# STOCK PRICE BEHAVIORS OF COMMERCIAL BANK 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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# CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Stock Price Behaviors of Commercial Banks 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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## REPORT OF RESEARCH COMMITTEE

Mr. Mohammad Zahid Ansari has defended research proposal entitled **"Stock Price Behaviors of Commercial Banks in Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Asso. Prof. Rita Maskey Submit the thesis for evaluation and viva-voce examination.

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## APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **"Stock Price Behaviors of Commercial Banks in Nepal "** Presented by Mohammad Zahid Ansari 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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Mohammad Zahid Ansari

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# ABBREVIATIONS

| | | |
|---|---|---|
| BV | : | Book Value |
| Co. | : | Company |
| D/Y | : | Dividend Yeild |
| DPR | : | Dividend Payout Ratio |
| DPS | : | Dividen Per Share |
| E/Y | : | Earning Yeild |
| EMH | : | Efficient Market Hypothesis |
| EPS | : | Earning Per Share |
| F/Y | : | Fiscal Year |
| GDP | : | Gross Domestic Product |
| GDS | : | Gross Domestic Saving |
| HBL | : | Himalayan Bank Limited |
| KBL | : | Kumari Bank Limited |
| MPS | : | Market Price Per Share |
| MV | : | Market Value |
| MV/BV Ratio | : | Market Value to Book Value Ratio |
| NABIL | : | Nabil Bank Limited |
| NEPSE | : | Nepal Stock Exchange Limited |
| NRB | : | Nepal Rastra Bank |
| NSM | : | Nepal Stock Market |
| P/E Multiple | : | Price Earnings Multiples |
| ROA | : | Return on Assets |
| ROE | : | Return on Equity |
| SCBNL | : | Standard Chartered Bank Nepal Limited |
| SEBON | : | Security Board of Nepal |
| SEC | : | Security Exchange Center |
| T.U. | : | Tribhuvan University |

# ABSTRACT

Smart investors should look at how a stock's price has moved in the past to guess where it's going next and avoid losing money. The government must take decisive action to not only devise but also deliver on capital market development policies. The outputs of commercial banks, finance companies, and manufacturing & processing companies exceed those of other sectors, thus advising investors to commit funds to these industries. Individual investment decisions are primarily influenced by cues from the stock market. The market should spread information far and wide, and keep the cost low.

The stock exchange should be investor-centric, market-driven, and operationally sound. Synergy among regulatory bodies is essential. The acquisition and disposal of shares should be conducted in a systematic, expeditious, and time-efficient manner. Publicly traded companies must provide full and timely disclosure of financial data. The regulatory body should suppress the circulation of adverse rumors that might influence the stock valuation. Stock price movements should be free from market manipulation. Listed companies are unpredictable about dividends, sometimes paying more, sometimes less. The company ought to establish a vigilant monitoring system to scrutinize stock price dynamics and exert effort to enhance its market capitalization relative to competitors.

It is imperative that stockbrokers and other securities professionals develop the necessary expertise, and market intermediaries must possess adequate infrastructure to provide comprehensive investor services. Further, a comprehensive analysis of stock market efficiency should be undertaken by the concerned regulatory body to inform policy decisions that will foster market growth and deter manipulation.



**Key Words:** *Dividend Per Share Market Price Per Share Earning Per Share*

# CHAPTER - I
# INTRODUCTION

## 1.1 Background of the Study

Finance fuels economic growth and powers economic progress and developed countries, too, owe their economic success to the strength of their banking systems. A strong banking system is a cornerstone of economic development, even for the most affluent nations. Therefore, commercial banks are crucial for a nation's economic advancement. Thus, banks are essential for the economic progress of developing economies such as Nepal. Clearly, banks are crucial for the economic growth of underdeveloped nations such as Nepal.

The securities market is a process through which investments with terms longer than a year are exchanged. These investments can take various forms, including government securities and equity shares. The stock market, a vital component of this market, enables the buying and selling of company shares. Shares can be traded on two different kinds of stock markets. When a firm floats its shares for the first time through an IPO, it's a primary market transaction. Subsequent trading of these shares among investors happens in the stock market, which is a secondary market (Sharpe et al., 1999).

Financial markets are categorized into money markets and capital markets. Money markets comprise the segments for debt instruments with maturities shorter than one year. Money markets primarily involve the trading of short-term financial instruments. Money markets may be segmented into institutionalized and non-institutionalized categories. The organized or official money market operates as a framework for the exchange of short-term securities, with commercial banks, finance companies, and other credit institutions acting as key participants. Community vendors, native moneylenders, and family members are categorized within the informal or unregulated sector. A study carried out by Nepal Rastra Bank in 1992 found that the formal sector market meets only 20 percent of the rural sector’s overall credit needs. This points to the fact that the country's financial markets are still in the early stages of development. Capital markets are financial environments dedicated to long-term debt and equity transactions, organized into primary and secondary markets. The primary market originates when a business issues its stock to the public for the first time. The platform where issued securities are bought and sold is

known as the secondary market. NEPSE is the only formalized secondary market in Nepal, where previously issued securities are exchanged.

Securities markets play a crucial role in the economy by channeling investment where it is needed and by putting it to be best use. The capital markets play a significant role in advancing industrial and business ventures. Mobilizing these resources for investment is crucial for the economy's growth trajectory, though the effectiveness of their distribution across various projects is equally essential for sustained development. Financial markets enable participants to manage liquidity and productivity risks, reducing the need for early capital withdrawal and thereby enhancing productivity within the corporate sector. The price of a security is typically shaped by supply and demand dynamics: as demand increases, prices rise, and when demand falls, prices decline.

The stock market fluctuates over time, influenced by the overall market trend and various other factors. The behavior of the stock market changes at different times, shaped by the prevailing market trend and numerous other variables. The stock market's behavior, or market trend, can be divided into two main phases: primary and secondary trends. Market trends evolve through distinct phases, primarily categorized into the primary trend and the secondary trend. Market behavior is dictated by the prevailing primary trend. The primary market trend governs the overall market behavior. Market behavior varies significantly depending on the market trend. The market's behavior shifts considerably with changes in the market trend. In a bull phase, the market acts in a particular manner, while in a bearish phase, its behavior contrasts significantly. The market displays distinct behavior during a bull phase compared to a bearish phase. Understanding market trends and their root causes is key to interpreting the different behaviors of the stock market.

The securities market functions as a platform for connecting buyers and sellers of financial assets to enable trading.The securities market serves as a mechanism for facilitating the trade of financial assets by bringing together buyers and sellers. Simply put, the securities market is a venue for buying and selling financial instruments.The securities market is essentially a marketplace for financial instruments.Securities markets are categorized based on the maturity period of traded securities, such as the Money Market and Capital Market. The classification of the securities market is based on the maturity duration of traded securities, with divisions like the Money Market and Capital Market. An active secondary market plays a crucial role in supporting the primary

market. The primary market heavily relies on the presence of a vibrant secondary market. The secondary market ensures liquidity for investors who purchase securities in the primary market. Investors who acquire securities in the primary market benefit from the liquidity offered by the secondary market.

The Nepali stock market is in its early stages of development with only one stock exchange-Nepal Stock Exchange (NEPSE). The Securities Board of Nepal oversees the activities of NEPSE-listed companies, brokers, merchant bankers, and other institutions related to securities. Nepal Stock Exchange was founded in 1993 under the Securities Exchange Act of 1983. It was instituted with the intention of enhancing and protecting the interests of investors by governing the securities market. It also undertakes the responsibility of fostering the securities market in the country, along with its regulatory duties. The Board has highlighted the development of policies, legal and regulatory restructuring, harmonizing disclosures, ensuring enforcement for compliance, and advancing a comprehensive market as priorities for reform. The private sector has been equally engaged in establishing a reliable securities exchange framework. In the private sector, stakeholders such as investors, publicly listed companies, financial institutions, and market intermediaries, alongside government entities like the Ministry of Finance, the Registrar of Companies (Ministry of Industry, Commerce, and Supply), Nepal Rastra Bank, Nepal Stock Exchange, the Federation of Nepalese Chamber of Commerce and Industries (FNCCI), the Institute of Chartered Accountants of Nepal (ICAN), and the Association of Chartered Accountants, have been playing a crucial role in the development of the country's capital market.

The Board's goals are to advance and safeguard investor interests by overseeing the issuance, sale, and distribution of securities as well as the purchase, sale, and exchange of securities. Additionally, it aims to supervise, oversee, and track the activities of stock exchanges and related firms within the securities sector, and to contribute to the growth of the capital market by fostering securities transactions that are fair, robust, efficient, and accountable.

The Nepal Stock Exchange was founded in 1993 under the Securities Exchange Act of 1983. Previously, the Nepal Stock Exchange was known as the Securities Exchange Center. The Securities Exchange Center Ltd. was created in 1976 with the aim of

facilitating and encouraging capital market growth. The Nepal Stock Exchange primarily engages in brokering, underwriting, managing public offerings, creating a market for government bonds, and offering various financial services. Originally a non-profit market entity, the Nepal Stock Exchange has since transitioned into a profit-driven organization and now operates under the Securities Exchange Act of 2063.

In earlier studies, it is argued that the investors feel pessimistic about investment prospects in a given market and sell off that market's stocks under the outbreak of communicable diseases. Factors affecting the price movements of commercial banking stocks in recent times suggest that the negative impacts of rising COVID-19 cases on stock market returns were primarily driven by investors' negative outlook on future returns and concerns over uncertainty. Global financial hazards have markedly risen in response to the pandemic. Increases in bank interest rates and specific market responses are evidently tied to the severity of the pandemic in each nation, as Zhang et al. (2020) demonstrated. The reporting of fresh COVID-19 cases within China and worldwide has resulted in divergent effects on financial instability (Albulescu, 2020). The announcement of the coronavirus pandemic caused stock markets to demonstrate negative returns and rising volatilities (Corbet et al., 2020A). A strong correlation between media-driven panic and a heightened sense of unpredictability in financial markets is evidenced by volatility in sector-specific indices (Haroon & Rizvi, 2020).

### 1.2 Statement Problem

Banks form a vital and dominant business sector internationally. The majority of people and entities utilize banks as either lenders or debtors. Banks contribute significantly to preserving trust in the financial system by their strong ties with supervisory bodies and the state, and the oversight exercised by these entities. Hence, there is significant and broad interest in the prosperity of banks, especially their solvency and liquidity, and the comparative degree of risk inherent in their diverse activities.

Earnings reflect a strong financial position and are often the outcome of effective management, cost control, credit risk management, and operational effectiveness. Earnings are crucial for a business to survive and grow, ensuring capital sufficiency by retaining profits. Banks need sufficient cash flow to handle various unforeseen events. Financial soundness indicates that a bank's assets exceed its liabilities, ensuring adequate capital. Banks must have sufficient cash reserves to cover daily operations and

unexpected occurrences. In today's market, many investors are drawn to the banking industry. A comparative analysis of different banks is necessary. While various studies have explored the financial performance of Nepalese banking sector, a comprehensive analysis of listed commercial banks is lacking. This research investigates the financial position of five commercial banks operating in Nepal**:** More specifically, this study is expected to answer the following research questions.

1 What is the current status of DPS, EPS, EY, DY, DPR and MVPS of commercial banks in Nepal?
2 What are the relationship of DPS, EPS, EY, DPR and MVPS of commercial bank in Nepal?
3 What are the factors affecting DPS, EPS, EY, DPR and MVPS of commercial bank in Nepal?

### 1.3 Objectives of the Study

Thus, the present study will be very much important to the investors, planners, researchers, student and policy makers to get a deep insight into the concerned field of the study. Therefore, this study aims to identify the factors responsible for determinants of stock price and their relationship with the stock price, so that it will give a better insight into the stock price.

Furthermore, this study is proposed to meet the following objectives.

1. To assess the current status of DPS, EPS, EY, DY, DPR and MVPS of selected commercial banks in Nepal.
2. To examin the relationship of DPS, EPS, EY, DY, DPR and MVPS of selected commercial banks in Nepal.
3. To analyze the factors affecting the DPS, EPS, EY, DPR and MVPS of selected commercial bank of Nepal.

### 1.4 Rationale of the study

There is lots of research work on the other performances of commercial banks but this specific topic does not seem given importance before in the context of Nepal. Therefore this study is an effort to bring forth the facts related to stock price behaviors' of Nepalese commercial bank. This research will provide more information regarding securities market trend of banking sector. Investors can assess how Investors can gauge the influence of market fluctuations on their portfolio performance. This study could guide

the government for review and reforms of financial policy. Similarly, this study will provide a useful feedback for academic institution, bank employees, trainees, investors, for financial person, policy making bodies and other concerned people with banks.

The study is required to develop the Bank's investment policy. Nepalese Banks must effectively utilize their funds. As a result, it would be more prudent to determine the state of Nepalese banking businesses. It's also necessary to explain the value of banks to Nepalese people. The study focuses on the commercial banks stocks price behavior in Nepal and the likelihood of future expansion, as well as tracing the weak areas in order to offer funds, banking policies, and investment opportunities. The study is significant in and of itself since it is a study of the foundation of the stock price in Nepal by the researcher.

Bank is now widely accepted as kind of a business, but the notion bank is not new in Nepal. Private banking businesses have begun competitive and aggressive competition in this business as a result of liberal economic policy breaking the monopoly system and bringing competitiveness to the banking sector. Due to this form of competition, management must become more productive, while interest rates have been hike due to liquidity crunch and inflation. Reducing the rate might decrease profit margins, but it could also encourage employees to join the banking sector and offer insights into the current state of the industry in Nepal.It also assists the researcher in doing fresh studies in the area of fund investment and a series of studies on other Nepalese commercial bank and their share price change.

### 1.5 Limitations of the Study

Not any study is free of the limitations, so as this study does have its own limitations. They are the reliability of the statistical tools used, lack of research experience is the major limitations, the study's goal is to discover the facts and tendencies in the Nepalese bank’s investment policy. As a result, the area of bank operating in Nepal is limited. Each activity does have its own series of restrictions, and this subject has its own series of restrictions that must be respected.

These restrictions are referred to as constraints of this study. The constraints of the study are:

i. This entire study will focus on a few chosen commercial banks in Nepal, as there

are 20 commercial banks, but only three are included, along with an analysis of their stock price movements.

ii. The study will concern at least ten-year period's from Fiscal Year 2012/13 to 2022/23 data and conclusion drawn confines only to the limit duration.

iii Time and resource restrictions could be another factor that narrowed the study's scope.

# CHAPTER -II

# REVIEW OF LITERATURE

Review of literature is the important parts of the thesis. Specifically, it includes various old theses, books, journals and article. Particularly, this chapter seeks to thoroughly examine the theory of stock price behavior, encompassing fundamental and technical analysis, efficient market hypotheses, financial institutions, capital markets, economic liberalization, capital market development, and relevant studies.

## 2.1 Conceptual and Theoretical Review

A comprehensive understanding of shares, related issues, and the banks' profiles is indispensable before embarking on a study of share price behavior.

### 2.1.1 Financial Instruments

Financial instruments means shares, stock, bonds etc. issued by a corporate body or a unit investment certificate to unit saving scheme or collective investment scheme issued by any corporate body in accordance with the prevailing laws or negotiable certificate of deposit or treasury bill issued by Government and it includes the securities issued under full guarantee of the Government or securities as prescribed by government by a notification publishes in the Nepal Gazette or receipts relating to deposits of securities as well as rights and interest relating to securities.

### 2.1.2 Common Stock

Equity shares is the basic form of ownership in a company. People who hold common stock have a claim on the assets of a firm after those of preferred stockholders and bond holders. Ordinary shareholders of a corporation are its ultimate owners, their Entitlement to earnings and assets comes once debts and preferred shares are settled. As a result, a stockholder‘s investment return is less certain than the return to a lender to a lender or to a preferred stockholder. On the other hand, the return to a common stockholder is not bounded on the upside, as are returns to the others. A share of common stock can be authorized either with or without par value.

#### 2.1.2.1 Common Stocks Values

**a) Par Value**

Par value is the face value of a share of stock. Its original purpose was to secure a fair valuation of the firm, as reflected in the price per share. Another purpose of creating par values was to stop shareholders with corporate connections from buying shares at a lower price, while other purchasers pay more for identical shares. Offering shares at discounted prices to friends constitutes a form of price discrimination against a broader range of potential investors (Francis, 1983). The initial or designated value set at the time of issuance is the par value. Unless the board of directors enacts a stock split or other measure, the par value of the stock stays constant (Cheney & Mosses, 1995). The par value of new issue is usually Rs. 100, as per company act 1993.

**b) Book Value**

The book value per share is computed by adding up the common stock's value, including par value, paid-in surplus, and retained earnings as found in the net worth section of the balance sheet, and then dividing by the outstanding common shares. Book value reflects a view of the corporation's assets, but it doesn't align directly with stock prices. Common stock often trades at values that diverge significantly from book value (Francis, 1983).

**c) Market Value**

The market value in secondary markets hinges on supply and demand, capturing the prevailing sentiment of investors and traders on the stock's value. Several factors, including economic and industry conditions, forecasted earnings and dividends, and risk aspects related to both the market and the company, influence the market value (Cheney & Mosses, 1995).

**2.1.2.2 Classifications of Common Stock based on Their Features**

Well-established corporation has been dominant positions; strong balance sheets and size are called blue-chip stocks. Growth Stocks, whose price grows with the growth of corporation's earnings and dividend with a comparatively higher growth than the average price appreciation. Income stocks having stable cash dividends record are often called as income stocks. Cyclical and Defensive Stocks, which are influenced by economic and industrial cycles, are called cyclical stocks whereas stocks which are less susceptible to economic cycles, a recalled defensive stocks. Speculative stocks, which are viewed by investors with some speculative motives, are called speculative stocks. Small stocks, depending upon the capitalization norms are generally known as small or even blue chip stocks (Ritter & Silber, 1993). Random Walk Efficient Market Theory.

The random walk theory assumes that all future stream of income from the equity investment are independent of preceding income. In other words, future prices cannot be predicted based on past price behavior. It means is we attempt to predict future prices in absolute terms using only historical price change information, we will not be successful i.e. successive price changes at any time will on the average reflect the intrinsic value of the security. The random walk theory says that nothing more than that successive price changes are independent.

### 2.1.3 Monetary Policy Implication on Capital Market Development

It was realized after the restoration of municipality democracy in the country that economic development of the nation was not possible without the increased participation of the private sector. With the adoption of liberal economy policy, the elected government followed the policy of privatization of industrial and commercial undertaking retaining the public unity enterprises under its control.

### 2.1.4 Theories of Stock Price Behavior

This part is concerned with various theories of Stock Price.

#### a) Modern Portfolio Theory

Modern portfolio theory, relying on the work of Markowitz (1952) and the principals of the Capital Asset Pricing Model, suggests that investors can improve the performance of their portfolios by allocating their investments into different classes of financial securities and industrial sectors that are not expected to react similarly if new information emerges. Solnik (1974) extends this theory to an international context and suggests that diversifying globally, as opposed to a strictly domestic portfolio, will lead to optimization of the risk return trade-off. Therefore, investors should allocate their money into assets exhibiting low return correlation. Aloui, Mohamed, Ben, and Khung (2011) examined the extreme correlations between the BRIC economies and the US, especially over 2007-2009.

Empirical evidence indicates that although BRIC markets have many features in common, they do not behave similarly in regard to their financial linkages to the US. In his study, Markowitz (1952) formally presented his view that although investors want to maximize returns on securities they also want to minimize uncertainty, or risk. These are conflicting objectives which must be balanced against each other when the investor makes his or her

decision. Markowitz (1952) asserts that investors should base their portfolio decisions only on expected returns, i.e. the measure of potential rewards in any portfolio, and standard deviation, the measure of risk. As previously mentioned, Markowitz (1952) rejected the expected returns rule on the grounds that it neither acknowledged nor accounted for the need for diversification, contrary to his expected return variance of return‖ rule. In addition, he concluded that the expected return-variance of return rule not only revealed the benefits of diversification but that it pointed towards the right type of diversification for the right reason. It is not enough to diversify by simply increasing the number of securities held. If, for example, most of the firms in the portfolio are within the same industry they are more likely to do poorly at the same time than firms in separate industries. In the same way it is not enough to make variance small to invest in large number of securities. It should be avoided to invest in securities with high covariance among themselves and it is obvious that firms in different industries have lower covariance than firms within the same industry (Markowitz, 1952). Simply put, he concluded that by mixing stocks that flip tail and those that flip heads you can lower the risk of your overall portfolio. If investments are spread across unrelated stocks potential profit will maximize whether the economy is slowing down or growing. If then add more and more stock in different combinations, there will be what Markowitz (1952) called an efficient portfolio. An efficient portfolio is the portfolio which gives the highest profit with the least risk.

### b) Capital Asset Pricing Model

The background of CAPM was the study of the influence of investor behavior on asset prices. The result of that study was a theory of asset valuation in an equilibrium situation, drawing together risk and return, which is the CAPM. Several authors have contributed to the model, first and foremost Sharpe (1964), but also Treynor, Mossin, Litner and Black (1965). The CAPM is the first model to introduce the notion of risk into the valuation of assets. CAPM is in principle a method to calculate the rate of return which it is normal to demand of an asset of a certain nature. The search for the normal rate of return is divided into two parts according to CAPM. On the one hand, a risk-free rate is found. On the other hand, the rate of return on a risky asset is found, constituting the risk premium. In CAPM the standard deviation of a single asset does not matter greatly, rather the effect of the asset on the systematic risk of the portfolio to which the asset is added. The main concern is the conjunction between the rate of return of the efficient portfolio and a single asset.

**c) Arbitrage Pricing Theory**

Arbitrage pricing theory holds that the expected return of a financial asset is largely based on its beta. Beta is the measure of the relationship between company related factors which influence financial performance and the overall market in which the latter competes. Typically, a company which has a beta of one will reflect the market whereas a beta score of 0.75 means that a company will move up or down to the extent of 75 per cent of the corresponding market movement. The Arbitrage Pricing Theory was developed primarily by Ross (1976) heuristic argument for the theory is based on the preclusion of arbitrage. The APT is a substitute for the Capital Asset Pricing Model in that both assert a linear relation between assets expected returns and their covariance with other random variables. The covariance is interpreted as a measure of risk that investors cannot avoid by diversification. The slope coefficient in the linear relation between the expected returns and the covariance is interpreted as a risk premium. Such a relation is closely tied to mean-variance efficiency.

Arbitrage Pricing Theory can be useful if one is investing in a company and wanted to measure the historical share price sensitivity to huge market fluctuations typical during the onset of bull and bear markets. Based on an investor's long-term and short-term goals different investment strategies could be planned using APT as an exhibit. For example, if a company had a beta of one thereby likely to follow the market an investor anticipating a recession would hold off purchasing that stock if their goal was to invest their money for no longer than a few years and vice versa.

**d) EMH and Expected Return**

Efficient markets hypothesis (EMH) asserts that in an efficient market price fully reflect available in formation. This implies that investor can expect to earn a merely risk-adjusted return from an investment as prices move instantaneously and randomly to any new information. Efficiency is defined at three different levels, according to the level of information reflected in the prices. Three levels of EMH are expressed as follows: weak form, semi-strong and strong form. Weak-form version of EMH asserts that prices of financial assets reflect all information contained in the past prices. Semi-strong version postulates that prices reflect all the publicly vailable information. Lastly, strong-form posits that prices of financial assets reflect, in addition to information on past prices and publicly available information, inside information (Fama, 1970, 1991). As EMH states

that security prices should fully reflect all available, relevant information, then deviations of actual returns from expected returns should be random they ought, on average, to be zero and uncorrelated with information available to the market. (Tease, 1993) Stock market acts as an intermediary and channels funds from savers to firms who utilize it to carry out projects.

Efficient markets are a necessary prerequisite if it is desired that funds should be allocated to the highest-valued projects. This is possible only if stock prices are efficiently priced i.e. reflect the fundamental value of future discounted cash flows. Also, to the extent that capital markets are efficient, it is easier for the firm to raise capital as the market performs the price discovery process i.e. it determines the price at which market players are willing to exchange claims on firm's future cash flows. (Hameed & Hammad, 2006) Furthermore, if the general perception prevailing in the market is that prices accurately reflect information, participations cost will be low and the stock market will successfully perform its function of channeling resources to productive projects. From a policy perspective, evidence of capital market efficiency spells out a limited role of the government in the capital markets.

## 2.2 Empirical Studies

### 2.2.1 Review of Journals /Articles

The main objective of the literature review is to gain knowledge from the previous study and to find out various concepts relating to topic and the potential relationship between dependent and independent variables. And here are some reviews of previous studies related to the topic.

Chhetri (2023) states that variables like earnings per share, price-earnings ratio, book value per share and return on assets are the major determining stock price having a significant impact on the price of share except for the size of the firm having an insignificant impact in the context of joint venture commercial banks of Nepal.

Hadian (2022) states that there is the influence of Debt Equity Ratio (DER), Earning per Share (EPS), and Price Earnings Ratio (PER) on stock price. His study aims to determine how the debt-to-equity ratio, earnings per share, price earnings ratio, and stock prices are described in consumer goods industry sector companies listed on the Indonesia Stock

Exchange for the period 2016-2018. He also determine the effect of partially and simultaneously debt to equity ratio, earnings per share, and price earnings ratio on stock prices in consumer goods industry sector companies listed on the Indonesia Stock Exchange for the period 2016-2018. The results showed that the debt to equity ratio, earnings per share, and price earnings ratio affected stock prices. Also, the research results show that the magnitude of the influence of the debt to equity ratio, earnings per share, and price earnings ratio in contributing to the effect of stock prices is 98.7%.

Kizys, Tzouvanas & Donadelli (2021) studied on From COVID-19 herd immunity to investor herding in international stock markets: The role of government and regulatory restrictions. The objectives of the study are to analyze the novel corona virus COVID-19 pandemic can mitigate investor herding behaviour in international stock markets. Three main findings are in order. First, results show evidence of investor herding in international stock markets. Second, document that the Oxford Government Response Stringency Index mitigates investor herding behaviour, by way of reducing multidimensional uncertainty. Third, short-selling restrictions, temporarily imposed by the national and supranational regulatory authorities of the European Union, appear to exert a mitigating effect on herding. Finally, our results are robust to a range of model specifications.

Drymbetas & Kyriazopoulos (2019) studied on Short-term Stock Price Behaviour around European Cross-border Bank M&As. The objectives of the study are to explores the short-term stock price reaction of cross-border bank mergers and acquisitions (M&As) In specific, it is find positive and significant abnormal stock price reaction of more than 3% on M&A day for targets and negative abnormal returns for bidders. The differential market behavior between bidders and targets is more evident when the return on equity of the involved banks is taken into account.

Martikainen (2018) researched on Modeling stock price behavior by financial ratios. The objectives of the study are to find out the economic dimensions of the firm are reflected in stock price behavior in the Finnish stock market. 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, and starts to decrease after

that releasing day of financial statement numbers. Empirical evidence strongly indicates that financial ratios represent pricing relationships in a substantive manner.

Ray (2018) studied on Testing Granger Causal Relationship between Macroeconomic Variables and Stock Price Behaviour. Evidence from India the objectives of the study are to explore the impact of different macroeconomic variables on the stock prices in India using annual data from 1990-91 to 2016-17. 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. On the other hand, inflation rate, foreign direct investment, exchange rate and wholesale price index do not appear to have any significant effect on stock price. The results have implications on domestic as well as foreign investors, stock market regulators, policy makers and stock market analysis.

Camilleri (2018) found the relationship between dividend policies and stock price movements that constitutes a central issue in finance research since such insights can prove useful to managers and stock market traders in their decision making. In their paper, they considered dividend yield (DY) and dividend payout ratio (DP) as proxies of dividend policy, and investigated their effects on share price volatility through a sample of Mediterranean region bank stocks which were publicly traded during the period 2001 to 2016. Estimations on the whole sample suggest that DY is more significant than DP when explaining volatility; DY was generally positively related to volatility, yet it changed sign when the observations related to the 2008-09 instability were eliminated from the sample. When re estimating the models on the clusters, we noticed the tendency for DP to become a more significant explanatory variable as compared to DY, which is the opposite of the results obtained from the estimations for the entire sample. In addition, we noted further peculiarities in that the reversal in signs reported when the crisis outliers were eliminated did not materialize when the procedure was repeated on the sub-samples. The observation that DY and DP were not consistent throughout our estimations (in terms of the coefficient direction and significance) adds further evidence that the direction of these relationships can change over time and also suggests that there may be sensitivity to the treatment of outlier observations and sampling procedures. In this way one should avoid relying exclusively on statistical significance when assessing such relationships. In addition, these factors can potentially aid in reconciling the mixed evidence in the context

of this area. We also expect these results to be useful from the point of view of corporate financial managers in order to better understand the effects of their dividend policy decisions on share price volatility.24 As regards the limitations of this study, we recognize that the results may be sample specific particularly since the data period comprises events such as the 2007 credit crunch, the European sovereign debt crisis and the oil price crash. In addition we abstracted from the possibility that the market's reaction to dividends may differ in between investor categories, since such differences may not be captured when analyzing data for the aggregate market. The author also reported differences in terms of dividend preferences across sub-groups of professional investors. This study does not account for the intricacy that the volatility induced by dividend-related news could vary in the context of interim dividends and final dividends. The modeling of such features offers an interesting avenue for future research in order to permit a more thorough understanding of the dividend volatility relationship.

Jogiyanto (2017) states that the capital market is an important indicator for studying market behavior, namely investors. Investors will conduct transactions in the capital market based on decisions from various information they have, both public and private information. Thus, the relevance of information can be said as a link between the volumes of trade in the capital market with the existence of that information. The information has to do with choosing the most profitable investment portfolio with a certain level of risk. Information can reduce the uncertainty that occurs, so the decisions taken are expected to be following the expected objectives.

Arkan (2017) investigate the importance of financial ratios derived from financial statements to predict stock price trends in emerging markets. A statistical examination to the prediction power of 12 financial ratios was tested depending on data of 15 companies distributed on 3 sectors for the years 2005–2014 in the Kuwaiti financial market. An equation to estimate the stock price in each sector was built according to the multiple regression model after eliminating non-effective variables with the STEP-WISE method. The results showed that some ratios could give strong positive and significant relationships to stock price behavior and trends, the most effective ratios on the stock price for the industrial sector are ROA, ROE and net profit ratio. Also the most effective ratio on the stock price for the service sector was the ROA, ROE, P/E and EPS ratio and the same for the investment sector. This study concluded that it could rely on a set of

financial ratios for each sector to predict stock price, the decision maker of such investors can rely on the financial analysis presented by the financial ratios when making financial and operational decisions.

Manasseh, Ozuzu, Ogbuabor (2016) tests the consistency of the Nigerian Stock Market with the efficient market hypothesis (EMH) in the semi-strong form using bonus issues as the information generating event. Using daily data, a total of 121 bonus issues were observed and examined for the period 2002-2006. The stocks which were tested were classified according to the size of their bonus issues and also according to the price of the stock to know the impact of information released on the price of different categories of stock. Using the event study methodology, the market and the market adjusted models as well as the vector auto regression models, the study discovered that information release impacts significantly only in the year 2002. Also, it reveals that small bonus issues responded speedily to bonus issues more than medium and large bonus issues. In addition, the test between penny stocks and blue chips shows that only penny stocks were significantly affected.

Fuss (2015) tests of the random walk hypothesis and market efficiency for seven Asian emerging markets as a result of the influence of financial market integration. Random walk properties of equity prices influence the return dynamic and determine the trade strategies of investors. To examine the stochastic properties of local index returns and to test the hypothesis that stock market prices follow a random walk, the single variance ratio tests of Lo and MacKinlay, as well as the multiple variance ratio test of Chow and Denning are employed. The multiple statistical comparison of variance ratios is based on the Studentized Maximum Modulus distribution with control of the joint-test's size. The weak-form market efficiency is also tested directly, using a nonparametric runs test. These tests are particularly useful for investigating stock prices the returns of which are frequently not distributed normally. Documented evidence shows that, from the perspective of local investors, weekly stock prices in major Asian emerging markets do not follow a random walk in the pre-liberalization period. However, in the post-liberalization period the weak-form efficiency hypothesis is generally adopted at the 5% level except for the smaller stock markets of Indonesia and Thailand. 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.

Bista (2021) identified that EPS and DPS of commercial banks in average are fluctuating year by year. MPS is also in fluctuating trend since coefficient of variation of MPS MPS is also in fluctuating trend since coefficient of variation of MPS for the sample banks is 28.17 which indicate the fluctuation. The major findings were nationals and international studies in the field of dividend policy have reported a certain kind of relationship model to explain the relation between price and dividend.

Pradhan (2019) identifies some insight into stock market behavior in Nepalese context by concerning listed and traded shares in secondary market. According to him, this paper is based pooled cross section analysis of 55 observations. Data could not be obtained on contacting the individual enterprise as they traded them confidential.

Shrestha (2020) stated that problems at the NEPSE are twofold. The first is that it is basically annex tension of the casino, with the people speculating rather than investing wisely. The other is that the volume of stock is too low. Globally, the development of stock markets has only worked well when guided by instructional investors rather than individuals. In Nepal, we have individual investors, led by some insiders, who have turned it into a punters den. The stock exchange has been relegated to a resource, with being dependent on the alcohol content in one's blood rather than rational thinking by one's brain. It also states that the NRB should regulate the market and the financial sectors an ongoing exercise, not just a reaction to the latest problem. It is vital that the financial sector is seen to be stable if the country is build credibility as the place to invest in. The business sectors also need to pull up it stocks.

Pradhan (2019) provided some insight into stock market behavior in Nepalese context by concerning listed and traded shares in secondary market. The purpose of this study is to address the stock market equity, market value to book value, price earnings and dividends with liquidity, leverage profitability assets turnover and interest coverage. To find out the above objective, this study is based on cross sectional analysis of 55 observations and the study period of 1986 to 1990. According to him, this paper is based pooled cross section

analysis of 55 observations. Data could not be obtained on contacting the individual enterprise as they traded them confidential.

Bam (2018) indicated that there is a consistent variation in some bank and small variation in their stock prices in some banks but they are showing normal distribution pattern in their stock price behavior. In serial coefficients, all significance values in box L-Jung statistics (based on asymptotic chi-square approximation) signify that the successive price changes are dependent. Therefore, the Nepalese stock market is inefficient in pricing the shares. Runs test results also show that the percentage of deviation between the observed and actual number of runs in the series of price changes is significant. Martingale random walk hypothesis also support the box L-Jung statistics and run test.

To conclude, pricing behavior of Nepalese commercial bank is predictable or nonrandom. As the results indicate, the Nepalese stock market is not efficient even in the weak form which reveals that the informational efficiency of the market needs to be improved. Hence, stock market regulators and policymakers should focus on enhancing efficiency of the market. Investors can benefit from non-random behavior of the stock prices to make informed forecasts of the stock prices and earn superior investment return. However, the results are based on daily price of only eight sample firms from financial industry covering three months only. Future studies can be conducted using larger sample units including firms from other sectors in order to improve generalizability of the study results. Building on the study findings which indicate that stock prices in Nepal are non-random and predictable, further studies aiming in developing stock price forecasting models are interesting vein for future research. Furthermore, employing event study methodology or neural network to ascertain stock price behavior of the Nepalese stock market is a new direction for future research in the area.

Gautam (2017) concluded that the market capitalization, leverage, dividend payout ratio and dividend yield ratio are positively related with stock returns which indicate that higher the market capitalization, leverage, dividend payout, and dividend yield ratio higher would be the stock return. However, book to market ratio, growth of assets and earning price ratio are negatively related with stock returns which shows higher the book to market, growth of assets and earning price ratio lower would be the stock return. The study shows that dividend payout ratio, growth of assets and book to market are

statistically significant at 1% whereas earning price ratio is significant at 5% in model. Similarly, the regression result shows that leverage, dividend payout ratio and dividend yield has positive relation with stock price volatility which indicates that higher leverage, dividend payout ratio and dividend yield, higher would be the stock price volatility. However, book to market ratio, growth of assets, earning price ratio and Market capitalization have negative relationship with stock price volatility which indicates that higher the book to market, growth of assets, earning price ratio and market capitalization, lower would be the share price volatility. The study shows that, dividend yield; dividend payout ratio, growth of assets and earning price ratio are statistically significant at 1% whereas leverage and book to market are significant at 5% in model. Therefore, growth of assets, book to market and earnings price ratio are the major determining variables of stock return of Nepalese commercial banks. Similarly, growth of assets, leverage, dividend payout ratio, book to market and dividend yield are the major determining variables of share price volatility of Nepalese commercial banks.

Joshi (2016) states that DPS is a motivating factor in the Nepalese financial sector which is strong enough to increase market price per share of the banking and non-banking firms. Comparatively, it is also found that the effect of DPS greater than REPS on the impact of market price per share. Lagged market price per share is an accelerator to increase market price per share in subsequent years. Finally, the study shows that dividends and retained earnings significantly explain the variations in share price in both banking and nonbanking sectors. The impact of dividend, however, is much more pronounced than that of the retained earnings. The relation of dividends and retained earnings on share price is positive in all cases. Stocks with large PE ratios have lower liquidity, higher leverage, lower profitability, lower assets turnover, and lower interest coverage. However, liquidity, leverage, earning turnover, and interest coverage are all more variable for stocks with smaller PE ratios as compared to large ones.

Shrestha (2015) states that monetary policy directly affects stock prices. He also found that The NRB Monetary Policy had an impact on the performance of stock market as investors were lured into buying shares of commercial banks at higher market price with the expectation that banks would issues bonus shares to increase its capital base to Rs. 100 million. As a result, there had been tremendous demand for shares of commercial banks in every day transaction raising stock market index to unexpected highs.

The summary of the major articles on this subject matter is presented in Table 1.

Table 1

*Summary of empirical studies*

| S/N | Author, Date of Publication | Article | Objective | Methodology | Findings |
|---|---|---|---|---|---|
| **1.** | **Raja Chetri ,2023** | Studied on Factors Affecting the Share Price of Commercial Banks in Nepal. | The main purpose of the study is to examine the factors affecting the share price of commercial banks in Nepal, considering the internal and external factors like size, EPS, P/E Ratio, BVPS ROA, Inflation, broad money supply and gross domestic product on the stock price. | The pooled cross-sectional data analysis has been undertaken in the study. The research design adopted in this study is causal-comparative type as it deals with the relationship of firms' specific and macroeconomic variables with market price per share. From the year 2012 to 2022, from 13 Commercial banks in Nepal. | Regression analysis shows the relationship between the internal and external factors influencing the share price of listed commercial banks of Nepal. |
| **2.** | **Rahmawati, Hadian ,2022** | The influence of Debt Equity Ratio (DER), Earning Per Share (EPS), and Price Earning Ratio (PER) on stock price | This study aims to determine how the debt-to-equity ratio, earnings per share, price earning ratio, and stock prices are described in consumer goods industry sector companies listed on the | The research method used in this research is explanatory. The sampling technique used in this study is non probability sampling with a purposive sampling method so that the sample size is 34 | The results showed that the debt to equity ratio, earnings per share, and price earning ratio affected stock prices. |

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| | | | Indonesia Stock Exchange for the period 2016-2018. | companies in the consumer goods industry sector listed on the Indonesia Stock Exchange | |
| **3.** | **Renatas Kizys, Panagiotis Tzouvanas, Michael Donadelli**, **2021** | Studied on From COVID-19 herd immunity to investor herding in international stock markets | The objectives of the study are to analyze the novel corona virus COVID-19 pandemic can mitigate investor herding behavior in international stock markets. | Descriptive and Analytical research design were used. | Third, short-selling restrictions, temporarily imposed by the national and supranational regulatory authorities of the European Union, appear to exert a mitigating effect on herding. Finally, our results are robust to a range of model specifications |
| **4.** | **Evangelos Drymbetas, 2019** | Studied on Short-term Stock Price Behavior around European Cross-border Bank M&As. | The objectives of the study are to explores the short-term stock price reaction of cross-border bank mergers and acquisitions (M&As) In specific, | Descriptive and Analytical research design were used. | The differential market behavior between bidders and targets is more evident when the return on equity of the involved banks is taken into account. |
| **5.** | **Teppo Martikainen ,2018** | Researched on Modeling stock price behavior by financial ratios. | The objectives of the study are to find out the economic dimensions of the firm are reflected in stock price behavior in the Finnish stock market | Descriptive and Analytical research design were used | Empirical evidence strongly indicates that financial ratios represent pricing relationships in a substantive manner. |
| **6.** | **Sarbapriya Ray,2018** | Studied on Testing Granger Causal | Evidence from India the | With a view to accomplish the | The results have implications on |

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| | | Relationship between Macroeconomic Variables and Stock Price Behavior | objectives of the study are to explore the impact of different macroeconomic variables on the stock prices in India using annual data. | stipulated set of objectives of our study, different Methods have been adopted. First of all, to fulfill the research objectives, trend analysis is done to get a pictorial view of the movement in the variables under consideration | domestic as well as foreign investors, stock market regulators, policy makers and stock market analysis. |
| **7.** | **Thomas Arkan, 2017** | Studied on 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. | Return on assets (ROA) has been defined by Hargrave (2022) as a profitability ratio indicating how profitable a company is in relation to its total assets. In other words, ROA shows the efficiency of company in utilizing its assets to generate earnings (Arkan, 2016) | The decision maker of such investors can rely on the financial analysis presented by the financial ratios when making financial and operational decisions. |
| **8.** | **Roland Fuss,2015** | Published an article Financial Liberalization and Stock Price Behavior 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 | The weak-form market efficiency is also tested directly, using a nonparametric runs test. These tests are particularly useful for investigating | Findings suggest that financial integration affects the return predictability in such a way that domestic investors might not be able to develop trading |

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| | | | | stock prices the returns of which are frequently not distributed normally. | strategies allowing them to earn abnormal returns. |
| **9.** | **Sherpa ,2014** | Published an article proposing that efficient markets are constituted by a substantial number of rational, profit-driven, independent buyers. | The degree of market efficiency is a key determinant of economic outcomes and investment strategies. | Descriptive and Analytical research design were used | From an economic perspective, precise security valuations are indispensable for optimal capital deployment. Mispricing securities leads to capital misallocation. |
| **10.** | **Dangol. J, 2011** | Published an article on Stock Market Efficiency in Nepal: A Variance Ratio Test | It examines the stochastic behavior of Nepalese equity prices. | The study is predicated on the assumption of market efficiency and a random walk process for the return series. Should this premise be accurate, historical data, including past prices, would be inconsequential in forecasting future stock valuations within the Nepalese stock exchange. | Empirical studies investigating weak-form market efficiency demonstrate that stock prices in the majority of developed stock markets are stochastically determined. |
| **11.** | **Bista ,2021** | Conducted a Study on "Impact of Dividend on Market Price of Shares of Selected Commercial | The calculation EPS and DPS of commercial banks in average are fluctuating year by year. MPS is | The calculation EPS and DPS of commercial banks in average are fluctuating year by year. MPS is | The major findings were nationals and international studies in the field of dividend policy have reported a |

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| | | Banks" | also in fluctuating trend since coefficient of variation of MPS | also in fluctuating trend since coefficient of variation of MPS for the sample banks is 28.17 which indicate the fluctuation. | certain kind of relationship model to explain the relation between price and dividend. |
| **12** | **2020** | Conducted a Study on "A Study on Dividend Policy and Its Impact on Stock Price of Selected Commercial Banks". | The main objectives were identifying the trend and development of stock market and economic growth. | ROA may be alternatively referred to as the profit-to-assets ratio. It measures the degree to which management optimizes the deployment of assets to yield financial gains. | While comparing the impact of EPS and lagged DPS on DPS, It is found that there is normal positive role of change in EPS to change the DPS but there is nominal or very less role of lagged DPS.CBL is highest of the firms. |
| **13** | **Kunwar, 2019** | Conducted a Study on "Financial Performance Indicators and Stock Price Behavior of Listed Companies in NEPSE". | The banking sector's shares proved to be a major draw for potential investors, underscoring its dominant role in the stock market. | By means of the classical event study methodology, we investigate the stock price repercussions of cross-border bank mergers and acquisitions through the calculation of abnormal returns for both acquiring and target entities. Furthermore, we implement multivariate regression analysis to ascertain the determinants of | Previous studies have utilized a restricted set of tools, including run tests, serial correlation, and risk-return analysis, to investigate the price dynamics of specific equities. |

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| | | | | value generation from these cross-border transactions. | |
| **14** | **Pradhan, 2019** | Published an article on "Stock Market of Small Capital Market in Nepalese Context" | Elucidates aspects of Nepalese stock market behavior by concerning traded shares in secondary market. | Basic efficient market hypothesis posits that the market cannot be beaten because it incorporates all important determining information into current share prices | According to him, This paper conducts a pooled cross-sectional analysis of observations, combining data from multiple time periods and cross-sectional units. |
| **15** | **Biniya, 2018** | Conducted a research on "Share Price Behavior of commercial Banks and effect of microeconomic Variables in Nepalese Stock Market | The objectives of the study were study and analyze stock price trend and behavior of the selected commercial bank, draw the main influencing factors of share price and examine the impacts of GDP, rate | ROA, or profit-to-assets ratio, gauges management's efficiency in utilizing assets to generate profits | There was no significant relationship between GDP and NEPSE, which indicate that higher annual NEPSE index did not have positive relationship with GDP. |
| **16** | **Sapkota, 2017** | Conducted a research on "Stock Price Behavior of Listed Finance Companies in Nepal". | The core purposes are to scrutinize the share price and turnover of stocks in the aftermarket, probe the correlation between BVPS and MVPS of finance companies, and analyze the risk-return trade-off of common stock | ROA is a financial metric that evaluates how well a company leverages its assets to produce net income. | The regulatory body should impose effective provision to its member to control excessive price flections, conduct periodic research stock issue, and avail the findings to the public, which would help people make better investment decision. |

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| | | | investments in selected finance companies. | | |
| **15** | **G.C, 2016** | conducted a study on "Stock Market Behavior in Nepal" gives some important insight into the Nepalese stock market | The main objectives were recognizing the affect of factors of macro environment (cultural and political) upon stock market with the degree and significance. | The forecasting rules (heuristics) introduced here are not derived at the micro level and then aggregated. Instead, they are imposed ex post, once the demand and supply equations are derived. | This further confirms the conclusion that Nepalese stock market is highly concentrated to one or group of the industrial sector(s). The market is highly concentrated at the banking sector. |
| **18** | **Jain, 2016** | Effect in the Nepali Capital Market | Essential data and information are procured from diverse origins. The present study is underpinned by secondary data obtained from annual reports, trading reports, and official stock exchange archives. | The concepts and practices prevailed on the then period when study were made are not exactly same as of two days concepts and practices. Hence, conducting recent study on dividend policy based on the previously developed model is the main of reviewing Literature in the dividend policy. | The stock market of Nepal is in its developmental phase and necessitates the collaborative efforts of all concerned entities. The government should institute and enforce comprehensive regulations to stimulate growth in the stock market, The Listed companies should prioritize regulatory compliance, timely financial reporting, and fair market practices |
| **19** | **K.C, 2015** | Conducted a study on "The Efficient | The overarching objectives were to undertake a | ROA, or profit-to-assets ratio, measures | The study utilized a diverse array of statistical |

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| | | Market Hypotheses and Behavior of the Share Prices in Nepal". | comprehensive study of weak and other market efficiency hypotheses. | management's efficiency in generating profits from assets. | methodologies, encompassing serial correlation, the run test, weighted mean, median, chi-square test, and Spearman's rank correlation. |
| **20** | **Poudel, 2014** | conducted a study on "A Study Share Price Movement of Joint Venture Commercial Banks in Nepal" | The main objectives is to examine how risky are the investments on commercial bank along with other objectives. Examine the forms of EMH (Efficient market hypothesis) that Nepal stock exchange market comprised. | The MVPS dose accommodates all the available historical information. The study is revealed that the publicly available information does not fully support the share price movement. | The major findings were financial indicators and ratio analysis techniques to evaluate the overall financial position of sample companies. |
| **21** | **Ojha, 2013** | Conducted a study on "Financial Performance and Common Stock Pricing". | In addition, historically established corporations demonstrated relatively consistent profitability metrics in comparison to those founded post-economic liberalization. | The firms' earnings per share were more consistent than their dividend payout ratio. Consequently, the payout ratio and dividend yields experienced significant fluctuations during the study period. | he primary findings indicated that the Nepalese Stock Market was experiencing a period of expansion, characterized by the significant influence of the banking sector. Consequently, the stock prices of other industries, including finance, insurance, and manufacturing, exhibited limited growth potential. |

## 2.3 Research gap

Research gap refers to the gap between previous research and this research. Many research studies have been conducted by the different students, experts and researcher about Nepalese stock market. There have been fund numerous research studies on Nepalese securities market & SEBON some studies are related to NEPSE Index some others are related to IPO, problems and prospects of stock market, determinants of stock price but the study on 'Stock Price Behavior Of Commercial Bank of Nepal' has not been found yet. The financial and statistical tools used by most of the researchers were ratio analysis, correlation and regression analysis. This study includes financial and tactical tools Hypothesis testing, correlation analysis, trend analysis as specific tools. The study can be beneficial to all the concerned parties and people as well.

# CHAPTER III
# RESEARCH METHODOLOGY

This chapter is dedicated to elucidating the methodological framework and financial parameters adopted for this research endeavor. It encompasses a detailed examination of the research design, data sources, sampling methodology, and statistical and financial techniques employed in data analysis.

## 3.1 Research Design

Research design is a carefully formulated strategy for investigating a particular research problem. It is the overall operational pattern of framework for the dissertation that stipulates what information is to be collected, form which sources and by what procedures (Sekaran, 2016). The primary goal of the descriptive research was to characterize, interpret, and corroborate the results. Causal comparative also known as explanatory research was also conducted in order to identify the extent and nature of cause and effect relationship between the variables. This research design is selected for the study to determine how dependent variables are influenced by the change in independent variable. This research utilizes census data collected over a ten-year period, from fiscal year 2012/013 to fiscal year 2022/023.

## 3.2 Population and Sample

The study utilizes data from commercial banks that are publicly traded. Among the 20 listed commercial banks (as of 2024/02/06), a sample of 5 banks was chosen to gauge the capital market's performance.

The banks included in this sample are:

- Standard Chartered Ban
- NABIL Bank Limited
- Everest  Bank Limited
- Himalayan Bank Limited
- Kamari Bank Limited

## 3.3 Nature and Sources of Data Collection and instrument of data collection

This investigation is grounded in secondary data procured from multiple repositories. The data is procured from annual and trading reports, stock exchange official records, bank annual reports, and internet websites (www.nepalstock.com). A digital review of data

from NRB, the Ministry of Finance, national and international journals, and sample banks was conducted. The method of collecting data is secondary.

### 3.4 Method of Analysis

The secondary data was subjected to data cleaning, coding, and tabulation. Subsequent descriptive statistical and financial analysis was performed to extract relevant insights. In addition to the descriptive statistics, the present study has also used inferential statistical tools like correlation and regression to analyse the association between the stock price of the selected private-sector bank of Nepal.

#### 3.4.1 Model specification

Since this study is based on causal comparative research design, a regression based model has been formulated. It is formulated as:

$ROE = \alpha + \beta 1\ LnSTI + \beta 2\ LnLTI + ei$

Where,

ROE = dependent variable

LnSTI = independent variable one (logarithm of STI)

LnLTI = independent variable two (logarithm of LTI)

$\beta 1$ = coefficient of independent variable one

$\beta 2$ = coefficient of independent variable two

ei = error terms

##### 3.4.1.1Mean/Average

Mean, is determined by calculating the sum of all values and dividing by the sample size. It is in fact, a value which is represented to stand for whole group of which it is a part, as typical of all the values in the group.

##### 3.4.1.2 Standard Deviation

Statistical dispersion ($\sigma$) is another measure of investment risk. It is a raw measure of dispersion. The less volatile a stock, the less risky it is. In simpler terms, a low standard deviation signifies a high degree of sameness within the data and the series, and the reverse is also valid. The formula for calculating the standard deviation is.

Standard deviation ($\sigma$) =1

### 3.4.1.3Coefficient of Variation

The coefficient of variation (CV) provides an additional metric for assessing risk. It is the standard deviation divided by the expected return, which measures risk-adjusted return. It allows for a more accurate risk-adjusted comparison of investments with varying return profiles. When investors expect higher returns for higher risks, the coefficient of variation efficiently summarizes this risk-return trade-off. Consequently, it is utilized to differentiate the extent of fluctuation in multiple datasets.

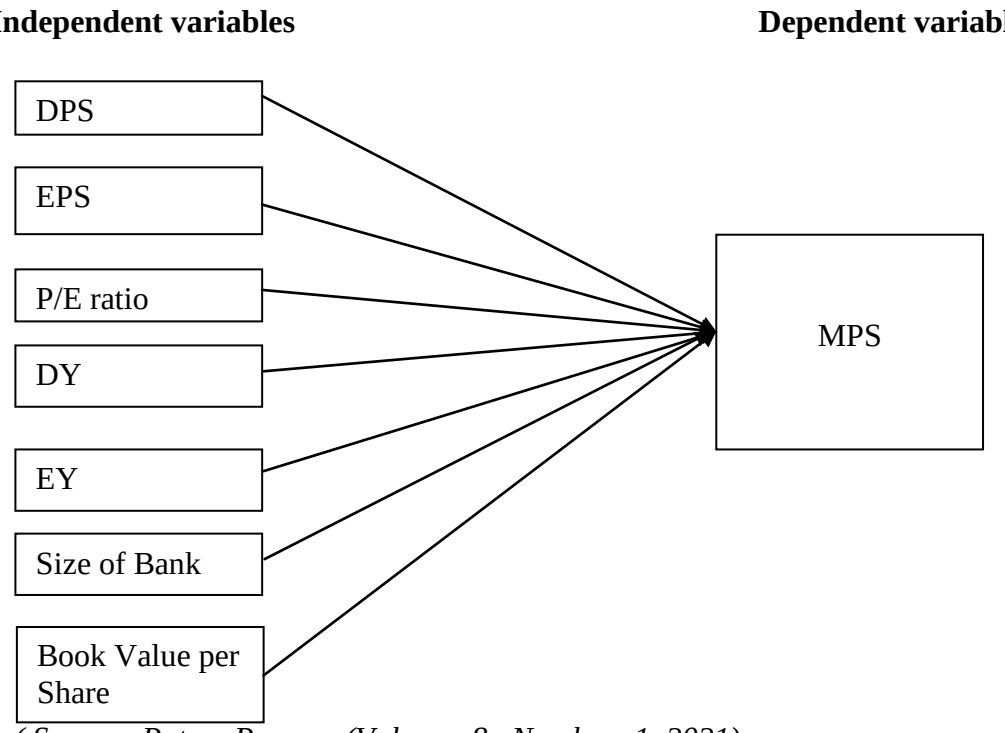
Coefficient of Variation (CV) = 100 *x*

### 3.4.1.4 Karl Pearson's Coefficient of Correlation

Karl Pearson's Coefficient of Correlation is a statistical measure that assesses the degree and direction of a linear relationship between two continuous variables. The correlation shows a specific value of a degree of a linear relationship X and Y variables. Karl Pearson' Coefficient of Correlation is an extensively used mathematical method in which A numerical measure of linear relationship is applied to quantify the link between two variables. The coefficient of correlation is expressed by "r". rnXYXY n X2 - X2 n Y2 Y 2

## 3.5 Research framework and definition of the variables

A research framework guided the study's focus on key variables. Divided per share, Market price per share, Price Earnings Ratio, Dividend Payout Ratio and Dividend Yield are independent variable whereas Earning Per Share (EPS) is the dependent variable. A visual representation of the study's research framework is provided in Figure 1.




*( Source: Patan Pragya (Volume: 8, Number: 1 2021)*

*Figure1. Research framework of the study*

### 3.5.1 Earning Price per Share

The bottom-line performance of a company, as it directly impacts the returns to ordinary shareholders, is captured by EPS. It measures the profitability of a company on a per-share basis, reflecting the amount of net income attributable to each share of common stock. It is the ratio of net income available to common shareholders to the weighted average number of common shares outstanding. The net earnings attributable to ordinary shareholders are calculated by subtracting taxes and preference dividends from total net profits. EPS is a pivotal indicator of corporate prosperity, closely observed by the investing community. Thus,

$$\text{EPS} = \frac{\text{Net Profit to equity holders}}{\text{No of stocks outstanding}}$$

### 3.5.2 Dividend per Share

Dividend is the portion of a company's net income that is allocated to shareholders. The net profits are divided into two parts: one part is retained by the company for future use, and the other part is paid out to the equity shareholders as dividends. The dividend apportioned to each shareholder is termed DPS. This is computed by dividing the net

profit distributed among shareholders by the total number of ordinary shares.Mathmatically,

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

### 3.5.3 Price Earning Multiple

Price earning multiple is the relationship between earning per share and market price of the stock. Earnings per share shows the company's performance in the sense that how well the company has managed its material as well as human resources to satisfy the interest of stockholders. So, P/E multiple reflects the price currently being paid by the market for each rupee of currently reported EPS.

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

### 3.5.4 Dividend Yield

Dividend yield reflects the annual income earned by an investor for each share owned. Dividend yield is determined by the quotient of cash dividend per share and market value per share.

$$\text{Dividend Yield} = \frac{\text{Dividend per Share}}{\text{Market Value per Share}}$$

### 3.5.5 Earning Yield

The earning yield may be defined as the ratio of earning per share to the market value per ordinary share. Earning yield is also called earning price ratio.

$$\text{Earning Yield} = \frac{\text{Earning per Share}}{\text{Market Value per Share}}$$

It is imperative to be acquainted with the general concepts of the share and other related matters and a contextual analysis of the banks general profiles to underpin the subsequent analysis of share price movements.

### 3.5.6 Book Value Per Share

Book value per share (BVPS) indicates the net book value of a company on a per-share level. BVPS is found by dividing equity available to common shareholders by the number of outstanding shares. The book value of a company represents the difference between its total assets and total liabilities. The book value per share indicator assists investors in assessing whether a stock is underpriced by contrasting it with the company's market

value per share. Book value per share is the per-share amount shareholders obtain in a liquidation scenario, after selling tangible assets and fulfilling all liabilities.

$$\text{BVPS} = \frac{Total\ Equity - Preferred\ Equity}{Total\ Shares\ Outstanding}$$

A company's stock is considered undervalued when BVPS is higher than a company's market value or current stock price. When the BVPS improves, the stock is viewed as having greater worth, which may lead to a price increase.

When a company's market value falls under its book value per share, a corporate raider might exploit this by purchasing the business and breaking it up for a guaranteed profit. When a company's book value is negative, indicating its liabilities exceed its assets, it is described as being in balance sheet insolvency.

Considering the research framework and study objectives, it is clear that the study focuses on analyzing the impact of variables namely short term and long term investment towards return on equity.

# CHAPTER IV
# RESULTS AND DISCUSSION

This paper is designed to examine the implications of short-term and long-term investments on profitability of commercial bank in Nepal. This chapter presents and analyzes the gathered data. It aims to scrutinize the data collected and present the findings of the study. It applies various statistical approaches and methods to identify the aim of the study. It outlines the results and insights based on descriptive and inferential analysis.

## 4.1 Analysis of data

This study primarily relies on analysis of secondary data to derive the empirical findings on the study. Data that has been collected are shown in figures for greater visibility and clarity. The data has been presented with limited time period of last ten years from 2013 to 2023. And it has been using mean, standard deviation, coefficient of variation, correlation and regression analysis. For analyzing the relationship between independent variable and dependent variable correlation and regression analysis were used. The sources of tables presented below are output from annual reports of selected banks.

The data related to short term investment, long term investment and ROE were gathered and examined using different approaches to address the research questions. The research question is the problem that a research project endeavors to solve. Data are being examined to determine the meaningful impact of short-term and long-term investments on profitability and to assess the notable correlation between short-term and long-term investments and profitability. The short term and long term investment and ROE of year 2013 to 2023 are presented below with figures.

### 4.1.1 Profitability Position of Selected Commercial banks

EPS quantifies the portion of a company's earnings allocated to each ordinary share, signifying shareholder value. It determines the amount of profit attributable to each individual share held by equity investors. It's calculated by taking the profits for shareholders and dividing them by the number of shares out there. Ordinary shareholders get the profits that are left after paying taxes and the preferred shareholders. Earnings per share (EPS) is a closely scrutinized financial metric that is widely regarded as a significant barometer of a company's prosperity.

From among the listed companies, the researcher has chosen 4 listed private commercial banks that falls in class 'A'. The summary of the financial data of the sample listed companies of the study are presented with ten years data (from fiscal year 2013/14 to 2022/23).

**Table 4.1**

*Earnings Per Share (%) of Selected Banks*

| Year | SCBNL | NABIL Bank | EBL | HBL | KBL |
|---|---|---|---|---|---|
| 2013/14 | 65.47 | 83.38 | 86.04 | 33.37 | 18.69 |
| 2014/15 | 57.38 | 57.24 | 78.04 | 43.03 | 16.24 |
| 2015/16 | 45.96 | 59.27 | 65.97 | 33.55 | 26.53 |
| 2016/17 | 35.49 | 58.41 | 44.32 | 35.15 | 13.29 |
| 2017/18 | 27.33 | 51.84 | 32.78 | 23.11 | 14.54 |
| 2018/19 | 30.39 | 50.57 | 38.05 | 32.44 | 14.81 |
| 2019/20 | 24.81 | 36.16 | 29.71 | 27.60 | 12.08 |
| 2020/21 | 16.32 | 33.57 | 19.91 | 28.07 | 14.20 |
| 2021/22 | 23.92 | 18.64 | 26.30 | 18.26 | 17.54 |
| 2022/23 | 36.75 | 23.67 | 31.43 | 9.18 | 1.97 |
| N=10 | 363.82 | 472.75 | 452.55 | 283.76 | 149.89 |
| Mean | 36.38 | 47.28 | 45.26 | 28.38 | 14.99 |
| S.D | 15.60 | 19.41 | 23.12 | 9.59 | 6.12 |
| CV | 0.43 | 0.41 | 0.51 | 0.34 | 0.41 |
| Minimum | 16.32 | 18.64 | 19.91 | 9.18 | 1.97 |
| Maximum | 65.47 | 83.38 | 86.04 | 43.03 | 26.53 |

*(Source: Appendix )*

Table 4.1 show that the average EPS of all sample banks are ranges from 14.99 to 47.28.The market leader in this segment is NABIL with the average EPS of Rs 51.25. The average NABIL's EPS is the greatest among the entire set of selected samples. Based on EPS, the stock of NABIL is the optimal investment option. Elevated EPS levels tend to correlate with increased market capitalization.

The standard deviation shows the volatility of EPS. The more SD any bank has, the more volatility it has, and more volatility means more unstable earning. NABIL has comparatively highest and KBL has lowest SD, which are 19.41 and 6.12 respectively.

### 4.1.2 Dividend Position of Selected Banks.

The study topic concerned to the dividend of the banks. It has taken the dividend paid by five sample banks for the ten financial years. Under this, only cash dividend per share (Rs) is analyzed but stock dividend also concerned and analyzed in total DPS heading. At this point, it is of utmost importance to scrutinize the relevant dividend data for the purpose of this analysis.

**Table 4.2**

*Dividend Per Share (%) of Selected Banks*

| Year | SCBNL | NABIL Bank | EBL | HBL | KBL |
|---|---|---|---|---|---|
| 2013/14 | 60.59 | 91.72 | 53.34 | 16.42 | 6.49 |
| 2014/15 | 36.39 | 25.00 | 27.31 | 14.27 | 1.88 |
| 2015/16 | 16.93 | 35.56 | 46.18 | 9.27 | 5.86 |
| 2016/17 | 39.22 | 38.55 | 14.63 | 9.72 | 1.69 |
| 2017/18 | 9.57 | 29.03 | 6.56 | 6.14 | 1.24 |
| 2018/19 | 13.68 | 28.32 | 9.51 | 11.03 | 1.56 |
| 2019/20 | 4.14 | 13.39 | 3.13 | 7.18 | 1.81 |
| 2020/21 | 2.63 | 14.23 | 2.05 | 8.60 | 1.23 |
| 2021/22 | 7.90 | 7.74 | 5.18 | 5.52 | 2.19 |
| 2022/23 | 13.97 | 5.21 | 6.45 | 0.00 | 0.00 |
| Mean | 20.50 | 28.87 | 17.43 | 8.81 | 2.40 |
| S.D | 18.79 | 24.86 | 18.60 | 4.62 | 2.08 |
| CV | 0.92 | 0.86 | 1.07 | 0.52 | 0.87 |
| Minimum | 2.63 | 5.21 | 2.05 | 0.00 | 0.00 |
| Maximum | 60.59 | 91.72 | 53.34 | 16.42 | 6.49 |

*(Source: Appendix.)*

Table 4.2; Shows the DPS of sample banks from the year 2013/14 to 2022/23.In analysis period, Nabil Bank has paid higher dividend to its shareholders in an average and Kumari Bank paid lower dividend. DPS of Nabil is fluctuating trend during the study period. The

highest DPS of Nabil is Rs.91.72 with lowest is Rs.5.21 in the year 2013/14 and 2022/23 respectively.

DPS shows that there is highest gap between Nabil and KBL in 2013/14 and minimum gap in 2022/23.

### 4.1.3 Market Value Per Share Position of Selected Banks

**Table 4.3**

*Market Value Per Share of Selected Banks*

| Year | SCBNL | NABIL Bank | EBL | HBL | KBL |
|---|---|---|---|---|---|
| 2013/14 | 2799.00 | 2535.00 | 2631.00 | 813.00 | 536.00 |
| 2014/15 | 1943.00 | 1910.00 | 2120.00 | 1500.00 | 380.00 |
| 2015/16 | 3600.00 | 2344.00 | 3385.00 | 886.00 | 0.00 |
| 2016/17 | 2295.00 | 1523.00 | 1353.00 | 886.00 | 327.00 |
| 2017/18 | 755.00 | 921.00 | 663.00 | 551.00 | 199.00 |
| 2018/19 | 682.00 | 800.00 | 666.00 | 552.00 | 220.00 |
| 2019/20 | 645.00 | 765.00 | 675.00 | 540.00 | 186.00 |
| 2020/21 | 590.00 | 1359.00 | 738.00 | 484.00 | 371.00 |
| 2021/22 | 396.00 | 824.00 | 439.00 | 299.20 | 191.00 |
| 2022/23 | 530.00 | 599.20 | 563.00 | 212.80 | 165.00 |
| Mean | 1423.50 | 1358.02 | 1323.30 | 672.40 | 257.50 |
| S.D | 1145.53 | 699.55 | 1032.11 | 369.49 | 148.89 |
| CV | 0.80 | 0.52 | 0.78 | 0.55 | 0.58 |
| Minimum | 396.00 | 599.20 | 439.00 | 212.80 | 0.00 |
| Maximum | 3600.00 | 2535.00 | 3385.00 | 1500.00 | 536.00 |

*(Source: Appendix.)*

Table 4.3 shows that the market price per share of the selected bank from the year 2013/14 to 2022/23. The average MVPS of SCBNL is higher i.e. Rs.1423.50 and the average MVPS of KBL is lower i.e Rs.257.50. Likewise, MVPS of SCBNL is the highest of Rs.3600 and the least of Rs.396 with corresponding year 2015/16 and 2021/22 respectively.

On the other hand, MVPS of KBL is the highest of Rs.536 and the least at Rs.0 with the corresponding year 2013/14 and 2015/16 respectively. Trend of MVPS of SCBNL and

KBL is fluctuating trend during the study period. MVPS ratio shows that there is highest gap between SCBNL and KBL in 2015/16 and minimum gap in 2021/22.

### 4.1.4 Price Earnings Ratio

This ratio represents the market price for each rupee of the reported Earnings per Share (EPS) at present. It is computed by dividing the market value per share (MVPS) by earnings per share. Price-to-Earnings ratio ratio reflects the investor's outlook regarding the company's financial stability. It provides insight into the financial security for the owner and also signals the market valuations of various banks.

**Table 4.4**

*P-E Ratio (Times)*

| Year | SCBNL | NABIL Bank | EBL | HBL | KBL |
|---|---|---|---|---|---|
| 2013/14 | 42.75 | 30.40 | 30.58 | 24.36 | 28.68 |
| 2014/15 | 33.86 | 33.37 | 27.17 | 34.86 | 23.40 |
| 2015/16 | 78.33 | 39.55 | 51.31 | 26.41 | 0.00 |
| 2016/17 | 64.67 | 26.07 | 30.53 | 25.21 | 24.60 |
| 2017/18 | 27.63 | 17.77 | 20.23 | 23.84 | 13.69 |
| 2018/19 | 22.44 | 15.82 | 17.50 | 17.02 | 14.85 |
| 2019/20 | 26.00 | 21.16 | 22.72 | 19.57 | 15.40 |
| 2020/21 | 36.15 | 40.48 | 37.07 | 17.24 | 26.13 |
| 2021/22 | 16.56 | 0.00 | 16.69 | 16.39 | 10.89 |
| 2022/23 | 14.42 | 25.31 | 17.91 | 23.18 | 83.76 |
| Mean | 36.28 | 24.99 | 27.17 | 22.81 | 24.14 |
| S.D | 20.71 | 12.15 | 10.86 | 5.62 | 22.63 |
| CV | 0.57 | 0.49 | 0.40 | 0.25 | 0.94 |
| Minimum | 14.42 | 0.00 | 16.69 | 16.39 | 0.00 |
| Maximum | 78.33 | 40.48 | 51.31 | 34.86 | 83.76 |

*(Source: Appendix.)*

The table 4.4 shows price earnings ratio from the year 2013/14 to 2022/23 of selected banks. The average P/E ratio of SCBNL, NABIL, EBL, HBL and KBL is 36.28, 24.99, 27.17, and 22.81, and 24.14 times respectively. Similarly, this ratio of SCBNL is the highest to 78.33 times in 2015/16 and the lowest to 16.56 times in 2020/21.

P/E ratio shows that there is highest gap between SCBNL and KBL in 2015/16 and minimum gap in 2021/22.

### 4.1.5 Dividend Yield Ratio

This ratio indicates the link between dividend per share and market value per share. It is found by dividing the dividend per share by the market price of the share. The dividend yield ratio is strongly influenced by the market price per share. This ratio has a strong effect on the market value per share because a change in the dividend per share can result in a meaningful change in the market value of that share. Therefore, prior to the allocation of a market scenario and price fluctuation, it must be analyzed and assessed for the long-term sustainability of the banks.

Table 4.5

*Dividend Yeild (%)*

| Year | SCBNL | NABIL Bank | EBL | HBL | KBL |
|---|---|---|---|---|---|
| 2013/14 | 2.16 | 3.62 | 2.03 | 2.02 | 1.21 |
| 2014/15 | 1.87 | 1.31 | 0.00 | 0.95 | 0.49 |
| 2015/16 | 0.47 | 1.52 | 0.00 | 1.05 | 0.00 |
| 2016/17 | 1.71 | 2.53 | 0.00 | 1.10 | 0.52 |
| 2017/18 | 1.27 | 3.15 | 0.00 | 1.11 | 0.62 |
| 2018/19 | 2.01 | 3.54 | 1.43 | 2.00 | 0.71 |
| 2019/20 | 0.64 | 1.75 | 0.46 | 1.33 | 0.97 |
| 2020/21 | 0.45 | 1.05 | 0.28 | 1.78 | 0.33 |
| 2021/22 | 1.99 | 0.94 | 1.18 | 1.84 | 1.15 |
| 2022/23 | 2.63 | 0.87 | 1.15 | 0.00 | 0.00 |
| Mean | 1.52 | 2.03 | 0.65 | 1.32 | 0.60 |
| S.D | 0.77 | 1.09 | 0.74 | 0.62 | 0.43 |
| CV | 0.51 | 0.54 | 1.13 | 0.47 | 0.71 |
| Minimum | 0.45 | 0.87 | 0.00 | 0.00 | 0.00 |
| Maximum | 2.63 | 3.62 | 2.03 | 2.02 | 1.21 |

*(Source: Appendix.)*

Table 4.5 shows dividend yield ratio analysis from the year 2013/14 to 2022/23. The average this ratio of SCBNL, NABIL, EBL, HBL and KBL is 1.52, 2.03, 0.65, 1.32 and 0.60 respectively. This average ratio of SCBNL is higher to 2.16 and KBL is 1.21 in year

2013/14. Likewise, this ratio of SCBNL is the Lower to 0.45 in 2020/21 and KBL to 0 % in year 2015/16.

Dividend yield ratio of KBL is fluctuating trend during the study period.

### 4.1.6 Return on assets (ROA)

This ratio shows the percentage of profit a company earns in relation to its overall resources. It is commonly defined as net income divided by total assets. Net income is derived from the income statement of the company and is the profit after taxes.

**Table-4.6**

*Return on Assets (%)*

| Year | SCBNL | NABIL Bank | EBL | HBL | KBL |
|---|---|---|---|---|---|
| 2013/14 | 2.51 | 2.89 | 2.25 | 1.34 | 1.10 |
| 2014/15 | 1.99 | 2.06 | 1.85 | 1.94 | 0.99 |
| 2015/16 | 1.98 | 2.32 | 1.61 | 2.03 | 1.72 |
| 2016/17 | 1.84 | 2.69 | 1.72 | 2.19 | 1.12 |
| 2017/18 | 2.61 | 2.61 | 1.97 | 1.67 | 1.27 |
| 2018/19 | 2.61 | 2.11 | 1.94 | 2.21 | 1.17 |
| 2019/20 | 1.71 | 1.58 | 1.42 | 1.79 | 0.76 |
| 2020/21 | 1.22 | 1.71 | 0.89 | 1.68 | 1.04 |
| 2021/22 | 1.83 | 1.20 | 1.13 | 1.09 | 1.22 |
| 2022/23 | 2.29 | 1.42 | 1.41 | 0.47 | 0.14 |
| Mean | 2.06 | 2.06 | 1.62 | 1.64 | 1.05 |
| S.D | 0.45 | 0.57 | 0.41 | 0.54 | 0.40 |
| CV | 0.22 | 0.28 | 0.26 | 0.33 | 0.38 |
| Minimum | 1.22 | 1.20 | 0.89 | 0.47 | 0.14 |
| Maximum | 2.61 | 2.89 | 2.25 | 2.21 | 1.72 |

*(Source: Appendix.)*

Table 4.6 shows Return on assets from year 2013/14 to 2023/23. The average return on assets of SCBNL, NABIL, EBL, HBL and KBL is 2.06 %, 2.06 %,1.62 %,1.64 % and 1.05 % respectively. Similarly, Average ROA of Nabil is the maximum to 2.89 % and KBL is minimum to 0.14 % During the study Period. Likewise, ROA of NABIL is minimum to 1.20 % and KBL is maximum to 1.72 % with the corresponding.

Trend of ROA of Nepalese commercial banks is fluctuating over the study period. ROA shows that there is highest gap between NABIL and KBL in 2012/13 and minimum gap in 2021/22.

### 4.1.7 Return on Equity

Return on equity (ROE) is an indicator of financial performance, derived by dividing net income by shareholders' equity. As shareholders' equity represents the difference between a company's assets and obligations, ROE may be seen as the return on net assets.

**Table-4.7**

*Return on Equity (%)*

| Year | SCBNL | NABIL Bank | EBL | HBL | KBL |
|---|---|---|---|---|---|
| 2013/14 | 26.27 | 27.97 | 86.04 | 17.06 | 14.06 |
| 2014/15 | 21.69 | 22.73 | 78.04 | 24.53 | 11.12 |
| 2015/16 | 17.18 | 25.61 | 65.97 | 21.22 | 10.17 |
| 2016/17 | 11.98 | 26.65 | 44.32 | 21.58 | 6.67 |
| 2017/18 | 18.66 | 20.94 | 32.78 | 14.17 | 9.93 |
| 2018/19 | 19.49 | 17.76 | 38.05 | 18.34 | 10.50 |
| 2019/20 | 15.15 | 13.61 | 29.71 | 15.40 | 6.71 |
| 2020/21 | 9.44 | 15.19 | 19.91 | 14.89 | 10.43 |
| 2021/22 | 14.21 | 9.78 | 26.30 | 10.76 | 12.28 |
| 2022/23 | 20.78 | 11.66 | 31.43 | 4.65 | 1.47 |
| Mean | 17.49 | 19.19 | 45.26 | 16.26 | 9.33 |
| S.D | 4.97 | 6.53 | 23.12 | 5.76 | 3.55 |
| CV | 0.28 | 0.34 | 0.51 | 0.35 | 0.38 |
| Minimum | 9.44 | 9.78 | 19.91 | 4.65 | 1.47 |
| Maximum | 26.27 | 27.97 | 86.04 | 24.53 | 14.06 |

*(Source: Appendix.)*

Table 4.7 shows Return on equity from year 20013/14 to 2022/23.ROE of EBL is 86.04 percent which is the highest, and of KBL is 1.47 percent which is the lowest among the selected banks. Likewise, ROE of EBL is the maximum with 86.04 percent and the minimum with 19.91 percent with the corresponding year 2013/14 and 2021/22 respectively.

ROE shows that there is highest gap between EBL and Other selected banks in 2013/14 and minimum gap in 2022/23. ROE of Nepalese commercial banks is fluctuating trend.

**Descriptive Table:**

| | Name of the Company | EPS | DPS | MP | BV | P/E | DP Ratio | EY | DY |
|---|---|---|---|---|---|---|---|---|---|
| Mean | SCBNL | 39.96 | 20.50 | 1,423.50 | 212.20 | 36.28 | 20.50 | 3.58 | 1.52 |
| | NABIL Bank | 51.25 | 28.87 | 1,358.02 | 244.40 | 24.99 | 3.58 | 3.80 | 2.03 |
| | EBL | 49.49 | 17.43 | 1,323.30 | 268.68 | 27.17 | 30.61 | 4.15 | 1.12 |
| | HBL | 28.81 | 8.81 | 672.40 | 183.82 | 22.81 | 28.51 | 4.61 | 1.32 |
| | KBL | 2.40 | 2.40 | 257.50 | 140.75 | 24.14 | 13.64 | 4.66 | 0.60 |
| S.D | SCBNL | 18.96 | 18.79 | 1,145.53 | 37.33 | 20.71 | 31.18 | 1.83 | 0.77 |
| | NABIL Bank | 22.66 | 24.86 | 699.55 | 11.29 | 12.15 | 23.64 | 1.38 | 1.09 |
| | EBL | 26.05 | 18.60 | 1,032.11 | 53.25 | 10.86 | 20.39 | 1.39 | 0.49 |
| | HBL | 9.21 | 4.62 | 369.49 | 11.60 | 5.62 | 12.08 | 1.06 | 0.62 |
| | KBL | 5.88 | 2.08 | 148.89 | 9.50 | 22.63 | 9.26 | 2.82 | 0.43 |
| C.V | SCBNL | 0.47 | 0.92 | 0.80 | 0.18 | 0.57 | 0.64 | 0.51 | 0.51 |
| | NABIL Bank | 0.44 | 0.86 | 0.52 | 0.05 | 0.49 | 0.44 | 0.36 | 0.54 |
| | EBL | 0.53 | 1.07 | 0.78 | 0.20 | 0.40 | 0.67 | 0.33 | 0.44 |
| | HBL | 0.32 | 0.52 | 0.55 | 0.06 | 0.25 | 0.42 | 0.23 | 0.47 |
| | KBL | 0.38 | 0.87 | 0.58 | 0.07 | 0.94 | 0.68 | 0.61 | 0.71 |
| Minimum | SCBNL | 16.32 | 2.63 | 396.00 | 174.00 | 14.42 | 16.12 | 1.28 | 0.45 |
| | NABIL Bank | 18.64 | 5.21 | 599.20 | 228.00 | - | 22.00 | 2.26 | 0.87 |
| | EBL | 19.91 | 2.05 | 439.00 | 200.01 | 16.69 | 10.32 | 1.95 | 0.28 |
| | HBL | 9.18 | - | 212.80 | 169.72 | 16.39 | - | 2.87 | - |
| | KBL | 1.97 | - | - | 131.00 | - | - | - | - |
| Maxi | SCBNL | 75.70 | 60.59 | 3,600.00 | 268.00 | 78.33 | 110.52 | 6.93 | 2.63 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| NABIL Bank | 91.05 | 91.72 | 2,535.00 | 259.00 | 40.48 | 110.00 | 6.32 | 3.62 |
| EBL | 91.88 | 53.34 | 3,385.00 | 335.60 | 51.31 | 70.00 | 5.99 | 2.03 |
| HBL | 43.03 | 16.42 | 1,500.00 | 208.81 | 34.86 | 49.22 | 6.10 | 2.02 |
| KBL | 26.53 | 6.49 | 536.00 | 162.00 | 83.76 | 34.74 | 9.18 | 1.21 |

(Source: Appendix-)

**4.2 Correlation analysis**

Correlation analysis is a statistical technique employed to measure the extent to which one variable is linearly linked to other variables. Its value is restricted to the range from +1 to -1. Therefore, if the variable were perfectly correlated, returns on these would rise and fall together. The potential risk of such would be comparable to individual stocks.

**Table-4.8**

*Correlation analysis*

| | *MPS* | *DPS* | *EPS* | *DPR* | *PER* | *BVPS* | *EY* | *DY* | *ROA* | *ROE* |
|---|---|---|---|---|---|---|---|---|---|---|
| MPS | 1.000 | | | | | | | | | |
| DPS | 0.826 | 1.000 | | | | | | | | |
| EPS | 0.937 | 0.771 | 1.000 | | | | | | | |
| DPR | 0.694 | 0.946 | 0.568 | 1.000 | | | | | | |
| PER | 0.607 | 0.451 | 0.301 | 0.507 | 1.000 | | | | | |
| BVPS | 0.886 | 0.608 | 0.974 | 0.373 | 0.249 | 1.000 | | | | |
| EY | -0.902 | -0.898 | -0.743 | -0.842 | -0.775 | -0.627 | 1.000 | | | |
| DY | 0.529 | 0.872 | 0.494 | 0.937 | 0.187 | 0.292 | -0.624 | 1.000 | | |
| ROA | 0.881 | 0.920 | 0.790 | 0.913 | 0.527 | 0.657 | -0.863 | -0.839 | 1.000 | |
| ROE | 0.557 | 0.061 | 0.673 | -0.195 | 0.095 | 0.824 | -0.207 | -0.286 | 0.175 | 1.000 |

Table 4.8 shows the relationship between MPS, DPS, EPS, and DPR, PER, BVPS, EY, DY, ROA and ROE. There is always a 1:1 relationship between MPS and MPS, DPS and DPS, EPS and EPS, DPR and DPR, and PER and PER. which demonstrate a perfect self-correlation. The proximity of MPS, DPS, and EPS to 1 indicates a positive correlation between DPS, EPS, and MPS. The relationships between EPS and DPS, as well as MPS and PER, are significant at the 0.01 level.

The assessment of the correlation coefficient between DPR and ROE indicates a negative correlation, while the DPR-EPS relationship is positive. The inverse relationship suggests that an increase in the value of one variable could lead to a decrease in the value of the other variable.

In the same way, the correlation of 0.607 between PER and MPS reveals a robust positive relationship and a notable correlation. The relationship between PER and DPS has a correlation coefficient of 0.451 which implies moderate positive correlation. A negative relationship of -0.195 exists between ROE and DPR, indicating a moderate correlation.

**4.3 Regression analysis**

The regression is employed to analyze the statistical connection between two or more variables and to predict one variable based on the others. In this analysis multiple regression analysis has been done. When we take more than one independent variable and predict the value of the dependent variable through the appropriate regression line the analysis is known as multiple regression analysis. Average Market value per share (AMVPS) is the dependent Variable (Y) and Average Earning per Share (AEPS) and Average Dividend per Share (ADPS) are consider as independent variable in the analysis.

**Summary Output of Multiple Regressions.**

**Table-4.9**

Summary Output

| *Regression Statistics* | |
|---|---|
| Multiple R | 0.91425 |
| R Square | 0.83585 |
| Adjusted R Square | 0.78114 |
| Standard Error | 291.58054 |
| Observations | 9 |

**ANOVA**

| | *df* | *SS* | *MS* | *F* | *Significance F* |
|---|---|---|---|---|---|
| Regression | 2 | 2597541.3156 | 1298770.6578 | 15.2762 | 0.0044 |
| Residual | 6 | 510115.2796 | 85019.2133 | | |
| Total | 8 | 3107656.5952 | | | |

| | *Coefficients* | *Standard Error* | *t Stat* | *P-value* | *Lower 95%* | *Upper 95%* |
|---|---|---|---|---|---|---|
| Intercept | -659.4462 | 363.0528 | -1.8164 | 0.1192 | -1547.8045 | 228.9121 |
| Earnings | 52.6991 | 13.8855 | 3.7953 | 0.0090 | 18.7224 | 86.6758 |
| Dividend | -11.2261 | 14.3275 | -0.7835 | 0.4631 | -46.2843 | 23.8321 |

(Taking of Average of all selected banks).

**Multiple R (Correlation Coefficient):** Multiple R indicates the strength of the linear relationship between the variables. It ranges from -1 to 1. Since, the value of Multiple R is 0.91425 close to 1 it shows strong positive relationship between the MPS, DPS and EPS.

**R Square (Coefficient of Determination):** R Square demonstrates the quality of the fit, reflecting how well the data points correspond to the regression line. As the R Square value increases, the regression line fits the data more closely. The R Square value here indicates a nearly perfect fit, measuring 0.83. This shows that 83% of the variation in the dependent variable is due to the independent variable.

**Adjusted R Square:** This demonstrates the R Square value, accounted for by the number of predictor variables in the model. This value will also be smaller than the R-Square value and discourages models that incorporate an excessive number of independent variables. In multiple regression scenarios, we must pay attention to the **Adjusted R square**.

**Standard Error:** In simple terms, the standard error reflects the reliability of the multiple regression analysis that the regression coefficient is measured; if the coefficient is large compared to the standard error, then the coefficient is probably different from 0. This represents the typical distance that the observed values deviate from the regression line. In the figure, the observed values fall an average of Rs.291.58054 from the regression line.

**Observations:** It displays the overall sample years in the dataset used to create the regression model, totaling 10.

**F: 15.2762.** This is the comprehensive F statistic for the regression model, derived as the ratio of regression MS to residual MS.

**Significance F: 0.0044.** This represents the p-value related to the overall F statistic, which helps determine the statistical significance of the regression model as a whole. In Table 8, the p-value is below 0.05, suggesting that the independent variables, earnings per share and dividend per share, collectively have a statistically significant relationship with the market price per share of the chosen banks.

**Coefficients:** The coefficients of the independent variables represent the average anticipated change in the dependent variable, holding the other variables constant.

For example, for each decrease in dividend per share (ADPS) by Rs.11.2261, the average market price (AMPS) is expected to decrease by Rs.659.4462, assuming that average earning per share (AEPS) taken remains constant. On the other hand if we assume DPS remains constant then, for each increase in EPS by 52.6991, the average MPS is expected to decrease by Rs.659.4462.

The intercept coefficient implies that the expected market price for a bank with zero EPS and zero DPS is Rs. -659.4462.

**P-values.** The p-values associated with each variable tell us whether they are statistically significant. The results indicate that dividend per share is statistically significant (p = 0.4631), while earnings per share (p = 0.0090) is not considered statistically significant at $\alpha$ = 0.05.

**Finally**, The coefficients obtained from the model's results can be used to construct the following estimated regression equation.

MPS = -659.4461+52.6991*EPS -11.2261*DPS

This estimated regression equation allows us to determine the expected market price of a bank, using its earnings per share and dividend per share.

For example, a bank who earns Rs.30 per share and distribute Rs.10 as dividend is expected to increase in its price by: Rs.839.86

MPS = -659.4461+52.6991*30-11.2261*10 =Rs.809.2665

Note that since the EPS value was not statistically significant (p = 0.1192), we may opt to exclude it as it doesn't contribute to the overall improvement of the model.

In this instance, simple linear regression could be applied with dividend distribution as the single independent variable.

**4.4 Discussion:**

The financial metrics of commercial banks exhibit greater stability. Growth rates are exceptionally high. Potential investors are strongly drawn to the banking sector. Various determinants of share market value, investor actions, and other stock market-related aspects for commercial banks in Nepal were extensively analyzed through stratified sampling. Key findings from the study are summarized in the following points:

1. Essentially, investors and stock sellers are often unfamiliar with key financial metrics like DPS, EPS, ROA, ROE, and BVPS. Stocks aren't traded based on strong financials

but due to external factors such as limited investment options, hopes for bonus shares or rights issues, rumors, speculations, and similar influences..

2. Commercial banks with a long-standing history tend to exhibit relatively more stable profitability metrics compared to newer commercial banks.
3. Dividend per share of the commercial bank remains relatively stable.
4. Capital gains are not just above-average; they are actually abnormal. Most investors engage in security transactions for speculation rather than aiming for conventional returns.
5. As a result of insufficient investment prospects, the majority of investors have channeled their savings into the secondary stock market. This has led to an increased demand for stocks.
6. People have a incorrect assumption that the distribution of bonus shares and dividend which actually reduces the value per share, and resultantly out to reduce the market price of stock also, do not decrease the prices and this makes them to incest even at a too high price with an expectation of getting the same to increase their overall wealth.
7. Outcomes of regression analysis: "Regression analyses also give the same result as in the above hypothesis test.

   a. There is no notable positive relationship between the profitability metrics (ROA, ROE, and DPS) and the stock prices of the commercial bank.

   b. There is a strong positive relationship between the dividend paid and stock prices of commercial banks.

   c. A strong positive association can be observed between the book value per share (Net worth) and the stock prices of commercial banks.

   d. Financial performance indicators and stock price of a commercial bank show a moderate positive correlation.

   e. The market index of commercial banks is not random in nature.

This research employed descriptive and multiple regression analysis to investigate the factors influencing the market share price of Nepalese commercial banks. The results of this research indicate that earnings per share (EPS) positively influence market price per share (MPS). The findings of this study align with Bista (2021), Pradhan (2019), Shrestha (2020), Rajmawati, Hadian (2022), Drymbetas, Kyriazopoulos (2019) which highlights that EPS is a significant factor influencing the MPS. The independent variable price-earnings ratio (P/E ratio) was shown to be statistically significant and exhibited a positive

correlation with MPS, Bista (2021), Pradhan (2019), Shrestha (2020), Rajmawati, Hadian (2022), Drymbetas, Kyriazopoulos (2019). Similarly, dividend per share (DPS) has beneficial impacts on MPS. The result is in line with the literature: Ojha (2013), Sharma (2011), Emamgholipour et al. (2013), Bista (2021), Timsina (2020), Pradhan (2019), Kunwar (2019). The explanatory return on assets (ROA) has statistically relevant implications. It has a positive impact on MPS, and it is in line with the literature: Biniya (2018), Sapkota (2017).

This study show that EPS, DPS, P/E ratio and DP ratio are the determining factor that affects the MPS. It has a positive impact on MPS while contradictory Rahmawati, Hadian (2022), Ray (2018), according to them debt to equity ratio, oil price, gold price have also a significant effect on stock price. Similarly, according to Pradhan (2019) Nepalese stock market depends not only on EPS, DPS, P/E and DP ratio but also assets turnover and interest coverage. The explanatory variable price-earnings ratio (P/E ratio), book to market ration are positively related with MPS. This is in line with pradhad (2019) while contradict with Goutam (2017).

# CHAPTER V
# SUMMARY AND CONCLUSION

## 5.1 Summary

A nation's industrialization and financial prosperity are closely tied to the effective management of savings. Stock markets are the foundations for the mobilization of people's savings. Equity or common shares in Nepalese corporate firms constitute the largest segment of securities listed with the stock exchange. It holds dominance in both quantity and value. The extent of preference shares and debentures is rather limited. In total, equity shares made up more than 98 percent of all the listed securities. The research seeks to analyze the correlation between financial results and common stock values in Nepal's commercial banking sector. The study further aims to confirm the public sentiment regarding the stock market in Nepal. The study is considered to be highly beneficial for all stakeholders in the Nepalese securities market. The primary objective of this research was to analyze the connection between financial performance indicators (profitability, dividends, and net worth) and the market value per share (MVPS) of commercial banks. Furthermore, the research also explored the signaling impact on stock prices. Numerous sources were examined, including books, research studies, journals, newspapers, and materials from various online platforms. All the sources indicated that there should, of course, be a relationship between financial indicators and common stock values. A correlation research design and regression analysis were employed for this study. Financial data were gathered from the web sites of Nepal Stock Exchange, SEBON publications, various Commercial Bank Annual Reports, and NEPSE Records. In-depth, detailed interviews were conducted to obtain some comprehensive insights regarding the stock market performance. A total of five commercial banks were chosen for the study. The selection was based on the availability of data from SEBON, focusing on commercial banks that have consistently submitted annual reports over the past 10 years. In this manner, all commercial banks fulfilling the data availability criterion for 10 years were included in the study. The study analyzed trends over the last 10 years for each commercial bank. The study employed a correlation test to analyze the relationship between the independent variables (DPS, EPS, ROE, ROA, and Net Worth per share). To determine the value of R, $R^2$, P, and so on, a software program was employed. Financial

indicator analysis indicates that the Nepalese stock market is not in its nascent phase for the commercial bank sector.

### 5.3 Conclusion

This thesis paper addressed stock price behavior of Commercial banks in Nepal. The prime objective of this study is to examine the major determinants of the stock price of sample banks in NEPSE and analyze the relationship of independent variables with stock price. The study applies descriptive and causal comparative research design. The study of secondary data which are gathered from five commercial banks in Nepal for the period of ten fiscal years from 2013/14 to 2022/23.

The average EPS shows that Nabil preferred better performance than other. The structure of MVPS shows that HBL is more consistency than other. DPS of all banks are fluctuating trend during the study period. The B/M ratio indicates that HBL is more consistency than Nabil. The DPR of Nabil is less fluctuating than other. The P/E ratio of HBL is the least fluctuation. The ROA of KBL is the least fluctuation than others which shows the NABIL and HBL has better performance than others.

The ROA of HBL is the least fluctuation than NABIL. It indicates that HBL has better performance than NABIL.

Correlation analysis shows that EPS, ROE, and DPR are positively correlated with stock price of Nepalese commercial banks. The results also shows that there is a negative relationship of DPS and ROA with stock of Nepalese commercial banks. The estimated regression result of DPS, EPS, ROA, ROE, Dividend yield ratio and Dividend payout ratio on stock price shows that there is negative and significant impact of DPS and ROA on stock price of Nepalese commercial banks. Dividend payout ratio has positive and significant impact on stock price of Nepalese commercial banks. F value shows that overall relationship between dependent and independent variables has significant.

### 5.4 Implications

The study has examined the stock price behaviors in commercial banks in Nepal. There are enough ground of scope in terms of data, model and methodology for studies. In this study, Earning Per Share of Nabil is  greater than that of others during the study period.

Hence, investor should prefer to choose the Nabil while taking the investment decision. Average dividend yield ratio in analysis period is less than 4%. This reveals that a shareholder who acquires the share through the market may receive less than 4% return of his investment. So, banks should increase their performance and amount of dividend to maintain the market value per share of sample banks is growing.

NABIL and HBL is more consistency than other while distributing the dividend. Hence, risk averter investor may select NABIL and HBL whereas risk seeker investor may choose other while making the investment decision. Most of the investors in Nepal are made investment decision on external factors. Thus, it would be better to consider the past record of the firm and financial strength/position while investing the securities market.
Stock market is fluctuating with signal effect rather than financial performance of banks. Given these circumstances, GON, NEPSE, SEBON, NRB, and other involved entities must cooperate in regulating the securities act.The correlation coefficient (r) between EPS, ROE, and DPR have positive relationship with stock price so banks can maximize those indicators. The estimated regression result shows that there is negative and significant impact of DPS and ROA on stock price of Nepalese commercial banks so banks can maximize those indicators.

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## Appendix –I

| S.N | Firm | Period | No. Of Observation |
|---|---|---|---|
| 1. | Standard Chartered Bank | 2013/14 -2022/23 | 10 |
| 2. | Nabil Bank | 2013/14 -2022/23 | 10 |
| 3. | Everest Bank | 2013/14 -2022/23 | 10 |
| 4. | Himalayan Bank | 2013/14 -2022/23 | 10 |
| 5. | Kamari Bank | 2013/14 -2022/23 | 10 |
| | **Total Observation** | | **50** |

## Appendix –II

| Year | *SCBNL* | *x-X* | *(x-X)2* |
|---|---|---|---|
| 2013/14 | 65.47 | 29.09 | 846.11 |
| 2014/15 | 57.38 | 21.00 | 440.92 |
| 2015/16 | 45.96 | 9.58 | 91.74 |
| 2016/17 | 35.49 | -0.89 | 0.80 |
| 2017/18 | 27.33 | -9.05 | 81.94 |
| 2018/19 | 30.39 | -5.99 | 35.90 |
| 2019/20 | 24.81 | -11.57 | 133.91 |
| 2020/21 | 16.32 | -20.06 | 402.48 |
| 2021/22 | 23.92 | -12.46 | 155.30 |
| 2022/23 | 36.75 | 0.37 | 0.14 |
| **N=10** | **363.82** | **0.00** | **2189.24** |
| **Mean (X)** | **36.38** | | |
| **S.D** | **15.60** | | |
| **CV** | **0.43** | | |

**Mean (X)** = $\sum \frac{X}{N} = \frac{363.82}{10} = 36.38$

**S.D** $= \sqrt{\frac{(x-X)2}{N-1}} = \sqrt{\frac{2189.24}{9}} = 15.60$

**C.V** $= \frac{S.D}{Mean} = \frac{15.60}{36.38} = 0.43$

## Appendix –III

| Year | *NABIL Bank* | *x-X* | *(x-X)2* |
|---|---|---|---|
| 2013/14 | 83.38 | 36.11 | 1303.57 |
| 2014/15 | 57.24 | 9.97 | 99.30 |
| 2015/16 | 59.27 | 12.00 | 143.88 |
| 2016/17 | 58.41 | 11.14 | 123.99 |
| 2017/18 | 51.84 | 4.57 | 20.84 |
| 2018/19 | 50.57 | 3.30 | 10.86 |
| 2019/20 | 36.16 | -11.12 | 123.54 |
| 2020/21 | 33.57 | -13.71 | 187.83 |
| 2021/22 | 18.64 | -28.64 | 819.96 |
| 2022/23 | 23.67 | -23.61 | 557.20 |
| **N=10** | **472.75** | **0.00** | **3390.97** |
| **Mean (X)** | **47.28** | | |
| **S.D** | **19.41** | | |
| **CV** | **0.41** | | |

**Mean (X)** = $\sum \frac{X}{N} = \frac{472.75}{10} = 47.28$

**S.D** $= \sqrt{\frac{(x-X)2}{N-1}} = \sqrt{\frac{3390.97}{9}} = 19.41$

**C.V** $= \frac{S.D}{Mean} = \frac{19.41}{47.28} = 0.41$

## Appendix –IV

| Year | *EBL* | *x-X* | *(x-X)2* |
|---|---|---|---|
| 2013/14 | 86.04 | 40.79 | 1663.42 |
| 2014/15 | 78.04 | 32.79 | 1074.86 |
| 2015/16 | 65.97 | 20.72 | 429.11 |
| 2016/17 | 44.32 | -0.94 | 0.87 |
| 2017/18 | 32.78 | -12.48 | 155.63 |
| 2018/19 | 38.05 | -7.21 | 51.91 |
| 2019/20 | 29.71 | -15.55 | 241.65 |
| 2020/21 | 19.91 | -25.35 | 642.37 |
| 2021/22 | 26.30 | -18.96 | 359.29 |
| 2022/23 | 31.43 | -13.83 | 191.13 |
| **N=10** | **452.55** | **0.00** | **4810.23** |
| **Mean (X)** | **45.26** | | |
| **S.D** | **23.12** | | |
| **CV** | **0.51** | | |

**Mean (X)** = $\sum \frac{X}{N} = \frac{452.55}{10} = 45.26$

**S.D** $= \sqrt{\frac{(x-X)2}{N-1}} = \sqrt{\frac{4810.23}{9}} = 23.12$

**C.V** $= \frac{S.D}{Mean} = \frac{23.12}{45.26} = 0.51$

## Appendix –V

| Year | *HBL* | *x-X* | *(x-X)2* |
|---|---|---|---|
| 2013/14 | *33.37* | 4.99 | 24.94 |
| 2014/15 | *43.03* | 14.65 | 214.74 |
| 2015/16 | *33.55* | 5.17 | 26.77 |
| 2016/17 | *35.15* | 6.77 | 45.89 |
| 2017/18 | *23.11* | -5.27 | 27.73 |
| 2018/19 | *32.44* | 4.06 | 16.52 |
| 2019/20 | *27.6* | -0.78 | 0.60 |
| 2020/21 | *28.07* | -0.31 | 0.09 |
| 2021/22 | *18.26* | -10.12 | 102.33 |
| 2022/23 | *9.18* | -19.20 | 368.49 |
| **N=10** | **283.76** | **0.00** | **828.10** |
| **Mean (X)** | **28.38** | | |
| **S.D** | **9.59** | | |
| **CV** | **0.34** | | |

**Mean (X) =** $\sum \frac{X}{N} = \frac{283.76}{10} = 28.76$

**S.D** $= \sqrt{\frac{(x-X)2}{N-1}} = \sqrt{\frac{828.10}{9}} = 9.59$

**C.V** $= \frac{S.D}{Mean} = \frac{9.59}{283.76} = 0.34$

## Appendix –VI

| Year | *KBL* | *x-X* | *(x-X)2* |
|---|---|---|---|
| 2013/14 | *18.69* | 3.70 | 13.70 |
| 2014/15 | *16.24* | 1.25 | 1.57 |
| 2015/16 | *26.53* | 11.54 | 133.19 |
| 2016/17 | *13.29* | -1.70 | 2.89 |
| 2017/18 | *14.54* | -0.45 | 0.20 |
| 2018/19 | *14.81* | -0.18 | 0.03 |
| 2019/20 | *12.08* | -2.91 | 8.46 |
| 2020/21 | *14.20* | -0.79 | 0.62 |
| 2021/22 | *17.54* | 2.55 | 6.51 |
| 2022/23 | *1.97* | -13.02 | 169.49 |
| **N=10** | **149.89** | **0.00** | **336.66** |

| | |
|---|---|
| **Mean (X)** | **14.99** |
| **S.D** | **6.12** |
| **CV** | **0.41** |

**Mean (X) =** $\sum \frac{X}{N} = \frac{149.89}{10} = 14.99$

**S.D** $= \sqrt{\frac{(x-X)2}{N-1}} = \sqrt{\frac{336.66}{9}} = 6.12$

**C.V** $= \frac{S.D}{Mean} = \frac{6.12}{14.99} = 0.41$

## *Appendix-VII*

### *Sample Banks*

| Name of the Company | Year | EPS | DPS | MP | BV | P/E | DP Rato | EY | DY |
|---|---|---|---|---|---|---|---|---|---|
| | 2013/14 | 65.47 | 60.59 | 2799.00 | 249.00 | 42.75 | 60.59 | 2.34 | 2.16 |
| | 2014/15 | 57.38 | 36.39 | 1943.00 | 265.00 | 33.86 | 36.39 | 2.95 | 1.87 |
| | 2015/16 | 45.96 | 16.93 | 3600.00 | 268.00 | 78.33 | 16.93 | 1.28 | 0.47 |
| | 2016/17 | 35.49 | 39.22 | 2295.00 | 196.00 | 64.67 | 39.22 | 1.55 | 1.71 |
| | 2017/18 | 27.33 | 9.57 | 755.00 | 174.00 | 27.63 | 9.57 | 3.62 | 1.27 |
| **SCBNL** | 2018/19 | 30.39 | 13.68 | 682.00 | 186.00 | 22.44 | 13.68 | 4.46 | 2.01 |
| | a2019/20 | 24.81 | 4.14 | 645.00 | 189.00 | 26.00 | 4.14 | 3.85 | 0.64 |
| | 2020/21 | 16.32 | 2.63 | 590.00 | 189.00 | 36.15 | 2.63 | 2.77 | 0.45 |
| | 2021/22 | 23.92 | 7.90 | 396.00 | 192.00 | 16.56 | 7.90 | 6.04 | 1.99 |
| | 2022/23 | 36.75 | 13.97 | 530.00 | 214.00 | 14.42 | 13.97 | 6.93 | 2.63 |
| | **Mean** | **36.38** | **20.50** | **1423.50** | **212.20** | **36.28** | **20.50** | **3.58** | **1.52** |
| | 2013/14 | 83.38 | 91.72 | 2535.00 | 251.00 | 30.40 | 91.72 | 3.29 | 3.62 |
| | 2014/15 | 57.24 | 25.00 | 1910.00 | 259.00 | 33.37 | 25.00 | 3.00 | 1.31 |
| | 2015/16 | 59.27 | 35.56 | 2344.00 | 244.00 | 39.55 | 35.56 | 2.53 | 1.52 |
| | 2016/17 | 58.41 | 38.55 | 1523.00 | 228.00 | 26.07 | 38.55 | 3.84 | 2.53 |
| | 2017/18 | 51.84 | 29.03 | 921.00 | 256.00 | 17.77 | 29.03 | 5.63 | 3.15 |
| **NABIL Bank** | 2018/19 | 50.57 | 28.32 | 800.00 | 257.00 | 15.82 | 28.32 | 6.32 | 3.54 |
| | 2019/20 | 36.16 | 13.39 | 765.00 | 256.00 | 21.16 | 13.39 | 4.73 | 1.75 |
| | 2020/21 | 33.57 | 14.23 | 1359.00 | 251.00 | 40.48 | 14.23 | 2.47 | 1.05 |
| | 2021/22 | 18.64 | 7.74 | 824.00 | 232.00 | 0.00 | 7.74 | 2.26 | 0.94 |
| | 2022/23 | 23.67 | 5.21 | 599.20 | 210.00 | 25.31 | 5.21 | 3.95 | 0.87 |
| | **Mean** | **47.28** | **28.87** | **1358.02** | **244.40** | **24.99** | **3.58** | **3.80** | **2.03** |
| | 2013/14 | 86.04 | 53.34 | 2631.00 | 296.30 | 30.58 | 62.00 | 3.27 | 2.03 |
| | 2014/15 | 78.04 | 27.31 | 2120.00 | 335.60 | 27.17 | 35.00 | 3.68 | 1.29 |
| **EBL** | 2015/16 | 65.97 | 46.18 | 3385.00 | 320.07 | 51.31 | 70.00 | 1.95 | 1.36 |
| | 2016/17 | 44.32 | 14.63 | 1353.00 | 253.28 | 30.53 | 33.00 | 3.28 | 1.08 |
| | 2017/18 | 32.78 | 6.56 | 663.00 | 200.01 | 20.23 | 20.00 | 4.94 | 0.99 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2018/19 | 38.05 | 9.51 | 666.00 | 218.58 | 17.50 | 25.00 | 5.71 | 1.43 |
| | 2019/20 | 29.71 | 3.13 | 675.00 | 219.56 | 22.72 | 10.53 | 4.40 | 0.46 |
| | 2020/21 | 19.91 | 2.05 | 738.00 | 333.31 | 37.07 | 10.32 | 2.70 | 0.28 |
| | 2021/22 | 26.30 | 5.18 | 439.00 | 241.37 | 16.69 | 19.68 | 5.99 | 1.18 |
| | 2022/23 | 31.43 | 6.45 | 563.00 | 237.16 | 17.91 | 20.53 | 5.58 | 1.15 |
| | **Mean** | **45.26** | **17.43** | **1323.30** | **268.68** | **27.17** | **30.61** | **4.15** | **1.12** |
| | 2013/14 | 33.37 | 16.42 | 813.00 | 208.81 | 24.36 | 49.22 | 4.10 | 2.02 |
| | 2014/15 | 43.03 | 14.27 | 1500.00 | 196.12 | 34.86 | 33.16 | 2.87 | 0.95 |
| | 2015/16 | 33.55 | 9.27 | 886.00 | 180.31 | 26.41 | 27.64 | 3.79 | 1.05 |
| | 2016/17 | 35.15 | 9.72 | 886.00 | 189.91 | 25.21 | 27.64 | 3.97 | 1.10 |
| | 2017/18 | 23.11 | 6.14 | 551.00 | 174.24 | 23.84 | 26.58 | 4.19 | 1.11 |
| **HBL** | 2018/19 | 32.44 | 11.03 | 552.00 | 187.73 | 17.02 | 34.00 | 5.88 | 2.00 |
| | 2019/20 | 27.60 | 7.18 | 540.00 | 187.67 | 19.57 | 26.00 | 5.11 | 1.33 |
| | 2020/21 | 28.07 | 8.60 | 484.00 | 188.43 | 17.24 | 30.62 | 5.80 | 1.78 |
| | 2021/22 | 18.26 | 5.52 | 299.20 | 169.72 | 16.39 | 30.22 | 6.10 | 1.84 |
| | 2022/23 | 9.18 | 0.00 | 212.80 | 155.29 | 23.18 | 0.00 | 4.31 | 0.00 |
| | **Mean** | **28.38** | **8.81** | **672.40** | **183.82** | **22.81** | **28.51** | **4.61** | **1.32** |
| | 2013/14 | 6.49 | 6.49 | 536.00 | 162.00 | 28.68 | 34.74 | 3.49 | 1.21 |
| | 2014/15 | 1.88 | 1.88 | 380.00 | 138.00 | 23.40 | 11.58 | 4.27 | 0.49 |
| | 2015/16 | 5.86 | 5.86 | 0.00 | 149.00 | 0.00 | 22.10 | 0.00 | 0.00 |
| | 2016/17 | 1.69 | 1.69 | 327.00 | 135.00 | 24.60 | 12.75 | 4.06 | 0.52 |
| | 2017/18 | 1.24 | 1.24 | 199.00 | 131.00 | 13.69 | 8.50 | 7.31 | 0.62 |
| **KBL** | 2018/19 | 1.56 | 1.56 | 220.00 | 134.93 | 14.85 | 10.53 | 6.73 | 0.71 |
| | 2019/20 | 1.81 | 1.81 | 186.00 | 137.92 | 15.40 | 15.00 | 6.49 | 0.97 |
| | 2020/21 | 1.23 | 1.23 | 371.00 | 136.13 | 26.13 | 8.67 | 3.83 | 0.33 |
| | 2021/22 | 2.19 | 2.19 | 191.00 | 142.76 | 10.89 | 12.50 | 9.18 | 1.15 |
| | 2022/23 | 0.00 | 0.00 | 165.00 | 134.65 | 83.76 | 0.00 | 1.19 | 0.00 |
| | **Mean** | **2.40** | **2.40** | **257.50** | **140.75** | **24.14** | **13.64** | **4.66** | **0.60** |

# *Appendix-VIII*

| Banks | MPS | DPS | EPS | DPR | PER | BVPS | EY | DY | ROA | ROE |
|---|---|---|---|---|---|---|---|---|---|---|
| ***SCBNL*** | 1423.50 | 20.50 | 36.38 | 48.72 | 36.28 | 212.20 | 3.58 | 1.52 | 2.06 | 17.49 |
| ***NABIL Bank*** | 1358.02 | 28.87 | 47.28 | 53.46 | 24.99 | 244.40 | 3.80 | 2.03 | 2.06 | 19.19 |
| ***EBL*** | 1323.30 | 17.43 | 45.26 | 30.61 | 27.17 | 268.68 | 4.15 | 1.12 | 1.62 | 45.26 |
| ***HBL*** | 672.40 | 8.81 | 28.38 | 28.51 | 22.81 | 183.82 | 4.61 | 1.32 | 1.64 | 16.26 |
| ***KBL*** | 257.50 | 2.40 | 14.99 | 13.64 | 24.14 | 140.75 | 4.66 | 0.60 | 1.05 | 9.33 |

*Appendix-IX*

| 2022/23 | 2021/22 | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 | | Year | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 396.00 | 590.00 | 645.00 | 682.00 | 755.00 | 2,295.00 | 3,600.00 | 1,943.00 | 2,799.00 | | SCBNL | |
| 824.00 | 1,359.00 | 765.00 | 800.00 | 921.00 | 1,523.00 | 2,344.00 | 1,910.00 | 2,535.00 | | NABIL Bank | |
| 439.00 | 738.00 | 675.00 | 666.00 | 663.00 | 1,353.00 | 3,385.00 | 2,120.00 | 2,631.00 | | EBL | |
| 299.20 | 484.00 | 540.00 | 552.00 | 551.00 | 886.00 | 886.00 | 1,500.00 | 813.00 | | HBL | |
| 191.00 | 371.00 | 186.00 | 220.00 | 199.00 | 327.00 | - | 380.00 | 536.00 | | KBL | MPS |
| 7.90 | 2.63 | 4.14 | 13.68 | 9.57 | 39.22 | 16.93 | 36.39 | 60.59 | | SCBNL | |
| 7.74 | 14.23 | 13.39 | 28.32 | 29.03 | 38.55 | 35.56 | 25.00 | 91.72 | | NABIL Bank | |
| 5.18 | 2.05 | 3.13 | 9.51 | 6.56 | 14.63 | 46.18 | 27.31 | 53.34 | | EBL | |
| 5.52 | 8.60 | 7.18 | 11.03 | 6.14 | 9.72 | 9.27 | 14.27 | 16.42 | | HBL | |
| 2.19 | 1.23 | 1.81 | 1.56 | 1.24 | 1.69 | 5.86 | 1.88 | 6.49 | | KBL | DPS (X2) |
| 23.92 | 16.32 | 24.81 | 30.39 | 27.33 | 35.49 | 45.96 | 57.38 | 65.47 | | SCBNL | |
| 18.64 | 33.57 | 36.16 | 50.57 | 51.84 | 58.41 | 59.27 | 57.24 | 83.38 | | NABIL Bank | |
| 26.30 | 19.91 | 29.71 | 38.05 | 32.78 | 44.32 | 65.97 | 78.04 | 86.04 | | EBL | |
| 18.26 | 28.07 | 27.60 | 32.44 | 23.11 | 35.15 | 33.55 | 43.03 | 33.37 | | HBL | |
| 17.54 | 14.20 | 12.08 | 14.81 | 14.54 | 13.29 | 26.53 | 16.24 | 18.69 | | KBL | EPS (X1) |
| 429.84 | 708.40 | 562.20 | 584.00 | 617.80 | 1,276.80 | 2,043.00 | 1,570.60 | 1,862.80 | Y | Average MPS (Y) | |
| 20.93 | 22.41 | 26.07 | 33.25 | 29.92 | 37.33 | 46.26 | 50.39 | 57.39 | X1 | Average EPS (X1) | |
| 5.70 | 5.75 | 5.93 | 12.82 | 10.51 | 20.76 | 22.76 | 20.97 | 45.71 | X2 | Average DPS(X2) | Average of All Banks |
| 6.06 | 6.56 | 6.33 | 6.37 | 6.43 | 7.15 | 7.62 | 7.36 | 7.53 | | Ln AMPS (X) | |
| 3.04 | 3.11 | 3.26 | 3.50 | 3.40 | 3.62 | 3.83 | 3.92 | 4.05 | | Ln AEPS | Natural Logarithm of |
| 1.74 | 1.75 | 1.78 | 2.55 | 2.35 | 3.03 | 3.13 | 3.04 | 3.82 | | Ln ADPS | Average Numbers(Ln) |

# STOCK PRICE BEHAVIORS OF COMMERCIAL BANK IN NEPAL

**By: Mohammad Zahid Ansari**

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ABSTRACT Smart investors should look at how a stock's price has moved in the past to guess where it's going next and avoid losing money. The government must take decisive action to not only devise but also deliver on capital market development policies. The outputs of commercial banks, finance companies, and manufacturing & processing companies exceed those of other sectors, thus advising investors to commit funds to these industries. Individual investment decisions are primarily influenced by cues from the stock market. The market should spread information far and wide, and keep the cost low. The stock exchange should be investor-centric, market-driven, and operationally sound. Synergy among regulatory bodies is essential. The acquisition and disposal of shares should be conducted in a systematic, expeditious, and time-efficient manner. Publicly traded companies must provide full and timely disclosure of financial data. The regulatory body should suppress the circulation of adverse rumors that might influence the stock valuation. Stock price movements should be free from market manipulation. Listed companies are unpredictable about dividends, sometimes paying more, sometimes less. The company ought to establish a vigilant monitoring system to scrutinize stock price dynamics and exert effort to enhance its market capitalization relative to competitors. It is imperative that stockbrokers and other securities professionals develop the necessary expertise, and market intermediaries must possess adequate infrastructure to provide comprehensive investor services. Further, a comprehensive analysis of stock market efficiency should be undertaken by the concerned regulatory body to inform policy decisions that will foster market growth and deter manipulation. Key Words: Dividend Per Share Market Price Per Share Earning Per Share CHAPTER - I INTRODUCTION 1.1 Background of the Study Finance fuels economic growth and powers economic progress and developed countries, too, owe their economic success to the strength of their banking systems. A strong banking system is a cornerstone of economic development, even for the most affluent nations. Therefore, commercial banks are crucial for a nation's economic advancement. Thus, banks are essential for the economic progress of developing economies such as Nepal. Clearly, banks are crucial for the economic growth of underdeveloped nations such as Nepal. The securities market is a process through which investments with terms longer than a year are exchanged. These investments can take various forms, including government securities and equity shares. The stock market, a vital component of this market, enables the buying and selling of company shares. Shares can be traded on two different kinds of stock markets. When a firm floats its shares for the first time through an IPO, it's a primary market transaction. Subsequent trading of these shares among investors happens in the stock market, which is a secondary market (Sharpe et al., 1999).

**Financial markets are** categorized **into money markets and capital markets. Money markets** comprise **the** segments **for debt** instruments **with maturities** shorter **than one year. Money markets** primarily **involve the trading of short-term** financial instruments. **Money markets** 2

may be segmented into institutionalized and non-institutionalized categories. The organized or official money market operates as a framework