

DETERMINANT OF STOCK PRICE VOLATILITY IN NEPAL

**A Dissertation Submitted to the Office of the Dean, Faculty of Management in
Partial Fulfillment of the Requirements for the Master's Degree**

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **DETERMINANT OF STOCK PRICE VOLATILITY IN NEPAL**. 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 the dissertation.

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CERTIFICATE OF THE SUPERVISOR

This is to certify that the thesis entitled **DETERMINANT OF STOCK PRICE VOLATILITY IN NEPAL SUBMITTED** by SANJAY NATHA to the Faculty of Management, Tribhuvan University in partial fulfillment for the award of the degree of MBS is a original research work carried out by her under my supervision. As far as my knowledge, the contents of this in full or in parts have not been submitted to any other institutions or university for the award of any degree or for any commercial purpose.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **DETERMINANT OF STOCK PRICE VOLATILITY IN NEPAL** presented by SANJAY NATH 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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ABBREVIATIONS

BV	Book Value
D/Y	Dividend Yield
DPR	Dividend Payout Ratio
DPS	Dividend per Share
E/Y	Earning Yield
EBL	Everest Bank Limited
EPS	Earning Per Share
GDS	Gross Domestic Savings
HBL	Himalayan Bank Limited
MPS	Market Value per Share
MV	Market Value
MV/BV Ratio	Market Value to Book Value Ratio
NABIL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange Limited
NIB	Nepal Investment Bank
NIDC	Nepal Industrial Development Corporation
NSM	Nepal Stock Market
P/E Multiple	Price Earning Multiple
ROA	Return on Assets
ROE	Return on Equity
SCBNL	Standard Chartered Bank Nepal Limited
SEBON	Securities Board of Nepal
T.U.	Tribhuvan University

ABSTRACT

To make safe investments, logical investors should examine the historical trend and pattern of the stock's price series in order to predict future price changes. In addition to formulating policies for the development of the capital market, the government should also promptly and correctly carry out these policies. Investors should place their money in the manufacturing and processing, commercial banking, and finance sectors because their performance outperforms that of other sectors. Individuals base a major portion of their financial decisions on signals from the stock market. Information should be accessible and affordable through the market process. Its dependability is essential. The stock exchange should have robust operations and efficient management, with a focus on investors and the market. The relevant regulatory organizations should work together and coordinate well. The process of purchasing and selling shares should be organized, quick, and low-time consuming. The listed firms are required to provide full and timely disclosure of their financial results. Negative rumors that could impact stock price should be avoided by the regulating agency. The stock price should move freely, fairly, and without interference. The payout ratios of the listed corporations are not consistent, and they lack a clear dividend strategy. The corporation ought to implement a vigilant monitoring system to scrutinize the actions of its stock price and endeavor to elevate its market value relative to its rivals. In order to provide investors with the right services, market intermediaries should have the infrastructural facilities and the essential experience developed by stockbrokers and other individuals involved in the securities sector. Concerned regulatory bodies should conduct more in-depth research and analysis on the efficiency of the stock market in order to provide inputs that will boost market activity and reduce manipulation.

Key Word: Determinant of Stock Price Volatility in Nepal

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Stock price volatility refers to the fluctuations in stock prices over a given time period. It's a prevalent occurrence in the equity market and quantifies the unexpected changes in stock prices. According to Kanniainen (2007), stock price volatility serves as an indicator of the frequency of new information impacting the market. Concerns over stock price volatility are shared by regulators, academics, brokers, dealers, and investors. They take this action due to the fact that fluctuations in stock prices reflect significant news about the company in addition to the fact that volatility assesses risk and impacts the firm's value. Guo (2002) added that investors who own common shares are exposed to systemic risk due to stock price volatility. Because it indicates the amount of risk they are exposed to, investors, who are by nature risk averse, place a high value on investment volatility.

When an unexpected dividend adjustment is announced, the stock price reaction is influenced by the marginal investor's dividend preferences in that company, assuming all other factors stay the same (Denis et al., 1994). An ownership claim against a real or productive asset is represented by common stocks. Stockholders stand to gain the most if the company succeeds, and lose the most if it fails (Higgins, 1995). Dividends are merely the regular cash payments that businesses make to their investors. The exact amount of each dividend might vary from zero to almost any amount that the corporation can afford to pay, as determined by the board of directors (John et al., 1998). An essential criterion for assessing stock market return is stock price. Demand and supply, which are typically influenced by firm-specific characteristics and/or macroeconomic variables, drive share prices. The movement of the stock price, which is influenced by a number of internal and external factors such as earnings per share, bank size, and book to market equity, can affect returns on investment (Shafana, 2013).

In addition to the market risk variable, the empirical research on asset pricing have revealed several other variables that aid in the explanation of cross-sectional variation in stock returns. The factors that are found to have considerable explanatory power in asset pricing tests include, but are not limited to, firm size (Benz, 1981), leverage (Bhandari,

1988), P/E ratio (Basu, 1983), ratio of cash flow to stock price (Rosenberg et al., 1985), and book to market equity (Fama and French, 1992).

In their groundbreaking study, Fama and French (1992) discovered that the most important element in explaining cross-sectional returns is book to market equity. The relationship between the cross-sectional variations in stock returns on Japanese equities and the underlying patterns of four basic factors, namely size, cash flow yield, book to market ratio, and earning yield. It has been discovered that the four variables taken into consideration—book to market value ratio and cash flow yield—are the most important ones influencing stock returns (Chan et al., 1991).

Stock market prices are one of the most important factors that influence investors' investment decisions (Hemadivya and Devi, 2013). Thus, analysts place much emphasis on research on the stock market, especially stock price predictions.

Price Earnings Ratio (PER), which measures how investors assess the company's growth prospects in the future, and is reflected in the stock price that investors are willing to pay for every dollar the company profits. The greater PER suggests that investors are willing to pay a premium for a given profits per share because they have high hopes for the company's future growth (Bhatta, 2010). According to Pradhan (2006), a company's dividend policy is largely influenced by its earnings, cash on hand, historical dividend payments, and concerns about the price of its stock rising. Dividend distribution also has an impact on the price of common stock. Stock prices in Nepal shows a systematic pattern that is valuable for observing the behavior of past price movements to predict future price.

The financial industry is essential in bringing disparate savings together for capital formation. The Nepalese stock market helps to mobilize savings for long-term economic viability. It provides the framework for the expansion of the actual sector, which includes the country's significant infrastructural development. However, the Nepalese securities market is still developing. Its continued advancement is essential. Shares of commercial banks make up the majority of the securities market in Nepal, and the Nepal Stock Exchange index is influenced by the pricing behavior of these institutions.

Financial institutions are a crucial part of the current economic landscape. Their function as middlemen between the government, businesses, and ultimate savers and the borrowing economic units in need of outside financing accounts for their economic contribution. Financial intermediaries make it easier for money to move between different industries. These days, it is acknowledged that one of the most important tools for quickening economic expansion is the presence of contemporary financial institutions. Furthermore, the sluggish pace of economic progress in emerging nations is their biggest issue. When we talk of economic development, we usually mean the growth of the major economic sectors, such as trade, industry, and agriculture. These industries need a consistent flow of funding to grow (Van Horne, 1998).

1.2 Problem Statement

Banks are a substantial and powerful global commercial sector. The majority of people and businesses utilize banks as borrowers or depositors. Because of their tight relationships to the government, regulatory bodies, and banks, as well as the regulations those governments impose on them, banks play a significant role in preserving public confidence in the monitoring system. Because of this, there is a great deal of public interest in banks' overall health, particularly in relation to their solvency, liquidity, and the proportionate level of risk associated with each of their business segments (Johns, 1998).

One measure of strong financial performance is profit. It typically results from prudent financial management, cost containment, credit risk management, and overall operational effectiveness. An organization needs profit to survive and grow in order to retain enough money through profit-sharing. The bank needs to keep enough cash on hand to cover a variety of emergencies. The ability to have enough money on hand to cover deposit withdrawals and other financial obligations as they become due is referred to as liquidity. The excess of assets over obligations, or the sufficiency of the banks' capital, is referred to as solvency. A bank needs to keep enough cash on hand and in the bank account to cover both immediate needs and unforeseen circumstances (Sharpe et al., 1999).

The majority of investors are drawn to the banking industry in the current environment. A comparison analysis between the various banks is necessary. It will eventually have a detrimental effect if it continues to show indifference toward pertinent information from other banks. Most clients find these banks appealing because they offer good and timely service. In a similar vein, investors place their money with banks that offer high dividends, high profits, and large amounts; however, customers require advance notice of the banks' ability to process payments. In order for banks to endure in a cutthroat industry over the long term, they must take into account their positions in the market, in terms of profitability, liquidity, and other factors. As a result, the study is dependent on the financial standing of Nepali commercial banks. Which benefits investors and customers alike (Shrestha, 2013)?

Many studies have been conducted on the financial performance of Nepal's banking sector, but none that are comprehensive have been conducted on the commercial banks that are listed on the country's securities board. This study concerns to analyze the financial position of five Commercial Banks, which are operated in Nepal. The researcher problem of the study will try to explore in the following question form:

- What are the factors that affect the stock price?
- Is there any association between Mean, Standard Deviation, & Correlation Coefficient?
- What is the impact of BVPS, DPS, P/E, D/E, ROA and ROE ratio?
- Which factor has higher influencing power to market price per share?

1.3 Objectives of the Study

The primary objective of this study is to analyze the share price behavior of Nepalese commercial banks. Specific objectives include:

- To assess the current status and pattern of Market Price per Share Dividend per Share, Return on Equity, Book Value per Share, Price Earnings Ratio and Return on Assets.
- To examine the relationship between Market Price per Share Dividend per Share, Return on Equity, Book Value per Share, Price Earnings Ratio and Return on Assets.
- To analyze impact of MPS independent variables such as Dividend Per Share, Return on Equity, Book Value Per Share, Price Earnings Ratio, Return on Assets.

1.4 Rationale of the Study

Many studies have been conducted on the many aspects of commercial banks' performance, but this particular subject does not appear to have received much attention prior to Nepal. Thus, the purpose of this study is to present the information regarding the stock price behaviors of Nepalese commercial banks. Further details about the banking sector's securities market trend will be provided by this research. Investors can assess how changes in the market will affect their investment and yield. The study may provide recommendations to the government for the review and modification of financial policy. In a similar vein, policy-making organizations, academic institutions, bank personnel, trainees, investors, financial individuals, and other stakeholders will find value in the comments this study offers.

1.5 Limitations of the Study

This study has its own limits, just as any other study has drawbacks. The primary constraints are related to the validity of the statistical tools employed, inexperience in research, and the following other restrictions:

- This study only analyzes the last ten years data i.e., from 2013/014 to 2022/023.
- The study is based on the primary as well as the secondary data. However, the study has to depend more on the secondary data taken from the annual reports, internet website of the banks. Similarly, on the other bank related magazines and journals. Therefore, the reliability of the conclusions depends on the accuracy of the pooled secondary data.
- While there are other financial instruments available, this study only takes into account equity shares, preference shares, debentures, government bonds, and so forth.
- The study examines Nepali commercial banks' historical and contemporary stock price patterns. As a result, it doesn't offer any future predictions.

CHAPTER -II

LITERATURE REVIEW

This chapter included presentations of the research gap, conceptual review, empirical reviews, and theoretical reviews.

2.1 Theoretical Review

Economic growth in many emerging nations is driven by the investment sector. Supply and demand interact to determine how much a stock is worth. When demand exceeds supply, prices rise, and when they fall, prices fall. Business cycle theories seek to understand and predict economic growth during prosperous times by tracking the changes in economic factors across time. The efficient market theory method and the classical approach are the two primary theories that explain the behavior of stock prices. Both technical analysis theory and fundamental analysis theory are included in the classical method. On the other hand, there are three types of efficient market hypothesis proposed by the efficient market theory. The efficient market theory maintains that the market is efficient, in contrast to the conventional approach which sees it as inefficient. Investors were generally divided into two categories prior to the development of the efficient market theory: fundamentalists and technicians (Reilly, 1986).

A. Convention or Classical Approach

The conventional or classical approach includes fundamental analysis and technical analysis theories. One of the major divisions in the ranks of financial analysis is between those using fundamental analysis (known as fundamental analysts or fundamental) and those using technical analysis (known as technical analyst or technicians).

a) Fundamental Analysis

In the fundamental approach, security analysts and prospective investors concentrate on scrutinizing diverse factors such as economic conditions, industry trends, and specific company details like product demand, earnings, dividends, and management practices. This analysis is aimed at assessing the intrinsic value of the firm's securities. Fundamental analysis starts with the premise that the real value of any financial asset equals the present value of all anticipated cash flows. Investors forecast the timing and

amount of these cash flows, and subsequently discount them to their present value using an appropriate discount rate. Fundamentalists evaluate stock value within a risk-return framework based on earning potential and the economic landscape.

Fundamentalists believe that the value of shares is contingent upon anticipated future returns and corresponding capitalization rates, which represent the appropriate risk-adjusted cost of equity. Accordingly, according to this model, the value of a share equals the present value of future earnings from equity discounted at a risk-adjusted capitalization rate. This approach necessitates comprehensive disclosure of financial and economic information. Inadequate or irregular dissemination of information hampers the accurate assessment of share market value. The actual price of a security is seen as a reflection of investors' expectations, which change in response to new information. Market prices are rooted in intrinsic values, where the value of common stock is determined by the present value of all future income streams accruing to shareholders (Francis, 1986).

b) Technical Analysis

The technical analysis theory of share price behavior relies on historical stock market data to forecast future price movements. This approach involves studying past price and value data of stocks to identify patterns or trends in price movements. Analysts examine historical prices to identify recurring trends or patterns, and then analyze recent stock prices to detect emerging trends or patterns that resemble those observed in the past, assuming that these patterns will repeat themselves. Technical analysts employ a specialized form of market analysis, akin to predicting the pattern of wallpaper behind a mirror based on the pattern above it (Miller, 1981).

Technical analysis operates on the premise that security prices are influenced by the interplay between supply and demand. Its tools are designed to measure these dynamics. Analysts record historical financial data on charts and study these charts to discern meaningful patterns for predicting future prices. In this method, little consideration is given to future earnings and dividends. Analysts typically concentrate on forecasting short-term price movements, providing recommendations on when to buy or sell specific stocks, groups of stocks, or stocks in general. Technical analysis is often associated with

answering the question "when." Some fundamental assumptions of technical analysis theory include:

- Market value is determined by the interplay of demand and supply.
- Demand and supply are influenced by numerous factors, both rational and irrational.
- Security prices tend to exhibit trends that persist despite minor market fluctuations.
- Changes in trends are typically triggered by shifts in demand and supply dynamics.
- These shifts can be eventually detected in market transaction charts.
- Patterns in market behavior tend to repeat themselves.

Technical analysis posits that past market patterns will recur in the future and can be utilized for predictive purposes. Technical analysis involves studying past market behavior in relation to various financial and economic variables to forecast future trends. While these variables may change, they are adjusted to reflect the current situation. Stock prices typically moves in trends due to imbalances between supply and demand: when supply exceeds demand, prices trend downward, and vice versa. If demand and supply are balanced, the market moves sideways within a trading range.

Charles Dow is a prominent figure associated with this theory. This strategy is known as the Chartist approach because proponents of the idea predict future share values based on historical price movements shown in charts and graphs. While some charts are used to forecast the movement of market indexes, others are used to predict the movement of specific securities.

B. Efficient Market Theory

A market that is efficient has shares that are priced correctly at all times, making it difficult to continuously outperform the market other than by chance. In a market like this, prices at the moment accurately represent all available information, allowing for the most efficient use of limited resources. An Efficient Market (EM) is defined as one where security prices promptly and accurately reflect all known information (John, 1998). Efficient markets are characterized by a large number of knowledgeable, profit-seeking independent buyers and sellers, and investors quickly adjust to newly obtained information that is generated at random (Sharpe, 2018). Proper allocation of capital

resources is ensured by the level of market efficiency, which has significant implications for the economy and investment decision makers. Many studies have been conducted on the efficient market hypothesis, with an emphasis on allocation, operational, and informational efficiency (Weston and Copland, 1996).

A number of prerequisites must be satisfied for a securities market to function effectively, such as the presence of informed investors who engage in the market, guaranteeing that prices accurately reflect improved products and new discoveries, and allowing information to be freely disseminated and generated at random (John, 1998). Investors need to be reasonable in identifying efficient assets and placing money where returns are relatively high. They also need to respond swiftly and accurately to new information, modifying stock prices accordingly (Bhalla, 1983).

Overall, an efficient market is essential for the optimal allocation of capital resources, with accurate price signals guiding investment decisions effectively.

a) Weak-Form Market Efficiency: According to the weak form of market efficiency, stock prices incorporate all past information regarding price movements. This hypothesis posits that investors cannot achieve excess returns by devising trading strategies based on historical price or return data (Weston and Copland, 1996). The weak form hypothesis' main consequence is that future stock prices and returns shouldn't be correlated with historical rates of return and other market data. Investors cannot predict future stock prices by analyzing historical data and expect to outperform the market index.

To prove weak form efficiency, there should be no discernible correlation between security prices over time in an efficient capital market (Fama, 1965). Empirical tests generally support the notion of serial independence among security prices over time. Developing trading techniques using previous security prices and evaluating their success against the market is another method for assessing weak form efficiency. If investors consistently outperform the market with their trading strategies, it indicates market inefficiency.

However, numerous studies have demonstrated that investors are unable to consistently beat the market with trading rules, suggesting that the market is indeed efficient in its weak form.

b) Semi-Strong Form of Efficiency: The semi-strong form of market efficiency proposes that security prices take into account all information that is available to the general public. Accordingly, using publicly accessible resources like company annual reports, stock market price data, or other publicly available information like earnings reports, dividends, stock split announcements, new product developments, financial news, or magazines (like The Economic Times) will not allow investors to obtain excess returns. The existing security prices already take all of this information into account. Investors can only make returns comparable to those from a passive buy-and-hold strategy if the semi-strong form hypothesis is correct (Francis, 1986).

This feature of market efficiency is frequently disputed since it suggests that security analysts' attempts to use publicly available information to discover mispriced securities are pointless because the information has already been integrated into current pricing. The semi-strong efficient market hypothesis suggests that market prices adjust rapidly to new information, making it difficult for investors to outperform the market using publicly available data.

c) Strong Form of Efficiency: According to the strong version of market efficiency, security prices take into account all publicly available and privately owned information, both published and unpublished. It encompasses both the weak and semi-strong forms of efficiency. According to this version, there should be no opportunities for any investor to consistently achieve above-average rates of return. Asserting that prices accurately reflect all information, whether public or private, it is the strictest type of market efficiency (John, 1998).

Examining the profit margin of insider trading in securities is a useful method of verifying the viability of the strong efficient market theory. Examining whether insiders with access to privileged knowledge may regularly generate statistically significant trading profits is part of this.

C. Random Walk Efficient Market Theory

The random walk theory states that it is impossible to predict future prices based on past price behavior because future revenue streams from stock investments are unrelated to past revenues. Since subsequent price changes are seen as independent, attempting to

predict future prices based only on historical price change information is unlikely to be successful. The idea contends that supply and demand determine the equilibrium position in a free and competitive market, within which prices move arbitrarily, rather than implying that stock prices are determined irrationally. Professional investors and shrewd amateurs immediately latch upon any discrepancies in stock prices from their intrinsic worth in an efficient market, which can be attributed to divergent perspectives on future prospects. The price returns to equilibrium as a result of their aggressive purchasing and selling activities. As a result, market mechanisms guarantee that disparities are quickly resolved even when share values may change arbitrarily. Any discrepancies are noticed by a competitive market, where prices are thought to represent all available information. There is a strong opposing viewpoint, even with the significant attention that scholars and researchers have paid to market efficiency. The stock market, according to its detractors, is neither efficient nor competitive. They imply that a number of variables could compromise the market's effectiveness and competitiveness (John, 1998).

2.2 Empirical Review

2.2.1 International Articles

Sarkar and Rakshit (2023) looked into the macroeconomic variables that affected Indian commercial banks' performance between 2000 and 2017. They examined a panel of commercial banks from the public and private sectors using return on assets (ROA), return on equity (ROE), and net interest margin (NIM) as performance metrics. They used the first difference generalized method of moments (GMM) method, utilizing macro factors like GDP, inflation, and lending interest rates in addition to macroeconomic and bank-specific control variables. Their results showed that the performance of commercial banks is greatly influenced by external factors, and this effect is sustained even when control variables are added one after the other. Planners, bankers, and legislators can all benefit from this study when creating suitable regulations for commercial banks.

Singh (2022) examined the factors that influence stock prices in the Omani capital market in Muscat. They used panel data regression with a random effect model to analyze data from 2011 to 2016 and looked at firm-specific factors such firm size, dividend payout, earnings per share (EPS), debt ratio, price-earnings (PE) ratio, and lagged dependent

variables. They conducted experiments based on the semi-strong version of the Arbitrage Pricing Theory (APT) and the Efficient Market Hypothesis (EMH). Their findings showed that while dividend payout, business size, and PE ratio were not important factors in determining stock prices, EPS, debt ratio, and lagged stock prices were. Understanding the dynamics of stock prices in the Muscat securities market is aided by this research.

The short-term impact of COVID-19 on the Chinese stock market and other international financial markets was investigated by Liu et al. in 2022. Following the COVID-19 pandemic, they saw a fall in the stock markets of China and other Asian countries, with the banking and insurance industries suffering from negative anomalous returns. Their analysis included sharia-compliant businesses across a range of sectors, with the banking industry performing the poorest. After looking into many COVID-19-related incidents, they discovered that Saudi Arabia and Indonesia's financial industries were among the worst hit. Furthermore, they found that the impacts of WHO pronouncements on stock performances across different indices varied depending on whether the country was developed or developing.

Hunjara and Muhammad (2021) looked at what influences stock price swings and discovered that payout ratio and dividend yield had a big impact on stock prices. Using an ordinary least square regression model, they discovered a positive correlation between payout ratio and stock price and a negative correlation between dividend yield and price. These findings disproved the dividend irrelevance theory and shed light on how dividend policy affects stock prices.

The effect of stock and cash dividends on share prices on the Dhaka Stock Exchange was examined by Rahman and Siddiquee (2020). Their study sought to ascertain whether the influence of stock dividends on share prices was higher than that of cash dividends. On the day of the dividend declaration, they discovered no indication of unusual returns for any kind of dividend. According to their research, investors might keep shares following stock dividend announcements and sell them on the 12th working day in order to maximize anomalous gains. On the other hand, cash distributions did not result in anomalous returns, providing direction to investors who are thinking about making investments in companies listed on the DSE.

The relationship between interest rates and stock prices in developed and developing nations was examined by Alam and Uddin (2019). They focused on fifteen countries: Australia, Bangladesh, Canada, Chile, Colombia, Germany, Italy, Jamaica, Japan, Malaysia, Mexico, the Philippines, South Africa, Spain, and Venezuela. They examined monthly data from January 2003 to 2018. Since none of the stock markets adhered to the random walk model, their findings called into question the idea of market efficiency in its weakest version. They investigated the relationship between share prices and interest rates using time series and panel regressions, and they discovered a strong negative correlation across all nations. Furthermore, a substantial negative correlation was seen in six nations between fluctuations in share prices and changes in interest rates.

Francis (2019) looked into whether using publicly available information in different forms—such as corporate annual reports, stock market data, earnings, dividends, and other financial indicators—investors may generate excess returns. The Efficient Market Hypothesis (EMH), which holds that stock prices already take into account all information that is publicly available, was put to the test in their study using the semi-strong form. They proposed that investors could only obtain average returns by using a buy-and-hold strategy if the semi-strong hypothesis is correct, indicating few chances for excess gains.

Arkan (2018) highlighted how crucial it is to use financial measures to predict shifts in stock values, particularly in emerging nations. The goal of their study was to pinpoint the important financial measures from financial statements that affect stock prices. The study revealed a high positive association between the behavior of stock prices across different sectors and numerous measures, including return on assets (ROA), return on equity (ROE), net profit ratio, price-to-earnings (P/E) ratio, and earnings per share (EPS). Their research emphasized how crucial it is to use these ratios in financial analysis to make well-informed investment decisions.

In the Finnish stock market, Martikainen (2018) investigated the connection between financial parameters and stock price behavior. Their research sought to comprehend how stock price behavior reflects the economic aspects of businesses. They discovered that the explanatory power of financial ratios varied throughout the year and that their

significance rose in proximity to financial reporting periods. Based on their empirical findings, financial ratios appear to have a significant impact on how relationships are priced in the stock market.

Ray (2018) looked into the Granger causal link between macroeconomic factors and the movement of Indian stock prices. They examined the effects of different macroeconomic conditions on stock prices using annual data from 1990–1991 to 2016–17. Their research showed that a number of factors, including the price of gold and oil, the balance of trade, interest rates, foreign exchange reserves, GDP, and the industrial production index, had a major impact on the price of Indian stocks. These findings have ramifications for analysts, politicians, stock market regulators, and both domestic and overseas investors.

In his investigation of the idea of market efficiency, Sharpe (2018) emphasized the existence of astute and profit-driven investors, the haphazard production of new information, and the quick adaptation of investor behavior to new information. Market efficiency ensures that security prices appropriately reflect available information and facilitates the appropriate allocation of capital resources, which has important ramifications for the economy and investment decision-makers.

In their evaluation of the literature, Ahmad et al. (2018) concentrated on the efficient market hypothesis and the effects of financial and economic factors on stock prices in Malaysia. They emphasized the importance of the Malaysian stock market, which, based on domestic market capitalization, is the second largest in Southeast Asia. In order to shed light on the dynamics of the Malaysian stock market, the review summarized the body of research on the efficient market hypothesis and the impact of economic factors on stock prices.

Adittyia (2017) studied the movement of stock prices in relation to financial statement releases, concentrating on banks that are listed on the Dhaka Stock Exchange (DSE). Relatively few research have looked into how the market responds to financial information in Bangladesh, despite the fact that many have studied this issue worldwide. Adittyia's research used secondary data and event study methods to examine daily share prices and market returns from 2011 to 2015. The average abnormal returns were not statistically significant at a 5% significance level, according to the data, notwithstanding

the analysis. Consequently, the study concluded that it is not feasible to produce anomalous returns using the data found in the financial statements of banks listed on the DSE.

Bayrakdaroglu et al. (2017) focused on companies included in the Borsa Istanbul 100 Index (BIST-100) in their investigation of the correlation between profitability ratios and stock prices. To optimize their returns on financial instruments, investors employ a range of information sources, such as financial ratio data derived from companies' financial statements. The purpose of the study was to ascertain whether profitability ratios and stock prices are correlated and whether using profitability ratios as indicators can help investors maximize their returns on stock purchases. A panel data regression analysis was performed to examine the relationship between profitability parameters such return on assets, return on equity, gross profit margin, operating profit margin, and net profit margin and lagged stock prices. The Driscoll-Kraay Estimator and the fixed effects model were used in the research, which showed a positive linear association between the stock prices of the companies and their net profit margin. Taking the net profit margin into account while making investments could thereby increase investors' profits.

Fuss (2017) looked at how financial liberalization affected stock price behavior in emerging Asian markets, paying special attention to the stochastic characteristics of local index returns. The purpose of the study was to investigate how financial integration influences return predictability and to test the premise that stock market prices follow a random walk. The empirical results revealed that financial integration has an impact on return predictability that can restrict the capacity of local investors to create trading plans that generate out-of-the-ordinary returns.

2.2.2 National Articles

In order to assess the influence of many factors on the stock market prices in Nepalese commercial banks, Shrestha et al. (2023) performed research. With the use of a quantitative methodology and a causal-comparative research design, the study examined secondary data from 2010–11 to 2019–20. For data analysis, Pearson's multiple correlations and linear regression analysis were used. According to their research, Market Price per Share (MPS) was negatively and statistically insignificantly impacted by

Earnings Per Share (EPS) and Dividend per Share (DPS), whereas MPS was positively but statistically insignificantly impacted by the Price/Earnings (P/E) ratio. On the other hand, MPS was positively and statistically significantly impacted by both Book Value per Share (BVPS) and the Market to Book Value ratio, indicating that an increase in BVPS and Market

The behavior of stock prices in Nepalese commercial banks was investigated by Niroula (2021), who concentrated on a number of factors, including size, return on equity (ROE), book value per share (BVPS), dividend yield (DY) ratio, EPS, PE ratio, and return on assets (ROA). Using information from five years' worth of annual reports from commercial banks, from 2015–16 to 2019–20, the study used both descriptive and analytical research designs, with SPSS version 23 being used for data analysis. Convenience sampling techniques were used to choose a sample of eighteen commercial banks from a population of twenty-seven. The impact of independent variables on MPS was examined using multiple linear regression models. The results showed that bank size, PE ratio, and EPS had a positive and statistically significant effect on MPS, whereas other variables showed minimal effects.

In his discussion of Nepalese stock investment behavior, Shrestha (2021) brought up problems with the NEPSE and offered fixes. The essay emphasized the significance of institutional investors over individual speculators and highlighted issues such as low trade volumes and speculative trading behavior. It promoted policies including paperless trading, tax benefits for institutional investors, and fostering a corporate governance culture in order to strengthen regulatory control and provide incentives for long-term investment. In order to support economic growth, the essay underlined the necessity of using global best practices to direct the development of Nepal's stock market.

In the Nepali capital market, Bhattarai (2020) looked into calendar impacts, day effects, weekend effects, and seasonal effects. She found patterns that were consistent with those seen elsewhere. The Securities Research Center and Services Pvt. Ltd. analysis discovered that Sundays were the most volatile days for the Nepali market, with the largest returns being reported on these days. The research also revealed that Wednesdays

saw the lowest volatility and returns on the Nepali market while Sundays saw the greatest.

Poudel (2020) investigated the association between publicly available information and the share price movement of Nepali joint venture commercial banks. The purpose of the study was to evaluate the risk involved in investing in commercial banks and determine how much of the Nepalese stock exchange market is covered by the Efficient Market Hypothesis (EMH). Results showed that share price fluctuations were not entirely explained by information that was readily available to the public, underscoring problems with data openness in Nepalese commercial banks' financial reporting. The report also emphasized how crucial it is to follow international accounting standards in order to increase data openness and dependability.

In order to obtain insight into stock market activity, Pradhan (2019) focused on listed and traded shares in the secondary market during his study of the Nepalese stock market. Market equity, market value to book value, price-earnings ratio, and dividends were among the variables that were to be examined in relation to liquidity, leverage, profitability, asset turnover, and interest coverage. A cross-sectional analysis of 55 observations made between 1986 and 1990 was used in the study. Even if efforts were made to directly get data from specific businesses, the information was kept private.

The determinants impacting stock prices in Nepal, namely in Nepalese commercial banks listed on the Nepal Stock Exchange Ltd., were studied by Thapa (2019). The study used a basic linear regression model to examine data from financial statements and surveys covering the years 2008 to 2018 AD. The results indicated that while interest rates (IR) and price-to-earnings ratios (PER) showed strong inverse relationships, earnings per share (EPS), dividend per share (DPS), effective regulations, firm profiles, and luck with share prices demonstrated significant positive associations. The lack of an extensive database made it difficult to obtain regular stock market data, as the study pointed out.

Silwal and Napit (2019) used pooled cross-sectional data from ten banks listed on the Nepal Stock Exchange to examine the factors influencing stock prices in Nepalese commercial banks. The research findings indicate that there exists a positive correlation between stock prices and book value per share, return on equity, and price-earnings ratio.

On the other hand, size shown a negative and statistically insignificant link with stock prices, while dividend yield had a slight positive influence. The study highlighted how important book value per share is in influencing stock prices in Nepal.

Shrestha (2017) examined monthly data from mid-August 2000 to mid-July 2014 to examine the factors influencing Nepal's stock market performance. The study evaluated how Nepal Rastra Bank's policies and political shifts affected the bank's ability to lend money secured by shares. The stock market's performance responded positively to inflation and the expansion of broad money, according to empirical findings from Ordinary Least Squares (OLS) estimations, whereas interest rates had the opposite effect.

Poudel (2016) examined the factors influencing stock prices on the Nepal Stock Exchange (NEPSE), concentrating on commercial banks that are privately owned. The study made use of a number of statistical and financial tools, including t-tests, correlation and regression analysis, and the arithmetic mean. The study employed a descriptive research methodology, and SPSS was used for data analysis. Z-test results showed statistically significant correlations between the variables.

Table 1

Review of Empirical Summary

Author & Date	Title	Objectives	Methodology	Variables	Conclusions
Sarkar and Rakshit (2023)	Factors Influencing the Performance of Commercial Banks.	To investigate the determinants of commercial bank's performance in India over the period from 2000 to 2017 with special reference to the macroeconomic factors.	first difference generalized method of moments (GMM) method has been applied to observe the impact of these macroeconomic factors on the performance of commercial banks	Dependent Variables: Bank's Performance Independent Variables: ROA, ROE and Interest Margin External Variables: GDP, Inflation and lending Interest Rates.	Results indicate that external variables significantly affect commercial banks' performance and these findings remain unaltered with the sequential inclusion of all control variables. This work has immense importance to the bankers, planners and policymakers in shaping appropriate policy decisions for the commercial banks. EPS, debt ratio and first lag of stock
Singh (2022)	Stock Price Determinants:	To analyze the stock price	Regression and correlation	Independent Variable: Stock	EPS, debt ratio and first lag of stock

	Empirical Evidence from Muscat Securities Market, Oman.	determinant of securities markets.	analysis were used.	Price(MPS) Dependent Variables: Size, DPR, EPS, P/E ratio.	prices are significant determinants of stock prices. Dividend payout, firm size and PE ratio are insignificant variables.
Alam and Uddin (2019)	Relationship between interest rate and stock price: empirical evidence from developed and developing countries	To investigate the reasons of market inefficiency, relationship between share price and interest rate, and changes of share price and changes of interest rate were determined	Time series and panel regressions.	Dependent Variables: Stock Price Independent Variables: Market interest rates.	All of the countries it is found that interest rate has significant negative relationship with share price and for six countries it is found that changes of interest rate have significant negative relationship with changes of share price. So, if the interest rate is considerably controlled for these countries, it will be the great benefit of these countries' stock exchange through demand pull way of more investors in share market, and supply push way of more extensional investment of companies.
Hunjara and Muhammad (2021)	Stock dividend and fluctuation in its stock prices.	The main objective of this study is to find the factors which cause fluctuation in stock prices and different results have been found.	A descriptive research design has been used to make the analysis more conclusive. The diagnostic analysis mainly highlights to find out the actual position of the companies using different statistical and financial tools	Dependent variables Market Price Per share. Independent variables are Dividend Yield, Divided Payout Ratio, ROA, and ROE.	Dividend yield is negatively related with stock price and dividend payout ratio is positively related with stock price which means that these results are against dividend irrelevance theory.
Ruhani, Islam and Ahmad	Effects of financial market	To explain the effect of	Five selected financial	Dependent Variable: Stock	There are the opinions of the

(2018)	variables on stock prices: a review of the literature	financial market variables and stock price.	market variables, market capitalization, earnings per share, price earnings multiples, dividend yield, and trading volume are reviewed in this study. Correlation analyses have been used.	Price (MPS) Independent Variables :market capitalization, earnings per share, price earnings multiples, dividend yield, and trading volume	positive significant relationship between market capitalization and stock price. Both of the relevance and irrelevance theory of Gordon and Modigliani have the strong evidence in the current literature that keeps on the dilemma and provides the scopes for future research. Based on that, it is evidenced that price-earnings multiples have a negative significant effect on stock price. The reviewed studies state the co integrating relationship between the stock price and the trading volume as the trading volume is a source of risk.
Aditya (2017)	Stock Price Behavior around the Release of Financial Statements	To examine the effect of financial performance announcement on share returns of firms listed at the Dhaka Stock Exchange by analyzing daily share prices and market returns for the period.	Using the event study methodology, secondary data is collected and analyzed on the basis of the market model.	Dependent Variable: Share Price Independent Variable: Market Return	The results obtained indicate that the average abnormal returns were not significant at 5% significance level. Thus, it is not possible to earn abnormal returns using the information contained in the financial statements of banks enlisted in the Dhaka Stock Exchange.
Bayrakdaroglu, Mirgen and Kuyu (2017)	Relationship between profitability ratios and stock prices: an empirical analysis on bist-100	To determine the relationship between stock prices and profitability ratios which take place in financial ratios	Panel data regression analysis was applied between lagged stock prices of firms in ISE100 and their	Dependent Variable: Stock Market Price Independent Variable: Net profit margin	It was determined that there is a positive linear relationship between firms' net profit margin and their stock prices. It was concluded that while making

		and also to analyze if profitability ratios can be directive indicator.	profitability ratios including gross profit margin, operating profit margin, net profit margin, return on asset and return on equity.		investment decisions, taking net profit margin into consideration can contribute to investors' earnings.
Rahman and Siddikee (2020)	Effect of Cash & Stock Dividends on Share Price.	The study aimed to identify whether stock dividends has more impacts on the share prices than that of the cash dividends using the data of a promising emerging market- DSE	study are Dividend Per Share, Debt To Equity Ratio, Book Value Per Share, Price Earnings Ratio, Debt to assets Ratio	Dependent variables: Market Price Per share. Independent variables are DPR, D/E ratio, BVPS, P/E ratio, Debt to Assets ratio.	The finding of the study proposes an interesting policy to the investors who are willing to invest with the companies listed under the DSE
Francis (2019)	Semi-Strong form of Efficiency, in the semi-strong form of efficiency	This implies that no investors could earn excess return using publicly available resources such as corporate annual reports, stock market price information or all publicly available data	Correlation analysis establishes the closeness of relationship between the two and more variables. It measures the degree of relationship or association between variables	Dependent variables Market Price Per share. Independent variables are DPR, ROA and ROE.	The Economic Times). In fact, such publicly available information is already impounded in the current security prices. If the semi-strong hypothesis is true, then only a few than what could be earned by using a native buy and hold strategy.
Thomas Arkan, (2018)	The Importance of Financial Ratios in Predicting Stock Price Trends.	The objectives of the study are to investigate the importance of financial ratios derived from financial statements to predict stock price trends in emerging markets.	Dispersion is the degree of the variation of the individual items about a central value. The standard deviation measures the absolute dispersion	Dependent variables Market Price Per share. Independent variables are trends of predicting stock price.	Even though these studies were carried out few years back, it can provide intellectual ground in our domestic stock market and its dimension in the present context also.

Teppo Martikainen, (2018)	Modeling stock price behaviour by financial ratios	When studying the intra-year explanatory power of financial ratios. It is reported that the explanatory power of financial ratios tends to increase when the reporting day approaches	The coefficient of determination is a measure of the degree of liner association or Correlation between two variable one of which happens to be independent and other being dependent variable.	Dependent variables Market Price Per share. Independent variables are profitability ratios.	Empirical evidence strongly indicates that financial ratios represent pricing relationships in a substantive manner.
Sarbpriya Ray, (2018)	Testing Granger Causal Relationship between Macroeconomic Variables and Stock Price Behaviour.	The study indicate that oil price and gold price have a significant negative effect on stock price, while balance of trade, interest rate, foreign exchange reserve, gross domestic product, industrial production index and money supply positively influence Indian stock price	The variable, whose value is given, is called independent variable and the variable whose value is to be predicted is called “dependent variable”. Hence, regression determines the average probable change in one variable based on a certain amount of change in another.	Dependent variables Market Price Per share. Independent variables are balance of trade, interest rate, foreign exchange reserve, gross domestic product, industrial production index and money supply.	The results have implications on domestic as well as foreign investors, stock market
Sharpe, (2018)	Efficient market is that, there is large number of knowledgeable and profit	The degree of market efficiency has important implication for the economy and for investment decision makers.	Dividend Per Share, Return on Equity ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, Book Value Ratio	Dependent variables Market Price Per share. Independent variables are Dividend per Share, Return on Equity ratio, Book Value Per Share, Price Earnings Ratio,	In an economic sense, it is important that security prices provide accurate signals that can be used to allocate capital resources correctly. Incorrectly, prices securities would result in incorrect allocation of capital.

Fuss (2017)	Financial Liberalization and Stock Price Behaviour in Asian Emerging Markets	It is examine the stochastic properties of local index returns and to test the hypothesis that stock market prices follow a random walk	There is high degree positive relationship between DPS and EPS in most of the bank.	Return on Asset Ratio, Book Value Ratio. Dependent variables Market Price Per share. Independent variables are DPS and EPS.	These empirical findings suggest that financial integration affects the return predictability in such a way that domestic investors might not be able to develop trading strategies allowing them to earn abnormal returns.
Shrestha, Acharya and Dhakal (2023)	The internal financial determinants of stock price.	To assess the effect of determinants on stock market prices in Nepalese commercial banks.	The quantitative approach was adopted. Secondary data was applied to the study. The study used the convenience sampling method to select commercial banks	Dependent Variables: MPS Independent Variables: EPS, DPS, P/E ratio, BVPS, Market to Book Value ratio.	Earnings Per Share (EPS) and Dividend Per Share (DPS) have a negative and statistically insignificant effect on the Market Price Per Share (MPS). The Price Earning (P/E) ratio has a positive and statistically insignificant effect on MPS. MK to BV ratio has a positive and statistically significant effect on MPS.
Silwal and Napit (2019)	Determinants of the stock market price in Nepalese commercial banks.	The paper investigates the relationship between earnings per share, book value per share, price earnings ratio, return on assets and size of the bank on market price.	Bivariate correlation and multiple linear regression models are used.	Market Value per share (MVPS) as dependent variable and EPS, P/E ratio, Book Value per share (BVPS), ROA and size as independent variable.	BVPS, EPS and P/E ratio have positive significant relationship and return on assets has positive insignificant impact on market price. Size has negative relationship and is statistically insignificant with stock price.
Shrestha (2017)	Determinants of Stock Market Performance in Nepal	Stock Market the objectives of the study were study and analyze stock price trend and behavior.	Correlation analysis is the statistical tools that can be used to describe the degree which one variable is nearly related to	Dependent variables Market Value Per share. Independent variables are DPS and EPS.	The finding of the study shows that the performance of stock market is found to respond positively to inflation and broad money growth, and negatively to interest

Bhattarai, (2020)	Determinants of share price of commercial bank in Nepal	Examine the factors that affect the market price of commercial banks.	another Convenient sampling technique. The study was employed descriptive, correlation and casual comparative research design.	Dependent Variable: Market Share Price Independent Variables: dividend payout ratio, dividend yield, earnings per share, price earnings ratio, bank size and gross domestic products growth rate and inflation rate	rate. The dividend payout ratio has negative and statistically significant with market share price. The dividend yield, earnings per share, price earnings ratio were positive and statistically significant with market share price. The inflation rate was not role to determine the market share price.
Niroula,(2021)	Stock Price Behavior of Commercial Banks of Nepal	examine the behavior of stock price in Nepalese commercial banks	Descriptive and analytical research design is used to analyze and interpret the data multiple linear regression model has been used.	Dependent Variable: MPS Independent Variable: EPS, PE Ratio, DY ratio, Size, ROE, BV per share and ROA	Positive and statistically significant effect of EPS, PE ratio and size of banks on MPS. Other variables have negligible effects.
Thapa (2019)	Influencing Factors of Stock Price in Nepal	explores the influencing factors of stock price in Nepal	Questionnaire and financial statement of concerned organizations and analyzed using simple linear regression model.	Dependent Variable: Stock Price Independent Variables: Dividend, Interest Rate, Earning per Share, Capital Market	Earnings per share (EPS), dividend per share (DPS), market whims and rumors, company profiles and success depend upon luck have the significant positive association with share price while interest rate (IR) and price to earnings ratio (PER), significant inverse association with share price.

Poudel, (2016)	Determinant of Stock Price of Selected Banks in Nepal	To explore the determinants of stock price in NEPSE, with special focus to private commercial banks.	Arithmetic mean, correlation and regression analysis, t-test is the major statistical tools that have been used for the study.	Dependent Variables: Market Price of the Stock Independent Variables: BVPS, DPS, EPS.	Earnings, dividends and book value per share increases, the market price per share also increases and vice versa. But in the case of NEPSE, this theory does not seem to be true hundred percent. As there are various other factors too that affects the share price.
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2.3 Research Gap

Research gap is the difference between the earlier research and the current research. As the world is growing faster, the rapid changes and new developments may not be adequate to explain the current phenomena. Most of the customers, they are attractive towards such banks; who provides well and efficient service. Similarly, investor invest their money those banks, who provide high dividend, high profit as well as high amount, customer needs pre-information about the ability of payment whereas they needed. If banks need to survive in competitive market for a long run, it should be consider; liquidity position, profitability position, market position as well as other positions. Therefore, this study depends upon the financial position of Commercial Banks, which are operating in Nepal. There are various studies on the Banking Sector's Financial Performance in Nepal, but no broad study have been done about Commercial Banks which are listed in security board of Nepal. This study concern to analyze the financial position of five Commercial Banks, which are operated in Nepal. Though many affiliated researches have been conducted in this area but there are very significant number of research has been done on the topic "A study on stock price behaviors' of Nepalese commercial bank. There must be comparative study among the different banks. If it is remaining indifferent towards the other banks relevant information, in long run it will give negative impact.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

This chapter covers some of the research techniques employed during the study period and provides a quick overview of the financial factors used. This chapter describes the research design, data sources and types, sampling strategy, and statistical and financial methods for data analysis. The suggested study's methodology is specified in the research design, together with a thorough plan for conducting the investigation and a range of empirical data for the problem's analysis. More definitive analysis has been achieved through the use of a descriptive and causal research approach. The primary goal of the diagnostic analysis is to use various statistical and financial methods to determine the companies' true positions. The census data from fiscal years 2013/014 through 2022/023 are included in this study.

3.2 Population Sample and Sampling Design

The stock market comprises multiple sectors, including but not limited to commercial banks, insurance, finance, hotels, trading, manufacturing, and processing. This analysis solely looks at commercial banks. The banks that are listed on the stock market provide the basis for the data used in this study. There are five commercial banks chosen as a sample to reflect the performance of the capital market out of the 20 (2081-02-07) listed commercial banks. For the study, the convenience sampling design is used.

The sample banks are as follows:

- Everest Bank Limited
- Kumari bank Limited
- NABIL Bank Limited
- Standard Chartered Bank Limited
- Himalayan Bank Limited

3.3 Nature and Sources of Data Collection

The required data and information are gathered from several sources. This research is predicated upon secondary data. The information is gathered from the official stock market records, yearly reports, trading reports, annual reports of the individual banks, and the internet (www.nepalstock.com). The relevant website can be used to evaluate additional information about the NRB, the Ministry of Finance, national and international journals, and sample banks. The mode of data collection is incidental.

3.4 Instruments of Data Collection

To analyze the behavior of stock prices, more data presentation is insufficient without additional processing. Numerous statistical and mathematical techniques have been created to process pertinent data and arrive at a result. In order to examine and understand the pertinent data for this study and come to applicable findings, financial and statistical techniques were employed.

3.5 Methods of Analysis

Data analysis is the process of obtaining, modeling, and assessing data to produce insights that support decision-making. There are various methods and procedures that can be employed, depending on the industry and the analysis's objectives. In the analysis method, regression analysis and correlation analysis were used.

Statistical Tools

The primary statistical techniques used in this study are the arithmetic mean, coefficient of correlation, and probable error. When needed, additional statistical methods are also utilized

Mean

The figure derived by dividing the total values of the individual items by their number is the mean, or arithmetic average, of a series. Typically, given a set of 'N' observations, X_1, X_2, \dots, X_n , their mean, typically indicated by \bar{X} , is provided by:

$$\bar{X} = \frac{\sum X}{N}$$

Standard Deviation

The degree to which individual objects vary from a core value is known as dispersion. The absolute dispersion is measured by the standard deviation. The standard deviation increases with the degree of dispersion. A high degree of observational regularity and series homogeneity is indicated by modest standard deviations, and vice versa. The standard deviation for earning per share, dividend payout ratio, market value per share, retained earnings, dividend yield ratio, and price earnings ratio was calculated in this study.

$$\text{Standard Deviation} = \sqrt{\frac{\sum(X-\bar{X})^2}{N}}$$

Correlation Coefficient

The closeness of the association between two or more variables is established by correlation analysis. It gauges how closely variables are related to one another. Utilizing Karl Person's Coefficient of Correlation, one may gauge how closely the variables are related. The formula used to calculate the coefficient of correlation is as:

$$r(X,Y) = \frac{\sum(X-\bar{X})(Y-\bar{Y})}{\sqrt{\sum(X-\bar{X})^2}\sqrt{\sum(Y-\bar{Y})^2}}$$

The correlation coefficient has a value in the range of -1 to +1. The correlation coefficient's value can be interpreted using the following guidelines:

- A perfect positive association between the variables is indicated when $r = +1$.
- A perfect negative correlation exists between the two variables when $r = -1$.
- The variables are uncorrelated when $r = 0$.
- Two variables are increasing or decreasing in the same direction when r is between 0 and +1.
- Two variables are increasing or decreasing in the opposite direction when r falls between 0 and -1.

Correlation Analysis

One statistical method for describing how closely one variable is related to another is correlation analysis. The current investigation has employed simple correlation. The following financial variables' correlation coefficients have been calculated, shown in a matrix format, and carefully analyzed as a result. basic coefficient of correlation;

- Between MPS and PE Ratio.
- Between MPS and DPS.
- Between MPS and D/E Ratio.
- Between MPS and D/A Ratio.

Coefficient of Determination (r^2)

The degree of linear association or correlation between two variables, one of which happens to be independent and the other to be dependent, is measured by the coefficient of determination. Stated differently, it calculates the overall percentage variation in the dependent variables. There are values for the coefficient of determination that range from zero to one. Only when the unexpected variation is zero—that is, when every data point in the scatterplot diagram falls precisely on the regression line—can a value of one occur.

Regression Analysis

Regression is the statistical technique that enables us to forecast the value of an unknown variable from the known value of any other variable. Assuming that the two variables have a strong correlation, we can calculate the value of one variable using the value of the other. "Dependant variable" denotes a variable whose value is unknown, whereas "independent variable" denotes a variable whose value is to be expected. Therefore, regression uses a specific amount of change in one variable to predict the average probable change in another. It is a statistical strategy for figuring out the link between the variables by generating an approximated functional relationship between them. It is used to determine whether the independent variable provided affects the dependent. Regression analysis is one of the methods most commonly used in business and

economics research to determine a relationship between two or more variables that are tangentially connected.

The regression analysis can be classified as follows:

In this study, the following simple regression has been analyzed.

$$\text{MPS} = a + b_1 \text{ROA} \dots \dots \dots \text{(i)}$$

$$\text{MPS} = a + b_2 \text{DPS} \dots \dots \dots \text{(ii)}$$

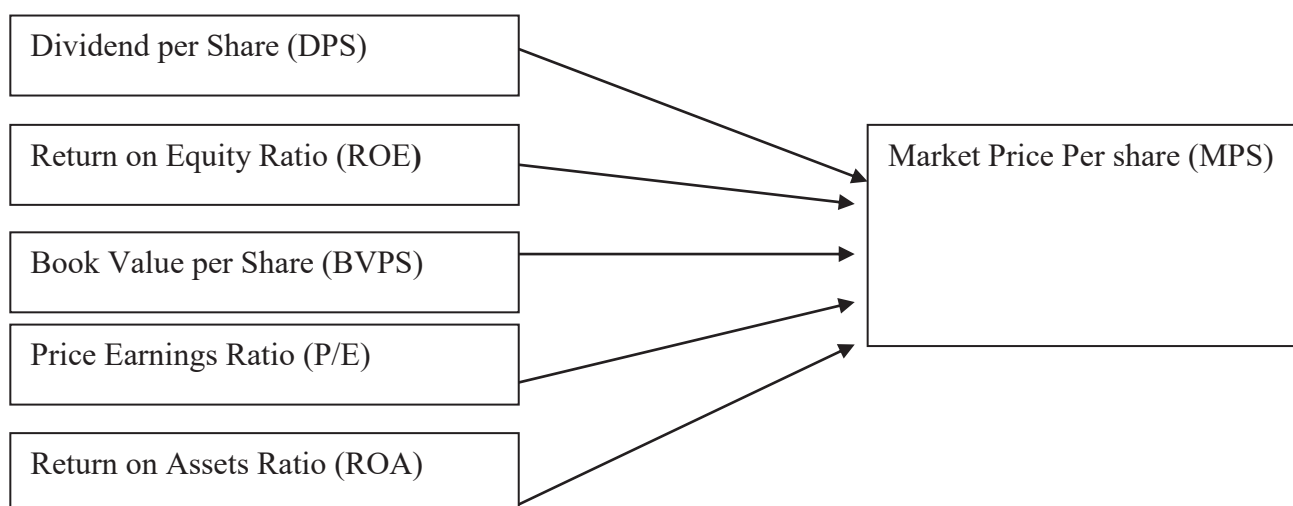
$$\text{MPS} = a + b_3 \text{BVPS} \dots \dots \dots \text{(iii)}$$

$$\text{MPS} = a + b_4 \text{PER} \dots \dots \dots \text{(iv)}$$

$$\text{MPS} = a + b_5 \text{ROE} \dots \dots \dots \text{(v)}$$

3.6 Research Framework and Definition of the Variables

The literature review indicates that the Dividend Per Share, Return on Equity Ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, Book Value Ratio, and other significant factors influencing stock prices are considered in this study. schematic graphic illustrates the relationship between stock price and various variables these factors shown in figure 3.1.



(Source: Silwal & Napit, 2019)

Figure 3.1: Research framework of the study

Financial Parameter

The financial metric aids in assessing the organization's financial standing. Financial disclosures and statements provide the parameter. A few of the following financial factors have been used to examine market capitalization, share price, earnings price, and dividend price per share.

Dividend per Share

The part of profit that is ready to be distributed to shareholders is known as the dividend. Dividends are paid to equity shareholders from the remaining net profits, with a portion kept in the business. The dividend that is paid out to shareholders on a per-share basis is known as the DPS. Put another way, DPS is calculated by dividing the total number of outstanding ordinary shares by the net distributed profit that belongs to the shareholders. That is,

$$\text{Dividend Yield} = \frac{\text{Dividend available to ordinary shareholders}}{\text{No. of stocks outstanding}}$$

Price Earning Multiple

The relationship between earnings per share and the stock's market price is known as the price earning multiple. Profits per share provide insight into the company's performance by demonstrating how well it has managed its human and material resources to meet the needs of investors. Therefore, the price that the market is currently willing to pay for each rupee of currently reported EPS is reflected in the P/E multiple.

$$\text{P/E ratio} = \frac{\text{Market Price of a Share}}{\text{Earning Price of a Share}}$$

Market Value to Book Value Ratio

Market value to book value ratio is the ratio of the share price of book value per share.

$$\text{MV/BV Ratio} = \frac{\text{Market per Share}}{\text{Book Value per Share}}$$

$$\frac{\text{Net Profit after Tax}}{\text{Shareholders Equity}}$$

Dividends per Share (DPS)

The number of declared dividends paid out by a business for each outstanding common share is known as the DPS. It is the total quantity of dividends, paid out per share, to each shareholder of a corporation. The fundamental voting shares of a corporation are called ordinary shares, sometimes known as common shares. Typically, each share has one vote, and there are no set dividend amounts for shareholders. The total number of dividends paid out by a firm over time, including interim dividends, is divided by the total number of outstanding shares to determine dividends per share. A company's dividend payout ratio (DPS) is frequently determined by taking the most recent quarter's dividend and applying it to the dividend yield calculation.

$$\text{Dividends per Share (DPS)} = \frac{\text{Total dividends paid out in a year}}{\text{outstanding shares of the company}}$$

Price-to-Earnings ratio (P/E ratio)

The ratio used to value a firm that compares its current share price to its earnings per share (EPS) is called the price-to-earnings ratio, or P/E ratio. The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple.

Investors and analysts use P/E ratios to compare the relative values of a company's shares on an apples-to-apples basis. Additionally, a company's past performance can be compared, as can the aggregate markets' performance over time or against one another.

$$\text{Price-to-earnings ratio (P/E ratio)} = \frac{\text{Earnings per share}}{\text{Market value per share}}$$

CHAPTER IV

RESULTS AND DISCUSSION

The foundation of this study is the data presentation and analysis, which includes a comparative examination of the firms' financial performance and a market price analysis of the stock in relation to earnings and dividends on the Nepal Stock Market.

4.1 Presentation and Analysis

The capital market is directly impacted by the actions of certain corporations that are listed on the stock exchange. A firm that performs well will have the highest market price, the most transactions, the biggest demand for its stock, less risk, and a low cost of capital. The success of the company is analyzed using a variety of measures. Earnings price per share, market price per share, dividend price per share, book value per share, price earning multiple, dividend payout ratio, market price to book value ratio, earning yield, dividend yield, liquidity ratio, return on equity, and return on assets are the indicators that are employed.

4.1.1 Market Price per Share

The market price of a share holds great significance. A strong market price per share typically serves as a company's face. Investors view a market price that is considerably above average, regardless of other circumstances. Any drop in the market price will have a negative impact on the business. Bankruptcy may result from a particular company's market price declining very steeply and consistently. From the perspective of the investor, who prioritizes a greater market price over other indicators, the market price of the share is the most significant aspect.

Table: 1*MPS of the selected banks*

	(in Rs)				
Years/Banks	KBL	HBL	NABIL	SCBNL	EBL
2013/014	242	653	1355	1799	1033
2014/015	260	700	1815	1820	1591
2015/016	536	941	2535	2799	2631
2016/017	380	813	1910	1943	2120
2017/018	0	1500	2344	3600	3385
2018/019	327	866	1523	2295	1353
2019/020	199	551	921	755	663
2020/021	220	552	800	682	666
2021/022	186	540	765	645	675
2022/023	371	484	1359	590	738
Average	272.1	760	1532.7	1692.8	1485.5
S.D	135.88	286.53	587.11	976.17	901.11
C V	49.94%	37.7%	38.31%	57.67%	60.66%

(Source: annual report of sample bank)

The Table 1 shows that has the values of Rs. 3600. This indicates that SCBNL has performed well throughout this time. With an average MPS, the KBL is the lowest of all the banks. Market prices of SCBNL have the highest value whereas KBL has the lowest market price. The standard deviation shows the volatility of the DPS of sample bank. Above SCBNL has comparatively highest and Kumari bank has lowest SD, which are 976.17 and 135.88 respectively. When compared to other banks, EBL's average MPS is greater. It is valued at 3385 rupees. This indicates that SCBNL has performed well throughout this time. The C.V. values are, in order, 49.94, 37.7, 38.31, 57.67, and 60.66.

4.1.2 Dividend per Share

The part of profit that is ready to be distributed to shareholders is known as the dividend. Dividends are paid to equity shareholders from the remaining net profits, with a portion kept in the business. The DPS is the dividend that is distributed to shareholders on a per-

share basis. Stated differently, DPS is the net distributed profit that belongs to the shareholders divided by the total number of outstanding ordinary shares. That is,

Table: 2

DPS of the sample banks (In Percent)

Years/Banks	KBL	HBL	NABIL	SCBNL	EBL
2013/014	7	28.42	60	60	31.58
2014/015	14.74	15	65	50	60
2015/016	34.74	21.05	65	51.50	62
2016/017	11.58	42.11	36.84	44.21	35
2017/018	22.10	31.58	45	35.09	70
2018/019	12.75	26.32	48	105.26	33
2019/020	8.50	15.79	34	17.50	20
2020/021	10.53	22	34	22.50	25
2021/022	14	20	35.25	11.84	10.53
2022/023	8.67	26	38	13.06	10.32
Average	14.46	24.83	46.11	41.10	35.74
S.D	7.88	7.65	12.14	26.93	20.3
C V	54.51%	30.8	26.33%	65.53%	56.8%

(Source: annual report of sample bank)

Table 2 show that the Standard Chartered Bank appears to be well-known for announcing significant dividend payments. Throughout the research period, SCBNL has consistently paid out dividends per share of at least Rs 11.84, with an average of Rs 41.10 per share. Throughout the study period, the chosen banks—EBL, NABIL, SCBNL, HBL, and KBL—all consistently give dividends to their shareholders. Only an average of Rs 14.46 is the lowest DPS, held by Kumari Bank. In terms of dividends per share, SCBNL is the best. While EBL offered almost identical dividends on average over the study period, NABIL and HBL are also good dividend payers. It is thought that the announcement of a dividend raises the share price. Only the banking industry pays dividends on a regular basis in Nepal. This could be one of the causes of the banking sector's extremely high stock market valuations. The standard deviation shows the volatility of the DPS of

sample bank. Above SCBNL has comparatively highest and Himalayan bank has lowest SD, which are 26.93 and 7.65 respectively. The main C.V. are 65.33 and 30.8 respectively

4.1.3 Market Price to Book Value Ratio

Market value to book value ratio is the ratio of the share price to book value per share.

Table: 3

MV/BV Ratio of Sample Banks

Years/Banks	KBL	HBL	NABIL	SCBNL	EBL
2013/014	1.63	3.38	5.03	7.02	3.16
2014/015	1.56	3.64	6.60	7.30	5.45
2015/016	3.30	4.48	10.09	11.24	8.87
2016/017	2.75	3.89	7.37	7.33	6.31
2017/018	0	7.64	9.60	13.43	10.57
2018/019	2.72	4.56	5.64	7.74	9.07
2019/020	1.59	3.16	3.59	4.34	10.6
2020/021	1.63	2.94	3.11	3.66	15.48
2021/022	1.37	2.87	2.98	3.42	6.16
2022/023	2.72	2.56	5.41	3.11	2.85
Average	1.93	3.91	5.94	6.86	7.85
S.D	0.91	1.39	2.38	3.26	3.66
C V	47.19%	35.62%	40.03%	47.48%	46.57%

(Source: annual report of sample bank)

Table 3 show that the EBL has the highest ratio (7.85), while the KBL has the lowest ratio (1.93). The stock of EBL has a 15.48 times ratio in 2020/021, which indicates that the share's market price is 15.48 times greater than its book value. In every sample year, the ratio of the EBL stock is almost the highest. The average difference between the sample banks is quite small. The ratio of average market value to book value is shown in the following figure. The standard deviation shows the volatility of the DPS of sample bank. Above EBL has comparatively highest and Kumar bank has lowest SD, which are 3.66 and 0.91 respectively Another factor influencing how the stock price behaves in the

market is the book value of the market value ratio. A high ratio is often regarded as favorable. Out of all the chosen samples, the EBL appears to be the best overall based on this criterion. The C.V is 47.19, 35.62, 40.03, 47.48 and 46.57 respectively.

4.1.4 Price Earnings Ratio

The relationship between earnings per share and the stock's market price is known as the price earning multiple. Profits per share provide insight into the company's performance by demonstrating how well it has managed its human and material resources to meet the needs of investors. The P/E ratio calculates investor expectations and the market's evaluation of the company's performance. This ratio is frequently used by security analysts to evaluate a company's performance in relation to investor expectations.

Table: 4

Price earnings ratio of sample banks

	(Times)				
Years/Banks	KBL	HBL	NABIL	SCBNL	EBL
2013/014	14.09	27.50	30.21	48.57	56.23
2014/015	14.31	29.20	28.30	55.12	66.58
2015/016	28.68	31.45	27.19	49.28	75.12
2016/017	23.41	26.39	29.20	42.12	35.15
2017/018	0.00	28.12	32.15	45.20	32.14
2018/019	24.61	24.36	30.29	42.75	30.58
2019/020	13.68	34.86	33.37	33.86	27.17
2020/021	14.85	26.40	39.55	78.33	83.94
2021/022	15.39	25.21	25.44	64.67	41.66
2022/023	26.13	23.84	18.60	27.62	20.23
Average	25.12	27.733	29.45	49.44	40.71
S.D	6.64	3.39	7.95	21.56	25.37
C V	26.43%	12.22	26.99%	43.60%	62.31%

(Source: annual report of sample bank)

The Table 4 reveals that the consistency in P\ E ratio is important than having higher P\ E ratio with high degree of volatility. The consistency in P\ E ratio will have positive impact

on the price of share in market. A rational investor will look for the consistency than high fluctuating P\ E ratio. Everest has comparatively highest and Kumari bank has lowest SD, which are 25.37 and 6.64 respectively One key measure of a stock's performance in the stock market is the P/E ratio. Out of all the samples, the SCBNL has the highest average P/E ratio according to this criterion. Over the course of the investigation, its average P/E ratio was 49.44. In terms of P/E ratio, SCBNL is the most reliable. It has less volatile and high P\ E ratio throughout the period of the study. C.V. is 26.43, 26.99, 43.60 and 62.1 are respectively.

4.1.5 Return on Total Assets

In this case, the link between net earnings and assets is used to measure the profitability ratio. Another name for the ROA is the profit-to-assets ratio. It gauges how well management has performed overall in turning a profit given the resources at its disposal. The better, the higher the firm's return on total assets. The following formula is used to get the return on total assets:

Table: 5

ROA of Sample Banks

Years/Banks	KBL	HBL	NABIL	SCBNL	EBL
2013/014	1.10	1.76	2.80	2.80	2.11
2014/015	1.03	1.54	3.25	2.67	2.39
2015/016	1.10	1.30	2.65	2.51	2.25
2016/017	1.06	1.34	2.06	2.01	1.85
2017/018	1.69	1.94	2.32	1.98	1.85
2018/019	1.29	2.19	2.69	1.84	1.83
2019/020	1.26	1.67	2.61	2.61	1.97
2020/021	1.17	2.21	2.11	2.61	1.94
2021/022	0.76	1.79	1.58	1.71	1.42
2022/023	1.04	1.68	1.71	1.22	0.89
Average	1.15	1.74	2.38	2.20	1.85
S.D	0.23	0.29	0.49	0.48	0.41
C V	19.74%	16.92%	20.7%	22.44%	21.95%

(Source: annual report of sample bank)

Table 5 shows that a higher ROA causes the market price to rise. The average ROA for all sample banks for the study period, which runs from 2013/014 to 2022/023, is

displayed in the figure below. The standard deviation shows the volatility of the DPS of sample bank. Above Nabil Bank has comparatively highest and Kumar bank has lowest SD, which are 0.49 and 0.23 respectively. With 2.38%, NABIL has the highest ROE of any company. The bank has a ROA of more than 1% overall, which is acceptable. C.V. is 19.74, 16.92, 20.7, 22.44 and 21.95 respectively.

4.1.6 Return on Common Equity

The return on the investment made in the company by common stockholders is measured by the return on common equity. In general, owners are better off the higher these returns are. This is how return on common equity is determined:

Table:6

ROE of Sample Banks

	in percent				
Years/Banks	KBL	HBL	NABIL	SCBNL	EBL
2013/014	1.52	18.20	30.25	28.36	25.23
2014/015	1.45	16.23	32.78	26.38	24.10
2015/016	1.50	25.14	27.91	26.27	28.10
2016/017	1.46	18.45	22.73	21.69	23.10
2017/018	2.38	16.25	25.61	17.18	21.14
2018/019	1.29	21.58	22.41	11.98	29.04
2019/020	1.67	14.17	20.94	18.66	23.25
2020/021	1.62	18.34	17.76	19.49	10.88
2021/022	1.01	15.40	13.61	15.15	11.20
2022/023	1.38	14.89	15.19	9.44	16.39
Average	18.38	19.71	26.15	19.14	18.15
S.D	3.90	4.07	2.14	5.42	0.23
C V	21.21%	20.64%	8.18%	28.31%	1.26%

(Source: annual report of sample bank appendix I and XI)

Table 6 shows that Throughout the study time, the stock of SCBNL was also doing well, and NABIL's stock is outstanding. The average ROE for the five years of the study is shown in the following figure. The standard deviation shows the volatility of the DPS of

sample bank. Above SCBNL has comparatively highest and Everest bank has lowest SD, which are 5.42 and 0.23 respectively. Of the chosen banks, NABIL has the greatest ROE. The average ROE for NABIL is 26.15%. At 18.15% of EBL, the average ROE is the lowest. Higher return on equity is what attracts investors. C.V. are 21.21 8.18, 28.31 and 1.26 respectively.

4.2 Descriptive Analysis

The relationship of MPS, DPS, BVPS, P/E, ROA and ROE of banks with the main elements of Return on Assets and Earning per Share are determined separately to each of the sampled listed Banks in this section. For their analytical purpose, the ROA and EPS are assumed to be influenced with the fluctuation occurred in of MPS ROA ROE D/E and BVPS of banks. Hence, ROA and EPS are taken as dependent variable whereas of MPS ROA ROE D/E and BVPS and Size are taken as independent variable. The correlation analysis is performed to determine the relationship of MPS ROA ROE D/E and BVPS of banks with ROA and EPS. To determine the effect of MPS ROA ROE D/E and BVPS of Banks on ROA and EPS, simple correlations as well as their coefficient of determination are calculated. For the test of hypothesis of multiple coefficient correlation are calculated. To determine the magnitude of the effects of the independent variables to the dependent variable, multiple regression analysis are made and the magnitude is identified after determining the regression equations. In addition to that, multiple correlation coefficient, multiple coefficient of determination are analysed during the correlation and regression analysis. In this study, descriptive statistics includes the information of Return on Assets, Earning per share, of MPS ROA ROE D/E and BVPS of banks of fiver commercial banks, for the period of 2013/014 to 2022/023. With the help of descriptive analysis, the mean value, S.D. range, maximum, minimum of every sectors are computed.

Table 7*Descriptive Statistics*

Statistics	MPS	DPS	ROE	BVPS	P/E	ROA
Mean	1210.77	34.014	18.8717	238.3857	27.6753	1.8780
Std. Deviation	774.83	16.87082	6.15447	47.94369	13.62382	.55326
Minimum	299.2	10.32	8.56	169.72	15.82	.89
Maximum	3385	70.00	32.78	370.84	83.94	3.25

Source: SPSS Programmer

According to Table 7, the results indicate MPS, DPS, ROE, BVPS, P/E ratio and ROA of the sample banks over the ten years. The Table shows descriptive statistics mean, standard deviation, minimum and maximum values of variables associated with three commercial banks for the study period 2011/12 to 2021/2022. MPS of sample banks ranges from Rs. 299.2 to Rs. 3385 leading to the average of 1210.77 with the standard deviation of 774.83. DPS ranges from 10.32 to 70.00 leading to average of 34.0140 with standard deviation of 16.87082. ROE ranges from 8.56 to 32.78 leading to average of 18.8717 with the standard deviation of 6.15447. BVPS ranges from Rs. 169.72 to Rs. 370.84 leading to average of 238.3857 with the standard deviation of 47.94369. Likewise P/E ratio ranges from 15.82 to 83.94 leading to the average of 27.6753 with standard deviation of 47.94369. Finally, ROA ranges from .89 to 3.25 leading to the average of 1.8780 with the standard deviation of .55326

Correlations Matrix

The relationship of DPS, ROE, BVPS, P/E, ROA and MPS of banks are determined in this section. The correlation analysis is performed to determine the relationship of DPS, ROE, BVPS, P/E, ROA and MPS. To determine the effect of DPS, ROE, BVPS, P/E, ROA and MPS, simple correlations as well as their coefficient of determination are calculated. For the test of hypothesis of multiple coefficient correlation are calculated. To determine the magnitude of the effects of the independent variables to the dependent variable, multiple regression analysis are made and the magnitude is identified after determining the regression equations

Table 8*Correlations Matrix*

<i>Variables</i>	<i>MPS</i>	<i>DPS</i>	<i>ROE</i>	<i>BVPS</i>	<i>P/E</i>	<i>ROA</i>
<i>MPS</i>	1					
<i>DPS</i>	.838**	1				
<i>ROE</i>	.703**	.774**	1			
<i>BVPS</i>	.777**	.722**	.447*	1		
<i>P/E</i>	.659**	.397*	.040	.546**	1	
<i>ROA</i>	.459*	.628**	.849**	.279	-.159	1

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

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

Source: SPSS Programmer

The relationships among the study variables depicted in the model have tested using correlation with ROE, P/E, BVPS, ROA, MPS and DPS separately, which is presented in the table. According to the Table 8, the highest correlation has been observed to be 0.838 between MPS and DPS. The market price of the share is positively related to all independent variables i.e., dividend per share, return on equity, book value per share, profit earnings ratio and return on assets of the sample banks. The result shows that higher the dividend per share, return on equity, price earnings ratio, book value per share and return of assets higher would be the market price per share.

4.2.3 Regression Analysis

The regression is used to determine the statistical relationship between two or more variable and to make predicates of one variable on the basis of the others. In this analysis multiple analyses have been done. In this analysis MPS is dependent variable and DPS, ROE, P/E Ratio, BVPS and ROA are independent Variables.

Table 9*ANOVA Table*

<i>Model</i>	<i>Sum of Df</i>	<i>Mean</i>	<i>F</i>	<i>Sig.</i>
	<i>Squares</i>	<i>Square</i>		

<i>I</i>	<i>Regression</i>	<i>16149598.55</i>	<i>5</i>	<i>3229919.710</i>	<i>61.479</i>	<i><.001^b</i>
	<i>Residual</i>	<i>1260896.148</i>	<i>24</i>	<i>52537.339</i>		
	<i>Total</i>	<i>17410494.70</i>	<i>29</i>			

Source: SPSS Programmer

The processed data, which is the population parameters, had a significance level of 0.001b%, according to the ANOVA statistics in Table 9. This indicates that the data is suitable for drawing conclusions about the population's parameters because the value of significance (p-value) is lower than the standard (5%). The Fisher's ratio, often known as the F- statistics, serves as evidence for the estimated model's validity and is shown in the table. With a P-value of 0.001b and a F value of approximately 61.479, as shown by 4.9, it is evident that the explanatory variables and the dependent variable are significantly correlated at the same time.

In other words, they have a significant influence on how share prices behave in the market. The regression results for the independents effect of ROE, DPS, P/E ratio, BVPS and ROA on MPS is shown in Table 4.10 below.

Table 10

Model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
<i>1</i>	<i>.963^a</i>	<i>.928</i>	<i>.912</i>	<i>229.21025</i>

Source: SPSS Programmer

Regression model with ordinary least square (OLS) can be used. Similarly, the R-Square which is often referred to as the coefficient of determination of the variables is 92.8%. The R-Square which is also a measure of the overall fitness of the model indicates that the model is capable of explaining about 92.8% of the variability the Return on Assets of sample commercial banks. This means that the model explains about 92.8% of the systematic variation in the dependent variable. Stated differently, the coefficient of multiple determinations (R²) indicates that variations in DPS, ROE, BVPS, P/E ratio, and ROA can explain for 92.8% of changes in MPS of Nepalese commercial banks, with the remaining 7.2% being attributed to other factors. According to the results displayed in the

above table, there was a highly statistically positive association between the study variables, as indicated by 0.963a. R is the correlation coefficient, which illustrates the relationship between the study variables. The corrected R-square, or roughly 92.8%, which represents the percentage of total variation that the model explains, supports this outcome. The regression results for the independent effect of DPS, ROE, P/E ratio, BVPS, and ROA on MPS is shown in Table 4.11 below.

Table 11

Coefficients Table

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	-1654.700	319.268		-5.183	<.001
DPS	4.887	5.699	.106	.858	.400
ROE	72.678	16.179	.577	4.492	<.001
BVPS	3.407	1.416	.211	2.406	.024
PE	26.476	4.343	.466	6.097	<.001
ROA	-115.651	159.296	-.083	-.726	.475

Source: SPSS Programmer

From the Table 11 regression analysis, The market per share of Nepalese commercial banks would be -1654.70 if the dividend per share (DPS), price earnings ratio (P/E ratio), book value per share (BVPS), return on assets (ROA), and return on equity (ROA) were all set to a constant zero. It has been determined that an increase of one unit in DPS would result in an increase in MPS of 4.887, an increase of one unit in ROE ratio would result in an increase of 72.678, the market per share of BVPS would cause an increase in MPS of 3.407, the PE ratio would increase MPS by a factor of 26.476, and the market per share of Nepalese commercial banks would decrease by a factor of 115.651.

According to the aforementioned data, there is a negative correlation between MPS and the bank's ROA and a positive correlation between MPS and DPS, P/E ratio, BVP, and

ROE. The investigation also showed that the P-value was under 5%. At a 95% confidence level, ROE, P/E ratio, and BVPS—which indicate the existence of three independent variables—are statistically significant for this investigation. Consequently, this indicates that BVPS, ROE, and P/E ratio significantly affect MPS.

From Table 4.10 it was found that the following result:

- i. Between MPS and DPS, there is a negligible positive correlation (p-value $0.400 > 0.05$).
- ii. Another empirical finding from the regression analysis shows that there is a significant positive relationship between MPS and ROE ratio (i.e. p-value $0.001 < 0.05$).
- iii. The p-value of 0.024 indicates a strong positive correlation between BVPS and MPS.
- iv. The P/E ratio and MPS of Nepalese commercial banks have a strong positive correlation (p-value $0.01 < 0.05$).
- v. The MPS of Nepalese commercial banks and ROA have a negligible negative association (p-value $0.475 > 0.05$).

4.2 Discussion

The following is a summary of the study's main conclusions

The past price data is useful in forecasting future share prices. According to this study, fundamental analysis can be helpful in generating returns on the Nepalese stock market that are higher than average. The Nepalese stock market may not meet the definition of a weakly efficient market, which is one in which share prices accurately represent all available historical data. The stock market's development is not at a level that is satisfactory. The banking industry is the only one performing well.

- Over the study period, there is a lot of volatility in the market price. KBL has the lowest market price of Rs. 272.1, while SCBNL has the highest average price of Rs. 1692.8. This high market price indicates that SCBNL performs better than its competitors.

- The EPS represents the company's total profit as seen by common shareholders. The NABIL has the highest EPS of RS.59.89 whereas Kumari Bank Limited has the low EPS of Rs.16.57. The better the earning, the better is the performance.
- There is a fluctuation in dividend per share. Nabil shows high average dividend of Rs.46.11. The company with a big dividend is chosen by the investor who is keen to make long-term investments.
- Why The P/E multiples of every bank are positive and robust. Price and earnings relationships display inconsistent behavior. Due to their professional management and managerial effectiveness, SCBNL has the highest P/E multiple of all the sample banks, 49.446, indicating a strong performance. In contrast, NABIL and KBL have low but stable P/E ratios, with average P/E ratios of 29.40, 26.93, and 25.120, respectively.
- SCBNL had the highest average dividend payout ratio (95.20%) among the study banks. At 70.7, EBL has the lowest dividend payout ratio.
- With an earning yield of 5.03%, the highest of all the sample banks chosen, KBL has the greatest yield of outstanding shares. In a similar vein, SCBNL reported the lowest average earning yield (1.01%). But each bank has a strong rate of return on investment, which is one of the reasons the banking industry dominates the stock market. Conversely, the dividend yield—which quantifies the return on each outstanding stock—is erratic and has been declining over the course of the study period. Even though the earning yields of all the sample banks are excellent, the dividend yield is extremely low because the corporation kept all or most of its earnings for future investments. With an average dividend yield of 24.67%, KBL has the greatest yield, while EBL has the lowest yield at 11.88%. The study discovered that during the study period, there was a mixed behavior between price and dividend and price and earning.
- The ratio of market value to book value indicates how well a stock price performs in the market relative to the book. Every sample that was chosen in this way has a ratio that is higher than 1. These indicate that bank market prices are higher than their book

values. EBL's stock is 7.85 times more expensive than what its book value is. KBL has the lowest ratio (1.93 times), which is deemed acceptable.

- The return on assets (ROA) demonstrates how well management has performed overall in turning a profit with its current assets. Compared to other banks, NABIL and SCBNL's management have generated profits through more effective and efficient use of their available assets. The market price often rises when the ROA is higher. At 2.38, the NABIL has the greatest ROA. It can be inferred that there is a mixed link between ROA and market price per share because certain banks have higher ROA while having lower market prices and vice versa.
- The return on the investment made in the company by common stockholders is measured by the return on common equity. High ROE is generally thought to increase market price per share. NABIL had the greatest ROE and market price of its shares out of all the sample banks. Although EBL has the lowest ROE, the market exhibits a mixed pattern of behavior when it comes to ROE and market price per share.
- The liquidity ratio calculates a company's capacity to pay short-term debt. There is inconsistent behavior in the link between market price and liquidity situation. NABIL has the lowest liquidity ratio, although its market price is higher than that of KBL and EBL. Comparably, EBL's stock price and liquidity condition are almost same.
- A mixed pattern can be seen in the correlation coefficient between EPS and MPS. There is a positive association between EPS and MPS in every sample bank.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The summary table that follows provides a clear understanding of the companies' performance in key areas. The number of listed businesses has been trending upward during the study period, according to an analysis of the stock market's evolution. In FY 2018/019, 137, in FY 2019/020, 158, in FY 2020/021 and 186, in FY 2021/022 and FY 2022/023 correspondingly, was the number. There was fluctuation in market capitalization Rs. 512940 million in FY 2018/019, Rs 376870 million in FY2019/020, Rs 323480 in FY2020/021, Rs 368260 F/Y2021/022 and Rs 514490 million in FY2022/023.

The percentage of market capitalization that is turned over to turnover also varies; it fell sharply from 4.23 in FY 2018/019 to 3.19 in FY 2020/021 and 2.54 in FY 2020/021 before increasing somewhat from 3.87 to 6.29 in FY 2021/022. For the first three years, the proportion of turnover to paid-up value similarly showed an upward trend; but, in the final two years, it showed a downturn and an uptrend. The trend for listed firms' paid-up values is rising. In FY 2018/019 and FY 2021/022, the paid-up value was Rs 11899 million and Rs 126060 million, respectively. This is primarily because commercial banks, who account for over 75% of all transactions on the stock market, have declared bonus shares and issued right shares. One of the components of the capital market is the security market. It encompasses all connected agencies as well as buyers and sellers of securities. It plays a major part in the growth of the capital market and the economy as a whole. It has an impact on the economy by generating marketability, liquidity, etc. Due to the ease with which investors can sell their holdings, liquid equity markets lower the cost of trading stocks and lessen the incentive for lag length investments. Additionally, it makes it easier to select and fund projects with greater potential returns and the fastest productivity development. Increased liquidity facilitates sales.

Market efficiency is yet another important concept that influences the process of making investment decisions in the securities market, much like liquidity. This indicates that there are effectively demonstrated markets where the price of security never deviates

from reasonable economic values for an extended period of time. Investor expectations regarding earning potential, risk, and other factors also influence the value of the securities. Values in an efficient market will fluctuate in response to fresh information. As a result, securities are continuously priced efficiently. The company's performance has been examined using a variety of financial metrics to see how its market price relates to EPS, DPS, book value, liquidity, return on assets, and return on equity. This research reveals inconsistent behavior in these connections. Given that businesses with high EPS have low prices and those with low EPS have high prices. The DPS situation has the same erratic pattern.

5.2 Conclusions

The behavior of share prices in Nepalese stocks was tested, and the results showed that efficient market theory is a significant and modern idea. The most profitable investments are made with the support of efficient market theory, maximizing the benefits to society. According to the efficient market hypothesis, every investor instantly discounts all available information, which is reflected in share price. Nepal's stock market is still in its infancy. For it to work correctly, assistance from all relevant bodies is required. To grow the stock market, the government should create sensible laws and regulations and efficiently apply them. When it comes to following the law, timely releasing and submitting annual financial statements, avoiding rumors, and not tampering with stock prices, listed companies should always be prepared to support the market.

The primary goals of this study are to evaluate share price behavior, or the weak efficient market hypothesis, and to determine if subsequent price changes are independent of or correlated with the price of previous adjustments, with a focus on the banking industry. It also examines the relationship between the market price of the company and the earning price per share, dividend price per share, price earning multiple, and dividend payment ratio. Along with many other important ratios, this study also aims to highlight the connections between profitability ratios, market price to book value ratios, and liquidity ratios. This study covers a ten-year period, from 2013/014 to 2022/023 for five commercial banks that are used as samples.

5.3 Implications

Based on analysis of data, the following implications are made:

- The rational investors should study the past trend and pattern of price series of the stock for prediction of future price change to make safe investment.
- In addition to formulating policies for the growth of the capital market, the government should also carry out these measures in a prompt and suitable manner. Investors should place their money in the manufacturing and processing, commercial banking, and finance sectors because their performance outperforms that of other sectors.
- The signals that individuals receive from the capital market are the main factors that impact their investment decisions. Consequently, the market mechanism ought to effectively deliver inexpensive and widely disseminated knowledge.
- Dependability is essential. The stock exchange ought to put investors first and take a market-oriented stance, bolstered by strong operations and capable leadership.
- Regulatory agencies should effectively coordinate and collaborate with one another. Time consumption should be kept to a minimum by having systematic, quick, and effective share purchasing and selling procedures.
- Listed firms ought to provide their financial accounts in a timely and thorough manner. Regulators ought to stop unfavorable rumors from spreading since they have the potential to affect stock values. Stock prices ought to behave in an open and manipulative-free manner. Listed firms should also maintain consistent payment percentages and set clear policy about dividends.
- In order to keep an eye on stock price movements and work toward increasing market value relative to its rivals, the corporation ought to put in place a vigilant monitoring system.

Stockbrokers and other professionals in the securities industry should cultivate necessary expertise, while market intermediaries must possess adequate infrastructure to provide investors with appropriate services.

DETERMINANT OF STOCK PRICE VOLATILITY IN NEPAL

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ABSTRACT To make safe investments, logical investors should examine the historical trend and pattern of the stock's price series in order to predict future price changes. In addition to formulating policies for the development of the capital market, the government should also promptly and correctly carry out these policies. Investors should place their money in the manufacturing and processing, commercial banking, and finance sectors because their performance outperforms that of other sectors. Individuals base a major portion of their financial decisions on signals from the stock market. Information should be accessible and affordable through the market process. Its dependability is essential. The stock exchange should have robust operations and efficient management, with a focus on investors and the market. The relevant regulatory organizations should work together and coordinate well. The process of purchasing and selling shares should be organized, quick, and low-time consuming. The listed firms are required to provide full and timely disclosure of their financial results. Negative rumors that could impact stock price should be avoided by the regulating agency. The stock price should move freely, fairly, and without interference. The payout ratios of the listed corporations are not consistent, and they lack a clear dividend strategy. The corporation ought to implement a vigilant monitoring system to scrutinize the actions of its stock price and endeavor to elevate its market value relative to its rivals. In order to provide investors with the right services, market intermediaries should have the infrastructural facilities and the essential experience developed by stockbrokers and other