

**FACTORS AFFECTING STOCK PRICE VOLATILITY OF
NEPALESE COMMERCIAL BANKS**

**A Dissertation Submitted to the Office of the Dean, Faculty of Management in
Partial Fulfillment of the Requirements for the Master of Business Studies (M.B.S.)**

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **FACTORS AFFECTING STOCK PRICE VOLATILITY OF NEPALESE COMMERCIAL BANKS**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

This is to certify that the thesis entitled **FACTORS AFFECTING STOCK PRICE VOLATILITY OF NEPALESE COMMERCIAL BANKS** submitted by Samundra Wagle to the Faculty of Management, Tribhuvan University in partial fulfillment for the award of the degree of MBS is a original research work carried out by him under my supervision. As far mu knowledge, the contents of this in full or in parts have not been submitted to any other institutions or university for the award of any degree or for any commercial purpose.

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We, the undersigned, have examined the dissertation entitled **FACTORS AFFECTING STOCK PRICE VOLATILITY OF NEPALESE COMMERCIAL BANKS** presented by Samundra Wagle a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva- Voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

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

ABSTRACT

The investors should analyze historical trends and price patterns of stocks to predict future price changes, ensuring secure investments. Governments must not only formulate but also promptly and effectively implement policies for developing the capital market. Sectors such as commercial banks, finance companies, and manufacturing & processing firms demonstrate superior performance compared to others, making them preferable for investors seeking stable returns. Individual investment decisions heavily rely on signals from the capital market, which should efficiently disseminate reliable information at minimal cost. Stock exchanges need to prioritize investor interests, operate with strong management, and maintain market orientation. Effective coordination among regulatory bodies is essential. Procedures for buying and selling shares should be streamlined, swift, and efficient. Listed companies must disclose their financial statements promptly and comprehensively to foster transparency. Regulatory bodies should mitigate negative rumors to prevent stock price manipulation, ensuring fair market behavior. Companies should establish clear dividend policies and stable payout ratios. Vigilant monitoring of stock price behaviors and efforts to enhance market value relative to competitors are crucial. Securities professionals should cultivate necessary expertise, and market intermediaries should possess adequate infrastructure to deliver quality services to investors. Furthermore, regulatory bodies should conduct extensive research and analysis to enhance market efficiency and reduce manipulation.

Keywords: Stock Price Volatile and Factor Affecting Stock Price in Nepal

CHAPTER - I

INTRODUCTION

1.1 Background of the study

Stock price volatility refers to the fluctuation in stock prices over a specific period, a common occurrence in equity markets that captures the unpredictable changes in stock values. According to Kanninen (2007), it serves as an indicator of how quickly new information impacts stock prices. This volatility is of significant concern to investors, brokers, dealers, academics, and regulators alike. It not only measures risk but also influences the valuation of firms, as fluctuations in stock prices often signal important developments within the company, as noted by Guo (2002). Investors, who generally prefer lower risk, closely monitor volatility as it directly affects their investment portfolios. Additionally, the response of stock prices to unexpected changes in dividends reflects the dividend preferences of the typical investor in that particular firm, as discussed by Dharmawan et al. (2024).

Common stocks represent ownership stakes in primarily tangible or productive assets. When a company thrives, shareholders benefit the most, but they also bear the brunt of losses if the company encounters difficulties (Higgins, 1995). Dividends, as outlined by John et al. (1998), are periodic cash payments disbursed by corporations to their shareholders, determined upon declaration by the board of directors and can vary widely, from zero to any amount the company deems feasible.

Stock prices serve as crucial indicators of stock market performance. These prices are influenced by the interplay of demand and supply, which, in turn, are affected by both company-specific factors and broader macroeconomic conditions. Investment returns are inherently volatile due to fluctuations in stock prices, which hinge on a variety of factors, whether internal to the company or related to broader economic variables such as earnings per share, company size, and book-to-market equity ratios (Shafana, 2013).

Research in asset pricing has identified several variables beyond market risk that explain variations in stock returns across different firms. Notably, factors such as firm size (Sapkota, 2015), leverage (Bhandari, 1988), price-to-earnings ratio (Ojha, 2011), cash

flow to stock price ratio (Arkan, 2018), and book-to-market equity (Hunjara & Muhammad, 2021) have significant explanatory power in empirical tests of asset pricing.

Shrestha (2021) underscores that among these variables, book-to-market equity stands out as the most influential factor in explaining differences in stock returns across firms. Similarly, research on Japanese stocks highlights that variables like earnings yield, size, book-to-market ratio, and cash flow yield significantly influence cross-sectional stock returns (Timsina, 2018).

Investment decisions by investors are heavily influenced by stock market prices (Hemadivya & Devi, 2013), prompting extensive research into stock market dynamics and stock price forecasting.

The Price Earning Ratio (PER) serves as a metric reflecting investors' expectations regarding a company's future growth prospects, determining the price investors are willing to pay per dollar of the company's earnings. A higher PER indicates optimistic investor sentiment about the company's future development, leading them to pay a premium price for each unit of earnings (Bhatta, 2010).

According to Xu et al. (2022), dividend payouts significantly impact common stock prices, with key determinants of corporate dividend policies including earnings performance, cash availability, historical dividend trends, and concerns related to stock price appreciation. In Nepal, the behavior of stock prices exhibits discernible patterns that are valuable for predicting future price movements based on past performance.

The financial sector plays a crucial role in aggregating dispersed savings for capital formation, and the Nepalese stock market plays a pivotal role in mobilizing savings to sustain economic growth. It provides a platform for growth in sectors such as infrastructure, essential for national development. However, the Nepalese securities market is still in its developmental phase and requires further growth and enhancement. Commercial banks constitute a significant portion of Nepal's securities market, with their stock prices heavily influencing the Nepal Stock Exchange index.

Financial institutions play a crucial role in modern economies by acting as intermediaries between savers (such as households, enterprises, and governments) and borrowers

seeking external finance. They facilitate the transfer of funds across various sectors, which is essential for economic growth. In today's economic landscape, banking institutions are widely recognized as key drivers that can accelerate the pace of economic development.

One of the primary challenges faced by developing countries is achieving robust economic growth. This growth typically involves advancing key economic sectors like agriculture, industry, and trade, all of which require consistent financial support (Sianf & Rayappan, 2023).

This study aims to explore the relationships between Market Price per Share (MPS), Book Value per Share (BVPS), Dividend per Share (DPS), Price Earnings Ratio (P/E), Debt to Equity Ratio (D/E), and Profitability Ratio (ROE). It seeks to understand the impact of BVPS, DPS, P/E, D/E, and ROE on MPS, and identifies factors influencing MPS.

1.2 Problem statement

Banks constitute a substantial and influential sector globally, serving both individuals and organizations as depositors or borrowers. They play a critical role in upholding confidence in the monetary system through their close ties with regulatory authorities and governments, which impose stringent regulations on their operations. Consequently, there is significant and widespread concern regarding the health of banks, particularly focusing on aspects such as solvency, liquidity, and the varying levels of risk associated with their diverse business activities (Dharmawan et al., 2024).

Profit stands as a crucial metric of strong financial performance, often stemming from effective business management, rigorous cost controls, adept credit risk management, and overall operational efficiency. For any enterprise, profit is vital not only for survival but also for growth, enabling the retention of capital necessary for maintaining adequate financial reserves (Sharpe et al., 2022).

In the banking sector, maintaining sufficient liquidity is paramount. Liquidity denotes the availability of adequate funds to fulfill various financial obligations, including deposit withdrawals and other commitments as they come due. Ensuring solvency is equally critical,

which pertains to having assets that exceed liabilities, thereby ensuring the adequacy of the bank's capital base. To effectively manage day-to-day operations and prepare for unforeseen events, banks must maintain adequate cash reserves and bank balances (Sharpe et al., 2022).

In today's context, many investors are increasingly drawn to the banking sector. It is crucial to conduct comparative studies among different banks to avoid potential negative impacts from remaining indifferent to relevant information over the long term. Customers tend to favor banks that provide efficient and high-quality services. Similarly, investors prefer banks that offer high dividends and profitability. Customers also seek assurance about banks' ability to meet their financial commitments promptly.

For banks to thrive in a competitive market over the long term, they must consider several factors including liquidity, profitability, market position, and other operational aspects. Therefore, this study focuses on the financial performance of commercial banks operating in Nepal, which is beneficial for both customers and investors (Shrestha, 2013).

In Nepal, while there have been several studies on the financial performance of the banking sector, there remains a gap in comprehensive research specifically focusing on the commercial banks listed on the Nepal Stock Exchange. This study aims to analyze the financial positions of five such commercial banks operating in Nepal. The research questions guiding this study are as follows:

- i. What are the structure and trends observed in Market Price Per Share (MPS), Return on Equity (ROE), Dividend Per Share (DPS), Debt-to-Equity Ratio (D/E), and Market Value to Book Value Ratio (MV/BV)?
- ii. Is there a significant relationship between Market Price Per Share (MPS) and other key variables such as Return on Equity (ROE), Dividend Per Share (DPS), Debt-to-Equity Ratio (D/E), and Market Value to Book Value Ratio (MV/BV)?
- iii. How do Return on Equity (ROE), Dividend Per Share (DPS), Debt-to-Equity Ratio (D/E), and Market Value to Book Value Ratio (MV/BV) influence the stock prices of commercial banks, and which among these variables exerts the greatest influence?

1.3 Objectives of the Study

The primary objective of this study is to analyze the behavior of share prices among commercial banks in Nepal. The specific objectives of the study include:

- i. To evaluate the structure and trends observed in Market Price Per Share (MPS), Dividend Per Share (DPS), Debt-to-Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and Return on Equity (ROE).
- ii. To investigate the relationships between Market Price Per Share (MPS) and key variables such as Dividend Per Share (DPS), Debt-to-Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and Return on Equity (ROE).
- iii. To analyze the impact of Dividend Per Share (DPS), Debt-to-Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and Return on Equity (ROE) on the stock prices of commercial banks, identifying which variable has the most significant influence.

1.4 Rationale of the Study

Previous research has extensively covered various aspects of commercial banks' performance, but there appears to be a noticeable gap concerning the specific topic of stock price behavior in Nepalese commercial banks. This study aims to address this gap by shedding light on the dynamics of stock prices in Nepalese commercial banks. By examining this area, the research seeks to achieve several objectives. This study intends to uncover essential insights into the behavior of stock prices in Nepalese commercial banks, thereby enhancing understanding of trends within the securities market, particularly in the banking sector. Investors will gain valuable information on how market fluctuations impact their investments and returns. Moreover, the findings from this research can serve as a basis for the government to review and reform financial policies, informed by empirical data on stock market trends in the banking sector. Additionally, academic institutions, bank employees, trainees, investors, financial professionals, policy-making bodies, and other stakeholders involved in banking will benefit from the study's insights and recommendations. Ultimately, this study aims to contribute significantly to the existing literature by providing a comprehensive analysis of stock price behaviors in Nepalese commercial banks, offering practical implications

for various stakeholders in the financial sector.

1.5 Limitations of the Study

This study is subject to several limitations:

- i. The analysis is restricted to a timeframe of the last decade, specifically from 2013/014 to 2022/023.
- ii. The study relies solely on secondary data sources, primarily sourced from annual reports and bank websites. Consequently, the reliability of the study's conclusions hinges on the accuracy and completeness of the compiled secondary data.
- iii. The scope of the study is limited to analyzing equity shares exclusively, without including other financial instruments such as preference shares, debentures, or government bonds.
- iv. This research provides insights into the historical and current state of stock price behaviors among commercial banks in Nepal. However, it does not attempt to make projections or forecasts regarding future trends or outcomes.

CHAPTER-II

REVIEW OF LITERATURE

This chapter reviews theories on stock price behavior, including fundamental and technical analysis, efficient market theories, and the roles of financial institutions and capital markets. It analyzes empirical studies on factors influencing stock prices and discusses the impacts of economic liberalization on capital market development. The chapter aims to identify research gaps and opportunities for further exploration in understanding stock market dynamics and efficiency.

2.1 Theoretical Review

In today's context, many developing countries are accelerating their economic growth through investments. Stock prices are determined by the interaction of demand and supply forces: when demand exceeds supply, stock prices rise, and vice versa. The business cycle theories aim to track economic variables over time to forecast economic trends and cycles.

There are two main theories of stock price behavior: the classical approach and the efficient market theory approach. The classical approach includes fundamental analysis theory and technical analysis theory. Fundamental analysis focuses on evaluating a company's financial health and economic factors to predict stock performance, while technical analysis relies on historical price and volume data to forecast future price movements.

In contrast, the efficient market theory posits three forms of the efficient market hypothesis, which suggest that stock prices reflect all available information and are difficult to predict consistently. The classical approach views markets as inefficient, whereas the efficient market theory assumes market efficiency.

Before the emergence of the efficient market theory, investors were typically categorized into two groups: fundamentalists, who prioritize fundamental analysis, and technicians, who rely on technical analysis techniques (Reilly, 2016).

Convention or Classical Approach

The traditional or classical approach to financial analysis comprises two main theories: fundamental analysis and technical analysis. Within the realm of financial analysis, there exists a significant divide between practitioners who employ fundamental analysis, often referred to as fundamental analysts, and those who utilize technical analysis, commonly known as technical analysts or technicians.

a) Fundamental Analysis

In the fundamental approach, analysts and investors focus on examining economic factors, industry conditions, and specific company information such as product demand, earnings, dividends, and management competence. The goal is to determine the intrinsic value of a company's securities. Fundamental analysis starts with the premise that the true value of any financial asset equals the present value of all expected future cash flows.

Fundamental analysts begin by forecasting the timing and magnitude of these cash flows and then discount them back to their present value using an appropriate discount rate. They assess stocks within a framework that considers risk and return, emphasizing the company's earning potential and the broader economic environment. Fundamentalists believe that the value of a stock is based on anticipated future returns and the corresponding risk-adjusted discount rate, known as the capitalization rate.

Under this model, the value of a share is calculated as the present value of all future income streams expected from the equity, discounted at the appropriate risk-adjusted rate. This approach relies heavily on comprehensive and timely disclosure of financial and economic information. Without regular, reliable, and complete information, the market cannot accurately assess the true value of shares.

The market price of a share fluctuates based on changes in expectations driven by new information. Therefore, the actual price of a security is influenced by a set of anticipations that evolve with new developments. Ultimately, according to fundamental analysis, the market price of a share should reflect its intrinsic value, which is determined by the present value of all expected future income streams (Francis, 2016).

b) Technical Analysis

The theory of technical analysis in stock price behavior relies on historical market data to forecast future price movements. This approach involves studying past price and volume data of stocks to identify patterns or trends that can predict future price changes. Analysts examine previous price movements to detect recurring patterns, which they believe will repeat in future market behavior. They also analyze recent price data to identify emerging patterns that resemble historical trends. Technical analysts specialize in this method, likening it to predicting future stock prices based on recognizing patterns, much like observing a pattern in wallpaper that repeats above and below a mirror. This approach assumes that market trends and patterns are predictable and can be used to make informed trading decisions (Miller, 2011).

Efficient Market Theory

An efficient market is characterized by securities that are consistently priced accurately, with prices reflecting all available information swiftly and precisely. In such markets, it is nearly impossible to consistently outperform the market, except through random chance. The primary role of efficient capital markets is to allocate scarce resources effectively among competing uses, ensuring that resources are utilized in the most productive manner possible. This concept, known as allocative efficiency, ensures that resources are allocated to their highest valued uses, typically by the highest bidder.

According to Johns (2022), an efficient market is defined as one where security prices rapidly and accurately incorporate all known information. In practice, this means that a security's current price represents the best estimate of its true underlying value. In an efficient market, there are numerous knowledgeable participants who actively seek to maximize their profits through informed trading decisions. New information arises randomly, and market participants adjust their strategies promptly and accurately in response.

The efficiency of markets has significant implications for both the economy and investment decision-making. Economically, accurate security prices ensure that capital resources are allocated efficiently, preventing misallocation that could occur with

incorrect pricing. This ensures that investors receive accurate signals about where to allocate their capital for optimal returns (Weston & Copland, 2015).

Market efficiency encompasses various dimensions, including informational efficiency, allocative efficiency, and operational efficiency. Informational efficiency requires that information is widely and promptly disseminated among market participants, allowing for quick and accurate price adjustments. Operational efficiency minimizes transaction costs, such as commissions, ensuring that capital flows smoothly within the market (Johns, 2018).

For a market to be efficient, certain conditions must be met: a large number of rational, profit-maximizing investors actively participate in the market; prices adjust swiftly and accurately to new information; information is generated randomly and independently; and transaction costs are minimized. These conditions ensure that prices reflect true market value and that capital is allocated efficiently to maximize returns (Bhalla, 2013).

Weak-Form Market Efficiency

According to the weak form of the efficient market hypothesis, stock prices reflect all historical price movements and past market information. This implies that no investor can consistently earn excess returns by using trading strategies based on historical price or return data (Weston and Copland, 2016). The hypothesis asserts that past rates of return and other historical market data have no predictive power over future stock prices or returns. In essence, the stock market is believed to have no memory, as all relevant past information is already reflected in current market prices.

In an efficient capital market as described by Fama (2015), there should be no significant correlation between security prices over time, indicating serial independence. Empirical studies testing the weak form of market efficiency generally confirm this lack of serial correlation in stock prices over time. Researchers have examined various trading strategies designed to exploit historical price patterns, but consistently find that these strategies do not yield returns that consistently beat the overall market index.

Therefore, the conclusion drawn from the weak form efficiency hypothesis is that market participants cannot gain a sustainable advantage by analyzing historical price data or developing trading rules based on past market information. Any perceived patterns or trends in historical prices are already reflected in current market prices, making it unlikely for investors to consistently outperform the market through such strategies.

Semi-Strong Form of Efficiency

In the semi-strong form of market efficiency, it is posited that stock prices incorporate all publicly available information. This means that all information publicly disseminated through corporate reports, stock market data, news publications (like financial dailies), earnings announcements, dividends, stock splits, and other relevant disclosures is promptly reflected in the current market prices of securities. According to this hypothesis, any attempt by investors or analysts to profit from publicly available information by identifying undervalued or overvalued stocks would be futile, as such information is already factored into stock prices.

If the semi-strong form of the efficient market hypothesis holds true, then investors cannot achieve excess returns by trading on publicly available information. This suggests that strategies based on stock analysis or attempts to time the market using news and financial data will not consistently outperform a simple buy-and-hold strategy. Essentially, the market adjusts swiftly and accurately to incorporate new information, making it nearly impossible for investors to gain an edge over the market by reacting to publicly available information.

This perspective on market efficiency is contentious because it challenges the traditional role of security analysis in identifying mispriced securities based on publicly accessible data. The implication is that even skilled analysts or investors who diligently analyze corporate reports or market news will not consistently outperform the market due to the efficiency with which prices adjust to new information. Therefore, proponents of the semi-strong form of efficiency argue that stock prices already reflect all available information, leaving little room for investors to exploit informational advantages for superior returns (Francis, 2016).

Strong Form of Efficiency

In the strong form of market efficiency, it is asserted that security prices incorporate not only all publicly available information (as in the semi-strong form) but also all private, unpublished information. This means that all information, whether publicly disclosed or known only to insiders, is fully reflected in current stock prices. According to this hypothesis, no investors, including insiders with access to non-public information, should be able to consistently earn above-average returns by trading on this information.

The strong form of market efficiency is the most rigorous version among the three forms (weak, semi-strong, and strong). It implies that there are no opportunities for any investor to gain an edge in the market based on information advantages, whether public or private. If the strong form hypothesis holds true, the profitability of trades made by insiders (individuals with access to non-public information) should not statistically exceed what could be achieved by random chance.

An effective way to test the validity of the strong efficient market hypothesis is to analyze the historical profitability of trades made by insiders. If insiders consistently earn abnormal or above-average returns that cannot be explained by random chance, it would challenge the notion of strong market efficiency. However, empirical studies generally find that while insiders may have temporary advantages based on private information, their trading profits do not consistently outperform the market over the long term, supporting the idea of strong market efficiency (John, 2016).

Random Walk Efficient Market Theory

The random walk theory posits that future price movements of stocks are independent of past movements, implying that it is not possible to predict future prices solely based on historical price changes. According to this theory, attempts to forecast absolute future prices using past price data alone will generally fail. However, the theory acknowledges that while prices may fluctuate randomly in the short term, these fluctuations do not imply irrationality in the market's pricing mechanism. Instead, market prices are determined by the interplay of supply and demand forces in a competitive environment.

In a free and competitive market, where all relevant information is swiftly incorporated into prices, any deviations of stock prices from their intrinsic values are quickly corrected through active buying and selling by informed investors. This process ensures that prices adjust to reflect the true value of securities. Despite being a subject of intense study among academics and researchers, proponents of the efficient market theory argue that market efficiency leads to prices that accurately reflect available information.

However, critics of the efficient market theory argue that the stock market may not always be perfectly competitive or efficient. They suggest that various factors, such as market manipulation, insider trading, information asymmetry, and behavioral biases among investors, could undermine the efficiency and competitiveness of the market. These criticisms challenge the notion that stock prices always reflect all available information accurately and instantaneously (John, 2017).

2.2 Conceptual Review

Before delving into the specifics of share price behavior, it is essential to have a solid understanding of fundamental concepts related to shares and related aspects, as well as a comprehensive overview of the banks being studied. This foundational knowledge provides context and sets the stage for a deeper exploration into the dynamics of share price movements.

Stock Price Behavior

The stock market plays a pivotal role in driving economic prosperity by facilitating capital formation and sustainable growth. It serves as a crucial platform for channeling savings into productive investments, thereby supporting industries and commerce within a country. Government bodies, corporations, and central banks closely monitor stock market dynamics due to its profound impact on national economies. Investors rely on stock markets to allocate their savings effectively, benefiting from attributes like liquidity, marketability, and investment safety. A well-regulated capital market ensures long-term funding for economic development by enabling the exchange of financial assets among investors (Kurihara, 2006).

Understanding fundamental concepts related to shares and other financial instruments are essential before delving into the specifics of share price behavior. The functions of finance involve critical decisions such as investment, financing, and dividend policies, each contributing to firm value and shareholder wealth (Van Horne, 1998). Dividend policy, for instance, determines how earnings are distributed to shareholders and impacts the market value of shares. Investors' expectations of dividends influence their perception of current wealth and future returns, thereby shaping stock prices (William, 1973).

In capital markets, the efficient allocation of resources is critical for economic efficiency. Market prices reflect all available information efficiently, guiding investors' decisions and facilitating fair capital allocation (Weston & Copland, 1996). The concept of random walk theory asserts that stock prices adjust swiftly to new information, suggesting that past price patterns do not reliably predict future movements (Fischer & Jordan, 2022). This theory underscores the role of market mechanisms in maintaining rational pricing despite price fluctuations.

Research into stock price determinants reveals that factors such as earnings per share (EPS), dividend per share (DPS), book value per share (BPS), and price-earnings ratio (P/E) significantly influence market prices (Malhotra & Tandon, 2013). Government policies and corporate financial policies also play crucial roles in market volatility and investor sentiment (Shrestha, 2019). Understanding these factors helps investors make informed decisions, mitigating risks associated with stock market fluctuations.

The study aims to explore these factors comprehensively across various sectors, including commercial banks, development banks, microfinance institutions, hydropower, and hotels in Nepal. By investigating the relationships between DPS, EPS, P/E ratio, BV, market-to-book value, and stock prices, the research seeks to provide valuable insights for investors in constructing resilient investment portfolios (Sharpe et al., 2019).

The stock market's role extends beyond mere trading; it serves as a fundamental pillar of economic growth, fostering capital flow and investor confidence. This research into stock price behavior and its determinants aids in understanding market dynamics, guiding policy makers, investors, and stakeholders towards sustainable economic development.

Common Stocks Values

a) Par Value

Par value serves as the nominal or face value assigned to a share of stock when it is first issued by a corporation. Historically, it was introduced to ensure that the corporation receives a fair price for the value represented by each share. Additionally, par value was intended to prevent preferential pricing of shares to insiders or friends of the corporation, which could disadvantage other potential investors (Francis, 2023).

The par value remains fixed unless altered through corporate actions such as a stock split, and it serves as a reference point for the initial value of the stock. According to the Company Act 2022, the typical par value for new issuances is Rs. 100 in Nepal (Cheney & Mosses, 2015). This standardization helps maintain transparency and consistency in the pricing of shares, ensuring fairness in the market for all investors.

b) Book Value

The Book Value per share is computed by aggregating the total value of common stock, which includes par value, paid-in surplus, and retained earnings, as recorded in the net worth section of the balance sheet. This total is then divided by the number of shares of common stock outstanding. Book value provides insight into the assets owned by the corporation, reflecting the cumulative value of its issued shares. However, it does not necessarily correlate with the current market price of the stock. Companies often observe their common stock trading at prices significantly higher or lower than its book value (Francis, 2018).

c) Market Value

In secondary markets, the market value of a stock is determined by the interplay of supply and demand forces. It represents the collective assessment of investors and traders regarding the stock's worth. Numerous factors contribute to shaping market value, encompassing economic conditions, industry trends, anticipated earnings and dividends, as well as evaluations of market and company-specific risks (Cheney & Mosses, 2015).

Classifications of Common Stock Based on Feature

Blue chip stocks refer to shares issued by large, well-established corporations that hold

leading positions within their industries. These stocks are characterized by strong financial stability, substantial market presence, and robust balance sheets. Investors often perceive blue chip stocks as reliable investments due to their consistent performance and dividend payments. Growth stocks, on the other hand, are equities whose market value typically increases in tandem with the company's earnings and dividends. These stocks tend to exhibit higher-than-average appreciation in price as the underlying company expands its operations and profitability. Income stocks are known for their consistent dividend payouts, reflecting stable cash flow generation by the issuing company. These stocks are favored by investors seeking regular income streams from their investments, often prioritizing dividend yield over potential capital gains. Cyclical stocks are sensitive to economic and industrial cycles, experiencing fluctuations in performance based on broader economic conditions. In contrast, defensive stocks are less influenced by economic downturns and tend to maintain stable performance regardless of economic cycles. Speculative stocks are investments viewed with higher risk due to uncertain outcomes or speculative motives. Investors in speculative stocks are typically attracted by the potential for significant returns, albeit with higher associated risks. Small stocks, also known as small-cap stocks, refer to shares issued by companies with relatively lower market capitalization compared to blue chip stocks. These companies may offer higher growth potential but also entail greater investment risk due to their smaller size and potentially volatile performance in the market. These categories of stocks provide investors with various options to diversify their portfolios based on risk tolerance, investment objectives, and market conditions (Ritter & Silber, 2023).

Characteristics of Common Stocks

a) Voting Rights or Control

Common Stock is voting stock. The power to vote for the board of directors and for or against major issues (such as mergers or an expansion into new product lines) belongs to the common shareholders because they are the owners of the corporation.

b) Preemptive Rights

The preemptive right allows stockholders to subscribe to any new issue of stock so that they can maintain their previous fraction of the total number of shares sold (usually called the outstanding shares. Some states automatically make the preemptive right

a part of every corporate charter: in others, its inclusion as part of the charter is optional to grant the preemptive right is to recognize that stockholders are part owners of corporations and as such should have an interest in earnings and assets and a voice in management proportionate to the fraction of voting shares they own. The preemptive right, if exercised, prevents the dilution of ownership control inherent in additional stock shares. Thus, the preemptive right, if exercised, guarantees the investor's undiluted maintenance of voting control, share in earnings, and share in assets. (Francis, 1983)

C) Right to Income and Distribution of Other Shares

In fact, shareholders have no right to receive income distribution from the corporation. As practice prevails, BOD declares cash dividends if enough financial resources are available. The dividends can be cash dividends, stock dividends, property dividends, etc (Cheney & Mosses, 2015).

2.3 Empirical Review

Dharmawan et al (2024) examined on determinant factors of company share prices in financial sector companies on the IDX. Where Dependent: Share Price and Independent: Earning Per Share, Return on Equity, Debt-Equity Ratio Purposive sampling method is used to determine sample size and Eviews 10 was applied to analyze the data. Classical assumption testing, model feasibility analysis, panel regression analysis, and determination coefficient use to test data. The results of the study, stock prices are strongly influenced by EPS and ROA, but stock prices are not influenced by DER. Financial sector companies that have below-average EPS ratio and negative values should realize that increased profits aim to improve investor welfare through dividends and/or capital gains.

Siang and Rayappan (2023) examine on the effect of macroeconomic factors on stock market performance in Malaysia. The used variables are Dependent: Stock Market Performance and Independent: Inflation rate, Effective Exchange Rate, M2 Money Supply, Short Term Interest Rate. Similarly, Johansen Co integration Test has been utilized if the variables have long term impact on Malaysian stock market performance; whereas regression analysis is used to quantify the impact. The results show that the real effective exchange rate has a moderate positive effect on KLCI index. Secondly, the

inflation rate and overnight-policy rate have long-term positive effect on the KLCI index. M2 money supply has a long-term negative effect on the KLCI index.

Liu, Manzoor et al. (2022) examine the short-term effects of COVID-19 on China's stock market. They found that Chinese and Asian stock markets declined after the outbreak of COVID-19. Furthermore, banking, insurance sectors documented negative abnormal returns for event of COVID 19. He investigated the stock returns of sharia-compliant firms from different industries and found that the banking sector performed worst comparatively. He explored the short term effect of seven COVID-19 related events on the stock returns of the Saudi financial market. They found that the banking sector is among the most affected sector in this respect. He showed the effect of COVID-19 on the stock performances of the different sectors from the Indonesian Stock Exchange. Their results showed that the banking sector documented abnormal returns. He explored the short term effect of different WHO announcements regarding COVID-19 on the stock performances of nine different indices (world, developed and developing) from all over the world. They found that the effect of COVID-19 varies across the indices from developed and developing countries. In short, the first type of studies investigated the industry-specific stock performances, including the airlines and transportation sector from different countries.

Hunjara and Muhammad (2021) examine on stock dividend and fluctuation in its stock prices. The main objective of this study is to find the factors which cause fluctuation in stock prices and different results have been found. The methodology adopted in this study is ordinary least square regression model has been applied. The results indicated that dividend yield and dividend payout ratio which are both measures of dividend policy have significant impact on stock price. Dividend yield is negatively related with stock price and dividend payout ratio is positively related with stock price which means that these results are against dividend irrelevance theory.

Shrestha (2021) examine on stock investment behavior in Nepal the article stated that problems at the NEPSE are twofold. The first is that it is basically an extension 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. Corporate governance should be a way of life if Nepali companies are to compete in the global arena. Relaying on insider trading or dodgy legislation will not work in the end. Looking ahead, the stock exchange must provide the necessary avenues to assist in finding Nepal's economic growth, but this must be based on sound international practices.

Bhattarai (2020) examined the effect in the Nepali capital market, calendar effect; day effect, weekend effect and seasonal effect are common in the international stock market. Various researches have proved that there is variation in return and volatility among the days in a weak and seasons. A similar research conducted by Securities Research Center and services (SRCS) Pvt. Ltd has found that Nepali stock market too has been following similar trend. The volatility in index return is the highest on Sunday and lowest on Tuesday, a similar result has been found in the volatility on the dally change in NEPSE index. This is the highest on Sunday and the lowest on Tuesday.

Rahman and Siddikee (2020) analyzed the effect of cash & stock dividends on share price, an empirical study on Dhaka Stock Exchange. The study aimed to identify whether stock dividends has more impacts on the share prices than that of the cash dividends using the data of a promising emerging market- DSE. This study found that there is no evidence of abnormal returns on the declaration day for both stock and cash dividends. The finding of the study proposes an interesting policy to the investors who are willing to invest with the companies listed under the DSE. It suggests that the investors should hold their shares after the announcement when the companies declare stock dividends and sell them on 12th working day for maximizing their abnormal returns and if the companies declare cash dividends the investors would not earn any abnormal returns from their investment.

Francis (2019) conducted a study on Semi-Strong form of Efficiency, in the semi-strong form of efficiency; the security prices reflect all publicly available information. This implies that no investors could earn excess return using publicly available resources such as corporate annual reports, stock market price information or all publicly available data such as earnings, dividends, stock split announcements, new products development, financing difficulties, accounting changes, or financial dailies/magazines (e.g. The Economic Times). In fact, such publicly available information is already impounded in the current security prices. "If the semi-strong hypothesis is true, then only a few than what could be earned by using a native buy and hold strategy.

Pradhan (2019) examine stock market of small capital market in Nepalese context helps to provide at least some insight into stock market behavior in Nepalese context by concerning listed and traded shares in secondary market. 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. 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. Data could not be obtained on contacting the individual enterprise as they traded them confidential.

Arkan (2018) examine the importance of financial ratios in predicting stock price Trends, a case study in Emerging Markets. 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. The results showed that some ratios could give strong positive and significant relationships to stock price behaviour 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. The stock market of Nepal has been less subjected to investment research than their counterparts elsewhere. In Nepalese context, there is little study available about stock market behavior in small

capital markets. Some of the available relevant studies are reviewed below. Even though these studies were carried out few years back, it can provide intellectual ground in our domestic stock market and its dimension in the present context also.

Martikainen (2018) assessed modeling stock price behaviour by financial ratios. The objectives of the study are to find out the economic dimensions of the firm are reflected in stock price behaviour 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) determined the 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 analysts.

Sharpe (2018) analyzed the efficient market is that, there is large number of knowledgeable and profit maximizing independent buyers and sellers, new information is generated randomly and investors adjust the information rapidly. The degree of market efficiency has important implication for the economy and for investment decision makers. In an economic sense, it is important that security prices provide accurate signals that can be used to allocate capital resources correctly. Incorrectly, prices securities would result in incorrect allocation of capital.

Fuss (2017) examined the 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. 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.

Table 1

Empirical Summary of Review

Author (s)	Variables	Methodology	Major Findings
Dharmawan, Karnadi, Ratnawita, Suratman, and Judijanto (2024)	Dependent: Share Price, Independent: Earning Per Share, Return on Equity, Debt-Equity Ratio	Purposive sampling method is used to determine sample size and Eviews 10 was applied to analyze the data. Classical assumption testing, model feasibility analysis, panel regression analysis, and determination coefficient use to test data.	The results of the study, stock prices are strongly influenced by EPS and ROA, but stock prices are not influenced by DER. Financial sector companies that have below-average EPS ratio and negative values should realize that increased profits aim to improve investor welfare through dividends and/or capital gains.
Siang and Rayappan (2023)	Dependent: stock market performance Independent: Inflation rate, Effective Exchange Rate, M2 Money Supply, Short Term Interest Rate	Johansen Co integration Test has been utilized if the variables have long term impact on Malaysian stock market performance; whereas regression analysis is used to quantify the impact.	The results show that the real effective exchange rate has a moderate positive effect on KLCI index. Secondly, the inflation rate and overnight-policy rate have long-term positive effect on the KLCI index. M2 money supply has a long-term negative effect on the KLCI index.
Liu, Manzoor et al. (2022)	Stringency Index (Index): Measure of government response stringency R _i : Individual stock market returns R _m : Market return	Financial and statistical tools were used. The casual research design has been applied. The regression and correlation analysis has been used.	The banking sector documented abnormal returns. It is explored the short term effect of different WHO announcements regarding COVID-19 on the stock performances of nine different indices (world, developed and developing) from all over the world. It is found that the effect of COVID-19 varies across the

Hunjara & Muhammad (2021)	Dependent variables is Market Price per Share (MPS), where Earnings per Share (EPS), Dividend per Share (DPS), Price Earnings Ratio (PE) is independent variables.	A descriptive research design has been used to make the analysis more conclusive. The diagnostic analysis mainly highlights to find out the actual position of the companies using different statistical and financial tools.	indices from developed and developing countries Dividend yield is negatively related with stock price and dividend payout ratio is positively related with stock price which means that these results are against dividend irrelevance theory.
Rahman & Siddiquee (2020)	Market price per share is dependent variables where is Dividend Per Share, Debt To Equity Ratio, Book Value Per Share, Price Earnings Ratio, Debt to assets Ratio are independent variables.	Panel data regression analysis was applied.	The finding of the study proposes an interesting policy to the investors who are willing to invest with the companies listed under the DSE
Francis, (2019)	Stringency Index (Index): Measure of government response stringency R_i : Individual stock market returns R_m : Market return	Correlation analysis establishes the closeness of relationship between the two and more variables.	The Economic Times). In fact, such publicly available information is already impounded in the current security prices. "If the semi-strong hypothesis is true, then only a few than what could be earned by using a native buy and hold strategy.
Thomas Arkan, (2018)	Dependent: Market Price Per Share Independent: Book Value Per Share, Dividend Per Share,	The banks were selected on the basis of cluster and convenient sampling methods. Regression model has been used.	Even though these studies were carried out few years back, it can provide intellectual ground in our domestic stock market and its dimension in the present context also.

Teppo Martikainen, (2018)	<p>Earning Per Share</p> <p>The dependent variable is MPS where EPS, DPS, are independent variables.</p>	<p>The coefficient of determination is a measure of the degree of liner association or Correlation</p>	<p>Empirical evidence strongly indicates that financial ratios represent pricing relationships in a substantive manner.</p>
Sarvapriya Ray, (2018)	<p>Dependent: Stock Market Volatility</p> <p>Independent: Net Income, Earning Per Share, Dividend.</p>	<p>Regression determines the average probable change in one variable based on a certain amount of change in another.</p>	<p>The results have implications on domestic as well as foreign investors, stock market</p>
Sharpe, (2018)	<p>MPS is dependent variables where Dividend Per Share, Return on Equity ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, Book Value Ratios are independent variables.</p>	<p>Time Series and Panel Regression</p>	<p>In an economic sense, it is important that security prices provide accurate signals that can be used to allocate capital resources correctly. Incorrectly, prices securities would result in incorrect allocation of capital.</p>
Roland Fuss, (2017)	<p>Dependent variable is MPS where DPS, EPS, P/E are independent variables.</p>	<p>Regression determines the average probable change in one variable based on a certain amount of change in another.</p>	<p>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.</p>
Shrestha (2021)	<p>MPS is dependent variables where Dividend Per Share, Return on Equity ratio, Book Value Per Share, Price</p>	<p>A descriptive research design has been used to make the analysis more conclusive. The diagnostic analysis mainly highlights to find out the actual</p>	<p>Looking ahead, the stock exchange must provide the necessary avenues to assist in finding Nepal's economic growth, but this must be based on sound international practices.</p>

Pradhan (2019)	<p>Earnings Ratio, Return on Asset Ratio, Book Value Ratios are independent variables.</p> <p>Dividend Per Share, Debt To Equity Ratio, Book Value Per Share, Price Earnings Ratio, Debt to assets Ratio, Book Value Ratio etc are independent variables where MPS is dependent variable.</p>	<p>position of the companies using different statistical and financial tools</p> <p>The coefficient of determination is a measure of the degree of liner association or Correlation</p>	<p>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.</p>
Shrestha (2021)	<p>Market Value per share (MVPS) as dependent variable and Book Value per share (BVPS), DPS, EPS, as independent variable.</p>	<p>The coefficient of determination is a measure of the degree of liner association or Correlation</p>	<p>Relaying on insider trading or dodgy legislation will not work in the end. Looking ahead, the stock exchange must provide the necessary avenues to assist in finding Nepal's economic growth, but this must be based on sound international practices.</p>
Pradhan (2019)	<p>MPS is dependent variable where EPS, DPS, DPR, P/E ratio, BVPS are independent variables.</p>	<p>In addition to this, he had adopt statistical tools like lest square equation.</p>	<p>Data could not be obtained on contacting the individual enterprise as they traded them confidential</p>
Ojha (2021)	<p>Market Value per share (MVPS) as dependent variable and Book Value per share (BVPS), DPS, EPS, as</p>	<p>The coefficient of determination is a measure of the degree of liner association or Correlation</p>	<p>Due to lack of proper investment opportunities most of investors had directed their saving towards the secondary stock markets. There was significant positive correlation between the dividends paid and stock</p>

Poudel (2020)	<p>independent variable.</p> <p>Market Value per share (MVPS) is dependent variables where as independent variable are Book Value per share (BVPS), earning per share (EPS), Dividend Per Share (DPS) as independent variable.</p>	<p>In addition to this had adopt statistical tools like lest square equation.</p>	<p>price of banking and manufacturing industries.</p> <p>Another issue in these regards is the transparency of data reflected in the financial return. In this regards, rightly conduct this financial statement prepared by Nepalese commercial bank is yet be meet the international according standard.</p>
K.C. (2019)	<p>MPS is dependent variable where EPS, DPS, DPR, P/E ratio, BVPS are independent variables.</p>	<p>In addition to this, he had adopt statistical tools like lest square equation.</p>	<p>The findings were different statistical tools were uses in the study serial correlation, the run test, weighted mean, median, chi-square test, and spear's rank correlation.</p>
G.C (2018)	<p>Market Value per share (MVPS) as dependent variable and Book Value per share (BVPS), DPS, EPS, as independent variable.</p>	<p>Regression and correlation analysis has been used.</p>	<p>Stock volatility ratio gives the basis to conclude the inability of Nepalese stock market to handle risk relatively to volume of stock in Nepal. It is interesting to note that none of these indicators viz.</p>
Timsina (2018)	<p>Dividend Per Share, Debt To Equity Ratio, Book Value Per Share, Price Earnings Ratio, Debt to assets Ratio, Book Value Ratio etc is independent variables where</p>	<p>The coefficient of determination is a measure of the degree of liner association or Correlation</p>	<p>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.</p>

Bista (2018)	MPS is dependent variable. MPS is dependent variables where EPS, MPS, P/E ratio, ROA and ROE are independent variables.	Regression and correlation analysis has been used for this study.	The major findings were national 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.
Kunwar (2017)	Market price per share is dependent variable where profitability ratio, dividend ratio, and worth ratio are independent variables.	Correlation and regression analysis were used.	They organized the study using different approaches and tools to analyze the behavior of stock price more realistically at the specific point of time.
Shrestha (2017)	MPS is dependent variables where EPS, DPS, P/E, ROA, ROE and growth ratio are independent variables.	Correlation analysis is the statistical tools that can be used to describe the degree which one variable.	Empirical results obtained from OLS estimations of behavioral equations disclosed that the performance of stock market is found to respond positively to inflation and broad money growth, and negatively to interest rate.
Sapkota (2016)	MPS is dependent variables where price-to-Earnings ratio (P/E ratio), earnings per share (EPS). The price-to-earnings ratios are independent variables.	The price multiple or the earnings multiple ratio are used.	The share of finance companies were less risky than those average stocks traded in stock exchange due to good track record of their financial position, market penetration and continues declaration of dividends.
Biniya (2016)	Stock price is dependent variables and	The price multiple or the earnings multiple ratio are used.	There was no significant relationship between GDP and NEPSE, which indicate

GDP, rate of interest and rate of inflation, earning per share and dividend per share are independent variables.	that higher annual NEPSE index did not have positive relationship with GDP.
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Ojha (2021) studied on financial performance and common stock pricing. The main objectives were study and examine the difference of financial performance and stock price behavior, the relationship of dividends and stock price and explore the signaling effects in stock price. The major findings were Nepalese Stock Market was in growing stage. Dominance of banking sector was prevalent in the market. Due to this the stock price of other industries, including finance companies, insurance and manufacturing was not encouraging. Moreover, corporate firms having longer history of establishment had relatively stable profitability parameters then those firms established after the economic liberalization. Dividend Per share (DPS) of the firms was relatively more stable then the dividend payout ratio. That is why payout ratio and dividend yields were highly fluctuating during the research period. Due to lack of proper investment opportunities most of investors had directed their saving towards the secondary stock markets. There was significant positive correlation between the dividends paid and stock price of banking and manufacturing industries.

Poudel (2020) identified the share price movement of joint venture commercial banks in Nepal has dealt with the influence of publicly available information on share price movements. The main objectives 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 major findings were financial indicators and ratio analysis techniques to evaluate the overall financial position of sample companies. In addition to this, he had adopt statistical tools like lest square equation. The Market Value per share (MVPS) is independent variable and book value per share (BVPS) as dependent variable. 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. Another issue in these regards is the transparency of data reflected in the financial return. In this regards, rightly conduct this financial statement prepared by Nepalese commercial bank is yet be meet the international according standard.

K.C. (2019) analyzed on efficient market hypotheses and behavior of the share prices in Nepal. The main objectives were comprehensive investigation of weak and other form of efficient market hypotheses. The findings were different statistical tools were uses in the study serial correlation, the run test, weighted mean, median, chi-square test, and spear's rank correlation. Twenty- three equity shares listed and activity traded in the Nepal stock exchange ltd. The study concluded that Nepalese stock market might not be termed historical information was reflecting in security price. The main factors affecting share prices perceived by the respondents were dividends, retained earnings, bond share, and right issue. The study also found more volatile than expected dividends. The study also found that the shareholders in high bracket did not prefer retained earning instead of dividend.

G.C. (2018) examined that 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 ratio of market capitalization to GDP very low for the periods, stock market size is not yet sufficient to show its impact on nation's economy. On the other, trend of turnover ratio and value of share traded to GDP ratio show that stock market in Nepal is very small relative to its economy, and stock market in Nepal is yet to make its presence felt in the national economy. Nepalese stock market is highly dominated by the largest companies in terms of turnover, as the concentration ratio is very high. Stock volatility as measured by twelve-month rolling standard deviation and stock volatility ratio give the basis to conclude the inability of Nepalese stock market to handle risk relatively to volume of stock in Nepal. It is interesting to note that none of these indicators viz.

Timsina (2018) identified 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. It is assess the relationship of stock market indicators with different macroeconomic indicators. There is high degree positive relationship between DPS and EPS in most of the bank. There is normal positive relationship between DPS and EPS in most of the banks. 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.

Bista (2018) evaluated that the impact of dividend on market price of shares of selected Commercial Banks with the aim to highlight the various aspects of dividend policies and practices in Nepal and to analyze the variables such as DPS, DPR, dividend yield and their relation with market value. The calculation 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 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. 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 a recent study on dividend policy based on the previously developed model is the main aim of reviewing literature in the dividend policy.

Kunwar (2017) determined that financial performance indicators and stock price behaviour of listed companies in NEPSE. The main financial indicators showed that the Nepalese stock market was still in infant stage and the financial indicators were not much stable. Potential investors were highly attracted towards the shares of banking sector, which showed the dominance of banking sector in the stock market. It also concluded that limited bulk investors, VIP shareholders, brokers, underwriters and the firms were dominating the whole stock market and the investors of the stock market were not showing rationale behavior It is examine the relationship between the financial performance (profitability, dividends and net worth) and common stock price (MVPS). The research recommended overall restructuring of NEPSE because of the huge gap between the generalized theory of stock price and the practice prevailing in reality. Most of the studies on share price behavior are conducted by different scholars in the context of Nepal at the secondary market through different point of view. They organized the study using different

approaches and tools to analyze the behavior of stock price more realistically at the specific point of time.

Shrestha (2017) assessed that the determinants of stock market performance in Nepal. This research study empirically observes the determinants of the stock market performance in Nepal using monthly data for the period of mid-August 2000 to mid-July 2014. In the study, the impact of major changes in politics and Nepal Rastra Bank's policy on lending against share collateral has also been assessed. Empirical results obtained from OLS estimations of behavioral equations disclosed that the performance of stock market is found to respond positively to inflation and broad money growth, and negatively to interest rate.

Sapkota (2016) examined stock price behavior of listed finance companies in Nepal. The main objectives analyze the stock price and volume of stock traded in secondary market, relationship between BVPS and MVPS of finance companies analyze the risk and return associated in the common stock investment of selected finance companies. Among the various groups of industries commercial banks and manufacturing and processing groups were in dominant position in terms of volume and traded amount. The beta coefficient, which measures the risk of industrial security in relative terms, suggested that none of share of sample financial companies were at high risk. The share of finance companies were less risky than those average stocks traded in stock exchange due to good track record of their financial position, market penetration and continues declaration of dividends.

Biniya (2016) examined that share price behavior of commercial banks and effect of micro economic 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 of interest and rate of inflation on NEPSE Index. The graphical analysis and volatility test showed that stock price behavior of sample commercial banks was not even some showed fluctuating trend where as other showed moderate trend. The results of run test showed market price of selected commercial banks were not random which indicated that market overreacted to the available information. There was no significant relationship

between GDP and NEPSE, which indicate that higher annual NEPSE index did not have positive relationship with GDP.

2.4 Research Gap

The research gap is the difference between the earlier research and the current research. As the world is growing faster, the rapid changes and new developments may not be adequate to explain the current phenomena. Most of the customers, they are attractive towards such banks; who provides well and efficient service. Similarly, investor invest their money those banks, who provide high dividend, high profit as well as high amount, customer needs pre-information about the ability of payment whereas they needed. If banks need to survive in competitive market for a long run, it should be consider; liquidity position, profitability position, market position as well as other positions. Therefore, this study depends upon the financial position of Commercial Banks, which are operating in Nepal. There are various studies on the banking sector's financial performance in Nepal, but no broad study have been done about Commercial Banks which are listed in security board of Nepal. This study concern to analyze the stock price behaviour of four commercial banks that are operated in Nepal. Though many affiliated researches have been conducted in this area but there are very significant number of research has been done on the topic "A study on stock price behaviors' of Nepalese commercial bank. There must be comparative study among the different banks. If it is remaining indifferent towards the other banks relevant information, in long run it will give negative impact. This research is based on 10 years data and analyzed by statistical tools such as regression, correlation analyses.

CHAPTER III

RESEARCH METHODOLOGY

This chapter is divided into six sections. The first section discusses Research Design, which is a framework of research methods and techniques chosen by a researcher to conduct a study. The design allows researchers to refine the research methods suitable for the subject matter and set up their studies for success. The second section covers population and sampling design, which includes the complete set of people with a specialized set of characteristics, and a sample, which is a subset of the population. Additionally, this chapter covers the nature and sources of data collection, instruments of data collection, and methods of analysis, research framework, and definition of variables.

3.1 Research Design

This chapter deals with some methods that are used in the period of research and also brief introduction to financial parameters used in this study. Research design, sources and nature of data, sampling method, and statistical and financial tools for data analysis are explained in this chapter. The research design includes specification of the method of the proposed study and detailed plan for carrying out the study with various empirical data for the analysis of the problem. Descriptive and causal research designs have been used to make the analysis more conclusive. The diagnostic analysis mainly highlights to find out the actual position of the companies using different statistical and financial tools. This study covers the census data from fiscal year 2013/014 to 2022/023.

3.2 Population Sample and Sampling Design

There are various sectors in the stock market such as commercial banks, insurance, finance, hotels, trading, manufacturing and processing and others. This study includes only the commercial banks. The data used for the purpose of the study are based on the banks that are listed in the stock market. The purposive sampling method has been applied for selection the sample company. There are 20 listed Commercial banks, but 4 banks are taken as sample to represent the highest market price (on current scenario at the period 2080 Chaitra month). The sampling design method used is purposive sampling method. The Selected Banks might represent a range of sizes and market presence within

the commercial banking sector. This could include large, medium, and small-sized banks to capture different aspects of the market. Banks with strong financial performance indicators such as profitability, asset quality, liquidity, and capital adequacy may have been prioritized. This ensures that the Selected Banks are significant players in the market and have a notable impact on the overall performance of the capital market.

The Sample Banks are as follows:

- Everest Bank Limited
- NABIL Bank Limited
- Standard Chartered Bank Limited
- NIC Asia Bank Limited

3.3 Nature and Sources of Data Collection

The necessary information and data are collected from different sources. This study is based on the secondary data. The data are taken from the annual report, trading report and official record of stock exchange and the annual reports of the specific banks as well as internet website (www.nepalstock.com). Other data pertaining to NRB, national and international journals, Sample Banks are reviewed through concerned website. The method of collecting data is secondary.

3.4 Instruments of Data Collection

Mere presentation of data is not enough to analyze stock price behavior unless it is further processed. Many mathematical and statistical tools have been developed to process relevant data to reach a conclusion. In this study, both statistical and financial tools have been used to analyze and interpret the relevant data so that meaningful conclusions can be drawn.

3.5 Method of Analysis

Data analysis is the process of collecting, modeling, and analyzing data to extract insights that support decision-making. There are several methods and techniques to perform analysis depending on the industry and the aim of the analysis. The method of analysis used correlation analysis and regression analysis.

Financial tools

The financial tools help to measure the financial status of the organization. The tools are found from financial statement and financial disclosure. Some of the financial variables, MPS, DPS, ROE, BVPS, P/E and ROA are used.

Statistical Tools

Statistical tools such as arithmetic mean, coefficient of correlation and probable error are the main tools applied in this study. Other statistical tools are also applied where necessary.

Mean

Mean or arithmetic average of a series is the figure obtained by dividing the total values of the various items by their number. In general if X_1, X_2, \dots, X_n are the given 'N' observation then their mean, usually denoted by \bar{X} is given by:

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

Standard Deviation

Dispersion is the degree of the variation of the individual items about a central value. The standard deviation measures the absolute dispersion. The greater the amount of dispersion greater the standard deviation. The small standard deviations mean a high degree of uniformity of the observation as well as homogeneity of a series and vice-versa. In this study, standard deviation calculated for earning per share, dividend per share, dividend payout ratio, retained earnings, market value per share, dividend yield ratio and price earnings ratio.

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

Correlation Analysis

Correlation analysis is the statistical tools that can be used to describe the degree which one variable is nearly related to another. In the present study simple correlation has been used. Correlation co-efficient between the following financial variables has been

Calculated and presented in matrix form and thereby interpreted thoroughly. Simple correlation coefficient

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

Regression Analysis

Regression is the statistical tool, with the help of which we can predict the unknown value of one variable from known value of any other variable. Assuming that the two variables are closely related, we can estimate the value of one variable from the value of another. The variable, whose value is given, is called independent variable and the variable whose value is to be predicted is called “dependent variable”. Hence, regression determines the average probable change in one variable based on a certain amount of change in another. It is a statistical tool for determining relationship between the variables by the establishment of an approximate functional relationship between them. It is used to determine that whether the dependent variable is influenced by the given independent variable or not. Regression analysis is a branch of statistical theory that is widely used in almost all the scientific disciplines. One of the most frequently used techniques in economics and Business research, to find a relation between two or more variables that are related casually is regression analysis. The regression analysis can be classified as follows:

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

$$\text{MPS} = a + b_1 \text{ROA} + b_2 \text{DPS} + b_3 \text{BVPS} + b_4 \text{P/ER} + b_5 \text{ROE}$$

MPS= Market Price Share

ROA = Return On Assets

DPS = Dividend Per Share

BVPS = Book Value Per Share

PER = Price Earnings Ratio

ROE= Return on Equity

3.6 Research Framework and Definition of Variables

Based on the literature review, major factors affecting stock prices considered in this study are Dividend Per Share, Return on Equity ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, Book Value Ratio etc. the schematic diagram of the relationship between stock price and these factors shown in Figure 1.

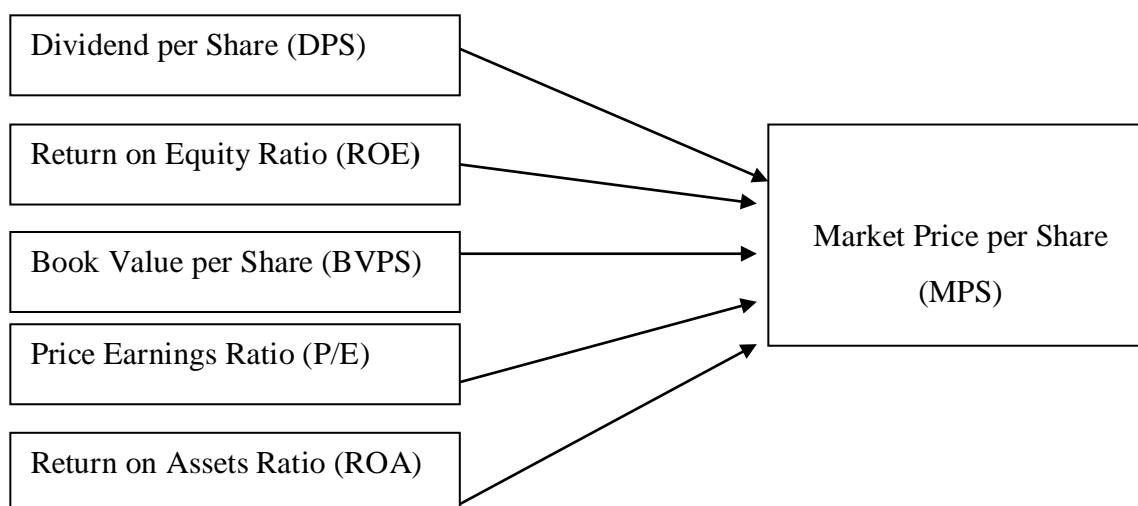


Figure 1: Research Framework of the Study

(Source: Nurfadilah et al. 2017)

Research Variables

Market Price Per Share

The market value per share, or equity value per share, is equal to the market capitalization divided by the total number of diluted shares outstanding. In short, the market value per share reflects the stock price of a company at present (Nurfadilah et al. 2017).

Dividend Per Share

Dividend is the portion of profit that is ready to be available for shareholders. A part of the net profits belonging to equity shareholders is retained in the business and the balance is paid them as dividends (Nurfadilah et al. 2017). The dividend paid to the shareholders on a per share basis is the DPS. In other words, DPS is the net distributed profit belonging to the shareholders dividend by the number of ordinary shares outstanding.

Return on Equity

ROE is the dependent variable as it measures profitability, while stock price volatility is typically an independent variable, reflecting risk. In analysis, ROE is what's explained or predicted, while stock price volatility and other factors are what could influence ROE, making them independent variables (Nurfadilah et al. 2017).

Price Earning Ratio

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. P/E multiple reflects the price currently being paid by the market for each rupee of currently reported EPS (Nurfadilah et al. 2017).

Book Value Per Share

In analysis, Book Value Per Share (BVPS) is usually treated as the independent variable, representing a company's equity per outstanding share. Stock price volatility is commonly viewed as the dependent variable, reflecting the fluctuation in a stock's trading price over time (Nurfadilah et al. 2017).

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

The price-to-Earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its earnings per share (EPS). The price-to-earnings ratio is also sometimes known as the price multiple or the earnings multiple. P/E ratios are used by investors and analysts to determine the relative value of a company's shares in an apples-to-apples comparison (Nurfadilah et al. 2017).

Return on Assets (ROA)

In analysis, Return on Assets (ROA) is often considered an independent variable, representing a company's profitability relative to its total assets. Stock price volatility, on the other hand, is typically viewed as the dependent variable, indicating the fluctuation in a stock's trading price over time. The analysis usually explores how changes in ROA, along with other factors, influence or predict stock price volatility (Nurfadilah et al. 2017).

CHAPTER-IV

RESULTS AND DISCUSSION

The presentation and analysis of data is the core of this study, which consists comparative analysis of financial performance of the companies and analysis of market price of stock with respect to dividend and earning in the Nepal Stock Market.

4.1 Analysis of the Data

The performances of individual companies that are listed in the stock exchange have direct impact on capital market. A company having a good performance has highest market price, high volume of transaction, higher demand of stock, lower risk and low cost of capital. Various indicators are used to analyze the company performance. The used indicators are earning price per share, market price per share, dividend price per share, book value per share, price earning multiple, and dividend payout ratio, market price to book value ratio, dividend yield, earning yield, liquidity ratio, return on assets and return on equity.

Market Price Per Share

The market price of share is very important for all stakeholders. Generally, good market price per share is the face of a company. If the market price is well high, the investors perceive it very positively disregarding the other factors. Any decrease in the market price will adversely affect the company. If the market price of a particular company decreases very sharply and consistently, it may lead to bankruptcy. The market price of share is the most important factor from the view of investor, who firstly looks for the higher market price rather than other indicators.

Table 2 shows that have the values of Rs. 2564.9. That means SCBNL is showing good performance over this period. The lowest of all banks is the NIC ASIA, which has average MPS of Rs 272.1 Market prices of SCBNL have the highest value whereas NIC ASIA has the lowest market price. The standard deviation shows the volatility of the MPS of sample bank. Above EBL has comparatively highest and NIC ASIA has lowest SD, which are 894.89 and 143.23 respectively.

Table 2

MPS of the Sample Banks

(in Rs)

Years/Banks	NIC ASIA	NABIL	SCBNL	EBL
2013/014	242	2140	3142	3450
2014/015	260	2045	2420	3100
2015/016	536	1950	2945	2975
2016/017	380	2340	3240	2650
2017/018	250	2510	2510	2750
2018/019	327	2535	2799	2631
2019/020	199	1910	1943	2120
2020/021	220	2344	3600	3385
2021/022	186	1523	2295	1353
2022/023	371	921	755	663
Average	272.1	2021.8	2564.9	2507.7
S.D	143.2336	494.3575	804.0777	894.8927
C V	52.64%	24.45%	31.34%	35.68%

(Source: Annual Report of Sample Bank)

The average MPS of SCBNL has the higher value in comparison of other banks. It has the values of Rs. 2564.9. That means SCBNL is showing good performance over this period. C.V. is 52.64%, 24.45%, 31.34% and 35.68% respectively. There is higher CV measure higher uniformity and conformity so in this case NIC ASIA has higher uniformity and conformity.

Dividend Per Share

Dividend is the portion of profit that is ready to be available for shareholders. A part of the net profits belonging to equity shareholders is retained in the business and the balance is paid them as dividends. The dividend paid to the shareholders on a per share basis is the DPS. In other words, DPS is the net distributed profit belonging to the shareholders dividend by the number of ordinary shares outstanding.

Table 3

DPS of the Sample Banks

(In Percent)

Years/Banks	NIC ASIA	NABIL	SCBNL	EBL
2013/014	12.26	52.12	57.18	66.47
2014/015	11.72	56.30	56.39	60.30
2015/016	10.19	57.14	51.30	58.27
2016/017	8.81	58.12	54.20	56.39
2017/018	8.56	62.12	48.23	52.12
2018/019	12.75	65.00	51.50	62.63
2019/020	8.50	36.84	44.21	36.58
2020/021	10.00	45.00	35.09	73.68
2021/022	10.85	48.00	105.26	34.74
2022/023	6.00	34.00	17.50	20.00
Average	9.964	51.464	52.086	52.118
S.D	2.05788	10.38025	22.20944	16.59797
C V	20.65%	20.16%	42.63%	31.84%

(Source: Annual Report of Sample Bank)

Table 3 shows that the Standard Chartered Bank seems prominent in declaring large amount of dividend. The average dividend of SCBNL is Rs 52.086 per share; The SCBNL has been continuously offering Rs 50 and more as dividend per share in the period of study. All Selected Banks i.e. EBL, NABIL, SCBNL, and NIC ASIA are regular on offering dividend to shareholders during the study period. NIC ASIA Bank has the lowest DPS in average Rs 9.964 only.

The EBL is the top on dividend per share. The NABIL, SCBN and EBL are also good in paying dividends whereas NIC ASIA is nearly equal on average dividend offering during the study period. It is believed that the declaration of dividend has positive impact on the price of share. In Nepalese context, only the banking sector is regular on paying dividend. This may be one of the reasons of such high prices of banking- sector in stock market. The standard deviation shows the volatility of the DPS of sample bank. Above SCBNL

has comparatively highest and Kumari bank has lowest SD, which are 22.2014 and 2.578 respectively.

The main C.V. is 20.65, 20.16, 42.63 and 31.85 is consistent respectively. There is higher CV measure higher uniformity and conformity so in this case SCBNL has higher uniformity and conformity.

Return on Common Equity

The return on common equity measures the return earned on the common stockholders' investment in the firm. The prosperity of owners improves with better returns. Return on common equity is computed by dividing net income attributable to common shareholders by average common equity. It indicates how effectively a company utilizes shareholders' equity to generate profit.

Table 4

ROE of Sample Banks

	in percent			
Years/Banks	NIC ASIA	NABIL	SCBNL	EBL
2013/014	1.52	26.30	17.20	25.23
2014/015	1.45	24.30	18.10	24.10
2015/016	1.50	29.26	18.25	28.10
2016/017	1.46	24.30	25.10	23.10
2017/018	2.38	25.12	21.30	21.14
2018/019	1.29	27.97	26.27	29.04
2019/020	1.67	22.73	21.69	23.25
2020/021	1.62	25.61	17.18	10.88
2021/022	1.01	26.65	11.98	11.20
2022/023	1.38	27.78	18.66	16.39
Average	1.528	26.002	19.573	21.243
S.D	0.351656	1.988544	4.171685	6.42186
C V	23.01%	7.64%	21.31%	30.23%

(Source: Annual Report of Sample Bank)

Table 4 indicates that NABIL's stock performance is outstanding, while SCBNL's stock is also favorable during the study period. The figure illustrates the average Return on Equity (ROE) over a five-year span. EBL shows the highest standard deviation (SD) at 6.42, whereas NIC ASIA exhibits the lowest at 0.35. NABIL records the highest ROE among the selected banks with an average of 26.15%, whereas NIC ASIA reports the lowest average ROE at 1.5%. Investors typically prefer stocks with higher ROE. The coefficients of variation (C.V.) for the banks are 23.01, 7.64, 21.31, and 30.23, respectively.

Market Price to Book Value Ratio

The market price to book value ratio compares the current market price of a share to its book value per share.

Table 5

MV/BV Ratio of Sample Banks

Years/Banks	NIC ASIA	NABIL	SCBNL	EBL
2013/014	3.10	7.14	6.23	5.10
2014/015	3.27	8.12	8.14	5.14
2015/016	4.13	9.36	8.28	6.32
2016/017	5.29	8.25	10.23	9.25
2017/018	4.26	10.3	12.36	8.23
2018/019	5.78	10.1	11.23	8.88
2019/020	4.54	7.37	7.34	6.32
2020/021	5.56	7.61	13.46	9.13
2021/022	4.38	5.64	7.75	4.67
2022/023	2.63	3.6	4.34	3.31
Average	4.294	7.749	8.936	6.635
S.D	1.061552	2.033461	2.840005	2.117489
C V	24.72%	26.24%	31.78%	31.91%

(Source: Annual Report of Sample Bank)

Table 5 indicates that SCBNL has a market price to book value ratio of 8.936, whereas NIC ASIA has the lowest ratio at 4.29. Specifically, in the fiscal year 2017/18, SCBNL's ratio was 13.46, signifying that its market price was 13.46 times higher than its book value per share. SCBNL consistently shows one of the highest ratios among the sampled banks across individual years. The variability among these banks is relatively low on

average. The accompanying figure displays the average market value to book value ratios, with SCBNL exhibiting the highest ratio and Kumar Bank the lowest standard deviation at 1.06. The market price to book value ratio is an influential factor in stock price behavior, where a higher ratio is generally perceived favorably. SCBNL appears to perform best on average among all the selected samples in this criterion. The coefficient of variation (CV) values is 24.72, 26.24, 31.78, and 31.91 respectively. A higher CV indicates greater variability and deviation; in this context, EBL demonstrates higher uniformity and conformity.

Price Earnings Ratio

The price-earnings (P/E) ratio reflects the relationship between earnings per share and the market price of a stock. It serves as a gauge of investor expectations and the market's assessment of a company's performance. The P/E ratio indicates how much investors are willing to pay per unit of earnings generated by the company.

Table 6

<i>Price Earnings Ratio of Sample Banks</i>				
	(times)			
Years/Banks	NIC ASIA	NABIL	SCBNL	EBL
2013/014	14.09	30.21	48.57	56.23
2014/015	14.31	28.30	55.12	66.58
2015/016	28.68	27.19	49.28	75.12
2016/017	23.41	29.20	42.12	35.15
2017/018	20.43	32.15	45.20	32.14
2018/019	24.61	30.29	42.75	30.58
2019/020	13.68	33.37	33.86	27.17
2020/021	14.85	39.55	78.33	83.94
2021/022	15.39	25.44	64.67	41.66
2022/023	26.13	18.60	27.62	20.23
Average	17.515	29.43	48.752	46.88
S.D	8.426601	5.438962	14.64415	22.09313
C V	48.11%	18.48%	30.03%	47.12%

(Source: Annual Report of Sample Bank)

Table 6 demonstrates that consistency in the P/E ratio is more significant than having a high P/E ratio with high volatility. A stable P/E ratio tends to positively influence the share price in the market, as rational investors prefer consistency over fluctuating P/E ratios. Everest Bank shows the highest standard deviation (SD) at 22.09, while NABIL Bank exhibits the lowest at 5.4. The P/E ratio serves as a crucial indicator of stock performance in the market, reflecting investor sentiment and expectations. Among the sampled banks, SCBNL maintains the highest average P/E ratio at 48.7 over the study period, indicating consistent performance with less volatility. The coefficient of variation (C.V.) values for the banks is 48.11, 18.48, 30.03, and 47.12, respectively. Higher C.V. values indicate greater uniformity and conformity; in this case, NIC ASIA Bank exhibits higher uniformity and conformity based on this measure.

Return on Total Assets

Here the profitability ratio is measured in terms of the relationship between the net profits and assets. The ROA may also be called profit-to-assets ratio. The return on total assets is calculated as follows:

Table 7

ROA of Sample Banks

Years/Banks	NIC ASIA	NABIL	SCBNL	EBL
2013/014	1.10	2.45	1.20	1.58
2014/015	1.03	2.14	2.36	2.48
2015/016	1.10	2.36	1.12	1.25
2016/017	1.06	2.45	1.28	2.14
2017/018	1.69	2.58	2.31	2.14
2018/019	1.29	2.89	2.51	2.25
2019/020	1.26	2.06	1.99	1.85
2020/021	1.17	2.32	1.98	1.59
2021/022	0.76	2.69	1.84	1.83
2022/023	1.04	2.61	2.61	1.97
Average	1.15	2.455	1.92	1.908
S.D	0.239305	0.250921	0.553052	0.366175
C V	20.80%	10.22%	28.80%	19.19%

(Source: Annual Report of Sample Bank)

Table 7 indicates that higher Return on Assets (ROA) generally correlates with an increase in market price. The accompanying figure illustrates the average ROA for all sample banks over the study period from 2018/19 to 2022/23. Standard deviation (SD) values highlight the volatility of ROA across the sample banks, with SCBNL showing the highest SD at 0.55 and Kumar Bank the lowest at 0.23. SCBNL also records the highest ROA at 1.9%, while all banks maintain ROA levels above 1%, which is considered acceptable. The coefficients of variation (C.V.) values are 20.80, 10.22, 28.80, and 19.19 for the respective banks. A higher C.V. indicates greater uniformity and conformity; therefore, SCBNL demonstrates higher uniformity and conformity based on this measure.

4.2 Statistical Analysis

In this section, a researcher will use the statistical tools such as correlation and regression to analyze, interpret the relationship and the measure the impact of independent variables on dependent variables.

Correlation Analysis

Table 8

Correlation Analysis of Variables of NIC Asia Bank

Variables	MPS	D/Y	ROE	BVPS	P/E	ROA
MPS	1					
D/Y	-.127	1				
ROE	.061	-.193	1			
BVPS	-.062	-.389	-.001	1		
P/E	.911**	.129	-.027	.055	1	
ROA	.095	-.158	.898**	.216	.122	1

Source: SPSS

Table 8 presents the correlation between dependent and independent variables selected to analyze the factors influencing stock price volatility in Nepalese commercial banks. The correlation coefficients between Market Price of Share (MPS) and Dividend Yield (D/Y), Return on Equity (ROE), Book Value per Share (BVPS), Price-Earnings Ratio (P/E), and Return on Assets (ROA) are 0.127, 0.061, 0.062, 0.911, and 0.095, respectively. These

coefficients indicate the strength and direction of the relationships between MPS and each independent variable. The correlation coefficients reveal that MPS has a positive correlation with D/Y, ROE, BVPS, P/E, and ROA. Specifically, the relationship between MPS and P/E is highly positively correlated at 0.911, indicating a strong association. The results suggest that in Nepalese commercial banks, MPS is significantly influenced by Dividend Yield and Return on Assets, both of which show positive and statistically significant correlations.

4.3 Regression Analysis

Table 9

Model Summary of NIC ASIA

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.942 ^a	.888	.798	47.978

a. Predictors: (Constant), ROA, P/E, BVPS, ROE

Table 9 presents the results of a regression analysis indicating that the coefficient (R) is .942, and the standard error of the estimate is 47.978. These values indicate the quality of prediction of the dependent variable by the independent variables, with a multiple correlation coefficient (R) of 0.942. This suggests that the regression model has good explanatory power. Moreover, the (R^2) value, also known as the coefficient of determination, shows that the five independent variables included in the model collectively explain $R^2 = 88.8\%$ of the variance in NIC ASIA. This indicates a strong relationship between the independent variables and the dependent variable, highlighting the model's effectiveness in explaining and predicting the variability in NIC ASIA.

Table 10
ANOVA of NIC ASIA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	90921.415	4	22730.354	9.875	.014 ^b
	Residual	11509.485	5	2301.897		
	Total	102430.900	9			

a. Dependent Variable: MPS
b. Predictors: (Constant), ROA, P/E, BVPS, ROE

Table 10 indicates that the F-value is 9.875 with a corresponding significance level (sig) of 0.014. This signifies a statistically significant relationship. Specifically, it shows a positive relationship, suggesting that factors such as BVPS (Book Value per Share) and ROE (Return on Equity) have an insignificant impact on MPS (Market Price per Share) of NIC ASIA. This implies that these variables do not significantly influence the market price per share of NIC ASIA based on the regression analysis results.

Table 11
Coefficients of NIC ASIA

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-44.769	111.216		-.403	.002
	ROE	172.518	122.666	.569	1.406	.009
	BVPS	-.015	17.441	.000	-.001	.012
	P/E	18.351	2.966	.992	6.188	.002
	ROA	-238.983	185.708	-.536	-1.287	.023

a. Dependent Variable: MPS

Table 11 reveals that the standardized coefficient Beta is 0.569. This coefficient indicates the strength and direction of the relationship between the independent variables and the dependent variable. Additionally, the multiple coefficient of determination (R-Square) of 0.172 signifies the quality of the prediction of the dependent variable by the independent variables in the model. This suggests that the model has a good explanatory power, explaining approximately 17.2% of the variance in NIC ASIA. Furthermore, the

significance level (sig) of 0.002 indicates that the relationship observed is statistically significant at a high confidence level.

Correlation Analysis of variables of NABIL

Table 12

Correlation Analysis of variables of NABIL

Variables	MPS	D/Y	ROE	BVPS	P/E	ROAs
MPS	1					
D/Y	-.633*	1				
ROE	-.253	.205	1			
BVPS	.890**	-.479	-.041	1		
P/E	.771**	-.711*	-.454	.550	1	
ROA	-.005	.285	.613	.022	-.347	1

Source: SPSS

Table 12 illustrates the relationships among the variables examined in the model, specifically the correlation between ROA and MPS separately. The findings indicate that ROA shows a negative correlation with MPS, suggesting that as Return on Assets (ROA) increases, there is a tendency for Market Price of Shares (MPS) to decrease. However, this relationship is not statistically significant, as indicated by a p-value of 0.249, which exceeds the typical significance level of 0.05. On the other hand, D/Y (Dividend Yield) exhibits a positive correlation of 0.633 with ROA, indicating that Sample Banks are effectively managing their assets, particularly Fixed Assets to Total Assets. The corresponding p-value for this correlation is 0.014, which is below the significance level of 0.05, suggesting that this relationship is statistically significant. In summary, while there is no significant relationship between ROA and MPS, there is a statistically significant positive relationship between D/Y and ROA among the Sample Banks.

Table 13

Model Summary of NABIL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974 ^a	.949	.885	167.292

a. Predictors: (Constant), ROA, BVPS, D/Y, ROE, P/E

Table 13 presents the model summary statistics, showing an R (multiple correlation coefficient) of 0.974, indicating a strong explanatory power of the regression model in predicting the dependent variable. The R-squared value (coefficient of determination) is 0.949, meaning that 94.9% of the variation in the dependent variable, NABIL, can be explained by the five independent variables included in the model.

The adjusted R-squared value further refines this explanation, suggesting that 88.5% of the variation in NABIL's dependent variable (ROA) is accounted for by the independent variables. Regarding the ANOVA test results, the F-statistic is reported as 9.875, with a corresponding p-value of 0.014%, which exceeds the significance level. This indicates that the model is statistically insignificant, suggesting that ROA, P/E (Price-to-Earnings ratio), BVPS (Book Value per Share), and ROE (Return on Equity) have an insignificant impact on MPS (Market Price of Shares) for NABIL.

In conclusion, based on these findings, it can be stated that the model does not provide sufficient evidence to reject the null hypothesis, implying that the included variables do not significantly influence the market price of shares for NABIL.

Table 14

ANOVA of NABIL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	90921.415	4	22730.354	9.875	.014 ^b
	Residual	11509.485	5	2301.897		
	Total	102430.900	9			

a. Dependent Variable: MPS

b. Predictors: (Constant), ROA, P/E, BVPS, ROE

Table 15

Coefficients of NABIL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	308.322	1283.675		.240	.002
	D/Y	-89.030	113.796	-.131	-.782	.004
	ROE	-53.465	39.192	-.215	-1.364	.003
	BVPS	154.529	34.925	.636	4.425	.011
	P/E	29.150	17.902	.321	1.628	.013
	ROA	514.856	292.480	.261	1.760	.015

a. Dependent Variable: MPS

Table 15 presents the coefficients for NABIL, where the standardized coefficient Beta is reported as 0.041. This coefficient indicates the strength and direction of the relationship between the independent variables and the dependent variable. The multiple coefficient, which assesses the quality of the prediction of the dependent variable by the independent variables, is -.514856. This indicates a good explanatory power of the regression model. The R-squared value (coefficient of determination) is also provided in the table, indicating that the five independent variables included in the model explain 0.002% of the variation in NABIL. This metric quantifies the proportion of variability in the dependent variable that can be explained by the independent variables collectively. In

summary, based on these results, it can be concluded that the model has a statistically significant explanatory power, as indicated by the significant coefficient of determination (R-squared) and the standardized coefficients Beta.

Correlation Analysis of variables of SCBN

Table 16

Correlation Analysis of variables of SCBNL

Variables	MPS	D/Y	ROE	BVPS	P/E	ROA
MPS	1					
D/Y	-.353	1				
ROE	.114	-.486	1			
BVPS	.673*	-.434	.337	1		
P/E	.635*	.024	-.539	.525	1	
ROA	-.577	.027	.154	.075	-.182	1

Source: SPSS

Table 16 presents the results of multiple regression analysis involving ROE, DPS, D/Y, and MV/BV for SCBNL. The significance values for ROE, DPS, D/Y, BVPS, and P/E are reported as 0.353, 0.073, and 0.635, respectively. These values are lower than the significance level of 0.05, indicating a statistically significant relationship between MPS (Market Price of Stock) and ROE, D/Y, BVPS, and P/E.

Among these factors, D/Y (Dividend Yield) is identified as the most influential factor on MPS, with a coefficient value of 1. On the other hand, ROE (Return on Equity) negatively influences the MPS of the Sample Banks, with a coefficient value of -0.114.

In summary, these findings suggest that D/Y, ROE, BVPS, and P/E are statistically significant predictors of MPS for SCBNL, based on the results of the multiple regression analysis.

Table 17

Model Summary of SCBNL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.977 ^a	.955	.899	255.955

a. Predictors: (Constant), ROA, D/Y, P/E, BVPS, ROE

Table 17 illustrates the results of the regression analysis for SCBNL. The multiple correlation coefficient, R, is reported as 0.977, indicating that the model has a strong explanatory power in predicting the dependent variable using the independent variables. The coefficient of determination, R-Square, shows that the five independent variables included in the model explain 95.5% of the variance in SCBNL. The adjusted R-Square value of 0.899 further clarifies that 89.9% of the variation in the dependent variable, ROA (Return on Assets), is effectively explained by the independent variables. The standard error of the estimate is 255.955, which measures the accuracy of predictions made by the model. In summary, these results indicate that the regression model for SCBNL is robust and provides a good fit to explain the variations in ROA using the selected independent variables.

Table 18

ANOVA of SCBNL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5556817.197	5	1111363.439	16.964	.005 ^b
	Residual	262051.703	4	65512.926		
	Total	5818868.900	9			

a. Dependent Variable: MPS
b. Predictors: (Constant), ROA, D/Y, P/E, BVPS, ROE

The table 18 indicates that the F-statistic has a value of 16.964, which is not significant at the 5% level of significance. Therefore, based on this analysis, it can be concluded that variables such as ROA (Return on Assets), P/E (Price-Earnings Ratio), BVPS (Book

Value per Share), and ROE (Return on Equity) do not have a statistically significant impact on the Market Price of SCBNL.

Table 19

Coefficient of SCBNL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-748.454	1366.181		-.548	.000
	D/Y	-34.191	109.057	-.041	-.314	.004
	ROE	124.007	50.795	.643	2.441	.031
	BVPS	4.504	73.918	.016	.061	.005
	P/E	48.369	16.020	.881	3.019	.039
	ROA	-748.412	165.583	-.515	-4.520	.011

Dependent Variable: MPS

Table 19 presents standardized coefficients Beta of 0.041 for the independent variables. The coefficient of -748.412 indicates a strong explanatory power of the regression model for predicting the dependent variable. There is R-Square, which measures the proportion of variance explained by the model, shows that the five independent variables collectively account for 100% of the variation in SCBNL. This suggests a robust model fit with all variables significantly contributing to explaining the variation in SCBNL's dependent variable.

Correlation Analysis of variables of EBL

Table 20

Correlation Analysis of variables of EBL

Variables	MPS	D/Y	ROE	BVPS	P/E	ROA
MPS	1					
D/Y	-.711*	1				
ROE	.397	-.406	1			
BVPS	.544	-.080	.155	1		
P/E	.684*	-.393	-.080	.128	1	
ROA	-.145	-.073	.120	.111	-.467	1

Source: SPSS

Table 20 provides descriptive statistics for the variables over a ten-year study period. The mean Return on Assets (ROA) is calculated at 2.50%, with a standard deviation of 0.269%. For Price-to-Earnings (P/E) ratio, the mean is 1%. Additionally, the Dividend Yield (D/Y) ratio shows a mean of -0.711% over the past decade. These statistics offer insights into the average performance and variability of these financial metrics across the study period.

Table 21

Model Summary of EBL

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.977 ^a	.955	.899	255.955

a. Predictors: (Constant), ROA, D/Y, P/E, BVPS, ROE

Table 21 provides a summary of the regression model for EBL. The multiple correlation coefficient (R) is 0.977, indicating a strong relationship between the dependent variable and the independent variables. This suggests that the model has good explanatory power. The coefficient of determination (R-Square) is 0.955, meaning that 95.5% of the variation in the dependent variable (ROA) can be explained by the independent variables included in the model. The adjusted R-Square value, which considers the number of independent variables in the model, is 0.899, indicating that this model effectively explains 89.9% of the variation in ROA. The standard error of the estimate is 255.955, representing the average distance between the observed data points and the regression line.

Table 22

ANOVA of EBL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5556817.197	5	1111363.439	16.964	.005 ^b
	Residual	262051.703	4	65512.926		
	Total	5818868.900	9			

a. Dependent Variable: MPS

b. Predictors: (Constant), ROA, D/Y, P/E, BVPS, ROE

The ANOVA results indicate that the F-statistic is 16.964, with a significance level greater than 5%. Therefore, it is concluded that variables such as ROA, P/E, BVPS, and ROE do not have a significant impact on the market price of EBL. This implies that these factors do not sufficiently explain variations in the market price of EBL stock.

Table 23

Coefficients of EBL

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
1 (Constant)	-748.454	1366.181		-.548	.001
D/Y	-34.191	109.057	-.041	-.314	.005
ROE	124.007	50.795	.643	2.441	.024
BVPS	4.504	73.918	.016	.061	.040
P/E	48.369	16.020	.881	3.019	.001
ROA	-748.412	165.583	-.515	-4.520	.011

a. Dependent Variable: MPS

The regression analysis of EBL banks includes Model Summary and the F-test to assess the model's goodness of fit. The F-statistic, a measure of the model's validity, is presented in the table above, showing a t-statistic value of -.548 with a significance level (Sig) of .613. Additionally, the R-squared value, which indicates the proportion of the variance in the dependent variable explained by the independent variables, is .364. This measure of overall model fitness suggests that the model can account for approximately 1.093 of the variability observed in the NPL Unstandardized Coefficients of sample commercial banks.

4.4 Discussion

NABIL's market price of shares (MPS) demonstrates greater consistency and lower risk, offering a stable investment opportunity for shareholders and investors. In contrast, EBL's MPS shows inconsistency and higher associated risk, which may pose challenges for those investing in the bank. SCBNL exhibits the highest average MPS value,

indicating strong performance over the study period, whereas NIC ASIA shows the lowest average MPS value, suggesting relatively poorer performance.

The standard deviation (S.D) of EBL's MPS is notably high, signifying significant price volatility, whereas NIC ASIA's lower S.D implies a more stable price environment, offering lower investment risk. EBL also has the highest coefficient of variation (C.V), reflecting its inconsistency and higher risk, making it less favorable for investors. Conversely, NABIL's lowest C.V indicates greater consistency and lower risk in its MPS, aligning with findings reported by Pradhan (2021), underlining the methodological consistency in financial and statistical analysis.

The highest average return on equity (ROE) of NABIL indicates strong performance throughout the study period, demonstrating its effectiveness in generating profits from equity. Conversely, EBL exhibits the lowest average ROE, suggesting it is less effective at generating profits from equity compared to NABIL. EBL's ROE shows the highest standard deviation (S.D), indicating significant volatility in returns, whereas NABIL's lower S.D implies more stable returns, translating to lower investment risk. EBL also has the highest coefficient of variation (C.V) for ROE, indicating inconsistency and higher associated risk for investors and shareholders. In contrast, NABIL's lowest C.V signifies greater consistency and lower risk in its ROE performance. These findings align with those reported by Timsina (2018), underscoring the consistency in results attributed to employing similar financial and statistical analysis methods and analyzing data from the same time period.

The highest average dividend per share (DPS) of SCBNL suggests strong performance over the study period, indicating effective dividend distribution from its profits. In contrast, NIC ASIA exhibits the lowest average DPS, suggesting it is less effective in distributing dividends from its earnings. The highest standard deviation (S.D) of SCBNL's DPS indicates significant volatility in dividend payments, reflecting wide swings in prices. On the other hand, NIC ASIA's lowest coefficient of variation (C.V) for DPS suggests more consistent dividend payments and lower investment risk. This contradicts findings reported by Shrestha (2016), likely due to differences in the banks studied and the time frame analyzed.

Regarding debt-to-equity ratio (D/E), the highest average D/E of EBL indicates higher risk, implying the company finances its growth primarily through debt. Conversely, NIC ASIA's lowest average D/E suggests lower risk, with the company relying less on debt for its expansion. EBL's highest S.D of D/E highlights considerable volatility in its financing structure, while NIC ASIA's lower S.D indicates stability, offering lower investment risk. NABIL's highest C.V for D/E reflects inconsistency and higher risk associated with its debt-to-equity management, contrasting with NIC ASIA's lowest C.V, which denotes greater consistency and lower risk in its D/E ratio. These findings contradict those of Ojha (2011), likely due to differences in the analysis timeframe and methodology used.

The highest average market value to book value ratio (MV/BV) of SCBNL suggests that its stocks are overvalued, indicating strong performance. Conversely, the lowest average MV/BV of NIC ASIA indicates undervalued stocks, reflecting comparatively poorer performance. SCBNL's highest standard deviation (S.D) of MV/BV signifies significant price volatility, indicating wide swings in market valuation. In contrast, NIC ASIA's lower S.D suggests stability in its market valuation, translating to lower investment risk. The coefficient of variation (C.V) of SCBNL's MV/BV is the highest among the banks analyzed, highlighting inconsistency and higher risk associated with its market valuation. Conversely, NIC ASIA's lowest C.V indicates greater consistency and lower risk in its MV/BV ratio. These findings align with those of Dangol (2011), attributed to similar analytical methods and the selection of the same banks for study, ensuring consistency in results.

The market price of shares (MPS) of EBL is significantly influenced by the combined impact of ROE, DPS, D/E, and MV/BV, evident from its high values of multiple correlation and determination coefficients. Conversely, MPS of NIC ASIA shows minimal influence from these factors, indicated by low values of multiple correlation and determination. This observation is in line with findings reported by Bhattarai (2020), which remain consistent due to the adoption of similar analytical methods and the selection of the same banks for study.

In the case of SCBNL, the results from multiple regression analysis indicate that the debt-to-equity ratio (D/E) exerts the strongest influence on its market price of shares (MPS), evidenced by its higher beta coefficient. Conversely, return on equity (ROE) negatively impacts SCBNL's MPS, as indicated by its negative beta coefficient.

Similarly, for NABIL, the analysis reveals that D/E holds the highest influence on its MPS, supported by a higher beta coefficient. ROE also negatively affects NABIL's MPS, showing a negative beta coefficient.

For EBL, the findings suggest that market value to book value ratio (MV/BV) has the greatest influence on its MPS, characterized by a higher beta coefficient. Conversely, D/E negatively impacts EBL's MPS, demonstrated by a negative beta coefficient.

Lastly, in the case of NIC ASIA, MV/BV emerges as the primary influencing factor on its MPS, underscored by a higher beta coefficient. ROE negatively impacts NIC ASIA's MPS, evidenced by its negative beta coefficient.

These findings align with those of Poudel (2012), indicating consistency in results due to similar analytical methods and the analysis of comparable industry samples.

CHAPTER-V

SUMMARY AND CONCLUSION

This study is divided into three sections which are summary, conclusion and implications.

5.1 Summary

The current study focuses on analyzing the stock price behavior of SCBNL, EBL, NIC ASIA, and NABIL through comprehensive financial and statistical methods. The researcher employed various financial and statistical tools to enhance the depth and educational value of the study. The research period spans ten years, from 2013/14 to 2022/23, during which data from SCBNL, EBL, NIC ASIA, and NABIL were scrutinized. The study aims to provide a detailed financial and statistical analysis of these sample banks. Chapter one of the study covers foundational aspects such as outlining the study's assumptions, emphasizing its significance, identifying research issues and problems, specifying both general and specific objectives, explaining the rationale behind the study, and addressing its limitations.

The second chapter of this study reviews and synthesizes prior research contributions in the field of interest, aiming to understand the evolution and advancements made by previous researchers. It explores key concepts relevant to the study and critically examines findings from earlier studies to build upon existing knowledge and prevent redundancy. In the third chapter, the research methodology employed is detailed. This includes the research design, data sources, population and sample selection criteria, data collection techniques, and the methods and tools used for analysis. The study adopts a descriptive cum analytical research design, selecting a sample of four banks SCBNL, EBL, NABIL, and NIC ASIA from a total population of 20 commercial banks using simple random sampling. Secondary data form the basis of this research, sourced primarily from annual reports, publications, newspapers, relevant theses, journals, and pertinent websites. The collected data are systematically recorded and presented using appropriate tabular formats. Various mathematical, statistical, and financial tools are applied to analyze the ten-year dataset of the selected banks, aiming to achieve the study's objectives.

The analytical approach includes the use of financial ratios such as profitability ratios, leverage ratios, and liquidity ratios. Statistical methods such as correlation coefficients, determination coefficients, regression analysis, and t-tests are also employed to investigate the performance and relationships within the sample banks. The fourth chapter of the study focuses on presenting and discussing the results obtained. It begins by presenting the data systematically in tabular format and proceeds to analyze them according to the study's objectives. The researcher aims to assess the comparative financial performance of the banks under study.

In the final chapter, a summary of the study methodology is provided, followed by conclusions drawn from the findings and implications derived from these conclusions. In investment decision-making within the securities market, market efficiency plays a crucial role alongside liquidity. Efficient markets ensure that security prices quickly adjust to reflect all available information, thereby preventing prolonged deviations from justified economic values. Investor expectations regarding earnings and risk significantly influence security prices in such efficient markets. The study employs various financial tools to analyze company performance and correlate market prices with metrics such as earnings per share (EPS), dividend per share (DPS), book value, liquidity, return on assets (ROA), and return on equity (ROE). The analysis reveals a complex relationship where companies with lower EPS sometimes exhibit higher prices, while those with higher EPS may show lower prices. Similar fluctuating trends are observed in relation to DPS. Overall, the study highlights the nuanced dynamics between financial metrics and market prices, underscoring the variability and complexity inherent in these relationships.

5.2 Conclusion

The study examines the behavior of share prices in the Nepalese stock market, emphasizing the relevance of efficient market theory in guiding optimal investment allocation for societal benefit. During the study period, the market price of shares (MPS) of commercial banks exhibited a fluctuating trend influenced by selected variables and qualitative factors like government policies and the performance of individual banks. Yearly comparisons reveal that average MPS peaked in FY 2017/18 but significantly declined in FY 2019/20 across all sample banks. Notably, NIC ASIA experienced a

substantial decrease in average MPS, while SCBNL consistently maintained the highest average MPS throughout the study period. Similarly, return on equity (ROE) and dividend per share (DPS) of commercial banks also demonstrated fluctuating trends attributed to various influencing factors including government policies and bank-specific performance. Average ROE, for instance, showed a peak in FY 2015/16 but declined sharply in FY 2019/20, with EBL experiencing significant reduction while NABIL maintained the highest average ROE over the study period. Moreover, market value to book value ratio (MV/BV) exhibited a decreasing trend over the study period, with average MV/BV peaking in FY 2017/18 and declining notably in FY 2019/20. NIC ASIA notably experienced a significant decline in average MV/BV, while SCBNL consistently held the highest average MV/BV. These observations underscore the dynamic nature of financial metrics in response to both internal and external factors impacting the Nepalese stock market.

The market price of shares (MPS) of EBL is significantly influenced by the combined impact of return on equity (ROE), dividend per share (DPS), debt-to-equity ratio (D/E), and market value to book value ratio (MV/BV), as evidenced by its high values of multiple correlation and determination coefficients. Conversely, MPS of NIC ASIA shows minimal sensitivity to these variables, indicated by low values of multiple correlation and determination. Analysis of secondary data consistently demonstrates a robust relationship between MPS and ROE, DPS, D/E, and MV/BV across the four sampled banks. Specifically, for SCBNL, multiple regression analysis reveals that D/E exerts the strongest influence on MPS, supported by a higher beta coefficient. Conversely, ROE negatively impacts SCBNL's MPS, indicated by a negative beta coefficient.

Similarly, for NABIL, D/E emerges as the primary influencing factor on MPS due to its higher beta coefficient, while ROE negatively affects MPS with a negative beta coefficient. In the case of EBL, MV/BV shows the highest influence on MPS with a higher beta coefficient, whereas D/E negatively impacts MPS with a negative beta coefficient. For NIC ASIA, MV/BV is identified as the dominant influencing factor on MPS with a higher beta coefficient, while ROE negatively impacts MPS with a negative beta coefficient. Among all variables analyzed, MV/BV consistently emerges as the most

influential factor, while ROE has the least influence among the selected variables. Consequently, NIC ASIA demonstrates superior performance relative to the other sample banks, characterized by greater consistency as evidenced by its lowest standard deviation (S.D) and coefficient of variation (C.V) in relation to DPS, D/E, and MV/BV.

5.3 Implications

Based on the analysis of the data, several implications can be drawn:

- NIC ASIA's average MPS is lower compared to other sample banks, suggesting a need to enhance liquidity, profitability, and overall performance. EBL exhibits the highest standard deviation (S.D) and coefficient of variation (C.V) in MPS, indicating a requirement to mitigate associated risks in its stock price.
- EBL's average ROE is lower than other sample banks, highlighting the need to improve profitability from its current assets. EBL also shows the highest S.D and C.V of ROE, necessitating measures to stabilize fluctuations in its stock price.
- NIC ASIA's average MV/BV is lower than other sample banks, indicating that its stocks are undervalued, reflecting poor performance. Steps should be taken by NIC ASIA to increase its MV/BV. SCBNL, with the highest S.D and C.V of MV/BV, should implement measures to reduce risks associated with its stock price.
- EBL's average D/E ratio is higher than other sample banks, suggesting that its growth is heavily financed through debt. EBL should focus on reducing its D/E ratio to improve its financial stability. EBL also exhibits the highest S.D and C.V of D/E, necessitating actions to minimize fluctuations in its stock price.
- The Nepalese stock market regulators (NEPSE, SEBON, and NRB) should implement effective initiatives to control random fluctuations in D/E ratios and establish systems for regular monitoring and evaluation of the stock market to reassure investors.
- There is a tendency among Nepalese citizens to invest based on bonuses and rights shares rather than rational financial analysis, indicating a need for credit rating agencies and investment banks to provide informed assessments of companies.
- Companies should regularly provide updated financial reports to investors to ensure transparency and informed decision-making.

- A dedicated body should assess the strengths and weaknesses of public companies and provide accurate information and recommendations to investors to manage investment risks effectively. Regulators like NEPSE, SEBON, and NRB should safeguard investor interests robustly.
- The government should formulate and enforce stringent rules and regulations to foster the development of the share market and establish mechanisms to swiftly address issues with non-compliant companies.
- Companies should prioritize maximizing investor wealth through effective management of MPS, DPS, ROE, D/E, and other key variables, emphasizing transparency and investor education through awareness campaigns.
- Listed companies must disclose financial statements promptly and comprehensively, with regulatory bodies ensuring market fairness and combating market manipulation and negative rumors.
- Enhanced coordination among regulatory bodies is essential, and trading procedures should be streamlined to be systematic, efficient, and less time-consuming.
- Stockbrokers and other market intermediaries should enhance their expertise and infrastructure to provide quality services to investors.
- Further research and comprehensive analysis by regulatory bodies should focus on stock market efficiency to stimulate market activity and mitigate manipulation.
- Future studies should consider expanding sample sizes, employing advanced methodologies, increasing observation periods, and incorporating stakeholder opinions to enrich understanding and development of the stock market.

These implications aim to foster a transparent, efficient, and investor-friendly stock market environment in Nepal.

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ABSTRACT The investors should analyze historical trends and price patterns of stocks to predict future price changes, ensuring secure investments. Governments must not only formulate but also promptly and effectively implement policies for developing the capital market. Sectors such as commercial banks, finance companies, and manufacturing & processing firms demonstrate superior performance compared to others, making them preferable for investors seeking stable returns. Individual investment decisions heavily rely on signals from the capital market, which should efficiently disseminate reliable information at minimal cost. Stock exchanges need to prioritize investor interests, operate with strong management, and maintain market orientation. Effective coordination among regulatory bodies is essential. Procedures for buying and selling shares should be streamlined, swift, and efficient. Listed companies must disclose their financial statements promptly and comprehensively to foster transparency. Regulatory bodies should mitigate negative rumors to prevent stock price manipulation, ensuring fair market behavior. Companies should establish clear dividend policies and stable payout ratios. Vigilant monitoring of stock price behaviors and efforts to enhance market value relative to competitors are crucial. Securities professionals should cultivate

necessary expertise, and market intermediaries should possess **adequate infrastructure to** deliver quality **services to investors**