FACTORS AFFECTING MARKET PRICE OF SHARE: EVIDENCE OF DEVELOPMENT BANKS IN NEPAL

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by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "FACTOR AFFECTING MARKET PRICE OF SHARE: EVIDENCE OF DEVELOPMENT BANKS 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. Samjhana Sapkota has defended research proposal entitled **"**FACTOR AFFECTING MARKET PRICE OF SHARE: EVIDENCE OF DEVELOPMENT BANKS IN NEPAL**"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Asst. Prof. Durga Datt Pathak Submit the thesis for evaluation and viva-voce examination.

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This dissertation entitled "FACTOR AFFECTING MARKET PRICE OF SHARE: EVIDENCE OF DEVELOPMENT BANKS IN NEPAL**"** has been prepared in partial fulfillment for the degree of Master of Business Studies (MBS) under the course designed by the faculty of Management T.U.

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ABBREVIATIONS

CDR	:	Credit to Deposit Ratio
CPI	:	Consumer's Price Index
CRR	:	Cash Reserve ratio
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
GDPGR	:	Gross Domestic Product Growth Rate
MPS	:	Market Price Per Share
PER	:	Price Earnings Ratio
SIZE	:	Bank's Size

ABSTRACT

Market price of share is not consistent because it is affected by firm specific factors, macroeconomic factors and phycological factors. Therefore, this study examines the how firm specific and microeconomic factors influence market price of stock in Nepal Stock Market. This study employed both descriptive and explanatory research design. The secondary data were collected from ten development banks under the period of 2016/2017 to 2022/2023. To test the hypothesis multiple regression was used. The result found that the market price per share (MPS) is highly positively correlated with EPS. MPS is negatively correlated with consumer's price index (CPI), whereas MPS is low positively correlated with banks size and moderately positive correlated with GDPGR, PER and DPS. The dependent variable of this study is MPS, which is positively correlated with all of the independent variables, except low negative correlation with consumer's price index (CPI). The study's main finding is that the model employed has a high statistical significance. A variety of independent variables, including DPS, EPS, PER, SIZE, GDPGR and CPI might influence MPS prediction. The results of the normality test indicate that the dependent variable's data are distributed regularly. The regression result indicates that, coefficient of first four independent variables are positive and last two are negative.

Keywords: *Stock price, development bank, growth rate, earnings*

CHAPTER I

INTRODUCTION

1.1 Backgrounds of the Study

The dynamics of the stock market are the main reason why investors and fund managers have repeatedly struggled to make accurate stock price predictions in order to generate respectable profits. Purchasing shares provides the advantage of liquidity in addition to the chance to outperform the market and generate substantial profits. Yet forecasting share prices is a difficult task. It has been demonstrated that both intrinsic and extrinsic factors can influence stock price fluctuations, and that share price movement is not independent in nature (Malhotra & Tandon, 2013).

The behavior of projected stock returns is explained by both macroeconomic and firm-specific factors. Although prior research (Gordon, 1959; Friend & Puckett, 1964; Bower and Bower 1969; Malkiel & Cragg, 1970; and Zahir, 1992) found that expected stock returns are highly sensitive to macroeconomic factors, a number of firm-specific factors, including size, book-to-market ratio, earnings, dividends, risk, leverage, right issue, and bonus issues, explain expected stock behavior.

Market prices have a positive correlation with gross domestic product, return on assets, earnings per share, dividends per share, and price-earnings ratios. It suggests that the market price per share rises in response to increases in earnings per share, dividends per share, return on assets, price-earnings ratio, and gross domestic product (Sapkota, 2016). In the case of Nepal's commercial banks, the primary factors influencing stock price are firm-specific factors such as earnings per share, divided per share, price earnings ratio, book value per share, return on assets, and size. The most significant determinant of the share price among the variables is size. This implies that a larger company would have a greater stock price. According to Pradhan and Dahal (2016), the gross domestic product is one of the key macroeconomic factors that influences the share price, along with inflation and the money supply.

Microeconomics may be the preferable area for individual investors to concentrate on, but macroeconomics cannot be completely disregarded. Technical investors and fundamental and value investors may dispute on the appropriate use of economic analysis. Although

microeconomic issues are more likely to affect individual investments, macroeconomic factors have the ability to affect entire portfolios.

The factors that influence stock prices are frequently up for discussion. Every day, the price of shares fluctuates. Divergent opinions exist among economists and financial market participants on market share prices and fluctuations. These fluctuations may be caused by a variety of micro-economic/fundamental (internal firm factors such as dividend policy, earnings per share, size, board of directors changes, company performance, hiring new employees, and the creation of new assets, etc.) and non-fundamental (external factors such as the economy, GDP, inflation, money supply, government regulations, other economic conditions, investor behavior, competition, market conditions, uncontrolled natural or environmental circumstances, etc.) factors (Haque et al., 2013).

The market data is crucial in making short-term investment decisions, even though the company's fundamentals are crucial for long-term investors. Daily fluctuations in share prices are like passing clouds, but long-term effects are caused by changes in the company's fundamentals. Stock valuation ratios are used by some analysts to determine a stock's current fair value and project its future value; other analysts take market trends into account as well. Fundamental analysts feel that the stock is either overvalued or undervalued, and that the market price will eventually move towards fair value if fair value is less than the current market stock price (Joshi, 2013).

Through encouraging capital formation and accelerating economic expansion, the stock market contributes significantly to economic development. Through risk sharing, fund pooling, and wealth transfer, trading securities in this market helps savers and capital users. The flow of reserves to the most profitable investment can generate economic activity. Considering a company's share price, investors decide which shares to purchase. According to some theories, shifts in financial basic variables and share price fluctuations are related (Nisa & Nishat, 2011).

In addition to promoting innovation and increasing business efficiency, equity markets offer a significant source of funding for sustained economic growth. They also give governments a practical way to raise money by selling state-owned businesses. Furthermore, investments in the equities market make up a significant portion of people's assets, especially when governments move their pension systems closer to the private

sector. In summary, it is evident that stocks are becoming a more significant capital market in the global economy (Mosley & Singer, 2008).

Macroeconomic variables that are positively and significantly correlated with market price per share include inflation and GDP growth rate (Shubiri, 2010). The share price and size have a positive, substantial link, although the relationships between dividend yield, asset growth, and return on assets are positive but not significant (Ramzan, 2013). Masum (2014) looked at the connection between dividend policy and how it affected the market performance of shares on the Dhaka stock exchange. The results showed that the dividend policy had a positive and significant effect on the stock price. Pakistan, India, and Sri Lanka are the three South Asian nations that Aurangzeb (2012) studied. Regression analysis shows that exchange rates and foreign direct investment significantly improve stock market performance in South Asian nations. Interest rates significantly and negatively affect the performance of the South Asian stock market. Additionally, the results show that inflation has a negative but negligible effect on South Asian stock market performance.

According to Srinivasan (2012), internal characteristics including dividends, retained earnings, size, earnings per share, dividend yield, leverage, pay-out ratio, and book value per share all affect share prices for various markets. Investors can make more lucrative investing selections if they have a thorough understanding of how different fundamental factors affect share price. Fisher (1930), who suggested that prices and inflation should follow the same path, investigated whether stock markets are independent of inflation predictions. The real return and the anticipated inflation rate are the two parts that make up the expected nominal return on stocks, which explains this. According to the generalized Fisher hypothesis, stocks constitute a claim against the company's actual assets and can act as an inflation hedge.

1.2 Problem Statement

In essence, supply and demand influence stock price. The stock price is determined by both quantitative and qualitative elements. But defining precisely which factors influence stock price is a contentious and uncertain matter. A number of things affect the share price. The stock price varies periodically, and stock exchanges respond to changes in the environment. However, the stock exchanges have little impact on certain environmental

changes. The goal of this study is to determine the factors that influence stock price and the extent to which those factors are related.

The study of how all markets interact to produce large phenomena that economists refer to as aggregate variables is known as macroeconomics. Microeconomics studies a single market, such as whether changes in supply or demand are responsible for price increases in the oil or automotive industries. In macroeconomics, the government is a key subject of research, such as how it battles inflation or contributes to general economic growth. Because domestic markets are connected to foreign markets through trade, investment, and capital flows, macroeconomics frequently has applications in the global arena. However, microeconomics can also be global in scope. Although individual investors might be better suited concentrating on microeconomics, macroeconomics cannot be completely disregarded. Regarding the appropriate function of economic analysis, technical investors may disagree with fundamental and value investors. Macroeconomic influences can effect entire portfolios, while microeconomic factors are more likely to affect individual investments (Sing & Kansal, 2004).

Research on individual investors and their behavior has been given a lot of thought in the past and is becoming more and more of a focus for many scientists, not just economists. Due to the abundance of market and investment possibilities made possible by the globalization of financial markets, small investors have been growing over the past 20 years. But it complicates the process of making investment selections. When making investment decisions, small investors typically take their requirements, ambitions, aspirations, and limits into account. However, they are completely incapable of making a profitable financial choice. Real individual investors behave differently from investors in these models, according to a substantial body of empirical evidence. Diversified portfolios are held by the majority of individual investors. A large number of ostensibly ignorant investors engage in active, speculative, and detrimental trading. Additionally, individual investors together make methodical rather than haphazard decisions on what to buy and sell.

For a long time, investors and financial economists have been looking for investing methods that produce unusual returns. Although numerous research has proved that firm-level fundamental variables are helpful in explaining patterns of stock returns and future price movements, the trustworthy one has not yet been identified. For example, some of the major studies include the following: the earning yield effect of Basu (1977), the size

effect of Banz (1981), the leverage effect of Bhandari (1988), the book-to-market effect of Stattman (1980), the joint effect of beta, size, leverage, book-to-market equity, and earning yield of Chan et al. (1991), as well as annual reports and interviews with company officials (Gentry and Fernandez, 2008). These findings demonstrate the explanatory value of firm-level historical accounting variables in forecasting future profits. Dividends and capital gains make up the return. The quantity of investments and the extent of stock returns are determined by market opportunities and future possibilities. Investment decisions are a significant occurrence in the field of finance, much like stock returns. The two factors that have contributed most to the explanation of the diversity in stock returns are size and book-to-market equity. These factors are used as explanatory variables in the study to support the existence of comparable findings in the Nepalese setting.

It is acknowledged by the financial and economic communities that financial markets have an impact on the economy and that macroeconomic factors impact stock market prices. Nonetheless, there have been conflicting results about the relationship's trajectory. In a similar vein, it was discovered that while oil price and liquidity had no effect on stock return, exchange rates, inflation rates, and gold prices did.

Government organizations that determine policy and investors are both concerned about the connection between macroeconomic factors and the stock market. The factors that influence stock market stochasticity are also of interest to the general public and academics. Efficiency in the stock market and economic growth are frequently linked. The only secondary market in Nepal for the purchase and sale of capital market instruments is the stock market. It serves as a financial mediator that connects the economy's surplus and deficit units. In addition, the stock market has seen extreme volatility during the past ten years. The significance of the stock market in the economy and its unexpected volatility have thus served as the study's driving forces.

There is no question about the tendency for macroeconomic indicators to influence stock markets because finance theory exposed the link between macroeconomic data and stock market indices. Understanding the connection between the macroeconomic issues that affect the stock market index is so crucial. The Nepalese stock market has gone through several phases of development. The last ten years have seen significant political shifts, and the market has surged to its highest point ever. Graham (1973) made the observation that equities' future performance is solely determined by the performance of the

companies that own them. The majority of the literature currently in publication, notwithstanding the lack of a consensus, establishes a relationship between macroeconomic volatility and stock market prices by examining the transmission mechanism between the three main macroeconomic variables—real GDP, exchange rates, and the broad money supply.

According to Lakonishok et al. (1994) and the overreaction hypothesis, investors' overreaction to previous firm performance is what causes the reversal and book-to-market effect. High book-to-market enterprises, on the other hand, are likely to be riskier and so demand higher expected returns, according to Fama and French (1995, 1996), who also claimed that past performance is likely to be negatively associated with changes in systematic risk. Investor overreaction to historical accounting growth rates was explained by certain data. On the other hand, other research showed that the higher risk and return of high book-to-market firms are caused by the anguish caused by the company's bad performance in the past. The question of whether the book-to-market effect or return reversal is caused by investor overconfidence or the risk and return trade-off is what spurred the study.

The capital-centric trading system, the small number of powerful investors, and their effect on the stock market may be the main problems in the stock market. According to Kafle (2007), there are a variety of elements that contribute to the stock market's bullishness and ascent to new highs, but the most important ones are investors' understanding of risk and return and investment profile. Providing a friendly trading environment with confidence and dedication, as well as safeguarding investors' rights, are the main responsibilities of securities regulatory bodies. The other is the growth and development of the existing facilities and infrastructure. The practice of regulators giving specific investing advice is nonexistent; they shouldn't advise people to buy or sell certain stocks. Likewise, they need not to offer specific tactics to direct investors' investing choices. However, the authority has the ability to effectively enforce the level of awareness within the investment communities.

The aforementioned literature study demonstrates that the results are inconsistent. Several significant research shows an inverse relationship between returns and market-to-book value, whereas a positive relationship between size and stock return. Book-to-market equity is the most important factor influencing stock returns, and other research indicates that the Nepalese stock market is inefficient. On the other hand, the negative relationship

between cash flow yield, book-to-market value, and earnings yield and size and stock returns is more informative. These research demonstrated that, notwithstanding Nepal's inefficient capital market, book-to-market equity and size are the primary factors influencing stock performance. As a result, the body of current literature offers ample proof of the disagreement and conflict. The current disparity supports the need for more data on the variables influencing stock performance.

Because of these disputes, this study aims to determine how firm-specific and macroeconomic factors affect the stock market index in the context of the Nepalese stock market. Furthermore, Nepal's economic differences from the previously investigated countries make it necessary to do study in a contextually different country. An attempt was made to confirm the aforementioned findings in a study on stock market behavior in a tiny capital market in Nepal. The study made another attempt of this kind and found that there is a positive correlation between dividends per share and stock price, and that the impact of dividends per share varies by sector. The extent to which these findings are still applicable in the current situation is an important point, though.

The Study deals with the following issues:

i. What is the current status of firm specific and macroeconomic determinants and market price of development banks in Nepal?
ii. What is the relationship between firm specific, macroeconomic variables, and market price of stock of development banks in Nepal?
iii. At what extent firm specific and macroeconomic variables influence market price of Nepalese development banks?

1.3 Objective of the Study

This study's main goal is to examine how macroeconomic and firm-specific factors affect the stock price of Nepal's development bank. Additionally, the following are the study's specific objectives:

i. To assess the current status of firm specific and macroeconomic determinants and market price of development banks in Nepal.
ii. To examine the relationship between firm specific (DPS, EPS, PER and Banks’s Size), macroeconomic variables (GDPGR and CPI) with market price per share of development banks in Nepal.

iii. To analyze the impact of firm specific (DPS, EPS, PER and Banks's Size) and macroeconomic variables (GDPGR and CPI) on market price of Nepalese development banks.

1.4 Rationale of the Study

Researchers learn from their own experiences when writing research reports, which helps them solve study-related problems. Additionally, the study aims to empower students to learn the necessary information on their own. The following highlights the study's significance:

i. By learning about the bank's many dividend distribution options, shareholders can also gain from it.
ii. A dividend is paid out for funds that the business does not plan to use for investments or other purposes.
iii. The impact of macroeconomic factors on Nepal's financial institutions' market prices.

1.5 Limitations of the Study

The objective of this study is to present comprehensive and precise data regarding the market price per share, macroeconomic factors, and dividend policy of the financial institutions under investigation. The study does have certain shortcomings, though.

This study's preparation was entirely based on secondary data, hence it is not based on an active project. There was not enough time to gather all the data. Furthermore, as this study included some preliminary data, precise conclusions could not be made. Nonetheless, an attempt has been made to display the most recent and trustworthy facts. Here are a few restrictions:

i. The analysis is based on only ten organizations that are JBBL, KSBBL, MBBL, GBBL, MLBBL, MDBL, EDBL, LBBL, SINDU and SRDBL.
ii. Analysis focused on dividend policy, macroeconomic variables on market price per share of development banks.
iii. Data are based on past seven years (2016/17 to 2022/23) (Only the data of these years are available in the related banks).
iv. Most of the data are based on Annual report published by respective financial institutions and reports published by Government of Nepal.

CHAPTER II
LITERATURE REVIEW

This chapter aims to provide information about previous research studies in the chosen field of study as well as suggestions for creating a research plan. Therefore, since the earlier research serves as the basis for the current study, it cannot be disregarded. To put it another way, research must continue. Making connections between the current study and earlier research projects reveals this continuity. Consequently, a number of books, journals, and articles related to this subject have been examined. The review is set up as follows:

2.1 Theoretical Review

As the nation's wealth increases, financial markets form to meet the more sophisticated financial needs of firms and wealthy households. The story doesn't stop here, though. India's stock market is booming while other low-income countries are struggling. Initiatives to create the stock market have failed in many cases. In the early to mid-1990s, Zambia and The Gambia attempted to set up stock exchanges but were unsuccessful. The revenue generated by these countries' stock exchanges was insufficient to pay their expenses. Apart from differences in wealth, some of the differences in experience can also be explained by corruption, different legal systems, and the quality and accessibility of information. For small and underperforming organizations, hiring management consultants can be a costly endeavor and somewhat difficult. Poor management and poor business performance hurt shareholders. It is well known that stock investment participation is low in developing countries. Low income, inadequate laws and regulations, information gaps, corruption, and slack enforcement are some of the reasons impeding the growth of the stock market. Determining if the low size of the Nepalese stock market and other problems are preventing its growth is therefore considered crucial.

As the company grows, it needs more money to finance its expanding operations. One approach for corporations to raise more money is through legal rights issues. Accordingly, present owners will receive shares from the company in proportion to the number of shares they currently possess. Often, this type of follow-up question is offered at par. A proper offering affects the share price there since it has some value. Share prices usually increase prior to a right offering and decrease after a right share issuance. Gurung (2012) claims that when the company sold more securities to the public in an effort to

acquire more money, the price of the securities was significantly higher than their par value.

Bonus shares are issued by a corporation as paid-up capital when its excess profits and accumulated reserves are converted into that sum. It merely recommends capitalizing a business's existing surplus and reserves. The number of shares in the accounts of existing shareholders is automatically raised. The enterprise's resource base is completely unaffected by the bonus share issue. The problems that come with a capital offering are significantly reduced for the company (Gurusamy, 2011).

Theories of Stock Price

There are various theories of movement in stock price, some of common theories are:

Random Walk Theory

The random walk theory states that changes in asset prices are random. As a result, using past performance to predict future stock values is difficult. According to the random walk theory, the stock market is efficient and reflects all available information. A random walk challenges the idea that traders can use technical analysis or market timing to identify patterns or trends in stock prices and make money off of them. Because they believe there are alternative methods, including technical analysis, to forecast stock values, some analysts and traders have questioned random walk. For a long time, economists believed that asset values were essentially random and unpredictable, and that historical price behavior had little to no influence on future changes. This was, in fact, a cornerstone of the efficient market hypothesis (EMH). The premise that stock prices reflect all available information and react quickly to new information, making it difficult to act upon it, forms the basis of the random walk theory (Balling & Gnan, 2013).

Stock market values fluctuate in an unpredictable manner, similar to a random walk, according to a financial theory called the random walk hypothesis. It is consistent with efficient-market theory. The efficient market hypothesis states that historical price and volume data for securities do not provide any information that might be used to boost trading profits over what could be made by employing a buy and hold approach. The random walk hypothesis states that the present price appropriately reflects the information gleaned from past price movements.

Efficient Market Theory

Share prices represent all available information, and it is impossible to generate consistent alpha creation, according to the efficient market theory. Stocks never trade below their fair value on exchanges, according to the EMT, which prevents investors from purchasing inexpensive stocks or selling them for outrageous prices. Therefore, expert stock selection and market timing shouldn't be able to beat the whole market; increasing risk is the only way for an investor to increase profits. The theory of efficient market hypothesis (EMH) holds that share prices reflect all available information. According to the EMH hypothesis, stocks are considered to trade at their fair market value on exchanges. Proponents of the efficient market hypothesis (EMH) contend that passive, low-cost investing benefits investors. Skeptics of the efficient market hypothesis (EMH) contend that it is possible to outperform the market and that equities can deviate from their fair market prices (Tease, 1993). Capital market efficiency, the third strategy, gauges how well the current asset price represents information that is accessible in the market or how rapidly new information is suitably reflected in share prices. It is defined as a market in which current prices fairly represent the information that is currently available. That is, a market where costless trading rules do not consistently beat the market.

The efficient market hypothesis states that in a free and optimally competitive market, the stock price will always take into account all available information and will immediately change as new information becomes available. The basic and essential tenets of an efficient market are the presence of several independent, profit-maximizing, and knowledgeable buyers and sellers, the haphazard creation of new information, and the prompt adjustments made by investors (Reilly, 1986).

Arbitrage Pricing Theory

There are two varieties of the APT: the macro variable model and the factor loading model. The factor loading model makes use of artificial variables that were created using the factor analysis technique. The macro variable model, on the other hand, uses macroeconomic variables that affect stock prices in a way that can be understood economically. The APT is an alternative approach to the CAPM, which has become the most widely used analytical tool for explaining the events observed in capital markets. The alternative asset-pricing model, or APT, differs from the CAPM in its assumptions and explanation of risk variables associated with an asset's risk. The CAPM specifies only systematic risk as a linear function of returns. The APT describes returns as a linear

function of several parameters. It predicts a relationship between a portfolio's returns and the returns of a specific asset by utilizing a linear combination of factors. The APT strategy diverged from the CAPM's risk vs. return analysis by making extensive use of "pricing by arbitrage." Almost all finance theories, not just his specific theory, use arbitrage-theoretic reasoning as their fundamental logic and methodology. Many multifactor asset pricing models have been developed from the literature. Every multifactor asset pricing model developed in the literature can be viewed as a particular theoretical example of the APT (Erdugan, 2012).

By combining factors associated with investment, saving, and the stock market, it is possible to analyze how the market affects GDP. Savings, or revenue that is not spent, is one of the most important sources of investment. When savings are turned into investments, there are more financial middlemen. An investment is the sum of money used to create fixed capital, which increases GDP. Financial theories claim that the stock market promotes sustained economic growth. Therefore, it is considered crucial to ascertain whether stock market features, together with saving and investing, have a causal relationship in the context of the Nepalese stock market.

This study aims to address the trend of stock market variables, the link of stock market variables with various factors, and a brief overview of the issues and future possibilities of the Nepali stock market, all based on the previously described stock market viewpoint.

Stewardship Theory

With origins in psychology and sociology, stewardship theory is described by Davis et al. (1997) as "a steward protects and maximizes shareholder's wealth through firm performance, 14 because by doing so, the steward's utility functions are maximized." According to this viewpoint, stewards are managers and bank executives who work for the shareholders, safeguarding and increasing their earnings. Stewardship theory, as opposed to agency theory, emphasizes the role of senior management as stewards, integrating their objectives as part of the organization, rather than the individualistic viewpoint of Donaldson and Davis (1991). According to the stewardship perspective, when an organization achieves success, its stewards are content and inspired. According to Agyris (1973), agency theory undermines an individual's own objectives by viewing an employee or individuals as economic beings. But according to Donaldson and Davis (1991), stewardship theory acknowledges the value of systems that give the steward the

most authority and are based on trust. It emphasizes the need for executives or workers to behave with greater independence in order to maximize profits for shareholders.

Clientele Effect Theory

Botha (1985) asserts that the tax-induced clientele thesis is predicated on the fact that shareholders have a different tax status, which gives them a preference when it comes to investment returns. There are three main categories of shareholders, according to this argument: those who want dividend income right away, those who want capital growth, and those who don't care about either. Thus, a company faces not just one consumer but several, each of which has a preference for a different dividend policy. Shares of high dividend paying companies are owned by investors who demand current investment income, such as retirees, while shares of low dividend paying companies are owned by investors who do not need dividend distributions. Therefore, the following stages of a company's life cycle would likely have distinct dividend clienteles: the expansion period for companies that are indifferent to capital growth and dividend income, the growth phase for companies that pay out low dividends, and the maturity phase for companies that pay out substantial dividends. Clientele like institutional investors are drawn to dividend-paying equities due to their greater tax benefits over individual investors, according to Allen, Bernardo, and Welch (2000). The goal of this theory is to forecast investment choices. This will then have an impact on the company's financial choices.

The Signaling Hypothesis

Brennan and Copeland (1988) were the first to suggest a signaling model for stock splits. The signaling idea states that splits served as a channel for managers to communicate with stockholders. Because trading costs rose as stock prices fell, the signaling model of stock splits demonstrated that stock splits functioned as expensive signals of managers' confidential information. They expanded on the theory put forth by Fama et al. (1969), who proposed that a corporation might lessen any potential knowledge asymmetries between management and stockholders by declaring splits. The split's subsequent decline in stock price then demonstrated management's belief in growing future profits. A stock split was frequently viewed as a more credible method of disseminating information than road shows or press releases since it typically involved a sizable financial investment and because delivering a misleading signal would punish the company with an abnormally low stock price. According to Benartzi et al. (2005), management should only split their

equities if they believed that the existing earnings and stock price level would last forever. The core of the signaling argument, according to Brennan and Copeland (1988), is that management should only split their stock if they had high hopes that future share values would rise or at least stay the same. A manager would not be inclined to split stock if they thought that future share values would drop because trading lower-priced equities would become more expensive. Although managers did not specifically aim for the split to be a good indication of the firm's future prospects, McNichols and Dravid (1990) pointed out that the split might nevertheless provide the market with information.

Modern Portfolio Theory (MPT)

Professor Harry Markowitz of the University of Chicago created the complex investing strategy known as Modern Portfolio Theory (MPT) in 1952. The process of assembling assets into well diversified portfolios was explained by Markowitz (1952). He proved that the strong correlation between security returns was not appropriately taken into consideration by investors. He believed that by combining assets with different price movements, a portfolio's risk might be decreased and its predicted rate of return raised. Keeping stocks that have a tendency to move in tandem with one another does not reduce your risk. He came to the conclusion that diversification "reduces risk only when assets whose prices move inversely, or at different times, in relation to each other are combined." Most people don't realize how effective diversification is at lowering volatility. A diversified portfolio's volatility is lower than the average of the volatility of its constituent elements. Although MPT's technical foundations are intricate and derived from statistical theory, probability, and financial economics, its conclusion is straightforward and simple to comprehend. The greatest returns with the least degree of volatility can be obtained via a diversified portfolio made up of uncorrelated asset classes (Markowitz, 1991).

The philosophical antithesis of conventional asset selecting is MPT. Economists created it in an attempt to comprehend the market as a whole, rather than focusing on what makes each investment opportunity distinct. One of the core issues of financial theory is the asset allocation problem (Cohen & Natoli, 2003). Risk and asset allocation are essential elements of the MPT. Both the projected short-term volatility and the expected long-term return rate are used to statistically characterize investments. The volatility is equivalent to "risk" and indicates the likelihood that an investment's bad years will be significantly worse than usual. Finding a portfolio with the highest predicted return for that level of

risk is the first step in determining the acceptable level of risk tolerance (Elton & Gruber, 1997).

Modigliani and Miller Theory of Investment

Miller and Modigliani's 1958 germinal theory of corporate finance, according to Miller (2001), "the value of a firm is independent of its capital structure." The market value of a company is determined by the "earning power of the assets currently held and on the size and relative profitability of the investment opportunities" (Miller & Modigliani, 1958; Chew, 2001), not by dividends or capital structure which have no bearing on stock prices.

The capitalization of operating earnings before interest and taxes is the foundation of a firm's valuation approach. However, one of the theory's early detractors, Durand (1959), suggested capitalization after interest and taxes together with a leverage adjustment (Miller, 2001).

A new perspective on the so-called "junk bonds," which were deemed unattractive and non-tradable in the 1960s when low-risk was the norm, is provided by Miller's own evaluation of the idea. Thirty years following the M&M proposal, junk bonds appear to be a source of market dynamism and have contributed to the growth of the preference for leveraged buyouts (LBOs) among both large and small businesses (Miller, 2001). Large company LBOs were accompanied by new corporate governance traits. One of these, according to Miller, is "strip financing" (Miller, 2001).

The Market Timing Theory

The foundation of the market timing theory is the claim that companies strategically time the issuance of equity stocks for public subscription. According to the hypothesis, new stocks are only issued when they are thought to be overpriced, and they are repurchased when they are thought to be underpriced. Consequently, the firm's capital structure is impacted by the perception of the stock price. The premise that economic agents are rational is the first of two distinct iterations of market timing theory that have influenced capital structure dynamics (Myers and Majluf, 1984). Businesses immediately issue shares following a favorable information release, which lessens the issue of knowledge asymmetry between the company's management and investors. The stock price then rises in tandem with the decrease in asymmetry. Businesses are prompted to develop their own timing opportunities as a result. The second explanation, which leads to time-varying mispricing of a firm's shares, argues that economic agents are irrational (Baker and

Wurgler, 2002). As a result, managers repurchase them when their costs are excessively high and create fresh equity issues when they believe their costs to be unjustly cheap. The timing of the equity market has a long-lasting impact on the capital structure of the company, according to Baker and Wurgler's (2002) supporting data. According to their study, a weighted average of external capital requirements over a few previous years—with the firm's market to book values serving as the weights—is a measure for market timing. They came to the conclusion that a firm's capital structure was the result of multiple attempts to time the equity market in the past because they found that changes in leverage were highly and positively associated to their market timing measure.

The Sharpe-Lintner Capital Asset Pricing Model (CAPM)

The appropriate cost of capital in project appraisal is determined by germinal theory, which was independently created by Sharpe (1964) and Lintner (1965) (Brounen et al., 2004). The definition given by Ball (2001, p. 24) is a "method of estimating expected returns which passive investors would otherwise have earned in the absence of the information being tested." A CAPM equation might resemble this (Ball, 2001): E(R) is equal to Rf + β (Rm – Rf-1).

The riskless rate (Rf) with a risk premium compounded by β and the expected return above the riskless rate (Rf) create the stock's expected return (E(R)). According to Chen and Dodd (2002), the CAPM is widely used since it is the only recognized model for calculating expected returns.

According to a survey by Brounen et al. (2004), 64.2% of American businesses and an average of 57% of European businesses utilize CAPM. It is most common in large, publicly traded corporations, with CEOs having long tenures, regardless of their educational background. The survey included data from 6,500 businesses. The shortcomings of the CAPM in capturing market and expected return anomalies are criticized by Fama and French (1996) (p. 1948). The main flaws of CAPM include its failure to explain the timing of risk premiums and the magnitude of the anticipated changes in that risk ratio, as well as its inability to calculate betas in efficient markets (Ball, 2001). Given the assumption that dividends and earnings are not essential to determining stock price, some theorists argue that the CAPM is an invalid model for calculating expected returns. Its application in calculating EVA has also been contested (Chen & Dodd, 2002).

Some contend that the assumption that CAPM alone assesses efficient portfolios does not imply that CAPM originates from Fama's Efficient Market Hypothesis (EMH), while others categorize CAPM as a result of the EMH (Efficient Market Theory) (Ball, 2001).

Current Theory of Discounted Cash

Capital budgeting, project valuation, asset valuation, and securities valuation all make use of discounted cash flow (DCF) (Myers, 2001; Shrieves & Wachovicz, 2001). By discounting the future cash flow at a rate which matches the yield of comparable securities in the market, DCF analyzes the future returns of possible projects (Myers, 2001). According to Brounen et al. (2004), DCF methodologies include the internal return rate (IRR), net present value (NPV), adjusted present value (APV), and discounted payback time. Although Myers (2001) emphasizes the use of NPV, he warns of the challenges in establishing discount rates, predicting cash flows, calculating time series, and adhering to strict accounting rules (Shrieves & Wachovicz, 2001).

In order to evaluate how financial officers behaved when using financial strategies, Brounen et al. (2004) polled 6,500 businesses in the US, UK, Netherlands, France, and Germany. The findings indicated that European businesses employ the payback criterion more often than DCF methodologies. The majority of European businesses are small and private, according to the authors, and their CEOs lack MBA degrees, which may indicate a rise in the usage of underutilized methods.

According to the study, discounting tactics are most commonly used by companies that claim to maximize shareholder value (Brounen et al., 2004). DCF assesses a company's intrinsic value in asset evaluation by discounting the projected future free cash flows (FCF) using a rate that reflects the cost of capital (Stewart, 1991, p. 34). The argument that management was overly shortsighted in the 1980s is supported by the disputed result of DCF, which is bias against long-term plans (Myers, 2001).

DCF's dependence on traditional financial reporting (Shrieves & Wachovicz, 2001) and its vulnerability to internal political influences (Myers, 2001) are the main points of criticism. By combining DCF with Free Cash Flow (FCF) techniques and EVA®, it can be utilized in a variety of ways to assess managerial performance (Shrieves & Wachovicz, 2001; Stewart, 1991).

Free Cash Flow Theory

Free cash flow theory was conceived and examined by Jensen (1986) in an effort to shed light on the relationship between free cash flows and the role of debt in firms, the impact of diversification activities, and the factors affecting takeovers. According to Jensen (1986), disagreements about dividend policies between management and shareholders are especially intense when a company produces a sizable amount of free cash flow. Because it depletes resources within their control, corporate management is biased against dividend distribution and in favor of business expansion. According to Brush et al. (2000), businesses without free cash flows benefited the most from sales growth. Free cash flows are associated with increased manager compensation because Murphy (1985) found a positive correlation between changes in management salaries and growth in sales. Jensen (1986) proposed increasing dividend payments to shareholders, repurchasing shares, and using debt to address agency conflicts and improve organizational efficiency in order to encourage managers to donate cash instead of investing it below cost of capital or wasting it on inefficient organizations.

It was found that debt was a better instrument for expanding businesses with high free cash flows and few growth prospects than for businesses with no free cash flows and strong investment returns. Debt has also been argued to be a replacement dividend as management are bound by it, and the holders of the debt have legal options if the loan is not repaid. Free cash flow theory makes an additional effort to clarify previous, puzzling results about the consequences of financial restructuring (Jensen, 1986). With the exception of companies with lucrative unfunded investment projects, prices will rise in response to unexpected increases in dividend payments to shareholders and fall in response to reductions in payments or additional funding requests, according to the free cash flow theory. The theory argues that because management control the new funds created by these transactions, the share price decreases when debt and preference shares are sold.

According to FCF theory, most leverage-increasing transactions lead to noticeably higher prices for common stock. Examples of these transactions include share repurchases and the exchange of debt or preferred stock for common stock, income bonds for preferred stock, or debt for debt. However, the majority of deals that reduce leverage result in a large decline in stock values. Common stock sales, common stock exchanges for debt or preferred stock, and calls for convertible bonds or convertible preferred stock that require

conversion into common are a few examples of these activities. According to Rubin (1990), managers of businesses with significant free cash flow would choose to utilize the money for projects that have a negative net worth rather than paying dividends to shareholders. In order to hide these bad investments, these managers often manipulate earnings. According to Jensen (1986), managers who have large free cash flows are more prone to use diversification strategies, which may result in mergers that add little value or even destroy it. Managers who responded to significant free cash flows in the 1960s with disconnected diversification plans reversed their overinvestment, which resulted in hostile takeovers in the 1980s, claim Shleifer and Vishny (1991).

According to the free cash flow (FCF) theory, taking over companies with high cash flows but few high-return investment projects can increase efficiency and help prevent spending money on low-return ventures by creating debt. Furthermore, Jensen (1986) predicts that takeovers financed by debt and cash will provide larger benefits than those obtained through the exchange of shares because these two factors are associated with growth potential and a lack of free cash flow.

Financial Market

The place or process where financial instruments are traded is known as a financial market. Another type of paper evidence that shows the exchange of instruments between parties is financial instruments. On future contracts in a financial market, companies and individuals can agree to buy or sell specific goods, such stocks or bonds. This market provides a venue for price negotiations between buyers and sellers.

Fund providers and people looking for loans and investments can conduct direct commerce on financial markets. Although fund providers, also known as savers, are not directly informed of institutional loans and investments, financial market suppliers are aware of the locations of these transactions. Capital and money markets are the two primary financial marketplaces. In the capital market, transactions take place in short-term debt instruments or marketable securities like stocks and bonds (Gitman, 1988).

Financial instruments are traded on the financial market. Financial instruments include, for instance, share bonds and debentures. The purpose of an economy's financial market is to effectively allocate savings to people who use the funds for real asset investments or consumption over a certain period of time, such as a day, week, month, or quarter (Van Horne, 2000). It gives people the ability to choose how much they consume now and in

the future. Additionally, it provides an opportunity for buyers and sellers to interact in order to determine the price of an asset. Thirdly, it provides liquidity to investors. Fourth, it encourages management to adhere to the established policies. Financial experts therefore referred to it as the brain of the whole economic system. The collapse of the financial market as a whole hinders the advancement of the overall economy. In order to encourage the expansion and effective use of capital as well as investments in the conversion of financial assets to generate income for both parties, the financial market acts as a channel for money moving from savers to users (Shrestha & Bhandari, 2007).

A country's financial system may be bank- or market-oriented. Each of these systems has its own mechanism for handling agency and corporate control issues as well as managing the interests of the holders. Several countries have recently combined the two approaches to create their financial systems, even though traditionally they have seemed to adopt one of these paths. Payments for products, services, and productive inputs are facilitated by the financial system. Similarly, it is advantageous to use and manage money wisely. The financial system is composed of financial institutions, financial markets, and financial instruments. Financial intermediaries, also referred to as financial institutions, are businesses that assert financial claims against themselves and primarily utilize the proceeds to purchase the financial assets of others. Since financial claims are merely the right side of the balance sheet for any business, the left side of the balance sheet is what distinguishes financial intermediaries from other types of companies. Through financial intermediaries, companies can raise money indirectly.

Financial institutions are thought to act as a middleman between saves and users. To improve their fortune, they also lend money and collect irregular deposits. In the money and capital markets, financial entities actively supply and demand money. Financial intermediaries include life insurance companies, mutual funds, pension funds, credit unions, savings and loan associations, and saving banks. The financial system is one essential element of the modern economy.

Securities Market

The Investors Guide of 1978 states that a variety of financial securities, including as bonds, debentures, and shares, are exchanged on the securities market. The securities market, which includes both buyers and sellers of securities as well as any institutions and agencies that facilitate the sale and resale of corporate securities, is a substantial part of

the capital market (Rugh, 2008). In the Nepalese context, securities issued to the public must be registered with the Security Board of Nepal (SEBON). The registered portion of the securities may thereafter be issued by the corporations through authorized authorities. The recognized entities are those who have received a certificate from SEBON to operate as issuing houses and securities promoters in order to join the security exchange market.

By connecting buyers and sellers of securities, the securities market aims to facilitate the exchange of assets. The security industry can be differentiated in a variety of ways. Primary and secondary markets are one and the same. Surprisingly, inside the primary market itself, experienced and unskilled new firms can be distinguished. An unsecured new issue is one that is made available to the public for the first time, while a seasoned new issue is one that is offered in excess of what is currently available. Untried new equity transactions are referred to as initial public offerings, or IPOs. Another way to distinguish security markets is to assess the life cycle of financial assets. Money markets often contain securities with one-year expiration dates or less, whereas capital markets typically contain securities with one-year expiration dates or more (Sharpe et al., 2004).

The securities market not only gives institutional and individual investors a way to make profitable investments, but it also facilitates effective capital raising for enterprises. Securities markets are analyzed from both a theoretical and practical perspective. Securities markets give financial assets value and relevance. Practically speaking, the economics of capital allocation heavily relies on the buying and selling of assets in security markets. The securities market promotes efficiency by offering a reliable gauge of a business's performance.

To get money for their assets, investors who own stocks and bonds may decide to sell them to other investors. Similarly, there are those in the economy who wish to buy stocks and bonds because they have the money to do so. The difficulty is in coordinating the orders of prospective buyers and sellers so that securities can be traded for cash. Investors are encouraged to put more of their savings into stocks and bonds when there is an effective mechanism in place that enables them to quickly convert their securities into cash at or close to the current market price.

Stock Market

The stock market is known as the secondary market on the other side of the market segment under the capital market. It includes all transferable securities previously issued

by corporate entities, which are also traded on the stock exchange. Since private business securities are not marketable due to transferability restrictions and cannot be exchanged on a stock exchange, they are not included in the stock market. To benefit from the stock market, corporations should have listed their securities on the stock exchange. All activities pertaining to trading shares for marketability and liquidity, regardless of their quality, are included in the stock market. Regardless of the issuer's corporate or governmental structure, only securities of enterprises that are currently in operation are eligible for trading on the stock exchange (Vaidya, 2010). The trading of publicly traded company shares and associated financial instruments takes place on a stock market. In the beginning, stock exchanges used the floor, or "open outcry," for trading.

Small investors were previously limited because of existing prospects and their inability to collect information from other sources. Nonetheless, they now have more opportunities thanks to the establishment and operation of the stock exchange market. Perhaps the only option left to them was bank deposits. As a result, opportunities for brave and enterprising small investors were squandered. However, they have had a route thanks to the 1994-opened Nepal Stock Exchange Market and the 1985-opened Nepal Securities Market. The Securities Exchange Board (SEBO) was established in 1993. Concerns about how seriously their involvement is being regarded still exist in Nepal.

The coordinated buying and selling of securities takes place in a security market. Stakeholders in the security market include investors, intermediaries, and experts. Eager stock buyers and sellers may be searching for great offers or seizing terrible ones that carry a higher risk but also a larger reward. Securities markets give opportunities to all kinds of investors and boost competitiveness in the financial markets of developing countries. A number of aspects are considered while selecting the best investment options, including the level of risk involved as well as the profitability and liquidity positions. Intermediaries temporarily purchase securities and profit from shifts in supply and demand when a flow of buy orders and a flow of sales orders alternate. Commissions on security transactions provide the middleman with an extra source of income.

It now has 40 members/intermediaries, including 10 issue and sales managers, 2 securities dealers, 1 market maker, and 27 stockbrokers. Customers are investors in the securities market, and they might be individuals, corporations, or institutional organizations. Members take customer orders to buy and sell stocks as soon as they get to work. Customers contract with issue managers, security dealers, and market makers for the

underwriting and issue management of shares; they pay service fees in return. Stockbrokers serve as middlemen between investors when it comes to buying and selling securities of a publicly traded corporation. An issue manager is responsible for managing the public issuance of securities on behalf of the issuing company in the main market. A security dealer purchases securities on the primary market in his own name and sells them on the secondary market (stock exchange) in his own name or on behalf of customers via stockbrokers. A market maker is a securities investor who deals in government-issued bonds or bonds that are guaranteed by the government. It carries out operations pertaining to the public issuance of mutual funds, unit funds, and the buying and selling of equity shares in his own name in order to supply liquidity for a minimum of three organized institutions.

When it comes to securities transactions, stockbrokers and issue managers are less risky than market makers and security dealers. This is to ensure that, in the event that the share price drops during the intermediary time, the stockbroker—who buys and sells stocks and receives commission in the process—does not lose goodwill or a small percentage of his commission. On the other hand, the issue manager is paid a commission for dealing securities in the primary market, where risk is usually lower. He feels that buying assets in his name from the primary market and selling them through a stockbroker in the secondary market is a riskier venture than previously said. No transactions were finished in 2011–12 since the issue manager's activities amounted to a long-term debt for the company. There are no formal organizations that act as market makers in Nepal. In 2011–12, one that was previously registered and renewed was not renewed. The shortcomings of the market position are the cause of everything. Participants in the financial market are only linked by the regulations and the effectiveness of their implementation. For the market to operate efficiently, legal restrictions need be put in place.

Domestic enterprises play an important role in establishing a favorable environment for capital market activities in the domestic market. Effective corporate governance can attract foreign investors to the stock market and give small investors a way to participate in the economic world. Investing heavily in a single company is among the worst fund management practices. There is a greater danger involved. Diversifying funds among multiple companies with solid governance reduces the risk of capital loss and strengthens the firm's liquidity position. The capital market, which begins with a company's strong governance, is a developing country's best opportunity of attracting foreign investment.

As long as domestic laws (like tax laws) and institutional limitations (like ownership and finance structures) do not significantly differ from those of other nations, internationally recognized company law and its effective application support good governance. To improve both NEPSE and the economy as a whole, this should be the primary focus.

Before NEPSE was established, market activity was very modest, albeit it tended to peak in the later half of the decade. Turnover grew even more quickly after NEPSE was implemented, rising from Rs 2 million in 1984–85 to Rs 800 million in 1993. This was because more businesses were able to enter the market thanks to easier access and more market advertising. The stock market became incredibly buoyant and turnover skyrocketed as a significant number of investors, both small and large, attempted to capitalize on this new opportunity, both to maximize benefits and to speculate about possible capital gains in the investments. The first spike in NEPSE activity, which lasted for a little over six months, was caused by a few companies' extremely high profitability, particularly in the banking sector, where some companies were paying out dividends well over fifty percent. Because of this, the stock market's performance during the first phase far outperformed the modest goals set by the eighth plan (1992–1997), which created the framework for NEPSE with its initial policy design.

When the public realized that returns and capital gains did not need to be consistently large, the first rise ended quickly, lasting less than a year. The market, prices, and trade volume all declined as a result. The situation deteriorated when political unrest began in 1995–1996. The deterioration in the investment and operating environments led to poorer performance for many companies. As a result, NEPSE's price fell precipitously, causing large losses. The toughest period was from 1997 to 1998, but when many finance businesses began paying dividends, things began to improve. The improvement, meanwhile, was slight and only sustained to keep enough focus. As the insurgency grew, the political and economic climate became increasingly insecure, which led to a slowdown in economic activity and a fall in performance across a number of industries, including manufacturing and tourism. The NEPSE became more volatile and brittle as a result. Neither the index nor the trading volume have improved, suggesting that the temporary cease-fire has not been enough to stimulate activity at this time. As a result, the market has never been very active or liquid.

A list of some of the most important NEPSE performance indicators for 2016–17 through 2020–21 may be found in the Appendix. It gives the impression that the turnover volume

varies. It suffered a sharp decline in 2021–2022, with a turnover of Rs. 21,600 million on a total volume of 583,457.304 thousand scrips, after more than doubling in 2020–2021. Even though market operating days have improved, turnover has not grown. One of the most notable features of NEPSE is the dominance of trade in banking and financial institution scrips. Since it accounted for over 90% of the total turnover, the amount and extent of turnover in the other sectors is, at most, insignificant. However, it's interesting to notice that although banks' share is declining, other shares are increasing. Investigating the reasons behind this situation is crucial because the market capitalization drop does not indicate that NEPSE is doing well. Nepal's annual turnover rates for equity shares were less than 1.5 percent in 1997–1998 and 8.13 percent in 2020–2021.

Any business in Nepal that wants to offer securities for sale to the general public needs to register on the Nepal Stock Exchange. To apply for listing, you must provide the Nepal Stock Exchange with the following documents and information: the company's goals, ownership structure, memorandum of association, articles of association, audited balance sheets, profit and loss statements, and annual reports for the previous three years. Annual reports and audited financial statements are among the documentation that must be submitted to the Nepal Stock Exchange at the end of each year in order for a company to remain listed. Without financial and non-financial information being transparent, it is impossible to expect the stock market to grow and operate. Because regulatory discipline establishes limitations for market actors, they have little opportunity of acquiring market discipline when regulations are loose. Almost any company can be listed by simply providing specific accounting data because of the exchange's lenient listing requirements. The NEPSE should enforce even more stringent listing rules to guarantee that only respectable businesses with globally verifiable financial data are listed on the Stock Exchange. A corporation will receive a warning and eventually be delisted from the exchange if it is found to be in violation of the new, more stringent listing rules.

The recent delisting of 26 companies is expected to enhance the process to some extent. Provident Fund Corporation is one of the companies with the potential to be significant participants in the industry. Provident funds can only be used for capital investments in banks and other financial institutions at the moment. This helps to explain why these institutions have generally outperformed others in the stock market. Because the funding these institutions hold accounts for a substantial amount of the economy's investable long-term resources in most developed economies, they are important players in the stock

exchange. The expansion of capital market activity might be significantly boosted by giving these institutions the chance to participate in a superior stock exchange with much higher listing requirements, international account standards, and proper corporate governance. Before the aforementioned changes are put into effect, it is essential that these pension funds be prohibited from investing in a greater range of securities. Since these assets represent the future pension payments of many, often poor workers, they must not be compromised in the current slack environment. In a more favorable environment, these groups should be allowed to take center stage, establishing the foundation for the growth of institutions and, in turn, the overall national economy.

Most enterprises in Nepal are owned by a small number of people. Many enterprises in Nepal are owned and operated by families, as is typical for many South Asian companies. Family members with little experience often hold high-level management positions, such as managers and accountants. It is said that ten large firms and commercial establishments control Nepal's commerce and industry sectors. Agriculture, real estate, trade, and stock market operations are among their activities. Their participation in the financial sector is steadily increasing. In addition to commercial institutions, the same business people possess shares in a number of corporate and industrial endeavors. As a result, it is now mandatory for newly established organized institutions to issue ownership shares equal to at least 15% to 25% of their paid-up capital and to sell such shares on the primary market following public notice. For banks and other financial institutions, the percentage of problems should be between 25 and 30 percent. By taking these legal actions, it hopes to have at least one minority stakeholder represented on the board. Although the Company Act of 1997 permits a maximum of 11 members to represent shareholders on the Board of Directors, depending on the size and structure of the company, the actual odd numbers selected for the board's composition are 5, 7, and 9. The bulk of board directors are usually non-executives. Nonetheless, a single executive director is designated to act as the secretary for meetings. Regulations allow executive chairpersons to take the role of executive directors. Ad hoc choices that change the executive power structure are mostly advantageous to significant owners in most corporations. As a result, board members' duties to the firm and large shareholders take precedence over their personal responsibility to the shareholders. Accountability to the company is defined by the Organization for Economic Co-operation and Development (OECD) as requiring directors to ensure that the company complies with all applicable laws and regulations,

including those pertaining to taxes, labor, health and safety, the environment, and company law (Fremond & Capaul, 2002). Accountability to shareholders is defined as treating majority and minority shareholders equally. Although the business community in Nepal is gradually realizing the benefits of having professional managers, they continue to operate according to a traditional company culture that places a higher priority on ownership supremacy than expert advice. As a result, they have also been forced to hold onto scrips, which has decreased the amount of trading volume that is permitted on the secondary market.

The promoters are elected with the support of the majority shareholders, the minority shareholders are elected during the annual general meeting, and the majority shareholders themselves are among the groups from whom the members of the board of directors are selected. Without the backing and approval of the majority shareholders, none of the candidates stand a chance of being represented on the board. Minority shareholders represented on boards are unable to act against the interests of the major shareholders because of their current tight relationship with them. During elections, proxy voting is allowed, and a majority shareholder may cast more votes than are required to win the election for a candidate who represents the minority shareholders. As a result, companies usually employ a "parliamentarian model" of board representation; nonetheless, subordinate board members are appointed by dominant owners, who have significant direct or indirect control over boards. Disclosure of any commercial links and other personal interests with the company where they are nominated to the board is mandatory for new members. The 1997 Nepalese Company Act makes no mention of the rights or obligations of the Board of Directors. The decision-making authority rests with the annual general meeting (AGM). Without holding the board of directors responsible for their duties, effectiveness is extremely unlikely. The highest authority for good governance in the corporate organization seems to be a privileged group with no corresponding set of responsibilities.

These influential businessmen can affect politics and bureaucracy by giving election donations to national parties fighting for control and to influential opposition benches hoping to influence administrations. Nonetheless, the vast majority of minority shareholders are unable to acquire ownership and do not want to do so. They want to make passive or short-term investments. They don't buy a company. When they no longer provide good prospects for capital gains, they buy shares that are promptly sold. As a

result, the future will be very different, and the dominant position of the majority owners will persist. Publicly traded companies must have competent leadership and adequate protections in place to guarantee that the interests of minority shareholders are protected to the maximum extent possible in order to overcome these challenges. In Nepal, the development of a corporate governance code has been discussed. This could be one way to ensure improved corporate governance in the future, which would ensure accountability and responsibility and enable the stock exchange to grow in a healthy way.

Equity shareholders in Nepal are entitled to vote as a fundamental right. The shareholders have the right to obtain a certificate of share ownership within three months of the date of the share transfer. Although it is necessary to sell derivatives on the secondary market, ownership of the shares remains unchanged unless the new buyer registers them at the registrar's office. The company makes sure that shareholders are aware of its financial status by giving them access to the audited balance sheet and profit and loss account every year before the annual general meeting. If necessary, they can consult the auditor's report, annual books of accounts, prospectus, articles of association, and memorandum of association, among other documents and data. Twenty-one days before the annual general meeting, a notice inviting shareholders to attend is published in a national daily newspaper. A comprehensive agenda for discussion is included in the notification. The subjects not on the agenda are not discussed. Any item of importance to the shareholders that will be discussed at the AGM should be included to the agenda before it is distributed, as they have noticed it.

Every equity shareholder in attendance at the AGM has an equal say in decisions about policy and elections to the board of directors. Every one of them has the ability to raise concerns about how the company is run, among other things. When it comes to their shareholdings, majority and minority shareholders have different objectives. While minority shareholders' main objective is to make money off of their shareholdings, majority shareholders' main objective is to gain an ownership stake in the company's decision-making process. However, equity shareholders may have the choice to forgo a profit in favor of bonus shares or a share of the company's profits when it makes a profit.

The shareholders' meetings, which are typically held once a year, are known as annual general meetings (AGMs). Special AGMs are convened in certain situations, and if the conditions specified in the firm Act of 1997 are fulfilled, the AGM has the power to determine whether to convert the firm from a public limited company to a private limited

company. The articles of association and memorandum of association may be changed by the AGM if necessary. With the company's registration office's consent, the AGM can increase or decrease the allowed capital. If the capital is increased, the additional money is obtained by selling additional shares, giving priority to the previous shareholders. According to the Company Act of 1997, minority owners are not given any further advantage and majority stockholders are treated equally.

As mentioned earlier, family-owned enterprises dominate the commercial sector in Nepal. It resulted from the close bonds and mutual trust between clients and businesses, as the stakeholders were not privy to company information. Although accounting data and books are essential for decision-making, they were formerly regarded as private documents. After the government started taxing corporate income, accounting records and books of accounts started to be methodically created in a variety of forms and purposes. Three types of books of accounts are reportedly used in Nepal: one for individual usage, one for bank loans, and one for taxes. If true, this is a serious issue that requires careful research to ensure proper disclosure and adhere to recognized accounting rules. Although VAT is meant to lessen these irregularities, much more work needs to be done before it can be put into practice. Since the World Trade Organization (WTO) was founded in 1995, the idea and application of corporate culture have changed significantly. Stronger disclosure and transparency are stressed. Positive relationships between a company's shareholders, board, management, and other stakeholders should be maintained. Open communication with stakeholders about financial and non-financial information is another benefit of a changing culture. (i) company goals; (ii) off-balance sheet commitments and litigation risks; (iv) ownership structure; (v) material foreseeable risk factors; (vi) material issues involving employees and other stakeholders; and (vii) information on governance structures and policies are examples of non-financial information. A statement of books of accounts is a type of financial data. It takes time to become used to a new corporate culture in Nepal.

Common stock is the most basic form of ownership in a company. Common stockholders have a greater claim on a company's assets than bond and preference stockholders have. Common stockholders are a company's residual owners; they are entitled to revenue and assets only after creditors and preferred stockholders have been paid in full. As a result, the return on investment of a stockholder is not as assured as that of a lender or a preferred stockholder. The return to a common stockholder, however, is unrestricted on

the upside, in contrast to the returns to the others. A common equity share may be authorized with or without par value. The par value of a stock is solely mentioned in the corporate charter and has little bearing on the economy. It is not advisable for a business to sell its shares for less than their par value since the people who buy them will have to pay the difference.

By receiving a corporate charter from the state, printing shares of common stock, and selling those shares to as many people as they choose, a corporation's founder earns money to start the new business. Because of this, common stock is typically issued first whenever a new corporation is established. Common stockholders have a residual claim to the company's assets and profits. This implies that before paying any other debts, the business must legally pay the interest to bondholders, employee salaries, and supplier invoices. Any remaining gains or losses are then distributed to the ordinary stockholders. Furthermore, the law mandates that all obligations must be paid off of the company's assets before any remaining funds are disbursed to ordinary stockholders in the event that the company files for bankruptcy.

Regular investors get particular returns on their investment. Their first advantage is restricted liability, which prevents common investors from being forced to contribute to the settlement of unpaid obligations in the event that the business declares bankruptcy and runs out of funds. Second, stockholders will profit from unfettered participation in the company's profit if earnings become exceptionally profitable. Third, securities that can be bought and sold with a case are shares of common stock. Finally, only common investors can vote at the corporation's stockholder's meeting. Investors can therefore have an impact on management.

Under Rana Prime Minister Juddha Shumser, Gunjaman Singh, the first secretary of the Nepalese embassy in England, returned to Kathmandu and founded the "Industrial Council," marking the beginning of the nation's capital market. In 1936, the council drafted the first versions of the Company Act and the Nepal Bank Act. Biratnagar Jute Mills Ltd. was first founded in 1936 and had its first public sale of shares on the securities market in 1937. In the same year, Nepal Ltd. also issued the shares. But at the time, the Rana family was essentially the only group permitted to take part in the ownership structure of the corporate sector.

The Securities Board Nepal (SEBON) was established on May 26, 1993, following the first revision to the Securities Exchange Act of 1983. After eighteen years of operation, the Securities Exchange Center was renamed the Nepal Stock Exchange (NEPSE) on May 16, 1993 by HMG Nepal as part of a policy to build a competitive and efficient securities market. NEPSE aims to enhance the free marketability and liquidity of government bonds and cooperative securities by permitting trading on the trading floor through market intermediaries such as brokers and market makers. After the SEC switched to NEPSE, they employed five market makers and twenty-five brokers. On January 13, 1994, it started trading through brokers and market makers utilizing an open outcry system (Thapa, 2008).

The Securities Exchange Act of 2040 governs the operations of the Nepal Stock Exchange, often known as NEPSE, a nonprofit organization. The former Securities Exchange Center was converted into NEPSE as part of the initiative to restructure the capital market. NEPSE seeks to give corporate and government assets marketability and liquidity by permitting trades on the trading floor through market intermediaries such as brokers, market makers, and others. The NEPSE is owned by the Nepal Industrial Development Corporation, the government of His Majesty, Nepal Rastra Bank, the central bank of Nepal, and license numbers.

The board of directors of NEPSE is in charge of directing, monitoring, and controlling the organization. It has nine directors, according to the Securities Exchange Act of 2040. HMG and other institutional investors nominate six directors, two of whom are licensed members. On the board, the NEPSE General Manager holds the position of ex-officio director. On NEPSE, various businesses are listed, and sometimes they are removed. 149 businesses are currently listed on NEPSE. Eventually, this number will increase or decrease.

2.2 Empirical Review

Dhodary (2024) examined the factors influencing Nepalese commercial banks' stock prices. In order to generate a concise and precise study on particular variables and pooled cross-sectional data that are gathered from NEPSE listed banks at one point in time, the study is carried out using a quantitative technique followed by descriptive research. Information was collected over the fiscal years 2012–13 and 2021–2022. Book value per share, PE ratio, market price per share, business size, dividend payment, return on equity,

and dividend payment are among the variables under investigation. Descriptive statistics, multiple regression analysis, and correlation analysis are all possible under statistical analysis. Descriptive statistics show that although Nepalese commercial banks' book value per share and overall size have been increasing consistently, their stock performance in the market, profitability, and dividend payments have been highly inconsistent. The P/E ratio for a certain bank is zero in years when there are no earnings per share. In Nepal, the share prices of commercial banks have a negative correlation with firm size and a positive correlation with BVPS, PE, ROE, and DIV.

Chhetri (2024) shown that the effects of the GDP and stock prices are comparable. The GDP (Gross Domestic Product) growth rate is determined by the sum of government investment, spending, and consumption. The value of the final goods and services produced by the economy is the source of this statistic. Research has shown that interest rates, currency exchange rates, and oil prices are statistically significant extra variables affecting GDP growth. Research indicates that the value of stocks and the pace of inflation are negatively correlated. Inflation and stock prices are strongly correlated, according to empirical study done on the Vietnamese stock market. Furthermore, research on the Japanese stock market has looked at how stock prices relate to macroeconomic factors such inflation, the money supply, bond interest rates, and borrowing rates. Price-Earnings Ratio (PE), Dividend Ratio, Business Size, Earnings Per Share (EPS), Consumer Price Index (CPI), or GDP Growth Rate were cited in a few studies.

Mukherjee and Naka (2024) emphasized the relationship between stock prices on the Japanese stock market and the macroeconomic factors of inflation, money supply, bond interest rates, and borrowing rates. Consequently, it is emphasized that there is a negative correlation between stock prices and inflation. The same perspective holds that rising inflation lowers stock prices. On the other hand, some research suggests that there is no correlation between stock prices and inflation. The results of the study showed that there may be a positive or negative relationship between inflation and market prices, depending on whether there is a short-term negative correlation between stock prices and inflation. The GDP growth rate is determined by the value of the final products and services produced by the economy. The results of studies show that GDP and stock prices have a positive relationship. A few studies have shown that interest rates, currency rates, and oil prices all have statistically significant effects on GDP growth in addition to GDP.

Trinh and Nhan (2023) determined that one of the main economic variables and a substantial fuel source is the price of oil. It is a crucial part of transportation that is necessary for the industrial process. On the international market, oil is also a highly sought-after commodity. As a result, rising fluctuations in oil prices impact energy-dependent companies and increase operating expenses, which in turn raises future expenses. A company's revenue will rise if it produces oil and decline if it utilizes it, when accounting for the fluctuations in oil prices across industries. Inflation will rise in the country and pressure down exchange rates if oil prices rise, particularly for importing nations. Furthermore, fluctuations in the value of a variety of assets brought on by changes in oil prices affect the economy and securities market returns, especially during economic downturns. Additionally, there is a negative correlation between the price of crude oil and stock market performance. The influence is decided by the industrial group. Industries that rely on oil prices will see a drop in securities returns.

Bunnun and Chancharat (2023) indicated an increase in the desire to invest in the capital markets. Nonetheless, investors expect greater income returns and capital gains from trading assets. The Stock Exchange of Thailand (SET), which serves as a marketplace for trading listed securities to support national development and spur economic progress, is one of Thailand's main hubs for venture capital. Employment, production, and market prices for goods are all impacted by this activity. Additionally, it is a sign of investor confidence, which is beneficial for the general development and advancement of the country. These days, more and more investors are interested in making capital market investments. According to securities sector statistics, the number of consumers opening accounts increased between 2020 and 2022. However, investing entails risk and return uncertainty. Investors should conduct research on the topic and confirm that their level of risk tolerance is suitable before deciding to allocate funds.

Rubaiyath and Lalon (2023) Identify the two most significant influencing elements that have an impact on stock prices: the market ratio and bank size. The complex links between firm-specific and macroeconomic factors and the stock values of Nepalese commercial banks are clarified by these empirical research. This is crucial information for lawmakers, financial institutions, investors, and academics. The previous research provided a solid basis for this study's investigation of the complex interactions among factors affecting stock prices in Nepal's commercial bank sector.

Rimal (2023) found that the stock market is a vital part of every economy since it allows money transactions and provides a gauge of the state of the economy. It receives consumer funds and disburses them to businesses that require finance. This plays a significant part in boosting the economy. By sharing financial risk, the stock market makes it easier for wealthy people to transfer their riches to others in need. Because of this changing climate, funds are directed toward the most promising commercial endeavors. The economic market supports industrial sector growth, which boosts the economy as a whole. The stock values of commercial banks in Nepal are influenced by a number of factors, such as financial statistics and the overall state of the economy. Price changes in the economy occur gradually rather than all at once. This raises the essential query: what factors affect these fluctuations in stock prices?

Karki et al., (2023), examined the important components, including firm size and the book-to-market ratio. Numerous studies on the state of the Nepalese stock market have been carried out, yielding insightful data. It has been shown that while leverage and inflation have negative associations with market share prices, other variables like returns on assets, earnings per share, and dividends per share have positive relationships. demonstrated the positive correlation between market returns and firm-specific parameters such market capitalization, leverage, dividend distribution, and yield ratios, while highlighting negative correlations with the book-to-market ratio, asset expansion, and earnings price ratio.

Ghimire and Pant (2022), examining how accounting data and firm-specific factors affect stock prices is pertinent not only in Nepal but also in other developing nations such as Ghana. shown the significance of these factors by validating the positive relationships between stock values and fundamental metrics like earnings per share, return on assets, and dividend per share. Numerous macroeconomic and firm-specific factors impact share prices in Nepal's banking and insurance sectors. underlined the negative correlations with interest rates and the significance of factors such business size, earnings per share, return on assets, dividend per share, GDP, and inflation in influencing market pricing.

Karmacharya et al., (2022) analyzed data from the Nepal Stock Market to determine the impact of perceived behavioral factors on investors' stock investment decisions. The purpose of this study was to investigate whether the NEPSE performance is influenced by the perceived behavioral characteristics that influence the decisions of particular investors. Market, heuristic, and herding factors are the four behavioral variables that

have the biggest impacts on investment success, according to a structural model study of the data. Investors are more reliant on market sentiment and information, according to this study. According to research findings, in order to profit from the market, investors need take into account both the stock's fundamentals and their own behavior.

Maskey (2022) on his research of “Specific Determinants of Share Prices: Investigating the variables influencing the market share prices of life insurance businesses listed on the Nepal Stock Exchange (NEPSE) is the goal of "A Case Study of Listed Life Insurance Companies in Nepal Stock Exchange." Descriptive and inferential statistics were used to evaluate the data, and the regression coefficients derived from the multiple regression model's findings were used to test the hypothesis. According to the study, the primary factors influencing share price are earnings per share, dividends per share, price-earnings ratio, firm age, and dividend yield. According to the study's findings, dividends are a significant factor for Nepalese investors. Additionally, it was discovered that the companies' dividend policies significantly influence the choices made by investors in Nepal.

Dhungana (2022) investigated the effects of macroeconomic factors on Nepal's stock market. The study's primary objective is to investigate the connection and influence between the stock market index (NEPSE index) and three macroeconomic variables: the broad money supply, exchange rate, and real GDP. The Augmented Dickey Fuller (ADF) test, the VAR lag order selection criteria, the regression equation based on the Autoregressive Distributed Lag (ARDL) model, the F-Bound test, the co-integration and long-run relation, and the heteroscedasticity test have all been used to assess the stationarity of the variables. The effectiveness of the model's co-integration error correction is also checked using ECM. The findings showed a persistently negative relationship between real GDP and the NEPSE Index. Although the NEPSE Index has little effect on exchange rates, its long-term movements have a strong and positive correlation with the money supply as a whole. The money supply and the NEPSE index have a short-term negative association, whereas the RGDP and index do not significantly correlate, according to the results of the ECM model.

Shrestha and Lamichhane (2022) examined the relationship between firm-specific factors and stock returns using data from Nepal. The purpose of this research is to examine how firm-specific factors affect Nepalese commercial banks' stock returns. Multivariate regression analysis has been used to examine how firm-specific factors affect Nepalese

commercial banks' stock returns. Regression analysis uses firm-specific factors as explanatory variables and stock return as a dependent variable. This study determines that the stock return of Nepalese commercial banks is positively impacted by D/P and EPS and negatively by E/P, ROA, and S/P ratios. This study finds that by raising D/P and EPS and decreasing E/P, ROA, and S/P ratios, Nepalese commercial banks can raise the return on their common stock.

Acharya (2021) investigated how Nepal's stock market index was impacted by macroeconomic issues. The study's objectives are to examine the impact of sampling macroeconomic variables and the influence of macroeconomic factors on Nepal's stock market index. The study's methodology combines a descriptive and informal research design with ARDL methodologies. The main macroeconomic factors being examined in this study are the Nepalese stock market index, real gross domestic product, inflation rate, interest rate, and broad money supply, as well as the impact each has on the index. Important findings include the following: There are positive relationships between NI and RGDP, NI and MS, and NI and ER. Furthermore, the MS has a negative correlation with both INTR and INFR. Furthermore, there is evidence of a co-integrating relationship between the other variables selected and the money supply, real gross domestic output, stock market index, interest rate, inflation rate, and exchange rate.

Kunwar (2021) assessed how individual individuals' investing performance in the Nepali stock market was influenced by behavioral characteristics. The study employs exploratory factor analysis (EFA) to examine the fundamental aspects of investor behavior in order to clarify the dividend policies of Nepal's commercial banks. The relationship between these behavioral characteristics and investment performance was investigated using the factor scores derived from the EFA. The findings show that individual investors in Nepal exhibit behavioral biases such as heuristics, prospects, market factors, and herding effect. Among these, heuristics and market factors are discovered to have an impact on investors' investment performance.

Niraula (2021) examined the stock price performance of Nepali commercial banks in order to examine the stock price performance of the nation's commercial banks. The study's entire population consisted of only 18 of the 27 commercial banks listed on NEPSE. The method of convenience sampling is used. For this investigation, only secondary data from 2015–16 to 2019–20 were collected. The study used a descriptive design. The study data was evaluated and statistics were analyzed. The effect of the

independent factors on the dependent variables as well as the link between the independent and dependent variables were shown using multiple regression analysis. EPS, P/E ratio, DY, size, BVPS, and ROA are examples of independent factors. The findings show that while the effects of other variables are minimal, size, the P/E ratio, and EPS all significantly and favorably affect MPS.

Raza et al., (2021) found that investors, managers, financial specialists, and the government all view explaining stock market performance as the most important area of financial research. The stock market is crucial to sustaining economic growth because it makes it easier for banks, investors, and other stakeholders to exchange money. This study's goal is to determine the effects of the following variables on the market price per share of Nepalese commercial banks: GDP, price-earnings ratio, dividend per share, earnings per share, return on assets, inflation, and global product.

Hartono et al. (2021), investigated how Indonesian companies' dividend practices were affected by the COVID-19 outbreak. The variable was measured using the most popular dimension for assessing economic conditions, such as GDP growth, according to Ariwinata and Badjra (2021) and Romus et al. (2020). Using a dummy variable to measure pandemic-related crises and assessing explanatory variables and other exogenous variables on dividend policy, this study also conducted a robust check to evaluate the consistency and robustness of the major components in the complex models. The exogenous variables under examination were business size, age, profitability, financial leverage, and investment potential, in addition to dividends paid out in the previous year.

Panta (2020) examined the macroeconomic factors influencing Nepal's stock market prices using time series data from 1994 to 2019. The dependent variable in this study, which uses the ARDL model through a simple linear transformation, is the NEPSE index. The money supply, inflation, interest rate, exchange rate, and real GDP are the independent variables. The study came to the conclusion that the Nepalese stock market is significantly impacted over the long term by macroeconomic factors.

Renitia et al. (2020) said that several Indonesian companies show their health by paying dividends to investors. However, some companies do cut back on or even stop paying dividends to shareholders. When people's and goods' ability to function in the industrial production chain is restricted, the business cycle is not flexible.

Chhajer et al., (2020) analyzed stock prices have always been an interesting subject. Researchers have tried to pinpoint the factors that affect stock prices and, in turn, produce returns. Researchers have usually focused on market-based concerns to examine the relationship. The study examines the impact of firm-specific fundamental parameters, total assets, debt-equity ratio, current ratio, return on equity, and dividend yield on stock returns in addition to market-based determinants, beta, and price-to-book value ratio. The whole sample of 198 equities selected and listed on the NSE panel data was used for this investigation. While size and leverage have little bearing on stock returns, return on equity and dividend yield have a significant impact.

Dewi and Hidayat, (2019), found that the negotiation power on the stock exchange determines the movement of the stock price, which is the selling price from investors to other investors. The stock price also takes into account the current value of the future cash flows that shareholders will receive. The stock price reflects the amount of money issued to get proof of firm ownership. A publicly traded company has a fixed price for each share it issues. Pricing reflects the market's willingness to pay for a piece of the firm as well as the company's worth. It can and will change based on a variety of factors both inside the company and in the outside world.

Oyedokun et al. (2019) discovered conflicting results on the impact of stock qualities on the market value of Nigerian bank shares. Out of the fifteen listed deposit money banks on the Nigeria Stock Exchange, the study selected a sample of twelve listed banks on the NSE using judgmental selection techniques. The study was conducted between 2013 and 2017. OLS was used for data analysis. The primary determinants are dividend yield, book value per share, price-earnings ratio, and dividend payout ratio. The results of the analysis show a strong positive correlation between the share price and the DPR and P/E ratios. There is no significant association between the share price and book value per share, but there is a noticeable inverse relationship between the share price and dividend yield. However, there was no relationship between the share price and book value per share.

Banerjee (2019) examined the connection between a company's performance and stock return. The main study variables are earnings per share, dividend yield, return on equity, price-earnings ratio, and debt-to-equity ratio. In these studies, secondary data was subjected to OLS. The study's conclusions on return on equity and dividend yield are statistically significant for forecasting stock prices. It should be highlighted, nonetheless,

that debt-to-equity, profits per share, and price earning have no statistical significance because they are unable to predict stock prices.

Sari and Salam, (2019), noted that the indicator used to show changes in stock prices is the stock price index, which is created using the closing price or last price of the stock on the stock market. One of the numerous varieties of stock price indexes is the composite stock price index (IHSG), which comprises all shares listed on the stock exchange and whose value is influenced by changes in the stock prices of companies from various sectors.

Devkota and Dhungana (2019) examined the relationship between four macroeconomic variables and Nepal's stock market index. The researcher used time series data spanning 24 years, from 1994 to 2018. The study claimed that there is a long-term association between Nepal's stock market and macroeconomic indices using the ARDL bound test approach. They also noted that the Nepalese stock market was impacted positively by the money supply and negatively by interest rates, but not in the same way by the price of gold or the currency rate. The study concluded that investors in the market have no alternatives, the Nepalese stock market is erratic, and there are no derivatives instruments accessible.

Phan and Tran (2019) Analyze how ownership and dividend policies affect stock price volatility in the Vietnamese market. A sizable panel dataset of nonfinancial businesses that were publicly traded on the Hanoi Stock Exchange and the Ho Chi Minh Stock Exchange between 2008 and 2015 is used by the authors. The results indicate that in Vietnam's emerging economy, dividend yield lowers stock price volatility.

Almanaseer (2019) examines the relationship between share price volatility and the dividend policy of insurance companies listed on the Amman Stock Exchange. Twenty insurance companies were chosen as a sample from a total of twenty-three. The data indicates a significant inverse relationship between share price volatility and dividend yield and payout ratio.

Camilleri et al. (2019) investigated how the dividend policy affected the stock price volatility of Mediterranean banks. The authors found that dividend payout was a less significant indicator of price volatility than dividend yield, which exhibited a positive association with stock price volatility. Because the authors examined data from several countries, their conclusion that dividend yield has a positive association with stock price

may be somewhat validated for a lot of countries. This is an important component of the study. It is undeniable that, in contrast to the author's conclusions, the dividend-volatility link makes up a relatively small portion of the overall volatility of stock prices.

Ahmad et al. (2018) used empirical data from 228 listed businesses on the Amman Stock Exchange to investigate how dividend policies affect stock price volatility. Once more, a larger sample size may yield more precise findings. The study found a significant negative link between stock price volatility and the key elements of dividend policy, dividend yield, and dividend payment. This suggests that for companies with larger dividend yields and distributions, stock price volatility will be lower and stock price stability will be higher. The authors have discussed how their findings support the idea, despite the fact that they did not offer any evidence from earlier studies. The authors' failure to discuss the consequences of their findings or the limits of the study is clear from the flaws in their paper.

Hafeez et al. (2018) used a panel data regression model to measure dividend policy using earnings per share and dividend pay-out ratio, and performance using ROA and ROE. They found that firm performance can be explained and calculated using dividend policy alone. Dividends per share and dividend yield were the two variables used by Farrukh et al. (2017) to assess dividend policy and return on equity as a gauge of company performance. They found that dividend policy had a significant impact on firm performance based on the results of a regression analysis. Rehman and Hussain (2013) discovered that the dividend pay-out ratio has a considerable impact on the return on asset ratio. Furthermore, Amidu (2007) discovered that return on assets and dividend policy had a positive relationship, but return on assets and the dividend pay-out ratio with leverage had a negative relationship.

Zainudin et al. (2018) investigated the dividend policies and stock price volatility of 166 publicly traded industrial products businesses in Malaysia. The outcomes of this study can also be shown to be quite accurate due to the large sample size. This study is strong because it examines the relationship between dividend policy and stock price changes, especially in the wake of the crisis. Overall, the results indicate a strong inverse association between dividend yield and stock price volatility and a large inverse relationship between a company's dividend payment ratio and stock price volatility. These results imply that dividend policy has a major impact on stock price volatility in the industrial products sector.

Phuyal (2016) investigated the relationship between macroeconomic factors and long-term market movements in the Nepalese capital market from January 2003 to December 2012 using vector auto regression (VAR) and vector error correction model (VECM). They found that the Nepali stock market had a long-term equilibrium relationship with a number of macroeconomic factors, such as interest rates, inflation rates, and remittance flows, with a monthly correction of 1.79% for short-term disequilibrium.

Pradhan and Dahal (2016) investigated the factors affecting the share prices of Nepalese commercial banks. 14 commercial banks that were listed on NEPSE between 2003–2004 and 2013–2014 are the sources of the samples. Size, GDP, inflation, money supply, earnings per share, dividend per share, price-earnings ratio, book value per share, return on assets, and return on assets are the main factors that affect share price. The result shows that EPS, DPS, ROA, size, GDP, inflation, and money supply have positive and significant effects, but the price-earnings ratio and book value per share are insignificant.

Karki (2015) results of the study show that earnings and stock dividends are the most significant factors affecting the stock prices of Nepalese commercial banks. The impact of these variables on stock prices are consistent and statistically significant across all studies and model specifications. In terms of both statistical and economic significance, the stock dividend is the most important of the six firm-specific variables that were studied.

Soti (2015) developed using monthly data on the relationship between macroeconomic variables and the Nepalese stock market from January 2005 to December 2014. The ARDL and ADF models were used by the researcher. The analysis reveals a long-term link between the NEPSE index and the money supply, interest rate, and Consumer Price Index (CPI), despite some short-term fluctuations.

Shrestha and Subedi (2014) studied the variables affecting the performance of the Nepalese stock market using monthly data from mid-August 2000 to mid-July 2014. According to the theory they put up, Nepali stock investors viewed stocks as a type of financial tool and as a hedge against inflation. In addition, the performance of the Nepalese stock market is supported by the availability of liquidity and the low interest rate. Changes in Nepal Rastra Bank policies and the political environment have been found to have a significant effect on the stock market.

Eita (2012) investigated the macroeconomic variables influencing Namibia's stock market price using an econometric model called the vector error correction model (VECM). Their research revealed that the price of stocks in Namibia is significantly influenced by economic activity, interest rates, inflation, money supply, and exchange rates. Quarterly data from 1998 to 2009 were used in the study. The researcher found that if stock market prices shifted out of equilibrium, the money supply and interest rates would not swiftly correct the imbalance and bring the system back to equilibrium. Currency rates, income, and inflation all have a positive correlation with stock prices.

Hossein et al., (2011) observed that both short- and long-term correlations exist between macroeconomic variables and the stock market indexes in China and India. While the money supply has a positive influence on China, it has a long-term detrimental impact on the Indian stock market. Both stock indices benefit from growing inflation in both nations. The money supply has a short-term positive impact on the current Chinese stock market indexes, but a negative impact on the Indian ones. However, none of these impacts are significant. At the same time, inflation has a favorable and considerable impact on the current Chinese stock index (SSE).

Finally, the above discussion also summarized in table 1

Table 1. Review Matrix

Author(s)	Title	Objectives	Research Tools, Variables	Major Findings
Dhodary (2024)	Factors affecting the stock prices of Nepalese commercial banks.	To examine the variables that affects stock price of commercial banks in Nepal.	The study is conducted utilizing a quantitative technique followed by descriptive research. The research variables include book value per share, PE ratio, market price per share, firm size, dividend payment, return on equity, and dividend payment.	The book value per share and overall size of Nepalese commercial banks have been steadily rising, their stock performance in the market, profitability, and dividend payments have been very variable, according to descriptive statistics. When there are no earnings per share for a given bank, the P/E ratio is zero in those particular years. Commercial bank share prices in Nepal are positively

Author(s)	Title	Objectives	Research Tools, Variables	Major Findings
				correlated with BVPS, PE, ROE, and DIV and negatively correlated with company size.
Chhetri (2024)	Factors Affecting the Share Price of Commercial Banks in Nepal.	To demonstrate how GDP and inflation affects stock price of commercial banks in Nepal.	The total of government spending, investment, and consumption determines the growth rate of the GDP. This statistic is derived from the value of the finished goods and services that the economy produces.	Studies have indicated that oil prices, currency rates, and interest rates are statistically significant additional factors influencing GDP growth. Studies show that there is a negative correlation between stock market values and the rate of inflation.
Mukherjee and Naka (2024)	Dynamic relations between macroeconomic variables and the Japanese stock market.	How the macroeconomic variables impacts share price of securities listed in Japanese stock market.	The macroeconomic variables of inflation, money supply, bond interest rates, and borrowing rates and stock prices are used. It applied vector error correction model to analyze the correlation and regression.	Research findings indicate that there is a favorable correlation between GDP and stock prices. A few studies have demonstrated that, in addition to GDP, statistically significant effects on GDP growth are also caused by interest rates, currency rates, and oil prices. The study's findings indicated that, depending on whether there is a short-term negative correlation between stock prices and inflation, there might be a positive or negative association between inflation and market prices.
Trinh and Nhan (2023)	The Global Factors Driving Common Inflation in ASEAN.	To identify that price of oil is a significant fuel source and one of the key economic	Descriptive statistics, correlation and multiple regression analysis using	Variations in the value of a wide range of assets due to shifts in oil prices have an impact on the economic system

Author(s)	Title	Objectives	Research Tools, Variables	Major Findings
		determinants.	SPSS.	and the returns on securities markets, particularly in times of economic crisis. The price of crude oil also has a negative relationship with the results on the stock market. The industrial group determines the impact. Securities returns will decline in industries that are dependent on oil prices.
Bunnun and Chancharat (2023)	The Mediating Role of Dividend Policy in the Relationship Between Ownership Structure and Firm Performance of Thai Listed Companies.	To examine how dividend policy impacts firms performance and stock price of listed companies in Thailand.	Capital gains and income yields from trading securities. Regression analysis to study the impact of dividend policy on stock price.	Statistics from the securities industry show that, more and more consumers were creating accounts. But there is risk and return uncertainty associated with investment. Before choosing to allocate investing funds, investors should research the subject matter and make sure that their degree of risk tolerance is appropriate.
Rubaiyath and Lalon (2023)	Investigating the Impact of Bank-Specific Determinants on Stock Price of Listed Commercial Banks in Nepal.	To find how the bank specific variables determines the stock price of Nepalese commercial banks.	Market Ratio and Bank Size are used as two major firm specific variables. The impact is analyzed using multiple regression with SPSS.	This study's examination of the intricate relationships between variables influencing stock prices in Nepal's commercial bank industry was made possible by the earlier research, which served as a strong foundation.
Rimal (2023)	Bank efficiency, financial depth and economic growth: A case of Nepal.	To study how bank's efficiency and financial depth impacts on economic	Bank efficiency, financial depth, economic growth. What influences the	The stock market facilitates the transfer of wealth from rich to poor individuals by

Author(s)	Title	Objectives	Research Tools, Variables	Major Findings
		growth of Nepal.	swings in stock prices analyzed using correlation and regression models.	sharing financial risk. Money is allocated to the most promising business ventures thanks to this shifting environment. Growth in the industrial sector is supported by the economic market, which benefits the overall economy. Regarding Nepal, a variety of factors, including financial data and the general status of the economy, influence the stock prices of commercial banks.
Karki et al., (2023)	Performance evaluation of technical analysis in the Nepalese stock market: Implications for investment strategies.	To analyze the impact of firm specific and macroeconomic factors on stock price of companies listed in NEPSE.	Book-to-market ratio, business size, returns on assets, earnings per share, dividends per share, leverage and inflation. Correlation analysis used to examine the relationship between variables.	Highlighted negative associations with the book-to-market ratio, asset expansion, and earnings price ratio, but confirmed the positive association between market returns and firm-specific factors such market capitalization, leverage, dividend distribution, and yield ratios.
Ghimire and Pant (2022)	Stock Market and Economic Development: An Enquiry into the Status of Nepalese Case.	To examined of the impact of accounting data and firm-specific variables on stock prices is relevant not only in Nepal but also in other developing economies like Ghana.	Variables such business size, earnings per share, return on assets, dividend per share, gross domestic product, and inflation.	The banking and insurance industries in Nepal have multiple factors that influence share prices, both macroeconomic and firm-specific. Shaping market pricing in addition to underlining the negative correlations with interest rates.
Karmacharya et al., (2022)	Effect of Perceived	This study aimed to explore	Applying structural model	This study observes more reliance and

Author(s)	Title	Objectives	Research Tools, Variables	Major Findings
	Behavioral Factors on Investors' Investment Decisions in Stocks: Evidence from Nepal Stock Market.	whether the perceived behavioral factors impelling specific investors' decision making to contribute to the NEPSE performance.	analysis of the data, it shows that among the four behavioral variables, market, heuristic, and herding factors have significant effects on investment performance.	dependence of investors on market information and sentiments. Research findings suggest that investors consider the fundamentals of the stock and consider the investors' behavior to get a return from the market.
Maskey (2022)	Specific Determinants of Share Prices: A Case Study of Listed Life Insurance Companies in Nepal Stock Exchange.	It aims to investigate the factors that affect the market share prices of life insurance companies listed in Nepal Stock Exchange (NEPSE).	The data was analyzed through descriptive and inferential statistics, while the hypothesis was tested using the regression coefficients based on the results of the multiple regression model in this study.	The study revealed that earning per share, dividend per share, price-earnings ratio, age of the company and dividend yield are the major determinants of share price. The study concludes that dividends play a major role when Nepalese investors make investment. Further, it was revealed that dividend policy of the companies plays a major role in shaping investor decisions in Nepal.
Dhungana (2022)	Effect of Macroeconomic variables on Nepalese stock market.	To examined how Nepal's stock market was affected by macroeconomic variables.	Examining the relationship and impact between the broad money supply, exchange rate, and real GDP and the stock market index (NEPSE index). The variables' stationarity has been tested using the Augmented Dickey Fuller (ADF) test;	The results indicated a long-term negative link between the NEPSE Index and Real GDP. Long-term NEPSE Index fluctuations are substantially and favorably correlated with the overall money supply, but the NEPSE Index has little bearing on exchange rates. According to the ECM model's results, the money supply and the

Author(s)	Title	Objectives	Research Tools, Variables	Major Findings
				NEPSE index have a negative relationship in the short term, whereas the RGDP and index are not significantly correlated.
Shrestha and Lamichhane (2022)	Effect of Firm-Specific Variables on Stock Returns: Evidence from Nepal.	It aim to investigate the effect of firm-specific variables on the stock return of Nepalese commercial banks.	Multivariate regression analysis has been applied. In regression analysis stock return is taken as dependent variable and firm-specific variables have been taken as explanatory variables.	This paper finds the positive impact of D/P and EPS, and the negative effect of E/P, ROA and S/P ratio on the stock return of Nepalese commercial banks. This paper concludes that Nepalese commercial banks can increase common stock return by increasing D/P and EPS and lowering E/P, ROA and S/P ratios.
Acharya (2021)	How macroeconomic factors affected Nepal's stock market index.	The study's goals are to investigate the effects of macroeconomic factors on the stock market index in Nepal as well as the effects of macroeconomic variables that have been sampled.	The study's approach consists of ARDL techniques along with a descriptive and informal research design. The stock market index in Nepal, real gross domestic product, inflation rate, interest rate, and broad money supply are the primary macroeconomic variables.	NI and RGDP, NI and MS, and NI and ER all show favorable correlations. Additionally, there exists a negative association between the MS and both INTR and INFR. Additionally, there is proof of a co-integrating link between the money supply, real gross domestic output, stock market index, interest rate, inflation rate, and exchange rate, as well as the other variables that were chosen.
Kunwar (2021)	Factors Affecting the Share Price of Nepalese Commercial Banks.	To evaluate the relationship of behavioral factors with investment	To elucidate the dividend practices of commercial banks of Nepal,	The results reveal that behavioral biases like heuristics, prospects, market factor and

Author(s)	Title	Objectives	Research Tools, Variables	Major Findings
		performance of individual investors in the Nepali stock market.	the study uses Exploratory Factor Analysis (EFA) to explore the underlying dimensions of investor behavior.	herding effect are present among individual investors in Nepal. Among the factors, the investment performance of investors is found to be influenced by heuristics and market factors.
Niraula (2021)	Stock Price Behavior of Commercial Banks of Nepal.	To study stock price behavior of Nepali commercial banks in order to look into the country's commercial banks' stock price behavior.	A descriptive study design was applied. Using multiple regression analysis, the relationship between the independent and dependent variables was demonstrated, as well as the effect of the independent factors on the dependent variables. Independent factors include EPS, P/E ratio, DY, size, BVPS, and ROA.	According to the results, size, the P/E ratio, and EPS all have a positive and significant impact on MPS, whereas the effects of other variables are negligible. Only eighteen of the 27 commercial banks that are listed on NEPSE were included in the study's total population. The convenience sampling method is applied. Only secondary data from 2015–16 to 2019–20 were gathered for this study. A descriptive study design was applied. Statistics were interpreted and the study data were assessed.

2.3 Research Gap

Several independent variables were found to be the factors impacting the share price based on the review matrix. The results of earlier research are what make a study comprehensive, and every study is equally significant for current one. There are certain research gaps between this study and earlier research, particularly in the areas of time and sample. This analysis took into account 70 data points, including a seven-year data panel for ten carefully chosen Nepali development banks. Because this study included more

samples, the results were more reliable. The results are also more efficient when the mean value, standard deviation, and coefficient of variation for each bank and each of the seven years are taken into consideration. Descriptive statistics, correlation analysis, and multiple regression analysis are also employed for inferential analysis. In conclusion, it is evident that the current research is better than the earlier studies due to its larger sample size, longer fiscal years, and more effective results that produce more logical conclusions.

CHAPTER III
RESEARCH METHADOLOGY

This chapter covers research technique, which lays out the study's general plan. It offers a fundamental framework that serves as the foundation for the research. Research methods must be explained before the data analysis and interpretation are presented. Without technique, it's possible that the conclusions reached will be interpreted incorrectly. The research question, model, variable definition, sample size and selection, data sources, and limitations are all highlighted. Thus, the methodology used in this investigation is explained in this chapter.

3.1 Research Design

The method and processes for gathering the necessary data are specified in the research design. It addresses what data should be gathered, from what sources, and using what methods. It is the plan, structure, and method of study designed to get the answer to the research question and control for variations, and it is highly required for the research problem. Stated differently, a study design is the methodical and rational planning that outlines the steps for gathering and evaluating data and information. Different kinds of study designs exist. Among these, the descriptive research design has been deemed suitable for achieving the study's stated goal. On the other hand, causal-comparative research method has also been followed because this study is intended to describe the phenomenon related to firm specific and macroeconomic variables affecting stock price of development banks of Nepal.

3.2 Population and Sample and Sampling Design

There are 17 development banks conducting their transaction in Nepalese financial market till the end of fiscal year 2022/23. All development banks' shares are traded in stock market; hence it is not possible to study all of them regarding the study topic. Therefore, sampling has been done selecting from population. Only ten development banks selected as sample among the entire population, the sample banks are JBBL, KSBBL, MBBL, GBBL, MLBBL, MDBL, EDBL, LBBL, SINDU and SRDBL. This study covers the period of seven years from year 2016/17 to 2022/23. The sample banks are selected with objective to include all national level development banks and remaining are the district level banks actively trading their shares in Nepal stock Exchange since last

seven years or more time period continuously. Judgmental and non-probability sampling technique followed for selection of the banks.

3.3 Sources of Data

The study's foundation is secondary data that was gathered from government publications and bank annual reports. The necessary information has been gathered from listed firms' financial statements that are released by the relevant banks. The annual reports released by the relevant banks and government agencies provide the pertinent data. In addition, more information is gathered from previously completed dissertations, journals, papers, and articles. The data used in this investigation is secondary. Additional information that was required was gathered from several sources.

3.4 Method of Analysis

In this investigation, a variety of statistical and financial approaches were employed. The data analysis was carried out based on the given data pattern. The analysis mostly consists of financial instruments and basic regression analysis. Financial and statistical methods have been used to illustrate the relationship between various variables relevant to the study issue. Additionally, the statistical tools arithmetic mean, regression analysis, standard deviation, coefficient of variation, and coefficient of correlation have been calculated in this study, along with the primary financial indicators MPS, DPS, EPS, PER, Banks Size, GDP Growth Ratio, and Consumer's Price Index (CPI).

Statistical Tools

The coefficient of variation and standard deviation have been employed under descriptive statistics. Depending on the type of data, statistical visualizations have been employed to study the phenomena. Likewise, several regressions have been employed to derive the statistical conclusions. The reason for this is that the goal of this study is to make conclusions on the variables influencing the stock price of financial institutions in Nepal. Additionally, the correlation matrix has been used to analyze the correlation coefficients between the variables. All of the statistical parameters in this study were created using a computer and the data analysis toolkit Microsoft Excel. In particular, many statistical tools are modified for the data analysis, including regression equations and descriptive statistics. Under the descriptive statistics, mean, standard deviation, range, coefficient of variation. Similarly, simple liner regression has been used for the analysis of effects by the variables.

3.5 Models of Analysis

There is a function for this study which is given as:

$MPS_{it} = \beta_0 + \beta_1 DPS_{it} + \beta_2 EPS_{it} + \beta_3 PER_{it} + \beta_4 SZ_{it} + \beta_5 GDPGR_t + \beta_6 CPI_t + \varepsilon_{it}$

Where,

MPSit represents Market price per share of bank *i* in year *t*;

DPSit represents Dividend per share of bank *i* in year *t*;

EPSit represents Earnings per share of bank *i* in year *t*;

PERit represents Price Earnings Ratio of bank *i* in year *t*;

SZit Bank Size of bank *i* in year *t*;

GDPGRt represents Gross domestic product growth rate of in year *t*;

CPIt represents Consumer's Price Index in year *t*;

β_0 is the intercept (constant); β_1, β_2, β_3, β_4, β_5 and β_6 represent the corresponding slope which addresses the impact coefficients and ε_{it} represents the error term.

3.6 Research Framework

The research model of this study is based on market price of stock of development banks with evidences. Moreover, dependent and independent variables are modified from Silwal and Napit, 2019.

Following diagram represents the relationship between the dependent and independent variables:

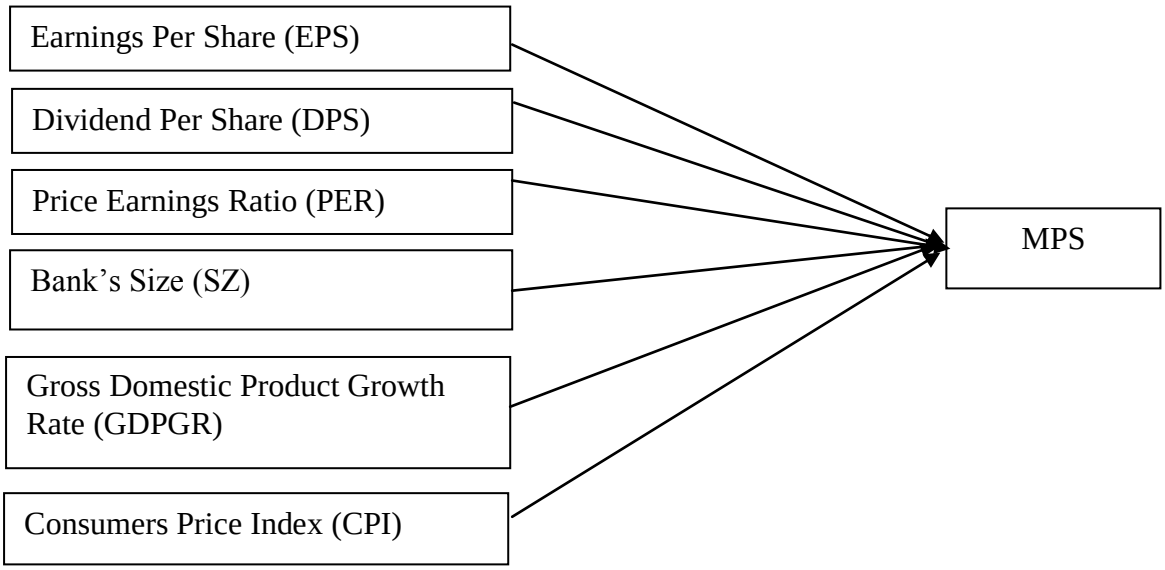

Figure 1 Research Framework.

Source: Silwal and Napit, (2019)

3.6.1 Definition of Variables

Dependent Variable:

Market Price per Share (MPS)

The goal of the current study is to determine how macroeconomic and microeconomic factors affect the market price of financial institution shares in Nepal. According to the researcher, shifts in the pressure to purchase and sell might cause the stock price to fluctuate minute by minute. Choosing which market price to regress as a measure of the dependent variable becomes challenging as a result of these changes. The current analysis uses the closing price of the bank's stock at the conclusion of its fiscal year as a proxy for market value. In this study, the market price serves as the dependent variable.

Independent Variables

Earnings per Share (EPS)

The net profit of a business divided by the total number of outstanding common shares is known as earnings per share, or EPS. EPS is a commonly used indicator for measuring corporate value since it shows how much money a firm produces for each share of its stock. Because investors would pay more for a company's shares if they believe it has larger earnings in relation to its share price, a higher EPS denotes more value. EPS can be calculated in a number of ways, including by diluted basis or by excluding unusual items or discontinued activities. Earnings per share, like other financial measures, are most useful when compared to those of competitors, businesses in the same sector, or over time.

One of the most crucial indicators used to assess a company's profitability in absolute terms is earnings per share. It also plays a significant role in determining the price-to-earnings (P/E) ratio, where EPS is denoted by the letter E. An investor can determine a stock's value by dividing its share price by its earnings per share. This gives them an idea of how much the market is prepared to pay for every dollar of earnings. One of the various indicators available to you for stock selection is EPS. Selecting a broker who fits your investing style is the next step if you are interested in stock trading or investing. Since common shareholders do not have direct access to the results, investors may find it meaningless to compare EPS in absolute terms. Rather, investors will assess the value of earnings and their sentiment toward future growth by comparing EPS with the stock price.

Dividend per Share (DPS)

Dividend per share lists all of the dividends that a business has paid out for each outstanding share over a specific period of time. Based on the company's dividend per share valuation, investors can determine how much money they will receive on a per-share basis. The total of a company's declared dividends paid out for each outstanding common share is known as the dividend per share, or DPS. The amount is determined by dividing the total number of outstanding ordinary shares issued by the company for a given period of time, often a year, by the total number of dividends paid out by the company, including interim dividends. The dividend paid in the most recent quarter, which is also used to determine the dividend yield, is sometimes used to determine a company's DPS.

The total of a company's declared dividends paid out for each outstanding common share is known as the dividend per share, or DPS. DPS is computed by dividing the total number of outstanding ordinary shares issued by the company for a given period of time, often a year, by the total number of dividends paid out by the company, including interim dividends. Because a company's dividend payments directly convert into money for shareholders, DPS is a crucial statistic for investors. A steadily increasing DPS over time may also indicate that management of the company thinks earnings growth may continue.

Price Earnings Ratio (PER)

The price-to-earnings ratio, which compares a company's current share price to its earnings per share (EPS), is used to determine its value. The price multiple or earnings multiple are other names for the price-to-earnings ratio. Analysts and investors use P/E ratios to compare a company's shares to those of other companies in the same industry and ascertain the relative value of each company's shares. Additionally, it can be used to compare aggregate markets across time or against one other, or to compare a company to its own past performance. P/E estimates can be either forward (projected) or trailing (backward-looking).

A company's share price and earnings per share are related by the price-to-earnings (P/E) ratio. A high P/E ratio may indicate that investors anticipate rapid future growth or that a company's stock is overpriced. Because there is nothing to put in the denominator, companies with no earnings or that are losing money do not have a P/E ratio. In practice, two types of P/E ratios are utilized: forward and trailing P/E. When compared to other

firms in the same industry or to a single company over time, a P/E ratio is most valuable to an analyst.

Bank's Size (BS)

The current economies and diseconomies of scale in the banking industry are taken into consideration by bank size. Bigger banks typically have more products, are more engaged in the market, and offer better opportunities for risk diversification. Additionally, because they do not compete in the highly competitive market, larger banks can increase their efficiency. However, a bank's size has a direct impact on how much its profitability is impacted by legal, financial, and other variables. One of the control variables used in this study to examine bank financial performance is bank size, which is determined by taking the log of the book value of all assets in its currency.

$$Bank's\ Size\ (SZ) = \text{Log (Total assets)}$$

GDP Growth Rate (GDPGR)

The total monetary or market worth of all completed goods and services produced inside a nation's boundaries over a given time period is known as the gross domestic product, or GDP. It serves as a thorough assessment of a nation's economic health since it is a wide indicator of total domestic production. Although GDP is usually computed annually, it can sometimes occasionally be computed quarterly. For instance, the government of the United States publishes an annualized GDP estimate for the calendar year as well as for each fiscal quarter. This report's individual data sets are presented in real terms, which means that they are adjusted for price changes and are therefore net of inflation.

The total monetary worth of all completed goods and services produced in a nation during a given time period is known as the gross domestic product. An economic snapshot of a nation is provided by GDP, which is used to calculate the size and growth rate of an economy. GDP can be computed in three different ways: by income, production, or expenditures. To provide a more comprehensive understanding, it can also be adjusted for population and inflation. Unlike nominal GDP, real GDP accounts for the effects of inflation.

Consumer's Price Index (CPI)

Based on a representative basket of goods and services, the Consumer Price Index calculates the total change in consumer prices over time. The most popular indicator of

inflation is the CPI, which is extensively watched by consumers, businesses, financial markets, and policymakers. While a comparable index encompassing wage earners and clerical workers is used for cost-of-living adjustments to government benefits, the frequently cited CPI is based on an index covering 93% of the population. The change in shelter expenses, including owner-occupied housing, which makes up over one-third of the CPI, is estimated using housing rentals.

CHAPTER IV
RESULTS AND DISCUSSION

The analysis and presentation of the gathered data are covered in this chapter. This chapter's goal is to analyze the data gathered in order to accomplish the study's goal after the raw data has been transformed into a comprehensible format. In accordance with the study technique discussed in the third chapter, the data have been examined and interpreted in this chapter utilizing statistical and financial methods. The data gathered from several sources has been presented in the analysis section using a variety of tables that have been transformed into the necessary tables based on their homogeneity. The analysis's computed findings have been displayed in the appropriate formats.

The data analysis, findings, and discussion are all provided in this chapter. This chapter calculates and analyzes market price per share, dividend per share, earnings per share, price earnings ratio, bank size, GDP growth rate, and consumer price index.

4.1 Results

The findings of the research are presented succinctly and impartially. In quantitative research, a different sort of analysis is employed for every question or hypothesis that is stated. Descriptive and inferential statistics are used to present pertinent findings.

4.1.1 Market Price per Share (MPS)

The "share price," often known as the market price per share of stock, is the most recent price at which a stock has traded. It happens when the price a seller is prepared to accept for a stock and the price a buyer is willing to pay for a stock, and it is a result of market forces. The most recent price of a single share of a publicly listed corporation is known as the market price per share. This is not a set price; rather, it fluctuates during the trading day in response to a variety of market conditions. For the ignorant market observer, the market price per share of a stock is indicated by the number next to its ticker symbol. When a trader places a market order to buy or sell a stock, it will execute at the market price. Unlike the book value per share, the market price per share is independent of the value of the company's assets and any other information on the balance sheet. Instead, the market price per share is determined by supply and demand.

There are more buyers than sellers of a stock when the market price is rising. If more people are trying to sell a stock than buy it, the stock will lose market value. These

choices may be influenced by the company's resources, such as favorable or unfavorable information shown in a quarterly earnings report. Non-financial elements that could affect supply and demand include natural disasters, new government regulations, and CEO scandals. Since many novice investors trade through websites or brokerage applications, it might be easy to forget that every order you place on your app is a real transaction with another person. Digital technologies have made the process easier, but traders still need to find a partner to complete the order; a buyer must find a seller, and a seller must find a buyer.

In technical terms, a seller offers a price at which they are willing to sell, and a buyer offers a price at which they are willing to acquire something. When the ask and bid prices match, a market price is established, and the transaction is completed. When market forces push the stock price down, lowering the market price, a seller may accept a lower offer price. On the other hand, when market forces push up the price of a stock, raising the market price, a buyer may be willing to accept a higher bid price.

Novice investors frequently make the error of comparing the market price per share of two companies. When Company ABC is trading for Rs. 500 per share and Company XYZ is trading for Rs. 100 per share, it may first seem that Company ABC is more valuable, even if stock prices don't necessarily reflect this. To compare the value of these companies, you will need to utilize a metric known as market capitalization. The market price per share, also referred to as a company's "market cap," is used to determine its market capitalization. It is calculated by multiplying the number of outstanding shares by the most recent share price of the company. Finding a company's current trade value can be done quickly and easily with this method. Market forces affect this value, just as the market price.

The bulk of internet brokerages and market news websites show the share price at the moment. Additionally, many allow you to follow movement and analyze trends by monitoring historical share price data. Determining a "good" price per share is a very subjective procedure. Having a strong belief in the sector will make you willing to pay more than someone who isn't sure of a company's financial viability. The definition of a "good" price for a stock is up to each investor.

The information about the market price per share (MPS) of the development banks in the sample during the seven-year study period is as follows:

Table 2

Market Price per Share of study development banks

Bank\Yr	2023	2022	2021	2020	2019	2018	2017	Mean	SD	CV
JBBL	298	302.2	478	166	163	141	207	250.7	110.4	44.0
KSBBL	327	349.9	580	145	160	141	337	291.4	147.1	50.5
MBBL	407	439.9	657	312	370	378	971	505.0	215.7	42.7
GBBL	405	387	544	223	224	218	296	328.1	114.0	34.8
MLBBL	325.5	374	445	183	195	171	219	273.2	100.0	36.6
MDBL	404	347	586	307	234	288	520	383.7	118.8	30.9
EDBL	325	327	855	298	283	326	624	434.0	203.4	46.9
LBBL	413	341	585	181	197	146	78	277.3	164.7	59.4
SINDU	279	268.2	401	134	144	131	366	246.2	104.3	42.4
SRDBL	384	294	256	222	252	271	425	300.6	69.6	23.1
Mean	356.8	343.0	538.7	217.1	222.2	221.1	404.3			
SD	48.3	47.2	152.2	63.9	64.4	84.7	241.0			
CV	13.5	13.8	28.2	29.4	29.0	38.3	59.6			

Source: Annual Reports of Sample Banks

The average stock price is highest for Muktinath Bikas Bank Limited (MBBL), Rs. 505.00 and lowest average price for SINDU Bikas Bank Limited, Rs. 246.20. The standard deviation is minimum for Shine Resunga Development Bank Limited (SRDBL) and lowest CV observed for Shine Resunga Development Bank Limited (SRDBL) among all ten sample banks indicating its greater consistency in market price per share having 23.10 percent coefficient of variation. The higher variability in MPS observed for Lumbini Bikas Bank Limited (LBBL) with maximum CV of 59.40 percent in seven year's study period.

Considering the annual data summary, the average stock price was maximum in year 2020/21, Rs. 538.70 and it significantly fluctuating with some exceptional increase in some of fiscal years, and reported minimum average MPS of Rs. 217.10 for year 2019/20 as the lowest average price. A minimum CV of 13.50 percent in year 2022/23 indicated low fluctuation in stock price with highest deviation in the year 2016/17 having CV of

59.60 percent. The standard deviation results indicate that, year 2021/22 has lowest SD of just 47.20 and the highest SD of 241.00 reported for year 2016/17.

4.1.2 Dividend per Share (DPS)

Dividend per share is the term used to describe a company's dividend payment per share of common stock. The goal of the metric is to estimate the dividend payments that an income investor would expect to receive if they were to buy common stock in a company. When the amount per share stays constant, it is very helpful to track the measure on a trend line because it demonstrates management's dedication to paying investors on time. Furthermore, a rising trend in dividend payments indicates that management believes the business has sufficient cash flow to pay dividends. To calculate dividends per share, divide the total value of all periodic and special dividends paid out for a given year by the weighted average number of common shares that were outstanding at the time.

Dividend per share, or DPS, is the sum of a company's declared dividends paid out for each outstanding ordinary share. The amount is calculated by dividing the total number of outstanding ordinary shares that have been issued by the total dividends, including interim dividends, that a firm has paid out over a specific time period, usually a year. A company's DPS is often determined by its most recent dividend payment. One could argue that special dividends should be deducted from the overall amount of dividends paid out each year if the objective is to predict the dividend per share for a future period. This is because there is no assurance that these extraordinary dividends will be distributed again. Dividends per share, or DPS, is the entire dividend paid out by a company during a 12-month period, divided by the total number of outstanding shares. A business uses this calculation to pay out profits to its owners. An investor can learn about a company's past and current financial health, as well as its profitability over a specific time frame, via DPS.

Dividends per share (DPS) is a key financial metric for evaluating a company's long-term growth prospects and general financial health. Whether a company's dividend payout is steady or rising, it can be a sign of stability and prosperity. A declining DPS could be the consequence of debt reduction or reinvesting in the business's operations, or it could indicate approaching financial issues. It may, therefore, also be a sign of poor profitability. Since it shows the direct income a business makes for its shareholders, the Dividend Payment Schedule (DPS) is an important metric for investors. Additionally, it is

among the most straightforward criteria for estimating future dividend payments to stockholders. On the other hand, a continually rising DPS over time can suggest that a company's management believes earnings growth can go on.

However, a drop in dividends per share does not always mean that a company is having financial difficulties. Suppose, for example, if ABC decided against distributing a dividend to its shareholders in favor of reinvesting its revenues back into the company to create new goods. This reinvestment in the business may result in dividend increase over the long run. The statistic is calculated by dividing the total number of outstanding ordinary shares issued by the total amount of dividends, including interim dividends, that the company has paid out over a specific time period.

The information on the dividend per share of the sample banks throughout the seven-year study period is as follows:

Table 3

Dividend per Share of study development banks

Bank\Yr	2023	2022	2021	2020	2019	2018	2017	Mean	SD	CV
JBBL	0.00	6.80	15.50	10.00	12.75	8.40	10.00	9.06	4.54	50.12
KSBBL	0.00	4.64	19.47	4.63	6.80	9.50	17.12	8.88	6.54	73.68
MBBL	9.75	13.50	17.58	11.25	17.60	22.63	21.05	16.19	4.51	27.82
GBBL	10.00	14.50	16.00	14.21	16.84	13.75	15.00	14.33	2.02	14.12
MLBBL	12.80	10.47	21.05	9.26	17.89	15.00	9.00	13.64	4.25	31.14
MDBL	10.00	13.00	14.00	15.79	19.50	17.89	33.13	17.62	6.97	39.56
EDBL	0.00	0.00	8.95	12.63	18.00	17.00	31.71	12.61	10.31	81.77
LBBL	8.50	12.00	13.68	10.00	20.00	17.07	0.00	11.61	6.00	51.66
SINDU	0.00	0.00	0.00	0.00	12.09	0.00	6.26	2.62	4.43	168.92
SRDBL	10.50	13.30	10.93	13.00	15.00	18.63	25.00	15.19	4.73	31.13
Mean	6.16	8.82	13.72	10.08	15.65	13.99	16.83			
SD	5.12	5.31	5.74	4.45	3.86	6.15	10.38			
CV	83.25	60.17	41.81	44.16	24.70	43.96	61.70			

Source: Annual Reports of Sample Banks

Among ten sample development banks, the average dividend per share is highest for Miteri Development Bank Limited (MDBL), Rs. 17.62 with maximum fluctuation in DPS for SINDU Bikas Bank Limited as reported by highest CV of 168.92 percent and the average DPS is minimum for SINDU Bikas Bank Limited, Rs. 2.62. Lower CV of 14.12

percent reported for GBBL implies its higher consistency in DPS among these ten sample development banks.

Considering the yearly data summary of 7 years for ten sample development banks, the dividend per share is highest in the year 2016/17 as the average DPS was Rs. 16.83, but it declined to the minimum DPS of Rs. 6.16 in the recent year 2022/23. A minimum CV of just 24.70 percent reported during the year 2018/19 indicating more consistency, but the during the year 2022/23, CV was 83.25 percent, the highest fluctuation in dividend per share along with the maximum standard deviation of 10.38 in year 2016/17 and the lowest SD was 3.86 in year 2018/19.

4.1.3 Earnings per Share (EPS)

The entire number of outstanding shares of a company's common stock is divided by its profit to determine earnings per share, or EPS. The resulting value can be used to assess the profitability of a business. Adjusted EPS, which accounts for exceptional expenses and potential share dilution, is usually released by companies. If a company's EPS is higher, it is perceived as more profitable. By dividing the total number of shares by the total number of shares that are available for usage, net income—also known as profits or earnings—is calculated. A more accurate calculation adjusts the denominator and numerator to account for shares that may be issued via convertible debt, warrants, or options. Furthermore, adjusting the numerator to take ongoing operations into account will make the equation more understandable.

Net income or earnings, the number of common shares at the end of the period, and any dividends paid on preferred stock (if any) are all determined using the income statement and balance sheet. The EPS of a business is then calculated using these facts. It is more reasonable to use the weighted average of common shares for the reporting term because the number of shares may change over time. In the event of stock splits or dividends, the weighted average number of outstanding shares must be modified. To make calculations easier, some information sources utilize the total number of outstanding shares at the end of a given time period.

Earnings per share is one of the most important metrics for evaluating a company's profitability in absolute terms. It's also essential for calculating the price-to-earnings (P/E) ratio, where the letter E stands for earnings per share. An investor can calculate the value of a stock by dividing the share price by the company's earnings per share. This allows

them to ascertain the price the market is willing to pay for every dollar of earnings. EPS is one of the many metrics available to you when selecting companies. If you want to trade stocks or invest, the next step is to choose a broker who shares your investing style. Investors may find it useless to compare EPS in absolute terms because common shareholders do not have direct access to the results. Instead, by comparing EPS to the share price of the company, investors will evaluate the value of earnings and their expectations for future growth.

The basic EPS for each of these selected companies is calculated using the formula in the accompanying table. Basic EPS does not account for the dilutive effect of prospective future shares that the corporation may issue. If investments such as restricted stock units (RSU), stock options, or warrants are realized, the total number of outstanding shares in the market may increase. To further illustrate how new securities affect per-share earnings, companies also provide diluted earnings per share (EPS), which is based on the assumption that all shares that could be outstanding have been issued.

In certain situations, a numerator change is necessary to calculate an entirely diluted EPS. For example, lenders may offer loans that allow borrowers to convert their debt into shares under specific conditions. Because the shares created by the convertible debt would have been included in the denominator of the diluted EPS calculation, the corporation would not have been required to pay interest on the loan in this situation. The interest paid on convertible debt will be added back into the numerator of the EPS calculation by the company or analyst in order to prevent exaggerating the results in this case. Earnings per share can be affected by a number of intentional or unintentional factors. Analysts alter the basic EPS calculation to stop EPS from inflating in the most common approaches.

Think about a company that owns and operates two facilities that make mobile phone screens. The site's worth has lately increased as a result of new projects surrounding one of the sections. The company's management team decides to sell the current facility and build a new one on less desirable land. With this purchase, the business generates a healthy profit.

Even though the land transaction was profitable for the company and its investors, it is still regarded as a "extraordinary item" because there is no assurance that the business would be able to close another deal of this nature in the future. Because it would mislead

investors, the windfall is not factored into the EPS computation. For the same reason, if a business experienced a unique loss that temporarily lowered EPS, such a factory fire, a similar case could be made. One significant component of EPS that is sometimes overlooked is the amount of capital needed to produce the earnings (net income) that are taken into account in the calculation.

EPS is a popular instrument for monitoring a company's performance, even when shareholders do not have direct access to its profits. The corporation can choose to keep all or part of the EPS when determining how much of the earnings to pay out as a dividend. To obtain a larger portion of these gains, shareholders would have to alter the portion of EPS that is paid out as dividends through their representatives on the board of directors. There are a few surprising benefits to looking at a group of companies' P/E ratio. There is a widespread misperception that businesses that have expenses higher than their earnings per share (EPS) relative to competitors are invariably "overvalued." Investors will pay more for a stock if they think it will outperform competitors or grow, regardless of the company's past earnings per share (EPS). The stocks in an index with the highest P/E ratios often do better than the index average during a bull market.

What makes for a respectable EPS will depend on a number of factors, including the company's recent success, competition performance, and investor expectations. A corporation may occasionally disclose increasing earnings per share (EPS), but the stock price may fall if analysts were anticipating even higher figures. In a similar vein, price increases can occur even when analysts had anticipated a different outcome. P/E and earnings yield are two ways to regularly evaluate EPS in relation to the company's share price.

Analysts will occasionally distinguish between diluted and basic earnings per share. Basic earnings per share (EPS) is calculated by dividing the total number of outstanding shares by the company's net income. It is the definition of EPS that is most commonly cited in the financial press and is also the most basic. Diluted earnings per share (EPS) will always equal basic EPS or be less because it takes into account a wider range of the company's outstanding shares. In particular, it includes shares that aren't now in circulation but might be in the event that convertible securities—like stock options—are executed. An analyst can generate an adjusted EPS by changing the numerator in an EPS calculation. This frequently indicates that net income's non-recurring components have either gone up or down. The analyst could subtract the proceeds from the transaction, for

instance, if a building sale proceeds and the company's net income rises and then falls as a result of the transaction. There would be differences between the basic and adjusted EPSs.

The information on the earnings per share (EPS) for the last seven years of the study period for 10 sample development banks is as follows:

Table 4

Earnings per Share of study development banks

Bank\Yr	2023	2022	2021	2020	2019	2018	2017	Mean	SD	CV
JBBL	6.87	15.70	17.27	13.97	17.14	13.34	10.73	13.57	3.47	25.54
KSBBL	11.01	18.78	22.56	4.71	11.20	12.64	15.96	13.84	5.41	39.08
MBBL	19.44	23.72	24.03	16.56	27.94	20.45	32.09	23.46	4.90	20.87
GBBL	24.38	22.49	22.75	17.82	21.32	17.43	15.83	20.29	3.00	14.77
MLBBL	9.05	22.56	19.75	13.14	23.12	19.78	27.84	19.32	5.87	30.41
MDBL	15.85	16.37	18.27	25.84	25.17	23.19	31.61	22.33	5.36	24.01
EDBL	4.10	8.37	16.48	12.78	24.32	23.75	39.12	18.42	10.91	59.24
LBBL	14.71	17.40	14.93	13.94	28.38	15.19	8.71	16.18	5.55	34.32
SINDU	-2.40	8.31	-1.85	2.06	8.12	3.01	12.68	4.28	5.21	121.94
SRDBL	17.69	17.16	14.77	15.39	25.79	20.23	31.78	20.40	5.77	28.29
Mean	12.07	17.09	16.90	13.62	21.25	16.90	22.64			
SD	7.54	5.11	6.98	6.27	6.59	5.88	10.38			
CV	62.49	29.93	41.32	46.02	31.03	34.78	45.87			

Source: Annual Reports of Sample Banks

The average earnings per share (EPS) is maximum for Muktinath Bikas Bank Limited (MBBL) with Rs.23.46 in recent seven year’s period among ten sample development banks and minimum average EPS is reported for Sindu Bikas Bank Limited (SINDU) with average EPS of Rs.4.28 only. The highest standard deviation is 10.91 for Excel Development Bank Limited and lowest standard deviation is 3.00 for Garima Bikas Bank Limited (GBBL). The least CV of 14.77 percent in Garima Bikas Bank Limited (GBBL) implies its consistency in earnings per share and highest CV of 121.94 percent in SINDU

Bikas Bank Limited is an indication of larger variability in earning per share for the bank in study period.

Considering the yearly data summary, average earning per share (EPS) is maximum during the year 2016/17 having average earning per share of Rs.22.64 and minimum average EPS of Rs.12.07 during the recent fiscal year 2022/23. The standard deviation is lowest for the year 2021/22 with 5.11 and lowest CV of 29.93 percent in year 2021/22 indicating higher uniformity in earning per share. The highest standard deviation of 10.38 in starting year 2016/17 and highest CV of 62.49 percent observed during the year 2022/23 indicating less consistency in earning per share.

4.1.4 Price Earnings Ratio (PER)

The Price Earnings Ratio, or P/E Ratio, is a relationship between a company's stock price and earnings per share (EPS). Investors can better grasp the company's value with the help of this popular ratio. The P/E ratio, which reflects market expectations, is the price you pay per unit of current profits (or future earnings, if appropriate). Since investors are interested in a company's present and possible future profitability, earnings are a major factor in evaluating the value of a company's shares. Furthermore, assuming the firm doesn't develop and its current level of earnings remains constant, the P/E can be thought of as the number of years it will take to recover the price paid for each share.

A stock's P/E doesn't tell you anything about it if it isn't compared to the company's past P/E or the P/E of its rivals in the same industry. It can be challenging to decide whether a stock with a P/E of 10x is cheap or one with a P/E of 50x is costly without doing any comparisons. The capacity of the P/E ratio to normalize stocks with different prices and earnings levels is what makes it so appealing. The P/E is also known as an earnings multiple. There are two types of P/E: trailing and ahead. The former is based on prior periods of earnings per share, but a leading or forward P/E ratio is based on future projections, which are the basis for EPS calculations and are usually supplied by management or equities research analysts.

Investors may use the price to earnings, or P/E, ratio to determine a company's value. The P/E ratio is calculated by dividing the stock price by the company's profits per share during a specific time period, like the preceding 12 months. The price/earnings ratio indicates how much investors are ready to pay per share for each rupee it makes. Based on a company's price to earnings ratio, investors decide which investments to make.

Market value per share is divided by earnings per share to determine the ratio. Utilizing data from previous quarters, the trailing P/E ratio is the most widely used type of P/E ratio. When estimating net earnings for the next quarters, one can calculate a future price/earnings ratio, or P/E.

How much growth investors expect from the company they have invested in is shown by the P/E ratio. A high ratio indicates that investors are spending far more per share than the company is producing, which is common for young businesses with substantial investment capital, like digital start-ups. Although lower ratios indicate slower development, this does not necessarily mean that the company is failing; on the contrary, a lower P/E ratio can signal that the company has solidified its position as the industry leader.

The following data pertains to the price-to-earnings ratio for ten development banks that were selected for the study throughout the last seven years:

Table 5

Price Earnings Ratio of study development banks

Bank\Yr	2023	2022	2021	2020	2019	2018	2017	Mean	SD	CV
JBBL	43.40	19.25	27.68	11.88	9.51	10.57	19.29	20.23	11.16	55.19
KSBBL	29.69	18.63	25.71	30.77	14.28	11.16	21.12	21.62	6.95	32.14
MBBL	20.94	18.55	27.34	18.84	13.24	18.48	30.26	21.09	5.39	25.54
GBBL	16.61	17.21	23.91	12.51	10.51	12.51	18.69	15.99	4.25	26.54
MLBBL	35.96	16.58	20.20	9.27	8.43	8.65	7.87	15.28	9.53	62.36
MDBL	25.49	21.20	32.08	11.88	9.30	12.42	16.45	18.40	7.65	41.59
EDBL	79.39	39.05	51.88	23.32	11.64	13.72	15.95	33.56	23.16	69.01
LBBL	28.07	17.58	39.18	12.99	6.94	9.61	8.95	17.62	11.01	62.51
SINDU	116.04	32.29	217.12	65.10	17.72	43.56	28.87	74.39	65.68	88.30
SRDBL	21.70	17.19	17.33	14.42	9.77	13.40	13.37	15.31	3.53	23.07
Mean	41.73	21.75	48.24	21.10	11.13	15.41	18.08			
SD	30.06	7.23	57.08	15.92	3.02	9.73	7.02			
CV	72.04	33.23	118.31	75.45	27.11	63.16	38.82			

Source: Annual Reports of Sample Banks

The average price earnings ratio (PER) is maximum for Sindu Bikas Bank Limited with 74.39 times in recent seven year's period among 10 sample development banks and minimum average PER is reported for Mahalaxmi Bikas Bank Limited with 15.28 times ratio. The highest standard deviation is 65.68 for Sindu Bikas Bank Limited and lowest standard deviation is 3.53 for Shine Resunga Bank Limited. The least CV of 23.07 percent in Shine Resunga Bank Limited implies its consistency in calculated price earnings ratio and highest CV of 88.30 percent in SINDU Bikas Bank Limited is a.

n indication of larger variability in price earnings ratio for the bank in study period.

Considering the yearly data summary, average price earnings ratio (PER) is maximum during the year 2020/21 having 48.24 times ratio and minimum ratio of 11.13 times during the fiscal year 2018/19. The standard deviation is lowest for the year 2018/19 with 3.02 and lowest CV of 27.11 percent in year 2018/19 indicating higher uniformity in price earnings ratio. The highest standard deviation of 57.08 during the year 2020/21 and highest CV of 118.31 percent observed during the year 2020/21 indicating less consistency in price earnings ratio for the period.

4.1.5 Bank's Size (SIZE)

Bank size explains the existing economies and diseconomies of scale in the banking sector (Athanasoglou, Brissimis, & Delis, 2008). Lehar (2005) asserts that larger banks tend to provide better chances for risk diversification, a greater variety of products, and greater market engagement. Additionally, larger banks can become more efficient because they do not compete in a highly competitive market (Flamini, Schumacher, & McDonald, 2009). But according to Demirgüç-Kunt and Maksimovic (1998), a bank's size has a direct impact on its profitability when it comes to financial, legal, and other difficulties. One of the control variables in this study is bank size, which is calculated by taking the log of the book value of all assets calculated in the bank's currency in order to evaluate the financial performance of the bank (Lehar, 2005).

Many writers' investigations on the relationship between bank profitability and credit risk management have not included bank size as a control variable. Bhattarai (2014) found a positive correlation between bank size and performance, indicating that banks, particularly small and medium-sized banks, will probably become more lucrative as they get bigger. On the other hand, Abdelrahim (2013) found a negative and statistically significant correlation between Saudi banks' credit risk management effectiveness and

bank size. Thus, theory and prior studies predict a positive relationship between bank size and profitability.

The following details pertain to the bank sizes of ten sample development banks during the final seven years of the study period:

Table 6

Banks Size of study development banks

Bank\Yr	2023	2022	2021	2020	2019	2018	2017	Mean	SD	CV
JBBL	25.01	24.99	24.82	24.47	24.32	23.88	23.30	24.40	0.58	2.39
KSBBL	24.86	24.82	24.66	24.32	24.01	23.69	22.84	24.17	0.67	2.79
MBBL	25.60	25.52	25.34	24.92	24.67	24.27	23.70	24.86	0.65	2.61
GBBL	25.21	25.11	25.01	24.64	24.38	23.95	23.59	24.56	0.57	2.32
MLBBL	24.85	24.73	24.58	24.49	24.36	24.20	24.10	24.47	0.25	1.03
MDBL	22.81	22.74	22.63	22.61	22.47	22.24	21.98	22.50	0.27	1.21
EDBL	23.50	23.38	23.32	23.16	22.87	22.56	22.40	23.03	0.39	1.71
LBBL	24.80	24.76	24.51	24.26	24.13	23.98	23.79	24.32	0.36	1.47
SINDU	22.46	22.44	22.32	22.10	21.90	21.78	21.54	22.08	0.33	1.48
SRDBL	24.87	24.65	24.47	24.29	23.79	23.54	23.21	24.12	0.57	2.36
Mean	24.40	24.31	24.17	23.93	23.69	23.41	23.05			
SD	1.02	1.01	0.98	0.90	0.89	0.84	0.80			
CV	4.17	4.14	4.06	3.78	3.76	3.59	3.46			

Source: Annual Reports of Sample Banks

The banks size is continuously increasing as the total assets of all ten sample development banks increasing. The lowest CV of 3.46 percent in year 2016/17 indicates higher consistency in banks size but year 2022/23 is indicating greater variation in banks size due to maximum CV of 4.17 percent. Among ten sample banks, Muktinath Bikas Bank Limited reported highest average banks size in recent 7 year's period of study and Sindu Bikas Bank Limited reported lower average bank size. The banks size is more consistent for Mahalaxmi Bikas Bank Limited with small CV of 1.03 percent but Kamana Sewa Bikas Bank Limited reported higher fluctuation in banks size having maximum CV of 2.79 percent.

Banks size represents the investment capacity of the bank as reflected by their total assets. The assets value of sample banks continuously rising in all 7 years under study for 10 sample development banks. The availability of greater assets value for banks created investment opportunity and to earn maximum return through application of available funds into the profitable sectors. With merger and acquisition the banks size being improved significantly especially in recent years. The capacity of banks, as reflected by total assets being improved for all sample banks.

4.1.6 Gross Domestic Products Growth Rate (GDPGR)

The total monetary or market value of all finished goods and services produced inside a country's boundaries over a specific time period is known as the gross domestic product, or GDP. Being a broad indication of total domestic production, it provides a comprehensive evaluation of a country's economic health.

The GDP can sometimes be calculated on a quarterly basis, however it is typically calculated on a yearly basis. For example, the US government releases an annualized GDP estimate for each fiscal quarter as well as for the calendar year. The different data sets in the report are given in real terms, meaning they are net of inflation after being adjusted for price changes.

The gross domestic product is the total monetary value of all finished products and services produced in a country over a specific time period. GDP is used to determine the size and growth rate of an economy and provides a brief overview of a country's economy. There are three methods to calculate GDP: output, expenses, or incomes. GDP can also be modified to account for inflation and population increase for a more thorough analysis. Real GDP takes inflation's effects into account, whereas nominal GDP does not. Despite its limitations, GDP is an essential tool for assisting investors, companies, and regulators in making strategic decisions.

A country's GDP is calculated by adding together all of its public and private consumption, government spending, investments, growth in private inventories, paid-in building expenses, and international trade balance. Imports reduce value whereas exports boost it. The balance of trade abroad is one of the most important components of a country's gross domestic product. The GDP of a country typically increases when the total value of goods and services sold by domestic producers to foreign countries exceeds

the entire value of goods and services bought by domestic consumers from foreign countries. When this occurs, a country is said to have a trade surplus.

Following is the details regarding growth rate of gross domestic products in seven year's period under study:

Table 7

Analysis of Gross Domestic Products Growth Rate (GDPGR)

Years	Ratio
2016/17	9.00
2017/18	7.60
2018/19	6.70
2019/20	-2.40
2020/21	4.80
2021/22	5.60
2022/23	2.00
Mean	4.76
Standard Deviation (S.D.)	3.57
Coefficient of Variation (C.V.)	75.12

Source: World Bank's Report

Gross domestic products growth rate is reported 4.76 percent in average for seven year's study period from 2016/08 to 2022/23 with 3.57 percent of standard deviation and 75.12 percent of CV. The highest GDP growth rate reported for the year 2016/17 with 9.00 percent rate and minimum of -2.40 percent in year 2019/20 especially due to the impact of COVID 19 pandemics. The sharp fluctuation in GDP growth rate reported due to 75.12 percent CV. Gross domestic product of Nepal is decreasing every except in year 2020/21 and 2021/22 the rate of increase in GDP is quite consistent in recent years as compared to previous years.

4.1.7 Consumer's Price Index (CPI)

The Consumer Price Index (CPI) measures the monthly change in prices that American consumers pay. The Bureau of Labor Statistics (BLS) uses a weighted average of prices for a range of goods and services to calculate the CPI, which is a stand-in for overall consumer spending. The CPI is one of the most used measures of inflation and deflation.

Regarding survey methodology, pricing samples, and index weights, the CPI report differs from the producer price index (PPI), which monitors shifts in the prices that producers of products and services receive.

The Consumer Price Index determines the overall change in consumer prices over time using a representative basket of products and services. The CPI is the most widely used measure of inflation and is closely monitored by financial markets, companies, consumers, and politicians. While the widely used CPI is based on an index that includes 93% of the population, cost-of-living adjustments to government benefits are based on an index that includes wage earners and clerical workers. Housing rentals are used to estimate the change in shelter expenses, including owner-occupied housing, which accounts for around one-third of the CPI.

The BLS publishes two indices each month. The Consumer Price Index for All Urban Consumers (CPI-U) represents 93% of the population that does not live in a distant rural area. It excludes spending by occupants of military installations, institutions, or dwellings on farms. CPI-U is the basis for the well-known CPI numbers that are important to the financial markets.

The CPI is widely used by the Federal Reserve to modify monetary policy and by financial market participants to estimate inflation. Businesses and consumers can utilize the CPI as a helpful tool when making financial decisions. Because it measures shifts in consumers' purchasing power, the Consumer Price Index (CPI) is often discussed in relation to pay.

Additionally, the CPI and its components are used as a deflator for other economic indicators, such retail sales and hourly/weekly earnings, to differentiate between fundamental change and that which represents price change. Because CPI numbers demonstrate increases in labor expenses and prices nationwide, workers may use them as evidence when requesting a raise from their employers.

Generally speaking, the CPI and unemployment rates have an inverse connection. The Federal Reserve often seeks to reduce one indicator while keeping the other in equilibrium, though this is rarely the case. For example, during the COVID-19 pandemic, the Federal Reserve implemented unprecedented supervisory and regulatory actions to stimulate the economy.

Higher-than-expected CPI calculations prompted the Federal Reserve to begin raising interest rates and reducing some asset purchases. Among other things, these policies aim to slow the growth of the money supply, raise the cost of borrowing for consumers, and slow the rate of economic expansion.

The information on the consumer price index for the seven-year study period is as follows:

Table 8

Analysis of Consumer's Price Index (CPI)

Years	Ratio
2016/17	3.60
2017/18	4.10
2018/19	5.60
2019/20	5.10
2020/21	4.10
2021/22	7.70
2022/23	7.10
Mean	5.33
Standard Deviation (S.D.)	1.46
Coefficient of Variation (C.V.)	27.37

Source: World Bank's Report

The consumer's price index (CPI) is measure of inflation rate for the nation. The average rate of inflation was 5.33 percent in recent seven year's period. With 1.46 percent of standard deviation, the CV was 27.37 percent indicating average consistency. The highest rate of inflation was observed during the year 2021/22 with 7.70 percent and the minimum inflation rate of 3.63 percent reported for the year 2016/17. The inflation rate observed to increase significantly in recent years than the starting years under this research.

4.1.8 Descriptive Statistics

The average of MPS is Rs. 329.04, average DPS is Rs. 12.18, average EPS of Rs. 17.24 and an average PER of 25.35 times. An average banks size is 23.85, average GDPGR is 4.76 percent and average consumer's price index is 5.33 percent. The highest consistency

was observed for banks size and the minimum consistency is for price earnings ratio (PER) on the basis of smallest and largest value of CV.

The detailed information regarding mean, standard deviation, CV, minimum value, maximum value, and count can be presented as following;

Table 9

Descriptive Statistics of the study Variables

Variables	Mean	SD	CV	Min. Value	Max. Value	n
MPS	329.04	164.78	50.08	78.00	971	70
DPS	12.18	7.21	59.23	0.00	33.13	70
EPS	17.24	8.01	46.47	-2.40	39.12	70
PER	25.35	28.99	114.34	6.94	217.12	70
SZ	23.85	1.04	4.36	21.54	25.60	70
GDPGR	4.76	3.60	75.66	-2.40	9.00	70
CPI	5.33	1.47	27.57	3.60	7.70	70

In 70 information's of ten development banks recent seven year's performance, the maximum MPS is Rs. 971 for Muktinath Bikas Bank Limited in year 2016/17. The minimum stock price was Rs. 78 for Lumbini Bikas Bank Limited in year 2016/17. The dividend per share is lowest of Rs. 0.00 and the highest DPS is Rs. 33.13 for Miteri Development Bank Limited in starting year 2016/17. The earnings per share (EPS) is minimum of Rs. -2.40 and maximum EPS was Rs. 39.12. The price earnings ratio (PER) fluctuated from minimum of 6.94 times to maximum of 217.12 times. The banks size is minimum of 21.54 and maximum of 25.60 with 1.04 percent standard deviation and 4.36 percent of CV representing greater consistency of the calculated ratio. The GDP growth rate is minimum of -2.40 percent and maximum of 9.00 percent with 3.60 percent standard deviation and 75.66 percent of CV. The consumer's price index is maximum of 7.70 percent and minimum of 3.60 percent with 1.47 percent of standard deviation and 27.57 percent of CV.

4.1.9 Correlation Analysis

Correlation coefficients reflect the degree of the linear relationship between two different variables, x and y. A linear correlation coefficient greater than zero indicates a positive association. A value less than zero indicates a negative relationship. Finally, a score of 0 indicates that there is no correlation at all between the two variables. The significance of linear correlation coefficients for investors, how to calculate covariance for stocks, and how investors might use correlation to predict market moves are all covered in this article.

The correlation coefficient (ρ) is a statistic used to determine how closely two independent variables move together. The Pearson product-moment correlation yields the most widely utilized correlation coefficient for figuring out the linear relationship between two variables. However, in a non-linear link, this correlation coefficient may not necessarily be a suitable measure of trust.

The range of possible values for the correlation coefficient is -1.0 to 1.0. In other words, the values cannot be greater than 1.0 or less than -1.0. A correlation of -1.0 indicates complete negative correlation, while a correlation of 1.0 indicates perfect positive correlation. If the correlation coefficient is greater than zero, there is a positive relationship. Conversely, if the value is smaller than zero, there is a negative relationship. When the value is zero, there is no correlation between the two variables.

Table 10 provides a detailed presentation of the correlation coefficient between a number of variables related to factors impacting the stock price of Nepal's development banks throughout the last seven years, from 2016–17 to 2022–23.

Table 10

Correlation Analysis of the Variables

Details	MPS	DPS	EPS	PER	SIZE	GDPGR	CPI
MPS	1.000						
DPS	.360**	1.000					
EPS	.422**	.833**	1.000				
PER	.169	-.450**	-.560**	1.000			
SIZE	.080	-.007	.159	-.27*	1.000		
GDPGR	.134	.338**	.351**	-.144	-.257*	1.000	
CPI	-.105	-.40**	-.192	.048	.337**	-.318**	1.000

** represents significant correlation at 0.01 level of significance

* represents significant correlation at 0.05 level of significance.

The market price per share (MPS) is significantly positively correlated with dividend per share (DPS) and earnings per share (EPS) at 0.01 level of significance. MPS of development banks of Nepal is non-significantly positively correlated with remaining dependent variables except a negative correlation with CPI only among different independent variables. Dividend per share variable is significantly positively correlated with EPS and GDPGR while DPS is significantly negatively correlated with PER and CPI at 0.01 level of the significance. Earnings per share (EPS) is significantly negatively correlated with price earnings ratio (PER) but significantly positively correlated with MPS, DPS and GDPGR at 0.01 level of significance. Both macroeconomic and firm specific variables are correlated with MPS of development banks of Nepal, where impact of firm specific variables is more than the impact of macroeconomic variable on MPS.

The correlation matrix reported the highest correlation coefficient of 0.8328 in between EPS and DPS whereas the minimum correlation coefficient is -0.0070 in between DPS and bank's size representing almost no correlation between banks size and dividend per share of development banks of Nepal.

The banks size is negatively correlated with dividend per share (DPS) having -0.0070 as the maximum negative correlation and -0.2730 coefficient with price earnings ratio. Rest of the variables are almost positively correlated to each other. The positive correlation coefficient between MPS and other independent variables except consumer's price index indicated significant impact of the variables on the market price of development banks of Nepal during the study period.

4.1.10 Regression Analysis

One method for examining the relationship between dependent and independent variables is multiple regression. A statistical method for forecasting an unknown variable's value based on the known values of two or more variables is multiple regression analysis. Estimating the impact of one or more independent variables on a dependent variable is its purpose. Regression analysis is a collection of statistical procedures used in statistical modeling to estimate the relationships between one or more independent variables, also known as "predictors," "covariates," "explanatory variables," or "features," and a dependent variable, also known as the "outcome" or "response" variable.

A collection of statistical techniques called regression analysis is used to estimate the associations between one or more independent variables and a dependent variable. It can be used to simulate the future relationship between variables and to evaluate how strongly they are related.

There are two main theoretically separate uses for regression analysis. First, regression analysis is frequently employed in forecasting and prediction, where it significantly overlaps with machine learning. Second, in certain circumstances, causal links between the independent and dependent variables can be inferred using regression analysis. Crucially, regressions alone only show the connections between a set of independent factors and a dependent variable in a predetermined dataset. A researcher must thoroughly explain why a relationship between two variables has a causal meaning or why existing relationships have predictive power for a new context before using regressions for prediction or inferring causal relationships, respectively. When researchers want to use observational data to determine causal correlations, the latter is particularly crucial.

The outcome of regression analysis is shown in Table 11, where the independent variables are DPS, EPS, PER, SZ, GDPGR, and CPI, and the dependent variable is MPS.

Table 11

Pool OLS regression analysis

Variables	Coefficient	t-Stat	p-value
Intercept	-552.9350	-1.3328	0.1874
DPS	0.6474	0.1476	0.8832
EPS	14.9850	3.6735	0.0005
PER	3.5867	5.3752	0.0000
SZ	23.1074	1.3191	0.1919
GDPGR	-0.6917	-0.1386	0.8902
CPI	-4.3053	-0.3343	0.7392
R^2: 0.4375	Adj. R^2: 0.3839	F Stat: 8.1666	F Sign: 0.0000

Note: the p-value less than 0.05 represents a significant association of variable.

This result is based on panel data of 10 financial institutions with 70 observations for the period of 2016/17 to 2022/23, by using linear regression model. The table reveals the

regression analysis between dependent variable and independent variables. The dependent variable is MPS (market price per share) whereas the independent variables are DPS, EPS, PER, SZ, GDPGR and CPI.

The regression coefficient of MPS with DPS is non-significantly positive having coefficient of 0.6474. The corresponding p-value is greater than 0.05. These results indicate that, the MPS of development banks in Nepal increases non-significantly with increase in dividend per share and vice-versa. The non-significant association of MPS on DPS with positive coefficient is favorable for the sample development banks.

The regression coefficient of MPS with EPS is significantly positive having coefficient of 14.9850. The corresponding p-value is less than 0.05. These results indicate that, the MPS of development banks in Nepal increases significantly with increase in earnings per share and vice-versa. The significant association of MPS on EPS with positive coefficient is favorable for the sample development banks.

The result indicates that the coefficient of MPS and price earnings ratio is significantly positive with coefficients of 3.5867. The corresponding p-value is less than 0.05, hence there is significant relationship between MPS and price earnings ratio. It indicates that price earnings ratio of selected development banks in Nepal significantly positively effect on market price per share.

The result indicates that the coefficient of MPS and banks size are non-significantly positive with coefficients of 23.1074. The corresponding p-value is greater than 0.05, hence there is non-significant relationship between MPS and banks size. It indicates that banks size of selected development banks in Nepal non-significantly positively effect on market price per share.

The regression coefficient of GDPGR is non-significantly negatively associated with MPS. The regression coefficient is -0.6917 with corresponding p-value greater than 0.05, which shows there is non-significant association between MPS and GDPGR. The non-significant negative association between GDPGR and MPS results that, increase in GDPGR results decrease in MPS and vice versa, where the decrease will be non-significant. The p-value is 0.8902 indicating non-significant relationship between GDPGR and MPS.

The regression coefficient of consumer's price index is non-significantly negatively associated with MPS. The regression coefficient is -4.3053 with corresponding p-value

greater than 0.05, which shows there is non-significant relationship between MPS with CPI. The non-significant negative association between CPI with MPS indicated that, increase in consumer's price index results results decrease in MPS and vice versa, where the decrease will be non-significant. The corresponding p-value is 0.7392 indicating non-significant relationship between consumer's price index with MPS.

The value of R^2 and adjusted R^2 are 0.4375 and 0.3839 respectively. The overall explanatory power of regression model is fair with adjusted R^2 of 0.38. This indicates, 38% of the sample variation in MPS is explained by independent variables. The F test is a measure of the overall significance of the estimated regression. F significance in the model represent that the model is being fairly fitted well since it is less than 0.01. Thus, the overall explanatory power of the regression model is fair and statistically fitted. The corresponding F-ratio is 8.1666 and the result is fairly significant and fitted well.

4.2 Results of the Hypothesis Testing

There are six independent variables and only one dependent variable, therefore 6 hypotheses are formulated. Market price per share (MPS) is the dependent variable and dividend per share (DPS), earnings per share (EPS), price earnings ratio (PER), banks size (BS), GDP growth rate (GDPGR) and consumer's price index (CPI) are the independent variables of this study. Every variable affects the MPS of development commercial banks in Nepal with different degree of association. The summary result of hypothesis testing can be presented as following:

Table 12

Summary of Hypothesis testing

Hypothesis	P-Value	Results
H_1: There is significant positive impact of Dividend Per Share (DPS) on Stock Price of development banks in Nepal.	0.8832	Rejected
H_2: There is significant positive impact of Earnings Per Share (EPS) on Stock Price of development banks in Nepal.	0.0005	Accepted
H_3: There is significant positive impact of Price Earnings Ratio (PER) on Stock Price of development banks in Nepal.	0.0000	Accepted
H_4: There is significant negative impact of Bank's Size (BS) on Stock Price of development banks in Nepal.	0.1919	Rejected
H_5: There is significant negative impact of GDP growth rate	0.8902	Rejected

(GDPGR) on Stock Price of development banks in Nepal.		
H_6: There is significant negative impact of consumer's price index (CPI) on Stock Price of development banks in Nepal.	0.7392	Rejected

There is only one dependent variable (MPS) and six independent variables, therefore 6 hypotheses being tested. Under regression model, MPS is observed to be significantly affected by EPS and PER with respective p-values less than 0.005. Remaining 4 variables are non-significantly affecting the market price per share of development banks in Nepal. GDP growth rate(GDPGR) and consumer's price index (CPI) being negatively associated with negative regression coefficient and rest of the variables are positively associated with the MPS of development banks in Nepal.

4.3 Major Findings

From the analysis of data, following major findings have been obtained;

i. As per correlation matrix, the market price per share (MPS) is highly positively correlated with EPS. MPS is negatively correlated with consumer's price index (CPI), whereas MPS is low positively correlated with banks size and moderately positive correlated with GDPGR, PER and DPS.

ii. The dependent variable of this study is MPS, which is positively correlated with all of the independent variables, except low negative correlation with CPI.

iii. The regression result indicates that, coefficient of first four independent variables are positive and last two are negative, where MPS is a dependent variable but DPS, EPS, PER, Banks size, GDPGR and CPI are independent variable.

iv. The p-values of EPS and PER are lower than 0.05 indicating more significant association with MPS and rest of variables has p-value greater than 0.05 with an indication of non-significant association with MPS. The F-ratio is 8.1666 and being best fitted with F-significance of less than 0.01. The adjusted R^2 is 0.3839 showing moderate degree of association between dependent and independent variables.

v. The average of MPS is Rs. 329.04, average DPS is Rs. 12.18, average EPS of Rs. 17.24 and an average PER of 25.35 times. An average banks size is 23.85, average GDPGR is 4.76 percent and average consumer's price index is 5.33 percent for 70 information in 7 recently ended fiscal years of 10 conveniently selected banks.

vi. Regarding market price per share (MPS), the mean price is highest for the Muktinath Bikas Bank Limited and lowest price for SINDU Bikas Bank Limited. The standard deviation result shows that; Shine Resunga Development Bank Limited has the maximum consistency in market price per share whereas Excel Development Bank Limited has the highest standard deviation and Lumbini Bikas Bank Limited has maximum CV with an indication of lower uniformity in MPS.

vii. The dividend per share is maximum for Miteri Development Bank Limited and minimum for Sindu Bank Limited. The DPS is more consistent with Garima Bikas Bank Limited and higher variability in Sindu Bikas Bank Limited.

viii. The earnings per share is maximum for Muktinath Bikas Bank Limited and minimum for Sindu Bank Limited. The EPS is more consistent with Garima Bikas Bank Limited and higher variability in Sindu Bikas Bank Limited.

ix. The price earnings ratio is maximum for Sindu Bikas Bank Limited and minimum for Muktinath Bikas Bank Limited. The PER is more consistent with Shine Resunga Development Bank Limited and higher variability in Sindu Bikas Bank Limited.

x. The average Banks size (SIZE) is highest for Muktinath Bikas Bank Limited (MBBL) and Lowest for Sindu Bikas Bank Limited (SINDU) with corresponding ratio of 24.86 and 22.08 respectively. The standard deviation result shows that; Mahalaxmi Bikas Bank Limited has the maximum consistency in banks size whereas Kamana Sewa Bikas Bank Limited has the highest standard deviation as well as CV with an indication of lower uniformity in SIZE.

xi. The GDP growth rate is maximum for year 2016/17 and minimum for 2019/20. The GDPGR is less consistent with 75.12 coefficient of variation.

xii. The consumer's price index (CPI) is maximum for year 2022/23 and minimum for 2016/17. The CPI is moderately consistent with 27.37 percent coefficient of variation.

4.4 Discussion

As per correlation matrix, the market price per share (MPS) is highly positively correlated with EPS. MPS is negatively correlated with consumer's price index (CPI), whereas MPS is low positively correlated with banks size and moderately positive correlated with

GDPGR, PER and DPS. These results are consistent with the findings of Chhetri (2024), Karki et al., (2023), Maskey (2022), Ghimire & Pant (2022), Devkota and Dhungana (2019), Silwal & Napit (2019), Banerjee (2019) and Bhattarai (2014) but not in line with the results of Bunnun and Chancharat, (2023), Panta (2020), Chhajer et al., (2020) and Menike and Prabath (2014).

After examining the elements influencing Nepalese development banks' stock prices over a seven-year period, from 2016–17 to 2022–2023 the study finds that each component alone provides useful information for stock price prediction. The study's main finding is that the model employed has a high statistical significance. A variety of independent variables, including DPS, EPS, PER, SIZE, GDPGR and CPI might influence MPS prediction. The results of the normality test indicate that the dependent variable's data are distributed regularly. The findings of Dhodary (2024), Mukherjee and Naka (2024), Trinh & Nhan, (2023), Rimal (2023), Dhungana (2022), Shrestha and Lamichhane (2022), Karmacharya et al., (2022), Niraula (2021), Acharya (2021), Prayogo and Lestari (2018), Karki (2015), Hutabart and Flora (2015) and Nisa & Nishat (2011) are consistent with these results but Rubaiyath and Lalon (2023), Moradi, et al. (2021), Raza et al., (2021), Kunwar (2021), Pradhan & Dahal (2016), Poudel (2016) and Almumani (2014) are inconsistent with the results.

CHAPTER V

SUMMARY AND CONCLUSSION

This chapter, which includes a summary and conclusion, is the last one in the study. This chapter provides an overview of the link and impact of several firm-specific and macroeconomic factors on the market price per share (MPS) of development banks in Nepal, as stated in the study's objectives.

5.1 Summary

The goal of this study is to examine and assess the different elements influencing the market price per share of the financial institutions in the sample. The secondary data used in this study comes from 70 observations made by 10 development banks in Nepal between 2016–17 and 2022–23. This is accomplished by examining a number of metrics and variables pertaining to the market price per share of Nepal's top development banks. Using the proper tools and techniques, a variety of financial data pertaining to factors influencing stock price are sorted, tabulated, evaluated, and correlated.

This section of the study is predicated on the conclusion that may be drawn from its findings. The main findings, which are listed below, not only guide the study toward achieving its goals but also offer suggestions for controlling the stability of the stock price of Nepalese development banks. Theoretical and empirical results from present or future research have significance for economic operations and policy. Therefore, laws and regulations that lessen the impact of outside events on banking performance should be created and put into place by the government or regulatory bodies.

Research on the effects of macroeconomic and firm-specific factors on the stock price of development banks in Nepal shows that each of the factors alone provides useful information for stock price prediction. The study's main finding is that the model employed has a high statistical significance. The MPS can be predicted using a variety of independent variables, including DPS, EPS, PER, SIZE, GDPGR, and CPI. The results of the normality test indicate that the dependent variable's data are normally distributed.

With MPS as the dependent variable and DPS, EPS, PER, bank size, GDPGR, and CPI as independent variables, the regression result in this study shows that all of the independent variables have positive coefficients. The remaining variables showed a non-significant association with MPS, but the p-values for EPS and PER showed a more significant

association with MPS. There is a moderate degree of correlation between the independent and dependent variables, according to the adjusted R^2.

5.2 Conclusion

This study has some specific objectives; the first objective is to examine the factors that determines the stock price of Nepalese development banks. By analyzing the individual variables of the respective banks for seven year's period, the factors affecting stock price examined including dividend per share (DPS), earning per share (EPS), price earnings ratio (PER), banks size (SIZE), gross domestic product growth rate (GDPGR) and consumer's price index (CPI). The first four variables represent the bank specific factors and the last two are macroeconomic variables affecting stock price of development banks in Nepal. Using mean value for seven years and all ten banks, standard deviation and coefficient of variation bank wise as well as for every year, the variables are examined in detail under results and discussion of the study.

The second objective of this study is to assess the relationship between market price of the stock and its predictors of sample development banks. Using SPSS software, the correlation analysis conducted between the variables and obtained that, DPS and EPS are the major factors, which are highly correlated with MPS of development banks in Nepal. It can be observed from correlation analysis that macroeconomic variables are less correlated with stock price but bank specific variables are mostly correlated to each other and with dependent variable.

The third objective is to determine the impacts of DPS, EPS, PER, SIZE, GDPGR and CPI on stock price of the sample development banks. With the help of regression analysis and hypothesis testing, EPS and PER are significantly associated with MPS. The second and third hypothesis only are accepted and rest of four hypotheses are rejected from the regression analysis. Consumers price index (CPI) is representing the inflation level of the nation and GDPGR is the annual growth rate in GDP of Nepal. Both of these macroeconomic variables are non-significantly associated with stock price of development banks in Nepal.

5.3 Implications

A high dividend payout ratio has an impact on the banks' overall financial health in addition to raising their risk. Some conclusions have been drawn from the study's main findings in order to address the problems with the variables influencing the banking

industry's stock price. To ensure that the development banks have adequate capital and reserves, the NRB should tighten its oversight and inspection procedures. In order to carry out lending and other banking operations efficiently, banks should have adequate liquidity. Managers and employees participating in stock price management should have the required training from banks on the stock market and securities trading. One of the main reasons for the growing liquidity crisis in Nepalese development banks is the bank's inadequate management of liquidity. Therefore, to maintain a suitable liquidity position, appropriate financial analysis should be carried out. Every development bank should adhere to the NRB's guidelines for managing cash and liquidity by maintaining a credit to deposit ratio and a cash reserve ratio.Future studies on the effects of macroeconomic and firm-specific factors on the stock price of development banks in Nepal are welcome. Data are self-reported and cross-sectional, as is typical in survey research. Future study should take into account a number of important aspects. Additionally, the researcher thinks that a more comprehensive study with a larger and more representative sample is necessary to provide a more comprehensive picture of the labor activities carried out in Nepalese contexts. Since this study only focused on ten Nepali development banks, future research may include additional sample banks. The Nepalese business environment is expected to become more globally competitive in the next years, and the banking industry will likewise mature in terms of years of operation. Expanding the study of how firm-specific and macroeconomic factors affect stock price in the adoption of strategy and have a major impact on development banks' performance would be intriguing.

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APPENDIX

1. Raw Data of the sample banks

Bank	Year	MPS	DPS	EPS	PER	SIZE	GDPGR	CPI
JBBL	2016/17	207.00	10.00	10.73	19.29	23.30	9.00	3.60
JBBL	2017/18	141.00	8.40	13.34	10.57	23.88	7.60	4.10
JBBL	2018/19	163.00	12.75	17.14	9.51	24.32	6.70	5.60
JBBL	2019/20	166.00	10.00	13.97	11.88	24.47	-2.40	5.10
JBBL	2020/21	478.00	15.50	17.27	27.68	24.82	4.80	4.10
JBBL	2021/22	302.20	6.80	15.70	19.25	24.99	5.60	7.70
JBBL	2022/23	298.00	0.00	6.87	43.40	25.01	2.00	7.10
KSBBL	2016/17	337.00	17.12	15.96	21.12	22.84	9.00	3.60
KSBBL	2017/18	141.00	9.50	12.64	11.16	23.69	7.60	4.10
KSBBL	2018/19	160.00	6.80	11.20	14.28	24.01	6.70	5.60
KSBBL	2019/20	145.00	4.63	4.71	30.77	24.32	-2.40	5.10
KSBBL	2020/21	580.00	19.47	22.56	25.71	24.66	4.80	4.10
KSBBL	2021/22	349.90	4.64	18.78	18.63	24.82	5.60	7.70
KSBBL	2022/23	327.00	0.00	11.01	29.69	24.86	2.00	7.10
MBBL	2016/17	971.00	21.05	32.09	30.26	23.70	9.00	3.60
MBBL	2017/18	378.00	22.63	20.45	18.48	24.27	7.60	4.10
MBBL	2018/19	370.00	17.60	27.94	13.24	24.67	6.70	5.60
MBBL	2019/20	312.00	11.25	16.56	18.84	24.92	-2.40	5.10
MBBL	2020/21	657.00	17.58	24.03	27.34	25.34	4.80	4.10
MBBL	2021/22	439.90	13.50	23.72	18.55	25.52	5.60	7.70
MBBL	2022/23	407.00	9.75	19.44	20.94	25.60	2.00	7.10
GBBL	2016/17	296.00	15.00	15.83	18.69	23.59	9.00	3.60
GBBL	2017/18	218.00	13.75	17.43	12.51	23.95	7.60	4.10
GBBL	2018/19	224.00	16.84	21.32	10.51	24.38	6.70	5.60
GBBL	2019/20	223.00	14.21	17.82	12.51	24.64	-2.40	5.10
GBBL	2020/21	544.00	16.00	22.75	23.91	25.01	4.80	4.10

GBBL	2021/22	387.00	14.50	22.49	17.21	25.11	5.60	7.70
GBBL	2022/23	405.00	10.00	24.38	16.61	25.21	2.00	7.10
MLBBL	2016/17	219.00	9.00	27.84	7.87	24.10	9.00	3.60
MLBBL	2017/18	171.00	15.00	19.78	8.65	24.20	7.60	4.10
MLBBL	2018/19	195.00	17.89	23.12	8.43	24.36	6.70	5.60
MLBBL	2019/20	183.00	9.26	13.14	9.27	24.49	-2.40	5.10
MLBBL	2020/21	445.00	21.05	19.75	20.20	24.58	4.80	4.10
MLBBL	2021/22	374.00	10.47	22.56	16.58	24.73	5.60	7.70
MLBBL	2022/23	325.50	12.80	9.05	35.96	24.85	2.00	7.10
MDBL	2016/17	520.00	33.13	31.61	16.45	21.98	9.00	3.60
MDBL	2017/18	288.00	17.89	23.19	12.42	22.24	7.60	4.10
MDBL	2018/19	234.00	19.50	25.17	9.30	22.47	6.70	5.60
MDBL	2019/20	307.00	15.79	25.84	11.88	22.61	-2.40	5.10
MDBL	2020/21	586.00	14.00	18.27	32.08	22.63	4.80	4.10
MDBL	2021/22	347.00	13.00	16.37	21.20	22.74	5.60	7.70
MDBL	2022/23	404.00	10.00	15.85	25.49	22.81	2.00	7.10
EDBL	2016/17	624.00	31.71	39.12	15.95	22.40	9.00	3.60
EDBL	2017/18	326.00	17.00	23.75	13.72	22.56	7.60	4.10
EDBL	2018/19	283.00	18.00	24.32	11.64	22.87	6.70	5.60
EDBL	2019/20	298.00	12.63	12.78	23.32	23.16	-2.40	5.10
EDBL	2020/21	855.00	8.95	16.48	51.88	23.32	4.80	4.10
EDBL	2021/22	327.00	0.00	8.37	39.05	23.38	5.60	7.70
EDBL	2022/23	325.40	0.00	4.10	79.39	23.50	2.00	7.10
LBBL	2016/17	78.00	0.00	8.71	8.95	23.79	9.00	3.60
LBBL	2017/18	146.00	17.07	15.19	9.61	23.98	7.60	4.10
LBBL	2018/19	197.00	20.00	28.38	6.94	24.13	6.70	5.60
LBBL	2019/20	181.00	10.00	13.94	12.99	24.26	-2.40	5.10
LBBL	2020/21	585.00	13.68	14.93	39.18	24.51	4.80	4.10

LBBL	2021/22	341.00	12.00	19.40	17.58	24.76	5.60	7.70
LBBL	2022/23	413.00	8.50	14.71	28.07	24.80	2.00	7.10
SINDU	2016/17	366.00	6.26	12.68	28.87	21.54	9.00	3.60
SINDU	2017/18	131.00	0.00	3.01	43.56	21.78	7.60	4.10
SINDU	2018/19	144.00	12.09	8.12	17.72	21.90	6.70	5.60
SINDU	2019/20	134.00	0.00	2.06	65.10	22.10	-2.40	5.10
SINDU	2020/21	401.00	0.00	-1.85	217.12	22.32	4.80	4.10
SINDU	2021/22	268.20	0.00	8.31	32.29	22.44	5.60	7.70
SINDU	2022/23	279.00	0.00	-2.40	116.04	22.46	2.00	7.10
SRDBL	2016/17	425.00	25.00	31.78	13.37	23.21	9.00	3.60
SRDBL	2017/18	271.00	18.63	20.23	13.40	23.54	7.60	4.10
SRDBL	2018/19	252.00	15.00	25.79	9.77	23.79	6.70	5.60
SRDBL	2019/20	222.00	13.00	15.39	14.42	24.29	-2.40	5.10
SRDBL	2020/21	256.00	10.93	14.77	17.33	24.47	4.80	4.10
SRDBL	2021/22	294.90	13.30	17.16	17.19	24.65	5.60	7.70
SRDBL	2022/23	384.00	10.50	17.69	21.70	24.87	2.00	7.10

2. Correlation Matrix

Variables	MPS	DPS	EPS	PER	SIZE	GDPGR	CPI
MPS	1.0000						
DPS	0.3602	1.0000					
EPS	0.4219	0.8328	1.0000				
PER	0.1685	-0.4501	-0.5631	1.0000			
SIZE	0.0800	-0.0070	0.1591	-0.2731	1.0000		
GDPGR	0.1345	0.3377	0.3514	-0.1438	-0.2568	1.0000	
CPI	-0.1053	-0.4015	-0.1924	0.0485	0.3374	-0.3179	1.0000

3. Regression Results

Regression Statistics	
Multiple R	0.6614
R Square	0.4375
Adjusted R^2	0.3839
Std. Error	129.3383
Observations	70

ANOVA

	df	SS	MS	F	Significance F
Regression	6	819683.53	136613.92	8.17	1.51725E-06
Residual	63	1053888.86	16728.39		
Total	69	1873572.39			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-552.9350	414.8770	-1.3328	0.1874	-1382.0006	276.1306
DPS	0.6474	4.3876	0.1476	0.8832	-8.1205	9.4154
EPS	14.9850	4.0793	3.6735	0.0005	6.8333	23.1367
PER	3.5867	0.6673	5.3752	0.0000	2.2533	4.9202
SIZE	23.1074	17.5181	1.3191	0.1919	-11.8999	58.1146
GDPGR	-0.6917	4.9907	-0.1386	0.8902	-10.6649	9.2815
CPI	-4.3053	12.8770	-0.3343	0.7392	-30.0379	21.4273

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