Square	0.987056843			
Standard Error	107.5720455			
Observations	10			
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	-1931.949239	1122.333876	-1.721367661	0.160293269
EPS	19.07317962	28.88124898	0.660400097	0.5450898
DPS	-1.832514324	42.02033873	-0.043610175	0.967305322
BVPS	6.967448862	2.946509173	2.36464523	0.077270507
DPR	-210.0995772	1443.971655	-0.145501178	0.891352761
PE	35.75309333	2.547761907	14.03313757	0.000149614

Annex 5

Multiple regression analysis of all banks combined

Regression Statistics	
Multiple R	0.9571
R Square	0.9160
Adjusted R Square	0.9115
Standard Error	157.8553
Observations	100.0000

Annex 6

Critical value table for t-test

Critical values of *t* for two-tailed tests

Significance level (α)

Degrees of freedom *(df)*	.2	.15	.1	.05	.025	.01	.005	.001
1	3.078	4.165	6.314	12.706	25.452	63.657	127.321	636.619
2	1.886	2.282	2.920	4.303	6.205	9.925	14.089	31.599
3	1.638	1.924	2.353	3.182	4.177	5.841	7.453	12.924
4	1.533	1.778	2.132	2.776	3.495	4.604	5.598	8.610
5	1.476	1.699	2.015	2.571	3.163	4.032	4.773	6.869
6	1.440	1.650	1.943	2.447	2.969	3.707	4.317	5.959
7	1.415	1.617	1.895	2.365	2.841	3.499	4.029	5.408
8	1.397	1.592	1.860	2.306	2.752	3.355	3.833	5.041
9	1.383	1.574	1.833	2.262	2.685	3.250	3.690	4.781
10	1.372	1.559	1.812	2.228	2.634	3.169	3.581	4.587
11	1.363	1.548	1.796	2.201	2.593	3.106	3.497	4.437
12	1.356	1.538	1.782	2.179	2.560	3.055	3.428	4.318
13	1.350	1.530	1.771	2.160	2.533	3.012	3.372	4.221
14	1.345	1.523	1.761	2.145	2.510	2.977	3.326	4.140
15	1.341	1.517	1.753	2.131	2.490	2.947	3.286	4.073
16	1.337	1.512	1.746	2.120	2.473	2.921	3.252	4.015
17	1.333	1.508	1.740	2.110	2.458	2.898	3.222	3.965
18	1.330	1.504	1.734	2.101	2.445	2.878	3.197	3.922
19	1.328	1.500	1.729	2.093	2.433	2.861	3.174	3.883
20	1.325	1.497	1.725	2.086	2.423	2.845	3.153	3.850
21	1.323	1.494	1.721	2.080	2.414	2.831	3.135	3.819
22	1.321	1.492	1.717	2.074	2.405	2.819	3.119	3.792
23	1.319	1.489	1.714	2.069	2.398	2.807	3.104	3.768
24	1.318	1.487	1.711	2.064	2.391	2.797	3.091	3.745
25	1.316	1.485	1.708	2.060	2.385	2.787	3.078	3.725
26	1.315	1.483	1.706	2.056	2.379	2.779	3.067	3.707
27	1.314	1.482	1.703	2.052	2.373	2.771	3.057	3.690
28	1.313	1.480	1.701	2.048	2.368	2.763	3.047	3.674
29	1.311	1.479	1.699	2.045	2.364	2.756	3.038	3.659
30	1.310	1.477	1.697	2.042	2.360	2.750	3.030	3.646
40	1.303	1.468	1.684	2.021	2.329	2.704	2.971	3.551
50	1.299	1.462	1.676	2.009	2.311	2.678	2.937	3.496
60	1.296	1.458	1.671	2.000	2.299	2.660	2.915	3.460
70	1.294	1.456	1.667	1.994	2.291	2.648	2.899	3.435
80	1.292	1.453	1.664	1.990	2.284	2.639	2.887	3.416
100	1.290	1.451	1.660	1.984	2.276	2.626	2.871	3.390
1000	1.282	1.441	1.646	1.962	2.245	2.581	2.813	3.300
Infinite	1.282	1.440	1.645	1.960	2.241	2.576	2.807	3.291

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