Impact of Market Valuation Variables on Stock Prices of Nepalese Commercial Banks

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfilment of the requirements for the master's degree

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Impact of Market Valuation Variables on Stock Prices 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.

JENITA KUMARI BHATTA

December 2023

REPORT OF RESEARCH COMMITTEE

Mrs. Jenita Kumari Bhatta has defended research proposal entitled "Impact of Market Valuation Variables on Stock Prices of Nepalese Commercial Banks" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mrs. Sita Dhital & Bharat Raj Pant and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled" Impact of Market Valuation Variables on Stock Prices of Nepalese Commercial Banks" presented by Jenita Kumari Bhatta for the degree of **master's degree in (Master in Business Studies).** We hereby certify that the dissertation is acceptable for the award of degree.

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Sincerely,

Jenita Kumari Bhatta

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LIST OF ABBREVIATIONS

ANOVA - Analysis of Variance

ADBL - Agricultural Development Bank Limited

BVPS - Book Value Per Share

DPR - Dividend Payout Ratio

DPS - Dividends Per Share

EBL - Everest Bank Limited

EPS - Earnings Per Share

HBL - Himalayan Bank Limited

MPS - Market Price per Share

NABIL - Nabil Bank Limited

NBL - Nepal Bank Limited

NEPSE - Nepal Stock Exchange

NMB - NMB Bank Limited

P/E Ratio - Price-to-Earnings Ratio

ABSTRACT

The stock market, represented by exchanges like the Nepal Stock Exchange (NEPSE), is a crucial element in the financial system, facilitating the buying and selling of shares in publicly traded companies. Influenced by factors like company performance, economic conditions, and investor sentiment, the dynamic marketplace relies on key market valuation variables such as Earnings Per Share (EPS), Dividend Payout Ratio (DPR), and Price-to-Earnings (P/E) Ratio to shape the stock prices of commercial banks in Nepal.

The primary aim of this study is to examine how market valuation impacts the stock prices of Nepalese commercial banks. Specific objectives include scrutinizing the structure and patterns of EPS, book value per share, P/E ratio, DPR, bank size, dividend per share, and market price. Using a descriptive research design for an accurate portrayal and a causal-comparative approach to establish cause-and-effect links, the study analyzes data from six selected commercial banks for the period of 2013/14 to 2021/22. Variables studied include MPS, stock return (SR), EPS, DPS, P/E ratio, bank size, BVPS, and DPR, with sample selection considering bank reputation and profitability levels.

The research yields valuable insights into the complex relationship between financial variables and stock prices in Nepalese commercial banks. It not only supports existing theories but also uncovers unique patterns in the local context. Focusing on EPS, DPS, P/E ratio, BVPS, DPR, and bank size, the study sheds light on the nuanced dynamics within the Nepalese financial market. In conclusion, the study enhances understanding of the Nepalese commercial banking sector, highlighting the significance of market valuation metrics in influencing stock prices. The findings offer actionable insights for analysts, investors, and policymakers, emphasizing the need for continuous adaptation of financial theories to address specific market nuances. Acknowledging limitations, such as the study's focus on six out of 20 banks, reliance on secondary data, and the exclusion of external factors, underscores the potential for a more comprehensive examination.

Keywords: *financial metrics, market valuation, Nepalese stock market, stock return, trend analysis.*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The stock market, functioning as a vital component of the financial system, serves as a dynamic platform where individuals and institutions engage in the buying and selling of shares of publicly traded companies. This marketplace, exemplified by exchanges like the Nepal Stock Exchange (NEPSE) concerning Nepalese commercial banks, forms the basis for the research on the impact of market variables (Brigham & Ehrhardt, 2013).

Within this dynamic marketplace, stock prices are intricately determined by the interplay of supply and demand. Investors, motivated by factors such as company performance, economic conditions, and market sentiment, make decisions to buy or sell stocks. The stock market, as a crucial mechanism, plays a pivotal role in efficiently allocating capital to businesses, fostering their growth and value creation—an aspect central to understanding the dynamics of stock prices in the context of Nepalese commercial banks (Menifield, 2017).

The share price, synonymous with the stock price, signifies the current market value of a single share of a company's stock. It reflects the monetary worth that investors are willing to pay for ownership in the company. Various determinants, including the company's financial performance, market conditions, investor sentiment, and broader economic indicators, contribute to the fluctuations in share prices over time. Investors and analysts closely monitor these share prices, aiming to make informed decisions about buying or selling stocks based on the insights gained from these price movements. This close examination of share prices is integral to understanding the intricate relationships explored in the research on market valuation variables and their impact on Nepalese commercial banks' stock prices (Brooks, 2013).

The market price of a share refers to the prevailing price at which a particular stock is bought or sold in the open market. It is the result of the constant interplay between buyers and sellers in the stock market. The market price is influenced by supply and demand dynamics, investor perceptions, economic conditions, and other factors that contribute to the valuation of a company's stock (Brigham & Ehrhardt, 2013). The market price is a real-

time reflection of the collective opinion of market participants regarding the perceived value of the stock at any given moment. It is important to note that the market price may not always perfectly align with the intrinsic or fundamental value of a stock, as it is subject to fluctuations based on market sentiment and short-term factors (Menifield, 2017).

Market valuation variables play a pivotal role in influencing the share prices of companies, particularly in the context of commercial banks in Nepal. These variables encompass a range of financial metrics and indicators that provide insights into a company's performance and potential for future growth. One key metric is Earnings Per Share (EPS), which reflects the company's profitability on a per-share basis. A higher EPS often indicates stronger financial performance and may positively impact share prices as investors seek profitable opportunities (Brigham & Ehrhardt, 2013).

Dividend-related metrics, such as Dividend Payout Ratio (DPR) and Dividends Per Share (DPS), also contribute to market valuation. DPR signifies the proportion of earnings distributed as dividends, while DPS represents the actual dividend amount per share. For investors, a consistent and healthy dividend payout can enhance the attractiveness of a stock, potentially influencing share prices, especially in the context of dividend-seeking investors (Brigham & Ehrhardt, 2013). Book Value Per Share (BVPS) is another crucial metric tied to market valuation. BVPS represents the company's net asset value on a per-share basis. If a company's stock is trading below its BVPS, it may be perceived as undervalued, potentially attracting investors, and impacting share prices (Brigham & Ehrhardt, 2013).

The Price-to-Earnings (P/E) ratio is a widely used valuation metric that compares a company's stock price to its earnings. A higher P/E ratio may indicate market expectations for future growth, influencing share prices accordingly. This ratio is particularly relevant in evaluating a company's valuation relative to its earnings performance (Smith, 2023). Bank size is an external factor that can influence market valuation. Larger banks may be perceived as more stable and diversified, potentially attracting investor confidence. The size of a bank can impact its ability to navigate economic challenges and capitalize on opportunities, thereby affecting its stock valuation (Smith, 2023). By examining the relationships between EPS, DPR, DPS, BVPS, P/E ratio, bank size, and share prices, the research aims to provide valuable insights into the dynamics of the Nepalese stock market within the banking sector (Smith, 2023).

The Nepal Stock Exchange (NEPSE) serves as the backdrop for this study, where the forces of supply and demand determine stock prices. This marketplace facilitates the trading of shares, reflecting ownership in publicly traded companies, including commercial banks operating in Nepal (Smith, 2023). Stock prices, representing the current market value of a company's shares, are influenced by a myriad of factors such as company performance, economic conditions, and market sentiment. The market price, a real-time reflection of collective market opinions, may not always align perfectly with the intrinsic or fundamental value of a stock, as it is subject to fluctuations based on short-term factors (Brown, 2023).

The research focuses on market valuation variables, which are instrumental in shaping the share prices of Nepalese commercial banks. These variables encompass financial metrics such as Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Dividends Per Share (DPS), Book Value Per Share (BVPS), Price-to-Earnings (P/E) ratio, and the influence of bank size. EPS reflects profitability on a per-share basis, while dividend-related metrics (DPR and DPS) contribute to market valuation by indicating the distribution of earnings as dividends. BVPS represents net asset value per share, impacting stock perception, and the P/E ratio compares stock price to earnings, providing insights into market expectations for future growth. Additionally, bank size, an external factor, can influence market valuation, with larger banks potentially gaining investor confidence due to perceived stability and diversification (Menifield, 2017; Smith, 2023; Brown, 2023). The research intends to give useful insights into the dynamics of the Nepalese stock market within the banking sector by examining the links between these variables and their impact on share prices.

1.2 Problem Statement

In Nepal's financial market, there is a complex interaction between market value factors and how they affect bank stock prices. The difficulty is in determining the relationship between these factors and changes in stock prices for Nepalese banks. People who study finance and invest are always interested in accurately predicting stock prices, which fluctuate daily due to a variety of factors.

Gompers, Ishii, and Metrick (2003) discuss how dividend per share, book value, earnings per share, and price-earnings ratio all have a significant impact on stock prices in both primary and secondary markets. According to Malhotra's (2013) research, company-specific factors also play a significant role in influencing stock prices in various stock markets. Dividend yield, for example, has an inverse relationship with market prices,

whereas book value, earnings per share, and the price-earnings ratio have a positive relationship.

Sapkota (2016) discovers a positive relationship between market prices and variables such as earnings per share, dividend per share, return on assets, and GDP. Dhungel's (2013) study, on the other hand, claims that dividends have no significant impact on share prices in most banks. According to Joshi (2012), dividend per share is a stronger motivator in Nepal's financial sector than retained earnings per share. Shrestha's (2014) research investigates how economic and political changes, as well as Nepal Rastra Bank policies, affect the stock market.

With these contradictory findings, it remains difficult to comprehend the intricate relationship between factors influencing market value and stock prices in Nepalese banks. Political events, the role of dividends, and reactions to central bank policies complicate matters even further. Analysts, investors, and policymakers must understand the dynamics of financial markets as they change. Unanswered questions about the relationship between market value factors and stock prices in Nepal necessitate a thorough investigation to guide investment decisions in this unique context. Hence, this study focuses on effect of market valuation measure on stock price of Nepalese commercial banks.

The study deals with following issues:

i. Structure and pattern of earnings per share, book value per share, price earnings ratio, dividend payout ratio, dividend per share, stock return and market price.

ii. The relationship of EPS, DPS, PE ratio, book value per share and dividend per share with the Market Price of Share (MPS) of Nepalese commercial banks?

iii. What is the impact of EPS, DPS, PE ratio, book value per share and dividend per share on market price of share of Nepalese commercial banks?

1.3 Objective of the study

The major objective of this study is to examine the impact of market valuation on stock price of Nepalese commercial banks whereas the specific objectives of this study are as follows:

i. To examine the structure and pattern of earnings per share, book value per share, price earnings ratio, dividend payout ratio, bank size, dividend per share, and

market price.

ii. To assess the relationship of EPS, DPS, PE ratio, book value per share and dividend per share with the Market Price of Share (MPS) of Nepalese commercial banks

iii. To analyze the impact of EPS, DPS, PE ratio, book value per share, dividend per share and bank size on market price of share of Nepalese commercial banks.

1.4 Research Hypothesis

To validate the statistical significance between certain study variables, the current researcher wanted to consider several hypotheses in the form of alternative hypothesis (H). The formulated assumptions are as follows:

H1: There is a significant impact of Earnings per share (EPS) on Market Price of Share (MPS).

H2: There is a significant impact of Dividend per share (DPS) on Market Price of Share (MPS).

H3: There is a significant impact of Dividend payout ratio (DPR) on Market Price of Share (MPS).

H4: There is a significant impact of Book value per share (BVPS) on Market Price of Share (MPS).

H5: There is a significant impact of Price Earnings Ratio (P-E Ratio) on Market Price of Share (MPS).

1.5 Rationale of the study

The study is carried out because it is vital to comprehend the complex relationship that exists between financial variables and the market dynamics of commercial banks in Nepal. The research's conclusions are beneficial to several stakeholders, including investors, financial analysts, legislator, and the banking industry itself. The study highlights the importance of this issue by recognizing the persistent challenges faced by investors and financial experts in accurately forecasting stock values within the framework of Nepalese commercial banking.

Financial analysts can improve analytical models and forecasts by gaining a deeper understanding of the factors influencing the financial landscape of Nepalese commercial

banks. Understanding the correlations between important financial indicators and market prices helps investors, both domestic and foreign, make more informed decisions about risk and investment strategies. The study's results can be employed by policymakers to develop regulatory frameworks that conform to the detected trends, thereby promoting a more stable and robust banking industry. Additionally, the banking industry itself can make better strategic decisions by utilizing the research findings, which could boost its competitiveness in the market and financial performance.

Essentially, this study is an important attempt to close the knowledge gap about the factors that influence stock prices in commercial banks in Nepal. Its importance is highlighted by the possibility of providing different stakeholders with the knowledge and resources required to successfully negotiate the financial market's complexities, ultimately advancing Nepal's overall economic growth and stability.

1.6 Limitations of the Study

Because market valuation measurement of stock price performance is still not well developed and systematic in Nepal, it is more difficult to conduct this type of study using trustworthy data. There is a lot of room for debate regarding its correctness and dependability. Every study has limits because of various institutional characteristics, study periods, statistical data dependability, instruments, procedures, and variations. The study has the following limitations:

1. Among the total of 20 banks operating in Nepal only 6 banks ADBL, EBL, HBL, NABIL, NBL, and NMB were considered in the study.
2. The study is based on secondary data from Annual Report, NEPSE Reports and NRB reports.
3. The study has analyzed data for the last nine years from 2013/14 to 2021/22.
4. For the purpose of the study only EPS, DPS, PE ratio, book value per share, dividend per share, Market Price of Share (MPS) of Nepalese commercial banks are considered. Other external factors and variables were not considered in the study.
5. Only limited financial tools are used in the analysis.

1.7 Organization of the Study

The organizational structure of the study is delineated across five chapters, each with distinct focuses contributing to the overall understanding of the research.

Chapter 1: Introduction

The first chapter serves as the study's introduction. It includes background of the study, statement of the problem, objectives of the study, research hypothesis, rational of the study, limitations of the study and organization of the study.

Chapter 2: Literature Review

The second chapter is devoted to a thorough assessment of existing literature on market valuation variables and their impact on stock prices. It includes theoretical review, empirical review, and research gap.

Chapter 3: Research Methodology

The third chapter describes the study technique, including the precise approach taken to answer the research questions. It includes research design, population, sample, sample design, sources of data, Instrumentation of data, research framework, definition of variables and data analysis method.

Chapter 4: Results and Discussion

The fourth chapter entails a meticulous examination of the collected data using statistical tests and regression analysis. It includes trend analysis, descriptive analysis, correlation analysis, regression analysis, hypothesis testing and results and discussions.

Chapter 5: Summary and Conclusion

The final chapter interprets the findings of the research considering the hypotheses proposed and the literature reviewed in previous chapters. It includes summary, conclusion, and implications.

CHAPTER II

LITERATURE REVIEW

This chapter presents the conceptual underpinnings for the study that is revealed by the literature review as well as a prospective for the study. These literature reviews have been broken down into three sections. There are three parts to it. Past studies are presented in the first section and come from a variety of sources, including books, published and unpublished theses, essays, newsletters, etc. Review of recently completed related studies makes up the second segment. The third segment reviews relevant studies in relation to Nepal.

2.1 Theoretical Review

2.1.1 Concept of Stock Price

In simple terms, a stock price represents the current value of one share in a company as determined by the interactions of buyers and sellers in the stock market. This value reflects what investors are willing to pay for a slice of ownership in the company. The dynamics of stock prices are influenced by a variety of factors, including the company's financial performance, market conditions, investor sentiment, and broader economic trends (Menifield, 2017).

Investors and analysts closely monitor stock prices as they can fluctuate over time based on changes in these influencing factors. A rising stock price often suggests positive perceptions about the company's prospects and performance, while a declining stock price may indicate concerns or challenges. The concept of stock price is not only a numerical representation but also a reflection of market participants' collective opinions and expectations regarding the company's future potential (Brooks, 2013).

2.1.2 Concept of Market Valuation Variables

Market Valuation Variables:

At the core of this study are market valuation variables, encompassing metrics such as Earnings per Share (EPS), Dividend per Share (DPS), Book Value per Share (BVPS), and Price Earnings Ratio (P/E Ratio). These variables provide quantitative indicators of a company's financial performance and market perception, serving as critical measures for stock valuation (Damodaran, 2012).

Earnings per Share (EPS):

Earnings per Share (EPS) is a fundamental financial metric that reflects the portion of a company's profit allocated to each outstanding share of common stock. It is calculated by dividing the company's net income by the total number of outstanding shares. EPS is a key indicator of a company's profitability on a per-share basis and is widely used by investors to assess financial performance and compare profitability across different companies. A higher EPS is generally considered favorable, as it suggests a higher return on investment for shareholders (Menifield, 2017).

Dividend per Share (DPS):

Dividend per Share (DPS) is a financial metric that represents the cash dividend paid to each outstanding share of a company's common stock. It is calculated by dividing the total dividends paid by the company by the number of outstanding shares. DPS is crucial for income-oriented investors seeking regular returns through dividend payments. A consistent or increasing DPS is often interpreted positively, signaling financial stability and a commitment to rewarding shareholders (Menifield, 2017).

Book Value per Share (BVPS):

Book Value per Share (BVPS) is a financial metric that reflects the net asset value attributable to each outstanding share of a company's common stock. It is calculated by dividing the company's total equity (assets minus liabilities) by the number of outstanding shares. BVPS provides insight into the intrinsic value of a company and is used by investors to assess the "book value" of a share. Comparing BVPS to the market price per share can help investors evaluate whether a stock is undervalued or overvalued (Brooks, 2013).

Price Earnings Ratio (P/E Ratio):

The Price Earnings Ratio (P/E Ratio) is a valuation metric that compares a company's current market price per share to its earnings per share (EPS). It is calculated by dividing the market price per share by the EPS. The P/E Ratio is a widely used tool for investors to assess the relative value of a stock and its growth potential. A high P/E Ratio may indicate that investors have high expectations for future earnings growth, while a low P/E Ratio may suggest undervaluation or lower growth expectations (Brooks, 2013).

Bank Size:

Bank size is a significant metric in the financial landscape, representing the magnitude and scale of a bank's operations within the market. The size of a bank is typically measured by total assets, reflecting the value of all resources controlled by the bank. Larger banks often have diversified portfolios, broader geographical reach, and a higher volume of financial transactions. Investors and analysts consider bank size as a key indicator of stability, as larger institutions may have more resources to weather economic downturns (Brooks, 2013).

Dividend Payout Ratio (DPR):

The Dividend Payout Ratio (DPR) is a financial metric that evaluates the proportion of earnings distributed to shareholders in the form of dividends. It is calculated by dividing the total dividends paid by a company by its net income. DPR provides insights into the dividend distribution policies of a bank, indicating what portion of profits is returned to shareholders versus retained for reinvestment. A higher DPR suggests a greater commitment to rewarding shareholders with dividend income, while a lower DPR indicates a focus on retaining earnings for future growth or financial stability (Menifield, 2017).

2.1.2 Theories of Stock Market and Market Valuation

Efficient Market Hypothesis (EMH):

The Efficient Market Hypothesis (EMH) posits that financial markets efficiently incorporate all available information, making it impossible for investors to consistently outperform the market based on historical or public information (Fama, 1970). In the context of Nepalese commercial banks, EMH implies that stock prices accurately reflect relevant market valuation variables, such as Earnings per Share (EPS) and Book Value per Share (BVPS), leaving little room for investors to exploit information asymmetry.

Dividend Discount Model (DDM):

The Dividend Discount Model (DDM) asserts that the intrinsic value of a stock is determined by the present value of its expected future dividends (Gordon, 1959). Applied to Nepalese commercial banks, DDM provides a framework to analyze how dividend-related market valuation variables, particularly Dividend per Share (DPS), influence stock prices. Investors may gauge the attractiveness of bank stocks based on expected future dividend streams.

Capital Asset Pricing Model (CAPM):

The Capital Asset Pricing Model (CAPM) establishes a relationship between the expected return on an investment, the risk-free rate, and the asset's systematic risk (Sharpe, 1964). In the context of Nepalese commercial banks, CAPM can be employed to understand how market valuation variables, such as EPS and BVPS, influence the expected return on bank stocks based on their inherent risk profiles. Investors may use CAPM to assess the appropriateness of the required return for holding bank stocks.

Market Timing Theory:

Market Timing Theory suggests that firms strategically time the issuance of securities based on their perception of the market's valuation (Baker & Wurgler, 2002). In the context of Nepalese commercial banks, this theory offers insights into how banks may use market valuation variables to optimize stock prices. Understanding the strategic timing of stock issuances in response to perceived market conditions can provide valuable information for investors and analysts.

Information Asymmetry Theory:

Information Asymmetry Theory posits that discrepancies in access to information between insiders and outsiders can influence stock prices (Bhattacharya, 1979). In the context of Nepalese commercial banks, this theory suggests that market participants may react differently to market valuation variables based on the information available to them. Investors and analysts need to consider the potential impact of information asymmetry on stock price movements.

The Efficient Market Hypothesis implies that Nepalese commercial banks' stock prices accurately reflect available information, minimizing opportunities for investors to exploit market valuation variables for abnormal returns. The Dividend Discount Model emphasizes the role of expected future dividends, particularly Dividend per Share, in influencing stock prices. Capital Asset Pricing Model provides a framework for assessing how risk and market valuation variables are interconnected. Market Timing Theory sheds light on how banks strategically time stock issuances based on market conditions. Information Asymmetry Theory underscores the importance of considering discrepancies in information access when analyzing the impact of market valuation variables on stock prices. Combining these theoretical perspectives provides a comprehensive foundation for understanding the dynamics of stock prices in Nepalese commercial banks.

The selected theories, including the Efficient Market Hypothesis (EMH), Dividend Discount Model (DDM), Capital Asset Pricing Model (CAPM), Market Timing Theory, and Information Asymmetry Theory, hold significant relevance for comprehending the impact of market valuation variables on stock prices within Nepalese commercial banks. EMH is pivotal in acknowledging the efficiency of the market in incorporating information related to market valuation variables, offering insights into the degree to which stock prices accurately reflect available data. DDM, with its focus on the intrinsic value derived from future dividends, is particularly pertinent for understanding how dividend-related market valuation variables influence stock prices in the banking sector. CAPM contributes by providing a structured framework to assess how the inherent risk associated with market valuation variables influences the expected return on bank stocks. Market Timing Theory is crucial in revealing the strategic timing of stock issuances based on market conditions, informing investors and analysts about the decision-making dynamics of banks. Information Asymmetry Theory, on the other hand, underscores the importance of considering information discrepancies in understanding the impact of market valuation variables on stock prices. Collectively, these theories provide a robust foundation for analyzing the complexities of stock price movements in Nepalese commercial banks, offering insights that are vital for investors, analysts, and policymakers in navigating the intricacies of the banking sector.

2.2 Empirical Review

2.2.1 Review of International Articles

Kurniasari, Amiputra, and Ade Suyono (2021) conducted a research study focusing on seven banks listed on the Indonesia Stock Exchange. The research investigates the impact of several independent variables, namely Earnings Per Share (EPS), Price Earnings Ratio (PER), Market to Book Ratio (MBR), Debt to Equity Ratio (DER), Interest Rate (INT), and Market Value Added (MVA), on the dependent variable, which is the stock price (market price). The study period spans from 2016 to 2019. The findings of the research indicate that Earnings Per Share (EPS), Price Earnings Ratio (PER), and Market to Book Ratio (MBR) exert a positive influence on stock prices. On the contrary, Debt to Equity Ratio (DER), Interest Rate (INT), and Market Value Added (MVA) demonstrate a negative effect on stock prices. Moreover, the study reveals that collectively, when considered together, these

variables significantly impact stock prices at commercial banks registered on the Indonesia Stock Exchange.

Shammout's (2020) study, "The Impact of Stock Characteristics on Its Market Price in Jordanian Commercial Banks," investigates the influence of various stock characteristics on market prices in 13 Jordanian commercial banks from 2005 to 2018. The stock characteristics considered in the study include Earnings Per Share (EPS), Book Value Ratio (BVR), Dividends Per Share (DPS), Dividends Payout Ratio (DPR), Market to Book Ratio (MBR), Price Earnings Ratio (PER), and Yield Per Share (YPE). The research utilizes Multiple Linear Regression to analyze the impact of these independent variables and controlling variables on the dependent variable, which is the market stock price. The findings of the study reveal a substantial impact of stock characteristics on the market price of Jordanian commercial banks. Notably, book value ratio, dividends per share, market to book ratio, price-earnings ratio, and yield per share exhibit statistically significant effects on the market price. However, there is no statistically significant effect observed for earnings per share and dividends payout ratio on the market price of these banks.

Buchory (2019) examined the stock prices are influenced by fundamental factors and technical factors. The study used the descriptive and verification methods with data from the financial statements of regional development bank of west java and Banten provinces for the period 2012-2018, while data analysis uses multiple linear regression. The study assessed the effect of profitability, dividend policy, and corporate social responsibility (CSR) on the stock price. The profitability measured by return on assets (ROA), dividend policy by dividend payout ratio (DPR), CSR by CSR expenditure, and stock price by closing price. The results stated that partially the ROA had a positive but not significant effect on stock price.

Al-Malkawi (2018) examined the impact of firm-specific factors on the market price of shares (MPS) in the middle east and north Africa (MENA) region. The study used a sample of 277 firms (1919 firm-year observations) listed in seven MENA countries for the period 2000-2015 and pooled cross-section and time-series data is used. The study also controls for the effect of global financial crisis on MPS. The results suggest that firm-specific fundamentals play a vital role in determining the MPS in the MENA region. The study also found the more specifically, factors such as return on equity, book value per share, dividend per share, earnings per share and price earnings ratio positively influence MPS, while

dividend yield and gearing have negative impact on market price of share. Finally, showed the control variable firm size posits a positive and statistically significant relationship with market price of share, while the global financial crisis seems to be as an insignificant determinant of MPS.

Yuliza (2018) analyzed the firm that included the stock index of IDX (Indonesian stock exchange) consist of the 45 best stocks (LQ45 index companies) that are listed on the Indonesian securities. The study assessed the effect of earnings per share and the firm size on stock prices. Showed that to prove that the size of the firm can moderate the relationship between earnings per share and stock prices. By conducting a regression analysis, the study gives evidence that earnings per share and firm size have a significant effect on stock prices. Further, the study analyzed that size of the firm is also able to moderate the relationship between earnings per share and stock prices. The results of the study gave evidence that profit, and the size of the company can provide important information for investors in making decisions.

Astuty (2017) analyzed the stock price is one indicator of the successful management of the company, if the stock price of a company always increases, the study revealed the influence of fundamental factors and systematic risk simultaneously and partially on stock price at company registered in LQ45 Index Period 2011-2015.the study used the data analysis model used is the test panel data regression (pool) which is a combination of cross section with the time series data. The results of the study found the simultaneously there were significant influence between the price earnings ratio (PER), earning per share (EPS), net profit margin (NPM), price to book value (PBV), and risk systematic on stock prices on companies listed in LQ45 Index. The study concluded that price earnings ratio (PER), earnings per share (EPS), net profit margin (NPM), price to book value (PBV), and systematic risks have significant effect on stock prices.

Velanka*r* (2017) analyzed the movement of share prices, which depend on various factors. Such factors that influence stock prices could be either firm specific internal factors such as earnings, dividend, book value, etc. or external factors such as interest rate, government regulations, foreign exchange rate analyze the impact of two specific internal factors earnings per share (EPS) and dividend per share (DPS) on stock price. The study on selected public sector banks of India and non-probability purposive sampling technique used for collecting the data (2006-2007 to 2014-15). The cause-and-effect relationship was checked

by regression model using EViews7. Since, the time series data was employed, stationary of the data was checked to avoid spurious regression. The augmented dickey – fuller test was used for unit root testing to check the stationary of the time series data. The study found that 83.43% variation in stock price is being explained by the independent variables, earnings per share and dividend per share. The study concluded that a significant impact of EPS and DPS on stock price.

Kumar (2017) examined the impact of earning per share and price earnings ratio on the market price of share of company. Therefore, the study market price of share is dependent variable, while earning per share and price earnings ratio are dependent variables and study is exploratory in nature. The study used a sample of eight companies of auto sector based on Nifty auto index and for a period of five consecutive financial years from 2011/12 to 2015/16. The study sample was 8 companies for the automotive sector. Multiple regression analysis was employed to predict the impact of earning per share and price earnings ratio on market price of share of select companies of auto sector. The result of the study concluded that earning per share has found to be a very strong forecaster of market price of share, while price earnings ratio impact significantly on the prediction of market price of share of select companies of auto sector as whole the study analyzed to clarify the effect of (EPS) and price earnings ratios on the market price of share. The study also concluded that there is a strong correlation between price earnings ratio and market price of share for the selected sample.

Akhtar (2016) examined the determinants of stock prices in Pakistan. The determinants of stock prices in Pakistan. The study used a sample of 83 firms was selected from 10 non-financial sectors of Pakistan stock exchange (PSE) from 2010 to 2014. The study based on stock dividend per share, retention ratio, earnings per share, net profit after tax and return on equity were used as independent variables that have impact on stock prices. Interest rate and political instability were taken as moderating variables. The results of the study were based on panel least squares model. The study found that dividend has a positive and significant relationship with the stock price, whereas the relationship of retention ratio, and profit after tax was not significant for predicting the stock prices in Pakistan. Earnings per share and return on equity have significant relation with stock price. The study did not support the effect of political instability on the relationship between determinants of stock prices and market value of stock prices in Pakistan. The study concluded that dividend,

retained earnings and earnings per share are major determinant of stock price movements in Pakistan.

Geetha and Swaaminathan (2015) identified the factors influencing stock price such as price earnings ratio, firm s book value and earnings per share to have a significant positive with the company's market price in four automobile and IT industries (listed in BSE and NSE) for the period of five years as a sample. A sample of four cars and information technology industries selected sample (listed on the BSE and NSE) for five years in 2010 to 2014. Using secondary data for experiential evaluation of stock prices and related important variables and financial analysis techniques used. The study examined about the influence of book value, earnings per share (EPS) and price earnings ratio towards the market price of the share. The study assessed the influencing factors which affects the movement of stock price either upward or down trend. The study concluded that EPS has a significant effect on market price. But the dividend per share does not have positive or negative effect towards the market price.

Adekunle (2015) investigated the factors that influence the share price behavior of selected firms in insurance industry in Nigeria. Specifically, the study examined both company specific factors (earnings per share and return on assets) and macroeconomic factors (inflation rate and gross domestic product) that influence share prices in Nigerian insurance industry. The study used as sample for five insurance firms were randomly selected from the industry for examination. Data used for the study were sourced from the annual reports of the sampled firms and the statistical bulletin of central bank of Nigeria ranging from 2005 – 2014. A panel data multiple regression model was specified and estimated. The study found that earnings per share and inflation rate significantly influence share price behavior in Nigerian insurance industry. However, return on assets and gross domestic products were not significant in predicting the prices of share in the industry. The study recommended that investors in the insurance industry should be guided by industry financial ratios, especially the profitability measures of earnings per share (EPS).

Rauf (2015) examined to identify the quantitative factors that influence share prices among banking sector in Colombo stock exchange for the period between 2005 and 2014. The study employed descriptive, correlation and a linear multiple regressions models to measure the individual as well as combined effects of explanatory variables on the dependent variables. Further the study showed there is a positive correlation between the

independent variables such as dividend per share, earnings per share, book value per share, price earnings ratio (P/E ratio) and size and dependent variable market price of the share. In addition to that, results of the regression analysis on the relationship between company size and market price indicated that there is an inverse relationship between them. Finally, the study concluded that other variables dividend per share and dividend payout has insignificant impact on market price.

Idawati (2015) examined the effect of earning per shares (EPS) and return on assets (ROA) to the stock price on coal mining company listed on the Indonesia stock exchange. The data used of the study is the use of panel data methods and opportunity sampling is done by comparing the regression model (1) ordinary least square (common effect), (2) Efek Tetap (fixed effects), (3) Efek random (random Effect). Based on the three models obtained, the best model is fixed effect and used as Indicators is the reference of the feasibility of detecting an investor in the stock market investment is the company's profit. Profit can be reflected by the level of EPS or ROA. Generally, an increase in EPS and ROA index will be linear with the increase in stock price. The study found to demonstrate empirically the relationship and influence of EPS and ROA on stock prices. The results of the study found that EPS and ROA have a positive relationship to the stock price and simultaneously significantly affect stock prices. However, the EPS only partial test that showed a significant effect, whereas ROA is not.

Jatoi (2014) analyzed different factors affecting the market value of a share. Among them one of the important factors taken in the study is earnings per share. Therefore, the study examined impact and the relationship between market value of share (MVS) & earnings per share (EPS). A sample of 13 cement firms listed on Karachi stock exchange was selected for the period of 2009 to 2013.The regression and correlation models for EPS exposed basic related variable that influencing the market value of that industry. The graphical representation also showed that market value of share increases with the increase of EPS and vice versa. The study included market price of shares as dependent variable were earning per share as independent variable. The results concluded that EPS impacts the market value of share and have a positive and significance relationship between EPS and MVS in Pakistan cement. Hence investors can form better verdict and make intellectual and rational investment verdicts based on these variables while making investments in cement industry of Pakistan.

Almumani (2014) attempted to identify the quantitative factors that influence share prices for the listed banks in Amman stock exchange over the period 2005-2011. Using a correlation and a linear multiple regression models have been selected to measure the individual as well as combined effects of explanatory variables on the dependent variables and data derived from the income statements and the balance sheets of the listed banks published in Arab banking corporation. In addition, data was gathered from books, papers, and articles. Showed that there is a significant positive relationship between earnings per share (EPS) and the market price (MP) of the listed banks in Jordan. Moreover, there is a significant relationship between banks book value (BV) and market price (MP). Another empirical finding from the regression analysis showed a positive relationship between price earnings ratio (P/E) and market price (MP). The findings from the regression analysis on the relationship between size and MP indicate that there is an inverse relationship between size and market price. Finally, other variables (dividend per share and dividend payout ratio) have insignificant impact on market price.

Sukhija (2014) revealed an explicit model for the role of fundamental factors in price movement of shares with the annual performance of companies. The fundamental factors which influence the market price, and the performance of the company is a part of any investor before going for investment. The panel data analysis techniques, viz. fixed effects model and random effects model have employed. The investor should look at the price movements of the company over the years and should go for better portfolio. The study concluded that book value, dividend per share and growth are main determinants of share prices of banking and financial companies. Price earnings ratio, book value and growth are the important determinants of share prices of petroleum and mining companies. The study found price earnings ratio, book value and dividend per share (DPS) are also the significant determinants of share prices of infrastructure companies. In case of metal and chemical companies, book value and DPS are being the key determinants of share prices. Book value and earnings per share are the chief determinants of share prices of IT and communication companies.

Table 1: *Meta Analysis of International Articles*

International articles reviewed in the study are also presented in the Meta Table.

S.N.	Writer (Year)	Title	Major Objective	Research Methodology	Major Findings
1.	Kurniasari (2021)	Effect of Earnings Per Share (EPS), Price to Earnings Ratio (PER), Market to Book Ratio (MBR), Debt to Equity Ratio (DER), Interest Rate, and Market Value Added (MVA) on stock prices at commercial banks registered in 2016-2019 Indonesia Stock Exchange	To explore the impact of various independent variables on stock prices in Indonesian banks	Regression model	EPS, PER, and MBR have a positive effect on stock prices. DER, INT, and MVA have a negative effect. Collectively, these variables significantly impact stock prices at commercial banks on the Indonesia Stock Exchange.
2.	Shammout (2020)	The Impact of Stock Characteristics on Its Market Price in Jordanian Commercial Banks	To investigate the influence of stock characteristics on market prices in Jordanian banks	Multiple Linear Regression	Significant impact of stock characteristics on the market price. Book value ratio, dividends per share, market to book ratio, price-earnings ratio, and

					yield per share exhibit statistically significant effects. No significant effect for earnings per share and dividends payout ratio.
3.	Buchory (2019)	Profitability, dividend policy, corporate social responsibility, and stock price	To examine the impact of profitability, dividend policy, and corporate social responsibility (CSR) on stock prices	Multiple linear regression	Partially, ROA has a positive but not significant effect; DPR has a positive and significant effect; CSR has a positive and significant effect; Simultaneously, DPR, and CSR have a significant effect on stock price.
4.	Yuliza (2018)	The effects of earnings per share and firm size to stock price Lq45 Company listed in Indonesian securities	To assess the effect of earnings per share and firm size on stock prices	Regression analysis	Earnings per share and firm size have a significant effect on stock prices; Firm size moderates the relationship between earnings per share and stock prices.

5.	Al-Malkawi (2018)	The impact of company fundamentals on common stock prices: evidence from MENA region	To examine the impact of firm-specific factors on the market price of shares in the MENA region	Pooled cross-section and time-series data; Controls for the effect of the global financial crisis	Firm-specific fundamentals play a vital role in determining the MPS in the MENA region; Return on equity, book value per share, dividend per share, earnings per share, and price-earnings ratio positively influence MPS.
6.	Velankar (2017)	Impact of EPS and DPS on stock price: A study of selected public sector banks of India	To analyze the impact of EPS and DPS on stock prices	Non-probability purposive sampling; Regression model using EViews7	83.43% variation in stock price explained by EPS and DPS; Significant impact of EPS and DPS on stock price.
7.	Astuty (2017)	The influence of fundamental factors and systematic risk to stock prices on companies listed in the Indonesian stock exchange	To analyze the influence of fundamental factors and systematic risk on stock prices in LQ45 Index companies for the period 2011-2015	Test panel data regression (pool)	Significant influence between price-earnings ratio (PER), earnings per share (EPS), net profit margin (NPM), price to book value (PBV), and systematic risks on stock prices in

					LQ45 Index companies.
8.	Kumar (2017)	Impact of earning per share and price earnings ratio on market price of share: a study on auto sector in India.	To examine the impact of EPS and price-earnings ratio on the market price of share	Multiple regression analysis	EPS found to be a very strong forecaster of market price; Price-earnings ratio significantly impacts the prediction of market price.
9.	Akhtar (2016)	Impact of dividend, retention ratio, and profit after tax, earnings per share, and return on equity on stock prices in Pakistan: examining the moderating effect of interest rate and political risk	To examine the determinants of stock prices in Pakistan	Sample of 83 firms from 10 non-financial sectors; Panel least squares model	Dividend, retained earnings, and earnings per share major determinants of stock price movements in Pakistan.
10.	Idawati (2015)	Effect of earning per shares and return on assets against share price on coal mining company	To examine the effect of EPS and ROA on stock prices in Indonesian	Panel data methods; Regression models (OLS, Fixed Effects,	EPS and ROA have a positive relationship with stock price; Simultaneously, EPS and ROA

		listed in Indonesia stock exchange	coal mining companies	Random Effects)	significantly affect stock prices.
11.	Rauf (2015)	What determine share price? Evidence from banking sector listed in Colombo stock exchange	To identify quantitative factors influencing share prices in the banking sector in Colombo Stock Exchange	Descriptive, correlation, and linear multiple regression models; Control variables for size and global financial crisis	Positive correlation between independent variables (dividend per share, earnings per share, book value per share, P/E ratio, and size) and dependent variable, market share price; Inverse relationship between company size and market price.
12.	Sukhija (2014)	An explicit model on fundamental factors affecting stock prices of base listed companies in India: an inter industry approach	Develop an explicit model for the role of fundamental factors in price movement of shares	Panel data analysis (fixed effects model, random effects model)	Book value, dividend per share, and growth are key determinants of share prices for banking and financial companies; Different factors

					are important for various industries.

2.2.2 Review of Nepalese Articles

Chettri (2023) conducted a study aiming to explore the factors influencing the share prices of Nepalese commercial banks. The research focused on market price per share as the dependent variable, considering earning per share, price-earnings ratio, book value per share, return on assets, and size as firm-specific independent variables. External factors such as inflation, broad money supply, and gross domestic product (real) were also included in the analysis. The study employed a panel data approach spanning 11 years from 2012 to 2022, covering 13 out of 21 commercial banks in Nepal. The findings revealed that variables like earning per share, price-earnings ratio, book value per share, and return on assets are significant determinants of stock prices, exerting a substantial impact on share prices. However, the size of the firm was identified as having an insignificant impact on the stock price in the context of joint venture commercial banks in Nepal. The objective of the study was to comprehensively examine the factors influencing the share prices of commercial banks in Nepal, incorporating both internal and external variables. The research design adopted was a causal-comparative type, employing pooled cross-sectional data analysis.

Goet and Kharel (2022) conducted a study titled "Factors Influencing Stock Price Variability of Commercial Banks in Nepal" published in *The Journal of Economic Concerns*. The research aimed to investigate the impact of variables such as Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), and Net Worth Per Share on the Market Price Per Share of Nepalese commercial banks. The study utilized panel data comprising 40 observations from four commercial banks, spanning ten years (2011/2012-2020/2021). The findings of the study indicated a significant positive relationship between Earnings per Share and Dividends Per Share, as well as between Earnings Per Share and Price-Earnings Ratio. However, a negligible positive relationship was observed between Earnings Per Share and Net Worth Per Share with Market Price Per Share of commercial banks. The research provides valuable insights into the dynamics of stock price behavior in Nepalese commercial banks, offering a nuanced understanding of the relationships between key variables. The use of panel data spanning a decade enhances the robustness of the findings, contributing to the existing body of knowledge in the field.

Ghimire (2018) examined to determine the relationship between stock price and explanatory variables like: dividend per share (DPS), earnings per share (EPS), price earnings ratio (P-E ratio), book value (BV) and market to book value for the period 2012 to 2017. The study used simple and multiple regression analysis and descriptive statistics. The study investigates the factor affecting the stock price. With the sample size of 11 financial and nonfinancial firms of Nepal. The result showed that the variables market to BV, P-E ratio are the significant determinants of stock price which directly affect the stock price. The study concluded that, DPS, BV also have significance positive influence on stock price whereas EPS has minimum influence on the stock price.

Bhattarai (2018) identified that the factors affecting the share price of Nepalese commercial banks listed on NEPSE. A sample size of 14 banks listed in NEPSE was selected for the period 2002/03 to 2013/14. The firm specific and macroeconomic variables effects on share prices of Nepalese commercial banks and insurance companies. The study is based on secondary data of seven banks and six insurances companies for the period of 2009/10 - 2014/15. The data are obtained from annual report of concerned enterprises. The descriptive and causal comparative research design used for the study. The effects firms' specific and macroeconomic variables on share prices have been analyzed with the help of the multiple regression technique. The firm specific variables: return on assets (ROA), earnings per shares (EPS), dividend per shares (DPS), dividend payout ratio (DPR), prices earnings ratio (P/E ratio), size and macroeconomics variables are money supply (MS), exchange rate (ER), inflation rate (IR) and GDP growth rate (GDPR) as independent variables and market price of share (MPS) dependent variable. The study concluded that the major factors firm specific: ROE, ROA, EPS, DPS, and P-E Ratio, size and macroeconomic: MS, GDPR, ER and IR affecting the share prices of banks and insurances companies in Nepalese context.

Karki (2018) revealed the relates cross-sectional differences in stock prices of Nepalese commercial banks to the underlying behavior of six fundamental variables: earnings per share, book value per share, cash dividend per share, stock dividend per share, price earnings ratio, and firm size. The study used secondary sources of data. The balanced panel data from commercial banks including 150 observations are used for the period of 2000-2014. The earnings per share and stock dividend per share are the more significant determinants of stock prices of commercial banks in Nepal. The performance of the stock dividend is especially noteworthy; this variable is statistically and economically the most

important of the six fundamental variables investigated. Result of the study concluded that the earnings and stock dividend are the more significant determinants of stock prices of commercial banks in Nepal. The effects of these variables on stock prices are consistent and statistically significant across all the analyses and all the specifications of the model. Though, the study is based on commercial banks but many of the analytical methods and approaches used can undoubtedly be of great use to other sectors of listed companies in Nepalese stock market. Thus, the study concluded that among all the variables, earnings per share and stock dividend per share are found to be the best predictors because coefficients are statistically and economically significant across all the specifications.

Pradhan and Paudel (2017) examined the impact of fundamental factors on stock price of Nepalese commercial banks. Return on assets, return on equity, net profit margin, earning per share and dividend per share are the independent variables and market price of share and change in market price of share are the dependent variables. Data are collected from the banking and financial statistics and bank supervision report published by Nepal Rastra bank and annual reports of the selected commercial banks. The study is based on 13 commercial banks of Nepal from 2007 to 2014, leading to a total of 104 observations. The regression models are estimated to test the significance and impact of fundamental factors in stock price of Nepalese commercial banks. The result showed that dividend per share (DPS), return on assets (ROA) and earning per share (EPS) are positively related to the stock price (market price of share and change in market price of share). Showed that higher the DPS, ROA and EPS, higher would be the stock price. However, net profit margin is negatively related to stock price. The regression result showed that the beta coefficients for DPS and EPS are positively significant with market price of share at 5 percent level of significance.

Pradhan and Dahal (2016) examined the factors affecting the share price of Nepalese commercial banks. The factors affecting the share price of Nepalese commercial banks listed on Nepal stock exchange (NEPSE). The study used as sample size of 14 banks listed in NEPSE was selected for the period 2002/03 to 2013/14. The data were collected from the banking and financial statistics and supervision report published by Nepal Rastra bank and annual report of selected banks. The multiple regression models were estimated to test impact of firm specific and macroeconomic factors on share price of Nepalese commercial banks for estimated to test the impact of selected variables on stock price The study used

market price of share is selected as dependent variable, while earning per share, divided per share, price earnings ratio, book value per share, return on assets and size were chosen as firm specific independent variables. Likewise, gross domestic product, inflation and money supply were chosen as macroeconomic independent variables. The study concluded the earning price per share, dividend per share, price earnings ratio, book value per share, return on assets and size as major determinants of stock price in context of commercial banks in Nepal.

Lama (2016) analyzed the effect of firm specific and macroeconomics variables on stock price of Nepalese commercial banks. The study used the market price of share, stock return and excess return are dependent variables. Earnings per share, dividend per share, size, and return on asset, money supply, gross domestic product, inflation, and interest rate are the independent variables. The data are collected from the annual report of selected commercial banks and supervision report published by Nepal Rastra bank. The study is based on 126 observations from 18 commercial banks in Nepal. The regression models are estimated to test the effect of firm specific and macroeconomic variables on stock price of Nepalese commercial banks. The result showed there is positive relationship of market price of share with size, earnings per share, dividend per share, return on assets, money supply, inflation, and gross domestic product. It indicates that an increase in size, earnings per share, dividend per share return on assets, money supply, inflation, and gross domestic product leads to an increase in the market price per share. However, the beta coefficient is insignificant for inflation at 5 percent level of significance. Thus, study concluded that there is negative relationship of market price of share with interest rate. Which revealed that higher the interest rate, lower would be the market price of share.

Kunwar (2015) examined the impact of macroeconomic variables on stock market return using the 10 years data from 2004 to 2013. The study had employed the ordinary least square technique to investigate the relationship between stock market return and selected macroeconomic variables in Nepal. Foreign direct investment, gross domestic product, government expenditure, inflation and remittance income had been taken as the macroeconomic variables for the study. The study found the inflation has a negative and significant relationship with stock market return, while remittance income has a positive and significant association with stock market return.

Bhattarai (2014) analyzed the determinants of share price of commercial banks listed on the Nepal stock exchange over the period of 2006 to 2014. The study used descriptive as well as causal comparative research design i.e., correlation and regression analysis and sample size of 9 commercial bank from population of all banks listed on NEPSE. Using convenient sampling method for the study. The study used the dividend payout ratio, dividend yield, earning per share, price earnings ratio (P-E ratio), and size as independent variables. The finding of the study revealed that earning per share and price-earnings ratio have the significant positive association with share price, while dividend yield showed the significant inverse association with share price of the bank. The study concluded the dividend yield, earning per share and price-earnings ratio are the major determinants share price of Nepalese commercial banks.

Budhathoki (2012) revealed the average earning per share (EPS) of the banks under the study showed a positive result. The study found that the coefficient of variation indicates that there is no consistency of EPS. The average dividend per share (DPS) shows that there is no regularity in dividend payment. The analysis of DPR showed that the dividend payout ratio (DPR) of the banks is not stable. The study concluded that the average market price of share showed that there is quite high level of fluctuation.

Acharya (2008) examined the determinants of Stock price in Nepalese commercial banks with randomly selected 10 commercial banks, the study concluded that Share price are affected by different kinds of micro and macro variables such as earnings per share (EPS), dividend per share (DPS), information disclosed, political instability, growth rate according to respondent's survey. However, interest rate, retention ratio, cost of equity, market liquidity, change in management do not significantly affect the share price in Nepal stock exchange (NEPSE). The major findings showed that the market price of share has high degree of positive relationship with EPS in all sample banks and largely depends upon DPS.

Dhakal (2007) examined the determinants of share price on Nepalese commercial banks with randomly selected 10 commercial banks. Historical, descriptive, and explanatory along with correlation and regression analysis and to identify the qualitative factors affecting stock price. The study concluded that the market price of share (MPS) of most of the banks are found to be correlated with other individual financial indicator like book value per share (BPS), earnings per share (EPS) and dividend per share (DPS) insignificantly.

Pradhan and Balampaki (2004) analyzed the fundamentals of stock return have given some important insight regarding nature of stock return in Nepal. The study deals with fundamentals of stock returns. It specially examines dividend yield, capital gain yield and total yield are related to earnings yield, size of the firm, book to market ratio and cash flow yield. The study is based on pooled, crossed, sectional data of 40 enterprises whose stocks are listed in Nepal stock exchange Ltd and traded in the stock market. The study found that earning yield and cash flow yield have significant impact on divided yield. Other main findings of the study are earning yield and cash flow yield have insignificant impact on book to market value whereas size has negative impact in dividend yield. In the case of earning yield and cash flow yield have found to be more informative than earning yield.

Neupane (2004) examined the determinants of stock price in Nepal stock exchange. The study used 11 sample organizations and using various statistical tools like standard deviation, correlation, regression analysis, t-test, and z-test. The study concluded that dividend per share (DPS), book value per share (BPS) and earnings per share (EPS) individually do not have consistent relationship with the market price of share in Nepal stock exchange (NEPSE), among the listed companies share price of commercial banking sector. So, the overall performance of NEPSE, manufacturing and processing, trading and hotel sector have weak performance. The financial intermediaries are strong, but their ultimate investment is suffering. The pricing behavior varies from one company to another. The study also found that EPS, BPS and DPS, jointly have significant effect in formation of market price of share. Thus, there may be other major factors affecting the share price significantly. NEPSE is in its primary stage, adopting open outcry system for stock trading and stockbrokers lack professionalism to create investing opportunities in NEPSE.

Table 2: *Meta Analysis of National Articles*

Nepalese articles reviewed in the study are also presented in the Meta Table.

S.N.	Writer	Title	Major Objective	Research Methodology	Major Findings
1.	Chettri (2023)	Factors Affecting the Share Price of	To explore factors influencing	Panel data approach spanning 11	Earnings per share, price-earnings ratio,

		Commercial Banks in Nepal	share prices of Nepalese commercial banks	years (2012-2022)	book value per share, and return on assets are significant determinants of stock prices. The size of the firm has an insignificant impact on stock prices in the context of joint venture commercial banks in Nepal.
2.	Goet & Kharel (2022)	Factors Influencing Stock Price Variability of Commercial Banks in Nepal	To investigate the impact of variables (DPS, EPS, PER, Net Worth Per Share) on Market Price Per Share of Nepalese commercial banks.	Panel data comprising 40 observations from four commercial banks	Significant positive relationship between Earnings per Share and Dividends Per Share, and between Earnings Per Share and Price-Earnings Ratio. Negligible positive relationship between

					Earnings Per Share and Net Worth Per Share with Market Price Per Share of commercial banks.
3.	Karki (2018)	Fundamentals of common stock pricing: evidence from commercial banks of Nepal	To investigate the relationship between cross-sectional differences in stock prices and fundamental variables in Nepalese commercial banks	Balanced panel data from 2000 to 2014; Six fundamental variables: EPS, BPS, Cash DPS, Stock DPS, P/E Ratio, Firm Size Regression analysis	Earnings per share (EPS) and stock dividend per share (Stock DPS) are the more significant determinants of stock prices in Nepalese commercial banks; Stock dividend is especially noteworthy and statistically significant across analyses and model specifications.
4.	Bhattarai (2018)	The firm specific and macroeconomi	To analyze the effects of firm-specific and	Sample size of 14 banks (2002/03 to	Major factors affecting share prices: Firm-

		c variables effects on share prices of Nepalese commercial banks and insurance companies	macroeconomic variables on share prices of Nepalese commercial banks listed on NEPSE	2013/14); Firm-specific variables (ROA, EPS, DPS, DPR, P/E Ratio, Size) and Macroeconomic variables (MS, ER, IR, GDPR)	specific (ROE, ROA, EPS, DPS, P/E Ratio, Size) and Macroeconomic (MS, GDPR, ER, IR); Identified through multiple regression technique.
5.	Ghimire (2018)	Determinants of stock price in Nepalese market	To investigate factors affecting stock prices in Nepal for the period 2012 to 2017	Simple and multiple regression analysis; Descriptive statistics; Sample size of 11 financial and non-financial firms in Nepal	Variables like Market to BV and P/E Ratio are significant determinants of stock price in Nepal; DPS and BV also positively influence stock price; EPS has a minimal influence on stock price.
6.	Pradhan and Paudel (2017)	Impact of fundamental factors on stock price: a case of Nepalese	To examine the impact of fundamental factors (ROA, ROE, Net	13 commercial banks from 2007 to 2014; Regression models with	DPS, ROA, and EPS are positively related to stock price; Net Profit

		commercial banks	Profit Margin, EPS, DPS) on the stock price of Nepalese commercial banks	market price of share and change in market price of share as dependent variables	Margin has a negative relationship with stock price; Higher DPS, ROA, and EPS lead to higher stock prices.
7.	Lama (2016)	The effects of firm specific and macroeconomic variables on stock price of Nepalese commercial banks	To investigate the effect of firm-specific and macroeconomic variables on stock price of Nepalese commercial banks	Data from 18 commercial banks; Regression models with market price of share, stock return, and excess return as dependent variables	Positive relationship of market price of share with size, EPS, DPS, ROA, money supply, inflation, and GDP; Negative relationship with interest rate.

2.3 Research Gap

The existing literature on the impact of various factors on stock prices in the context of Nepalese commercial banks has provided valuable insights into the dynamics of the stock market in Nepal (Pradhan & Balampaki, 2004; Neupane, 2004; Dhakal, 2007). However, there are several research gaps that warrant further investigation.

Firstly, the previous studies have primarily focused on a limited number of banks or a specific time frame, such as the period up to 2014 (Bhattarai, 2014; Ghimire, 2018; Pradhan & Paudel, 2017). To address this gap, the current study considered a broader sample of six commercial banks operating in Nepal (Karki, 2018). By expanding the sample size, the

research can provide a more comprehensive understanding of the factors influencing stock prices in the Nepalese banking sector.

Secondly, while previous research has explored various independent variables, such as earnings per share (EPS), dividend per share (DPS), price-earnings ratio (P/E ratio), and macroeconomic factors, there is still room to delve deeper into the impact of these variables (Bhattarai, 2018; Kunwar 2015). The current study aimed to provide an updated analysis of these factors, assessing their relative importance and the specific mechanisms through which they affect stock prices. There is a need to explore the temporal dynamics of the relationship between these variables and stock prices. The Nepalese stock market has likely experienced changes and developments since the last comprehensive studies were conducted (Kunwar, 2015), and understanding how these factors have evolved over time is crucial for making informed investment decisions.

Furthermore, while earlier research has touched on the importance of factors such as earnings per share and dividend per share (Pradhan & Dahal, 2016; Bhattarai, 2018), there is a need to explore their interaction with other variables and how they jointly influence stock prices. This study intended to clarify the complicated interactions between these variables and present a more comprehensive picture of their influence (Lama, 2016; Pradhan & Paudel, 2017). In summary, the current study intends to fill gaps in the literature by evaluating a larger sample of commercial banks in Nepal (Karki, 2018) and undertaking a detailed analysis of critical variables (Bhattarai, 2018).

CHAPTER III

RESEARCH METHODOLOGY

A problem can be solved systematically using research technique. It is the science of learning how to conduct research. The process that researchers use to explain, define, and forecast events is generally referred to as research methodology. By outlining, clarifying, and anticipating a fundamental framework on which the investigation is based, methodology is used to form and supply the proper outlook. The study methodology must be presented first since without it, the conclusions from the analysis may be misconstrued. Therefore, it is important to do so before presenting the data analysis and interpretation. Therefore, the approach used in this investigation is explained in this chapter.

3.1 Research Design

Descriptive and causal-comparative research designs are used in the study. Descriptive research design is a methodology employed to systematically collect, organize, and present information concerning the characteristics of a particular phenomenon or subject of study. In the context of the impact of market valuation metrics on stock prices in Nepalese commercial banks, a descriptive research design was utilized to provide an accurate and detailed depiction of the factors through averages and deviation.

A causal-comparative research design is employed to explore cause-and-effect relationships between variables without the level of control found in true experimental designs. In the study investigating the impact of market valuation metrics on stock prices in Nepalese commercial banks, a causal-comparative research design was implemented to establish a cause-and-effect link between the dependent variable (market price of share) and independent variables (EPS, DPS, DPR, Bank Size, BVPS and P/E Ratio). The causal-comparative research design allows researchers to investigate the impact of certain independent variables on the dependent variable by comparing groups or conditions that already exist.

For accurate fact-finding and adequate data collection about the basic concerns related to the impact of market valuation metrics on stock price in Nepalese commercial banks, the descriptive study design has been used. It explains the facts and the situation as it is. Fifty-four observations from the fiscal years 2013–14 to 2021–22 of six commercial banks' data

was used to characterize the type of data, and descriptive statistics are utilized about the variables. To establish a cause-and-effect link and examine the impact of market valuation indicators on the stock price of Nepalese commercial banks, the study also employed a causal comparative research design.

3.2 Population, Sample and Sampling Design

There are 20 commercial banks in Nepal as of August 2023. To examine the effect of the market valuation measures on stock price of Nepalese commercial banks, this study considered a sample selected 6 commercial banks of Nepal for the period of 2013/14 to 2021/22, leading to a total of 54 observations or data points. The sample was selected based on purpose of the researcher considering factor like mixture of private and public banks similar profitability levels, bank reputation and history of operations. Hence, purposive sampling was used to select the commercial banks for the study. Table 3 presents the list of sample bank along with study period and number of observations.

Table 3: *List of Commercial Banks*

S. N.	**Name of the banks**	**Study period**	**Observations**
1	Agricultural Development Bank Limited (ADBL)	2013/14 to 2021/22	9
2	Everest Bank Limited (EBL)	2013/14 to 2021/22	9
3	Himalayan Bank Limited (HBL)	2013/14 to 2021/22	9
4	Nabil Bank Limited (NABIL)	2013/14 to 2021/22	9
5	Nepal Bank Limited (NBL)	2013/14 to 2021/22	9
6	NMB Bank Limited (NMB)	2013/14 to 2021/22	9
Total number of observations			54

The secondary data and information have been collected form annual supervision report, banking and financial statistics published by Nepal Rastra bank and annual financial report of selected commercial banks. Thus, the study is based on 54 observations.

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

The study is based on the secondary data which are gathered for 6 commercial banks in Nepal for the period of 9 years from 2013/14 to 2021/22. The variables used in the study are categorized into market price of share (MPS) and stock return (SR) are taken as dependent variables and the independent variables are earning per share (EPS), dividend per share (DPS), price earnings ratio (PE ratio), bank size (BS), book value per share (BVPS), and dividend payout ratio (DPR). All these independent variables are expected to influence the dependent variables.).

3.4 Research Framework and Definition of Variables

A conceptual framework is an analytical tool with several variations and contexts. Conceptual framework of the study describes the systematic explanation of the relationship among the dependent and independent variables for the purpose of clarifying the impact of market valuation measurement on stock price of Nepalese commercial banks. It helps to define the focus and goal of the research problem. Based on the objective of the study and the literature review following conceptual framework is framed to summarize the focus and scope in terms of variables included. In this section provides the conceptual framework of study and describes about variables that have been used in study and the relationship between the variables.

In this study, dependent variable stock price which comprises the market price of share and stock return of the commercial banks of Nepal which is measured by using market valuation measurement with independent variables: earning per share, divided per share, dividend payout ratio, bank size, book value per share and price earnings ratio. Thus, the following conceptual model is framed to summarize the focus and scope of this study in terms of variables included. The conceptual frameworks that describe the dependent and independent variables used in the study are shown in the Figure 1. This figure shows the theoretical framework of the study. Market price of share (MPS) and stock return (SR) are taken as dependent variables and the independent variables are earning per share (EPS), dividend per share (DPS), price earnings ratio (PE ratio), bank size (BS), book value per

share (BVPS), and dividend payout ratio (DPR). All these independent variables are expected to influence the dependent variables.)

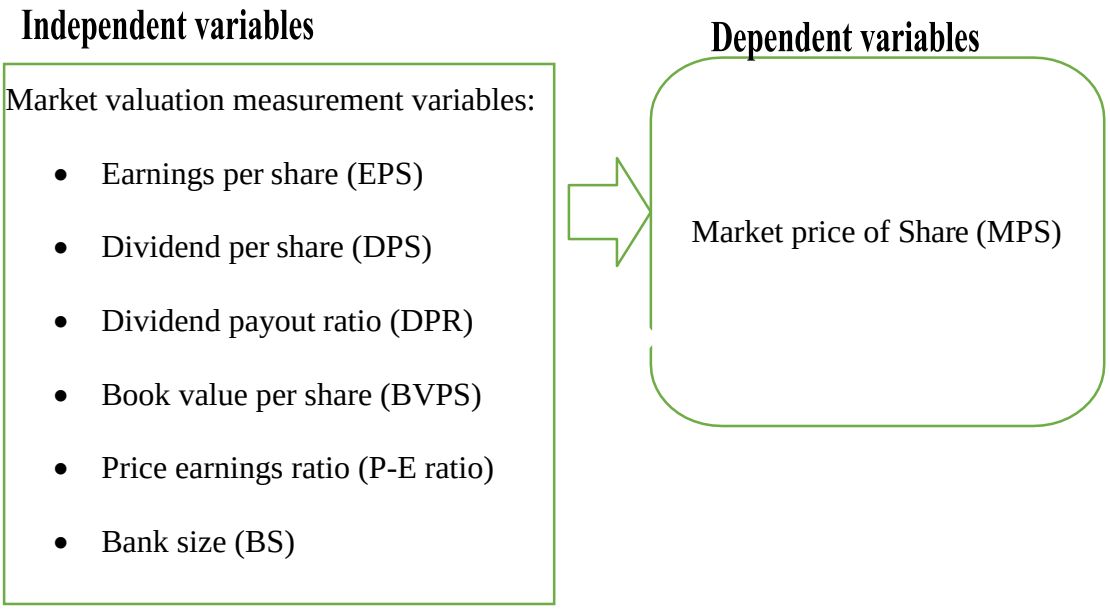

Figure 1: Conceptual Framework, Source: (Neupane, 2019)

Figure 1 shows the independent and dependent variables used to measure the impact of market valuation measures on stock price in Nepalese commercial banks. The six variables are used as independent variable. Stock price of the commercial banks of Nepal is measured with the help of dependent variable. The independent variable used in the study is earning per share (EPS), dividend per share (DPS), price earnings ratio (PE ratio), bank size (BS), book value per share (BVPS), and dividend payout ratio (DPR). The conceptual framework shown in figure 1 elaborates the impact among dependent variables and independent variables.

Dependent Variables

Market Price Per Share

Market Price per share is calculated by considering the market value of a company divided by the total number of outstanding shares. The share price, or market price per share of stock, is the most recent price at which a stock has traded. It occurs because of market forces when the price a buyer is prepared to pay for a stock meets the price a seller is willing to accept for a stock.

Independent variables

Earnings per share

Earnings per share (EPS) is a company's net profit divided by the number of common shares it has outstanding.

EPS= Net Profit/Common Shares Outstanding

EPS indicates how much money a company makes for each share of its stock and is a widely used metric to estimate corporate value.

Dividend per share (DPS)

Dividend Per Share (DPS) is the total amount of dividends attributed to each individual share outstanding of a company

DPS= Total Dividends/ Common Shares Outstanding
Dividend per share (DPS) is the sum of declared dividends issued by a company for every ordinary share outstanding.

Price earnings ratio (P-E ratio)

The price to earnings ratio (PE Ratio) is the measure of the share price relative to the annual net income earned by the firm per share. PE ratio shows current investor demand for a company share. A high PE ratio generally indicates increased demand because investors anticipate earnings growth in the future.

P/E Ratio = Share price/Earnings Per Share

The price-earnings ratio (P/E ratio) relates a company's share price to its earnings per share.

Book value per share.

The book value per share (BVPS) is a ratio that weighs stockholders' total equity against the number of shares outstanding. In other words, this measures a company's total assets, minus its total liabilities, on a per-share basis.

BVPS = Total Equity/ Common Shares Outstanding

Bank size

This ratio represents the ownership of assets by banks. High asset ownership enables banks to offer more financial services at low cost. It represents the total assets of a commercial banks.

Dividend payout ratio (DPR)

The dividend payout ratio is the ratio of the total amount of dividends paid out to shareholders relative to the net income of the company. It is the percentage of earnings paid to shareholders in dividends.

DPR = Total Dividends/Net Income

3.5 Data Analysis Method

The statistical models used to analyze secondary data are the subject of this section. The study employs the descriptive, co-relational, and regression methods of analysis. The descriptive statistics include the average, standard deviation, minimum and maximum values of the variables that are used to describe the traits of the sample companies. The direction and strength of the relationship between the dependent and independent variables are assessed using the correlation analysis. Regression analysis is used to determine whether an independent variable has a significant impact on the dependent variable alone or when paired with additional factors.

3.5.1 Descriptive Analysis

Descriptive statistics were employed by the researcher to succinctly summarize and emphasize the key elements of the collected research data. These statistical measurements served as succinct summaries of the metrics and sample, providing a starting point for straightforward visual analyses and quantitative data analyses. Because of the use of descriptive statistics, the researchers were able to present numerical data in a way that was understandable and straightforward (Babbie, 2016). This strategy was perfect for the current thesis since it enabled a careful analysis of the information pertinent to factors affecting stock valuation.

3.5.2 Pearson Correlation Analysis

The bivariate analysis technique of Pearson correlation analysis was used by the researcher to ascertain the direction and degree of the relationship between pairs of variables. The correlation coefficient, which ranged from +1 to -1, showed how closely these variables were related. Strong positive association was indicated by a score of 1, and strong negative correlation by a score of 1. A result of 0 indicated that there was no meaningful correlation between the variables (Dancey & Reidy, 2017).

3.5.3 Regression Analysis

The research employed regression analysis and correlation analysis to test the study's hypotheses. The analytical model used for this purpose was based on regression analysis, represented by the equation.

Regression Equation for Market Price Per Share:

Market Price Per Share = $\beta 0 + \beta 1 * \text{Earnings per Share} + \beta 2 * \text{Dividend per Share} + \beta 3 * \text{Price-Earnings Ratio} + \beta 4 * \text{Book Value per Share} + \beta 5 * \text{Bank Size} + \beta 6 * \text{Dividend Payout Ratio} + \varepsilon$

In this equation:

- $\beta 0$ represents the intercept.
- $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$, and $\beta 6$ represent the regression coefficients for the respective independent variables.
- ε represents the error term.

The regression equation enabled to analyze the relationship between the dependent variables (Stock Return and Market Price Per Share) and the independent variables (Earnings per Share, Dividend per Share, Price-Earnings Ratio, Book Value per Share, Bank Size, and Dividend Payout Ratio) in the conceptual framework. The coefficients ($\beta 0$, $\beta 1$, $\beta 2$, $\beta 3$, $\beta 4$, $\beta 5$, $\beta 6$) were estimated using statistical software to assess the significance and direction of these relationships based on available data.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents the study's systematic and orderly findings in the form of presentation, interpretations, and analysis of secondary data on various issues related to the capital structure and stock return in Nepalese commercial banks. The goal of this chapter is to analyze and interpret the data gathered during the study. Various statistical tools described in Chapter 3 were used for this purpose.

4.1 Trend Analysis

Trend analysis is a statistical method used to evaluate and identify patterns or trends in data over a specific period. It involves examining the historical data to identify any consistent upward, downward, or stable patterns in the values.

Table 4: *Trend Analysis of MPS*

Bank	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	212	756	432	768	314	409	385	479	331
EBL	2631	2120	3338	1353	663	666	675	439	563
HBL	700	941	813	1500	580	552	540	484	299.2
NABIL	2,535	1,910	2,344	1,523	921	800	765	1359	824
NBL	305	470	364	318	281	336	249	443	268
NMB	252	515	507	810	545	382	397	440	261
Mean	1106	1119	1300	1045	551	524	502	607	424
S.D.	1158	718	1244	488	236	182	195	369	226

Source: Appendix 1

Table 4 shows the trend analysis of Market Price Per Share (MPS) for Nepalese commercial banks over the period from 2013/14 to 2021/22. In 2013, Agriculture Development Bank

Limited (ADBL) had an MPS of 212, which experienced a substantial surge to 756 in 2014/15. However, in the subsequent years, ADBL witnessed fluctuations with a decline to 432 in 2015/16, followed by an upswing to 768 in 2016/17. This pattern reflects a degree of volatility in ADBL's market valuation during the specified period.

Similarly, Everest Bank Limited (EBL) exhibited a diverse trend in MPS, starting at 2631 in 2013, declining to 1353 in 2016/17, and gradually recovering to 563 in 2021/22. This variability in EBL's MPS underscores the influence of market valuation variables on stock prices, with fluctuations potentially attributed to factors such as financial performance, economic conditions, and industry dynamics.

Himalayan Bank Limited (HBL) experienced fluctuations in MPS as well, with a notable surge from 700 in 2013/14 to 1500 in 2016, followed by a decline to 299.2 in 2021/22. These changes indicate the dynamic nature of market forces affecting HBL's stock prices during the analyzed period.

Similarly, NABIL demonstrated a fluctuating trend in MPS, starting at 2535 in 2013/14, declining to 921 in 2017/18, and rebounding to 824 in 2021/22. These variations can be attributed to the impact of market valuation variables on NABIL's overall stock performance.

Nepal Bank Limited (NBL) and NMB Bank Limited (NMB) both exhibited diverse trends in MPS. NBL's MPS fluctuated **f**rom 305 in 2013/14 to 268 in 2021, while NMB's MPS ranged from 252 in 2013/14 to 440 in 2020. These patterns further underscore the impact of market valuation variables on stock prices, with factors such as financial indicators, market sentiment, and macroeconomic conditions playing pivotal roles.

The calculated mean and standard deviation (S.D.) for the MPS across all banks provide insights into the overall trend. The mean MPS increased from 1106 in 2013/14 to 607 in 2020/21 and slightly declined to 424 in 2021/22. Meanwhile, the standard deviation, representing the degree of dispersion from the mean, decreased from 1158 in 2013/14 to 369 in 2020/21, suggesting a certain level of stabilization in MPS trends.

Table 5: *Trend Analysis of Stock Return*

Bank	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	5.45	2.6	-40.1	82.7	-39.8	-2.3	-4.5	-3.4	-2.3
EBL	67.25	-19.0	58.9	-57.4	-47.3	2.0	2.1	3.5	5.6
HBL	11.54	37.4	-9.1	89.0	-59.2	-0.6	0.7	0.6	0.2
NABIL	43.25	-23.2	25.1	-31.8	-21.7	-9.4	-0.1	50.4	-34.9
NBL	92.37	54.1	-22.6	-12.6	-11.6	19.6	-25.9	29.5	-21.2
NMB	52.61	112.7	0.1	63.7	-30.7	-26.8	6.5	34.7	-24.5
Mean	14.6	27.4	2.0	22.3	-35.0	-2.9	-3.5	19.2	-12.9
S.D.	57.7	51.8	35.4	63.7	17.3	15.2	11.5	22.0	16.2

Source: Appendix 1

Table 5 shows a trend study of commercial bank stock returns. ADBL had stock return swings over the years. While 2013/14 and 2014/15 experienced positive returns of 5.45% and 2.6%, respectively, the following years saw significant volatility. The bank experienced a significant fall in 2015/16, with a -40.1% return, followed by an astounding 82.7% return in 2016/17. The years that followed, however, revealed significant volatility, with negative returns in 2017, 2018, and 2020. ADBL's stock returns appear to be market-sensitive, showing problems and occasional recoveries.

Over the investigated time, EBL's stock returns showed a mixed pattern. The bank began on a high note in 2013/14, with a hefty 67.25% return, but had a steep fall in 2014. EBL then witnessed a series of erratic returns, including a spectacular comeback in 2015, followed by negative trends in the years that followed. Despite the volatility, EBL produced positive returns in 2018/19, 2019/20, and 2021/22, indicating a degree of resilience in the face of market fluctuations.

HBL's stock returns showed a varied pattern. The bank began 2013/14 with a modest 11.54% return, followed by a big increase in 2014/15. Following years showed a mix of

positive and negative returns, demonstrating vulnerability to market fluctuations. While the bank encountered difficulties in 2016/17 and 2017/18, it made a significant turnaround in 2018/19. HBL's stock returns, albeit volatile, shown a considerable measure of robustness.

Over the examined years, NABIL saw varied trends in stock returns. Positive returns in 2013/14 and 2015/16 were followed by difficult years, most notably 2014 and 2018. However, the bank demonstrated a tremendous turnaround in 2020/21, returning 50.4%. Despite experiencing failures on a regular basis, NABIL displayed the ability to recover, indicating a complex trajectory.

NBL's stock returns exhibited a variety of patterns, with strong positive returns in 2013/14 and 2014/15. Following years saw swings, including negative returns between 2015/16 and 2016/17. With positive returns in 2017/18, 2018/19, and 2021/22, the bank displayed resilience, indicating an ability to overcome setbacks and capitalize on market opportunities.

The stock returns of NMB Bank were volatile. The bank began positively in 2013/14, followed by a significant increase in 2014. However, the following years saw swings, with both positive and negative returns. Notably, NMB Bank demonstrated positive returns in 2017/18, 2018/19, and 2021/22, demonstrating adaptation to market fluctuations.

An examination of the stock returns of Nepalese commercial banks from 2013/14 to 2021/22 reveals a dynamic environment characterized by fluctuations and stability. Given its susceptibility to changes in the market, ADBL occasionally faced challenges. There were periods of recuperation amidst fluctuations in EBL's pattern, which was mixed. In addition to powerful surges and recoveries, HBL displayed a range of attitudes. With a notable comeback in 2020/21, NABIL's trajectory was quite unstable. Despite the unstable market, NBL has demonstrated perseverance and strong returns. Managing both good and bad developments, NMB Bank demonstrated adaptability.

Table 6: *Trend Analysis of EPS*

Bank/Year	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	35.2	78.8	52.8	31.6	39.4	44.7	32.9	29.1	14.4
EBL	91.9	86.0	78.1	66.0	78.3	38.0	31.2	26.3	31.4
HBL	33.1	33.4	43.0	33.4	21.1	33.4	27.1	28.1	18.3

NABIL	83.7	57.2	59.3	58.4	49.5	47.7	37.2	33.6	18.6
NBL	83.7	71.0	45.0	42.6	40.0	27.2	22.7	23.4	20.3
NMB	20.6	25.5	27.8	27.3	27.7	24.1	16.7	14.8	17.9
Mean	58.0	58.7	51.0	43.2	42.7	35.8	28.0	25.9	20.2
S.D.	31.6	24.7	17.0	15.7	20.1	9.4	7.4	6.4	5.8

Source: Appendix 1

Table 6 provides a thorough assessment of the financial trajectories of a selection of Nepalese commercial banks based on an analysis of the Earnings Per Share (EPS) trend from 2013/14 to 2021/22. These trends shed light on how these banks' profitability and financial standing have changed over the study period, giving investors and stakeholders important information.

Agricultural Development Bank Limited (ADBL) experienced notable fluctuations in its EPS. Starting at a robust 35.2 in 2013/14, ADBL saw a substantial surge to 78.8 in 2014, only to witness a subsequent dip in 2015/16, settling at 52.8. The downward trend persisted, leading to an EPS of 14.4 in 2021/22. This significant decrease highlights challenges faced by ADBL, potentially impacting its market valuation and stock prices.

In contrast, Everest Bank Limited (EBL) demonstrated a more stable EPS trajectory, with an initial high of 91.9 in 2013. EBL consistently maintained EPS levels above 30 throughout the years, reaching a peak of 78.3 in 2017. This stability suggests a resilient financial performance, potentially influencing positive market perception and stock prices.

Himalayan Bank Limited (HBL) exhibited fluctuating EPS values, starting at 33.1 in 2013/14, peaking at 43.0 in 2015, and declining to 18.3 in 2021/22. These fluctuations may indicate varying degrees of financial stability and strategic adaptability over the years.

NABIL Bank showcased a declining EPS trend, starting at 83.7 in 2013/14 and dropping to 18.6 in 2021/22. This sustained decline might raise concerns among investors about NABIL's profitability and long-term viability, potentially influencing stock prices.

Nepal Bank Limited (NBL) witnessed variations in EPS, reaching its peak of 83.7 in 2013/14, followed by a gradual decrease to 20.3 in 2021/22. The declining trend suggests a dynamic financial landscape for NBL, requiring a closer examination of its strategic initiatives and market positioning.

Nepal Merchant Bank (NMB) displayed EPS fluctuations, with the highest value of 27.8 in 2015/16 and a subsequent decrease to 17.9 in 2021/22. This variability underscores the importance of monitoring NMB's financial performance and assessing its ability to adapt to changing market conditions.

EPS, as a fundamental indicator, holds considerable sway over market perception and stock prices. A consistent decline in EPS, as observed in some banks, may indeed contribute to diminished market valuations, prompting investors to critically evaluate their investment decisions. This underscores the interconnectedness between financial performance metrics and market dynamics in the Nepalese commercial banking sector. Investors must weigh these trends carefully to make informed decisions, considering EPS as a key factor in evaluating a bank's potential for future growth and profitability.

Table 7: *Trend Analysis of DPS*

Bank/Year	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	15.8	15.6	21.1	21.1	27.6	16.1	5.6	8.2	7.6
EBL	30.0	10.0	30.0	70.0	50.0	10.2	5.2	4.8	6.2
HBL	28.4	21.1	42.1	36.9	31.8	24.4	15.7	20.4	14.7
NABIL	65.2	37.4	45.0	74.6	60.3	34.0	34.0	20.6	15.5
NBL	0.0	0.0	0.0	0.0	0.0	0.0	16.3	12.2	9.5
NMB	22.7	21.1	8.4	20.0	16.3	16.9	9.7	8.4	12.8
Mean	27.0	17.5	24.4	37.1	31.0	16.9	14.4	12.4	11.0
S.D.	21.6	12.6	18.1	29.7	21.9	11.7	10.7	6.7	3.8

Source: Appendix 1

Table 7 provides an in-depth exploration of the Dividends Per Share (DPS) trends for various Nepalese commercial banks, shedding light on their dividend distribution practices over the period from 2013/14 to 2021/22. DPS is a pivotal metric for investors, serving as a direct reflection of a bank's commitment to returning value to its shareholders. Analyzing

the patterns in DPS across different banks offers valuable insights into their financial strategies, earnings stability, and overall dividend policy.

Agricultural Development Bank Limited (ADBL) demonstrates a fluctuating DPS trajectory, starting with 15.8 in 2013/14, peaking at 27.6 in 2017/18, and subsequently experiencing a decline to 7.6 in 2021/22. This variance may indicate shifts in the bank's profitability, capital allocation strategies, or response to economic conditions. Everest Bank Limited (EBL) exhibits notable DPS fluctuations, with a substantial increase to 70.0 in 2016/17 followed by a gradual decrease to 6.2 in 2021/22. The peak in 2016/17 suggests a significant dividend payout, potentially influenced by extraordinary earnings or strategic decisions.

Himalayan Bank Limited (HBL) displays a generally ascending DPS trend, reaching a peak of 42.1 in 2015/16, highlighting a commitment to rewarding shareholders. NABIL had fluctuating pattern with an overall increasing trend, reaching its highest DPS of 74.6 in 2016/17. This indicates a commitment to returning value to shareholders, although the subsequent decline warrants closer scrutiny.

Nepal Bank Limited (NBL) initially reported zero DPS, a common practice for banks in the initial years of operation. The introduction of dividends in 2019/18 and the subsequent increase in 2021/22 may signify a strategic shift in the bank's capital allocation, providing shareholders with a share of profits.

Nepal Merchant Bank (NMB) maintains a relatively stable DPS trend throughout the analyzed period, with fluctuations within a moderate range. The consistent dividend distribution may appeal to income-seeking investors, showcasing a commitment to providing a steady income stream.

The mean DPS across all banks and years is calculated at 11.0, indicating an average dividend distribution within the sampled banks. However, the declining trend in the mean DPS suggests an overall reduction in dividend payouts, potentially reflecting challenges faced by these banks or adjustments in their dividend policies.

The Standard Deviation (S.D.) values further illuminate the variability in DPS within each bank. Higher S.D. values, such as those seen in ADBL and NABIL, suggest greater fluctuations in dividend distribution, highlighting the dynamic nature of their dividend policies over the years.

In summary, the DPS trend analysis in Table 7 provides a comprehensive view of how Nepalese commercial banks navigate dividend distribution. Investors can leverage these insights to make informed decisions, considering each bank's unique approach to dividends and its implications for long-term investment strategies.

Table 8: *Trend Analysis of BVPS*

Bank/Year	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	247	190	219	284	321	258	238	222	246
EBL	296	336	321	253	332	218	220	210	245
HBL	192	210	207	190	172	189	188	197	175
NABIL	275	251	234	208	256	258	255	276	251
NBL	142	144	145	213	262	300	268	290	255
NMB	153	159	291	217	169	181	150	163	137
Mean	218	215	236	228	252	234	220	226	218
S.D.	65	70	62	35	70	46	44	49	50

Source: Appendix 1

Table 8 provides a comprehensive trend analysis of the Book Value Per Share (BVPS) for six banks (ADBL, EBL, HBL, NABIL, NBL, and NMB) over the years 2013/14 to 2021/22. BVPS reflects the net asset value attributable to each outstanding share and is a crucial indicator of a bank's financial health and value.

The BVPS for Agricultural Development Bank Limited (ADBL) experienced a fluctuating trend during the period. Starting at 247 in 2013, it saw a decline until 2014/15, followed by a steady increase until 2017/18, reaching a peak at 321. However, a subsequent decline occurred in 2018/19, and the values have since stabilized around the 220-250 range.

Everest Bank Limited (EBL) exhibited a varied BVPS trend. The values increased from 296 in 2013 to 336 in 2014/15, dipped in 2015/16, and underwent further fluctuations. Notably, a significant drop occurred in 2018/19, stabilizing around 210-245 in recent years.

Himalayan Bank Limited (HBL) displayed a more consistent trend, with minor fluctuations. Starting at 192 in 2013/14, there was a gradual increase until 2017/18, followed by a slight decrease. The BVPS values remained relatively stable around 175-200 from 2018/19 onwards.

Nabil Bank's BVPS trend showcased a pattern of increase until 2015, followed by a decline in following years. The values have remained relatively stable, oscillating around 250-275 since 2017/18.

Nepal Bank Limited (NBL) witnessed a noticeable increase in BVPS from 2013/14 to 2017/18, reaching a peak at 300. However, a subsequent decline occurred in 2018, and the values have stabilized around 255 in recent years.

The BVPS of NMB Bank showed a cyclical pattern, with a notable rise in 2015/16 and a subsequent decline in 2016/17. The levels have stayed comparatively lower since then, ranging from 137 to 291. To sum up, the BVPS trends show unique paths for every bank. While certain banks showed steady expansion, others went through ups and downs at various points.

Table 9: *Trend Analysis of DPR*

Bank	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	0.45	0.20	0.40	0.67	0.71	0.36	0.17	0.25	0.34
EBL	0.33	0.12	0.39	1.07	0.64	0.27	0.19	0.50	0.45
HBL	0.86	0.64	0.98	1.11	1.51	0.73	0.58	0.84	0.74
NABIL	0.78	0.66	0.76	1.28	1.22	0.71	0.91	0.96	0.34
NBL	0.48	0.43	1.23	1.18	1.63	0.87	0.82	0.76	0.56
NMB	1.11	0.83	0.31	0.74	0.60	0.70	0.58	0.80	0.42
Mean	0.67	0.48	0.68	1.01	1.05	0.61	0.54	0.69	0.48
S.D.	0.30	0.28	0.37	0.25	0.46	0.24	0.31	0.26	0.15

Source: Appendix 1

Table 9 shows the Trend Analysis of Dividend Payout Ratio (DPR) for selected list of Nepalese commercial banks from 2013/14 to 2021/22. The Dividend Payout Ratio is a critical financial metric that indicates the proportion of earnings distributed to shareholders in the form of dividends. Analyzing the data for each bank individually reveals distinct patterns and variations over the specified period.

Agricultural Development Bank Limited (ADBL) started with a DPR of 0.45 in 2013/14, experiencing fluctuations over the years. Notably, a substantial increase occurred in 2016/17, reaching 0.67, possibly reflecting a strategic decision to distribute a higher percentage of earnings to shareholders. A subsequent decline in DPR was observed in the following years, settling at 0.34 in 2021/22.

Everest Bank Limited (EBL) exhibited a relatively low DPR in 2013/14 at 0.33, which increased notably in 2016 to 1.07, indicating a decision to distribute a significant portion of earnings as dividends. The DPR fluctuated in subsequent years, reaching 0.45 in 2021/22.

Himalayan Bank Limited (HBL) had a comparatively high DPR in 2013 at 0.86, which continued to increase until 2016, peaking at 1.11. This pattern may indicate a consistent strategy of distributing substantial dividends. However, there was a subsequent decline, with DPR reaching 0.74 in 2021/22.

NABIL started with a relatively high DPR of 0.78 in 2013, peaking at 1.28 in 2016, and then experiencing fluctuations in subsequent years, reaching 0.34 in 2021/22. This suggests varying dividend distribution strategies over time.

Nepal Bank Limited (NBL) showed fluctuations in DPR, with a notable increase in 2016 at 1.18, followed by a decline in the subsequent years, reaching 0.56 in 2021/22.

Nepal Merchant Bank (NMB) had a high DPR of 1.11 in 2013/14, which declined in the following years, settling at 0.42 in 2021/22.

The mean DPR across all banks indicated an average dividend payout ratio of 0.48. Standard Deviation (S.D.) values provide insights into the variability of DPR within each year. The interpretation of these DPR trends is crucial in understanding the dividend distribution strategies employed by each bank and their potential impact on stock prices. A higher DPR may signal attractive returns for investors, while a lower DPR could indicate a

retention of earnings for future investments or capital growth. Investors often consider DPR trends when assessing the overall financial health and attractiveness of a bank's stock.

Table 10: *Trend Analysis of Bank Size (Rs. In Million)*

Bank	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	91376	99696	113911	128290	135419	151457	165852	222440	246184
EBL	70445	99153	114018	116946	144811	170077	185023	225211	250090
HBL	73590	82802	100562	108063	116462	133151	155884	178490	216286
NABIL	87275	115986	131347	144017	160978	201138	237680	291238	419818
NBL	80405	86386	120088	130226	133467	171515	190426	222645	260077
NMB	30212	41337	78865	93074	112391	135470	179451	231546	255150
Mean	72217	87560	109799	120103	133921	160468	185719	228595	274601
S.D.	22047	25496	18150	18038	18008	25771	28449	36133	72782

Source: Appendix 1

Table 10 depicts the average mean of the banks over the years, which provides insights into the overall trend and performance of the selected Nepalese commercial banks during the specified period (2013/14-2021/22).

Agricultural Development Bank Limited (ADBL) consistently expanded in size from 2013/14 to 2021/22, starting at Rs. 91,376 million and reaching Rs. 246,184 million in 2021/22. This significant growth reflects the bank's capacity to attract deposits, expand its loan portfolio, and potentially engage in strategic initiatives contributing to its overall size.

Everest Bank Limited (EBL) exhibited a consistent upward trend in bank size, growing from Rs. 70,445 million in 2013/14 to Rs. 250,090 million in 2021/22. This growth may be attributed to the bank's successful market strategies, customer base expansion, or potentially, mergers and acquisitions.

Himalayan Bank Limited (HBL) also experienced a steady increase in bank size, from Rs. 73,590 million in 2013/14 to Rs. 216,286 million in 2021/22. The growth suggests effective

financial management and successful business operations contributing to the bank's overall expansion.

NABIL showcased substantial growth in bank size over the years, starting at Rs. 87,275 million in 2013/14 and reaching an impressive Rs. 419,818 million in 2021/22. This substantial increase underscores the bank's robust financial performance and its ability to attract significant capital.

Nepal Bank Limited (NBL) followed a growth trajectory, with its bank size expanding from Rs. 80,405 million in 2013/14 to Rs. 260,077 million in 2021/22. The steady growth suggests effective financial strategies and prudent management contributing to the bank's increased size.

Nepal Merchant Bank (NMB) demonstrated a notable increase in size, starting at Rs. 30,212 million in 2013/14 and reaching Rs. 255,150 million in 2021/22. This growth could be attributed to the bank's successful market presence and strategic initiatives. A growing bank size may be indicative of a positive market perception, effective business strategies, and the ability to navigate the dynamic financial landscape. This analysis contributes to the broader understanding of the impact of market valuation variables on the stock prices of Nepalese commercial banks, as investors often consider bank size as a key factor when evaluating the attractiveness and stability of their stocks.

Table 11: *Trend Analysis of P/E Ratio*

Bank	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
ADBL	6.03	9.60	8.19	24.32	11.06	9.15	11.71	16.44	22.98
EBL	28.64	24.64	42.75	20.51	8.47	17.54	21.67	16.69	17.91
HBL	21.15	28.20	18.90	44.98	27.47	16.52	19.90	17.25	16.39
NABIL	30.30	33.37	39.55	26.08	18.60	16.78	20.54	40.48	44.21
NBL	3.65	6.63	8.10	7.48	7.02	12.37	10.99	18.90	13.21
NMB	12.24	20.20	18.26	29.71	19.69	15.85	23.73	26.41	14.57
Mean	17.00	20.44	22.63	25.51	15.39	14.70	18.09	22.70	21.55

S.D.	11.41	10.52	15.12	12.24	7.89	3.26	5.39	9.48	11.61

Source: Appendix 1

Table 11 provides a comprehensive Trend Analysis of the Price-to-Earnings (P/E) Ratio for a sample of Nepalese commercial banks. The P/E ratio is an important valuation metric that measures the market's expectation for a company's future earnings growth. Data analysis for each bank reveals distinct patterns and variations over the specified time. Agricultural Development Bank Limited (ADBL) exhibited a fluctuating P/E ratio over the years, starting at 6.03 in 2013/14 and reaching 22.98 in 2021/22. The substantial increase in 2016/17 (24.32) may suggest heightened investor optimism or positive market sentiments, while the subsequent fluctuations indicate changing perceptions of the bank's earning potential.

Everest Bank Limited (EBL) showed a diverse trend in P/E ratios, starting at 28.64 in 2013/04, peaking at 42.75 in 2015/16, and subsequently experiencing fluctuations. The lower P/E ratios in 2017/18 and 2018/19 (8.47 and 17.54, respectively) might indicate a reassessment of earnings expectations by the market. Himalayan Bank Limited (HBL) demonstrated varying P/E ratios, starting at 21.15 in 2013/14, peaking at 44.98 in 2016/17, and gradually declining to 16.39 in 2021/22. The peak in 2016 might signify optimistic expectations, while the subsequent decrease suggests a shift in market sentiment.

NABIL had a diverse P/E ratio trend, with a peak at 40.48 in 2020. This suggests heightened investor expectations or positive market sentiment during that period, potentially influenced by the bank's financial performance.

Nepal Bank Limited (NBL) displayed fluctuations in P/E ratios over the years, reaching its peak at 18.90 in 2020. The variations may reflect changing market perceptions of the bank's future earnings potential. Nepal Merchant Bank (NMB) exhibited a fluctuating trend in P/E ratios, with a peak at 29.71 in 2016/17 and subsequent variations. The changes in P/E ratios may be indicative of evolving market expectations regarding the bank's earnings. The interpretation of these P/E ratio trends is crucial in understanding how market valuation variables impact the stock prices of Nepalese commercial banks. A higher P/E ratio often suggests favorable market expectations, while a lower ratio may indicate a more conservative outlook. Investors often use P/E ratios as a key factor when evaluating the attractiveness and growth potential of a bank's stocks.

4.2 Correlation analysis

Pearson's correlation coefficients are computed after the descriptive statistics have been indicated, and the results are shown in Table 4.9. It displays the correlation coefficients of dependent and independent variables for a sample of Nepalese commercial banks.

Table 12: *Correlation Matrix*

Factors	EPS	DPS	BVPS	DPR	Bank Size	PE ratio	MPS
EPS	1	-	-	-	-	-	-
DPS	.387**	1	-	-	-	-	-
BVPS	.323*	.223	1	-	-	-	-
DPR	-.142	.366**	-.164	1	-	-	-
Bank Size	-.447**	-.207	.125	-.161	1	-	-
PE ratio	.002	.378**	.173	.037	.193	1	-
MPS	.643**	.541**	.410**	-.062	-.213	.695**	1

**. Correlation is significant at the 0.01 level (2-tailed). 99%

*. Correlation is significant at the 0.05 level (2-tailed). 95%

Table 12 presents a Correlation Matrix that quantifies the relationships between Market Price per Share (MPS) and other key financial factors, including Earnings Per Share (EPS), Dividends Per Share (DPS), Book Value Per Share (BVPS), Dividend Payout Ratio (DPR), Bank Size, and Price-to-Earnings Ratio (PE ratio). The correlation coefficients range from -1 to 1, where -1 indicates a perfect negative correlation, 1 indicates a perfect positive correlation, and 0 indicates no correlation.

The correlation coefficient between EPS and MPS is 0.643, indicating a strong positive correlation. This suggests that as Earnings Per Share increases, there is a tendency for the Market Price per Share to also increase. This positive relationship highlights the market's responsiveness to the earnings performance of the banks.

The correlation coefficient between DPS and MPS is 0.541, signifying a moderate positive correlation. This implies that as Dividends Per Share increases, there is a tendency for the Market Price per Share to also increase. Investors may view higher dividends positively, influencing the stock price.

The correlation coefficient between BVPS and MPS is 0.410, indicating a moderate positive correlation. This implies that as Book Value Per Share increases, there is a tendency for the Market Price per Share to increase. A higher book value may be interpreted as a positive indicator, influencing the stock price.

The correlation coefficient between DPR and MPS is -0.062, suggesting a weak negative correlation. This implies that as the Dividend Payout Ratio increases, there is a slight tendency for the Market Price per Share to decrease. Investors may perceive a higher payout ratio negatively, impacting the stock price.

The correlation coefficient between Bank Size and MPS is -0.213, indicating a weak negative correlation. This implies that as the Bank Size increases, there is a slight tendency for the Market Price per Share to decrease. Larger banks may experience different market dynamics that influence their stock prices.

The correlation coefficient between PE ratio and MPS is 0.695, indicating a strong positive correlation. This suggests that as the Price-to-Earnings Ratio increases, there is a strong tendency for the Market Price per Share to increase. A higher P/E ratio may signal positive market expectations for future earnings growth.

In summary, the Correlation Matrix provides valuable insights into the relationships between MPS and various financial factors. The strong positive correlations with EPS, DPS, BVPS, and PE ratio indicate the significant influence of these factors on the market valuation of commercial banks' stocks. The weak negative correlations with DPR and Bank Size suggest subtle influences on stock prices. These relationships provide a basis for investors and stakeholders to make informed decisions by understanding the factors that impact the market dynamics of Nepalese commercial banks.

4.3 Regression analysis

Regression Analysis is a statistical method used to examine the relationship between one dependent variable and one or more independent variables. In the context of financial data analysis for Nepalese commercial banks, Regression Analysis can provide valuable insights

into how various financial factors may influence the Market Price per Share (MPS) or other key performance indicators. The analysis involves fitting a regression model to the data, allowing for the identification of significant relationships, prediction of outcomes, and assessment of the strength and direction of these relationships.

Table 13: *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.956[a]	.913	.902 (90.2%)	215.61783617

a. Predictors: (Constant), PE ratio, EPS, DPR, BVPS, Bank Size, DPS

The Model Summary in Table 13 provides key metrics for the regression analysis conducted on the financial data of Nepalese commercial banks. The R-squared (R^2) value, a critical indicator of the model's goodness of fit, is 0.913. This signifies that approximately 91.3% of the variability in the Market Price per Share (MPS) can be explained by the included predictors, which consist of the constant term along with the independent variables: Price-to-Earnings Ratio (PE ratio), Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Book Value Per Share (BVPS), Bank Size, and Dividends Per Share (DPS).

The high R-squared value suggests that the chosen predictors collectively provide a robust explanation for the observed variations in MPS. The Adjusted R-squared (0.902) accounts for the number of predictors in the model, indicating a strong fit even when considering potential overfitting. The standard error of the estimate (215.62) provides a measure of the variability of MPS around the regression line, emphasizing the precision of the model in predicting market prices.

While the model appears to be highly explanatory, it is important to note that approximately 8.7% of the variability in MPS remains unaccounted for. This unexplained portion could be attributed to factors not included in the model, random fluctuations, or other unobservable market dynamics.

Table 14: *ANOVA Test*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23055036.640	6	3842506.107	82.650	.000[b]
	Residual	2185079.410	47	46491.051		
	Total	25240116.050	53			

a. Dependent Variable: MPS

b. Predictors: (Constant), PE ratio, EPS, DPR, BVPS, Bank Size, DPS

Table 14 presents the results of the Analysis of Variance (ANOVA) test, a crucial statistical assessment that evaluates the overall significance of the regression model in explaining the variability in the dependent variable, which in this case is the Market Price per Share (MPS). The F-statistic of 82.650 is associated with a p-value less than 0.0001, indicating that the overall model is statistically significant. This implies that the predictors collectively contribute significantly to the explanation of the variance in MPS.

Table 15: *Coefficient Table*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1025.003	189.690		-5.404	.000
	EPS	17.551	1.941	.533	9.044	.000
	DPS	1.211	2.271	.031	.533	.597
	BVPS	1.627	.639	.124	2.548	.014
	DPR	-44.813	103.561	-.022	-.433	.667
	Bank Size	-.001	.001	-.120	-2.258	.029

PE ratio	46.880	3.365	.685	13.930	.000

a. Dependent Variable: MPS

The unstandardized and standardized coefficients, t-values, and significance levels for each predictor variable in the regression model with Market Price per Share (MPS) as the dependent variable are shown in the Table 15.

The constant term is -1025.003. When all predictor variables are zero, this is the estimated MPS. The t-value of -5.404 is highly significant (p 0.0001), indicating that the constant term differs from zero significantly.

EPS (Earnings Per Share):

The unstandardized coefficient (B) for EPS is 17.551, and the standardized coefficient (Beta) is 0.533. This suggests that a one-unit increase in EPS is associated with an estimated increase of 17.551 units in MPS. The Beta of 0.533 indicates the strength and direction of the relationship in standardized terms. With a t-value of 9.044, the association between EPS and MPS is statistically significant ($p < 0.0001$).

DPS (Dividends Per Share):

The unstandardized coefficient for DPS is 1.211, with a Beta of 0.031. The low Beta suggests a relatively weak influence of DPS on MPS. The t-value of 0.533 indicates that the relationship is not statistically significant ($p = 0.597$), meaning the impact of DPS on MPS is not reliably different from zero.

BVPS (Book Value Per Share):

The unstandardized coefficient for BVPS is 1.627, with a Beta of 0.124. This implies that a one-unit increase in BVPS is associated with an estimated increase of 1.627 units in MPS. The Beta of 0.124 indicates a moderate positive relationship. The t-value of 2.548 is statistically significant ($p = 0.014$), suggesting that BVPS influences MPS.

DPR (Dividend Payout Ratio):

The unstandardized coefficient for DPR is -44.813, with a Beta of -0.022. The negative Beta suggests a negative relationship between DPR and MPS. However, the t-value of -0.433 indicates that this relationship is not statistically significant ($p = 0.667$).

Bank Size:

The unstandardized coefficient for Bank Size is -0.001, with a Beta of -0.120. The negative Beta suggests a negative relationship between Bank Size and MPS. The t-value of -2.258 is statistically significant ($p = 0.029$), indicating that Bank Size has a significant influence on MPS.

PE Ratio (Price-to-Earnings Ratio):

The unstandardized coefficient for PE ratio is 46.880, and the Beta is 0.685. This suggests that a one-unit increase in PE ratio is associated with an estimated increase of 46.880 units in MPS. The Beta of 0.685 indicates a strong positive relationship. The t-value of 13.930 is highly significant ($p < 0.0001$), highlighting the significant impact of PE ratio on MPS.

Updated Regression Formula:

$$MPS = -1025.003 + 17.551 \times EPS + 1.211 \times DPS + 1.627 \times BVPS - 44.813 \times DPR - 0.001 \times Bank\ Size + 46.880 \times PE\ ratio$$

This formula allows for the prediction of MPS based on the values of the predictor variables: EPS, DPS, BVPS, DPR, Bank Size, and PE ratio.

4.4 Hypothesis Testing

The regression analysis was conducted to test the hypotheses regarding the impact of various financial variables on the Market Price per Share (MPS) of Nepalese commercial banks. The results provide insights into the significance of each independent variable.

H1: There is a significant impact of Earnings per Share (EPS) on Market Price of Share (MPS):

The regression results support H1. The coefficient for EPS is 17.551, and the Beta is 0.533 with a highly significant t-value of 9.044 ($p < 0.0001$). This indicates a strong positive relationship between EPS and MPS, suggesting that as Earnings per Share increases, there is a significant positive impact on the Market Price per Share. Hence, alternative hypothesis H1 is accepted.

H2: There is a significant impact of Dividend per Share (DPS) on Market Price of Share (MPS):

The regression results do not support H2. The coefficient for DPS is 1.211, and the Beta is 0.031 with a non-significant t-value of 0.533 ($p = 0.597$). This suggests that there is no statistically significant impact of Dividend per Share on Market Price per Share. Hence, alternative hypothesis H2 is rejected.

H3: There is a significant impact of Dividend Payout Ratio (DPR) on Market Price of Share (MPS):

The regression results do not support H3. The coefficient for DPR is -44.813, and the Beta is -0.022 with a non-significant t-value of -0.433 ($p = 0.667$). This indicates that there is no statistically significant impact of Dividend Payout Ratio on Market Price per Share. Hence, alternative hypothesis H3 is rejected.

H4: There is a significant impact of Book Value per Share (BVPS) on Market Price of Share (MPS):

The regression results support H4. The coefficient for BVPS is 1.627, and the Beta is 0.124 with a statistically significant t-value of 2.548 ($p = 0.014$). This suggests a moderate positive impact of Book Value per Share on Market Price per Share. Hence, alternative hypothesis H4 is accepted.

H5: There is a significant impact of Price-Earnings Ratio (P-E Ratio) on Market Price of Share (MPS):

The regression results strongly support H5. The coefficient for PE ratio is 46.880, and the Beta is 0.685 with a highly significant t-value of 13.930 ($p < 0.0001$). This indicates a strong positive impact of Price-Earnings Ratio on Market Price per Share. Hence, alternative hypothesis H5 is accepted.

In summary, the regression analysis provides evidence that supports the hypotheses related to the impact of Earnings per Share (EPS), Book Value per Share (BVPS), and Price-Earnings Ratio (P-E Ratio) on the Market Price per Share of Nepalese commercial banks. However, the impact of Dividend per Share (DPS) and Dividend Payout Ratio (DPR) was not found to be statistically significant based on the data.

4.5 Discussion

The primary focus of this research was on the impact of market valuation measures on the stock price of Nepalese commercial banks. The following market valuation variables were

considered in this study: earnings per share, dividend per share, book value per share, dividend payout ratio, and bank size and price earnings ratio. The dependent variables are measured in terms of share market price and stock return. The findings are based on secondary data collected for six Nepalese commercial banks from 2013/14 to 2021/22. The outcome was obtained using descriptive statistics, correlation analysis, and multiple regression analysis. The current study's findings, which investigate the impact of various financial variables on Nepalese commercial banks' Market Price per Share (MPS), can be contextualized and linked with previous studies to gain a comprehensive understanding of the dynamics within the Nepalese financial market.

The correlation and regression analyses conducted on the financial data of Nepalese commercial banks have unveiled significant insights into the dynamics of market valuation. The Correlation Matrix highlighted strong positive correlations between Market Price per Share (MPS) and Earnings Per Share (EPS), Dividends Per Share (DPS), Book Value Per Share (BVPS), and Price-to-Earnings Ratio (PE ratio). These findings indicate the market's responsiveness to favorable financial performance, dividend distributions, robust net asset values, and positive expectations for future growth. Meanwhile, weak negative correlations with Dividend Payout Ratio (DPR) and Bank Size suggest subtle influences on stock prices.

The subsequent Regression Analysis further reinforced these relationships, offering a predictive model for MPS based on multiple financial variables. The model exhibited a high R-squared value of 0.913, indicating that approximately 91.3% of the variability in MPS can be explained by the selected predictors. The overall significance of the model was confirmed by the ANOVA test, emphasizing the collective contribution of the predictors to the explanation of MPS variance. Notably, Earnings Per Share, Book Value Per Share, and Price-to-Earnings Ratio emerged as significant predictors, supporting their role as influential factors in determining stock prices. On the other hand, Dividends Per Share and Dividend Payout Ratio did not demonstrate statistically significant impacts, suggesting that dividend-related metrics may have limited predictive power for MPS in this context.

Menike and Prabath (2014) investigated whether accounting variables earning per share, dividend per share, and book value per share have a significant and positive impact on the stock price of the Colombo stock exchange. Similarly, Almumani (2014) demonstrated that EPS, BV, P/E, and BS have a significant and positive relationship with share market price for listed banks on the Amman stock exchange from 2005 to 2011. According to Arslan

and Zaman (2014), price earnings ratio and company size have a positive effect on stock price. Similarly, Uddin and Rahman (2013) discovered that EPS has the greatest impact on company stock prices. According to Malhotra and Tandon (2013), the P/E ratio has a significant positive effect on stock prices. According to Chandra (1981), size has a significant positive impact on share market price.

The correlation test provides insight into the relationships between MPS and key financial factors, such as Earnings Per Share (EPS), Dividends Per Share (DPS), Book Value Per Share (BVPS), Dividend Payout Ratio (DPR), Bank Size, and Price-to-Earnings Ratio (PE ratio). The strong positive correlations with EPS, DPS, BVPS, and PE ratio indicate the significant influence of these factors on the market valuation of commercial banks' stocks. This aligns with the findings of Sapkota (2016) in the Nepalese context, where a positive relationship was identified between market prices and variables such as EPS, DPS, return on assets, and GDP.

The regression analysis further substantiates these relationships. The positive impact of EPS on MPS aligns with the findings of Gompers, Ishii, and Metrick (2003), who emphasized the significance of Earnings Per Share in influencing stock prices in various markets. However, the lack of statistically significant impact for DPS contradicts the findings of Malhotra (2013), who highlighted the positive relationship between dividends and market prices.

Interestingly, the regression results support the impact of Book Value Per Share (BVPS) on MPS, corroborating Sapkota's (2016) findings regarding the positive relationship between market prices and book value. This reinforces the notion that investors may perceive higher book values positively, influencing stock prices. The results also align with the literature reviewed on the importance of BVPS as a critical measure for stock valuation (Damodaran, 2012).

Moreover, the study supports the positive impact of Price-to-Earnings Ratio (PE ratio) on MPS, consistent with the literature emphasizing the significance of P/E ratios in influencing stock prices (Gompers et al., 2003). The findings complement the research conducted by Dhungel (2013), who explored the impact of dividends and price-earnings ratios on share prices in Nepalese banks.

In contrast, the non-significant impact of Dividend Payout Ratio (DPR) on MPS differs from the findings of Malhotra (2013) in other stock markets, emphasizing an inverse

relationship between dividend yield and market prices. This discrepancy highlights the uniqueness of the Nepalese financial market and underscores the importance of considering country-specific factors.

In summary, the current study contributes to the ongoing discourse on the relationship between financial variables and stock prices in Nepalese commercial banks. The findings, while supporting some aspects of past research, also reveal distinctive patterns in the Nepalese context. This study underscores the necessity for continuous investigation and adaptation of financial theories to account for specific market dynamics, thereby providing valuable insights for analysts, investors, and policymakers in the Nepalese financial landscape.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter outlines the study's main conclusions and provides an overview of the entire investigation. Furthermore, a distinct section of this chapter covers the study's main conclusions and implications regarding the influence of market valuation on stock return in Nepalese commercial banks.

5.1 Summary

The goal of this study is to analyze the impact of market valuation measures on stock returns in Nepalese commercial banks. Specific objectives include examining the structure and pattern of various financial indicators, exploring the relationships of these indicators with stock prices, and assessing their impact on stock returns and market prices. Previous research, such as Menike & Prabath (2014), Almumani (2014), and Ghimire and Mishra (2018), has highlighted the significance of variables like earnings per share, dividend per share, book value per share, and size in influencing stock prices in different stock exchanges.

In conclusion, this study contributes to the understanding of how market valuation variables influence stock prices in Nepalese commercial banks. By achieving the set objectives, the research provides valuable insights for investors and stakeholders in navigating the complexities of the stock market and making informed investment decisions.

This extensive study sought to examine the composition and trends of important financial variables among Nepalese commercial banks from 2013/14 to 2021/22, including earnings per share (EPS), book value per share (BVPS), price-earnings ratio (PE ratio), dividend payout ratio (DPR), bank size, dividend per share (DPS), and market price of share (MPS). The study also aimed to investigate how these factors affected the share price on the market.

Descriptive statistics revealed a diverse and evolving financial landscape for the selected commercial banks over the study period. Notably, earnings per share, book value per share, and price-earnings ratio displayed varying patterns, reflecting the dynamic nature of the banking sector. The examination of dividend payout ratio, bank size, and dividend per share provided insights into the distribution and composition of financial metrics within the Nepalese banking industry.

The correlation analysis elucidated significant relationships among key variables. Positive correlations were observed between bank size and market price of share, book value per share and market price of share, dividend per share and market price of share, and earnings per share and market price of share. These findings align with the research objectives, indicating that higher values in these variables contribute to elevated market prices.

The regression analysis further substantiated the impact of these variables on market prices. Notably, earnings per share (EPS), book value per share (BVPS), and price-earnings ratio (PE ratio) emerged as influential factors positively affecting market prices. Conversely, dividend payout ratio (DPR) displayed a negative impact on market prices. These results contribute valuable insights to investors and stakeholders, providing a nuanced understanding of the dynamics influencing stock prices in the Nepalese commercial banking sector.

The study successfully achieved the first objective by employing descriptive statistics to analyze the structure and pattern of earnings per share, book value per share, price-earnings ratio, dividend payout ratio, bank size, dividend per share, and market price. The results provided a comprehensive overview of the financial landscape, allowing for a nuanced understanding of the banking sector's dynamics.

The second objective was accomplished through correlation and regression analyses. The positive correlations observed between key variables and market price of share indicate their significant impact. Furthermore, the regression analysis identified earnings per share (EPS), book value per share (BVPS), and price-earnings ratio (PE ratio) as variables positively influencing market prices. In contrast, dividend payout ratio (DPR) demonstrated a negative impact. These findings contribute valuable insights for investors and stakeholders seeking to understand the determinants of market prices in Nepalese commercial banks.

In summary, the study offers a thorough examination of the financial variables influencing the commercial banking industry in Nepal and advances our knowledge of the variables affecting stock prices. The results provide useful guidance for stakeholders, legislators, and investors in navigating the ever-changing banking sector in Nepal.

5.2 Conclusion

In conclusion, the correlation and regression analyses provide valuable insights into the relationships between market valuation variables and the Market Price per Share (MPS) of Nepalese commercial banks.

In the analysis of Nepalese commercial banks' financial performance from 2013/14 to 2021/22, various key trends emerged across different financial metrics. Market Price Per Share (MPS) showcased dynamic patterns, with Agriculture Development Bank Limited (ADBL) experiencing significant volatility, Everest Bank Limited (EBL) reflecting diverse trends, and Himalayan Bank Limited (HBL) witnessing fluctuations. The mean MPS increased from 1106 in 2013/14 to 607 in 2020/21, with a slight decline to 424 in 2021/22, indicating an overall upward trajectory with some stabilization. Stock Return trends varied across banks, with ADBL facing challenges, EBL exhibiting mixed patterns, and HBL displaying a notable comeback in 2020/21.

The mean stock return across all banks showed variations, emphasizing the dynamic nature of the market. Earnings Per Share (EPS) trends revealed challenges for ADBL, stability for EBL, and fluctuation for HBL, NABIL, and NBL, signaling potential concerns for investors. Dividends Per Share (DPS) trends highlighted diverse approaches, with ADBL and EBL showing fluctuations, HBL displaying an ascending trend, and NABIL showcasing an overall increasing trend. Book Value Per Share (BVPS) demonstrated varied patterns, emphasizing the financial health and value of the selected banks over time. Dividend Payout Ratio (DPR) trends varied among banks, providing insights into dividend distribution strategies. Bank size consistently expanded across ADBL, EBL, HBL, NABIL, NBL, and NMB Bank, indicating positive market perception and effective growth strategies. Price-to-Earnings (P/E) Ratio trends varied, reflecting investor expectations, with fluctuations observed in ADBL, EBL, HBL, NABIL, NBL, and NMB Bank's P/E ratios.

The correlation matrix shows significant relationships between MPS and various financial factors. Strong positive correlations with EPS, DPS, BVPS, and PE ratio indicate the substantial influence of these variables on the market valuation of commercial banks' stocks. The weak negative correlations with DPR and Bank Size suggest subtle influences

on stock prices. These findings align with financial theories and practical expectations, providing a basis for informed decision-making by investors and stakeholders.

The regression analysis further strengthens these conclusions. The high R-squared value (0.913) signifies that approximately 91.3% of the variability in MPS can be explained by the included predictors. The adjusted R-squared (0.902) accounts for potential overfitting, indicating a strong fit. The ANOVA test confirms the overall statistical significance of the model, and the coefficients in the coefficient table shed light on the individual contributions of each predictor.

Earnings Per Share (EPS) demonstrates a strong positive impact on MPS, supported by a significant unstandardized coefficient (B = 17.551) and Beta (0.533). Similarly, the Price-to-Earnings Ratio (PE ratio) exhibits a robust positive relationship with MPS, as indicated by a substantial unstandardized coefficient (B = 46.880) and Beta (0.685). These findings align with the expectation that higher earnings and positive market expectations contribute to increased stock prices.

Bank Size, on the other hand, shows a negative impact on MPS, supported by a significant unstandardized coefficient (B = -0.001) and Beta (-0.120). This implies that larger banks may experience different market dynamics leading to lower stock prices. Dividend Payout Ratio (DPR) does not exhibit a statistically significant impact on MPS, indicating that this variable might not be a significant determinant of stock prices in the Nepalese context.

In conclusion, the correlation and regression analyses collectively indicate that EPS, PE ratio, Bank Size, and other variables significantly influence the market valuation of Nepalese commercial banks' stocks. Investors and stakeholders can utilize this information to make informed decisions, considering the identified factors that impact the stock prices of these banks. While the models provide a robust explanation for MPS variations, approximately 8.7% of the variability remains unaccounted for, suggesting that other unobservable factors may contribute to stock price dynamics.

5.3 Implications

The major implications of the study are as follows:

1. Brokers, Investors, and Stock Analysts: The findings provide valuable insights for these professionals engaged in analyzing stock returns, helping them make better-

informed decisions.

2. New Investors: The study offers significant benefits to new investors, guiding them in making informed investment decisions.
3. Market Analysts: The outcomes of this study can enhance market analysts' predictive capabilities regarding stock returns.
4. Policymakers: Policymakers can use the study's insights to formulate appropriate policies aligned with stock market dynamics.
5. Researchers, Professors, and Scholars: The study adds value for researchers, professors, and scholars, encouraging further in-depth investigations and academic pursuits.
6. Potential Investors Potential investors can benefit by gaining valuable information for making better-informed investment decisions.
7. Investors in General: can use the study's insights to choose financial variables wisely, predict stock returns, minimize losses, and achieve desirable gains.
8. Management Teams of Commercial Banks: Management teams can find value in the study by gaining new insights into the determinants of stock returns. This understanding can lead to the implementation of strategies aimed at improving the bank's image through enhanced stock returns.

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Appendix

The information below was collected from annual report of respective commercial banks.

Appendix 1

Banks	Year	MPS	Stock Return	EPS	DPS	BVPS	DPR	Bank Size	PE ratio
ADBL	2013	212.0	5.5	35.2	15.8	247.0	0.5	91376.0	6.0
	2014	756.0	2.6	78.8	15.6	189.5	0.2	99696.0	9.6
	2015	432.0	-40.1	52.8	21.1	218.9	0.4	113911.0	8.2
	2016	768.0	82.7	31.6	21.1	284.4	0.7	128290.0	24.3
	2017	314.0	-39.8	39.4	27.6	321.2	0.7	135419.0	11.1
	2018	409.0	-2.3	44.7	16.1	257.5	0.4	151457.0	9.2
	2019	385.0	-4.5	32.9	5.6	237.5	0.2	165852.0	11.7
	2020	479.0	-3.4	29.1	8.2	222.4	0.3	222440.0	16.4
	2021	331.0	-2.3	14.4	7.6	246.2	0.3	246184.0	23.0
EBL	2013	2631.0	67.3	91.9	30.0	296.3	0.3	70445.0	28.6
	2014	2120.0	-19.0	86.0	10.0	335.6	0.1	99153.0	24.6
	2015	3338.0	58.9	78.1	30.0	320.7	0.4	114018.0	42.8
	2016	1353.0	-57.4	66.0	70.0	253.3	1.1	116946.0	20.5
	2017	663.0	-47.3	78.3	50.0	332.0	0.6	144811.0	8.5
	2018	666.0	2.0	38.0	10.2	217.5	0.3	170077.0	17.5
	2019	675.0	2.1	31.2	5.2	219.5	0.2	185023.0	21.7
	2020	439.0	3.5	26.3	4.8	209.6	0.5	225211.0	16.7
	2021	563.0	5.6	31.4	6.2	245.3	0.5	250090.0	17.9
HBL	2013	700.0	11.5	33.1	28.4	192.0	0.9	73590.0	21.2
	2014	941.0	37.4	33.4	21.1	209.9	0.6	82802.0	28.2
	2015	813.0	-9.1	43.0	42.1	207.2	1.0	100562.0	18.9
	2016	1500.0	89.0	33.4	36.9	189.9	1.1	108063.0	45.0
	2017	580.0	-59.2	21.1	31.8	172.2	1.5	116462.0	27.5
	2018	552.0	-0.6	33.4	24.4	188.8	0.7	133151.0	16.5
	2019	540.0	0.7	27.1	15.7	187.5	0.6	155884.0	19.9
	2020	484.0	0.6	28.1	20.4	196.5	0.8	178490.0	17.3
	2021	299.2	0.2	18.3	14.7	174.6	0.7	216286.0	16.4
NABIL	2013	2535.0	43.3	83.7	65.2	275.0	0.8	87275.0	30.3
	2014	1910.0	-23.2	57.2	37.4	251.0	0.7	115986.0	33.4
	2015	2344.0	25.1	59.3	45.0	233.7	0.8	131347.0	39.6
	2016	1523.0	-31.8	58.4	74.6	207.7	1.3	144017.0	26.1
	2017	921.0	-21.7	49.5	60.3	256.0	1.2	160978.0	18.6
	2018	800.0	-9.4	47.7	34.0	258.1	0.7	201138.0	16.8
	2019	765.0	-0.1	37.2	34.0	255.5	0.9	237680.0	20.5
	2020	1359.0	50.4	33.6	20.6	275.6	1.0	291238.0	40.5

	2021	824.0	-34.9	18.6	15.5	250.5	0.3	419818.0	44.2
NBL	2013	305.0	-92.4	83.7	0.0	142.3	0.5	80405.0	3.7
	2014	470.0	54.1	71.0	0.0	143.7	0.4	86386.0	6.6
	2015	364.0	-22.6	45.0	0.0	145.4	1.2	120088.0	8.1
	2016	318.0	-12.6	42.6	0.0	213.5	1.2	130226.0	7.5
	2017	281.0	-11.6	40.0	0.0	262.1	1.6	133467.0	7.0
	2018	336.0	19.6	27.2	0.0	300.1	0.9	171515.0	12.4
	2019	249.0	-25.9	22.7	16.3	267.5	0.8	190426.0	11.0
	2020	443.0	29.5	23.4	12.2	290.5	0.8	222645.0	18.9
	2021	268.0	-21.2	20.3	9.5	254.8	0.6	260077.0	13.2
NMB	2013	252.0	52.6	20.6	22.7	152.7	1.1	30212.0	12.2
	2014	515.0	112.7	25.5	21.1	159.2	0.8	41337.0	20.2
	2015	507.0	0.1	27.8	8.4	290.6	0.3	78865.0	18.3
	2016	810.0	63.7	27.3	20.0	216.9	0.7	93074.0	29.7
	2017	545.0	-30.7	27.7	16.3	168.7	0.6	112391.0	19.7
	2018	382.0	-26.8	24.1	16.9	181.5	0.7	135470.0	15.9
	2019	397.0	6.5	16.7	9.7	149.6	0.6	179451.0	23.7
	2020	440.0	34.7	14.8	8.4	162.6	0.8	231546.0	26.4
	2021	261.0	-24.5	17.9	12.8	137.3	0.4	255150.0	14.6