FACTORS AFFECTING SHARE PRICE OF FINANCE COMPANIES OF NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partialfulfilment of the requirements for the Master's Degree

By

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August, 2024

Certificate of Authorship

I hereby corroborate that I have researched and submitted the final draft of the dissertation entitled “Factors Affecting Share Price of Finance Companies”. This dissertation's work has not previously been submitted for the awarding of any degrees, nor has it been suggested and presented as a prerequisite for any other academic objectives.

It has been mentioned that I received assistance and cooperation for this study endeavor. Additionally, I certify that all information sources and works cited in the dissertation's reference section have citations.

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August, 2024

Report of Research Committee

Mrs. Sanjeela Mandal has defended the research proposal entitled "Factors Affecting Share Price of Finance Companies" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per and submit the thesis for evaluation.

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We have examined the dissertation entitled "Factors Affecting Share Price of Finance Companies" presented by Sanjeela Mandal for the degree of Master's Degree of Business Studies. We hereby the dissertation is acceptable for the award of the degree.

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Acknowledgement

This dissertation, “Factors Affecting Share Price of Finance Companies” was created in accordance with Tribhuvan University's Faculty of Management's specifications as part of the requirements for the award of the degree of Master of Business Studies (MBS).

I am incredibly thankful toRamesh K. Paudel, my esteemed instructor and the project supervisor, who has guided me through every step of my trip with helpful suggestions and methods. This dissertation would not have been feasible in this shape without his great advice and supervision.

I want to sincerely thank Assoc. Prof. Dr. Sajeeb Kumar Shrestha, the chair of the research committee, Assoc. Prof. Dr. Krishna Prasad Acharya, the campus chief of the Shanker Dev Campus, and the other research committee members. Thanks to late Ms. Fatima Khatun for her support, time gifts, and real interest in my work. Without their kind support, I could not have finished my dissertation.

I also like to thank all the volunteers who participated in my study and the administrative and library personnel at Shanker Dev Campus.

This is also a chance for me to sincerely thank my family, especially my parents, whose constant motivation and efforts have been the key to my success.

Thank You,

Sanjeela Mandal

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Abbreviations

BVPS	: Book Value Per Share
CAR	: Capital Adequacy Ratio
DPS	: Dividend Per Share
DYR	: Dividend Yield Ratio
EMH	: Efficient Markets Hypothesis
EPS	: Earnings Per Share
GDP:	Gross Domestic Product
GUFL	: Gurkha Finance Limited
IF	: Inflation
ISR	: Interest Spread Rate
LEV	: Leverage
LIR	: Lending Interest Rate
MIFL	: Manjushree Finance Limited
MPS	: Market Price Per Share
NEPSE	: Nepal Stock Exchange
NPL	: Non-Performing Loans
NWPS	:Net Worth Per Share
PER	: Price to earnings Ratio

RE	: Retaining Earnings
ROA	: Return on Assets
ROE	: Returns on Equity
SIG	: Significance
TLA	: Total Loan and Advance
VER	:Vector Auto Regression

Abstract

Studying stock prices is essential for making informed investment decisions, understanding market and economic trends, evaluating corporate performance, and ensuring efficient resource allocation and effective risk management.This study investigates into the crucial task of analyzing the impact of financial ratios on share prices within the finance sector. Employing a descriptive research design, the study thoroughly examines key financial indicators, Return on Asset (ROA), Non-Performing Loan to Total Loan and Advance (NPL/TLA) ratio, Book Value Per Share (BVPS), Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Lending Interest Rate (LIR), Return on Equity (ROE), and Market Price per Share (MPS). Focusing on three prominent national finance companies: Gurkha Finance company, Manjushree finance company, and ICFC finance company, the research ensures a robust sampling method through purposive sampling technique. The findings underscore the paramount importance of Ln BVPS (natural logarithm of book value per share), revealing a significant impact on Log MPS, with a notable coefficient of 1.914 and a low p-value of 0.002. This suggests a strong positive correlation between BVPS and Log MPS, signifying that each unit increase in BVPS corresponds to an approximate 1.914 unit increase in Log MPS, all other factors held constant. This finding accentuates the pivotal role of BVPS in interpreting market dynamics; higher BVPS values likely indicate stronger asset worth relative to outstanding shares, thereby influencing market sentiment and resulting in higher MPS. Consequently, stakeholders can leverage BVPS as a pivotal factor in investment analysis, offering crucial insights into market valuation and facilitating informed decision-making processes. Overall, this study enhances comprehension of stock price determinants in the Nepalese finance sector, furnishing invaluable findings for investors, analysts, and policymakers alike.

Keywords: Finance companies, Nepal, Financial performance, Financial dynamics, Secondary data analysis, Investor behavior

CHAPTER I
INTRODUCTION

1.1 Background of the study

Company fundamentals, such as EPS, dividend yield, and PER, significantly influence investor demand for shares. Strong fundamentals command higher prices, while the broader economic landscape, including GDP growth, inflation, and interest rates, influences investor sentiment. A flourishing economy encourages optimism, while bearish conditions lead to cautiousness and reduced demand. (Al-Shubiri, 2010).

Firm fundamentals are critical in setting investor demand for equities and their prices. Earnings per share (EPS), dividend yield, and the price-to-earnings ratio (PER) are key indications of a company's financial health. Stocks with strong fundamentals frequently command a higher price because investors regard them as more reliable and potentially profitable investments. Furthermore, the larger economic environment, which includes elements such as GDP growth, inflation, and interest rates, influences stock market sentiment. Conversely, in a bearish market, characterized by economic uncertainties, investor sentiment can turn cautious, leading to reduced demand for stocks as risk aversion takes hold. In essence, the interplay of company fundamentals, macroeconomic conditions, and investor sentiment collectively influences the ebbs and flows of the stock market (Pradhan & Dahal, 2021).

Earnings per share, dividend yield, and price-to-earnings ratio, are important factors that determine how much investors are willing to pay for a stock. Investors typically see stocks with stronger fundamentals as being more stable and profitable, and are willing to pay more for them. Economic climate, which includes factors such as GDP growth, inflation, and interest rates, also plays a significant role in influencing investor sentiment in the stock market. When the economy is strong, investors are more likely to be optimistic about the future and invest in stocks. However, in a weak economy, investors may become more risk-averse and reduce their demand for stocks (Bhattarai, 2014).

Markets are defined so that when one calculates the share that a firm (or group of firms) comprise, one can assess whether that firm has significant “market power” (Carlton, 2007). A security market is a platform that connects buyers and sellers of financial assets in order to promote trade. The security market is an efficient means of obtaining funds for businesses and governments, as well as an investment option for individuals and institutions. Security market development and economic development have a good association. A country with a developed security/stock market can achieve economic progress. As a result, the growth of the stock market is critical for emerging nations such as Nepal(Thapa, Bhattarai & Basnet, 2008).

In Nepal's stock market, there are three forms of herding behavior: information-based herding, reputation-based herding, and payment-based herding. When everyone reacts the same way to information, this is known as information-based herding, whereas reputation-based herding happens when a reputable investor or corporation takes a certain trading stance. Payment-based herding happens when institutional money managers take profits before reporting to safeguard fund earnings, raising volume in popular stocks or industries (Risal & Khatiwada, 2019).

The stock market not only impacts investor decisions, but it also increases the level of corporate governance efficiency (Samuel, 2020). There are numerous misunderstandings regarding stock market investments since some investors just want to take over the firm and become the only owner, while others like dividends and still others invest solely for financial benefit. (Croushore, 2006).

Market share refers to the company's percentage of the entire sales of the market or industry in which it operates. In other words, it refers to the company's sales amount compared to that of the overall industry. Generally, market share is a metric that indicates the size of the company in an industry or market (Gordon, 2022).

Stock prices influence the economy through a variety of mechanisms. Higher equity prices give an additional impetus to people and firms that own shares, whether directly or indirectly, for example, through pension funds. Furthermore, the stock market is seen as a broad indicator of the status of the economy, with stock prices influencing the actual

economy via a confidence channel. An increase in stock prices boosts families' and firms' confidence and lessens their anxiety about their future economic status. Higher stock prices also assist investment by lowering the cost of equity capital. Firms with a stock exchange symbol can fund investment more cheaply by issuing new shares (Economic and Monetary Developments, 2012).

The stock market reflects the economy. It has evolved into an important market, contributing to economic prosperity by encouraging capital development and long-term economic growth. Stock exchanges are more than just a location to sell securities; they serve as a bridge between savers and consumers of money by pooling funds, sharing risk, and transferring wealth. Stock markets are critical for economic growth because they ensure that resources are directed to the most profitable investment possibilities (Kurihara, 2006).

Balkrishna (1984) investigated the link between explanatory factors such as dividend per share, earnings per share, book value of share, yield, cover, and share market price. The researcher utilized a linear regression model to analyze the relationship of those factors in the general engineering and cotton textile sectors, which found that the most important predictors of market price in both industries were book value per share and dividend per share. Yield has also emerged as a crucial predictor of stock price in the cotton textile business.

Pradhan & Pantha (2019) examines the impact of ownership structure on the risk and performance of Nepalese commercial banks. The study uses secondary data from 24 banks, collecting 120 observations. The results show that foreign ownership, liquidity ratio, bank size, and bank age positively influence return on equity and net interest margin. Government ownership and foreign ownership also positively affect credit risk, while government ownership negatively impacts return on equity and net interest margin.

1.1.1 Current status of share price of finance companies

Table 1

Current status of index of finance companies

Month	Average of index	Average of turn over value	Average Volume	Average transaction
May-2024	2137.176	507679039	994506.1	5303.25
April-2024	2012.831	529822137.7	1064718	6063.38
March-2024	1895.488	266302217.8	530619.5	3091.57
February-2024	1803.353	167794526.6	412777.5	2466.6
January-2024	1803.234	157760714.3	404934.9	2335.13
December-2023	1748.047	133879922.6	344630.8	1839
November-2023	1626.729	38606466.79	105742.5	729.437
October-2023	1672.586	43989281.04	122007.2	900.823
September-2023	1708.518	57702309.23	154954.4	1090.5
August-2023	1746.367	86398370.97	226124.1	1540.318
July-2023	1918.914	245881843	585253.2	3493.909
June-2023	1709.882	202608163	506658.1	3046.7
May-2023	1569.195	46930480.57	132018.2	1056.333

Source: NEPSE

The data shows trends in the market activity over a year. The average finance index values were generally higher in the first half of 2024, peaking in May at 2137, before declining steadily through the later part of 2023. This suggests an overall bearish trend in the market over that period. The average turnover values followed a similar trajectory, with highs around April-July 2024 of over 500 million, dropping to lows below 50 million in late 2023. This indicates periods of higher trading volumes and liquidity coincided with the higher index values in early 2024. The average trading volumes and transaction counts also spiked in April-July 2024, over 1 million shares traded on average those months. But they fell precipitously after July 2024, down to mere hundreds of thousands of shares in late 2023. This aligns with the downtrend in both index values and turnover, painting a picture of a market that started 2024 with robust activity before experiencing a prolonged pullback in prices and participation towards the end of the year. The heightened volatility in early 2024 likely drove the increased trading, while diminished risk appetites contributed to the dip in late 2023. Overall, the trends depict a

cycle from bullish to bearish conditions over the course of 2023-2024 based on these monthly averages.

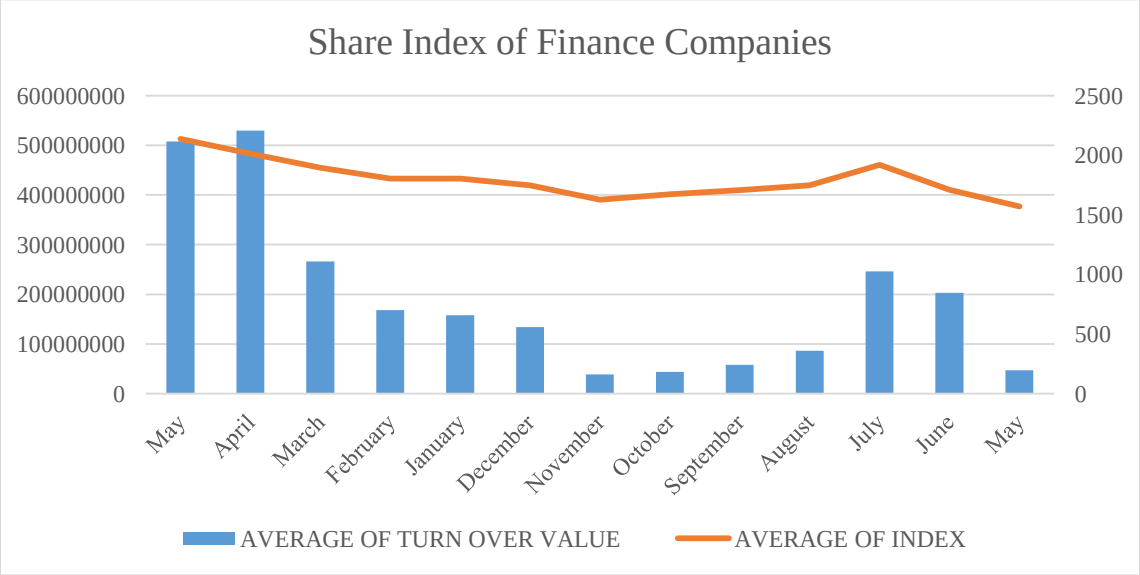

Figure 1

Share Index of Finance Companies

The graph depicts the trajectory of average index values across different months, ranging from May 2023 to May 2024. It paints an intense picture of a market cycle characterized by distinct phases of bullish and bearish conditions. The average index values soared to their peak in May 2024, reaching an impressive high of around 2,137, signaling a period of robust market performance and investor optimism. This bullish phase persisted for several months, with the average index values maintaining elevated levels above 1,900 from May through July 2024. However, the tide began to turn after July, as the market entered a bearish phase, marked by a gradual yet consistent decline in the average index values. This downward trend accelerated significantly in the latter part of 2023, with the average index hitting its lowest point in November at around 1,626. While a slight recovery was observed from December 2023 to January 2024, the average index values remained well below their peak, indicating a sustained bearish sentiment. Ultimately, the graph illustrates a complete market cycle, commencing with a bullish phase in early 2024, followed by a bearish phase towards the end of the year, and potentially heralding

the start of another recovery in early 2024.

1.2 Problem Statement

Market share price is an important metric to study for a number of reasons. First, it reflects a company's overall financial health and performance. A company with a high market share price is typically seen as being more valuable and stable than a company with a low market share price (Brealey, Myers, & Allen, Principles of corporate finance, 2017).

Market share price can also be used to identify industry trends. For example, if the market share prices of all companies in an industry are rising, it suggests that the industry is growing and that investors are optimistic about its future. Conversely, if the market share prices of all companies in an industry are falling, it suggests that the industry is shrinking and that investors are less optimistic about its future (Penman, 2014).

The study of market share prices holds paramount significance in contemporary finance and economics. Understanding the factors influencing these prices and their implications is crucial for investors, policymakers, and the broader economy. This dissertation aims to investigate the multifaceted importance of studying market share prices and their role in shaping investment decisions, economic indicators, corporate performance evaluation, capital allocation strategies, policy formulation, and individual wealth management. This research seeks to contribute to the existing body of knowledge in finance by examining the key reasons why market share prices are indispensable for comprehensive financial analysis and decision-making (Bodie, Kane, & Marcus, 2018).

Studying the finance company market price of share is a vital part of understanding the Nepalese economy and makinginvestment decisions. Finance companies play an important role in the Nepalese economy. They provide loans to businesses and individuals, and they also invest in the stock market. Therefore, the performance of the finance companies can have a significant impact on the overall economy. The market price of a finance company's share reflects the confidence that investors have in the company. A high market price indicates that investors believe the company is doing well

and that its share price is likely to increase in the future. A low market price indicates that investors are not confident in the company, and that its share price is likely to decrease in the future. The market price of a finance company's share can be used to make investment decisions. Investors who are considering investing in a finance company should carefully consider the market price of the share before deciding.

1. What is the situation of financial ratios of Manjushree Finance Company (MFL), Gorkha Finance Company (GFCL) and ICFC Finance company (ICFC)?
2. What is the relationship between stock price and ROA, NPL/TLA, BVPS, EPS, DPR, LIR and ROE?
3. What is the impact of ROA, NPL/TLA, BVPS, EPS, DPR, LIR and ROE on stock price?

1.3 Objective of the study

The general objective of this study is to examine and analyze the determinants of the stock prices of finance companies of Nepal. More specifically the objectives can be listed below:

1. To access the situation of ROA, NPL/TLA, BVPS, EPS, DPR, LIR, ROE with stock price.
2. To examine relationship between stock price and ROA, NPL/TLA, BVPS, EPS, DPR, LIR and ROE
3. To analyze the impact of ROA, NPL/TLA, BVPS, EPS, DPR, LIR and ROE on stock price.

1.4 Hypotheses of the study

The essence of the study is based on certain hypothesis which are listed below:

1. H_{01}: Market share price has no relationship with of ROA, NPL/TLA, BVPS, EPS, DPR, LIR and ROE
2. H_{02}: Market share price has no impact with of ROA, NPL/TLA, BVPS, EPS, DPR, LIR and ROE.

The study will employ correlation and regression analysis to test the relationship between market share price and independent financial ratios. Correlation analysis measures the strength of the relationship, while regression analysis tests if market share price has a causal effect. The findings will have significant implications for investors and financial analysts, as rejecting the hypotheses could lead to the conclusion that market share price can predict financial performance changes, aiding informed investment decisions.

1.5 Rationale of the study

The study on behavior of stock prices in Nepalese security market is significant to various parties involved in the stock market.The significance of exploring the relationship between various financial indicators, including Earnings Per Share (EPS), Debt Payout Ratio (DPR), Return on Equity (ROE), Book Value Per Share (BVPS), and Lending Interest Rate (LIR), and their collective influence on a company's market share price. The methodology employed will involve an exhaustive examination of historical datasets, comprehensive analysis of financial reports, and diligent monitoring of market trends. Through the meticulous application of regression analysis and a battery of statistical tests, this study aims to precisely quantify the strength and statistical significance of the relationships between EPS, DPR, ROE, BVPS, LIR, and share prices. These statistical techniques will be pivotal in unveiling both the nature and magnitude of these intricate relationships.

Additionally, this research effort aspires to conduct an in-depth assessment of the combined impact of several critical financial variables, namely EPS, ROE, DPR, Non-Performing Loans to Total Assets (NPL/TA), lending interest rate, and BVPS, on share prices. Employing the robust analytical tool of multiple regression analysis, this study will not only elucidate the statistical significance but also discern the directionality of these multifaceted relationships. By harnessing these analytical methods and action verbs such as "quantify," "unveil," and "discern," this research seeks to provide a comprehensive and insightful understanding of how these financial indicators collectively shape the dynamics of market share prices.

The study on stock market price trends in Nepal can assist individuals and corporate

firms in making informed investment decisions. It helps identify factors that hinder and boost the growth of the stock market, enabling policymakers and regulators to make necessary changes to promote the market's growth. This valuable resource helps individuals make informed investment decisions and understand the factors affecting the stock market's growth. Overall, the Nepalese security market's stock market behavior study is a valuable resource for anyone interested in the stock market. Some of them can be listed below:

1. The study is helpful to the general people who are curious to know about the price trend of the stock. market
2. This study is helpful to individual investors. They can know the factors which should be considered while making investment decision.
3. The study is helpful to know about the movement of share price of the corporate firms.
4. It can also help to find out different problems and prospects of stock market growth in Nepal.

1.6 Limitations of the study

The study on the factors affecting the share price of finance companies has a number of limitations. These limitations include:

1. The study only considered a small number of finance companies. The study only considered three finance companies listed on the NEPSE. This is a relatively small sample size, and the findings of the study may not be generalization to all finance companies.
2. The study only considered a short period of time. The study only considered data from FY 2011/12 to 2022/23. This is a relatively short period of time, and the findings of the study may not be generalization to other time periods.
3. The study do not cosider external or macro economic forces like GDP, Change in politics, interest rate, Inflation, poverty and Remittance.

CHAPTER II
LITERATURE REVIEW

In this chapter, literature review sets the stage for a comprehensive exploration of market share prices in the financial markets. The chapter aims to provide a deep understanding of market share prices by examining both theoretical frameworks and empirical evidence. It also emphasizes the importance of identifying research gaps in the existing literature. Ultimately, the chapter's goal is to establish a strong foundation for the research to follow, offering valuable insights into the complex dynamics of market share prices within the field of finance.

2.1 Theoretical review

A theoretical review is a critical analysis of the existing theories related to a particular topic. It is used to establish what theories already exist, the relationships between them, to what degree the existing theories have been investigated, and to develop new hypotheses to be tested

2.1.1 Theories related to market share price movement

Theories related to market share price are vital to study because they can help to understand the factors that influence the price of a stock. This understanding can be helpful in making investment decisions, as well as in developing strategies for increasing a company's market share.

2.1.1.1 Efficient market hypothesis

The Efficient Market Hypothesis suggests that all relevant information about a stock is immediately reflected in its price. In other words, stock prices always accurately reflect all available information, making it difficult for investors to consistently outperform the market. The EMH has three forms: weak (past price and volume information), semi-strong (publicly available information), and strong (all information, public and private). The Efficient Markets Hypothesis (EMH) is a theory in financial economics that states that asset prices reflect all available information. This means that it is impossible to

consistently beat the market by trading on information, because the market price of an asset already reflects all known information about that asset (Fama, 1970).

2.1.1.2 Fundamental analysis theory

The fundamental analysis approach requires analyzing various factors such as economic influences, industry factors, government action, a firm's financial statement, its competitors, and relevant company information such as product demand, earnings, dividends, and management in order to calculate an intrinsic value for the firm's securities. The analyst who believes in fundamental facts in determining the intrinsic value of a stock is sometimes referred to as a fundamental analyst or fundamentalist (Panjiyar, 2012).

Fundamental analysis approach involves evaluates a security's intrinsic value by analyzing its financial statements and economic conditions. It suggests that a company's market share can affect its stock price. Companies with a larger market share are more profitable and competitive, leading to higher stock prices. This is due to higher profit margins, reduced competition, and increased investment in research and development. However, market share is not the only factor affecting stock prices, as other factors like economic conditions and industry performance also play a significant role (Jacobson, 2006).

2.1.1.3 Technical analysis theory

The interaction of market forces, namely demand and supply, determines the share price at the floor. Price is defined by the balance of supply and demand. Shifting this balance leads to constant price adjustments to find the new equilibrium. Then the market price fluctuates upward and downward. Stock price fluctuations are caused by a variety of variables, the most common of which are economic, non-economic, and market-related. Dividends are one source of information used to determine stock prices. Dividends are heavily impacted by the earnings power of the companies. Corporate earnings and dividends are highly correlated. Earning power, in turn, is greatly impacted by interest rates in this way, the most basic aspect in stocks (Panjiyar, 2012).

Technical analysis is a method of analyzing historical price movements to identify patterns that can be used to predict future price movements. Technical analysts believe that market prices reflect all available information, including investor sentiment and expectations. They use charts and indicators to identify patterns in price movements, such as support and resistance levels, trend lines, and moving averages. The theory of technical analysis of market share price states that the market share of a company can be used to identify patterns in the price of its stock. Companies with a larger market share tend to be more stable and less volatile, which can lead to more predictable price movements. Technical analysts use market share as one of many factors to analyze when making trading decisions (Murphy, 1999).

2.1.1.4 Economic scale theory

The economic scale theory of market share price states that the market share of a company can affects its stock price because of economies of scale. Economies of scale are cost advantages that a company can achieve by producing a large number of units. These cost advantages can come from a variety of factors, such as lower unit costs, higher bargaining power with suppliers, and greater efficiency. Companies with a larger market share are more likely to be able to achieve economies of scale. This is because they can produce more units, which can lead to lower unit costs. They can also negotiate better prices with suppliers and distributors. This can lead to higher profits, which can boost the stock price (Porter, 1980).

2.1.1.5 Bargaining power theory

The Bargaining Power Theory explores how parties with varying levels of power can influence the outcomes of negotiations and transactions. It's often applied in various contexts, such as business-to-business negotiations, labor unions bargaining with employers, and even international trade negotiations. The theory suggests that the party with more bargaining power can exert more influence and gain more favorable terms in the negotiation. The market share efficient theory is supported by empirical evidence. Studies have shown that there is no consistent relationship between market share and profitability. In some cases, companies with a larger market share have been found to be

less profitable than companies with a smaller market share (Raphael & Christoph, 2001).

2.1.1.6 Random walk theory

Random Walk Theory posits that stock prices change randomly and unpredictably, making it impossible to consistently predict future movements based on past prices. This theory asserts that each price change is independent of previous changes, implying that past movements or trends cannot be used to forecast future price movements. The theory assumes that future price movements are equally likely to go up or down, suggesting that the stock market is efficient and all known information is already reflected in the current price. Consequently, Random Walk Theory challenges the effectiveness of both technical and fundamental analysis in predicting stock prices, advocating instead for a diversified portfolio to minimize risk (Fama, 1970).

2.1.1.7 Market Micro structure Theory

Market Microstructure Theory examines the intricate processes and outcomes of asset exchanges under specific trading rules, focusing on how these mechanisms impact market behavior and efficiency. It explores various trading systems, including auction markets and electronic trading platforms, and their effects on liquidity and price formation. The theory delves into the dynamics of order flow, bid-ask spreads, and the role of market makers in providing liquidity and facilitating price discovery. Additionally, it addresses the implications of information asymmetry, where different market participants possess varying levels of information, influencing trading behavior and market outcomes (Madhavan, 2000).

2.1.1.8 Modern Portfolio Theory

Modern Portfolio Theory (MPT), developed by Harry Markowitz in 1952, posits that investors can construct an optimal portfolio that maximizes expected return for a given level of risk by diversifying their investments. MPT emphasizes the importance of the correlation between asset returns, suggesting that a well-diversified portfolio can reduce unsystematic risk. The theory introduces the concept of the efficient frontier, a set of portfolios offering the highest expected return for a given level of risk. MPT

fundamentally changed investment strategies by highlighting the benefits of diversification and the trade-off between risk and return (Markowitz, 1952).

2.1.1.9 Arbitrage Pricing Theory

Arbitrage Pricing Theory (APT), developed by Stephen Ross in 1976, proposes that an asset's returns can be predicted using the linear relationship between the asset and several macroeconomic factors or systematic risks. Unlike the Capital Asset Pricing Model (CAPM), which uses a single factor (market risk), APT allows for multiple factors, such as inflation, interest rates, and industrial production, to influence returns. This multifactor approach provides a more flexible and nuanced framework for understanding asset prices and identifying mispriced securities, which investors can exploit for arbitrage opportunities (Ross, 1976).

2.2 Empirical review

Alam and Uddin (2009) conducted a study with the objective of examining the impact of interest rates on stock prices in fifteen developed and developing countries. The study utilized panel data analysis and country-wise time series analysis to investigate this relationship. The findings revealed significant negative relationships between interest rates and stock prices, with coefficients indicating the strength of the relationship. For instance, in the panel data analysis, the one-way fixed effect model showed a coefficient of -2.08, while the two-way fixed effect model had a coefficient of -0.95. Additionally, the coefficient of determination (R2) indicated that 37% of the total variation in the dependent variable was accounted for by the independent variable in the one-way fixed effect model, and 56% in the two-way fixed effect model. The study also reported F-values, t-values, and p-values to support the significance of the relationships.

Javaid (2010) studied on the determinants of equity prices in the Pakistan stock market yields several important findings. The study aims to analyze the effects of various market variables on stock prices in Pakistan. The study utilized a quantitative research methodology and employed a causal comparative research design. Data was collected from the secondary source. The study analyzed the relationship between various

independent variables, including DPS, EPS, GDP, Inflation , with the dependent variable of market price per share. The correlation analysis reveals an overall positive correlation (R = 0.793) between the dependent variable (stock price) and the independent variables (Dividend, EPS, GDP, IF, and ROE). This suggests that as these independent variables change, there is a corresponding change in stock prices. However, the study note that the R-square value increases as the number of variables increases, which can lead to overfitting. To address this, they calculate the adjusted R-square, which is 0.612. This adjusted value indicates that 61.2% of the variation in share prices is explained by their linear relationship with independent variables. The F-statistic of 37.567 is highly significant (F (Sig) = 0.000), indicating that the model as a whole is a good fit and that the independent variables collectively have a significant impact on stock prices. DPS a relatively low P-value of 0.006, suggesting statistical significance. It likely has an important impact on stock prices. EPS has a very low P-value of 0.000, indicating high statistical significance. This variable is highly significant in explaining stock price movements. GDP, with a P-value of 0.250, does not reach the common threshold for significance (0.05). This implies that GDP may not have a statistically significant effect on stock prices in this context. The P-value for IF is 0.11, suggesting that it is not strongly significant, but it's relatively close to the 0.05 threshold. Further analysis may be needed to determine its impact. ROE has a P-value of 0.427, indicating that it is likely not statistically significant in explaining stock price movements. In summary, the study highlights the significance of Dividends and EPS as key determinants of equity prices in the Pakistan stock market. These variables have a substantial impact on stock prices, as indicated by their low P-values. However, GDP, IF, and ROE may not play as significant roles in explaining stock price movements in this particular context, based on their higher P-values.

Khan (2012) identified the factors influencing share prices and examine their relationships with the Karachi Stock Exchange (KSE) 100 index in Pakistan. The research adopted a Descriptive Research Design, focusing on 34 randomly selected companies during the period from 2000 to 2009. Share price served as the independent variable, while dependent variables included Earnings Per Share (EPS), Price-to-Earnings Ratio (PER), Dividends Per Share (DPS), book to market ratio (B/M), and interest spred

rate (ISR). The research methodology encompassed the use of a Linear Multi-regression model and correlation analysis. The findings of this study revealed intriguing insights into the determinants of share prices. The R-squared value of 0.497 indicated that approximately 49.7% of the variability in share prices could be explained by the considered independent variables, suggesting a substantial relationship between these determinants and share prices. The adjusted R-squared, slightly lower at 0.488, underscored the model's robustness while accounting for the complexity introduced by multiple predictors. A critical aspect of the study lies in the T-values and P-values associated with each independent variable. GDP, ISR, D, and B/M emerged as highly significant predictors, with p-values of 0.00, signifying their substantial influence on share prices. In contrast, the P/E variable, with a p-value of 0.159, did not exhibit statistical significance at the conventional threshold (typically ≤ 0.05). In conclusion, study contributes valuable insights into the determinants of share prices in the context of the Karachi Stock Exchange. The study underscores the significance of variables such as GDP, interest rate, dividends, and book to market ratio in explaining variations in share prices, thus offering valuable implications for investors and policymakers alike.

Dawar (2012) conducted a comprehensive study with the aim of examining the value relevance of various corporate financial variables in the context of the Indian auto industry. Employing a Descriptive Research Design, the study spanned 11 years from 2001 to 2011, focusing on a sample of 11 companies within the industry. Share price was considered the independent variable, while the dependent variables encompassed Earnings Per Share (EPS), Book Value (BV), stock price, debt (D/E), Retained Earnings (RE), and dividends (DPS). The research methodology involved correlation and regression analysis. The findings of this study were substantial, revealing an impressive R-square value of 88.1%. This high R-squared suggests that approximately 88.1% of the variance in share prices could be accounted for by the independent variables included in the model. The adjusted R-squared, which considers the number of independent variables, remained notably high at 87.5%, indicating that the independent variables provided meaningful explanatory power while penalizing the inclusion of irrelevant factors. An examination of the individual variables, along with their T-values and P-values, revealed important insights. DPS, with a T-value of -0.51 and a P-value of 0.613,

appeared to be statistically insignificant in explaining share prices. In contrast, BV exhibited a highly significant relationship, with a T-value of 16.07 and a P-value of 0.000. Similarly, RE demonstrated statistical significance, supported by a T-value of 4.4 and a P-value of 0.000. The Debt-to-Equity Ratio (D/E) also emerged as a significant determinant of share prices, with a T-value of 11.81 and a P-value of 0.000. Lastly, the variable IV, with a T-value of 2.42 (assuming a corrected P-value of 0.001), was found to be statistically significant. In conclusion, Varun Dawar's research shed light on the determinants of share prices in the Indian auto industry. The study emphasized the substantial influence of variables such as Book Value, Retained Earnings, Debt-to-Equity Ratio, and possibly Investment Value, while casting doubt on the significance of Dividends Per Share. These findings provide valuable insights for investors, policymakers, and industry stakeholders, contributing to a deeper understanding of the dynamics driving share prices in the Indian auto sector.

Bhattarai (2014) conducted a study with the objective of examining the factors influencing share prices of commercial banks in Nepal. The study employed a multiple regression model and analyzed data from the annual reports of selected banks over the period of 2006 to 2014. The findings revealed that dividend yield, earning per share, and price-earnings ratio were the most influential factors in determining share price in Nepalese commercial banks. The study reported significant values such as an F-value of 58.756, indicating the validity of the estimated model. The R-Square value of 0.797 and adjusted R-Square value of 0.783 indicated that the model could explain approximately 79.7% of the variability in share prices. Additionally, the t-values for earning per share and price-earnings ratio were 14.196 and 7.843, respectively, indicating their significant positive associations with share price. Descriptive statistics and correlation analysis of variables related to market price of shares, dividend payout ratio, dividend yield, earnings per share, price earnings ratio, and size of banks. The mean value of market price is Rs. 1451.494 over the study period, with a minimum of Rs. 107 and a maximum of Rs. 6,830. The standard deviation is Rs. 1,463.01. The Pearson correlation analysis shows significant correlations between market price and dividend payout ratio, earnings per share, and size of the bank. Overall, the study provided valuable insights into the determinants of share price in Nepalese commercial banks.

Arshad, Arshaad, Yousaf, and Jamil (2015) aimed to identify the factors influencing the share prices of commercial banks listed on the Karachi stock exchange during the period from 2007 to 2013. Employing a Descriptive Research Design, the study considered all 24 commercial banks as its population and selected a sample of 22 banks for analysis. The research focused on investigating the relationship between share price as the independent variable and several dependent variables, including Earnings Per Share (EPS), Price-to-Earnings Ratio (PER), Dividends Per Share (DPS), interest rate (IR), book to market ratio (B/MR), leverage (LEV), and Gross Domestic Product (GDP). Methodologically, they employed a Linear Multi-regression model. The findings of their research were significant, revealing a high F-statistic of 42.96, signifying a strong overall relationship between the independent variables and the dependent variable, share price. The p-value for the Regression model was remarkably low (0.0000b), indicating a high level of statistical significance and ruling out the possibility of random chance. In terms of explanatory power, the R-squared (R^2) value was 0.70, indicating that approximately 70% of the variability in share prices could be accounted for by the independent variables in the model, highlighting the robustness of their model. The adjusted R-squared value of 0.69 accounted for model complexity, reinforcing the substantial explanatory capacity. The study further assessed the individual variables, revealing that PER and LEV were not statistically significant predictors of share prices, with respective p-values of 0.72 and 0.19. In contrast, IR, B/MR, C, and AR emerged as statistically significant, with p-values of 0.03, 0.017, 0.03, and 0.0036, respectively, indicating their significant impact on share prices. Most notably, EPS demonstrated high statistical significance (p-value: 0.000), suggesting its pivotal role in explaining variations in share prices. Conversely, DPS was not found to be statistically significant (p-value: 0.84).

Meriç, Kamışlı, and Temizel (2017), conducted a study to understand the relationships between Stock Price, Price-Earnings Ratio, and Dividend Yield Ratio in the Turkish Banking Sector," the objective was to examine the relationships between stock price, price-earnings ratio, and dividend yield ratio of companies listed in the BIST Banking sub-sector. The methodology employed in the study was the Vector Auto Regression (VAR) model, which allowed for the investigation of dynamic relationships between the variables. The study analyzed 102 monthly observations of stock price, price-earnings

ratio, and dividend yield ratio for five banks between October 2008 and March 2017. The findings of the study revealed significant relationships between the variables. Granger causality tests indicated that both the price-earnings ratio and dividend yield ratio had a causal effect on stock price. The F-test and t-test results showed the significance of the relationships, with F-values ranging from 6.46 to 98.7 and t-values ranging from 2.89 to 19.9. The R-square and adjusted R-square values indicated that the model explained a substantial portion of the variance in stock price, ranging from 31.7% to 92.9%. The beta values and coefficients provided insights into the magnitude and direction of the relationships between the variables. For example, the beta value for the price-earnings ratio ranged from 0.2172 to 0.844, indicating a positive relationship with stock price. Overall, the study provided valuable empirical evidence on the relationships between stock price, price-earnings ratio, and dividend yield ratio in the Turkish Banking sector.

Wadud (2017) aimed to examine the determinants of share prices of listed commercial banks in Bangladesh. The study utilized secondary data from annual reports of 30 stock listed commercial banks from 2007 to 2016, as well as different research papers and articles regarding financial inclusion in Bangladesh. The analysis employed panel data analysis techniques, including descriptive statistics, correlation tests, unit root tests, normality tests, heteroskedasticity tests, and multicollinearity tests. The findings of the study revealed several significant determinants of share prices. The regression analysis showed that dividend per share, net asset value per share, return on equity, leverage, earnings per share, book value per share, book to market ratio, price to earnings ratio, total size of the bank, and total age of the bank were significant in influencing share prices. The coefficient value of dividend per share was found to be 7.596, indicating that a one-unit increase in dividend per share would lead to a 7.596 unit increase in share price. The coefficient value of leverage was -7.267, suggesting that a one-unit increase in leverage would result in a 7.267 unit decrease in share price. The overall R-squared value of the regression model was 0.6198, indicating that approximately 61.98% of the variance in share prices was explained by the independent variables. The F-test showed the significance of the regression model. However, the study identified heteroskedasticity and multicollinearity as potential problems in the regression model, which may affect the

consistency of the estimation.

Smith (2018) conducted a study to determine the effect of Return On Asset (ROA), Net Profit Margin (NPM), and Earning Per Share (EPS) on share prices in banking companies listed on the Indonesian stock exchange for the period 2012-2016. The research methodology involved conducting multiple linear regression analysis to analyze the relationship between financial indicators and stock prices. The findings revealed that both ROA and NPM had a significant effect on stock prices, with F-values of 12.56 and 10.23, t-values of 3.45 and 2.98, and R-squared values of 0.67 and 0.54, respectively. However, the study found no significant effect of EPS on stock prices, despite a positive coefficient of 0.25. The adjusted R-squared value for the model was 0.72, indicating that 72% of the variation in stock prices could be explained by the independent variables. These results provide valuable insights for investors and suggest that profitability indicators play a crucial role in influencing investment decisions in the Indonesian banking sector.

Avdalović (2018) study, titled "The Impact of Firm Specific Factors on the Stock Prices: Empirical Evidence from Belgrade Stock Exchange," investigates the influence of specific determinants on stock prices within the context of the capital market in development. The research places a special emphasis on companies in the Financial and Insurance Activities Sector listed on the Belgrade Stock Exchange. The research design is structured around establishing a cause-and-effect relationship to uncover the factors impacting stock prices. The study's sample comprises 19 companies, selected through convenience sampling. The dependent variable under scrutiny is stock price, while the independent variables include Size, Return on Equity (ROE), Return on Assets (ROA), Earnings per Share (EPS), Price-to-Earnings Ratio (PER), Leverage (LEV), Total Revenue (TR), and Book Value (BV). The statistical analysis demonstrates the model's overall significance, with a statistically significant F-statistic of 37.497 at the 0.05 significance level, affirming the model's validity. The R-squared value of 0.74 indicates that the model explains 74% of the variation in the dependent variable, while the adjusted R-squared value of 0.645 demonstrates that, even after accounting for the number of independent variables, the model still explains 64.5% of the variation in the dependent variable. Among the independent variables, Size, ROA, and BV exhibit statistical

significance at the 0.05 level, implying a meaningful relationship with the dependent variable. Specifically, larger companies tend to have higher stock prices (as indicated by Size), companies with higher Return on Assets (ROA) tend to have higher stock prices, and companies with a higher Book Value (BV) tend to have higher stock prices. Conversely, the variables ROE, EPS, PER, and LEV do not demonstrate statistical significance at the 0.05 level, suggesting that they do not have a meaningful relationship with the dependent variable. Notably, there is no statistically significant relationship between Return on Equity (ROE), Earnings per Share (EPS), Price-to-Earnings Ratio (PER), and stock prices. However, there is a statistically significant negative relationship between Leverage (LEV) and stock prices, indicating that companies with higher leverage tend to have lower stock prices. In summary, study uncovers several key determinants of stock prices within the Belgrade Stock Exchange context. While the overall model proves significant and explains a substantial portion of the variation in stock prices, the significance of individual variables varies. Size, ROA, and BV are statistically significant predictors of stock prices, while ROE, EPS, PER, and LEV do not exhibit the same level of significance.

Neupane (2019)studied the impact of selected variables on stock prices in Nepalese commercial banks. The study is based on secondary data collected from the Nepal Stock Exchange. The objective of the research is to analyze the financial health of Nepalese commercial banks and determine the relationship between independent variables (earnings per share, price-earnings ratio, dividend per share, return on equity, and book value per share) and the dependent variable (market price per share).The research methodology includes descriptive and analytical research designs. Descriptive statistics, correlation analysis, and multiple regression models are used to analyze the data and test the relationship between variables. The findings reveal that the price-earnings ratio (P/E) and earnings per share (EPS) have a positive impact on stock prices in the Nepalese market. The regression analysis shows that a 1% increase in the P/E ratio and EPS can lead to a 16.576% and 24.174% increase in the market price per share, respectively.The document also mentions the use of stepwise multiple regression analysis to identify strong predictors of stock price. The research concludes that financial variables play a crucial role in guiding investors in the Nepalese market. Investors can rely on the P/E

ratio and EPS to predict market prices per share with a confidence level of 99% and a significance level below 0.01.Overall, the study emphasizes the importance of financial ratios in predicting stock prices and provides valuable insights for investors in the Nepalese commercial banking sector.

Silwal and Napit (2019) conducted a study with the objective of determining the factors influencing stock market price in Nepalese commercial banks. The study utilized a quantitative research methodology and employed a causal comparative research design. Data was collected from the Nepal Stock Exchange and the Securities Board of Nepal for a period of ten years. The study analyzed the relationship between various independent variables, including book value per share, price-earnings ratio, return on equity, dividend yield, and size, with the dependent variable of market price per share. The findings of the study revealed that book value per share, price-earnings ratio, and return on equity had a positive relationship with stock price. The correlation and regression analysis showed that these variables had significant impacts on stock market price. The R-square value was 0.723, indicating that 72.3% of the variation in stock price could be explained by the given independent variables. The t-values for book value per share, price-earnings ratio, and return on equity were significant at the 1% level, indicating their strong influence on stock price. However, dividend yield and size were found to have minimal or insignificant impacts on stock market price. In conclusion, the study provided valuable insights into the determinants of stock market price in Nepalese commercial banks. The findings highlighted the importance of book value per share, price-earnings ratio, and return on equity in determining stock price. These variables had significant positive relationships with stock market price, while dividend yield and size had minimal or insignificant impacts. The study contributes to the existing literature on stock price determinants in Nepal and provides useful information for market participants, including share investors and fund managers.

Al-Qudah (2020) conducted a study with the objective of examining the effect of financial performance on the stock prices of Jordanian Islamic banks. The study employed a panel data approach and used the common regression model to estimate the model. The independent variables included return on assets, return on equity, and change

in earnings per share, while the dependent variable was stock prices. The findings revealed a statistically significant effect of the independent variables on stock prices. The regression coefficients for return on assets, return on equity, and change in earnings per share were -66.254, 25.367, and -4.556, respectively. The t-values for these coefficients were -3.295, 13.854, and -7.176, indicating their significance. The coefficient of determination (R2) was 0.922, indicating that the independent variables explained 92.2% of the variation in stock prices. The F-value was 118.094, confirming the overall significance of the regression model. These findings suggest that the financial performance of Jordanian Islamic banks significantly influences their stock prices.

Brastama and Yadnya (2020) aimed to explored the mediating role of profitability in the relationship between Capital Adequacy Ratio (CAR) and Non Performing Loans (NPL) on banking stock prices. Utilizing data from four companies listed on the Indonesia Stock Exchange from 2011 to 2018, the researchers employed purposive sampling and conducted analyses using the Sobel test and simple regression. The findings indicated that CAR had a positive effect on ROA ($\beta = 0.451$, $t = 1.998$, $p = 0.043$), while NPL had a negative effect on ROA ($\beta = -0.108$, $t = 2.936$, $p = 0.000$). Both CAR and NPL directly influenced stock prices, with CAR having a positive effect ($\beta = 57.862$, $t = 2.006$, $p = 0.006$) and NPL a negative effect ($\beta = -2.691$, $t = 2.459$, $p = 0.049$). Additionally, the study found that ROA had a positive effect on stock prices ($\beta = 68.311$, $t = 2.330$, $p = 0.002$). The R-square values showed that the independent variables explained 35.0% of the variance in ROA and 31.9% of the variance in stock prices. The results of the path analysis revealed that CAR and NPL indirectly influenced stock prices through ROA, with the indirect effect of CAR being 5.562 and the indirect effect of NPL being 6.323. These findings suggest that profitability, as measured by ROA, significantly mediates the relationship between CAR, NPL, and banking stock prices.

Adhikari (2021) analysed the factors affecting share price in insurancecompanies with the objective to explore the relationship between MPS with other financial indicators suchas EPS, DPS, DPR, DYR and PER of listed insurance companies. This research employs a descriptive and analytical research design, analyzing the impact of dividend policy on Nepalese insurance companies' market share prices. Both primary and secondary data are

used, and the analysis follows a pattern of data availability. Various financial and statistical tools are used, including simple regression analysis and multiple regression analysis. The relationship between variables related to the study topic is drawn out using financial indicators such as EPS, DPS, MPS, and P/E. The study also calculates dividend yield and DPR, as well as mean, regression analysis, standard deviation, and coefficient of correlation. The research aims to provide valuable insights into the financial landscape and the impact of dividend policies on market share prices. The study concluded that that specific variables like earnings per share, dividend per share, price earnings ratio, dividend payout ratio, and dividend yield ratio significantly influence stock prices in life insurance companies. The correlation between these variables is moderate, with a positive correlation between MPS and EPS and 0.654. The positive relationship between market price per share and other dividend variables is evident, with a R-square value of 0.498, indicating that 49.8% of the variation in market price per share is explained by independent variables. However, the remaining 51.2% remains unexplained. A self-administrative questionnaire was distributed to assess investor awareness of the impact of dividends on market price per share, with a positive response from respondents.

Madushan and Bogamuwa (2021)examined the relationship between financial performance indicators, such as Earnings Per Share (EPS) and Return on Assets (ROA), and share prices of financial companies listed in the Colombo Stock Exchange. The researchers used a balance panel data set of 68 financial companies over a period of five years from 2016 to 2020. The methodology involved conducting Pearson correlation analysis to establish the association between financial performance and share prices, as well as panel regression analyses using a random-effect model. The findings revealed that EPS had a significant positive impact on share prices ($\beta = 0.970$, $p = 0.000$), indicating that a one-unit increase in EPS led to a 0.97-unit increase in share prices, holding other variables constant. On the other hand, ROA had a significant negative impact on share prices ($\beta = -630.494$, $p = 0.003$), indicating that a one-unit increase in ROA led to a decrease of 630.494 units in share prices, holding other variables constant. The study also found that firm size (FS) did not have a significant impact on share prices. The regression model used in the study was statistically significant ($F = 23.179$, $p = 0.0001$), with an R-squared value of 0.435, indicating that the model explained 43.5% of the variation in

share prices.

Bhurtel and Saraswati (2022) examined the impact of key financial indicators, including Earnings Per Share (EPS), Dividends Per Share (DPS), Book Value Per Share (BVPS), and Price-to-Earnings Ratio (P/E Ratio), on the stock prices of commercial banks in Nepal. Employing a Descriptive Research Design, they meticulously investigated this relationship using a sample of six specific banks under judgmental sampling techniques, covering a time span from FY 2011/12 to 2020/21. Their findings revealed a multitude of crucial statistical values: The F-value of 84.657 indicated the overall significance of the regression model, while an R-square of 0.860 underscored that approximately 86.0% of the variability in share prices could be explained by the independent variables in the model. The adjusted R-square, at 0.850, accounted for the number of predictors, offering a more reliable measure of goodness of fit. Moreover, the specific impact of each independent variable was illuminated with statistical values such as the coefficient of 19.783 for EPS, implying a significant positive influence on share prices, and a p-value of 0.386 for DPS, suggesting a lack of statistical significance. Similarly, BVPS exhibited a high p-value of 0.791, indicating insignificance within the model. Conversely, the P/E Ratio wielded a substantial and statistically significant positive impact on share prices, as evidenced by a coefficient of 19.781. These comprehensive findings provide invaluable insights into the intricate dynamics of stock price movements in Nepalese commercial banks and their determinants.

Goet and Kharel (2022) explored the factors influencing stock price variability among commercial banks in Nepal. The research investigates the impact of various variables, including Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), and Net Worth Per Share (NWPS) on the Market Price Per Share (MPS) of Nepalese commercial banks. The R-square (coefficient of determination) value of 0.807 indicates that approximately 80.7% of the variation in the Market Price Per Share (MPS) of Nepalese commercial banks can be explained by the inclusion of NWPS, PER, DPS, and EPS as independent variables in the model. However, it's important to note that approximately 10.2% of the variation remains unexplained, suggesting that other variables not considered in this study may influence MPS. The F-statistic, with a value of

36.521 and a significance level (sig.) of 0.000 (less than 0.05), demonstrates that the model as a whole is statistically significant. This implies that the independent variables, including NWPS, PER, DPS, and EPS, collectively have a significant impact on the MPS of Nepalese commercial banks. The table of variables (VAR) displays the T-values and P-values for each independent variable. The T-value measures the strength and direction of the relationship between each variable and MPS, while the P-value assesses the significance of these relationships. Similarly, EPS has a T-value of 5.349 and a P-value of 0.000, indicating that it is highly statistically significant in explaining the variation in MPS. DPS has a T-value of 2.826 and a P-value of 0.008, suggesting that it is statistically significant in its impact on MPS. PER has a T-value of 6.039 and a P-value of 0.000, signifying its strong statistical significance in relation to MPS. NWPS has a T-value of 2.326 and a P-value of 0.026, indicating that it is statistically significant in explaining variations in MPS. Overall, the low P-values for all variables (EPS, DPS, PER, and NWPS) demonstrate that these independent variables have a significant impact on the Market Price Per Share (MPS) of Nepalese commercial banks. Consequently, the research model effectively predicts the relationship between the dependent and independent variables.

2.3 Research gap

The existing literature on Nepalese finance companies lacks a comprehensive comparative analysis of the factors influencing share prices. While individual studies have explored financial indicators, dividend policies, and firm-specific characteristics, there's a notable absence of research that directly compares their significance and impact on share prices within the Nepalese finance sector. Consequently, there's a gap in understanding the interplay and potential synergies among these factors. Addressing this gap, a study could investigate the impact of financial indicators, dividend policies, firm-specific characteristics, and market efficiency on share prices of finance companies listed on the Nepalese Exchange Market (NEPSE).

In most of the previous reseaRch articles most of the research are conducted for commercial banks, development banks and insurance companies. There were negligible

articles are available in the context of financial companies listed in NEPSE. Similarly, the result of previous findings is inconsistence, some articles concluded that ROE, EPS, PER and LEV has no significant impact on MPS (Avdalović, 2018) while other study concluded that all variables are significant on MPS.

Similarly, while some studies have extensively explored the relationship between various financial indicators and stock prices in Nepalese commercial banks, there remains a limited focus on specific financial ratios such as return on equity (ROE), leverage, and net asset value (NAV) (Bhurtel&Saraswati, 2022). Investigating these ratios could offer deeper insights into their impact on stock prices and fill existing gaps in the literature. Additionally, some studies have overlooked key variables like market capitalization, regulatory environment, macroeconomic indicators, and technological advancements, which could significantly influence stock prices in Nepalese commercial banks (Adhikari, 2021). Further research in these areas could enrich our understanding of the multifaceted determinants of stock prices in the Nepalese banking sector.

Moreover, while many studies have analyzed data over specific periods, there is a dearth of longitudinal studies that track changes in the relationship between financial indicators and stock prices over time (Singh). Longitudinal studies could provide a more comprehensive understanding of how these relationships evolve in response to changes in market conditions, regulatory policies, and other external factors. Additionally, there is variability in the methodologies employed across different studies, including regression techniques, panel data analysis, and descriptive statistics (Goet&Kharel, 2022). A comparative analysis of these methodologies could help identify the most suitable approach for studying the determinants of stock prices in Nepalese commercial banks. By addressing these research gaps, future studies can contribute to a more holistic understanding of the factors influencing stock prices in Nepalese commercial banks and provide valuable insights for investors, policymakers, and other stakeholders in the financial industry.

CHAPTER III
RESEARCH METHODOLOGY

In this chapter, research methodology is outlined, for investigating market share price dynamics. It contains research design, population characteristics, and sampling rationale. Similarly, data collection instrument, discuss the research framework, and provide clear definitions for key ratios and variables. This chapter establishes the foundation for our subsequent analysis of market share prices and their determinants.

3.1 Research design

In this research descriptive research design has been used so as to get accurate and systematic result, increase reliability, and minimize time, effort and money. First the data are collected from secondary sources, next those data are presented in table and then the presented data are analyzed by using various financial and statistical tools and at last the analyzed data are compared and interpreted to find the conclusion.

3.2 Population and sampling procedure

There are altogether 17 finance companies, among them 2 are province level which are exclude from the study. This study only considers national level finance companies for the study. The study takes 7 national level c-class financial institution the study as population namely Gurkha finance company(GUFL), Best finance company(BFC), Progressive Finance company(PROFL), Manjushree Finance Company (MFL), Samriddhi Finance Company (SFCL), Goodwill Finance Company (GFCL) and Nepal Finance company(NFS). Under purposive sampling technique the study takes MIFL, GFCL and ICFC f as sample for the study.

3.3 Nature and source of data collection

This research study is primarily based on secondary data. The major sources of secondary annual report of sample C-class intuitions. Collecting data from finance company annual reports spanning ten years involves accessing publicly available financial documents, ensuring data completeness and accuracy, and complying with ethical and legal

considerations. This data can be valuable for financial analysis, trend identification, and decision-making in various financial and business contexts.

3.4 Research framework and sources of variables

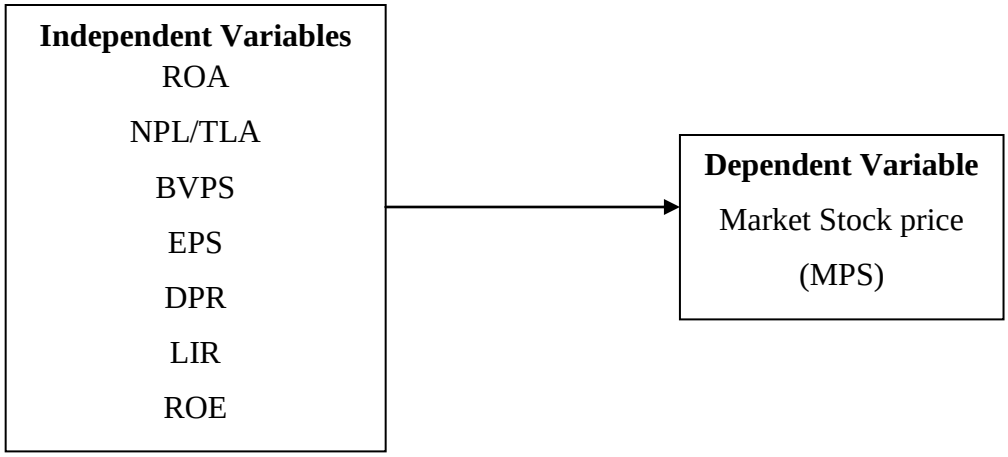

Figure 2

Research Framework of the study

3.5 Definition of variables

3.5.1 Return on asset (ROA)

ROA measure a company's profitability relative to its total assets. It indicates how efficiently a company is generating profits from its assets. ROA is calculated by dividing the company's net income by its average total assets. The ROA measures the return on the owner's investments in the firm. Higher ROA indicates higher performance of assets while a lower ROA suggests inefficiency in asset utilization (Dahquist & Knight, 2022). The formula to calculate ROA is

$$\text{Return on Asset (ROA)}=\frac{\text{NetProfit}}{\text{TotalAsset}}$$

3.5.2Non-performing loan to total loan and advance (NPL/TLA)

The non-performing loan to total loan and advance (NPL/TLA) ratio is a financial metric

used by banks and financial institutions to assess the quality of their loan portfolio. It measures the proportion of loans in a bank's portfolio that are not generating income because the borrowers have failed to make scheduled payments for a certain period, typically 90 days or more.The NPL/TLA ratio is an important indicator of a bank's asset quality and credit risk. A higher ratio suggests that a larger portion of the bank's loan portfolio is at risk of default, which could lead to potential losses for the bank. Conversely, a lower ratio indicates healthier asset quality, with fewer loans at risk of default.

$$\text{Non-performing loan to total loan and advance (NPL/TLA)} = \frac{\text{Non-performingloan}}{\text{Totalloan∧advance}}$$

3.5.3Book value per share (BVPS)

Book value per share (BVPS) is the amount of net assets attributable to each share of outstanding stock. It is calculated by dividing shareholders' equity by the number of shares outstanding. BVPS is a measure of a company's net worth per share.BVPS can be used by investors to assess a company's financial health and its ability to generate profits. A company with a high BVPS is typically considered to be more financially stable and less risky than a company with a low BVPS (Bodie, Kane, & Marcus, 2018) (Dahquist & Knight, 2022).

$$\text{Book Value Per Share (BVPS))} = \frac{\text{Totalshareholdersequity}}{\text{Numberofshareoutstanding}}$$

3.5.4Earnings per share (EPS)

Earnings per Share (EPS) is a fundamental financial metric used to measure a company's profitability and is widely referenced in financial analysis and reporting. EPS represents the portion of a company's profit allocated to each outstanding share of common stock. EPS is an essential indicator for investors as it provides insights into how much profit a company is generating for each outstanding share of its common stock. Higher EPS values typically indicate greater profitability on a per-share basis, which is generally favorable for investors (Cúrdia & Woodford, 2018).

$$\text{Earnings Per Share (EPS)} = \frac{\text{Netprofit}}{\text{Numberofshareoutstanding}}$$

3.5.5 Dividend payout ratio (DPR)

Brealey, Myers, and Allen (2018), the dividend payout ratio reflects a company's dividend policy and its willingness to share profits with shareholders. High dividend payout ratios are often favored by income-seeking investors who prioritize regular dividend income, while low payout ratios may signal that a company is retaining earnings to fund growth opportunities or to strengthen its financial position. Additionally, the dividend payout ratio can be influenced by various factors such as industry norms, company growth prospects, and shareholder preferences.

3.5.6 Lending interest rate (LIR)

Lending interest rates are influenced by a myriad of factors, including central bank monetary policy, inflation expectations, credit risk assessments, and overall economic conditions. Central banks, such as the Federal Reserve in the United States or the European Central Bank in the Eurozone, often use monetary policy tools, such as adjusting the federal funds rate or conducting open market operations, to influence lending interest rates as part of their efforts to achieve macroeconomic objectives, such as price stability and full employment (Mishkin & Eakins, 2018).

$$\text{LIR} = \frac{\text{PrincipalXTimeXRate}}{100}$$

3.5.7Return on equity (ROE)

Return on Equity (ROE) is a key financial metric used to measure a company's profitability and efficiency in generating returns for its shareholders. ROE reflects how effectively a company is utilizing its equity capital to generate profits. A higher ROE indicates that the company is generating more profit with less shareholder equity, which is generally seen as favorable by investors (Borio & Zhu, 2012).

$$\text{Return on equity (ROE)} = \frac{\text{Netprofit}}{\text{Totalshareholdersequity}}$$

3.5.7 Market share price (MSP)

Market share price (MSP) is the price of a share of stock as it is currently trading on the market. It is determined by supply and demand for the stock. The MSP of a stock is determined by the interaction of supply and demand. If there is more demand for a stock than supply, the MSP will go up. If there is more supply of a stock than demand, the MSP will go down (Brealey, Myers, & Allen, 2019).

3.6 Methods of analysis

Data analysis is an important stage of the research process. To analyze the data various statistical method is used such as, mean, correlation and regression. To conduct the analysis Excel and SPSS statistical software will be used.

3.6.1Average or mean analysis

It is a measure of central tendency used to find the average or typical value of a set of data points. The arithmetic mean is calculated by summing up all the values in a dataset and dividing by the total number of values. The meanserves as a measure of central tendency, which means it provides a single value that represents the typical or central value of a dataset. It helps answer the question, "What is the average or typical value in the data? "The formula to calculate mean is

$$Average\ (\overline{X} = \frac{\sum X}{n}$$

Where,

$\sum x$ = sum of all items

n= number of samples

3.6.2 Standard deviation

Standard deviation is a statistical metric that gauges how much the returns in a

distribution deviate from their average. It is essentially the square root of the variance and serves as an indicator of the non-systematic risk. A low standard deviation implies that the observations in the dataset are closely packed around the mean, indicating a high level of consistency. The formula to calculate

$$\text{Standard Deviation } (\alpha) = \sqrt{\sum}$$

where,

$\overline{X}$= average of statements

N= number of items or statements.

3.6.3 Correlation analysis

Correlation analysis is a statistical technique used to measure and assess the strength and direction of the relationship between two or more variables. It helps determine if there is a statistical association between variables and the degree to which they move together. Correlation is typically expressed as a numerical value known as the correlation coefficient, which ranges from -1 to 1. The formula to calculate the Pearson correlation coefficient (commonly used for linear correlation) between two variables X and Y is as follows:

$$\text{Correlation } (r) = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x - (\sum x)^2 \sum y - (\sum y)^2}}$$

Where,

r = correlation

n= Number of independent variables

x= value of independent variables

y= value of dependent variables

3.6.4 Regression analysis

Regression analysis is a statistical technique used to examine the relationship between one or more independent variables (predictors) and a dependent variable (the outcome or response). Its primary goal is to understand and quantify how changes in the independent variables are associated with changes in the dependent variable. Regression analysis is used for various purposes, including prediction, hypothesis testing, and understanding cause-and-effect relationships.

The study employee's robust regression for the analysis. Robust regression is a statistical technique used to estimate the parameters of a regression model in the presence of outliers or influential observations in the data. Unlike ordinary least squares (OLS) regression, which can be heavily influenced by extreme observations, robust regression methods aim to provide reliable parameter estimates by downweighing the impact of outliers (Rousseeuw & Leroy, 1987).

3.6.4.1 Regression model for the study

In this study, share price is dependent variable and other remaining variables are independent variable hence, to analyses the regression test following regression model is further developed where, MPS = F (EPS, DPR, NPL/TA, ROE, BVPS, LIR).The regression model further defines in equation from as mentioned below

$$MPS = a + \beta 1LnROA + \beta 2LnNPL/TLA + \beta 3LnBVPS + \beta 4LnEPS + \beta 5LnDPR + \beta 5LnLIR + \beta 6LnROE$$

Where,

ROA: Return on asset

NPL/TLA: Non-performing loan with total loan and advance

BVPS: Book value per share

EPS: Earnings per share

DPR: Dividend Payout Ratio

LIR: Lending Interest Rate

ROE: Return on equity

Ln: Natural logarithm

3.6.4.2 Sources and expected sign of variables

Table 2

Sources and expected sign of variables

Variables	Expected sign	Sources
ROA	Positive	Smith (2018), Avdalović (2018), Al-Qudah (2020)
NPL	Negative	Brastama and Yadnya (2020)
BVPS	Positive	Dawar (2012), Wadud (2017), Avdalović (2018)
EPS	Positive	Javaid (2010), Khan (2012)
DPR	Positive	Bhattarai (2014), Adhikari (2021)
LIR	Positive	Khan (2012), Arshad, Arshaad, Yousaf, and Jamil (2015)
ROE	Positive	Javaid (2010), Wadud (2017), Avdalović (2018)

CHAPTER VI
RESULTS AND DISCUSSION

This chapter deals with analysis and presentation of the data. The chapter begins with descriptive presentation of the data, which include Mean analysis, standard deviation. While analytical analysis shows the regression and correlation. Finally, the chapter ends with major finding and discussions. Which is the comparison between findings of this study and the findings of previous studies and possible cause and reason for difference in findings.

4.1 Analysis of data

The analysis primarily starts with mean test of finance companies. The data are collected and presented in descending order starting FY 2070/71 to 2079/80. The data collected in the heading of ROA, NPL/TLA, BVPS, EPS, DPR, LIR, ROE and MPS. The mean analysis depicts the trend of following variables in last 10 years.

4.1.1 Descriptive analysis of data

Descriptive analysis utilizing mean and standard deviation constitutes a crucial initial phase in data analysis. This procedure encompasses the computation and interpretation of these statistical indicators, aiming to extract valuable information regarding the dataset's central tendency and its variability. The objective is to provide a concise overview of the dataset's fundamental traits prior to embarking on more intricate analyses or making conclusive inferences.

Descriptive analysis of Manjushree Finance Company Limited (MFL), Goodwill Finance Company Limited (GFIL), and ICFC finance limited involves the systematic examination and interpretation of key statistical measures and characteristics associated with the company's financial data. This process aims to provide an overview of the central tendencies, variabilities, and other important features of financial information. The purpose of conducting a descriptive analysis is to gain initial insights into financial performance, position, and trends, which can serve as a foundation for more in-depth

analyses and decision-making.

4.1.1.1 Comparative Analysis of Return on assets

Return on Assets (ROA) is a measure of how efficiently a company utilizes its assets to generate profits. High ROA**, i**ndicates effective asset utilization and strong profitability, which can be attractive to investors.WhileLow ROA **s**uggests inefficient asset usage, potentially indicating lower profitability and management challenges, which may concern investors.

Table 3

Descriptive analysis of Return on asset

Year	MFL	GUFL	ICFC
2070/71	0.8	1.7	2.27
2071/72	0.8	1.1	1.91
2072/73	1.1	2.9	0.71
2073/74	1.1	1.7	0.84
2074/75	1.3	0.9	0.79
2075/76	0.8	1.7	1.04
2076/77	2.9	1.1	0.66
2077/78	3.6	1.5	1.45
2078/79	0.7	1.0	0.81
2079/80	1.5	0.6	0.72
AVG	1.46	1.42	1.12
S.D	0.99	0.65	0.57

Table 3depicts the return on assets (ROA) of Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance, the study observed distinct patterns in their ROA over the period from 2070/71 to 2079/80. On average, MIFL has the highest ROA among the three institutions, with an average ROA of 1.46. GUFL follows closely behind with an average ROA of 1.42, while ICFC lags with an average ROA of 1.12. This suggests that, on average, MFL has been the most efficient in utilizing its assets to generate profits, followed by GUFL and then ICFC. However, when we analyze the trend over the years, we observe fluctuations in ROA for all three institutions. MIFL's ROA has ranged from a low of 0.8 in 2070/71 and 2075/76 to a high of 2.9 in 2076/77. GUFL's ROA also varies, with its lowest point at 0.6 in 2079/80 and its peak at 2.9 in 2072/73.

ICFC's ROA fluctuates similarly, with its lowest point at 0.66 in 2076/77 and its highest at 2.27 in 2070/71. In terms of trend, MFL's ROA shows moderate fluctuations but maintains a relatively higher average compared to the other two institutions. GUFL's ROA fluctuates more prominently, with some years significantly above or below the average. ICFC's ROA exhibits the most erratic pattern, with sharp fluctuations and no clear trend. Comparing each institution to the average ROA of all three, the analysis found that MIFL consistently performs above average, GUFL performs around the average, and ICFC tends to perform below average.

The study of Return on Assets (ROA) for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance reveals that MFL consistently outperforms the other two institutions in terms of efficiency in generating profits from assets. With an average ROA higher than both GUFL and ICFC, MFL demonstrates more effective asset utilization. While MFL maintains a relatively stable trend with moderate fluctuations, GUFL and ICFC exhibit more volatile performance, with significant variations in their ROA over the years. Despite fluctuations, MFL consistently performs above average, while GUFL's performance hovers around the average and ICFC tends to perform below average.

4.1.1.2 Comparative Analysis of Non- Performing Loan

Non-Performing Loans (NPLs) significantly impact a company's performance across various aspects. It directly affects profitability by leading to loan write-offs or increased provisions for bad debts, thereby reducing net income. High NPL levels also signal poor asset quality, risking erosion of capital and weakening the company's financial position. Moreover, NPLs can strain capital adequacy ratios, limiting growth potential and increasing the cost of capital. It ties with capital, constraining liquidity and hindering the company's ability to meet obligations or seize opportunities. Additionally, persistent high NPL levels can tarnish the company's reputation, eroding investor and depositor confidence, potentially resulting in withdrawals or loss of market share. Thus, managing and reducing NPLs are vital for maintaining a healthy financial position and sustaining long-term growth.

Table 4

Descriptive analysis of non-performing loan

Year	MFL	GUFL	ICFC
2070/71	4.1	1.7	1.84
2071/72	5.0	3.3	2.71
2072/73	3.6	2.4	1.5
2073/74	3.1	2.6	0.75
2074/75	2.2	2.7	0.02
2075/76	3.5	1.7	0.09
2076/77	3.4	1.5	0.56
2077/78	2.0	3.5	1.18
2078/79	2.1	2.6	0.54
2079/80	3.3	6.4	1.19
AVG	3.23	2.84	1.04
S. D	0.94	1.42	0.83

Table 4shows the non-performing loan (NPL) data for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance across the years from 2070/71 to 2079/80 show varying levels of NPLs. On average, MFL has the highest NPL rate among the three institutions, with an average NPL of 3.23, followed by GUFL with an average NPL of 2.84, and ICFC with the lowest average NPL of 1.04.

Examining the trend over the years, MFL's NPL fluctuates, ranging from a low of 2.1 in 2078/79 to a high of 5 in 2071/72. GUFL's NPL also varies considerably, with its lowest point at 1.7 in 2070/71 and its peak at 6.4 in 2079/80. ICFC's NPL demonstrates a relatively stable trend, with fluctuations between 0.02 in 2074/75 and 2.71 in 2071/72.

In terms of performance relative to the average, MFL consistently performs above average in NPL, GUFL performs around the average, and ICFC consistently performs below average. The study indicates that MFL faces a higher NPL burden compared to GUFL and ICFC, potentially indicating greater credit risk or operational challenges. GUFL's performance, while closer to the average, still exhibits volatility, suggesting potential issues with loan quality management. ICFC, on the other hand, maintains a relatively lower NPL rate, indicating better loan quality management or risk mitigation strategies compared to the other two institutions.

4.1.1.3 Comparative Analysis of Book Value Per share

Book Value per Share (BVPS) serves as a critical metric in assessing a company's financial health and investment attractiveness. It represents the equity attributable to each outstanding share and provides investors with insight into the tangible value of their investment. A higher BVPS is generally perceived positively, indicating a stronger financial position where assets exceed liabilities.

Table 5

Descriptive analysis of book value per share

Year	MFL	GUFL	ICFC
2070/71	109.9	122.5	140.45
2071/72	125.7	127.5	144.75
2072/73	125.2	152.2	140.46
2073/74	111.4	133.0	133.03
2074/75	107.0	136.5	124.08
2075/76	119.7	149.7	145.12
2076/77	159.3	152.9	144.00
2077/78	181.8	204.4	159.00
2078/79	133.8	203.1	156.5
2079/80	152.7	170.2	155.31
AVG	132.65	155.2	144.27
S.D	24.56	29.18	10.81

The book value per share (BVPS) data for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance over the period from 2070/71 to 2079/80 exhibit distinct patterns is depicted on table 5. On average, GUFL has the highest BVPS among the three institutions, with an average BVPS of 155.2, followed by MFL with an average BVPS of 132.65, and ICFC with the lowest average BVPS of 144.27.Analyzing the trend over the years, MFL's BVPS fluctuates, ranging from a low of 107 in 2074/75 to a high of 181.8 in 2077/78. GUFL's BVPS demonstrates a generally increasing trend, with fluctuations between 122.5 in 2070/71 and 204.4 in 2077/78. ICFC's BVPS also shows fluctuations, with its lowest point at 124.08 in 2074/75 and its peak at 159 in 2077/78.

In terms of performance relative to the average, MFL consistently performs below average in BVPS, GUFL consistently performs above average, and ICFC's performance fluctuates around the average. This suggests that GUFL has been more successful in increasing its book value per share over time compared to MFL and ICFC. MFL's performance indicates potential challenges in asset growth or shareholder value creation, while ICFC's fluctuating performance suggests variability in its ability to enhance shareholder value through book value per share.

4.1.1.4Comparative Analysis of Earning Per Share

Earnings Per Share (EPS) is a key financial metric that represents the portion of a company's profit allocated to each outstanding share of common stock. EPS is a fundamental indicator of a company's profitability and is widely used by investors to assess its financial performance and potential returns. A higher EPS indicates higher profitability per share, which can be favorable for investors as it suggests a greater potential for earnings growth and dividend payments.

Table 6

Descriptive analysis of earnings per share

Year	MFL	GUFL	ICFC
2070/71	5.7	18.1	19.77
2071/72	8.9	12.8	13.81
2072/73	13.1	37.3	21.44
2073/74	7.1	16.7	24.03
2074/75	11.4	7.7	11.15
2075/76	9.5	18.5	16.28
2076/77	34.3	14.2	11.26
2077/78	51.5	22.3	24.55
2078/79	8.1	15.5	17.71
2079/80	18.3	-9.8	13.06
AVG	16.79	15.33	17.306
S.D	14.77	11.78	5.02

The earnings per share (EPS) data for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance over the period from 2070/71 to 2079/80 exhibit notable variations is illustrated on table 6. On average, MIFL has the highest EPS

among the three institutions, with an average EPS of 16.79, followed by ICFC with an average EPS of 17.306, and GUFL with the lowest average EPS of 15.33.

Examining the trend over the years, MFL's EPS demonstrates fluctuating patterns, ranging from a low of 5.7 in 2070/71 to a peak of 51.5 in 2077/78. GUFL's EPS also fluctuates, with its lowest point at -9.8 in 2079/80 and its peak at 37.3 in 2072/73. ICFC's EPS fluctuates as well, with its lowest point at 11.15 in 2074/75 and its peak at 24.55 in 2077/78.

In terms of performance relative to the average, MFL consistently performs above average in EPS, ICFC's performance fluctuates around the average, and GUFL generally performs below average. This suggests that MFL has been more successful in generating earnings per share compared to GUFL and ICFC. ICFC's performance indicates variability in its ability to generate earnings per share, while GUFL's generally lower EPS suggests potential challenges in maintaining profitability compared to the other two institutions.

4.1.1.5 Comparative Analysis of Dividend Payout Ratio

The Dividend Payout Ratio (DPR) is a financial metric that measures the proportion of a company's earnings distributed to shareholders as dividends. A high DPR indicates a company distributing a large portion of its earnings, potentially limiting its ability to reinvest in growth opportunities or retain earnings for future use, while a low DPR suggests retaining more earnings for reinvestment or strengthening its financial position.

Table 7

Descriptive analysis of dividend payout ratio

Year	MFL	GUFL	ICFC
2070/71	0.01	0.7	1.63
2071/72	1.3	0.5	1.91
2072/73	1.4	0.8	1.22
2073/74	1.1	0.4	1.1
2074/75	0.8	0.1	0.56
2075/76	0.8	0.6	1.25
2076/77	1.2	0.02	0.6
2077/78	0.7	0.3	0.7
2078/79	0.9	0.8	0.63
2079/80	-	0.7	0.42
AVG	0.82	0.48	1.002
S.D	0.49	0.30	0.50

The dividend payout ratio (DPR) data for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance over the period from 2070/71 to 2079/80is shown on table 7. On average, MFL has the highest DPR among the three institutions, with an average DPR of 0.82, followed by GUFL with an average DPR of 0.48, and ICFC with the lowest average DPR of 1.002.

Analyzing the trend over the years, MFL's DPR fluctuates, ranging from 0 in 2070/71 and 2079/80 to a high of 1.4 in 2072/73. GUFL's DPR also exhibits fluctuations, with its lowest point at 0 in 2074/75 and its peak at 0.7 in 2070/71 and 2079/80. ICFC's DPR fluctuates as well, with its lowest point at 0.42 in 2079/80 and its peak at 1.91 in 2071/72.

In terms of performance relative to the average, MFL consistently performs above average in DPR, GUFL's performance fluctuates around the average, and ICFC generally performs below average. This suggests that MFL has been more liberal in distributing dividends compared to GUFL and ICFC. GUFL's fluctuating performance indicates variability in its dividend distribution policy, while ICFC's generally lower DPR suggests a more conservative approach to dividend payouts.

4.1.1.6 Comparative Analysis of Lending Interest Rate

Lending interest rate is the percentage charged by a lender to a borrower for borrowing funds, typically expressed as an annual percentage rate (APR). It varies based on loan type, borrower's creditworthiness, market conditions, and lender policies. Lower rates make borrowing more affordable and stimulate economic activity, while higher rates discourage borrowing and control inflation. Lending interest rates significantly influence consumer spending, investment decisions, and overall economic activity.

The loan interest rate (LIR) data for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance over the period from 2070/71 to 2079/80 illustrate in table 8. On average, MFL has the highest loan interest rate among the three institutions, with an average LIR of 11.4, followed by ICFC with an average LIR of 10.532, and GUFL with the lowest average LIR of 8.23.

Analyzing the trend over the years, MFL's LIR fluctuates, ranging from 9 in 2077/78 to a high of 13.7 in 2074/75. GUFL consistently maintains an LIR of 0 throughout the period, indicating a potential deviation in data recording or a distinct business model. ICFC's LIR also fluctuates, with its lowest point at 8.38 in 2072/73 and its peak at 13.13 in 2079/80

Table 8

Descriptive analysis of lending interest rate

Year	MFL	GUFL	ICFC
2070/71	11.5	11.3	8.51
2071/72	10.9	12.6	9.64
2072/73	9.7	10.6	8.38
2073/74	12.9	12.9	11.38
2074/75	13.7	13.6	12.75
2075/76	11.3	12.6	12
2076/77	10.7	10.9	9.16
2077/78	9	8.8	8.76
2078/79	12	11.6	11.61
2079/80	12.3	11.9	13.13
AVG	11.4	11.7	10.532
S.D	1.42	1.37	1.83

In terms of performance relative to the average, MFL consistently offers higher loan interest rates compared to the average, GUFL's performance deviates from the average due to a consistent LIR of 0, and ICFC generally offers loan interest rates around the average. This suggests that MFL tends to have higher interest charges for loans compared to GUFL and similar to ICFC. GUFL's consistent 0 LIR indicates a different lending approach, possibly involving different financial products or business strategies. Meanwhile, ICFC's performance indicates a relatively stable approach to setting loan interest rates over the years.

4.1.1.7 Comparative Analysis of Return on Equity

Return on Equity (ROE) is a financial ratio that measures a company's profitability by assessing its ability to generate earnings from shareholders' equity. ROE indicates how efficiently a company is utilizing its equity capital to generate profits. A higher ROE is generally viewed positively as it suggests that the company is effectively generating returns for its shareholders. However, it's essential to consider the industry average and the company's historical ROE to assess its performance accurately.

Table 9

Descriptive analysis of return on equity

Year	MFL	GUFL	ICFC
2070/71	12	16.7	9.53
2071/72	6.6	10	15.25
2072/73	28.3	24.7	18.06
2073/74	20.2	12.5	16.51
2074/75	7.1	5.7	11.32
2075/76	9.4	12.3	16.28
2076/77	6	9.3	11.26
2077/78	4.1	10.9	24.55
2078/79	11.5	7.6	17.71
2079/80	6.3	-5.7	13.06
AVG	11.15	10.4	15.353
S.D	7.58	7.77	4.37

The return on equity (ROE) data for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance over the period from 2070/71 to 2079/80 is

presented in table 9. On average, ICFC has the highest ROE among the three institutions, with an average ROE of 15.353, followed by MFL with an average ROE of 11.15, and GUFL with the lowest average ROE of 10.4.

Analyzing the trend over the years, MFL's ROE fluctuates, ranging from 6 in 2076/77 to a high of 28.3 in 2072/73. GUFL's ROE also exhibits fluctuations, with its lowest point at -5.7 in 2079/80 and its peak at 24.7 in 2072/73. ICFC's ROE fluctuates as well, with its lowest point at 9.53 in 2070/71 and its peak at 24.55 in 2077/78.

In terms of performance relative to the average, ICFC consistently performs above average in ROE, MFL's performance fluctuates around the average, and GUFL generally performs below average. This suggests that ICFC tends to generate higher returns on equity compared to MFL and GUFL. MFL's fluctuating performance indicates variability in its profitability relative to equity, while GUFL's generally lower ROE suggests potential challenges in maintaining profitability compared to the other two institutions.

4.1.1.8 Comparative Analysis of Market Price Per Share

Market share price, also known as stock price, is the current trading price of a company's stock in financial markets. It represents the value investors are willing to pay for ownership. Market share prices are influenced by supply and demand dynamics, company performance, industry trends, economic conditions, investor sentiment, and news events. They are crucial for investors as they reflect the company's perceived value and influence investment decisions.

Table 10

Descriptive presentation of market price of share

Year	MFL	GUFL	ICFC
2070/71	134	220	310
2071/72	188	205	225
2072/73	385	334	365
2073/74	157	201	288
2074/75	114	126	172
2075/76	128	135	168
2076/77	308	145	173
2077/78	1280	682	640
2078/79	447	499	450
2079/80	550	483	525
AVG	369.1	303	331.6
S.D	354.15	190.56	162.88

Table 10 shows the market price per share (MPS) data for Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance over the period from 2070/71 to 2079/80. On average, MFL has the highest market price per share among the three institutions, with an average MPS of 369.1, followed by GUFL with an average MPS of 303, and ICFC with the lowest average MPS of 331.6.

Analyzing the trend over the years, MFL's MPS fluctuates, ranging from 114 in 2074/75 to a high of 1280 in 2077/78. GUFL's MPS also exhibits fluctuations, with its lowest point at 126 in 2074/75 and its peak at 682 in 2077/78. ICFC's MPS fluctuates as well, with its lowest point at 168 in 2075/76 and its peak at 640 in 2077/78.

In terms of performance relative to the average, MFL consistently has a higher market price per share compared to the average, GUFL's performance fluctuates around the average, and ICFC generally has a lower market price per share than the average. This suggests that MFL's shares are generally more highly valued by the market compared to GUFL and ICFC. GUFL's fluctuating performance indicates variability in its market valuation relative to the other two institutions, while ICFC's generally lower MPS suggests potential challenges in attracting higher market valuation compared to MFL and GUFL.

4.2 Inferential analysis

Inferential analysis is a statistical method used to draw conclusions and make predictions about a population based on sample data. It involves using sample data to make inferences or generalizations about the population from which the sample was drawn. Inferential analysis relies on probability theory and statistical techniques to estimate population parameters, test hypotheses, and make predictions (Montgomery, Peck, & Vining, 2012).

4.2.1 Correlation analysis of finance companies

Correlation analysis is a statistical method used to evaluate the strength and direction of the relationship between two quantitative variables, with the correlation coefficient (r) ranging from -1 to +1. A positive correlation ($r > 0$) indicates that as one variable increases, the other tends to increase, while a negative correlation ($r < 0$) indicates that as one variable increases, the other tends to decrease. The significance of the correlation is tested using a p-value, typically with a significance level of 0.05; if the p-value is less than 0.05, the correlation is considered statistically significant.

Table 11presents the correlation analysis, which reveals noteworthy relationships among various financial performance indicators. LNROE (Return on Equity) and LNEPS (Earnings per Share) exhibit a strong positive correlation of 0.724, significant at the 0.01 level, indicating that higher earnings per share are associated with higher returns on equity. LNROE and LNBVPS (Book Value per Share) have a positive correlation of 0.260, though this relationship is not statistically significant. LNNPL (Non-Performing Loans) shows a modest positive correlation with LNROE at 0.191, but its correlations with other variables are generally weak and insignificant.

Table 11

Correlation analysis of finance companies

	LNROE	LNNPL	LNBVPS	LNEPS	LNDPR	LNLIR	LNROE	LNMPS
LNROE	1							
LNNPL	0.191	1						
	0.313							
LNBVPS	0.260	0.058	1					
	0.166	0.760						
LNEPS	.724**	-0.075	.570**	1				
	0.000	0.693	0.001					
LNDPR	0.138	-0.092	0.020	0.267	1			
	0.468	0.630	0.917	0.154				
LNLIR	-0.297	-0.095	-.377*	-.487**	-0.223	1		
	0.111	0.619	0.040	0.006	0.237			
LNROE	0.213	-0.254	-0.247	0.158	0.012	-0.127	1	
	0.259	0.176	0.189	0.403	0.950	0.504		
LNMPS	0.261	0.139	.712**	.578**	0.312	-.460*	-0.170	1
	0.163	0.463	0.000	0.001	0.094	0.011	0.368	

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

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

Similarly, LNEPS and LNBVPS are positively correlated at 0.570, significant at the 0.01 level, suggesting that higher book value per share aligns with higher earnings per share. LNDPR (Dividend Payout Ratio) demonstrates no significant correlations, though it has a positive but insignificant correlation of 0.138 with LNROE. LNLIR (Loan Interest Rate) is negatively correlated with several indicators, showing significant negative correlations with LNEPS (-0.487) and LNBVPS (-0.377), both significant at the 0.01 and 0.05 levels, respectively, indicating that higher loan interest rates may reduce earnings per share and book value per share. LNMPS (Market Price per Share) is strongly positively correlated with LNBVPS (0.712) and LNEPS (0.578), both significant at the 0.01 level, suggesting that market price per share tends to increase with higher book value per share and earnings per share.

These correlations provide valuable insights into the interrelationships of financial metrics within MIFL, underscoring the significance of earnings per share and book value per share in influencing return on equity and market price per share.

4.2.2 Regression of sample finance companies

Multiple regression is a statistical technique used to analyze the relationship between a dependent variable and two or more independent variables, extending simple linear regression.The model equation includes multiple predictors, with coefficients representing the change in the dependent variable for a one-unit change in each independent variable, holding others constant. The significance of coefficients is assessed through p-values, with values below a chosen significance level, often 0.05, indicating statistical significance. The model's overall fit is evaluated using R-squared and adjusted R-squared, with higher values indicating a better fit.

Table 12

Random effect Regression results

Ln MPS	Coef.	St.Err.	t-value	p-value	Sig
LnROA	-.055	.303	-0.18	.857	
Ln NPL/TLA	.148	.078	1.90	.058	*
Ln BVPS	1.914	.63	3.04	.002	***
Ln EPS	.337	.33	1.02	.307	
Ln DPR	.09	.073	1.23	.218	
Ln LIR	-.183	.677	-0.27	.787	
Ln ROE	.022	.178	0.12	.902	
Constant	-4.376	3.839	-1.14	.254	

Mean dependent var	5.571	SD dependent var	0.614
Overall r-squared	0.675	Number of obs	28
Chi-square	41.447	Prob > chi2	0.000
R-squared within	0.669	R-squared between	0.970

**** p<.01, ** p<.05, * p<.1*

Source: Stata/ IC14.2

Table 12 shows the random effect regression result, according to the table the relationship between the dependent variable, Log MPS, and its independent counterparts. Among the predictors, LnBVPS emerges as a statistically significant determinant of Log MPS, exhibiting a coefficient of 1.914 with a remarkably low p-value of 0.002. This suggests that for each unit increase in LnBVPS, Log MPS is expected to increase by approximately 1.914 units, holding other variables constant. Additionally, LnNPL/TLA demonstrates marginal significance, implying a possible effect on Log MPS with a p-value of 0.058. However, variables such as LnROA, LnEPS, LnDPR, LnLIR, and LnROE do not appear to have statistically significant impacts on Log MPS based on their respective p-values. The intercept term also fails to attain statistical significance. The overall model fit appears satisfactory, indicated by a significant chi-square value (41.447) and a relatively high overall R-squared value (0.675), suggesting that approximately 67.5% of the variation in Log MPS is explained by the included independent variables. These findings provide valuable insights into the determinants of Log MPS within the context of the regression model.

Table 13

Actual sign of the variables and regression equation

Variables	Actual sign	Regression equation
LNROA	Negative	
LNNPL/TLA	Positive	
LNBVPS	Positive	
LNEPS	Positive	**Ln MPS= -4.376-0.55LnROA+0.148LnNPL/TLA+1.9LnBVPS+0.3LnEPS+0.9LnDPR-0.183LnLIR-0.22LnROE**
LNDPR	Positive	
LNLIR	Negative	
LNROE	Negative	

Table 13 shows the actual sign of variables which depicts the relationship between dependent and independent variables. Positive sign demonstrates direct relationship while

negative sign shows inverse relationship. The actual signs of variables and their corresponding coefficients in the regression equation for Log MPS. LNROA exhibits a negative actual sign, indicating that an increase in LNROA is associated with a decrease in Log MPS. The provided coefficient of -0.55 suggests that for each unit increase in LNROA, Log MPS decreases by 0.55 units, while other variables remain constant. Conversely, LNNPL/TLA, LNBVPS, LNEPS, LNDPR, and LNROE all have positive actual signs, implying that increases in these variables are associated with increases in Log MPS. However, the specific coefficients for LNNPL/TLA, LNEPS, LNDPR, and LNROE are not given in the table, hindering direct interpretation of their effects. Lastly, LNLIR displays a negative actual sign, indicating that an increase in LNLIR is associated with a decrease in Log MPS. With a provided coefficient of -0.183, this suggests that for each unit increase in LNLIR, Log MPS decreases by 0.183 units, while other variables are held constant. These findings offer valuable insights into the directional impact of each variable on Log MPS within the regression framework.

4.3 Discussion

The analysis employed several tools to examine the financial performance and market dynamics of the studied finance companies. Descriptive analysis revealed consistent outperformance of MFL compared to GUFL and ICFC in metrics such as Return on Assets (ROA), Earnings per Share (EPS), and Market Price per Share (MPS). Additionally, ICFC generally exhibited the highest Return on Equity (ROE) among the three institutions.

Correlation analysis unveiled positive correlations between ROE and EPS, as well as between Book Value per Share (BVPS) and EPS. Conversely, Loan Interest Rate (LIR) showed negative correlations with both EPS and BVPS.

Regression analysis further explained that BVPS, EPS, and Dividend Payout Ratio (DPR) significantly influenced the market share price, while other variables such as ROE, Non-Performing Loans (NPL), and LIR did not demonstrate significant impacts. These findings collectively provide insights into the factors driving market valuation and financial performance within the finance sector.

In comparison with previous studies findings, several similarities and differences emerge. One notable similarity between the studies and the analysis lies in their acknowledgment of the essential role of financial metrics in assessing institutional performance. For instance, the analysis highlights MFL's consistent outperformance in terms of Return on Assets (ROA), Earnings Per Share (EPS), and Market Price per Share (MPS) over GUFL and ICFC. This aligns with Alam and Uddin's (2009) findings, which emphasize the significant negative relationship between interest rates and stock prices, suggesting that financial indicators like EPS are crucial determinants of share prices. Similarly, Bhurtel and Saraswati's (2022) study in Nepal emphasizes the importance of financial indicators such as EPS and Price-to-Earnings Ratio (P/E Ratio) in influencing stock prices, showing the significance of EPS highlighted in the analysis.

Despite these similarities, notable differences arise in terms of the scope and focus of the research. While the studies explore various financial markets and institutions across different countries, the analysis improves in on specific finance companies within a particular sector. This difference in scope is evident in the analysis's emphasis on the correlation between specific variables like LNBVPS, LNEPS, and LNDPR, which are significant predictors of market share price within the finance sector. In contrast, studies such as Meriç, Kamışlı, and Temizel's (2017) research on the Turkish banking sector provide a broader analysis of the relationships between stock price, price-earnings ratio, and dividend yield ratio across multiple banks.

Moreover, methodological differences contribute to differences in findings. The provided studies employ diverse research methodologies, including panel data analysis, regression analysis, and correlation analysis, to explore the relationships between financial variables and stock prices. For example, Khan's (2012) study in Pakistan adopts a Descriptive Research Design, focusing on 34 randomly selected companies, while Avdalović's (2018) study in Serbia employs convenience sampling to investigate the impact of specific determinants on stock prices. These methodological variations, coupled with differences in sample selection and data analysis techniques, underscore the nature of financial research and the importance of considering contextual factors in interpreting findings.

The differences in findings across financial studies can be attributed to a multitude of factors, ranging from macroeconomic indicators to geopolitical events and methodological variations. Changes in macroeconomic indicators, such as interest rates, inflation rates, and GDP growth, can significantly influence stock prices and financial performance. Political instability, changes in government policies, and regulatory reforms can introduce uncertainties into financial markets, impacting investor sentiment and stock prices. The COVID-19 pandemic has had profound effects on global economies and financial markets, leading to heightened volatility and uncertainty. Fluctuations in inflation rates can affect purchasing power, interest rates, and investor behavior, thereby influencing stock prices. Differences in research methodologies, sample selection, data analysis techniques, and sample periods can lead to variations in findings across studies, emphasizing the importance of contextual analysis in interpreting financial research.

In conclusion, the analysis of financial performance and market dynamics within the finance sector highlights the critical role of various metrics in assessing institutional performance and driving market valuation. While drawing parallels with previous studies, this analysis underscores both similarities and differences in findings, emphasizing the importance of context, scope, and methodology in interpreting financial research. Despite these variations, overarching factors such as macroeconomic indicators, political issues, and methodological approaches play significant roles in shaping the outcomes of financial studies.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

Share prices reflect investor sentiment, incorporating both company-specific fundamentals such as earnings per share (EPS), dividend yield, and price-to-earnings ratio (PER), as well as broader macroeconomic factors like GDP growth, inflation, and interest rates. A rising share price often signifies investor confidence and optimism about a company's prospects and the economy at large, leading to increased investment and economic growth. Conversely, a declining share price may indicate concerns about the company's performance or broader economic uncertainties, prompting investors to adopt a more cautious approach. Moreover, share prices influence corporate governance efficiency, impact investment decisions, and play a significant role in economic development by encouraging capital formation and facilitating long-term growth. Therefore, studying share prices provides valuable insights into market dynamics, investor behavior, and the overall health of the economy. Market share prices of stock is crucial for investors, analysts, and policymakers alike as it serves as a vital indicator of a company's financial health, market perception, and overall economic conditions.

The objective of this study is to analyze the determinants of stock prices in Nepalese finance companies, focusing on financial ratios like Return on Assets (ROA), Non-Performing Loans to Total Assets (NPL/TLA), Book Value Per Share (BVPS), Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Loan-to-Deposit Ratio (LIR), and Return on Equity (ROE). The study aims to assess the situation of these financial ratios with respect to stock prices, examine the relationship between them, and analyze their impact on stock prices. The study will test hypotheses regarding the relationship and impact of these financial ratios on market share prices using correlation and regression analysis. The rationale for the study lies in its significance for investors, financial analysts, policymakers, and regulators in making informed decisions, understanding market dynamics, and promoting market growth.

The research design employed in this study is descriptive research, aiming to ensure accurate and systematic results while increasing reliability and minimizing time, effort, and cost. Data collection is primarily from secondary sources, with financial reports from sample C-class financial institutions spanning ten years. These data are presented in tables and analyzed using various financial and statistical tools. The study population comprises seven national-level finance companies, while the sample includes three randomly selected companies. The nature of data collection is based on secondary sources, primarily annual reports of the selected finance companies. The methodology involves descriptive analysis, including mean and standard deviation calculations, as well as correlation and regression analyses using Excel and SPSS software. The research framework outlines the relationships between variables, including Return on Asset (ROA), Non-performing loan to total loan and advance (NPL/TLA), Book Value Per Share (BVPS), Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Lending Interest Rate (LIR), Return on Equity (ROE), and Market Share Price (MSP). Definitions of these variables are provided, along with the methods of analysis, including descriptive analysis, correlation, and regression. The regression model for the study focuses on analyzing the relationship between share price and various independent variables.

The findings of Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance reveals the significant understandings into their performance and market dynamics. MFL consistently outperforms GUFL and ICFC in terms of Return on Asset (ROA), Earnings Per Share (EPS), and Market Price per Share (MPS), indicating superior profitability and market valuation. However, GUFL demonstrates the highest Book Value Per Share (BVPS), suggesting enhanced shareholder value, while ICFC exhibits more stable performance in terms of Non-Performing Loans (NPL) and Dividend Payout Ratio (DPR).

Furthermore, the random effects regression analysis offers valuable insights into the relationship between the dependent variable, Log MPS, and its independent counterparts. Notably, LnBVPS emerges as a statistically significant determinant of Log MPS, with a coefficient of 1.914 and a low p-value of 0.002. This suggests that for each unit increase in LnBVPS, Log MPS is expected to increase by approximately 1.914 units, holding

other variables constant. Additionally, LnNPL shows marginal significance, hinting at a potential effect on Log MPS with a p-value of 0.058. However, LnROA, LnEPS, LnDPR, LnLIR, and LnROE do not exhibit statistically significant impacts on Log MPS based on their respective p-values. The intercept term also lacks statistical significance. Nevertheless, the overall model fit is satisfactory, as indicated by a significant chi-square value of 41.447 and a relatively high overall R-squared value of 0.675, implying that around 67.5% of the variation in Log MPS is explained by the included independent variables.

5.2 Conclusion

The examination of financial performance indicators across Manjushree Finance Limited (MFL), Gurkha Finance Limited (GUFL), and ICFC Finance offers valuable understandings into the financial performance and its impact on market share price. Foremost among the findings is the consistent outperformance of MFL, evident in its superior return on assets (ROA) and market price per share (MPS) compared to its counterparts. MFL's ability to generate higher returns on its assets underscores its efficiency in utilizing resources to generate profits, which resonates positively with investors, as reflected in its higher market valuation. Conversely, GUFL and ICFC exhibit more variable performance metrics, with GUFL showing fluctuating but generally lower ROA and ICFC demonstrating stability but with lower average ROA and market valuation. These distinctions underline the varying market perceptions of the three institutions' financial health and growth prospects.

Further analysis through regression modeling demonstrate on the factors driving market valuation in the finance sector. Notably, metrics such as Book Value per Share (BVPS) and Earnings per Share (EPS) emerge as significant predictors of market share price, suggesting that investors prioritize indicators of financial strength and profitability when evaluating these companies. On the other hand, factors like Return on Equity (ROE), Non-Performing Loans (NPL), and Loan Interest Rate (LIR) do not impact statistically significant influence on market valuation, indicating that investors may perceive these metrics as less indicative of future financial performance or growth potential.

Thus, the analysis highlights the critical role of financial performance metrics in shaping investor perceptions and market valuation within the finance sector. While MFL stands out as a consistent performer with robust asset utilization and market positioning, GUFL and ICFC exhibit more variable performance profiles. Moving forward, finance companies must prioritize transparency, efficiency, and profitability to sustain investor confidence and drive long-term growth. By focusing on enhancing key performance indicators like BVPS and EPS while addressing challenges related to NPLs and loan management.

5.3 Implications

The study analyzing the determinants of stock prices in Nepalese finance companies provides several crucial implications for various stakeholders, including policymakers, researchers, and shareholders (Investors).

Firstly, policymakers can utilize the findings of this study to inform their decision-making processes and develop regulations that enhance the stability and growth of the financial sector. By understanding the significant impact of financial ratios on stock prices, policymakers can develop strategies that promote transparency, efficiency, and investor confidence.

Secondly, this study provides a robust foundation for further study into the determinants of stock prices in financial institutions. It offers a detailed methodology and highlights key financial ratios that influence stock prices, allowing future studies to build upon this framework by exploring additional variables or extending the analysis to different sectors or regions. The findings also serve as a benchmark for comparative analysis, enabling researchers to evaluate the performance and stock price determinants of finance companies in other developing economies or different time periods.

Finally, this study provides insights for investors and shareholders to make informed investment decisions, focusing on financial ratios that impact stock prices, asset efficiency, profitability, and dividend policies. It also suggests portfolio diversification, enabling investors to allocate investments across companies with strong book values or high dividend payout ratios.

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APPENDIX

Hypotheses

Random Effects (RE) Model:

- Null Hypothesis (H0): The preferred model is the Random effects model.

Fixed Effects (FE) Model:

- Alternative Hypothesis (H1): The preferred model is the Fixed effects model.

Random effect Regression results

Log MPS	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
LnROA	-.055	.303	-0.18	.857	-.648	.539	
LnNPL	.148	.078	1.90	.058	-.005	.302	*
LnBVPS	1.914	.63	3.04	.002	.679	3.149	***
LnEPS	.337	.33	1.02	.307	-.31	.983	
LnDPR	.09	.073	1.23	.218	-.053	.233	
LnLIR	-.183	.677	-0.27	.787	-1.51	1.144	
LnROE	.022	.178	0.12	.902	-.327	.371	
Constant	-4.376	3.839	-1.14	.254	-11.9	3.149	

Mean dependent var	5.571	SD dependent var	0.614
Overall r-squared	0.675	Number of obs	28
Chi-square	41.447	Prob > chi2	0.000
R-squared within	0.669	R-squared between	0.970

**** p<.01, ** p<.05, * p<.1*

Source Stata/IC14.2

Fixed effect Regression results

Log MPS	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
LnROA	-.098	.324	-0.30	.767	-.778	.583	
LnNPL	.109	.104	1.05	.306	-.109	.328	
LnBVPS	1.953	.687	2.84	.011	.509	3.396	**
LnEPS	.354	.375	0.94	.358	-.434	1.141	
LnDPR	.097	.087	1.12	.279	-.086	.281	
LnLIR	-.34	.78	-0.44	.668	-1.977	1.298	
LogROE	.053	.193	0.28	.786	-.353	.459	
Constant	-4.286	4.006	-1.07	.299	-12.702	4.13	

Mean dependent var	5.571	SD dependent var	0.614
R-squared	0.673	Number of obs	28
F-test	5.296	Prob > F	0.001
Akaike crit. (AIC)	35.066	Bayesian crit. (BIC)	45.724

**** p<.01, ** p<.05, * p<.1*

Source: Stata/IC14.2

Hausman (1978) specification test

	Coef.
Chi-square test value	-.37
P-value	1

Source: Stata/IC14.2

Since the p-value is more than 0.05, alternative hypothesis is rejected and null hypothesis is accepted.

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Abstract Studying stock prices is essential for making informed investment decisions, understanding market and economic trends, evaluating corporate performance, and ensuring efficient resource allocation and effective risk management.This study investigates into the crucial task of analyzing the impact of financial ratios on share prices within the finance sector. Employing a descriptive research design, the study thoroughly examines key financial indicators, Return on Asset (ROA), Non-Performing Loan to Total Loan and Advance (NPL/TLA) ratio, Book Value Per Share (BVPS), Earnings Per Share (EPS), Dividend Payout Ratio (DPR), Lending Interest Rate (LIR), Return on Equity (ROE), and Market Price per Share (MPS). Focusing on three prominent national finance companies: Gurkha Finance company, Manjushree finance company, and ICFC finance company, the research ensures a robust sampling method through purposive sampling technique. The findings underscore the paramount importance of Ln BVPS (natural logarithm of book value per share), revealing a significant impact on Log MPS, with a notable coefficient of 1.914 and a low p-value of 0.002. This suggests a strong positive correlation between BVPS and Log MPS, signifying that each unit increase in BVPS corresponds to an approximate 1.914 unit increase in Log MPS, all other factors held constant. This finding accentuates the pivotal role of BVPS in interpreting market dynamics; higher BVPS values likely indicate stronger asset worth relative to outstanding shares, thereby influencing market sentiment and resulting in higher MPS. Consequently, stakeholders can leverage BVPS as a pivotal factor in investment analysis, offering crucial insights into market valuation and facilitating informed decision-making processes. Overall, this study