FACTORS AFFECTING THE STOCK PRICE OF MICROFINANCE COMPANIES IN NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Masters of Business Studies (MBS)

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Factors Affecting the Stock Price of Microfinance Companies in Nepal"**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Gayatri Gautam has defended research proposal entitled **"Factors Affecting the Stock Price of Microfinance Companies in Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per the suggestions and guidance of supervisor Dr. Pirti Raj Adhikari and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Factors Affecting the Stock Price of Microfinance Companies in Nepal"** presented by Ms. Gayatri Gautam for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Gayatri Gautam

TABLE OF CONTENTS

Page no.

LIST OF TABLES

Page no.

LIST OF FIGURE

Page no.

ABBREVIATIONS

ADRL	:	Autoregressive Distributed Lag
BVPS	:	Book Value Per Share
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
FMDBL	:	First Microfinance Laghubitta Bittiya Sanstha Limited
FY	:	Fiscal Year
INF	:	Inflation Rate
IR	:	Interest Rate
MFI	:	Microfinance Institution
MPS	:	Market Price Per Share
NRB	:	Nepal Rastra Bank
P/E Ratio	:	Price-to-Earnings Ratio
RSDC	:	RSDC Laghubitta Bittiya Sanstha Limited
SKBBL	:	Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited
TR	:	Tax Rate
TU	:	Tribhuvan University
WB	:	World Bank

ABSTRACT

This study uses a descriptive and causal-comparative research approach to examine the factors influencing the stock price of microfinance companies in Nepal. Three national-level wholesale MFIs, First Microfinance Laghubitta Bittiya Sanstha Limited (FMDBL), RSDC Laghubitta Bittiya Sanstha Limited (RSDC), and Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited (SKBBL), were purposefully chosen as the study sample because they are classified as national wholesale MFIs. As of December 13, 2023, there were 55 microfinance institutions (MFIs) in Nepal. The study examines how firm-specific factors like book value per share (BVPS), price-to-earnings ratio (P/E ratio), dividend per share (DPS), and earnings per share (EPS) affect the dependent variable, market price per share (MPS), as well as macroeconomic factors like interest rates and inflation rates. The entire study is based on secondary data, including macroeconomic information from Nepal Rastra Bank (NRB), websites that track macroeconomic trends, and other trustworthy sources, as well as financial records of the chosen enterprises gathered between FY 2014/15 and FY 2023/24. The variables' variability and trends have been examined using descriptive statistics (mean, minimum, maximum, and standard deviation). DPS and IR exhibit weak and non-significant connections with MPS, whereas EPS, BVPS, and P/E Ratio have strong positive associations with MPS, according to correlation analysis. INF exhibits a substantial and moderate connection. Although BVPS has a slightly significant impact, regression study demonstrates that EPS and P/E Ratio are powerful positive predictors of stock price. It is discovered that DPS, INF, and IR have no discernible effect. The study comes to the conclusion that firm-specific financial indicators specifically, profitability and valuation metrics are important in influencing the stock price of microfinance institutions in Nepal. These findings offer valuable information for future research as well as for investors and policymakers.

Keywords: *Market Price Per Share, Earnings Per Share, Dividend Per Share, Price-to-Earnings Ratio, Book Value Per Share, Inflation Rate, Interest Rate of Nepal*

CHAPTER I
INTRODUCTION

1.1 Background of the Study

The stock market constitutes a fundamental element of economic advancement, enabling the proficient mobilization of capital by linking investors in pursuit of lucrative ventures with enterprises requiring financial resources for expansion and development. A properly functioning stock market promotes the optimal allocation of resources, cultivates investor confidence, and underpins the overall stability of the financial system. It acts as a significant indicator of economic vitality, mirroring the aggregated anticipations of market participants concerning future corporate performance and macroeconomic circumstances (Shiller, 2015). In the context of Nepal, the Nepal Stock Exchange (NEPSE) assumes a crucial role as the primary securities market, offering a platform for a diverse array of companies, including microfinance institutions, to procure equity capital through the issuance of shares to the public. Notwithstanding its significance, the stock prices of microfinance firms listed on NEPSE have exhibited substantial volatility, prompting inquiries into the principal determinants of such price variations and engendering uncertainty among investors and financial analysts (Thapa & Paudel, 2024).

Microfinance institutions within Nepal have attained significant recognition due to their essential contribution to the advancement of financial inclusion, alleviation of poverty, and facilitation of socio-economic progress, particularly through the provision of financial services to rural and marginalized demographics that are devoid of access to conventional banking systems (Shrestha, 2022). Their proliferation has proven instrumental in fostering entrepreneurship, empowering disenfranchised communities, and augmenting broader economic expansion. Nevertheless, the performance of these enterprises in the stock market remains volatile, subject to a confluence of firm-specific financial metrics and overarching macroeconomic dynamics. This intricacy underscores the necessity for a comprehensive examination of the factors that influence stock price fluctuations within this sector (Adhikari & Koirala, 2023).

Firm-specific financial metrics are frequently utilized to evaluate stock price fluctuations, as they yield valuable insights into a company's operational efficacy, profitability, and potential for growth. The Efficient Market Hypothesis (Fama, 1970) posits that stock prices comprehensively embody all publicly accessible information, thereby suggesting that fundamental financial indicators ought to be integrated into market valuations. Empirical research conducted within the Nepalese financial markets corroborates this assertion, demonstrating that accounting-based metrics such as Earnings Per Share (EPS), Dividend Per Share (DPS), Price-to-Earnings (P/E) ratio, and Book Value Per Share (BVPS) exert a significant influence on stock prices (Thapa & Paudel, 2024). EPS serves as a measure of a company's profitability, functioning as a pivotal indicator of financial well-being that positively shapes investor sentiment and market valuations (Subedi, 2024). DPS conveys the firm's dividend allocation strategy, which signals financial robustness and frequently enhances investor confidence (Thapa & Paudel, 2024). The P/E ratio elucidates market anticipations concerning future earnings growth, serving as a benchmark for stock valuations relative to earnings, while BVPS signifies the intrinsic net asset worth of the firm, assisting investors in determining whether the stock is overvalued or undervalued (Madai, 2023).

In addition to these intrinsic firm-specific metrics, macroeconomic variables such as inflation and interest rates exert a significant impact on stock market dynamics. Inflation influences the real value of anticipated earnings by modifying purchasing power and frequently necessitates revisions in stock valuations. Elevated inflation generally leads to heightened discount rates, thereby diminishing the present value of projected cash flows and consequently applying downward pressure on stock prices (Acharya, 2023). Conversely, interest rates have a direct bearing on the cost of capital, corporate investment strategies, and investor portfolio allocations. Ascending interest rates typically escalate borrowing expenses for firms and enhance the appeal of fixed-income securities, which may curtail equity demand and adversely affect stock prices (Basnet & Joshi, 2022). In the context of Nepal, macroeconomic instability characterized by variations in inflation and interest rates has been evidenced to affect investor sentiment and capital distribution; however, the specific ramifications of these factors on microfinance stock prices remain insufficiently explored, revealing a significant research deficit.

Beyond fundamental financial and economic elements, behavioral finance theories elucidate that stock prices are also influenced by investor psychology, encompassing biases, herd mentality, and speculative inclinations. Kahneman and Tversky (1979) underscored the impact of cognitive biases and heuristics on decision-making processes under conditions of uncertainty. In Nepal's stock market, which is distinguished by a substantial proportion of retail investors, these behavioral factors frequently exacerbate price volatility through speculative activities and rumor-driven trading, resulting in price fluctuations that diverge from the intrinsic fundamentals (Subedi, 2024). While certain studies contend that NEPSE exhibits semi-strong form efficiency, wherein prices encapsulate available information, others argue that information asymmetry, inadequate investor financial literacy, and speculative trading significantly hinder market efficiency (Adhikari, 2022).

The regulatory framework likewise exerts a considerable influence on market dynamics. Entities such as the Securities Board of Nepal (SEBON) and the Nepal Rastra Bank (NRB) are mandated to uphold transparency, safeguard investors, and promote sound market practices. Notwithstanding these initiatives, challenges such as deficient corporate governance, inconsistent financial disclosures, and limited institutional investment persist in undermining market stability and investor confidence, particularly within the microfinance sector where regulatory supervision remains comparatively feeble (Thapa & Paudel, 2024).

Previous studies have generally concentrated on individual components, looking at behavioral or firm-level financial variables alone. For instance, Thapa and Paudel (2024) found that the P/E ratio, DPS, and EPS were important factors in determining stock prices in Nepal's banking sector. Madai (2023) underlined the significance of BVPS in stock valuation, while Maskey (2022) focused on how investor mood influences stock price volatility. Adhikari and Koirala (2023) talked about the legal frameworks and external macroeconomic factors that have an impact on microfinance institutions. Nevertheless, there are still few integrated studies that combine macroeconomic factors with firm-specific financial data to offer a comprehensive understanding of the factors influencing stock prices in Nepalese mutual funds. For a deeper understanding of stock price behavior in this new industry, this gap in the

literature necessitates thorough study that takes into account these interrelated elements.

Analyzing the combined effect of firm-specific financial performance and macroeconomic factors on their stock prices is essential given the growing importance of microfinance institutions in Nepal's financial environment. Investors, regulators, and policymakers will gain important insights from a comprehensive analysis that takes into account important factors including earnings per share, dividends per share, price-to-earnings ratio, book value per share, inflation rate, and interest rate. Therefore, in order to close current research gaps and lay the groundwork for more informed investment choices and policy development, this study aims to investigate the factors that influence the market price per share of microfinance enterprises in Nepal.

1.2 Problem Statement

Microfinance companies' market price per share (MPS) is affected by macroeconomic factors like inflation (INF) and interest rates (IR) as well as firm-specific financial indicators like book value per share (BVPS), price-to-earnings (P/E) ratio, earnings per share (EPS), and dividends per share (DPS). These factors are essential to investment analysis because they provide insight into the market value and financial health of companies, which in turn helps investors make judgments.

Numerous empirical studies have explored the determinants of stock prices across different sectors and markets, reflecting a complex interplay of firm-specific financial indicators. However, findings remain inconsistent, particularly within the context of Nepal’s evolving financial sector. For instance, Subedi (2024) analyzed microfinance institutions and concluded that Earnings Per Share (EPS) and the Price-to-Earnings (P/E) ratio significantly influenced Market Price per Share (MPS), while Return on Equity (ROE) and Book Value Per Share (BVPS) were found to be statistically insignificant. This suggests that investors may prioritize profitability signals over accounting-based measures like book value in this segment. On the contrary, Budhathoki et al. (2023), focusing on a broader set of firms, found that Dividend Payout Ratio and EPS did not have a significant effect on share prices, thereby challenging the traditional dividend relevance theory proposed by Gordon and Lintner. Similarly, Maskey (2022) conducted a sector-specific study on insurance companies and

identified EPS and P/E ratio as key predictors of stock prices, though the impact of Dividend Per Share (DPS) remained inconclusive. These conflicting results emphasize the nuanced and sector-dependent behavior of stock price determinants in Nepal.

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Studies like those by Sharma (2019) and Ranjit (2021), which reached different conclusions on the impact of market capitalization, the NEPSE index, and firm-level measures on GDP growth and stock performance, further muddy the waters. Although other factors, such as listed firms and transaction volume, are favorably correlated with GDP, Sharma (2019) found that market capitalization had a negative impact in some situations. Market capitalization, the NEPSE index, and the broad money supply all had a major effect on economic growth, according to Ranjit (2021). These discrepancies imply that the effects of stock market characteristics vary depending on the situation, possibly being impacted by investor behavior, sectoral makeup, and regulatory frameworks. When taken as a whole, these empirical findings highlight the intricacy of the process by which stock prices are formed and the necessity of more thorough, industry-specific, and time-sensitive research to comprehend how financial indicators,

macroeconomic factors, and stock performance interact in developing nations such as Nepal.

Few research has concurrently integrated these dimensions in the context of Nepalese microfinance institutions, which represent a unique sector with different risk-return characteristics and investor behavior, although other studies have examined firm-level or macroeconomic variables separately. There is a knowledge vacuum about the factors impacting MPS in this segment due to the dearth of sector-specific, integrated, and updated empirical research.

Theoretically, the Efficient Market Hypothesis (Fama, 1970) asserts that stock prices accurately represent all available information, suggesting that pricing should take into account both internal and external factors. While Signaling Theory (Ross, 1977) maintains that financial measures provide investors with important signals, Dividend Relevance Theory (Gordon, 1959) contends that dividends have a direct impact on stock value. However, the applicability of these theories has not been explored because they have not been experimentally proven in Nepal's microfinance sector.

Therefore, this study seeks to fill these research gaps by examining the current status, relationships, and effects of both firm-specific and macroeconomic variables on the MPS of microfinance companies in Nepal. The study will help assess whether conventional financial theories hold true in this context and inform investment decision-making and policy formulation in the sector.

Accordingly, the following research questions have been formulated to address these gaps:

i. What is the situation of firm-specific and macroeconomic factors affecting the market price per share of microfinance companies in Nepal?
ii. What is the relationship between earnings per share, dividend per share, price-to-earnings ratio, book value per share, inflation and interest rate with market price per share of microfinance companies in Nepal?
iii. How do earnings per share, dividend per share, price-to-earnings ratio, book value per share, inflation and interest rate impact on market price per share of microfinance companies in Nepal?

1.3 Objectives of the Study

The main goal of this study is to examine the factors affecting the stock price of microfinance companies in Nepal. To achieve this primary aim and tackle the research questions, the following are the specific objectives:

i. To assess the situation of firm-specific and macroeconomic factors affecting the market price per share of microfinance companies in Nepal.
i. To examine the relationship between earnings per share, dividend per share, price-to-earnings ratio, book value per share, inflation and interest rate with market price per share of microfinance companies in Nepal.
ii. To analyze the impact of earnings per share, dividend per share, price-to-earnings ratio, book value per share, inflation and interest rate on market price per share of microfinance companies in Nepal.

1.4 Hypotheses

In this study, researcher has developed following hypothesis:

H_1: There is significant impact of earnings per share on the market price per share of microfinance companies in Nepal.

H_2: There is significant impact of dividend per share on the market price per share of microfinance companies in Nepal.

H_3: There is significant impact of price-to-earnings ratio on the market price per share of microfinance companies in Nepal.

H_4: There is significant impact of book value per share on the market price per share of microfinance companies in Nepal.

H_5: There is significant impact of inflation on the market price per share of microfinance companies in Nepal.

H_6: There is significant impact of interest rate on the market price per share of microfinance companies in Nepal.

1.5 Rationale of the Study

This work is relevant and beneficial because it fills a fundamental gap in understanding the determinants driving stock price fluctuations of microfinance companies in Nepal a sector that has gotten minimal empirical attention despite its growing relevance. This study contributes to the body of knowledge regarding the factors that influence stock prices in emerging markets by looking at important firm-specific financial indicators

like earnings per share (EPS), dividend per share (DPS), price-to-earnings (P/E) ratio, and book value per share (BVPS), in addition to macroeconomic variables like inflation and interest rates. By elucidating how these economic and financial aspects affect microfinance stock prices, the findings can assist investors in making more educated judgments. Additionally, the study provides regulators and policymakers with insightful information to enhance market stability and create regulations that are specific to the features of microfinance companies. All things considered, this study offers useful information that might improve investment plans and encourage the long-term growth of Nepal's capital market.

1.6 Limitations of the Study

Limitation in a study refers to the potential weaknesses or constraints that may affect the scope, methodology, or findings of the research. The limitations of this study are as follows:

i. Only three microfinance institutions (FMDBL, RSDC, and SKBBL) have been selected out of 55, which may not fully represent the entire microfinance sector in Nepal.
ii. The analysis is based on financial data from the last ten fiscal years (2014/15–2023/24), excluding earlier years due to data unavailability, which may limit long-term trend analysis.
iii. The study relies solely on secondary data, which may be subject to reporting inconsistencies, errors, or lack of uniformity across institutions.
iv. Only selected firm-specific and macroeconomic variables (EPS, DPS, P/E, BVPS, INF, IR) have been included; other potentially influential factors such as management efficiency, investor sentiment, and regulatory changes have been excluded.
v. The use of purposive sampling may introduce selection bias, limiting the generalizability of the findings.
vi. The study does not incorporate qualitative factors or stakeholder perceptions, which may also impact stock price movements.

CHAPTER II
LITERATURE REVIEW

The purpose of this chapter is to review relevant literature to deepen the understanding of the topic, while also enhancing the researcher's ability to locate, critically evaluate, and systematically organize scholarly resources. This chapter has been divided into two main sections: the theoretical review, which examines key financial theories and frameworks explaining the relationship between firm-specific and macroeconomic variables and stock price movements, and the empirical review, which synthesizes findings from studies conducted between 2020 and 2024 highlighting how factors such as firm specific and macroeconomic variables have influenced stock prices in various market contexts. Further details of these sections have been presented below.

2.1 Theoretical Review

The theoretical review explores key theories and frameworks related to stock price determination in microfinance companies in Nepal, focusing on firm-specific factors such as Earnings Per Share (EPS), Dividend Per Share (DPS), Price-to-Earnings (P/E) Ratio, and Book Value Per Share (BVPS), alongside macroeconomic variables including Inflation Rate and Interest Rate. The review highlights six major theories that provide a foundation for understanding the relationship and effect between these variables and stock prices: The Efficient Market Hypothesis, Dividend Discount Model, Signaling Theory, Capital Asset Pricing Model, Fundamental Analysis Theory and Macroeconomic Theory of Stock Prices. Each of these theories is described in detail below to establish the theoretical basis for the current study.

Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis was developed by Eugene Fama in the 1960s. This theory assumes that financial markets are "efficient," meaning all available information is fully and instantly reflected in stock prices. EMH suggests that it is impossible to consistently achieve higher-than-average returns through stock picking or market timing because stock prices already incorporate and reflect all relevant information. Previous studies by Fama (1970) and Jensen (1978) tested the theory and found that stock prices generally follow a random walk, confirming market efficiency in many

developed markets. This theory is relevant to the current study as it explains how firm-specific variables like Earnings Per Share (EPS), Dividend Per Share (DPS), and Price-to-Earnings (P/E) Ratio should immediately impact Market Price per Share (MPS), while macroeconomic variables such as inflation and interest rates are quickly incorporated into stock prices. Hence, the study assumes that microfinance stock prices in Nepal react efficiently to changes in these variables.

Dividend Discount Model (DDM)

The Dividend Discount Model (DDM) was primarily developed by John Burr Williams in 1938. This model assumes that the intrinsic value of a stock is the present value of all expected future dividends. It also assumes investors value stocks based on dividend payouts and growth prospects. Empirical testing by Gordon (1959) and Miller and Modigliani (1961) supported that dividends significantly influence stock prices, especially in dividend-paying firms. The DDM is highly relevant to this study as Dividend Per Share (DPS) is a key independent variable expected to directly affect Market Price per Share (MPS). Investors in Nepalese microfinance companies likely value dividends as a critical indicator of firm performance and financial health, impacting their investment decisions and stock prices. Moreover, given the relatively stable dividend policies in these firms, DPS serves as a reliable signal for future earnings potential and overall company sustainability in the local market context.

Signaling Theory

Signaling Theory was introduced by Michael Spence in 1973, focusing on how information asymmetry between company insiders and investors can be reduced through signals like dividends or earnings announcements. The key assumption is that firms send credible signals to the market to indicate their financial strength and future prospects. Testing by Bhattacharya (1979) and Miller and Rock (1985) found that dividend changes and earnings announcements serve as signals influencing investor perceptions and stock prices. This theory relates to the current study as Earnings Per Share (EPS) and Dividend Per Share (DPS) act as important signals for investors regarding the microfinance companies' profitability and stability, thereby influencing Market Price per Share (MPS). Additionally, in Nepalese microfinance firms, these signals reduce investor uncertainty where detailed information is limited, making EPS and DPS crucial for investment decisions.

Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model was developed by William Sharpe in 1964. It assumes that investors are rational and risk-averse, and the expected return on an asset depends on its systematic risk relative to the market, represented by beta. CAPM is based on the idea that investors require compensation for both time value of money and risk. Empirical studies by Fama and French (1992) and Roll (1977) tested CAPM and found mixed results but confirmed its importance in explaining expected returns. This theory is relevant because macroeconomic factors like inflation and interest rates impact the risk premium and expected returns, which in turn affect MPS of microfinance stocks in Nepal, showing the link between external economic variables and stock valuation.

Fundamental Analysis Theory

Fundamental Analysis theory was popularized by Benjamin Graham and David Dodd in the 1930s, assuming that stock prices will eventually reflect the intrinsic value determined by analyzing financial statements, economic conditions, and company fundamentals. It assumes that detailed examination of firm-specific variables such as EPS, Book Value Per Share (BVPS), and P/E ratio can reveal under or overvalued stocks. Studies by Penman (1996) and Easton (2004) tested the theory and confirmed the predictive power of these fundamental variables on stock prices. This theory supports the current study by emphasizing the importance of firm-specific financial metrics like EPS, BVPS, and P/E ratio in influencing the Market Price per Share (MPS) in Nepalese microfinance companies.

Macroeconomic Theory of Stock Prices

The Macroeconomic Theory of Stock Prices assumes that stock prices are influenced not only by firm-specific fundamentals but also by broader economic variables such as inflation, interest rates, GDP growth, and monetary policy. The theory assumes that changes in macroeconomic indicators affect corporate earnings and investor sentiment, which influence stock prices. Studies by Fama (1981) and Chen, Roll, and Ross (1986) tested this theory and found significant relationships between stock returns and macroeconomic variables. This theory is crucial for the current study because it explains how Inflation Rate (INF) and Interest Rate (IR) as macroeconomic variables impact the Market Price per Share (MPS) of microfinance companies in Nepal, reflecting the sensitivity of stock prices to external economic conditions.

2.2 Empirical Review

Subedi (2024) investigated the factors influencing stock prices in Nepal's secondary market, with a focus on microfinance sector shares listed on the Nepal Stock Exchange (NEPSE). The study utilized descriptive, analytical, and inferential research methods to evaluate the determinants of market price per share. Independent variables included Earnings per Share (EPS), Return on Equity (ROE), Price-to-Earnings (P/E) ratio, Book Value per Share (BVPS), and Floating Share Size, while the market price per share served as the dependent variable. The results showed that market price per share had a positive correlation with EPS, ROE, P/E ratio, and BVPS, whereas it was negatively correlated with floating share size. EPS, P/E ratio, and floating shares were identified as significant predictors of stock price, while ROE and BVPS did not show a strong impact. The study emphasized that limited financial literacy among market participants hindered effective investment decisions. It concluded that investors in Nepal's capital markets should consider company-specific factors when making investment choices, and greater efforts are required to improve financial awareness.

Thapa and Paudel (2024) examined the influence of fundamental factors on the stock values of Nepali non-life insurance companies. The study investigated all non-life insurers listed on NEPSE using a quantitative, analytical, and descriptive research approach. Secondary data were collected from Nepal Rastra Bank, the Ministry of Finance, and the official websites of insurance firms. The research analyzed the Price-to-Earnings (P/E) Ratio, Earnings Per Share (EPS), Market Price of Shares (MPS), Dividend per Share (DPS), and Book Value per Share (BVS) as independent variables, with MPS as the dependent variable. The findings revealed that EPS and P/E Ratio significantly impacted stock prices, while DPS had no meaningful relationship with MPS, and BVS showed a marginally significant positive correlation. The study suggested that higher P/E and EPS ratios were associated with better investor returns. It recommended accurate and transparent financial reporting to support informed investment decisions, providing valuable insights for investors and policymakers in Nepal's non-life insurance sector.

Budhathoki et al. (2023) analyzed the effect of dividends on the share prices of microfinance companies in Nepal. The study used a purposive sampling technique to select ten microfinance companies listed on the Nepal Stock Exchange (NEPSE)

between 2018 and 2022. Descriptive statistics, correlation analysis, and regression path analysis were applied to assess the mediating role of profitability in the relationship between dividend-related factors and share prices. The independent variables included the Price-to-Earnings (P/E) ratio, Dividend Payout Ratio (DPR), Dividend Per Share (DPS), and Earnings Per Share (EPS), while the dependent variable was the share price. Return on Equity (ROE) was considered as a mediating variable. The results indicated that DPR and EPS did not significantly influence share prices, either directly or through the mediating variable. Furthermore, the indirect effect of the independent variables on share prices via ROE was also minimal. The study suggested that investors should not base investment decisions solely on dividend-related factors and highlighted the importance of management in formulating effective dividend payout policies to enhance shareholder wealth.

Madai (2023) evaluated the influence of financial performance on stock price volatility in microfinance companies listed on NEPSE. The study adopted a quantitative approach with descriptive, causal-comparative, and survey research designs. Independent variables included Return on Equity (ROE), Return on Assets (ROA), Dividend Payout (D/P) ratio, Price-to-Earnings (P/E) ratio, and Book Value per Share (BVPS), while stock price volatility served as the dependent variable. Firm age and size were incorporated as control variables. Multiple regression analysis was conducted using secondary data from annual reports and primary data from investor responses. The findings indicated that the profitability of microfinance companies significantly influenced stock price volatility, with investors exhibiting high sensitivity to firms' earnings and past performance.

Khadka et al. (2023) inspected the impact of asset tangibility, firm size, and macroeconomic factors on stock returns in Nepalese hydropower companies. Using secondary data from listed companies between 2016/17 and 2022/23, the study applied a descriptive and causal-comparative research design with correlation and multiple regression analysis. Independent variables included the inflation rate, foreign exchange rate, firm size, gross domestic product, and asset tangibility, while stock return was the dependent variable. The findings indicated that asset tangibility and firm size had no significant effect, inflation negatively impacted stock returns, and the foreign exchange rate had a positive influence. The study highlighted the role of macroeconomic factors

in stock performance and recommended their consideration in strategic planning to mitigate financial risks.

Adhikari (2023) assessed the effect of accounting information on stock price fluctuations in Nepalese hydropower companies by analyzing the relationship between Earnings Per Share (EPS), Dividend Per Share (DPS), and Book Value Per Share (BVPS) with Market Value Per Share (MVPS). Data were collected from Butwal Power Company Limited (BPC) and Chilime Hydropower Company Limited (CHPC), randomly selected from listed hydropower companies on NEPSE. Secondary data were obtained from annual reports and stock exchange records, and multiple regression analysis was conducted to assess the relationship between independent and dependent variables. The findings revealed a positive association between EPS and MVPS in both companies, while DPS and BVPS exhibited mixed effects. Specifically, EPS positively influenced MVPS in BPC, whereas DPS had a negative impact on MVPS in both companies.

Yulianty et al. (2023) determined the impact of the Debt to Equity Ratio (DER), Price Earnings Ratio (PER), and Return on Equity (ROE) on the stock prices of banking companies listed on the Bursa Efek Indonesia from 2017 to 2021. The study focused on banking companies consistently listed on the Infobank15 index during this period, selecting financial reports through a purposive sampling technique. Secondary data were used, and multiple linear regression analysis was conducted. The findings indicated that DER had a significant negative effect on stock prices, while PER and ROE had significant positive influences. When analyzed collectively, DER, PER, and ROE demonstrated a significant positive impact on stock prices. The study emphasized the importance of these financial ratios in determining stock values, offering insights into key factors investors may consider when assessing banking stocks in Indonesia.

Ariana et al. (2023) observed the effect of Earnings Per Share (EPS), Inflation, and Net Interest Margin (NIM) on stock prices in the Indonesian banking sector by examining financial data from banks listed on the Indonesia Stock Exchange between 2019 and 2021. The study adopted a quantitative approach, employing purposive sampling and panel data regression techniques using Eviews to assess the relationships among the independent variables (EPS, Inflation, and NIM) and the dependent variable (stock

prices). The findings revealed that EPS had a significant positive effect on stock prices, indicating that higher EPS corresponded to higher stock values. However, Inflation and NIM did not exhibit a significant impact, suggesting these factors did not directly influence stock price movements. The study concluded that EPS played a crucial role in stock price determination and recommended further research on additional influencing factors.

Maskey (2022) conducted a study examining the factors influencing market share prices of life insurance companies listed on the Nepal Stock Exchange (NEPSE), addressing a research gap that had primarily focused on the banking sector. The research analyzed data from all listed life insurance companies over a six-year period from 2012/13 to 2017/18, employing both descriptive and inferential statistics, particularly multiple regression models. The study investigated the relationships between the independent variables (Earnings Per Share, Dividend Per Share, Price-Earnings Ratio, company age, and dividend yield) and the dependent variable (share prices). The findings revealed that these financial indicators significantly impacted share prices, with dividends playing a particularly crucial role in influencing investor decisions. The study concluded that a strong and transparent dividend policy was essential for attracting and retaining investors in the Nepalese life insurance market.

Sari et al. (2022) surveyed the determinants of stock investment decision-making in the Indonesian stock market using a mixed-methods approach that combined quantitative and qualitative methodologies. The study collected quantitative data through a survey of 400 investors and incorporated qualitative insights from in-depth interviews to understand investor behavior and motivations. Independent variables included fundamental analysis, market sentiment, and herd behavior, while the dependent variable was stock investment decision-making. The findings revealed that fundamental analysis played a crucial role, as investors relied on financial health and performance metrics to make informed choices. Market sentiment significantly influenced investment behavior by reflecting investor confidence. The study highlighted the importance of integrating fundamental analysis and market sentiment for effective investment strategies, emphasizing the complexity of decision-making in emerging markets.

Gyawali (2022) studied the factors influencing the stock price of Nepalese commercial banks by analyzing the relationship between financial and macroeconomic variables and market price per share. The study utilized a descriptive and causal-comparative research design, collecting secondary data from annual reports of ten out of 27 commercial banks over a five-year period (2017-2021). Multiple linear regression analysis was conducted using SPSS version 23 to evaluate the impact of independent variables, including Dividend Per Share (DPS), Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, Return on Assets (ROA), Gross Domestic Product (GDP), and inflation rate, on the dependent variable, Market Price of Shares (MPS). The findings revealed that DPS, EPS, and P/E ratio had a positive and significant effect on stock prices, while the inflation rate exhibited a negative and insignificant effect. The study concluded that DPS, EPS, and P/E ratio were the most critical determinants of stock prices in Nepalese commercial banks, emphasizing their importance in investment decision-making.

Ali et al. (2022) explored the impact of Earnings Per Share (EPS) on stock prices and the Price-to-Earnings (P/E) ratio across four industries: Banking, Pharmaceutical, Information Technology, and Cement. The study analyzed data from sixteen companies over an eight-year period (2011-2012 to 2018-2019) using regression analysis and correlation methods. EPS was considered the independent variable, while stock prices and the P/E ratio served as the dependent variables. The findings revealed a positive relationship between EPS and stock prices, indicating that higher EPS led to higher stock prices. However, EPS did not significantly influence the P/E ratio, as a low statistical correlation was observed. The study concluded that while EPS is a crucial determinant of stock prices, other factors may have a more significant impact on the P/E ratio, highlighting the need for investors to consider multiple financial indicators in stock valuation.

Sukesti et al. (2021) measured the impact of Debt Equity Ratio (DER), Net Profit Margin (NPM), and Size on stock prices, with Return on Assets (ROA) as a mediating variable. The study analyzed data from 136 manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2014 and 2018, employing Warp PLS statistical tools for hypothesis testing. The independent variables included DER, NPM, and Size, while the dependent variable was stock prices, with ROA serving as the

mediating variable. The results indicated that DER had a significant negative effect on ROA but a significant positive effect on stock prices. NPM positively influenced both ROA and stock prices, whereas Size had a positive impact on ROA but no significant effect on stock prices. ROA significantly affected stock prices and mediated the relationships between DER and stock prices, as well as between NPM and stock prices, but did not mediate the relationship between Size and stock prices. The study concluded that financial ratios such as DER, NPM, Size, and ROA play a crucial role in assessing company performance and stock valuation, providing valuable insights for investors in making informed decisions.

Bustani et al. (2021) investigated the effects of Earnings Per Share (EPS), Price to Book Value (PBV), Dividend Payout Ratio (DPR), and Net Profit Margin (NPM) on stock prices in the food and beverage sector listed on the Indonesia Stock Exchange from 2014 to 2018. The study analyzed data from 12 out of 26 companies that met specific selection criteria, employing bootstrapping with Structural Equation Modeling (SEM) for hypothesis testing. The independent variables included EPS, PBV, DPR, and NPM, while the dependent variable was stock prices. The results indicated that EPS, PBV, and DPR had a significant positive impact on stock prices, demonstrating their importance in investment decision-making. However, NPM did not exhibit a significant effect on stock prices during the study period. The study concluded that EPS, PBV, and DPR are critical determinants of stock price movements in the food and beverage sector, whereas NPM's role is less influential in this context.

Niroula (2021) surveyed stock price behavior in Nepalese commercial banks. The study employed a descriptive and analytical research design, utilizing secondary data from annual reports of 18 out of 27 commercial banks listed on NEPSE from 2015/16 to 2019/20. MPS was considered the dependent variable, while EPS, PE ratio, DY ratio, Size, ROE, BVPS, and ROA were the independent variables. Multiple linear regression analysis in SPSS version 23 revealed that EPS, PE ratio, and Size had a significant positive impact on MPS, indicating that higher EPS, PE ratios, and larger bank size contributed to increased stock prices. However, DY ratio, ROE, BVPS, and ROA had negligible effects. The study concluded that EPS, PE ratio, and Size were key determinants of stock prices in Nepalese commercial banks, highlighting their significance for investors and policymakers.

Wagle (2021) explored the factors influencing stock market prices in Nepalese commercial banks, analyzing data from 26 out of 27 banks over the period 2015/16 to 2019/20. The study utilized secondary data from annual reports, incorporating 130 observations, and employed descriptive and causal-comparative research designs. Statistical techniques such as mean, standard deviation, correlation, and regression analysis were used to examine the relationships between stock prices and key financial ratios. The findings indicated that the Market-to-Book (M/B) ratio, Price-Earnings (P/E) ratio, and Earnings Yield (E/Y) ratio had a significant positive association with stock market prices, suggesting that higher values of these ratios contribute to increased stock prices. However, the Dividend Yield (D/Y) ratio had a positive but statistically insignificant impact. The study concluded that M/B ratio, P/E ratio, and E/Y ratio are critical determinants of stock prices in Nepalese commercial banks, providing valuable insights for investors, bankers, academicians, and policymakers regarding stock market behavior and investment decision-making.

Panta (2020) examined the relationship between stock market prices (NEPSE index) and macroeconomic variables in Nepal. The study employed an ARDL model and ECM to analyze 25 years of annual data (1994–2019). Independent variables included GDP, money supply, interest rate, inflation, and exchange rate, while the NEPSE index was the dependent variable. The findings indicated that in the long run, money supply, interest rate, inflation, and exchange rate significantly influenced the NEPSE index, whereas GDP had no substantial long-term effect. In the short term, GDP, money supply, and exchange rate had positive influences, but only money supply maintained a positive relationship in the long run. The study concluded that macroeconomic variables play a crucial role in determining stock prices, emphasizing the need for policymakers to consider these factors in economic strategies.

Safitri et al. (2020) determined the influence of financial ratios on stock prices in the banking sector. The study employed purposive sampling, analyzing financial statements from six companies (30 samples) listed on the InfoBank15 index from 2014 to 2018. Independent variables included DER, P/E ratio, and EPS, while stock price was the dependent variable. Using multiple linear regression, the findings indicated that P/E ratio and EPS had a significant positive impact on stock prices, with higher values associated with increased stock prices. A higher P/E ratio reflected market expectations

of greater future earnings, while a higher EPS indicated better company performance. However, DER did not significantly affect stock prices, suggesting that debt levels relative to equity did not play a crucial role. The study concluded that P/E ratio and EPS are key indicators of stock price movements, whereas DER is less relevant in this context.

Pertiwi et al. (2020) researched the effects of Dividend Payout Ratio, leverage, and firm size on stock price volatility among manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2018. The study utilized a census sampling method, selecting 11 companies that paid dividends during this period. Multiple linear regression analysis was employed to assess the relationships between the variables and stock price volatility. The findings revealed that firm size had a significant impact on stock price volatility, indicating that larger firms experienced more stable stock prices. Conversely, Dividend Payout Ratio and leverage did not have a significant effect on stock price volatility, suggesting that these factors played a minor role in influencing stock price fluctuations. The study concluded that firm size is a crucial determinant of stock price stability, while dividend payouts and leverage have a lesser impact in this context.

Choiriyah et al. (2020) determined the effects of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Earnings Per Share (EPS), and Operating Profit Margin (OPM) on stock prices of banking companies listed on the Indonesia Stock Exchange (IDX). The study utilized secondary data from 32 banking companies, selecting eight that met the research criteria. Employing multiple linear regression analysis, the research analyzed the relationship between these financial indicators (independent variables) and stock prices (dependent variable). The findings revealed that ROE and EPS had a significant positive impact on stock prices, indicating that higher ROE and EPS values were associated with increased stock prices. However, ROA, NPM, and OPM did not show significant effects, suggesting that these variables played a lesser role in influencing stock prices within the banking sector. The study concluded that ROE and EPS were crucial determinants of stock prices, whereas ROA, NPM, and OPM were less relevant in this context.

Table 1

Summary of Empirical Review

Author(s)	Titles	Variables	Methodology	Major Findings
Subedi (2024)	Factors influencing stock prices in Nepal's secondary market (Microfinance sector shares)	Dependent: Market Price Per Share Independent: EPS, ROE, P/E ratio, BVPS, Floating Share Size	Descriptive, analytical, and inferential research	The finding of this study was that EPS, P/E ratio, and floating shares significantly influenced stock prices, while ROE and BVPS had no strong impact. The results of this study suggested that financial literacy limitations significantly hinder effective and informed investment decisions in dynamic and evolving markets.
Thapa and Paudel (2024)	Influence of fundamental factors on stock values of Nepali non-life insurance companies	Dependent: MPS Independent: P/E Ratio, EPS, DPS, BVS	Quantitative, analytical, and descriptive research	The finding of this study was that EPS and P/E ratio had significant effects on stock prices, while DPS had no meaningful relationship with MPS. The results of this study recommended transparent financial reporting for better investment decisions.
Budhathoki et al. (2023)	Effect of dividends on share prices of microfinance companies in Nepal	Dependent: Share Price Independent: P/E ratio, DPR, DPS, EPS Mediating Variable: ROE	Descriptive, correlation, regression path analysis	The finding of this study was that DPR and EPS did not significantly affect share prices. The results of this study suggested that investors should not base investment decisions solely on dividend factors.

Madai (2023)	Influence of financial performance on stock price volatility in microfinance companies	Dependent: Stock Price Volatility Independent: ROE, ROA, D/P ratio, P/E ratio, BVPS Control Variables: Firm Age, Firm Size	Quantitative, descriptive, causal-comparative, survey research	The finding of this study was that profitability had a significant influence on stock price volatility. The results of this study showed that investors are highly sensitive to firms' earnings and past performance.
Khadka et al. (2023)	Impact of asset tangibility, firm size, and macroeconomic factors on stock returns in Nepalese hydropower companies	Dependent: Stock Return Independent: Inflation, Foreign Exchange Rate, Firm Size, GDP, Asset Tangibility	Descriptive, causal-comparative, correlation, regression analysis	The finding of this study was that inflation negatively affected stock returns, while foreign exchange rates had a positive impact. The results of this study recommended considering macroeconomic factors in financial planning.
Adhikari (2023)	Effect of accounting information on stock price fluctuations in Nepalese hydropower companies	Dependent: MVPS Independent: EPS, DPS, BVPS	Multiple regression analysis using secondary data	The finding of this study was that EPS positively influenced MVPS, while DPS had a negative effect. The results of this study highlighted mixed effects of DPS and BVPS on stock prices.
Yulianty et al. (2023)	Impact of DER, PER, and ROE on stock prices of banking companies in Indonesia	Dependent: Stock Prices Independent: DER, PER, ROE	Purposive sampling, multiple regression analysis	The finding of this study was that DER had a negative effect on stock prices, while PER and ROE had positive effects. The results of this study emphasized the importance of financial ratios in stock valuation.

Ariana et al. (2023)	Effect of EPS, Inflation, and NIM on stock prices in the Indonesian banking sector	Dependent: Stock Prices Independent: EPS, Inflation, NIM	Quantitative, purposive sampling, panel data regression	The finding of this study was that EPS significantly affected stock prices, while Inflation and NIM had no significant impact. The study concluded that EPS is crucial in stock price determination.
Maskey (2022)	Factors influencing market share prices of life insurance companies in Nepal	Dependent: Share Prices Independent: EPS, DPS, P/E Ratio, Company Age, Dividend Yield	Descriptive, inferential statistics, multiple regression	The finding of this study was that financial indicators significantly impacted share prices. The results of this study emphasized the importance of a strong dividend policy in attracting investors.
Sari et al. (2022)	Determinants of stock investment decision-making in the Indonesian stock market	Dependent: Stock Investment Decision-Making Independent: Fundamental Analysis, Market Sentiment, Herd Behavior	Mixed-methods, survey (400 investors), in-depth interviews	The finding of this study was that fundamental analysis and market sentiment played crucial roles in investment decisions. The study highlighted investment complexity in emerging markets.
Gyawali (2022)	Factors influencing stock price of Nepalese commercial banks	Dependent: Market Price of Shares (MPS) Independent: DPS, EPS, P/E ratio, ROA, GDP, Inflation Rate	Descriptive and causal-comparative design, secondary data from 10 commercial banks (2017-2021), multiple linear regression (SPSS 23)	The findings of this study were that DPS, EPS, and P/E ratio had a significant positive effect on stock prices, while the inflation rate had an insignificant negative effect. The study concluded that DPS, EPS, and P/E ratio were critical determinants of stock prices in Nepalese commercial banks.

Ali et al. (2022)	Impact of EPS on stock prices and P/E ratio across industries	Dependent: Stock Prices, P/E Ratio Independent: Earnings Per Share (EPS)	Regression analysis and correlation, data from 16 companies (2011-2019)	The findings of this study were that EPS had a significant positive impact on stock prices but did not significantly influence the P/E ratio. The results of this study suggested that investors should consider multiple financial indicators for stock valuation.
Sukesti et al. (2021)	Impact of DER, NPM, and Size on stock prices with ROA as a mediating variable	Dependent: Stock Prices Independent: Debt Equity Ratio (DER), Net Profit Margin (NPM), Size Mediating Variable: Return on Assets (ROA)	Warp PLS analysis, data from 136 manufacturing companies (2014-2018)	The findings of this study were that DER negatively affected ROA but positively impacted stock prices, while NPM positively influenced both ROA and stock prices. The results of this study indicated that financial ratios play a crucial role in stock valuation and investment decisions.
Bustani et al. (2021)	Effects of EPS, PBV, DPR, and NPM on stock prices in the food and beverage sector	Dependent: Stock Prices Independent: EPS, Price to Book Value (PBV), Dividend Payout Ratio (DPR), Net Profit Margin (NPM)	Structural Equation Modeling (SEM), data from 12 companies (2014-2018)	The findings of this study were that EPS, PBV, and DPR had a significant positive impact on stock prices, while NPM had no significant effect. The results of this study suggested that EPS, PBV, and DPR were key determinants of stock price movement in the food and beverage sector.

Niroula (2021)	Stock price behavior in Nepalese commercial banks	Dependent: Market Price of Shares (MPS) Independent: EPS, P/E ratio, DY ratio, Size, ROE, BVPS, ROA	Descriptive and analytical research design, secondary data from 18 banks (2015-2020), multiple linear regression (SPSS 23)	The findings of this study were that EPS, P/E ratio, and Size had a significant positive effect on MPS, while DY ratio, ROE, BVPS, and ROA had negligible effects. The results of this study concluded that EPS, P/E ratio, and Size were key determinants of stock prices in Nepalese commercial banks.
Wagle (2021)	Factors influencing stock market prices in Nepalese commercial banks	Dependent: Stock Market Prices Independent: Market-to-Book (M/B) Ratio, P/E Ratio, Earnings Yield (E/Y) Ratio, Dividend Yield (D/Y) Ratio	Descriptive and causal-comparative research design, secondary data from 26 banks (2015-2020), correlation and regression analysis	The findings of this study were that M/B ratio, P/E ratio, and E/Y ratio had a significant positive impact on stock prices, while the D/Y ratio had an insignificant effect. The results of this study suggested that these financial ratios were critical determinants of stock prices in Nepalese commercial banks.
Panta (2020)	Relationship between stock market prices and macroeconomic variables in Nepal	Dependent: NEPSE Index Independent: GDP, Money Supply, Interest Rate, Inflation, Exchange Rate	ARDL model and ECM, 25 years of annual data (1994-2019)	The findings of this study were that money supply, interest rate, inflation, and exchange rate significantly influenced the NEPSE index in the long run, while GDP had no substantial effect. The results of this study emphasized the importance of macroeconomic factors in stock price determination.

Safitri et al. (2020)	Influence of financial ratios on stock prices in the banking sector	Dependent: Stock Prices Independent: DER, P/E Ratio, EPS	Multiple linear regression, secondary data from six companies (2014-2018)	The findings of this study were that P/E ratio and EPS had a significant positive effect on stock prices, while DER had no significant impact. The results of this study suggested that P/E ratio and EPS were key indicators of stock price movements.
Pertiwi et al. (2020)	Effects of DPR, leverage, and firm size on stock price volatility	Dependent: Stock Price Volatility Independent: Dividend Payout Ratio (DPR), Leverage, Firm Size	Multiple linear regression, census sampling from 11 manufacturing companies (2014-2018)	The findings of this study were that firm size had a significant effect on stock price volatility, while DPR and leverage had no significant impact on stock price fluctuations. The results of this study highlighted firm size as a crucial determinant of stock price stability, emphasizing its importance in understanding market behavior and investor decision-making.
Choiriyah et al. (2020)	Effects of ROA, ROE, NPM, EPS, and OPM on stock prices in banking companies	Dependent: Stock Prices Independent: ROA, ROE, NPM, EPS, Operating Profit Margin (OPM)	Multiple linear regression, secondary data from eight banking companies	The findings of this study were that ROE and EPS had a significant positive impact on stock prices, while ROA, NPM, and OPM had no significant effect. The results of this study indicated that ROE and EPS were crucial determinants of stock prices in the banking sector.

2.3 Research Gap

Previous studies, such as those by Budhathoki et al. (2023), Madai (2023), Subedi (2024) and Thapa and Paudel (2024) focused on various factors influencing stock prices using analytical research designs. However, the current study has adopted a descriptive and causal-comparative research design specifically targeting microfinance institutions, thereby offering a more focused analysis. Earlier research primarily relied on secondary data from commercial banks, insurance companies and manufacturing firms (Adhikari, 2023; Gyawali, 2022; Maskey, 2022), whereas the current study has selected three national-level microfinance institutions to closely examine stock price behavior within this underexplored sector. Previous scholars employed methods such as multiple regression, structural equation modeling and panel data regression (Ali et al., 2022; Bustani et al., 2021; Sukesti et al., 2021) but the present study has utilized regression, correlation and descriptive analyses on a consistent ten-year secondary dataset, enhancing its methodological robustness. Additionally, past studies often examined firm-specific factors such as EPS, P/E ratio, DPS, and BVPS in isolation, and did not sufficiently investigate their collective impact on market price per share, particularly within microfinance institutions (Madai, 2023; Thapa & Paudel, 2024). In contrast, the current study has analyzed these financial ratios collectively and has further included macroeconomic variables such as inflation and interest rates which were generally overlooked in earlier research. Through this integrated and targeted approach, the current study has addressed key gaps in the existing literature by offering a more comprehensive and sector-specific understanding of stock price determinants in Nepal's microfinance sector.

CHAPTER III
RESEARCH METHODOLOGY

The research methodology section outlines the methods, tools and techniques used to analyze the data and compile the report. In this study, the adopted methodology has addressed both the main and specific objectives. This chapter has included (i) research design, (ii) population and sample, and sampling design, (iii) nature and sources of data, and the instruments of data collection, (iv) methods of analysis and (v) research framework and definition of variables. Further details of these research methodologies are as follows:

3.1 Research Design

This study has employed both descriptive and causal comparative research design based on its specific objectives. Descriptive research is used to systematically describe the current situation or characteristics of firm-specific and macroeconomic factors affecting the market price per share of microfinance companies in Nepal, addressing the first objective. Causal-comparative research design examines existing relationships between variables and analyzes the impact of independent variables on the dependent variable without experimental manipulation. This design has been applied to fulfill the second objective which has examined the relationship between EPS, DPS, P/E Ratio, BVPS, INF and IR with MPS, and also the third objective which has analyzed the impact of these firm specific and macroeconomic factors on market price per share. These two designs have been purposefully chosen to suit the study's aims, with descriptive research clarifying the situation and causal-comparative research exploring relationships and effects, while other research designs have been excluded for not fitting the study's analytical needs.

3.2 Population and Sampling, and Sampling Design

The researcher selected this research topic in 2024; however, at that time, no specific source provided adequate information to determine the population and sample. Subsequently, a comprehensive and updated overview of microfinance institutions in Nepal was found on Google, dated December 13, 2023. According to this update, there were 55 microfinance institutions (MFIs) operating in Nepal, which have been

considered the population of this study. Out of these, three MFIs have been selected as the sample: First Microfinance Laghubitta Bittiya Sanstha Limited (FMDBL), RSDC Laghubitta Bittiya Sanstha Limited (RSDC) and Sana Kisan Bikas Bittiya Sanstha Limited (SKBBL). Although probability sampling could have been used, the potential for bias arising from institutional differences made it less suitable. Therefore, non-probability sampling has been employed, specifically using purposive sampling to ensure relevance and reduce bias. These three institutions were deliberately chosen because the update identified them as the only national wholesale microfinance institutions, while the remaining 52 were categorized as national, regional, or local. As a result, this study focuses exclusively on the stock price movements of these three wholesale MFIs, excluding the rest from the sample.

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

This study has utilized secondary data, which includes information previously collected from various sources. The study has considered financial data available on the official websites of the selected MFs for firm-specific variables. Additionally, it has incorporated data from economy reports issued by relevant financial authorities such as the NRB for macroeconomic variables. The instruments of data collection include published financial statements, annual reports, NRB publications and authenticated online databases. The research focuses on ten fiscal years (2014/15 to 2023/24). Data from years before 2014/15 have been excluded due to limited availability and the merger activities of MFIs which affect data consistency and comparability.

3.4 Method of Analysis

This study has used both descriptive and inferential statistics, with SPSS Version 29 employed to interpret the data. Descriptive statistics have summarized the minimum, maximum, mean, and standard deviation values. Inferential statistics have included correlation and regression analyses. Correlation analysis has examined the relationships between the independent variables such as EPS, DPS, P/E ratio, BVPS, INF and IR with the dependent variable MPS. Regression analysis has assessed the impact of these independent variables on the market price per share to determine their significance and predictive power. These analytical tools have been applied to address the research objectives and to provide a comprehensive understanding of the factors influencing stock price movements in the Nepalese microfinance sector.

A. Descriptive Statistics

Descriptive statistics have been utilized to analyze the major variables, including Earnings Per Share (EPS), Dividend Per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value Per Share (BVPS), Inflation (INF), Interest Rate (IR) and Market Price Per Share (MPS). The analysis has provided insights into their minimum, maximum, mean and standard deviation, which help in understanding the distribution and variability of these financial indicators. Through this descriptive analysis, the study has addressed the first major objective, which is to assess the situation or characteristics of firm-specific and macroeconomic factors affecting the market price per share of microfinance companies in Nepal. This has also formed the foundation for examining how these factors influence stock price movements in the Nepalese microfinance sector. The following are the findings from the descriptive statistics:

Arithmetic Mean

The arithmetic mean, also known as the average, represents the central value of a dataset and is one of the most commonly used measures of central tendency. It is calculated by summing all the values in the dataset and then dividing by the total number of values. This provides a single value that is useful for summarizing the data, offering a general sense of the typical value or central point within the dataset. Because of its simplicity, the arithmetic mean is widely used in various fields, such as statistics, economics, and social sciences, to understand overall trends and patterns. However, while it serves as an effective measure in many cases, the arithmetic mean can be significantly influenced by outliers or extreme values. For example, if there is a data point that is much higher or lower than the others, it can skew the mean, making it less representative of the majority of values in the dataset. Therefore, while the arithmetic mean is valuable for providing a quick overview, it may not always give a complete picture of the data, especially when the distribution is uneven or contains outliers.

The formula for the arithmetic mean is as follows:

$$\text{Arithmetic mean } (\bar{x}) = \frac{\sum X}{N}$$

Where,

N = Total number of values in the dataset

$\sum X$= Sum of all values in the dataset

Standard Deviation

Standard deviation is an important statistical measure used to assess the degree of variation or dispersion within a dataset. It indicates how much individual data points deviate from the mean (average) of the dataset. By taking the square root of the variance, it provides a numerical value that reflects the spread of the data. A smaller standard deviation suggests that the values are tightly clustered around the mean, indicating low variability, while a larger standard deviation indicates greater dispersion, with values spread farther apart. This measure is crucial for ensuring consistency, reliability, and predictability, and is commonly used in finance, research, and quality control. Understanding the standard deviation helps to evaluate the risk or uncertainty of data, making it essential for decision-making processes, especially when comparing different datasets or distributions. It is also useful in identifying patterns, trends, and anomalies, contributing to more accurate predictions and assessments. Additionally, it plays a vital role in hypothesis testing and confidence interval estimation, providing insight into the precision of statistical results.

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum(X-\bar{X})^2}{N-1}}$$

Where,

X Represents each individual data point in the dataset

$\bar{X}$ Represents the mean (average) of the dataset

N is the total number of data points in the dataset

B. Inferential Statistics

Inferential statistics have included correlation and regression analyses. Correlation analysis has revealed the strength and direction of the relationships between EPS, DPS, P/E Ratio, BVPS, INF and IR with the dependent variable, MPS, highlighting whether the associations are positive or negative. Regression analysis has quantified the impact of each independent variable on MPS, offering insights into their predictive power and statistical significance. Through correlation analysis, the second objective has been addressed, and through regression analysis, the third objective has been fulfilled. This combined statistical approach has provided a comprehensive understanding of how firm-specific and macroeconomic variables affect stock price movements in Nepalese microfinance companies. The key findings are as follows:

Correlation Analysis

Correlation analysis evaluates the strength and direction of the relationships between variables. A positive correlation means both variables increase together, while a negative correlation indicates that as one variable increases, the other decreases. The correlation coefficient (r) ranges from +1 (perfect positive) to -1 (perfect negative), with 0 indicating no relationship. This analysis helps in assessing the connections between variables and guides further statistical analysis. A strong correlation signifies a meaningful relationship between variables, while a weak correlation shows a minimal link. Although correlation analysis does not establish causality, it aids in identifying patterns and trends within the data. This method is commonly used in economics, finance, and social sciences to study dependencies between important factors. In this study, correlation analysis is used to assess how variables such as tax rates, GDP growth, population size, inflation, and trade openness influence Foreign Direct Investment (FDI) inflows, providing a basis for further regression analysis.

The Pearson correlation coefficient (r) is calculated using the formula:

$$r = \frac{n\,(\sum XY) - (\sum X)\,(\sum Y)}{\sqrt{[n\,(\sum X^2) - (\sum X)^2]}\,\sqrt{[n\,(\sum Y^2) - (\sum Y)^2]}}$$

Where;

n = the number of data pairs

$\sum XY$ = the sum of the product of each pair of scores

$\sum X$ And $\sum Y$ = the sums of X and Y scores respectively

Regression Analysis

Regression analysis is a statistical technique used to measure the effect of one or more independent variables on a dependent variable. It examines how variations in independent variables affect the dependent variable, evaluating the strength and significance of these relationships. Through regression coefficients (denoted as 'β'), the method reveals the extent and direction of impact, showing how the dependent variable changes with each unit increase in an independent variable, while keeping other factors constant. A positive coefficient indicates a direct correlation, while a negative one suggests an inverse relationship. This method is commonly applied in economics, finance, and social sciences for assessing impacts, analyzing trends, and evaluating policies. Additionally, regression analysis helps in making predictions based on historical data and identifying significant predictors for strategic decision-making. It

provides valuable insights for informed decision-making by uncovering the underlying relationships between variables.

Model Specification

In this regression model, the dependent variable is Market Price Per Share (MPS) which has been influenced by several independent variables including Earnings Per Share (EPS), Dividend Per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value Per Share (BVPS), Inflation Rate (INF) and Interest Rate (IR).

The regression model of this is presented as follows:

$$MPS = \beta_0 + \beta_1 EPS + \beta_2 DPS + \beta_3 P/E\ Ratio + \beta_5 BVPS + \beta_5 INF + \beta_6 IR + \varepsilon it$$

Where;

β_0 = Intercept/ Constant Term

MPS = Market Price Per Share

EPS = Earnings Per Share

DPS = Dividend Per Share

P/E Ratio = Price-to-Earnings Ratio

BVPS = Book Value Per Share

INF = Inflation Rate

IR = Interest Rate in Nepal

εit = error term of the stochastic model

Betas including β_1, $\beta_{2,}$ $\beta_{3,}$ $\beta_{4,}$ β_5 and β_5 are the parameters of the model

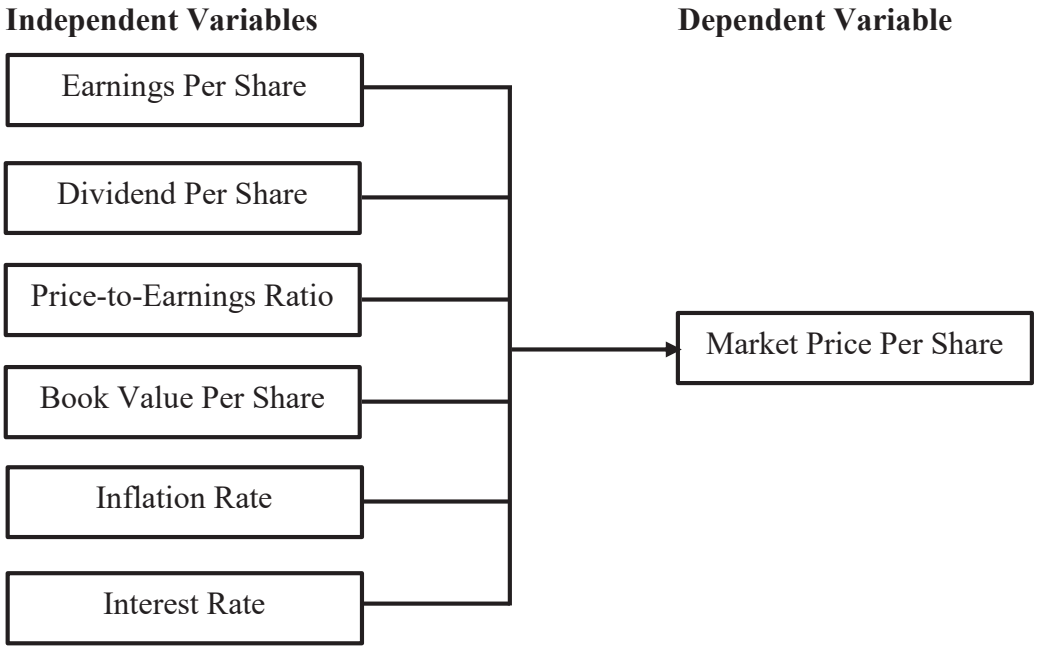
3.5 Research Framework and Definition of Variables

This section outlines the research framework and defines the variables used in the study. The firm-specific independent variables include Earnings Per Share (EPS), Dividend Per Share (DPS), Price-to-Earnings (P/E) Ratio, and Book Value Per Share (BVPS), while the macroeconomic-related independent variables comprise the Inflation Rate (INF) and Interest Rate (IR). The dependent variable is Market Price Per Share (MPS). This framework provides a structured approach to analyzing how firm-specific and macroeconomic-related variables influence stock price movements in the microfinance sector. Understanding these relationships helps in assessing market dynamics and

supports informed investment decision-making. The research framework for this study is presented in the following figure:

Figure 1

Research Framework



(Source: Modified from Gyawali, 2022; Panta, 2020; Thapa & Paudel, 2024)

Dependent Variable

Market Price per Share (MPS)

Market price per share represents the current trading price of a single share of a company's stock in the stock market. It is a crucial indicator of a company's market valuation, reflecting how investors perceive the company's worth based on various factors. MPS is influenced by a range of elements including the company's financial performance, such as earnings and profitability; economic conditions, including inflation rates and economic growth; and investor sentiment, which encompasses market perceptions and expectations about future performance. Additionally, MPS can be swayed by broader market trends, such as shifts in investor confidence or changes in industry dynamics. For instance, a company's strong earnings report might drive up its share price, while economic downturns or negative news can lead to declines. MPS provides investors with an essential metric for evaluating investment opportunities, as it indicates the price investors are willing to pay for ownership in the company. Changes in MPS can reflect shifts in market conditions or adjustments in investor expectations, making it a dynamic measure of a company's perceived value (Ramaiah et al., 2021).

Independent Variables

Earnings Per Share (EPS)

Earnings per share quantify a company's profitability on a per-share basis by dividing the net income attributable to common shareholders by the number of outstanding shares of common stock. This metric excludes dividends on preferred stock, focusing solely on the earnings available to common shareholders. EPS serves as a crucial indicator of financial performance, reflecting how efficiently a company generates profit relative to its equity base. It provides insight into the company's ability to generate profit for its shareholders and is often used by investors to gauge financial health and performance. Higher EPS values typically suggest stronger financial performance and profitability, which can positively impact the Market Price per Share (MPS) by signaling robust earnings potential and operational efficiency. Thus, a higher EPS often correlates with a higher market price per share (MPS), as investors tend to value shares more highly when a company demonstrates strong earnings performance (Dee & Yamaguchi, 2020).

Dividend Per Share (DPS)

Dividend per share is a financial metric that represents the portion of a company's earnings distributed to its shareholders on a per-share basis. It is calculated by dividing the total dividends paid by the number of outstanding shares. DPS serves as an indicator of a company’s profitability and its approach to returning profits to shareholders. A higher DPS often signals strong financial health and a commitment to providing returns to investors, which can make the company’s shares more attractive to income-seeking investors, thereby potentially increasing the Market Price per Share (MPS). Conversely, a lower DPS might indicate that the company is either facing financial difficulties or is choosing to reinvest profits into growth opportunities rather than distributing them as dividends. Thus, DPS not only reflects the company's current financial stability but also influences investor perceptions and the stock's market valuation (Smith & Taffler, 2019).

Price-Earnings (P/E) Ratio

Price earnings ratio is a financial metric used to evaluate a company's valuation by comparing its current share price to its earnings per share (EPS). This ratio is calculated by dividing the market price per share by the EPS. The P/E ratio provides insight into

how much investors are willing to pay for a dollar of the company's earnings, thus reflecting market expectations about the company's future performance. A high P/E ratio often indicates that investors are optimistic about the company's future growth prospects and are willing to pay a premium for its shares, which can drive up the Market Price per Share (MPS). Conversely, a low P/E ratio might suggest that the stock is undervalued or that the company is expected to experience slower growth. By analyzing the P/E ratio, investors can assess whether a stock is overvalued or undervalued relative to its earnings, influencing their investment decisions and affecting the MPS (Johnson & Lee, 2021).

Book Value Per Share (BVPS)

Book value per share represents the value of a company's equity allocated to each share of common stock. It is calculated by dividing the total book value of the company's equity defined as total assets minus total liabilities by the number of outstanding shares. BVPS provides an accounting-based measure of a company's value, reflecting its net worth per share. This metric serves as a benchmark for assessing whether a stock is fairly valued in the market. If the BVPS is significantly higher than the Market Price per Share (MPS), it may indicate that the stock is undervalued relative to its book value, suggesting potential investment opportunities. Conversely, a lower BVPS compared to MPS might imply that the stock is overvalued or that investors expect substantial future growth. Thus, BVPS helps investors gauge the intrinsic value of shares and make informed decisions about stock valuation (Gordon, 2018).

Inflation (INF)

Inflation in Nepal refers to the persistent increase in the general price level of goods and services over time, typically measured through the Consumer Price Index (CPI) published by the Nepal Rastra Bank (NRB). Inflation affects the purchasing power of consumers and the cost structure of firms, thereby influencing profitability and investor expectations. In the financial sector, high inflation can erode real investment returns, increase operational costs, and create uncertainty, potentially lowering the market price per share (MPS) of companies, including microfinance institutions. Conversely, stable inflation supports investment confidence and helps maintain economic stability. In the context of this study, inflation is considered a key macroeconomic factor impacting the valuation of microfinance stocks in Nepal. According to NRB's Monetary Policy

Report 2023/24, the annual average consumer inflation stood at 7.74% in FY 2022/23, driven by rising food and transportation costs (Nepal Rastra Bank, 2023). The World Bank (2023) also highlights inflation as a structural concern affecting Nepal's investment climate and financial sector development.

Interest Rate (IR)

Interest rate in Nepal, governed by the Nepal Rastra Bank (NRB), represents the cost of borrowing or the return on saving, and plays a critical role in influencing the country's investment patterns, credit availability, and economic growth. Interest rates directly impact microfinance institutions by affecting their cost of capital and lending rates, which in turn influence their profitability and attractiveness to investors. Higher interest rates generally reduce the willingness of businesses and individuals to borrow, which can slow economic activity and depress stock prices. In contrast, lower interest rates can stimulate borrowing and investment, supporting higher asset valuations, including stock prices. In Nepal, the NRB determines key policy rates such as the bank rate and repo rate to control liquidity and inflation. As reported in the NRB's Macroeconomic Update (2023), the weighted average interest rate on loans stood at 12.21% in mid-June 2023. The World Bank (2023) notes that interest rate fluctuations in Nepal significantly affect financial intermediation and investor behavior, making it a crucial variable for stock price analysis in the microfinance sector.

CHAPTER IV
RESULTS AND DISSCUSSION

In this chapter, data have been presented in an appropriate format, then analyzed and discussed. The analysis has aimed to answer the research questions posed or test the hypotheses set in the introduction chapter. The outcomes of the analyses have been considered as the results. These results have then been discussed and interpreted in light of relevant theories and empirical studies to reach a conclusion. Accordingly, this chapter has been organized under the Results and Discussion section.

4.1 Results

This section presents the results obtained from the collected secondary data. Data have been collected for the independent variables of this study, where the firm-specific variables include EPS, DPS, P/E Ratio, BVPS while the macroeconomic variables include the INF and IR. The dependent variable is the MPS of selected microfinance companies in Nepal. The analysis has incorporated both descriptive and inferential statistics to address the specific objectives of the study and both statistical analyses have been performed using SPSS software version 29. Descriptive statistics include the minimum, maximum, mean and standard deviation which describe the range, central tendency and variability of the study variables during the study period. Inferential statistics include correlation and regression analyses, where correlation analysis measures the direction and strength of the relationships between the independent variables with the dependent variable, and regression analysis analyzes the impact of the independent variables on the market price per share of microfinance companies in Nepal. The results of this study are presented below.

A. Results of Descriptive Statistics

Descriptive statistics have been used to present the summary of significant characteristics of data, i.e., min, max, mean and standard deviation of independent variables namely EPS, DPS, P/E Ratio, BVPS, INF and IR as well as dependent variable MPS. The analysis includes data from 2014/15 through 2023/24 to illustrate the range and variability of these variables. The findings are presented in Table 2, showing trends and comparisons across these key metrics.

Table 2

Summary of Descriptive Statistics for All Variables

Variables	N	Min	Max	Mean	S.D.
EPS	30	10.10	66.79	23.1620	13.35215
DPS	30	0.45	12.63	2.9873	3.75480
P/E Ratio	28	17.51	198.38	48.6907	34.81183
BVPS	30	113.10	292.00	169.0417	63.70610
INF	30	3.63	8.79	6.2240	1.88077
IR	30	5.00	8.00	6.7000	1.04716
MPS	28	318.00	2950.00	1007.9250	634.43349

(Source: SPSS Version 29)

Table 2 presents the summary of descriptive statistics for all the variables used in this study, illustrating the central tendency and dispersion of firm-specific and macroeconomic variables, along with the dependent variable. Earnings Per Share (EPS) ranges from 10.10 to 66.79, with a mean of 23.16 and a standard deviation of 13.35, indicating moderate variability in the profitability levels of the selected microfinance institutions. Dividend Per Share (DPS) ranges from 0.45 to 12.63, with a mean of 2.99 and a standard deviation of 3.75, showing substantial differences in dividend distribution practices across firms. Price-to-Earnings (P/E) Ratio varies significantly from 17.51 to 198.38, with a mean of 48.69 and a standard deviation of 34.81, reflecting diverse investor expectations and valuation perceptions. Book Value Per Share (BVPS) ranges from 113.10 to 292.00, with a mean of 169.04 and a standard deviation of 63.71, suggesting notable variation in the underlying asset value per share among the companies. The Inflation Rate (INF) lies between 3.63 and 8.79, with a mean of 6.22 and a standard deviation of 1.88, indicating moderate fluctuations in inflation during the study period. Interest Rate (IR) ranges from 5.00 to 8.00, with a mean of 6.70 and a standard deviation of 1.05, showing relatively stable interest rate trends. Lastly, Market Price Per Share (MPS) shows the widest range among all variables, from 318.00 to 2950.00, with a mean of 1007.93 and a high standard deviation of 634.43, indicating substantial volatility in stock prices of microfinance companies in Nepal throughout the observed period. These statistics provide valuable insights into the characteristics and variability of each variable, serving as a foundation for further inferential analysis.

B. Results of Inferential Statistics

Inferential statistics include correlation and regression analysis. Correlation analysis examines the interdependence between the independent variables such as EPS, DPS, P/E Ratio, BVPS, INF and IR with the dependent variable MPS. Regression analysis is then used to evaluate the impact of these firm-specific and macroeconomic factors on MPS. The results of correlation and regression analysis have been presented below.

Correlation Analysis

Correlation matrix illustrates the relationship between EPS, DPS, P/E Ratio, BVPS, INF and IR with MPS of Nepalese MFIs. It helps assess the direction and strength of the relationships between each independent variable with MPS. The results have been presented below.

Table 3

Karl Pearson's Correlation Analysis of Study Variables

Variables		EPS	DPS	P/E	BVPS	INF	IR	MPS
EPS	Pearson Correlation	1						
	Sig. (2-tailed)							
DPS	Pearson Correlation	0.054	1					
	Sig. (2-tailed)	0.776						
P/E Ratio	Pearson Correlation	-0.287	-0.238	1				
	Sig. (2-tailed)	0.138	0.223					
BVPS	Pearson Correlation	0.681**	0.183	-0.158	1			
	Sig. (2-tailed)	0.000	0.334	0.423				
INF	Pearson Correlation	0.238	-0.516**	0.331	-0.029	1		
	Sig. (2-tailed)	0.206	0.004	0.086	0.878			
IR	Pearson Correlation	0.253	-0.123	0.084	-0.065	0.654**	1	
	Sig. (2-tailed)	0.177	0.519	0.672	0.731	0.000		
MPS	Pearson Correlation	0.418*	-0.200	0.702**	0.394*	0.504**	0.317	1
	Sig. (2-tailed)	0.027	0.307	0.000	0.038	0.006	0.100	

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

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

(Source: SPSS Version 29)

Table 3 presents the results of Karl Pearson's correlation analysis, showing the strength and direction of the relationships between the independent variables such as EPS, DPS, P/E Ratio, BVPS, INF and IR with the dependent variable MPS. EPS shows a moderate positive correlation with MPS (r = 0.418) which is statistically significant at the 5 percent (0.05) level (p = 0.027) suggesting that as earnings per share increase market

price per share tends to rise. DPS shows a weak negative correlation with MPS (r = -0.200), but this relationship is not statistically significant (p = 0.307) indicating minimal association between dividend payouts and stock price. The P/E Ratio has a strong positive correlation with MPS (r = 0.702) which is highly significant at the 1 percent (0.01) level (p = 0.000) reflecting a strong linear relationship between valuation ratio and market price. BVPS shows a moderate positive correlation with MPS (r = 0.394) significant at the 5 percent (0.05) level (p = 0.038) indicating that increases in book value per share are generally associated with increases in market price. INF also has a moderate positive correlation with MPS (r = 0.504) which is significant at the 1 percent (0.01) level (p = 0.006) suggesting a statistically meaningful association between inflation and stock prices. IR shows a weak positive correlation with MPS (r = 0.317) but the relationship is not statistically significant (p = 0.100) indicating limited association between interest rates and market prices. Overall, P/E Ratio and INF have the strongest and most significant relationships with MPS at the 1 percent (0.01) level, while EPS and BVPS show moderate significant relationships at the 5 percent (0.05) level and DPS and IR show no statistically significant correlation with MPS.

Regression Analysis

Regression analysis examines the influence of EPS, DPS, P/E Ratio, BVPS, INF and IR on MPS. The analysis has included the model summary, analysis of variance and regression model coefficients to examine how these variables influence the market price per share. The outcome of regression analysis has been demonstrated below.

Table 4

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.963	0.928	0.907	192.95995

a. Predictors: (Constant), EPS, DPS, P/E Ratio, BVPS, INF, IR

(Source: SPSS Version 29)

Table 5 displays the model summary where R^2 is 0.928 indicating that 92.8% of the variance in MPS is explained by independent variables including EPS, DPS, P/E Ratio, BVPS, INF and INF. The remaining 7.2% of the variance is influenced by other variables beyond the model.

Table 5

Analysis of Variance (ANOVA)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10085753.680	6	1680958.947	45.146	0.000
	Residual	781904.413	21	37233.543		
	Total	10867658.092	27			

a. Dependent variable: MPS

b. Predictors: (Constant), EPS, DPS, P/E Ratio, BVPS, INF, IR

(Source: SPSS Version 29)

Table 6 gives the Analysis of Variance (ANOVA) result for the regression model. The p-value is 0.000 which is below the cut-off value of 0.05 and hence the model is significant statistically. This confirms that the independent variables including EPS, DPS, P/E Ratio, BVPS, INF and IR together have a significant influence on MPS.

Table 6

Coefficients of Regression Model for Dependent Variable MPS

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Sd. error	Beta		
1	(Constant)	-952.941	286.932		-3.321	0.003
	EPS	24.167	4.454	0.523	5.426	0.000
	DPS	-6.674	12.161	-0.040	-0.549	0.589
	P/E Ratio	15.773	1.266	0.865	12.455	0.000
	BVPS	1.739	0.849	0.176	2.048	0.053
	INF	-2.380	33.984	-0.007	-0.070	0.945
	IR	54.763	51.100	0.088	1.072	0.296

a. Dependent variable: MPS

(Source: SPSS Version 29)

MPS = -952.941 + 24.167EPS - 6.674DPS + 15.773P/E Ratio + 1.739BVPS - 2.380INF + 54.763DPS + εit

Table 6 demonstrates the regression model coefficients of independent variables including EPS, DPS, P/E Ratio, BVPS, INF and IR for the dependent variable market

price per share (MPS). EPS has a coefficient of 24.167 and p-value of 0.000 which is less than 0.05 thus the effect is significant at 5% level. It implies that if there is a change of 1 unit in EPS, MPS will be altered by 24.167 units. DPS has a negative relationship with a coefficient of -6.674 and p-value of 0.589 which is greater than 0.05 and hence the effect is not significant at 5% level, i.e., this change won't be significant or meaningful. P/E Ratio has a positive coefficient value of 15.773 and a p-value of 0.000 which is below 0.05 thus the effect is significant at the 5% level. It indicates that if P/E Ratio changes by 1 unit, MPS will change by 15.773 units. BVPS coefficient is 1.739 and its p-value is 0.053 which is just greater than 0.05 thus the effect is not significant at 5% level, i.e., this change will be neither significant nor significant. INF has a coefficient of -2.380 and a p-value of 0.945 which is much larger than 0.05 meaning the effect is not significant or this change will not be significant or meaningful. IR also has a positive coefficient of 54.763 with a p-value of 0.296 which is also greater than 0.05 so this effect is not significant at the 5% level and hence this change will not be significant as well as meaningful. Among the predictors, P/E Ratio has the highest standardized coefficient ($\beta = 0.865$) indicating it is the strongest significant predictor of MPS while DPS has the insignificant weakest ($\beta = -0.040$). Overall, the results show that EPS and P/E Ratio are significant predictors of market price, with P/E Ratio being the most influential variable in the model.

C. Results of Hypotheses Test

H_1: There is a significant impact of earnings per share on the market price per share of microfinance companies in Nepal.

The regression analysis has revealed a significance value of 0.000, which is less than 0.05, indicating a statistically significant impact at the 5% level. Thus, the hypothesis has been supported, showing that earnings per share have a positive and significant influence on the market price per share.

H_2: There is a significant impact of dividend per share on the market price per share of microfinance companies in Nepal.

The significance value of 0.589 from the regression analysis is greater than 0.05, indicating a statistically insignificant impact. Therefore, the hypothesis has not been supported, suggesting that dividend per share does not significantly affect the market price per share.

H_3: There is a significant impact of price-to-earnings ratio on the market price per share of microfinance companies in Nepal.

The regression analysis has shown a significance value of 0.000, which is below 0.05, confirming a statistically significant impact at the 5% level. Hence, the hypothesis has been supported, indicating that the price-to-earnings ratio has a strong and positive effect on the market price per share.

H_4: There is a significant impact of book value per share on the market price per share of microfinance companies in Nepal.

The significance value of 0.053 is slightly above the 0.05 threshold, indicating a statistically insignificant impact at the 5% level. As a result, the hypothesis has not been supported, suggesting that book value per share does not significantly influence the market price per share.

H_5: There is a significant impact of inflation on the market price per share of microfinance companies in Nepal.

The regression analysis has produced a significance value of 0.945, well above 0.05, indicating a statistically insignificant impact. Therefore, the hypothesis has not been supported, implying that inflation does not significantly affect the market price per share.

H_6: There is a significant impact of interest rate on the market price per share of microfinance companies in Nepal.

The significance value of 0.296 is greater than 0.05, showing a statistically insignificant result. Thus, the hypothesis has not been supported, indicating that interest rate does not have a significant effect on the market price per share of microfinance companies.

4.2 Discussion

The study has investigated the factors affecting the stock price of microfinance institutions in Nepal, considering firm-specific variables such as EPS, DPS, P/E Ratio, and BVPS along with macroeconomic factors including INF and IR with MPS as the dependent variable. Firm-specific financial data have been collected from annual reports, financial statements and the official websites of three selected microfinance institutions: First Microfinance Laghubitta Bittiya Sanstha Limited (FMDBL), RSDC

Laghubitta Bittiya Sanstha Limited (RSDC) and Sana Kisan Bikas Bittiya Sanstha Limited (SKBBL) for the period from 2014/15 to 2023/24. Macroeconomic data have been sourced from the Nepal Rastra Bank (NRB) website, macroeconomic trend websites and other economic data sources covering the same period. In this study, descriptive and inferential statistics have been applied to interpret results of the collected data to assess the status of firm-specific and macroeconomic factors, examine the relationships between these variables with MPS and evaluate their influence on MPS. Descriptive statistics have provided insights into the condition of firm-specific and macroeconomic variables within the selected MFIs, while inferential statistics have analyzed the relationships among the variables through correlation analysis and assessed the influence of the independent variables on the dependent variable using regression analysis.

The descriptive statistics have shown moderate variability in firm-specific variables. Earnings Per Share (EPS) ranges from 10.10 to 66.79 with a mean of 23.16 (SD = 13.35), indicating varied profitability. Dividend Per Share (DPS) ranges from 0.45 to 12.63 with a mean of 2.99 (SD = 3.75), reflecting diverse dividend practices. Price-to-Earnings (P/E) Ratio varies widely from 17.51 to 198.38, averaging 48.69 (SD = 34.81), showing differences in valuation. Book Value Per Share (BVPS) ranges between 113.10 and 292.00, with a mean of 169.04 (SD = 63.71), indicating asset value variation. Inflation Rate (INF) averages 6.22 (SD = 1.88), and Interest Rate (IR) averages 6.70 (SD = 1.05), showing moderate stability. Market Price Per Share (MPS) has the widest spread, from 318.00 to 2950.00, with a mean of 1007.93 (SD = 634.43), reflecting high stock price volatility.

Correlation analysis has revealed the strength and direction of relationships between variables. EPS has shown a moderate positive and significant correlation with MPS ($r = 0.418$, $p = 0.027$), indicating that higher earnings have generally been associated with higher market prices. DPS, however, has demonstrated a weak and non-significant negative correlation with MPS ($r = -0.200$, $p = 0.307$), implying minimal impact. P/E Ratio has shown a strong and highly significant positive correlation ($r = 0.702$, $p = 0.000$), suggesting that investor sentiment and valuation have closely linked with market price. BVPS has exhibited a moderate and significant correlation ($r = 0.394$, $p = 0.038$), whereas INF has shown a moderately strong and significant correlation ($r =$

0.504, p = 0.006). IR has presented a weak positive but non-significant correlation with MPS (r = 0.317, p = 0.100), suggesting limited influence.

Regression results have supported these associations, with EPS having a significant positive effect on MPS (coefficient = 24.167, p = 0.000), indicating that a unit increase in EPS has increased MPS by 24.167 units. P/E Ratio has also shown a significant positive influence (coefficient = 15.773, p = 0.000), reinforcing its strong role in stock price movements. Conversely, DPS has had a negative and non-significant coefficient (-6.674, p = 0.589), suggesting its effect has been negligible. BVPS has shown a positive coefficient (1.739) with a p-value of 0.053, which has been marginally above the 5% significance level, indicating limited predictive power. INF and IR have also not significantly impacted MPS, with coefficients of -2.380 (p = 0.945) and 54.763 (p = 0.296), respectively. Thus, EPS and P/E Ratio have emerged as the most influential predictors of market price among the examined variables.

The correlation analysis reveals a moderately positive relationship between EPS and MPS, aligning with Gyawali (2022) and Thapa and Paudel (2024), but contrasting with Budhathoki et al. (2023) who found a strong correlation. This supports Signaling Theory (Spence, 1973) and Fundamental Analysis Theory (Graham & Dodd, 1934), highlighting EPS as a key value indicator. DPS shows a weak, negative, and insignificant correlation with MPS, consistent with Budhathoki et al. (2023) and Adhikari (2023), but contradicting Maskey (2022), who reported a stronger positive link, challenging the Dividend Discount Model (Williams, 1938). The P/E ratio strongly correlates with MPS, as found by Niroula (2021) and Maskey (2022), supporting Fundamental Analysis, while differing from Pertiwi et al. (2020) who found a weaker correlation. BVPS exhibits a moderate, positive, but insignificant correlation with MPS, aligning with Adhikari (2023) but contradicting Gyawali (2022) and Maskey (2022), who observed a stronger link. Regarding macroeconomic variables, INF has a significantly moderate positive correlation with MPS, confirming Ariana et al. (2023) and Khadka et al. (2023), but differing from Panta (2020), while IR shows a weak, insignificant positive correlation, also contrasting with Panta (2020). These results offer partial support for the Macroeconomic Theory of Stock Prices (Fama, 1981; Chen et al., 1986), which posits a link between stock prices and macroeconomic indicators.

In regression analysis, EPS significantly and positively affects MPS, consistent with Gyawali (2022) and Sari et al. (2022), affirming Signaling Theory and Fundamental Analysis Theory. DPS has a negative, insignificant effect, as per Budhathoki et al. (2023) and Adhikari (2023), diverging from the Dividend Relevance Theory (Lintner, 1956), which views dividends as value-enhancing. The P/E ratio exerts a strong positive impact on MPS, in line with Niroula (2021) and Maskey (2022), though contrary to Pertiwi et al. (2020), reinforcing its relevance in valuation under Fundamental Analysis. BVPS shows a positive but insignificant impact, consistent with Adhikari (2023), but not with Gyawali (2022) and Maskey (2022). INF negatively and insignificantly influences MPS, aligning with Ariana et al. (2023) and Khadka et al. (2023) but contrasting with Panta (2020). Similarly, IR has a positive but insignificant impact, again differing from Panta (2020). These findings suggest that firm-specific financial indicators like EPS and P/E ratio strongly influence market price, whereas macroeconomic factors have weaker explanatory power, offering limited support for Macroeconomic Theory.

CHAPTER V
SUMMARY AND CONCLUSION

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

5.1 Summary

This study investigates the factors affecting the stock price of microfinance companies in Nepal, following a descriptive and causal-comparative research design. As of December 13, 2023, Nepal had 55 microfinance institutions (MFIs), which form the study population. Three MFIs: First Microfinance Laghubitta Bittiya Sanstha Limited (FMDBL), RSDC Laghubitta Bittiya Sanstha Limited (RSDC) and Sana Kisan Bikas Bittiya Sanstha Limited (SKBBL) have been selected as the sample using a purposive sampling approach, as they fall under the classification of national wholesale MFIs, unlike others categorized as national, regional, or otherwise. The study considers firm-specific variables such as EPS, DPS, P/E Ratio and BVPS and macroeconomic variables such as INF and IR as independent variables while MPS is treated as the dependent variable. The research is based on secondary data, with firm-specific data collected from official websites, annual reports of the selected companies from FY 2014/15 to 2023/24, excluding earlier years due to data unavailability. Macroeconomic data have been obtained from the NRB, macroeconomic trend websites and other relevant sources for the same period. The researcher has employed both descriptive statistics including min, max, mean and standard deviation and inferential statistics such as correlation and regression analysis. Descriptive statistics have been used to analyze the current status of both firm-specific and macroeconomic variables. Correlation analysis has examined the relationships between the independent variables and MPS while regression analysis has assessed the impact of these independent variables on the stock prices of the selected microfinance companies in Nepal.

The descriptive statistics have shown moderate variability in firm-specific and macroeconomic variables. Earnings Per Share, Dividend Per Share, Price-to-Earnings Ratio, and Book Value Per Share have all demonstrated varied ranges and standard

deviations, indicating differences in profitability, dividend practices, valuation, and asset value among microfinance companies. Macroeconomic indicators such as Inflation Rate and Interest Rate have reflected relatively moderate stability. Market Price Per Share has exhibited the highest volatility, pointing to significant variation in stock prices across the sampled firms.

The correlation analysis has revealed varying degrees of association between the independent variables and market price. Earnings Per Share and Book Value Per Share have shown moderate and significant positive correlations with Market Price Per Share, suggesting that higher profitability and asset value have generally been linked with higher stock prices. The Price-to-Earnings Ratio has presented a strong and significant positive correlation, indicating that market valuation and investor sentiment have closely aligned with stock prices. On the other hand, Dividend Per Share and Interest Rate have shown weak and non-significant correlations, while Inflation Rate has exhibited a moderate and significant relationship.

The regression analysis has confirmed the significance of selected variables in predicting stock prices. Earnings Per Share and Price-to-Earnings Ratio have emerged as significant positive predictors of Market Price Per Share, highlighting their strong influence on stock price movements. Book Value Per Share has shown a marginally significant positive effect, suggesting a limited predictive role. Dividend Per Share, Inflation Rate, and Interest Rate have not demonstrated significant effects, indicating that their impact on stock price has been minimal. Overall, the findings have underscored the importance of firm performance and valuation metrics in determining the market price of microfinance stocks.

5.2 Conclusion

The first objective of this study was to assess the current situation of firm-specific and macroeconomic factors affecting the market price per share (MPS) of microfinance companies in Nepal. This was accomplished through descriptive analysis, which highlighted the variability and trends of key financial indicators. Earnings Per Share (EPS) showed moderate variability, indicating fluctuating profitability levels among firms. Dividend Per Share (DPS) exhibited high volatility, possibly reflecting inconsistent dividend policies. The Price-to-Earnings (P/E) ratio reflected broad

variability in investor sentiment, while Book Value Per Share (BVPS) varied due to underlying differences in asset bases. Among macroeconomic variables, inflation (INF) and interest rates (IR) remained relatively stable, but the market price per share (MPS) itself displayed high volatility demonstrating a market environment sensitive to both firm-specific and economic signals. From a researcher's perspective, these findings underscore the need for robust internal financial management practices and adaptive strategies among microfinance firms to maintain investor confidence in a dynamic stock market environment.

The second objective sought to identify the nature of relationships between EPS, DPS, P/E ratio, BVPS, INF, and IR with MPS. Through correlation analysis, EPS showed a moderately positive relationship with MPS, suggesting that firms with higher earnings tend to enjoy better stock performance. The P/E ratio emerged as the strongest positive correlate with MPS, indicating that investor valuation plays a dominant role in price setting. DPS, on the other hand, had a weak and negative (but statistically insignificant) relationship with MPS, potentially due to reinvestment preference or signaling issues. BVPS demonstrated a moderate positive correlation, while INF showed a statistically significant moderate positive correlation, possibly due to inflation-induced nominal asset value increases. IR had a weak and non-significant positive correlation. As a researcher, these mixed relational patterns highlight the complexity of price formation in the Nepalese microfinance stock segment, suggesting that investors are more driven by perceived growth and market sentiment than by static dividend or book values.

The final objective was to analyze the impact of these variables on MPS using regression analysis. EPS and the P/E ratio both had statistically significant positive impacts on MPS, confirming their importance in investor decision-making. This supports the idea that earnings performance and investor sentiment drive stock valuations in this sector. DPS showed a weak negative influence and was statistically insignificant, suggesting that dividends are not a strong pricing signal in this context. BVPS had a positive but insignificant impact, meaning asset-based valuation plays a secondary role. Interestingly, both inflation and interest rates were found to have no significant impact on MPS in the regression model, despite showing some correlations in earlier analyses. From the researcher's point of view, this emphasizes that in Nepal’s microfinance sector, internal performance indicators especially EPS and P/E ratio carry

more explanatory power in stock price movement than macroeconomic conditions, reaffirming the investor focus on earnings growth and market optimism.

5.3 Implications

Based on the findings and conclusions of this study, several key implications emerge for policymakers, investors, microfinance institutions, and future researchers.

For Policymakers

The study highlights that firm-specific financial indicators especially earnings per share (EPS) and price-to-earnings (P/E) ratio are significant predictors of stock price movements in Nepal's microfinance sector. Policymakers can use these insights to frame policies that enhance transparency, improve financial disclosures, and foster stable market environments. Emphasizing accurate and consistent financial reporting practices could help build greater investor trust and market efficiency within the microfinance sub-sector.

For Microfinance Institutions and Investors

The results suggest that investors should prioritize profitability and valuation metrics particularly EPS and P/E ratio when making stock investment decisions in microfinance companies. These variables have demonstrated the strongest positive influence on stock prices. On the other hand, dividend per share (DPS) and macroeconomic variables like interest rate (IR) have shown limited or no significant predictive power. Microfinance institutions can leverage these findings to strengthen their financial strategies and enhance shareholder value by focusing on profitability and market valuation improvements.

For the Academic Community

This study contributes to the limited empirical literature examining the linkage between firm-specific and macroeconomic variables and stock prices in Nepal's microfinance sector. It offers a framework for future studies to expand the scope by incorporating behavioral factors, regulatory changes, or cross-country comparisons. Additionally, the evidence supports further exploration into the dominant role of internal financial performance over external macroeconomic factors in stock price behavior.

Scope for Future Research

Future research can broaden the analysis by including qualitative variables such as investor behavior, regulatory interventions, or market expectations. Longitudinal studies covering a broader timeline could provide insights into how financial and economic variables influence stock price dynamics over time. Comparative studies involving other emerging economies could also enhance the understanding of microfinance stock behavior in diverse economic settings.

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APPENDIX

Summary of Data Collection for All Study Variables

MFIs	Years	EPS (In Rs)	DPS (In Rs)	P/E Ratio (In Ratio)	BVPS (In Rs)	INF (In %)	IR (In %)	MPS (In Rs)
First Microfinance Laghubitta Bittiya Sanstha Limited (FMDBL)	2014/15	25.08	0.79	25.84	124.04	8.36	8	648.00
	2015/16	20.61	0.79	97.04	129.02	7.87	8	2000.00
	2016/17	20.27	0.79	50.32	131.47	8.79	7	1020.00
	2017/18	14.82	12.63	36.44	127.68	3.63	7	540.00
	2018/19	19.36	0.89	19.37	134.01	4.06	6.5	375.00
	2019/20	18.16	4.18	17.51	131.26	5.57	6	318.00
	2020/21	17.61	0.53	32.71	128.67	5.05	5	576.00
	2021/22	26.65	1.00	27.58	143.51	4.15	5	735.00
	2022/23	17.26	7.50	42.24	138.01	7.65	7	729.00
	2023/24	11.40	0.47	55.61	132.86	7.11	7.5	634.00
RSDC Laghubitta Bittiya Sanstha Limited (RSDC)	2014/15	14.14	0.62	-	113.10	8.36	8	-
	2015/16	25.11	0.79	-	115.60	7.87	8	-
	2016/17	14.87	0.68	198.38	115.20	8.79	7	2950.00
	2017/18	10.41	0.53	53.31	115.60	3.63	7	555.00
	2018/19	10.10	10.00	33.97	117.08	4.06	6.5	343.00
	2019/20	11.83	3.63	45.52	119.42	5.57	6	542.00
	2020/21	12.45	0.53	69.66	121.00	5.05	5	867.00
	2021/22	13.12	3.00	42.29	123.00	4.15	5	554.80
	2022/23	12.36	0.45	49.60	123.04	7.65	7	613.10
	2023/24	15.01	0.50	52.77	127.73	7.11	7.5	792.00
Sana Kisan Bikas Bittiya Sanstha Limited (SKBBL)	2014/15	66.79	1.36	23.09	254.12	8.36	8	1542.00
	2015/16	44.04	1.32	56.74	260.23	7.87	8	2499.00
	2016/17	52.60	1.32	28.56	240.16	8.79	7	1502.00
	2017/18	35.45	10.00	32.72	233.01	3.63	7	1160.00
	2018/19	41.18	12.50	26.08	269.04	4.06	6.5	1074.00
	2019/20	31.57	5.00	25.34	234.00	5.57	6	800.00
	2020/21	17.20	5.00	86.34	292.00	5.05	5	1485.00
	2021/22	27.97	1.37	43.80	269.00	4.15	5	1225.00
	2022/23	23.22	0.75	49.14	259.15	7.65	7	1141.00
	2023/24	24.22	0.70	41.37	249.24	7.11	7.5	1002.00

(Source: Annual Reports of MFIs and Economy Data from 2014/15 to 2023/24)

Data for FMDBL link here: https://fmdb.com.np/reports/Annual and

https://www.sharesansar.com/company/fmdbl

Data for RSDC link here: https://rsdcmf.com/annual-reports and

https://www.sharesansar.com/company/rsdc

Data for SKBBL link here: https://www.skbbl.com.np/reports/annual-report and

https://www.sharesansar.com/company/skbbl

Evidence for sampling link here: https://www.sharesansar.com/newsdetail/a-comprehensive-q1-8081-analysis-reveals-the-financial-frontiers-of-nepals-microfinance-sector-2023-12-13

INF data history from here: https://www.macrotrends.net/global-metrics/countries/npl/nepal/inflation-rate-cpi

Nepal Interest Rate Data from here: https://tradingeconomics.com/nepal/interest-rate

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