DETERMINANTS OF STOCK PRICE OF NEPALESE COMMERCIAL BANKS

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master'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 **"Determinants of Stock Price of Nepalese Commercial Banks "** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Pabitra Thapa has defended research proposal entitled **"Determinants of Stock Price of Nepalese Commercial Banks"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Madhusudan Gautam Submit the thesis for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Determinants of Stock Price of Nepalese Commercial Banks "** Presented by Pabitra Thapa Candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Pabitra Thapa

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ABBREVIATIONS

ARDL	:	Auto Regressive Distributive Lag
BVPS	:	Book Value per Share
DPR	:	Dividend Payout Ratio
DPS	:	Dividend per Share
DSE	:	Dhaka Stock Exchange
DY	:	Dividend Yield
EPS	:	Earning s per Share
EBL	:	Everest Bank Ltd
GDP	:	Gross Domestic Product
IR	:	Interest Rate
MPS	:	Market Price per Share
NEPSE	:	Nepal Stock Exchange
NBL	:	Nabil Bank Ltd
NRB	:	Nepal Rastra Bank
P/E Ratio	:	Price Earnings Ratio
ROE	:	Return on Equity
SANIMA	:	Sanima Bank Ltd
SBL	:	Siddhartha Bank Ltd
SCBL	:	Standard Chartered Bank Ltd
SD	:	Standard Deviation
SEBON	:	Security Board of Nepal

ABSTRACT

This study investigates the determinants of stock price of Nepalese commercial bank. The study is based on the relationship between the Financial Performance Indicators and Stock Price Behavior of Listed Companies in NEPSE. It examines the relationship between the financial performance indicators (EPS, NPL, INT and P/E Ratio) and common stock price (MPS). The main purpose of this study is to investigates, analysis and interpret the Determinants of stock price of Nepalese commercial bank. To meet the purpose of the study descriptive research design was used. Five commercial banks (EBL, SANIMA, NABIL, SBL, SCBL) were selected as a sample for the study between the fiscal year 2013/14 to fiscal year 2022/23. Data were obtained from respective banks annual report, Nepal Stock Exchange and Security Board of Nepal. Data were analyzed through correlation and multiple regression technique by using SPSS version 26. The variables were used Market price per Share (MPS) as dependent variable and Earnings per Share (EPS), Non-Performing Loan (NPL), Interest (INT), and Price Earnings Ratio (P/E Ratio) as independent variables. The MPS has a significant positive correlation with EPS and P/E ratio. The findings of the study also show that coefficients for EPS and P/E Ratio are all significant at $p<0.01$ level, suggesting that they are important predictors of MPS. Finally, the analysis of Nepalese stock market, researcher recommends that, investors should analyze all the aspects and factors that may affect the price of share before investing in any commercial banks. Also, government should formulate and implement a strict rules and regulations for the further development of stock market. Governments need to make mechanism to take immediate action against insider trading. As a result, Nepalese capital market could be more competitive.

Keywords: *Market price per share, Earning per share, Non-performing loan, Interest, Return on Assets*

CHAPTER I
INTRODUCTION

1.1Background of the Study

The primary determinant of a nation's economic strength is its ability to effectively utilize its resources. The inappropriate and wasteful use of resources has a negative impact on a nation's ability to progress (as Nepal is currently experiencing). Capital mobilization is a powerful instrument that supports the wise and efficient use of resources, directly influencing the nation's economy as a whole.

Explaining the behavior of the aggregate stock price has drawn a lot of attention lately. Up until a few years ago, the most basic model for determining stock price was generally acknowledged as acceptable. It said that the stock price is equal to the present value of anticipated future dividends, discounted at a constant rate. This model suggests that the % return on stocks is unpredictable and links changes in stock prices to announcements about upcoming dividends. Collins (1957) conducted a groundbreaking study on the factors influencing share prices in the US and found that dividends, net profit, operating earnings, and book value were the main drivers of share prices.

Determining share prices is a difficult and contradictory process. Shiller (1981) discovered that market irrationality is the main cause of stock prices' extreme fluctuations and lack of stability in response to news concerning fundamentals (such as dividends). It follows that knowing how different fundamental factors affect stock price is very beneficial to investors since it will enable them to make wise investment choices.

The Securities Exchange Act of 1983 governs the operations of the Nepal Stock Exchange, or NEPSE, which was founded in accordance with the business act. NEPSE aims to provide unrestricted marketability and liquidity for corporate and government assets by facilitating trades on its trading floor via members who operate as market intermediaries, including brokers and market makers. The trading floor of NEPSE was

inaugurated on January 13, 1994. NEPSE is owned by the Government of Nepal, Nepal Rastra Bank, Nepal Industrial Development Corporation, and licensed members.

The stock market plays a crucial role in any nation's economy. By promoting capital formation and driving economic growth, it also contributes to the nation's economic development. Supply and demand factors cause fluctuations in stock prices. However, there isn't a perfect or infallible method for predicting the precise movement of stock prices. There are three primary categories of factors that influence the supply and demand of stock prices: technical factors, fundamental factors, and market attitudes. Put another way, we may also state that both internal and external variables affect share prices. Internal elements include size, leverage, book value, earnings per share, and dividend per share. Macroeconomic variables or external influences include the foreign exchange rate, interest rate, GDP, and government regulations. Fundamental analysts utilize stock valuation ratios to determine a stock's current fair value and estimate its future value, aiming to forecast future stock prices. Important internal characteristics, such as dividends, retained earnings, size, earnings per share, dividend yield, leverage, payout ratios, and book value per share, have been identified by numerous academics as influencing share prices for various markets.

In the context of Nepal, the current study examines an attempt to understand the factors influencing commercial banks' share prices using data from financial statements. This study aims to investigate how the internal factor affects the stock prices of commercial banks in Nepal. The study's goal is to analyze the relationship between firm-specific and macroeconomic variables as determinants of market price per share (MPS) in Nepal's banking sector. It specifically looks at how market price per share is affected by earnings per share (EPS), price-earnings ratio (P/E ratio), and non-performing loan, return on assets (ROA), and Interest.

1.2. Problem Statement

The only share market in Nepal that is regarded as a key gauge of a nation's economic success and growth is the Nepal Stock Exchange. Since share price is a key factor in

determining investment decisions in the share market, share prices are important in the share market. Consequently, it is crucial to look into the variables influencing share prices in the stock market. Numerous researches have been conducted in an effort to identify the variables influencing share price. Nonetheless, scant research has been done to examine the variables influencing share prices in the Nepali market. Numerous academic works posit that fluctuations in stock prices are contingent upon both internal and external causes. The current share price is particularly important for investors, portfolio managers, policy makers, share brokers, and researchers who are interested in the performance of capital markets. When purchasing shares of a company, investors should pay particular attention to both internal and external variables of the business in order to optimize their profits from stock market investments. Earning is one of the many factors that might cause the share price to fluctuate greatly. The banking industry in Nepal is crucial to the nation's economic expansion (NRB, 2019). Thus, the goal of this study was to look into the variables affecting Nepal's listed commercial banks' share values.

Researching the impact of particular variables on Kenya's commercial banks' financial performance according to Kamandea et al. (2016), a bank's asset quality has the most impact on its return on assets (ROA). This suggests that strengthening asset quality is essential to raising Kenyan banks' ROA. Pradhan and Dahal (2016) explore a broader range of variables, including both firm-specific and macroeconomic aspects, to analyze stock prices. This method integrates external economic factors with internal financial performance. Pradhan and Dahal (2016) recommend an approach that strikes a balance between internal growth and external economic monitoring, implying that larger company size and robust economic growth (GDP) are necessary for better stock values in Nepalese banks.

Dhakal (2019) investigated the factors influencing the stock prices of financial companies listed on the Nepal Stock Exchange during that period, emphasizing the importance of internal financial metrics in the Nepalese financial sector, whereas Khan and Amanullah

(2012) examined the Pakistani Stock Market and highlighted the combined impact of macroeconomic and firm-specific factors in the Pakistani market.

Rubaiyath and Lalon (2023) conducted research on the impact of bank-specific factors on the stock prices of commercial banks listed on the Dhaka Stock Exchange (DSE) in Bangladesh and identified Bank Size and Book to Market Ratio as significant determinants of stock price fluctuations in Bangladeshi commercial banks, whereas Nurmalia and Ardana (2024): PER and ROE have a favorable impact on stock prices in Indonesian sharia banks, whereas EPS has a negative impact, and DER and PBV have no significant influence.

The volatility of share prices in Nepal is difficult to predict. The combination of supply and demand determines stock price. The stock price is influenced by both qualitative and quantitative variables. The financial sector plays a significant role in a nation's business development. In spite of this, Nepal's capital market is still developing. The banking industry in particular has seen a significant influx of investment from Nepalese investors. Until investors are happy with the choices the company's management has made, this trend will not stop.

In today's context, many investors are drawn to the banking sector. Numerous studies have explored the movement of stock prices, which fluctuate in response to changing environments. Investors struggle to distinguish between good and bad stocks among many options. Furthermore, there is a shortage of organized investors capable of analyzing risk and return information in Nepal's stock market. This lack of capability hinders rational investment decisions. Investors need knowledge of business environments, stock price behavior, sensitivity to changes, company dividends, earnings, net worth, price-earnings ratios, and government policies affecting public investors. Many investors prefer explanatory information over statistical data and technical analysis. Due to insufficient dissemination of financial performance information for listed companies, the transparency and vitality of the stock market in Nepal are compromised.

Only a few Nepalese share investors are aware of the underlying cause of share price movements. It signifies that the majorities of investors is lacking awareness of the financial performance of companies and choose to invest without conducting a thorough financial study. It causes an unexpected relationship between financial measures such as EPS, PER, ROA, and so on and the share's market price. The majority of Nepalese investors rely heavily on market rumors about the company's financial status. As a result, the majority of foreign joint venture commercial banks have high MPS as compared to other banks and industrial enterprises.

This study aims to find the performance of common stocks that are listed on the NEPSE. The current tide in interest in common stocks can be attributed to the inadequate but steady supply of information through print media. Despite having very little knowledge, individual investors are buying common stocks since there aren't many other opportunities. The majority of them rely on changes in stock prices throughout the market. There isn't a lot of information on the market about different risk factors. There are no specialized organizations that offer data on the performance of different common stocks.

This study examines how the market price of stock (MPS) fluctuates in Nepalese commercial banks using a variety of financial variables such as return on assets (ROA), price earnings ratio (P/E ratio), earnings per share (EPS) and non-performing loans (NPLs).Therefore, this study is directed towards the measurement of performance of common stocks.

1. What are the major determinants of stock price in NEPSE?
2. Is there any relationship between Market price share, non-performing loan, return on assets, price earnings ratio, earning per share, of selected commercial banks in Nepal?
3. What is the effect of earnings ratio, Earnings per share, Return on assets, interest, and non-performing loan on Market price share?

1.3 Objectives of the Study

The basic objectives of the study are to analysis the determinants of stock price commercial banks with reference to Standard Chartered Bank Nepal, Sanima Bank Limited, Siddhartha Bank Limited, Nabil Bank Limited and Everest Bank Limited. The objectives of the study are:

1. To identify the determinants of stock price in NEPSE.
2. To examine the relation along Market price share, non-performing loan, return on assets, price earnings ratio, earning per share, of selected commercial banks in Nepal.
3. To analyze the effect of earnings ratio, Earnings per share, Return on assets, interest, non-performing loan on Market price share Nepalese commercial banks.

1.4 Research Hypothesis

A study hypothesis is a research hypothesis that specifically pertains to a particular study. It outlines the expected relationship between the variables being studied and serves as a guide for the research design and data analysis. The study hypothesis is typically based on a review of the existing literature on the topic and the researcher's own observations or experiences.

The following hypothesis is being follows:

H1: There is a positive relationship between PER on MPS of commercial banks of Nepal.

H2: There is exists a significant positive relationship between EPS on MPS among commercial banks of Nepal.

H3: There is a negative relationship between Interests on MPS of commercial banks of Nepal.

H4: There is a positive relationship between ROA on MPS of commercial banks of Nepal.

H5: There is a negative relationship between NPL on MPS of commercial banks of Nepal.

1.5 Rationale of the Study

In the past few years, a few studies have been conducted on the stocks listed on the NEPSE. Most of the studies made up present on the capital market are related to financial performance evaluation, capital structure analysis, dividend policy, risk and return and so on. It is important to note, however, that none of the research has yet been conducted on the core perspectives of the determinants of the stock price. The present study has therefore been of considerable importance to investors, planners, researchers, students, and policy makers in meeting their personal and organizational objectives. This study attempts to construct the relation of Market price share of Nepalese commercial banks to the major financial indicators like Earning per share, PE ratio, Non-performing loan and Interest. By showing the relation between Nepalese commercial banks and their determinants of share prices, it is hoped that the status of Nepalese commercial banks will be demonstrated. These findings may be helpful to potential investors to make a better investment decision. Likewise, this dissertation provides information about the position of share prices in the share industry. Moreover, the industrial average regarding different financial indicators is helpful to compare with individual banks. This information is expected to be helpful to the managers of the respective banks. Finally, the research will aid the national economy by mobilizing idle capital of average Nepalese into productive sectors in order to accelerate economic growth and reduce reliance on foreign aid, as well as serve as a model for future researchers.

1.6 Limitations of the Study

The study has the following limitations:

1) The sample size is 5 commercial banks out of 20(Mid-July 2023), the findings may not be representative of the population of sample banks.
2) This study is conducted within a limited timeframe 2013/2014 to 2022/2023 the findings may not reflect the long-term effects of the intervention or phenomenon being studied.
3) Due to time constraints, the study was limited to a commercial bank and may not be generalizable to other all types of banks.

4) The study is predominantly based on the secondary data taken from the bank's annual reports Therefore; the reliability of the conclusions will depend on the accuracy of the joint secondary data.
5) The study will cover past and present state of the stock price behaviors of commercial banks in Nepal. Hence, it will not make any projections about its future.
6) The study is ignored qualitative information.

CHAPTER II
LITERATURE REVIEW

2.1 Theoretical Literature Review

In a theoretical review of the literature, the researcher typically begins by identifying a theoretical perspective that is relevant to the research topic. They then search for relevant research studies that have used that theoretical perspective, and analyze the findings and conclusions of those studies. The researcher may also identify gaps or inconsistencies in the literature, and suggest areas for future research.

2.1.1 Efficient Market Theory

Efficient market hypothesis was proposed by Eugene Fama in 1970. Efficient market means a market in which share follow an independent path. Market efficiency pertains to how well market prices incorporate all pertinent information that is currently accessible. In efficient markets, all available information is already factored into prices, leaving no opportunity to outperform the market by identifying undervalued or overvalued securities.

The Efficient Market Hypothesis (EMH) asserts that markets are efficient, often referred to as the random walk hypothesis. According to EMH, financial instrument prices reflect all available market data, meaning investors cannot gain a competitive advantage by analyzing stocks or employing different market timing strategies. Instead, higher returns are only achievable by assuming greater market risks.

EMH contends that markets efficiently price assets, thereby minimizing opportunities for excess profits through active investment strategies. This theory suggests that while beating the market is challenging, investors can aim to match market returns by opting for passive index investing strategies.

2.1.2 Weakly form Efficient Market Hypothesis (EHM)

According to the weak form of the Efficient Market Hypothesis (EMH), technical trading strategies cannot consistently yield above-average returns because past price movements do not reliably predict future price changes driven by new information.

It leaves open the possibility of that fundamental analysis may provide a means of outperforming the overall market average return on investment.

Consequently, past and future price fluctuations are considered independent. Therefore, technical this hypothesis asserts that all historical information is already incorporated into the current market price. According to the weak form of the efficient market hypothesis, the current stock price fully encompasses all market information, including historical price sequences, changes in price, fundamental data, and other market-generated information such as odd-lot sales and specialist activity (Reilly, 2013).

2.1.3 Semi Strong form Efficient Market Hypothesis

In the semi-strong form of the theory, both technical and fundamental analysis are considered ineffective or of limited usefulness. Prices adjust quickly to any new public information that becomes available, therefore rendering fundamental analysis incapable of having any predictive power about the future movements.

2.1.4 Strong form Efficient Market Hypothesis

According to the strong form of EMH, not even insider knowledge can give investors a predictive edge that will enable them to consistently generate returns that outperform the overall market average.

The strong form of the EMH holds that prices always price reflect the entirely of the both public and private information. This encompasses all information that is publicly available, whether historical or current, including insider information.

This hypothesis presumes that all information affecting stock price, both public and private is reflected in security prices. “A strong, efficient market is one in which all

information (not just publicly available information) is represented in securities price"(Lo, 2004).

These three hypotheses are not mutually exclusive; they only differ in the degree of market efficiency provide a detailed discussion on the hierarchical structure of the efficient market hypothesis. They explain that the weak form is the most basic form of market efficiency, where only past prices and volumes are considered. The semi-strong form includes all public information such as company financial statements, news announcements, and industry reports. The strong form includes all public and private information, including insider information that is not available to the general public. The authors note that the strong form is difficult to test empirically because it is hard to determine what information insiders possess that is not publicly available. However, the evidence suggests that markets are at least weakly efficient, meaning that past prices are fully reflected in current stock prices (Alton & Wheelock, 2015).

2.1.5 Fifty-Percent Principle

According to the fifty-percent concept, an observed trend in stock prices will normally correct by one-half to two-thirds of the price movement before continuing. For example, if a stock has gained 20% in an upward trend, it may lose 10% before continuing to increase. Technical analysts and short-term traders frequently utilize this technique to strategically buy and sell equities as corrections occur.

The correction is expected to occur as a result of cautious investors taking profits early to avoid potential reversals. If the correction exceeds 50% of the price movement, it may suggest that the trend has failed and a reversal is occurring early (Brigham, 2015).

2.1.6 Greater Fool Theory

According to the Greater Fool Theory, you can make money on an asset you invest in by selling it to a buyer who is prepared to pay a higher price than its intrinsic value. The premise of this notion is that there will always be a "greater fool" who is prepared to pay more, which will enable the initial investment to benefit. This approach, however, is

dangerous since it depends on market sentiment, which is subject to sudden changes and ignores fundamental valuations, potentially resulting in financial losses during market corrections.

Speculative bubbles, in which asset values are inflated by hype rather than inherent worth, might result from investing according to the Greater Fool Theory. Prices crash when the bubble bursts, leaving individuals who were holding the inflated assets with substantial losses (Reilly, 2015).

2.1.7 Odd Lot Theory

Based on the purchasing and selling habits of tiny investors who trade in odd lots, or small blocks of stocks, the Odd Lot Theory is a contrarian trading technique. According to this hypothesis, individual investors are usually less knowledgeable and trade against the direction of the market, which results in less successful choices. So, in line with the hypothesis, it may be a good idea to buy if tiny investors are selling, and it may be a good idea to sell if they are buying. Technical analysis, in particular keeping an eye on trading volume and odd lot transaction patterns, is a major component of the idea. Its effectiveness, meanwhile, is largely dependent on the investor's decision to take the firms' basic research into account. It's critical to determine whether odd lot sales are the result of genuine corporate problems or panic. A spike in odd lot sales could often signal a greater market sell-off rather than just a mistake by small investors because individual investors can respond to bad news faster than larger funds (Thapa, 2021).

2.1.8 Prospect Theory

Prospect theory, often known as loss-aversion theory, describes how people's views of benefits and losses are distorted. People are more likely to fear losses than to esteem similar gains. When given two options, people usually choose the one they perceive has a smaller chance of loss rather than the one with the greatest possible gain. Although the risk/reward trade-off clearly demonstrates how much risk an investor must take to attain desired profits, prospect theory emphasizes the emotional gap that many people encounter between intellectual comprehension and emotional reaction. Financial advisors

must fit a client's portfolio with their risk tolerance rather than their desired returns. The difficulty for investors is to overcome prospect theory's negative forecasts and get the confidence to seek the desired profits (Herbert, 2015).

2.1.9 Rational Expectations Theory

Rational expectations theory suggests that individuals in an economy will behave in a way that aligns with their logical predictions about the future. Essentially, people make investment, spending, and other economic decisions based on what they rationally anticipate will happen. This behavior can create self-fulfilling prophecies, where actions based on these expectations help bring about the expected future events. Despite its significance in economics, the practical utility of this theory is debatable. For example, if an investor believes a stock's price will rise and buys it, their action may indeed cause the stock's price to increase. However, this can also be explained outside of rational expectations theory: an investor identifies an undervalued stock, buys it, and as other investors recognize the undervaluation, the stock's price adjusts to its true market value. This illustrates a key issue with rational expectations theory (Desai, 2015).

2.1.10 Short Interest Theory

The theory of short interest suggests that a stock's price may increase when there is significant short selling activity, despite initial skepticism. It is commonly believed that a stock with high short interest, indicating many investors are short selling, is likely to correct. However, contrary to this view, the presence of numerous short sellers can actually drive the stock price higher. As short sellers eventually need to buy back the stock they borrowed to cover their positions, this creates buying pressure that pushes the stock's price upwards (Alexander & Bailliey, 2011).

2.2 Empirical Review

Here in this section, study of different researchers and scholars and their findings have been reviewed. The study of such scholars' views helps us develop our own view on the topic and that is what the purpose of the study here is. Since this study combines two important aspects, stock price volatility and factors affecting stock price in the context of

Nepal, of the Stock Market, I have presented the findings of different studies held in different periods both relating to stock price volatility and factors affecting stock price. In the first section previous studies on stock price volatility has been reviewed and in the next one factors affecting stock price in NEPSE.

Khan and Amanullah (2012) attempted to study the determinants of stock prices at the Karachi Stock Exchange. Stock market indices are the key to predicting future stock movements and thereby provide a basis for developing and recommending appropriate economic policies. The main objective of the study is to find out the various determinants of stock prices and the relationship between these factors and the stock prices of Karachi Stock Exchange (KSE) 100 index of Pakistan. After reviewing the literature, five quantitative determinants were identified, namely book-to-market ratio (B/M), price-earnings ratio (P/E), dividends, gross national product (GDP) and interest rates, were chosen to explore the direction and strength of the relationship. A sample of 34 companies was randomly selected from 34 sectors of the KSE. Ten years of data (2000-2019) were collected for the sampled companies. The tools used for analysis are correlation and multiple linear regression models. It is concluded that all the selected factors have a positive and significant relationship with stock prices except interest rate and B/M ratio. Rising GDP, dividends, and P/E ratios lead to rising stock prices. The B/M ratio and interest rates are inversely related to stock prices. Therefore, the hypotheses developed regarding GDP ratio, dividend per share, interest rate, B/M ratio and P/E ratio are accepted.

Kamande et al (2016) aimed to analyze how bank-specific factors impact the financial performance of commercial banks in Kenya from 2011 to 2015. It focused on return on assets (ROA) as the dependent variable, with independent variables including capital adequacy, asset quality, management efficiency, earnings ability, and liquidity. Using panel data research design, data from 11 banks listed on the Nairobi securities exchange were analyzed. Results indicated declining capital adequacy over the period and highlighted asset quality as the most influential factor affecting ROA. The study recommends enhanced management practices to ensure bank solvency.

Pradhan and Dahal (2016) studied the factors influencing the stock prices of Nepalese commercial banks. The market price per share is selected as the dependent variable, while earnings per share, dividend per share, price-earnings ratio, book value per share, return on assets, and firm size are chosen as specific independent variables. Additionally, gross domestic product, inflation, and money supply are selected as macroeconomic independent variables. Data were gathered from banking and financial statistics published by Nepal Rastra Bank and annual reports of selected banks. Multiple regression models were used to analyze the impact of firm-specific and macroeconomic factors on the share prices of Nepalese commercial banks.

Using data from 14 banks listed on NEPSE spanning the period 2002/03-2013/14, the findings indicate that firm-specific variables such as earnings per share, dividend per share, price-earnings ratio, book value per share, return on assets, and size significantly influence stock prices in the context of commercial banks in Nepal. Among these variables, firm size emerges as the most critical determinant affecting share prices, suggesting that larger firms tend to have higher stock prices. Among the macroeconomic variables—gross domestic product, inflation, and money supply—gross domestic product is identified as the primary factor influencing share prices.

Qaisi et al (2017) studied the effects of a number of factors on stock prices such as return on assets (ROA), return on equity (ROE), debt ratio, Age of company founding and company size. To achieve this objective, the study uses 20 insurance companies listed on the Amman Stock Exchange during the period 2011 to 2015. Data analysis includes simple regression and multiple regression and the results for found an impact between (ROA, debt ratio and age).of the company and its size) and stock prices of insurance companies listed on the Amman Stock Exchange. Furthermore, the results show that there is no impact between ROE and stock prices of these insurance companies.

Bhattarai (2018) investigated how firm-specific and macroeconomic variables impact the share prices of Nepalese commercial banks and insurance companies. The research

utilizes secondary data from seven banks and six insurance firms covering the period from 2009/10 to 2014/15, sourced from their respective annual reports. Employing a descriptive and causal-comparative research design, the study employs multiple regression analysis using SPSS-16 to examine the effects of firm-specific variables—such as Return on Assets (ROA), Earnings per Share (EPS), Dividend per Share (DPS), Dividend Payout Ratio (DPR), Price-Earnings Ratio (P/E Ratio), and size as well as macroeconomic variables including Money Supply (MS), Exchange Rate (ER), Inflation Rate (IR), and GDP Growth Rate (GDPR) on Market Price per Share (MPS).

The findings indicate that firm-specific factors like ROA, EPS, DPS, DPR, P/E Ratio, and size, along with macroeconomic variables such as MS, GDPR, ER, and IR, significantly influence the share prices of banks and insurance companies in Nepal.

Gautam (2018) conducted a study on determinants of financial performance examining the determinants of financial performance of commercial banks in Nepal. To study the determinants of financial performance, 10 commercial banks were selected as a sample for the period 2006/07 to 2016/17. The data were collected from the annual reports of the respective banks. Several linear regression models were used to analyze the data. The results showed a positive relationship between return on assets and capital adequacy ratio, management efficiency and gross domestic product, while there was a negative relationship with asset quality and liquidity management. The results clearly show that the financial performance of commercial banks is significantly affected by capital adequacy ratio, management efficiency, gross domestic product, liquidity management and asset quality.

Ghimire and Mishra (2018) examined the correlation between stock prices and explanatory variables including DPS, EPS, P-E ratio, BV, and Market to BV from 2012 to 2017. This study used the analysis Simple and multivariate regression analysis and descriptive statistics examine factors that influence stock prices. With a sample size of 11 financial and non-financial companies of Nepal, the conclusions show that market/BV variables and Price earning Ratio are important factors determining stock prices, directly

affecting stock prices. Similarly, DPS, BV also have a significant positive correlation on stock prices, while EPS has little impact on stock prices.

Bhatia and Mulenga (2019) explored the impact of accounting figures on stock prices and returns. Their study examined the relationship between accounting variables and stock prices within India's banking sector, aiming to determine whether these variables differently affect the stock prices of private and public sector banks. Analyzing nine accounting variables over a decade, the research focused on banks listed on the BSE from 2005 to 2014. Employing panel least regression analysis with both fixed effect model (FEM) and random effect model (REM), the study regressed these accounting variables against the market share prices of both private and public sector banks. The empirical results indicated that fundamental accounting variables are more significant for public sector banks compared to private sector banks, supporting the study's hypothesis. This finding contradicts the 1990s notion that accounting information has become less relevant.

Dhakal (2019) investigated the factors influencing stock prices of financial companies listed on the Nepal Stock Exchange from 2009 to 2018. Using data extracted from annual reports of sampled banks, the study employed regression analysis. The findings revealed that earnings per share, price-earnings ratio, and firm size positively correlate significantly with stock prices. Conversely, dividend yield, debt ratio, and distribution ratio of dividends showed a significant negative relationship with stock prices. The study concluded that company size, earnings per share, and price-earnings ratio are the most influential determinants of stock prices for Nepalese financial companies.

Bashyal and Ranjan (2020) analyzed due to the COVID-19 pandemic, Nepal's economy has experienced a downturn. International organizations and various countries have offered assistance to aid in its recovery, complementing measures introduced by the Nepalese government. These combined efforts aim to mitigate the pandemic's impact on the economy. Nevertheless, the actual effectiveness of these initiatives in fostering economic recovery in Nepal needs empirical observation.

Panta (2020) investigated relationship between the NEPSE index and five macroeconomic variables real GDP, broad money supply, interest rate, inflation, and exchange rate using an ARDL model over 25 years of annual data from 1994 to 2019. The research employs an error correction model derived from the ARDL framework to analyze short-term adjustments and long-term equilibrium. Results indicate that broad money supply, interest rate, inflation, and exchange rate significantly influence the NEPSE index over the long run. In the short run, GDP, money supply, and exchange rate show positive effects, with only money supply maintaining a positive relationship in the long run. This underscores the importance of considering these factors in policy and strategy formulation for stabilizing the Nepalese stock market.

Ferdaous and Barua (2020) conducted a study on how various firm-specific factors affect the stock returns of 29 private commercial banks listed on the Dhaka Stock Exchange (DSE) in Bangladesh. Their study, utilizing time series, cross-sectional, and panel data models, examines both external and internal factors that influence stock returns, an area relatively underexplored in developing or emerging stock markets. Given the current landscape of Bangladesh's banking sector, the research analyzes key firm-specific factors to comprehend their impact on stock returns of selected DSE-listed banks, employing robust panel data analysis. The study uses a balanced panel dataset encompassing 3,712 observations from 2009 to 2019, evaluating the effects of firm beta (volatility), earnings per share (EPS), market-to-book value ratio (MTBV), firm size, volume of shares traded, and turnover by value on stock returns. Empirical tests such as the Hausman specification and Breusch–Pagan LM tests suggest fixed effect regression is more appropriate than random effect regression. Results indicate significant negative effects of firm beta and size, while turnover by value and volume of shares traded positively influence stock returns. These findings contribute to existing literature by shedding light on how firm-specific factors affect stock returns in the context of private commercial banks listed on the DSE during periods of market decline.

Agrawal and Chaturvedi (2021) explored how selected company-specific and macroeconomic variables influence the stock returns of 25 IT sector companies listed on

the NSE from 2008 to 2020. The study utilizes secondary data obtained from sources such as the Capitoline database, RBI official website, NSE fact book, and annual reports of sampled companies. Both correlation and panel regression models were employed to analyze the data. Results indicate that the age of the firm and repo rate negatively impact stock returns of the IT sector companies studied. Conversely, variables like return on net worth, exchange rate, foreign institutional investment (FII), and growth rate exhibit positive and significant effects on stock returns. Based on these findings, the study suggests that investors and institutional investors should carefully assess these fundamental factors to improve their investment decision-making process.

Wagle (2021) conducted a study on the volatility of equity share investment, a significant path for investors seeking substantial returns. This research aims to identify empirical variables influencing stock market prices in commercial banks from 2015/16 to 2019/20, using a range of dependent and independent variables. Based on data from 130 observations across 26 out of 27 commercial banks in Nepal, sourced from annual reports and secondary data, the study employed a descriptive and causal-comparative research design. Mean, standard deviation, correlation, and regression analyses were utilized. Results indicated that the Market to Book ratio (M/B), Price-earnings ratio (P/E), and Earning Yield ratio (E/Y) significantly and positively correlate with stock market prices. Conversely, the Dividend Yield ratio (D/Y) showed a positive but insignificant impact on stock market prices. These findings provide valuable insights for investors, bankers, academics, and government authorities, enhancing understanding of stock market returns and prospects in the country.

Salamat (2021) examined the factors both macroeconomic and firm-specific that influence stock price fluctuations in all conventional banks in Jordan from 2010 to 2019. The research employs ordinary least squares multiple regression analysis on panel data for data analysis. The findings reveal that trading volume (TV), dividend yield (DY), and Gross Domestic Product (GDP) positively impact stock price volatility. Conversely, return on assets (ROA), dividend payout ratio (DPR), and price-earnings ratio (PE) have a statistically significant negative effect on stock price volatility. Interestingly, money

supply (MS) does not show a significant effect on stock price volatility. The study underscores that increasing dividend payouts can potentially reduce stock risk and thereby mitigate stock price volatility. These insights are beneficial for various stakeholders including investors, firm managers, brokers, regulators, policymakers, and researchers.

Wibowo et al (2022) analyzed the impact of return on equity (ROE), earnings per share (EPS), and net profit margin (NPM) on stock prices of banking companies listed on the Indonesia Stock Exchange from 2018 to 2020. Using secondary data from 23 banking companies selected via purposive sampling, the study employed documentation as the data collection method. Data analysis included classical assumption tests, multiple linear regression tests, partial t-tests, simultaneous F-tests, and coefficient of determination tests. The findings indicated that return on equity (ROE) and earnings per share (EPS) did not significantly affect stock prices, whereas net profit margin (NPM) showed a significant positive effect on stock prices. Moreover, when considered together, ROE, EPS, and NPM collectively had a significant impact on the stock prices of banking companies during the specified period on the Indonesia Stock Exchange.

Darami et al (2022) investigated the factors influencing the share prices of commercial banks listed on the Malaysian stock exchange from 2011 to 2020. They collected data from annual reports of the sampled banks and employed regression modeling for analysis. The study found that earnings per share, dividend payout ratio, dividend yield, and bank size all exhibit statistically significant positive relationships with share price. Conversely, the price-to-earnings ratio showed a statistically significant negative relationship with share price. The primary finding highlights that dividend yield, earnings per share, and price-to-earnings ratio are pivotal factors in determining the share prices of commercial banks.

Rubaiyath and Lalon (2023) investigated how bank-specific factors influence the stock prices of commercial banks listed on the Dhaka Stock Exchange (DSE) in Bangladesh. They analyzed several factors including Book to Market Ratio, Return on Equity,

Price/Earnings to Growth Ratio, Cash Flow per Share, Debt to Equity Ratio, Earnings per Share, Dividend per Share, Bank Size, and Institutional Ownership Percentage. The study aimed to understand the impact of each variable on the share price changes of ten listed commercial banks from 2011 to 2020. The research employed four estimation methods—fixed effects, random effects, GLS, and pooled OLS—to ensure robustness of the models. Various diagnostic tests such as model specification, heteroskedasticity, cross-sectional dependence, autocorrelation, and unit root tests were also conducted to validate the models used in the analysis. The findings revealed that Bank Size and Book to Market Ratio were the only variables significantly responsible for fluctuations in bank share prices. This study contributes to existing literature by emphasizing the importance of specific bank metrics in determining stock price changes. It suggests that DSE-listed banks in Bangladesh should focus on improving metrics that positively impact share prices while addressing those that have negative effects.

Nurmalia and Ardana (2024) examined the factors influencing the prices of Indonesian Sharia banks' shares. Their study utilized secondary data from monthly financial statements spanning June 2018 to December 2020. Using the Vector Error Correction Model (VECM), the research analyzed both the immediate shock and long-term responses of variables affecting stock prices. Over the long term, Price-to-Earnings Ratio (PER) and Return on Equity (ROE) variables positively influenced stock prices, whereas Earnings Per Share (EPS) had a negative impact. Variables such as Debt-to-Equity Ratio (DER) and Price-to-Book Value (PBV) showed no significant influence on stock prices. Notably, EPS had a substantial positive short-term effect on stock prices, while DER and PER had markedly negative impacts. PBV exhibited a negative impact that was statistically insignificant, and ROE had a positive impact that was also not statistically significant.

2.2 Summary of empirical Review

Table 1:

Summary of Empirical Review

Name of authors & publish date	Variables	Methodology	Finding
Khan and Amanullah (2012)	Independent: Gross Domestic Product (GDP), Interest rate (IR), Dividend per Share (DPS), Book to Market Ratio (B/M Ratio), Price Earning Ratio (P/E Ratio) Dependent: Share Price	Linear Multiple Regression and Correlation Model.	The findings indicate that all the variables selected have positive and significant relationship with share prices except Interest rate and B/M ratio.
Kamandea et al (2016)	Independent: Capital adequacy, asset quality, management efficiency, earnings ability and liquidity. Dependent: return on assets (ROA).	Multiple linear regression model.	Based on the findings it can be concluded that the Asset quality of the bank had the highest influence on ROA of banks.
Pradhan and Dahal (2016)	Independent: EPS, DPS, P\E ratio, BVPS, ROA, S, GDP, INS, MS. Dependent: MPS.	The study utilizes pooled cross-sectional analysis as its analytical approach.	According to the result, when making investment decisions, a prudent investor should take into account the money supply,

			business size, dividend per share, and signaling in the setting of an imperfect stock market.
Qaisi et al (2017)	Independent: ROA, ROE, Debt Ratio, the Age and size of the Company. Dependent: market stock price.	Simple and multiple liner regression analysis.	The result indicates that ROE has no significant effect on market stock price. Debt Ratio, Company's Size has a significant effect on market stock price in insurance companies listed on ASE.
Bhattarai (2018)	Independent: EPS, DPS, P/E ratio, BVPS, ROA and size of the company. Dependent: Stock price.	Descriptive and causal comparative research-design Multiple regression technique from SPSS- 16 version.	The result demonstrates that the beta coefficients for EPS,DPS,P-E ratio, size, GDP, and exchange rate (ER) show positive and statistically significant relationships with MPS, Conversely, the beta coefficients for ROE, ROA, money supply(MS),

			and interest rate (IR) exhibit negative but statistically significant associations with MPS.
Gautam (2018)	Independent: strongly affected by CAR, management efficiency, GDP. Dependent: financial performance.	Multiple linear regression models.	The findings show that Financial performance of commercial banks is strongly affected by capital adequacy ratio, management efficiency, gross domestic product, liquidity management and assets quality.
Ghimire and Mishra (2018)	Independent : Dividend per share, Earning per share, Price-earning ratio, Book Value, Market to Book value Dependent: Stock price	Simple and multiple regression analysis and descriptive statistics	The analysis show that the variables Market to BV and P-E ratio are major predictors of stock price that have a direct impact on the stock price. Similarly, DPS and BV have a significant positive impact on stock

			price, although EPS has a minimal impact.
Dhakal (2019)	Independent: DPR, EPS, DY, P/Er, debt ratio and size of the company. Dependent: Market value per share.	Analyzed using the regression model.	The study's conclusion demonstrates that the size of the company, earnings per share and price - earnings ratio emerge as the predominant factors influencing share prices in Nepalese finance companies.
Bashyal and Ranjan (2020)	Independent: Agriculture, Import Export, Remittance, Tourism, Support Grated. Dependent: GDP.	Survey.	The analysis shows that all these efforts may lessen the pandemic's impact and enhance the country's economic condition. However, the extent of the recovery will need to be empirically assessed.

Panta (2020)	Independent: Gross domestic product, broad money supply, interest rate, inflation and exchange rate. Dependent: NEPSE index.	Error correction model (ECM)	The analysis shows that Long-term fluctuations in the NEPSE Index are significantly connected with the broad money supply, interest rates, inflation, and exchange rate. GDP, money supply, and exchange rate can all be defined positively in the short term, but only the money supply has a positive long-run relationship.
Ferdaus and Barua (2020)	Independent: Firm beta, EPS, MTBV, Firm size, Volume of share traded, Turnover by value. Dependent: Stock Return	The research applied time series, cross-sectional and panel data models.	The study's conclusion demonstrated that the negative influence of firm beta and size is significant, whereas the positive influence of turnover by value and volume of shares traded on the

			stock returns is significant.
Agrawal and Chaturvedi (2021)	Independent:1)Return on Net Worth, BVPS, Size of Firm, Age of Firm 2) FROX, Foreign Institutional Investment, Repo Rate, Growth Rate. Dependent: Stock Returns.	Correlation and panel regression model.	The study found that the age of the firm and repo rate negatively and significantly impact the outcome, whereas return on net worth, exchange rate, repo rate, foreign institutional investment (FII), and growth rate positively and significantly influence it.
Wagle (2021)	Independent: Market to Book ratio (M/B), Price-earnings ratio (P/E), Earning Yield (E/Y), Dividend Yield (D/Y) Dependent: Stock Market Price.	Descriptive and correlation regression analysis model.	The results revealed that the Market to Book ratio, Price-earnings ratio, and Earnings Yield ratio are significantly positively correlated with the stock market price. On the other hand, the Dividend Yield ratio exhibits a positive

			but insignificant effect on the stock market price.
Darami et al (2022)	Independent: Dividend Payout Ratio, Dividend Yield, Earnings Per Share, Price Earnings Ratio, Size, Determinants. Share Price.	Regression modelling.	The dividend yield, earnings per share, and price-earnings ratio are the most important elements in determining the share price of commercial banks.
Wibowo et al (2022)	Independent: Return on Equity (ROE), Earning Per Share (EPS), and Net Profit Margin (NPM) Dependent: Stock Price.	Classical assumption test, multiple linear regression test, t test, F test and the coefficient of determination test.	It is discovered that return on equity (ROE) and (EPS) has no significant effect on stock prices. Net profit margin (NPM) has a significant effect on stock prices.
Rubaiyath and Lalon (2023)	Independent: Company valuation, profitability, market growth, Liquidity, Solvency, Market prospect ratios, Dividend policy, Size, Institutional ownership. Dependent: Bank specific change in	Multiple regression analysis was used, with several econometric models estimated using Fixed effects, Random effects, GLS, Pooled OLS and Cross-sectional GLS approaches.	The Bank Size and Book to Market Value explanatory variables are found significantly responsible for fluctuation in the change in share price of banks.

	share price.		
Nurmalia and Ardana (2024)	Independent: Earning per Share (EPS), Price Earnings Ratio (PER), Price to Book Value (PBV), Return on Equity (ROE), and Debt to Equity Ratio (DER). Dependent: Stock Price	Vector Error Correction Model (VECM)	The findings indicate the price-earnings ratio (PER), return on equity (ROE), and earnings per share (EPS) significantly influence stock prices. Conversely, PBV has a negative but non-significant impact.

2.3 Research Gap

The research gap refers to the discrepancy between previous and current research. Numerous experts and students have researched the factors influencing stock prices in Nepal. Further studies on the Nepalese stock market have been found, with some focusing on the determinants of stock prices for commercial banks in Nepal. However, specific researchers for these five banks have not been identified. We limited our investigation to a select group of banks. This study examines five banks to explore how fluctuations in stock prices impact other stock prices. Most researchers employed market ratio as their main financial and statistical tool, along with regression analysis.

This study employs correlation analysis as a specific analytical method within the realm of financial and statistical tools. Most academics use two or three corporations to calculate stock prices, but this study employ five banks and ten years of data. Researchers solely utilize Nepalese banks. In addition, the study examines earnings per share (EPS),

price earnings ratio (PER), return on assets (ROA), non-performing loans (NPL), and dividend yield. As a result, the research paper "Determinants of Share Price of Commercial Banks in Nepal" aims to examine the market price of shares using a variety of important financial and statistical approaches.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Design

The study has employed descriptive and causal research designs to deal with the fundamental issues associated with impact of firm specific factors on share price of the commercial banks in the context of Nepal. In this study, a sample of 5 commercial banks out of 20 was selected. The research is based on secondary data sourced from the annual reports of SEBON, the respective banks' annual reports, the Economic Survey published by the Ministry of Finance, the Banking and Financial Statistics published by Nepal Rastra Bank, and the individual banks' annual reports. The data spans a ten-year period from 2013/2014 to 2022/2023. Multiple regression models were utilized to determine the impact of independent variables on the dependent variable, both individually and in combination with other variables.

3.2 Population and Sample and Sampling Design

There are various sectors in the stock market such as commercial banks, insurance, finance, hotels, trading, manufacturing and processing and others. This study includes only the commercial banks. The data used for the purpose of the study are based on the banks that are listed in the stock market. There are 20 listed Commercial banks (Mid-July 2023), but 5 banks are taken as sample to represent the performance of the capital market. Five banks each representing the categories of private commercial bank and joint venture bank have been selected. This study has applied random sampling technique for this study because there is equal and fair probability of being chosen.

- Everest Bank Ltd.
- Sanima Bank Ltd.
- Nabil Bank Ltd.
- Siddhartha Bank Ltd.
- Standard Chartered Bank Limited

3.3 Nature and Sources of Data, and the Instrument of Data Collection.

This study is mostly based on secondary data. However, primary data and information have been obtained through informal discussions with the staffs of the bank. Secondary data have been collected from the annual published accounting and financial statement of the banks. Similarly other necessary data have collected from newspapers and related publications.

In order to meet the objective of the study, two types of data are collected. The first type is the secondary data that is obtained from the Publication of sample banks and Nepal Rastra Bank Bulletin (published by the Central Bank of Nepal), annual audited financial statements of commercial banks (published by the respective banks), and yearly economic survey. Averages of ten years ratios from 2012/013 to 2022/023 are evaluated to assess the determinant of stock price of the commercial banks in Nepal.

3.4 Method of Analysis

Analysis is the careful study of available facts so that one can understand and drew conclusion from them on the basis of established principles and sound logic (Cottle et al; 1988, 29). For analysis of this study different financial and statistical tools have been used. By applying financial and statistical tools, the relationship between different relevant financial variables has been examined. The calculated results have been tabulated and compared and interpreted. Simple regression analysis has been used to study the influences of independent variables to dependent variables

3.4.1 Statistical Tools

Statistical tools are instruments used to analyze data collected from various sources. In statistics, there is a wide range of tools designed for different types of data analysis. This study employs several of these tools to examine the data.

Mean

The central values that summarize the characteristics of an entire distribution or the values towards which all items in the distribution tend to cluster are referred to as

averages. Arithmetic mean, also known as arithmetic average, is a significant statistical measure of average. It is calculated by dividing the sum of a given set of observations by the number of observations.

Standard Deviation

In statistics, the standard deviation quantifies the extent of variation or spread within a dataset. A smaller standard deviation suggests that values are closely clustered around the mean (or expected value), whereas a larger standard deviation indicates that values are more widely dispersed across a broader range. Standard deviation is often abbreviated as SD and is symbolized by the Greek letter sigma (σ) for population standard deviation or the Latin letter s for sample standard deviation in mathematical literature and equations.

Minimum and Maximum

The minimum is simply the lowest observation, while the maximum is the highest observation. Obviously, it is easiest to determine the min and max if the data are ordered from lowest to highest. The minimum value in a dataset is the smallest number, being less than or equal to all other values. If the data is arranged in ascending order, the minimum will be the first number on the list. While the minimum value may appear multiple times within the dataset, it is considered unique because, by definition, there cannot be two different minima—one must be less than the other. Similarly, the maximum value is the largest number in the dataset, greater than or equal to all other values. When data is ordered in ascending order, the maximum is the last number on the list. The maximum, like the minimum, is unique; it can be repeated, but only one maximum exists within a dataset since two maxima would imply one is greater than the other. Additionally, calculating the range of a dataset, which measures the span of the data, can be useful and is done by subtracting the minimum value from the maximum value.

3.4.2 Correlation Analysis:

Correlation analysis is a statistical method used to measure the strength and direction of the relationship between two or more variables. It examines whether and to what extent two variables are related, and provides a numerical measure of the relationship between them. Correlation analysis is often used in data analysis and research to identify

relationships between variables, such as the correlation between customer satisfaction and customer loyalty, or the correlation between employee satisfaction and productivity. By identifying these relationships, researchers and analysts can gain insights into the factors that are most important for achieving their goals and objectives.

3.4.3 Regression Analysis

Regression analysis is a statistical method used to examine the relationship between two or more variables. It is a technique used to model and analyze the relationship between a dependent variable and one or more independent variables. The goal of regression analysis is to find the best fit line that can predict the values of the dependent variable based on the values of the independent variables. The mining of regression analysis refers to the process of using regression analysis techniques to extract insights and knowledge from large datasets. It is a powerful tool that can help businesses and researchers better understand the relationships between variables and make data-driven decisions.

3.4.4 Regression Analysis Model

To examine the impact of firm specific factor on share price of the commercial banks in Nepal, the following regression model is formulated;

model: $Y = \beta 0 + \beta\ Xit + \varepsilon it$

Where: Y is the dependent variable; β0 is constant; β is the coefficient of explanatory Variables; X it is the vector of explanatory variables; and εit is the error term. Commercial banks s has been estimated with the following regression equation:

$MPSit = \beta 0 + \beta_1 PERit + \beta_2 EPSit + \beta_3 Int\ it + \beta_4 ROAi + \beta_5 NPLit + eit$

Where,

MPSit= Market Pri

ce per Share of the share of firm *i*in year *t* β0 = Intercept (constant term)

PERit = Price Earnings Ratio of Firm *i*in year *t*

EPSit= Earnings per share firm *i*in year *t*

Int.it= Base interest rate of firm *i*in year *t*

ROAit = Return on Assets of Firm *i*in year *t*

NPLit= Non-Performing Loan firm *i*in year *t*

β_1, β_2, β_3, β_4, β_5 represent the regression coefficients for their respective variables. These coefficients indicate the slope, showing how much the share price changes when the independent variable changes by one unit.

3.5 Research Framework and Definitions of Variables

The conceptual framework is designed to understand the factor may affect the market price per share. The extant literature available strongly supports the movement of stock price as a consequence of firm factor. In view of theory and major empirical evidence it is expected market price per share and return on equity of commercial banks may be influenced by earning per share, price earnings ratio, return on assets, size of bank, and non-performing loan of bank. The research framework developed to test the effect of these variables on the market price per share and return on equity of listed commercial banks of Nepal. Dependent and independent variables to study factor affecting the share price of Nepalese commercial banks have been presented in following theoretical framework. The research framework is developed from the theoretical and literature review and presented in the following diagram.

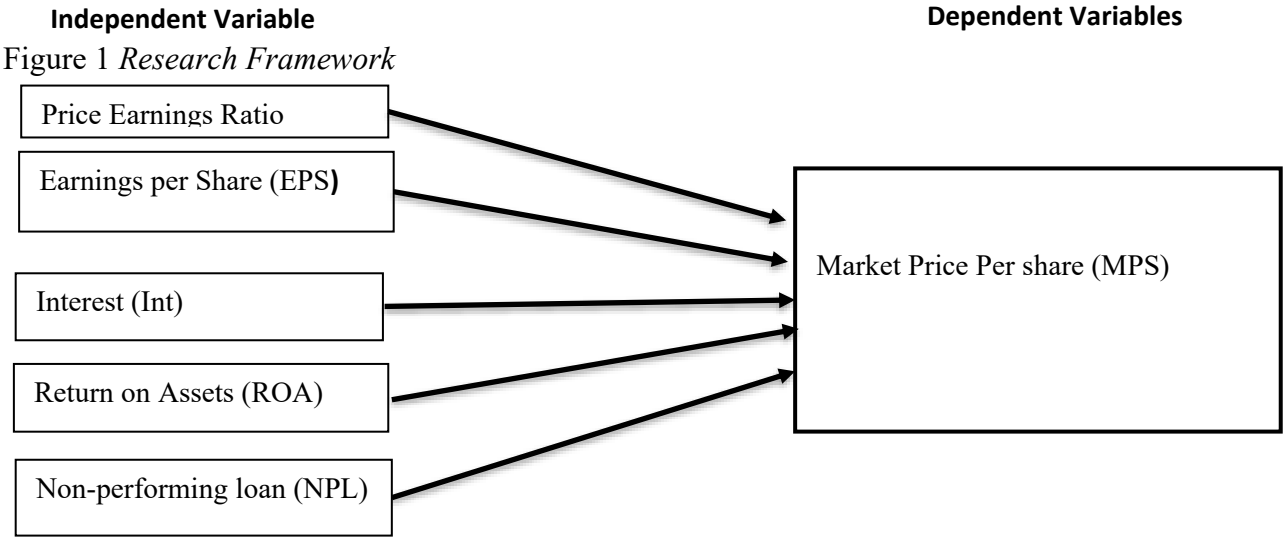

Figure 1 *Research Framework*

Sources: Bhattarai 2014;
Khan & Amanullah 2012

3.5.1 Definition of Variables

A study variable is a statement of the relationship between two or more variables. Variables are always in declarative sentence form, and they relate either generally or especially to variables. A variable is a tentative generalization whose validity remains to be tested. In its most elementary state, the variable may be very hunch-worthy, guess-worthy, or imaginative data that becomes the basis for action or investigation.

Dependent Variable

In scientific experiments, the dependent variable is the one being measured or observed to see how it responds to changes in the independent variable. It is called dependent because it depends on the changes made to the independent variable.

The dependent variable is the outcome or response that is measured in an experiment or study to determine the effect of changes in the independent variable.

Market Price Per Share (MPS)

The market price per share, or fair market value, of a stock is the price at which it can be readily bought or sold in the current market. Essentially, the market value per share is the "going price" of a stock. Often referred to simply as the "share price," it represents the dollar amount investors are willing to pay for one share of the company's stock. It has no specific relation to the value of the company's assets, such as book value per share, which is based on information from a company's balance sheet.

Independent Variables

In scientific experiments, the independent variable is the variable that is manipulated or changed by the experimenter. It is the variable anticipated to influence changes in the dependent variable, which is the one being monitored or measured in response to alterations in the independent variable. In summary, the independent variable is the variable that is intentionally changed in an experiment to observe its effect on the dependent variable, while the dependent variable is the variable that is measured or observed in response to changes in the independent variable.

Price Earnings Ratio (PER)

The price-earnings ratio (P/E ratio) is a financial metric used to evaluate the value of a company's stock. It is calculated by dividing the current market price of the stock by its earnings per share (EPS). The P/E ratio indicates how much investors are willing to pay for each dollar of a company's earnings, helping to assess whether the stock is overvalued, undervalued, or fairly valued.

Return on Assets (ROA)

Return on total assets, or simply return on assets, measures the productivity of the assets. It is measured in terms of the relationship between net profit and assets." This ratio judges the effectiveness of using the total funds supplied by the owners and creditors. A higher ratio shows a higher return on the assets used in the business, thereby indicating effective use of the resources available and vice versa.

Earnings Per Share (EPS)

Earnings per share (EPS) is an important indicator in a company's earnings reports. It is computed by dividing the total profit made during a certain period by the number of shares the company has available on the stock market.

EPS measures the value attributed to each outstanding share of a company. Since companies' profits and the number of listed shares can vary on exchanges, EPS provides a per-share basis for evaluating each business. It also allows researchers to compare companies and determine which one has higher earnings figures.

Nonperforming Loan (NPL)

A nonperforming loan (NPL) is a loan in that has stopped generating income for a lender because the borrower has failed to make the required interest or principal payment as per the agreed-upon terms. The specific criteria defining nonperforming status can vary based on the terms of each loan, but typically, "no payment" refers to the absence of payments toward either principal or interest. The duration specified can also vary, influenced by the industry and loan type, but generally ranges between 90 to 180 days.

Interest Rate (Int)

An interest rate is the cost of borrowing money, usually expressed as a percentage of the amount borrowed. It is the amount of interest charged by a lender to a borrower for the use of money or credit. When interest rates are low, it can be easier and cheaper to borrow money, which can stimulate economic growth. On the other hand, high interest rates can make borrowing more expensive, which can slow down economic growth but can also help control inflation. The interest rate is an important factor for investors to consider when evaluating investments, as higher interest rates can mean higher returns for some types of investments, such as bonds and savings accounts.

CHAPTER- IV
RESULTS AND DISCUSSION

This chapter contains the results from the data analysis and discussion of the obtained results with the findings of previous studied. The data are analyzed with the help of excel and IBM SPSS version 26 software.

4.1 Descriptive Analysis

Descriptive analysis involves summarizing and describing the main characteristics of a dataset or sample. This process includes organizing, analyzing, and presenting the data in a meaningful manner to identify patterns and trends. The main objective of descriptive analysis is to offer a clear and comprehensive summary of the data without making any inferences or generalizations beyond the specific dataset. It aids in exploring and understanding the data's key features, such as mean, dispersion, maximum, and minimum values among variables.

Table 1

Descriptive Statistics of Variables of Commercial Banks

Variables	Minimum	Maximum	Mean	SD	CV
MPS	253.00	3600.00	1005.23	862.67	85.82
P/E Ratio	11.26	83.94	26.43	15.78	58.94
EPS	18.48	83.68	33.12	14.77	44.61
ROA	0.89	2.89	1.75	0.48	27.22
NPL	0.01	3.39	0.80	0.75	93.73
INTEREST	4.17	11.16	7.77	1.79	23.09

Source: Annual Financial Statement

The Table 1 shows the detail of independent variable P/E ratio, EPS, ROA, Interest, non-performing loans and Dependent variables MPS.

The market price of a share, also known as the share price or stock price, refers to the current price at which a particular stock or security is being traded on a stock exchange. It represents the value that buyers and sellers in the market are willing to pay for a share of ownership in a company.

Minimum 253 maximum 3600 mean 1005.23 standard deviation 862.67 variance: 744,212.35 coefficient of variation (CV) 85.82%. These statistics describe the market prices per share for a certain asset. The minimum and maximum values indicate the range of prices observed. The mean (average) price is 1005.230, and the standard deviation is 862.67, suggesting that the prices have a relatively high dispersion. The coefficient of variation (CV) is a measure of relative variability, indicating that the prices are quite variable.

Difference bank have difference market price of shares. The market price of a share is determined by various factors, including supply and demand dynamics, investor sentiment, company performance, economic conditions, industry trends, and market speculation. Buyers and sellers interact in the stock market, and their collective actions influence the share price.

The Price-Earnings Ratio (P/E ratio) is a financial metric used to assess the valuation of a company's stock The Price-Earnings ratio provides far-sightedness into how much capitalist are willing to pay for each rupee of earnings generated by the company. It is commonly used by investors and analysts to evaluate a stock's relative value and compare it to other companies in the same industry or the overall market.

Minimum 11.26 maximum 83.94 mean 26.43 standard deviation 15.78 variance: 242.600 CV 58.94%. The P/E ratio is a financial metric that compares the market price per share to the earnings per share. The minimum and maximum values indicate the range of P/E ratios observed. The mean P/E ratio is 26.42, and the standard deviation is 15.58, suggesting some variability in the ratios. The CV of 58.94% implies moderate relative variability.

A high P/E ratio indicates that investors are willing to pay a premium for the stock, expecting higher future earnings growth. It might indicate that the stock is overvalued or that the market has significant expectations for the company's future performance. A low Price earnings ratio may specify that the stock is undervalued or that the market has low expectations for the company's future earnings growth. It could present an opportunity for investors looking for potentially undervalued stocks. It's important to note that the interpretation of the Price Earnings Ratio should be done in the context of the company's industry, growth prospects, and other fundamental factors. Comparing the P/E ratio of a company to its historical values and to similar companies in the industry can provide additional insights into its valuation.

EPS is utilized to assess the value assigned to each outstanding share of a company. Since the profit generated by companies and the number of shares they have listed on exchanges can differ, EPS provides a per-share method for evaluating each business. It also allows analysts to compare companies and determine which ones have higher earnings figures.

Minimum 18.48 maximum 83.68 mean 33.12 standard deviation 14.77 variance: 0.227 CV 44.61%. EPS represents company’s earnings figures. The statistics show that the minimum and maximum EPS values observed are 18.48 and 83.68, respectively. The mean DPS is 33.12, with a standard deviation of 14.77, indicating a wide dispersion in dividend amounts. The CV of 44.61% suggests low moderate relative variability.

EPS is an important indicator of a company's profitability and is widely used by investors to assess the company's performance and compare it with other companies in the same industry. Higher EPS generally indicates greater profitability on a per-share basis.

Return on Assets (ROA) is a financial ratio that measures a company's profitability in relation to its total assets. It provides insight into how effectively a company is utilizing its assets to generate profits ROA indicates the amount of profit a company generates for each rupee of assets it holds. A higher ROA suggests that a company is more efficient in

generating profits from its assets, while a lower ROA indicates lower profitability relative to its asset base.

Minimum 0.89 maximum 2.89 mean 1.75 standard deviation 0.48 variance 0.558 CV 27.22% ROA is a financial ratio that measures the profitability of a company's assets. The statistics indicate that the observed ROA values range from 0.89 to 2.89. The mean ROA is 1.75, with a standard deviation of 0.48, suggesting a moderate level of variability. The CV of 27.22% indicates a relatively low relative variability.

A higher ROA is generally favorable, as it indicates that a company is effectively utilizing its assets to generate profits. However, it is important to consider other financial ratios and factors, such as profit margins, industry trends, and the company's capital structure, to gain a comprehensive understanding of a company's financial performance. ROA can be used to compare the performance of a company over time, as well as to assess its performance against competitors in the same industry. However, it's important to consider industry norms and company-specific factors when interpreting ROA, as different industries may have varying levels of asset intensity.

A non-performing loan (NPL) is a loan or debt instrument that has not generated the expected interest payments or principal repayments for a specified period, typically 90 days or more. In other words, it is a loan where the borrower has failed to make scheduled interest or principal payments for a prolonged period, indicating a high risk of default. When a loan becomes non-performing, it is considered to have a higher credit risk, as there is an increased likelihood that the borrower may not be able to fulfill their repayment obligations. Non-performing loans are problematic for lenders or financial institutions because they can lead to potential financial losses and can negatively impact the institution's profitability and asset quality.

The minimum value of NPLs observed is 0.10. This suggests that the lowest recorded NPL ratio or percentage in the research consideration is 0.10%. The maximum value of NPLs observed is 3.39. This indicates the highest recorded NPL ratio or percentage in the

dataset, which amounts to 3.39%. Mean the mean of the means is stated as 0.80. This implies that, on average, the NPL ratio or percentage across the dataset is 0.75%. Standard Deviation, the standard deviations is given as 0.75. This suggests that, on average, the standard deviation of NPLs across the dataset is 0.75.

Coefficient of Variation (CV): The coefficient of variation is provided as 93.73. The CV is a measure of relative variability and is calculated as the standard deviation divided by the mean, expressed as a percentage. In this case, the high CV of 93.73 indicates a considerable degree of variability or dispersion in the NPL ratios or percentages within the dataset.

Financial institutions closely monitor their loan portfolios and classify loans as non-performing when they meet specific criteria, which may vary across jurisdictions. Once a loan is classified as non-performing, the lender may take actions to recover the outstanding debt, such as renegotiating payment terms, initiating legal proceedings, or selling the loan to a third party. Non-performing loans can have broader implications for the overall economy as well. A high level of non-performing loans in the banking system can hinder lending activities, reduce the availability of credit, and negatively affect economic growth.

Regulators and central banks often monitor non-performing loans as part of their oversight and supervision of financial institutions to ensure their stability and assess potential risks to the financial system. Efforts to manage non-performing loans typically involve implementing effective risk management practices, credit evaluation procedures, and loan recovery mechanisms to mitigate the impact on lenders and maintain a healthy loan portfolio.

The interest rate of banks, also known as the bank interest rate or the lending rate, refers to the rate at which banks charge interest on loans and credit facilities provided to their customers. It represents the cost of borrowing money from a bank. Banks determine their interest rates based on a variety of factors, including the central bank's monetary policy,

prevailing market conditions, the bank's cost of funds, the creditworthiness of borrowers, and the desired profitability of the bank. The interest rate may vary depending on the type of loan or credit facility, the term or duration of the loan, and the risk associated with the borrower.

The minimum interest rate observed is 4.17%. This indicates the lowest recorded interest rate in the dataset. The maximum interest rate observed is 11.16%. This represents the highest recorded interest rate in the dataset. The standard deviations are given as 1.79%. This suggests that, on average, the standard deviation of interest rates across the dataset is 1.79%. The standard deviation measures the dispersion or variability of the interest rates around the mean. The means is stated as 7.77%. This implies that, on average, the interest rate across the dataset is 7.77%. The mean represents the central tendency of the interest rates. The coefficient of variation is provided as 23.09%. The CV is a measure of relative variability and is calculated as the standard deviation divided by the mean, expressed as a percentage. In this case, the CV of 23.09% indicates a moderate degree of variability or dispersion in the interest rates within the banks base rates.

The interest rate is typically expressed as an annual percentage rate (APR) or an annual percentage yield (APY), which includes both the nominal interest rate and any additional fees or charges associated with the loan. Banks also offer interest rates on deposit accounts, such as savings accounts, certificates of deposit (CDs), or money market accounts. These rates represent the return that customers earn on their deposits held at the bank.

It's important to note that interest rates can vary between banks and may be influenced by factors specific to the bank's operations, policies, and market positioning. Customers can compare interest rates offered by different banks to choose the most favorable terms for their borrowing or deposit needs. Central banks play a crucial role in influencing interest rates by implementing monetary policy measures, such as adjusting benchmark interest rates or implementing open market operations, to regulate economic conditions and

maintain price stability. The central bank's policy actions can indirectly impact the interest rates set by commercial banks.

4.2 Correlation Analysis

Correlation is the statistical tool, which measure the relationship between two or more variables of a population or a sample. In other words, it describes the degree to which one variable is linearly related to another. The coefficient of correlation measures the degree of relationship between two sets of figures. In this part the correlation of MPS and ROA, Price earnings ratio, EPS, Interest rate and non-performing loan ratio of the banks

Table 2

Relationship between dependent variables and independent variables

	MPS	PER	EPS	ROA	Interest	NPL
MPS	1					
PER	.819**	1				
EPS	.539**	.211**	1			
ROA	.474**	-0.138	0.736**	1		
Interest	-0.006	-0.129	-0.144	0.077	1	
NPL	-0.766	.685**	-.552**	0.348*	-0.130	1

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

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

The correlation analysis table 2 shows the Pearson correlation coefficients between the dependent variable and independent variables in a study. The table contains six variables, which are Market Price per Share (MPS), Price Earnings Ratio (PER), EPS Earning per Share (EPS), Return on Assets (ROA), Interest, and Non-performing Loans (NPL).

Each cell in the table represents the Pearson correlation coefficient between two variables. The Pearson correlation coefficient is a statistical measure that indicates the strength of the linear relationship between two variables. The value of the correlation

coefficient ranges from -1 to 1. If the correlation coefficient is close to -1 or 1, it indicates a strong negative or positive linear relationship between the two variables, respectively. A correlation coefficient of 0 indicates no linear relationship between the two variables.

Looking at the table, we can see that MPS has a strong positive correlation with PER (r = 0.819) and a moderate positive correlation with EPS (r = 0.539) and ROA (r = 0.474).

On the other hand, PER has a positive correlation with EPS (r = 0.211) and a weak negative correlation with ROA (r = -0.138). EPS has a positive correlation with ROA (r = 0.736). Interest has a weak negative correlation with all the other variables except ROA, for which it has a weak positive correlation (r = 0.077). Finally, NPL has a weak negative correlation with all the other variables, for which it has a weak positive correlation.

Overall, the correlation analysis table helps us to understand the relationship between different variables in a study, which is useful for identifying patterns, making predictions, and developing strategies.

4.3 Regression Analysis

In this study linear regression model is used to examine the effect of firm specific variables (i.e., MPS and EPS, PER, ROA, INT, with bank size, Price earnings ratio rat, non-performing loan ratio and loan loss provision ratio of the banks.) on profitability of commercial banks in term of return on assets and return on equity. The regression analysis is done with the help of IBM SPSS 26, software and the results are presented below:

Regression model is:

$MPS_{it} = \beta_0 + \beta_1 PER_{it} + \beta_2 EPS_{it} + \beta_3 ROA_{it} + \beta_4 NPL + \beta_5 Int_{it} + e_{it}$

Table 3

Coefficients of regression

		Coeff	t-statistics	Sig.
1	(Constant)	-246.39	0.441	0.662
	PER	35.332	7.607	0.000
	EPS	4.601	0.719	0.476
	ROA	479.478	2.886	0.006
	NPL	129.276	1.738	0.089
	Interest	-99.975	-2.044	0.047

R^2=0.849, $ADJ.\ R^2$ =0.832, F-value=49.443, F(sig)=0.000,

Dependent Variable: MPS

Predictors: (Constant), NPL, EPS, ROA, Interest, PER

The Table 3 shows, regression analysis examines the relationship between the profitability of commercial banks in terms of return on assets (ROA), PER, EPS, Interest rate and NPL variables. The results are presented in the table, with coefficients for each independent variable and their corresponding t-values and significance levels.

The standardized coefficients (Beta) show the magnitude of the effect of each independent variable on the dependent variable, while controlling for the other variables in the model.

The independent variables (PER, EPS, ROA, NPL and Interest) are all statistically significant in predicting the dependent variable. The p-values for all variables, except for NPL, are less than 0.05, indicating that the coefficients are statistically significant at the 5% level.

The coefficient for PER is 35.332, indicating that a one-unit increase in PER leads to an estimated increase of 35.332 units in the dependent variable, holding all other variables constant. The coefficient for EPS is 4.601, indicating that a one-unit increase in EPS leads to an estimated increase of 4.601 units in the dependent variable, holding all other variables constant.

The coefficient for ROA is 479.48, indicating that a one-unit increase in ROA leads to an estimated increase of 479.48 units in the dependent variable, holding all other variables constant. The coefficient for Interest is -99.975, indicating that a one-unit increase in Interest leads to an estimated decrease of -99.975 units in the dependent variable, holding all other variables constant. The coefficient for NPL is not statistically significant at the 5% level, as the p-value is greater than 0.05. The Tolerance and VIF values suggest that there is no significant multicollinearity between the independent variables in the model. All tolerance values are above 0.2 and all VIF values are below 5, indicating that multicollinearity is not a major concern.

R Square: This is a measure of how much of the variance in the dependent variable is explained by the independent variable. It ranges from 0 to 1, with higher values indicating a better fit. Here, the R Square value is 0.849, which means that 84.9% of the variance in the dependent variable is that takes into account the number of independent variables in the model. It is typically lower than R Square, and is used to penalize models with too many variables. In this case, the Adjusted R Square value is 0.832.

Std. Error of the Estimate: This is a measure of how much the observed values of the dependent variable deviate from the predicted values. It is expressed in the same units as the dependent variable. In this case, the value is 353.68, which means that the typical difference between the observed and predicted values of the dependent variable is 353.68units.

R Square Change: This shows how much the R Square value has increased with the addition of the independent variable. In this case, the R Square Change value is 0.849, which is the same as the R Square value, indicating that the model has only one independent variable. F Change: This is a test statistic that measures whether the addition of the independent variable has significantly improved the fit of the model. It is calculated by comparing the F statistic of the current model to the F statistic of a model with no independent variables. In this case, the F Change value is 49.443, with degrees of

freedom of 5 and 44, and a p-value of 0, indicating that the model with the independent variable is significantly better than the null model with no independent variables.
In summary, this regression model suggests that PER, EPS, ROA, and Interest are important predictors of the dependent variable, while NPL is not significant. The regression coefficients suggest that ROA is the strongest predictor of the dependent variable, while Interest has a negative effect on the dependent variable.

4.4 Discussion

The primary purpose of the study is to determine the factors that influence stock prices on the Nepal Stock Exchange. The researcher discovered that Earnings Per Share (EPS), Price Earnings Ratio (P/E Ratio), Return on Assets (ROA), Non-Performing Loan (NPL), and Interest (INT) are drivers of stock price in NEPSE (Gyawali, 2022). Earnings per share (EPS) and Price Earnings Ratio a (P/E Ratio) are the two most significant factors influencing stock price in commercial banks. The results also suggest that the price-earnings ratio and the market price of shares are statistically significant.

The second goal of the study is to determine the impact of EPS, P/E ratio, ROA, NPL, and interest on the market price of Nepalese banks. The empirical findings from the regression analysis indicate a positive but weak and statistically insignificant relationship between Earnings per Share (EPS) and Market Price per Share (MPS). This suggests that while an increase in earnings per share generally leads to a rise in the market price of the share, the observed effect is not substantial. Additionally, the finding that Price-Earnings ratio (PE) shows a positive and significant association with MPS is consistent with previous studies by Bhattarai (2020) and Ghimire and Mishra (2018), which highlight the P/E ratio as a factor influencing MPS. Furthermore, the correlation analysis reveals a negative relationship between Non-Performing Loans (NPL) and MPS.

The outcomes can be interpreted as follows: an increase in NPLs will result in a reduction in share values. The study's final goal is to investigate the impact of financial performance on bank stock prices. Investors generally view higher EPS favorably, potentially leading to an uptick in the market price per share. They may be willing to pay

a premium for shares of a company with strong earnings performance, while companies offering consistent or increasing dividends could attract income-oriented investors, thereby boosting the stock price per share (MPS). Additionally, a higher EPS suggests robust underlying assets, which can contribute to increased MPS. A higher Price-Earnings (P/E) ratio often reflects investor confidence, indicating a willingness to pay more for each unit of earnings, which aligns with findings from Bhattarai (2020).

MPS has substantial positive correlations with PER and EPS, indicating that profitability and market value indicators are important variables influencing share prices. The moderate positive association with ROA highlights the relevance of asset efficiency. The substantial negative association with NPL implies that loan quality has a considerable impact on share prices, however this result is not statistically significant here. The considerable negative link between PER and NPL demonstrates that companies with more non-performing loans have lower price earnings ratios, indicating investor concerns about loan quality.

The substantial positive connection between EPS and ROA implies that organizations with higher earnings are more efficient in using their assets, confirming the link between profitability and asset utilization. Interest expenses do not reveal significant correlations with other variables, implying that they may not have a direct influence on the financial measures evaluated or may do so in ways that this analysis does not capture. These findings show the essential factors that influence market price per share, emphasizing the significance of profitability indicators such as PER, EPS, and ROA, as well as the negative impact of non-performing loans on financial performance and market valuation.

PER and ROA are strong positive predictors of MPS, emphasizing the relevance of profitability and asset efficiency. Interest is a substantial negative predictor, implying that increased interest expenses have a negative impact on market values.

EPS and NPL are not relevant in this scenario. Despite EPS's positive coefficient, its effect on MPS is not statistically significant. Similarly, while NPL is inversely connected to MPS, the relationship is not strong enough to be declared statistically significant. The model's high R^2 and Adjusted R^2 values show that it effectively explains MPS variability, with highly important factors.

In the studies, shows the relationship between firm's specific variables with market price of share. Data for this study were gathered from the annual reports of the sample banks s and these data were examined with the help of regression modeling. The results show that PER and ROA are substantial positive drivers of market price per share, whereas interest charges have a negative impact. EPS and NPL are linked with MPS, however they are not significant predictors in the regression model. The model is strong, accounting for a considerable amount of the variability in stock prices.

CHAPTER-V
SUMMARY AND CONCLUSION

The purpose of this chapter to present an overview of the study in the summarized from along the major findings and conclusion of the study. Accordingly, it is organized in three sections:

5.1 Summary

The stock market serves as a platform where individual buy and sell stocks. It is a crucial avenue for companies to raise fund. This enables enterprises to be listed on the stock exchange or acquire more financial capital to expand by selling company shares and ownership stakes in the public market. Common shares are legal documents that convey ownership of a firm. It is part of a company's ownership structure. A capital market is a market that allows existing savings to be converted into productive investments, thereby distributing the country's capital to various uses. A common stock's value is expressed as either par, book value, or market value. All company endeavors need short, medium-, and long-term capital in order to run smoothly and grow the organization's operations.

Stock prices are influenced by a combination of qualitative and quantitative elements based on supply and demand. This investigation assists in identifying the primary drivers influencing stock prices and determining the magnitude of their impact. The overall goal of the study is to determine the stock prices of Nepal's commercial banks. The paper examines the relationship between MPS and commercial banks' PER, EPS, INT, ROA, and NPL, as well as the impact of PER, EPS, INT, ROA, and NPL on MPS and the current state of stock price determinants in Nepalese commercial banks.

The study aims to investigate the many factors that influence the market price of commercial in Nepal. Research methodology highlights the procedures and processes used during the investigation. It refers to the different sequential processes that a researcher must take when examining an issue in order to achieve specific objectives. As a result, this study focuses on the research design, data sources, population and sample,

analysis method, tools for defining specific financial indicators, and statistical tools used. Secondary data and information are gathered for this purpose from a variety of credible sources.

A descriptive research design has been used to meet the study's goals. The findings of the empirical testing of the variables influencing the share prices of commercial companies in Nepal were provided, along with a discussion. The right financial, descriptive, and analytical tools are used to analyze data where appropriate, interpretations and remarks are also included in the analysis section. A few of the study's most important conclusions were also covered in this chapter.

5.2 Conclusion

The aim of this study is to examine determinants of stock price on selected commercial bank in the case of Nepal of the period of 2013/14 to 2022/23. We can conclude that determinant's of stock price have an imperatively significant role on banks in Nepal.
Interest rate of bank is negatively related with banks share price. If interest rate of bank increase cost of fund became expensive and people face lack of fund. Market price level increased. Incomes of individual remain same. Banks offers higher rate of interest on deposit; investor feels uncertainty in stock market and withdrawn investment for making fixed deposit. This research shows the negative relationship with interest rate and price of share.

The finding of the study period revealed that NPL has negatively correlation with MPS. When company have higher amount of non-performing loans, investors are wanted to pay low price for that company stock. The NPL generally influences the stock price in negative direction. Interest and non-performing loans have negative relation with Market price of share. Which mean company have higher Interest and NPL investor are not interest to buy company share.

P/E ratio has significant correlation with MPS. This result shows P/E ratio affect the ability of investors to invest in stocks. ROA have positive relationship with MPS and

negative correlations with P/E ratio. ROA increase MPS increase and P/E ratio. The result shows that investors are not giving any preference to bigger and established firms. Many investors take their investment decision by company size. Investors think that bigger companies are more stable regarding profit than smaller companies but the results shows that investors take their investment decision in small companies is also better than bigger companies.

The study found that earnings per share and price earnings ratio are the most important drivers of commercial bank share prices in Nepal. The study's findings showed external impacts and fresh facts from a Nepalese perspective, which are expected to be useful to market participants. Thus, the study's findings appear to be especially significant for equities investors and fund managers, who might look for these key qualities when assessing stock returns and forecasting share prices.

5.3 Implication

Commercial Banks are suggested that they should maintain the consistency in EPS ROA, NPL and P/E ratio. This study concluded that EPS, ROA, NPL, ROE, and P/E ratio is strongest factor of determining the stock price of commercial banks. So, banks are suggested that they should increase their earnings per share, dividends per share and return on equity, return on assets. It maximizes the wealth.

As per the study, it has been found out that EPS, ROA, NPL, P/E ratio and price appreciation are the foundation upon which stock price built. So, investors are recommended for the details study of the financial indicators before investing and trading stock of any Banks and they should not rush over the rumors Commercial Banks are suggested that they should aware to capital size of company and percentage of non-performing loan of company. It plays the insignificance relationship with MPS.

Investors should be aware to their investment decision and that will be helpful to determine the MPS through demand and supply forces always be aware of the daily price, volume of stock traded, rules and regulations of the stock market and related listed

companies in this way, investors are suggested to take care of these financial indicators of company before investing.

This study focuses exclusively on the stock prices of commercial banks. For definitive and clear findings on the factors influencing share market prices, future research should consider conducting a comprehensive study across the entire stock market over an extended period. It is suggested that future researchers increase the sample size, employ advanced methodologies, and gather a larger number of observations to enhance the rigor and scope of their investigations.

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APPENDICES

Calculation of market price per share (MPS)

Year	SIDDHARTHA	EBL	NABIL	SANIMA	SCB
2013/2014	810	2631	2,535	638	2799
2014/2015	678	2120	1,910	555	1,943
2015/2016	869	3385	2,344	750	3,600
2016/2017	485	1353	1,523	431	2,295
2017/2018	300	663	921	324	755
2018/2019	318	666	800	348	682
2019/2020	296	675	765	330	645
2020/2021	504	738	1,359	485	590
2021/2022	303	439	824	276	396
2022/2023	253	563	599	260.5	530
Minimum	253	439	599	260.5	396
Maximum	869	3385	2535	750.0	3600
Mean ($\bar{x}$)	481.60	1323.30	1358.00	439.750	1423.50
Std. Deviation (σ)	229.821	1032.109	699.577	164.5771	1145.530
Variance (CV)	47.72	78.00	51.52	37.43	80.47

Source: Financial statement of banks

Calculation of Earnings per Share (EPS)

Year	SIDDHARTHA	EBL	NABIL	SANIMA	SCB
2013/2014	38.63	24.81	83.68	19.28	65.47
2014/2015	37.77	24.81	57.24	24.47	57.38
2015/2016	41.53	24.81	59.27	32.55	45.96
2016/2017	18.82	24.81	59.86	26.31	35.49
2017/2018	26.45	24.81	49.51	21.22	27.33
2018/2019	23.07	38.05	50.57	28.22	57.38
2019/2020	19.55	29.71	36.16	20.18	35.49
2020/2021	22.79	19.91	33.57	23.94	27.33
2021/2022	20.6	26.3	18.64	18.48	30.39
2022/2023	22.48	31.43	23.67	20.91	24.81
Minimum	18.82	19.91	18.64	18.48	24.81
Maximum	41.53	38.05	83.68	32.55	65.47
Mean ($\bar{x}$)	27.1690	26.9450	47.2170	23.5560	40.7030
Std. Deviation (σ)	8.68819	4.98642	19.52558	4.46116	14.78834
Variance (C.V)	75.485	24.864	381.248	19.902	218.695

Source: Financial statement of banks

Calculation of Price Earning Ratio (PE Ratio)

Year	SIDDHARTHA	EBL	NABIL	SANIMA	SCB
2013/2014	20.97	30.58	30.29	33.09	42.75
2014/2015	17.95	27.17	33.37	22.68	33.86
2015/2016	20.93	83.94	39.55	23.04	78.33
2016/2017	18.24	41.66	25.44	16.38	64.67
2017/2018	11.34	20.23	18.6	15.27	27.62
2018/2019	13.79	17.5	15.82	12.33	22.44
2019/2020	15.14	22.72	21.15	16.35	26
2020/2021	19.35	37.06	40.48	20.26	36.16
2021/2022	13.07	16.69	44.21	14.94	16.56
2022/2023	11.26	17.91	25.31	12.46	14.42
Minimum	11.26	16.69	15.82	12.33	14.42
Maximum	20.97	83.94	44.21	33.09	78.33
Mean ($\bar{x}$)	16.2040	31.5460	29.4220	18.6800	36.2810
Std. Deviation (σ)	3.75683	20.29722	9.79343	6.32894	20.71200
Variance (C.V)	14.11	411.98	95.91	40.06	428.99

Source: Financial statement of banks

Calculation of Interest (INT)

Year	SIDDHARTHA	EBL	NABIL	SANIMA	SCB
2013/2014	8.81	6.4	5.67	8.22	5.18
2014/2015	7.87	6.14	5.78	7.5	4.92
2015/2016	6.65	4.86	4.17	6.07	4.47
2016/2017	10.38	7.68	6.61	10.2	6.47
2017/2018	11.16	8.45	7.78	10.66	7.87
2018/2019	10.57	8.12	8.09	9.45	7.63
2019/2020	9.03	8.05	7.32	8.62	7
2020/2021	7.16	5.99	5.86	6.34	5.51
2021/2022	9.45	8.82	8.77	9.71	8.81
2022/2023	9.91	9.47	9.52	10.15	9.02
Minimum	6.65	4.86	4.17	6.07	4.47
Maximum	11.16	9.47	9.52	10.66	9.02
Mean ($\bar{x}$)	9.099	7.398	6.957	8.692	6.688
Std. Deviation (σ)	1.49776	1.47009	1.63577	1.63093	1.63563
Variance (C.V)	2.24	2.16	2.68	2.66	2.68

Source: Financial statement of banks

Calculation of Non-Performing Loan (NPL)

Year	SIDDHARTHA	EBL	NABIL	SANIMA	SCB
2013/2014	2.75	0.97	2.23	0.017	0.48
2014/2015	1.8	0.66	1.82	0.07	0.34
2015/2016	1.47	0.38	1.14	0.019	0.32
2016/2017	1.3	0.25	0.8	0.01	0.19
2017/2018	1.09	0.2	0.55	0.03	0.18
2018/2019	0.75	0.16	0.74	0.08	0.15
2019/2020	1.38	0.22	0.98	0.45	0.44
2020/2021	1	0.12	0.84	0.12	0.96
2021/2022	1.07	0.12	1.62	0.33	0.59
2022/2023	2.01	0.79	3.39	1.31	1.18
Minimum	0.75	0.12	0.55	0.010	0.15
Maximum	2.75	0.97	3.39	1.310	1.18
Mean ($\bar{x}$)	1.4620	0.3870	1.4110	0.2436	0.4830
Std. Deviation (σ)	0.589	0.308	0.879	0.403	0.344
Variance (C.V)	0.347	0.095	0.772	0.162	0.118

Source: Financial statement of banks

Calculation of Non-Performing Loan (NPL)

Year	SIDDHARTHA	EBL	NABIL	SANIMA	SCB
2013/2014	1.74	2.25	2.89	1.46	2.51
2014/2015	1.51	1.85	2.06	1.55	1.99
2015/2016	1.69	1.59	2.32	1.78	1.98
2016/2017	1.53	1.83	2.69	1.86	1.84
2017/2018	1.59	1.97	2.61	1.85	2.61
2018/2019	1.49	1.94	2.11	2.07	2.61
2019/2020	1.26	1.42	1.58	1.41	1.71
2020/2021	1.25	0.89	1.71	1.44	1.22
2021/2022	1.1	1.13	1.2	1.09	1.83
2022/2023	1.11	1.41	1.42	1.21	2.29
Minimum	1.10	0.89	1.20	1.09	1.22
Maximum	1.74	2.25	2.89	2.07	2.61
Mean ($\bar{x}$)	1.4270	1.6280	2.0590	1.5720	2.0590
Std. Deviation (σ)	0.23138	0.41848	0.57354	0.31119	0.44735
Variance (C.V)	0.054	0.175	0.329	0.097	0.200

Source: Financial statement of banks

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ABSTRACTS

This study explores **the determinants of stock prices for** Nepalese **commercial banks** 10

, focusing

on the relationship between financial metrics **and stock price behavior of** companies **listed** on **NEPSE. It** 1
specifically inspects **the** correlation **between financial**

metrics such as Earnings per Share (EPS), Non-Performing Loan (NPL), Interest (INT), and

Price Earnings Ratio (P/E Ratio), and the market price per share (MPS). The 10

primary aim of this research is to analyze and interpret these determinants. A descriptive research design was utilized to accomplish this objective. The sample consisted of five commercial banks (EBL, SANIMA, NABIL, SBL, and SCBL) over the period from fiscal year 2013/14 to fiscal year 2022/23. Data were collected from the annual reports of these banks, the Nepal Stock Exchange, and the Securities Board of Nepal. Correlation and multiple regression techniques were used to analyze the data, utilizing SPSS version 26.In this study, the

market price per share (MPS) was **the dependent variable** , while **the independent variables** were Earnings **per** 10
Share

(EPS), Non-Performing Loan (NPL), Interest (INT),

and Price Earnings Ratio (P/E Ratio). The results showed **a** strong **positive correlation** 1

between Market

per Share (MPS) and both Earning **per Share (EPS**) and **Price Earnings Ratio (P/E** 1