IMPACT OF FUNDAMENTAL FACTORS ON STOCK PRICE OF NEPALESE COMMERCIAL BANKS

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ABSTRACT

This research explores the impact of fundamental factors on stock price: a case study of Nepalese commercial banks. The primary objectives of the research are to ascertain the correlations between the BVPS, MPS, EPS, DPS, and P/E ratios of Nepalese commercial banks, as well as the effects of fundamental factors on stock prices and how these variables have evolved over time.

This study employs a descriptive and informal comparative research design. The descriptive research method is utilized to identify the qualitative factors impacting stock price, while the historical research design is combined with regression analysis and correlation to determine the influence of earnings, book value, dividends, and price earnings ratio. Investigating the relationship between MPS and other financial indicators including BVPS, EPS, DPS, and P/E ratio is therefore the main objective of this study. Several financial and statistical techniques are used to assess the facts, and descriptive approaches are used to identify factors influencing the stock prices of commercial banks in NEPSE. The analysis is based on seven years of data, spanning the fiscal years 2015/016 to 2021/022. All of the variables or observations are collectively referred to as the population. The population of the study comprises solely commercial banks that are registered on the NEPSE and involved in share transactions, while all enterprises listed on the Nepal Stock Exchange are included in the population.

The findings display the sample banks' MPS, EPS, DPS, P/E ratio, and BVPS throughout the course of the seven years. The descriptive statistics mean, standard deviation, lowest and highest values of variables associated with seven commercial banks—for the study period of 2015/016 to 2021/022 are provided. The sample banks have an average of 877.7539 and a standard deviation of 769.08489. The sample banks have MPS ranging from Rs. 239 to Rs. 3600. With a standard deviation of Rs. 11.84133 and an average EPS of Rs. 32.4225, the range of values is from Rs. 17.99 to Rs. 59.86. A statistical measure known as the DPS has a range of 11.84 to 105.26, with a mean of 27.7168 and a standard deviation of 18.14153. The BVPS ranges from Rs. 125.17 to Rs. 296.00, with a standard deviation of Rs. 15.44431, and an average of Rs. 199.8511 with a standard deviation of Rs. 46.37967. In contrast, the P/E ratio has a range of 11.15 to 78.33, with an average of Rs. 25.9775. The BVPS relationship (.710**), the EPS relationship (.641**), the P/E ratio relationship (.904**), and the MPS-

DPS relationship (.644**) are all significantly positively linked. The relationship between EPS and P/E ratio is significant at the 5% level of significance, whereas the association between MPS and DPS and BVPS is significant at the 1% level of significance. Variation can be explained by the coefficient of determination, often known as the R-square or the model summary. According to Table 4.8, the R-square value is.970, which means that 97% of the variation in the market price of Nepalese commercial banks can be explained by EPS, DPS, and BVPS. Nevertheless, the remaining 0.2% (100% - 97%) is explained by additional factors not addressed in this study. The regression coefficients based on EPS, DPS, P/E ratio, and BVPS are -698.674, 33.095, -.540, 42.964, and -2.991, in that order. Furthermore, because all of the independent P/E ratio's p-values are below the significant level ($p < 0.05$), Table 4.9 shows that the ratio has a significant outcome.

CHAPTER-I

INTRODUCTION

1.1 Background of theStudy

Fundamental analysis is the process of determining a security's intrinsic value by looking at its financial, qualitative, quantitative, and other pertinent economic components. Finding any pertinent factorsboth macroeconomic and individual-specific—that could affect the security's value is the aim of the research. Sharma and Singh (2006) discovered that one can establish regulations for rights issues, dividend payments, and other financial affairs as well as make prudent financial decisions by understanding what influences share prices. It also helps investors make prudent investing decisions in the stock market.

The financial market is essential to the mobilization of a continuous flow of savings and exchange of these financial resources for the purpose of increasing the nations' productive potential. Sukhija (2014) contended that the stock market has seen significant changes in recent years as a result of globalization, privatization, and liberalization. Consequently, there have been different kinds of changes in the virtual size of the factors impacting the share prices. The place or arrangement that offers facilities for the buying and selling of financial claims and services is known as the financial market.

The share's market price is a significant component that influences stock market investment decisions. The share price is one of the most important criteria that investors can use to determine whether or not to buy a certain stock (Gill and Mathur, 2012). The market price of a share is one of the major factors influencing investors' decisions regarding which investments to make, according to study by Sundaram and Rajesh (2016). However, a variety of factors, such as the company's size, diversity, management style, earnings per share, dividend payout ratio, and more, affect a share's market price.

The worth of the company divided by the total number of outstanding shares is the share price (Weston, 1989). It is the price of one marketable share of a company's or financial institution's derivative, other financial asset, or marketable stock. The stock price represents the lowest price at which it can be bought or the highest price someone is willing to pay. With stocks, investors can invest in a firm in the hopes of earning a better return than they would with bonds or a savings account. Stock markets function as a middleman between capital consumers and savers, facilitating the transfer of wealth, sharing of risk, and pooling

of money (Almumani, 2014). The economy depends heavily on the stock exchange. The stock exchange acts as a crucial intermediary between investors with excess capital and businesses in need of funding to expand their current operations or start new ones by offering a regulated market place for the purchase and sale of shares at prices determined by supply and demand, independent of other macroeconomic fundamentals like interest and inflation rates(Sanderson, 2009).

The stock market makes a substantial contribution to economic development by fostering capital formation and accelerating economic expansion. This market's securities trading help savers and capital users by transferring wealth, sharing risk, and pooling funds. Money can move from reserves to the most profitable investments to generate economic activity. Investors consider the share prices of firms when deciding which shares to purchase. According to theories, there is a correlation between changes in financial fundamental variables and changes in share prices (Nisa and Nishat, 2011).

Equity markets serve as a vital source of funding for long-term economic development, promote innovation, and increase business efficiency. Additionally, they offer governments a practical way to raise money by selling state-owned businesses. Furthermore, equity market investments are a significant component of peoples' assets, especially as governments move their pension systems from public to private ownership. To sum up, it is evident that the global economy's equities market is becoming a more significant capital market (Mosley and Singer, 2008).

The stock market has developed into a crucial marketplace that promotes capital formation and sustains economic growth, contributing significantly to economic success. Stock markets serve as a platform for the sharing of risk, the pooling of funds, and the transfer of wealth between savers and capital users. They are not just a venue to trade securities. Because they guarantee the flow of resources stock markets provide access to the best investment opportunities and are essential for economic expansion.Daily stock prices are essentially influenced by a wide range of economic factors, including the gross domestic product, interest rates, current account, monthly supply, employment, and their information (Kurihara, 2006).

Technical and fundamental analysis is two well-known analytical techniques that support the effectiveness of security assessment. The first pertains to examining the variables that impact

the shares' actual worth, whilst the second involves examining the trading history of the shares or the action. The assessment of the essential components involved in ascertaining the true worth (intrinsic value) of a share is known as fundamental analysis. These elements pertain to the business that owns the share as well as the industry, economy, and industry. The core tenet of fundamental analysis is that changes in the intrinsic value (actual worth) of a stock constantly influence how its price behavesof the stock and the profitability of the investment depend on your capacity to predict the pricing of the local stock market and its intrinsic value. Conversely, technical analysis argues that prices are predicted by the market since history in the market tends to repeat itself. Therefore, studying the trading history of companies might help make a profitable investment. The fundamental premise is that all market events are cyclical in nature and that price fluctuations always follow a specific direction. Since prices already represent investors' expectations relative to "Values (and much more besides)," fundamental values are not taken into consideration. This suggests that since the financial markets are continuously attempting to project the future, shifts in their pricing will always occur before shifts in the underlying circumstances.Therefore, according to Plummet and Tony (1989), "it should be possible to use price behavior to provide the fundamentals that the way sound." The technician predicts when a particular direction or reversal in price movement will occur based on the stock's trading history. It therefore indicates when to buy and sell shares.

In 1937, Biratnagar Jute Mills and Nepal Bank Limited floated shares on the Nepali market, marking the beginning of the history of securities. The 24 years that shares had been trading on the market corresponded with the passing of the Company Act and the issuing of Government Bonds. The Securities Exchange Center was founded in 1973 with assistance from the Nepali government and Nepal Rastra Bank. Its duties included managing public issuance, brokering, underwriting, and creating markets for securities and government bonds.In 1993, the government of Nepal renamed the Securities Exchange Center (SEC) as the Nepal Stock Exchange (NEPSE) as part of a capital market reform program. NEPSE is a non-profit organization under the Securities Exchange Act of 1983. On June 7, 1993, the Government of Nepal formed the Securities Board of Nepal (SEBON), which functions as the primary securities market regulator. SEBON provides the government with advice on capital market-related issues. It permits the issuance of essential securities regulations and guidelines. It permits public firms to register.The issuance, transfer, sale, and exchange of registered securities are all governed by and systematized by it. To safeguard the interests of

securities investors, it takes the required steps to stop insider trading and other crimes involving transactions in securities. It permits the granting of licenses to run stock exchanges. SEBON works for the capital market in Nepal in order to maintain stable economic conditions for the market. It develops coordination and exchange cooperation with the pertinent agencies to manage and control matters connected to securities or companies (Aryal and Khadka, 2020).

The Nepal Rastra Bank Financial Report 2020 states that as of the fiscal year 2076–2077, there were 21 commercial banks operating in Nepal. The principal secondary or capital market of the nation, the Nepal Stock Exchange (NEPSE), is regulated by the Securities Exchange Board of Nepal (SEBON) and features listings for all banks. The stock or share price of a listed commercial bank is set by the daily transactions in the secondary market or by the supply and demand of bank shares. Many investors, securities brokers, and other interested parties trade on a regular basis in the stock market with the goal of maximizing their personal returns. The primary emphasis of this study is the volatility in prices of listed commercial banks.

1.2Statement of the Problem

An individual or group may purchase equity shares in companies for a variety of reasons. It could be for influence, safety cushion, and investment for a return, control, or cyclical cash demands. Regardless of the cause, an investor considers all of the possibilities carefully from a financial standpoint before choosing to purchase shares in a specific company. An efficient market's stock price gives investors a reliable indicator of the worth and performance of any company. Investors should therefore take great care to understand how different fundamental factors affect stock price, as this will enable them to make lucrative investing selections (Srinivasan, 2013). Initiating a systematic financial market, the Nepal Stock Exchange (NEPSE) was founded in Nepal. Common stocks make up the bulk of financial sector instruments listed on the Nepal Stock Exchange (NEPSE). To trade stocks, one can use primary and secondary markets alike. Common stock is frequently traded at par value in the primary market; it may be traded at par value, underpriced, or overpriced in the secondary market. There is a steady fluctuation in the stock price of the secondary market due to both external and internal organizational factors. Furthermore, the NEPSE index is vulnerable to both external and company-specific influences (Nepal, 2016).

When it comes to the amount of securities transactions, the secondary market in Nepal is

relatively small compared to global stock exchanges such as the New York Stock Exchange, Hong Kong Stock Exchange, Bombay Stock Exchange, and so on (Paudel, Baral, Gautam, and Rana, 2019). There aren't many investors in Nepal's secondary market because of a lack of knowledge and expertise with stock trading and capital market investing. As a result, the stock market in Nepal is inefficient. A few number of investors control a monopoly on the secondary market in Nepal. There are no predetermined and fair elements that generate price volatility in Nepal; instead, rumor determines how much a stock is worth (Bam, Thagurathi, and Shrestha, 2018).

This study intends to investigate the variations in market price of stock (MPS) in Nepalese commercial banks using a range of financial measures, such as earnings per share (EPS), dividend per share (DPS), price earnings ratio (P/E ratio), and book value per share (BVPS). As a result, the following questions may arise:

i. What is the current status for Nepalese commercial banks' market price of stock, earnings per share, dividend per share, price earnings ratio, and book value per share?
ii. What is the connection between Nepalese commercial banks' market price of stock, earnings per share, dividend per share, price-earnings ratio, and book value per share?
iii. What is the impact of market price of stock, earnings per share, dividend per share, price earnings ratio, and book value per shareof Nepalese commercial banks?

1.3 Objectives of the study

The study's main goal is to find out how fundamental factors affect Nepalese commercial banks' stock prices. The following are the study's particular goals:

i. To assess thecurrent status for Nepalese commercial banks' market price of stock, earnings per share, dividend per share, price earnings ratio, and book value per share.
ii. To explain the connection between Nepalese commercial banks' market price of stock, earnings per share, dividend per share, price-earnings ratio, and book value per share.
iii. To analyze the impact of market price of stock, earnings per share, dividend per share, price earnings ratio, and book value per share of Nepalese commercial banks.

1.4Research Hypothesis

One of the key components of the theory of decision making is the testing of hypotheses. It consists of the decision-making guidelines needed to deduce population parameters in a probabilistic manner.

H_1: There is a significant association between earnings per share and market price per share.
H_2: There is a significant association between dividend per share and market price per share.
H_3: There is a significant association between price earnings ratio and market price per share.
H_4: There is a significant association between book value per share and market price per share.

1.5Rationale of the study

For anyone who are interested in learning more about the share price behavior of the Commercial Banks, including academics, students, government officials, managers, bankers, investors, stock analysts, and brokers, this study is extremely crucial. The Nepalese Commercial Banks' examination of stock price movement focuses on stock price fluctuations and the factors that influence share prices in Nepal's secondary market. This study examines the Commercial Banks' financial standing as well as the performance of the stock they trade on the financial market. In order to help the public and six investors make wise choices when purchasing Commercial Bank shares and earn reasonable returns on their investment, the study is important. Additionally, the study sheds light on the Commercial Banks' capitalization status and financial standing. The management of the bank can take the

required actions to improve it by analyzing the performance and financial status of the traded shares. The study offers a broad overview of the current share market, therefore it is important for the government and organizations responsible for formulating policy to establish or update laws in a timely way to ensure the stock market operates effectively and continues to expand.

This study will emphasize the characteristics that investors believe determine share price, which can be advantageous for the stock market and banks. The banks might work hard to maximize the value of the aforementioned variables that are deemed significant for investment decisions once these components or variables have been recognized. Additionally useful to those actively participating in the stock market are brokers, stock analysts, and other professionals. The study is also crucial for scholars and students who want to understand the stock price behavior of commercial banks and for those who want to work in banking or share trading. This study aims to investigate the movement of stock prices of Nepalese commercial banks that are listed, considering all of these problems.

For the purpose of influencing the attitudes of creditors, owners, and possible investors toward investing, this study is also crucial. The analysis will also be important for management, legislators, bank stakeholders, and other people with an interest in capital structure decisions. The study's primary significance is:

i. It will be a useful resource for library use.

ii. The study will serve as a test project for next investigations.

iii. It will benefit other commercial banks as well as other parties.

1.6 Limitation of the Study

Even with the research team's greatest efforts, this study is not perfect and has limitations. The information and declarations supplied by the sample Commercial Banks have a major role in determining how accurate this research is. The following lists the study's main limitations:

i. This research only looks at relevant data from the seven years, or from fiscal year 2015/016 to 2021/022.
ii. The study was created using both primary and secondary data. The authenticity and trustworthiness of the facts are thus determined by their sources.
iii. The study aims to concentrate on the stock price volatility of the banking sector,

which is a part of the capital market as a whole. As a result, the conclusion cannot be applied to the whole stock market.

iv. The only bank-specific variables used in this analysis to determine how stock price is affected are EPS, DPS, P/E ratio, and BVPS.

1.7 Chapter Plan

This research is carried out through a number of stages and procedures since it is necessary. The topic has been broken into the following chapters to facilitate understanding:

Chapter I: Introduction

This chapter covers the background, purpose, objectives, significance, theoretical framework, research hypothesis, and limitations of the study.

Chapter II: Literature Review

This chapter includes a succinct summary of the literature that is pertinent to our investigation. Included are a conceptual framework, a summary of the major works, and the research gap.

Chapter III: Approaches to Research

The methods employed to achieve the aim of the study are covered in this chapter, including the population and sample, sampling strategy, techniques for collecting data, and tools and processes for data analysis.

Chapter IV: Findings and Conversation

This chapter covers the display, analysis, and interpretation of data collected from several sources. The primary finding of the study is also included.

Chapter V: Synopsis and Resolution

This chapter includes a summary of the findings, suggestions, and implications. Finally, appendices and references round out the study.

CHAPTER-II

REVIEW OF THE LITERATURE

Examining research studies of other relevant ideas in the study's field is part of reviewing the literature, which helps identify deficiencies in prior studies' findings and conclusions as well as opportunities for future research. The study's section that emphasizes the body of knowledge that forms the study's foundation the literature that is currently available on the subject. Examining existing literature in one's field of study is known as stock thinking. This chapter provides an overview of previous research on stock price fluctuation. Results from several studies conducted in various markets over various time periods have varied. The stock market has not received nearly enough attention in the context of the Nepalese financial system.

2.1 Theoretical Review

2.1.1 Financial Market in Nepal

The financial or capital markets allow any business to raise funds by selling shares to the general public. Money is transferred from individuals with excess funds to those in need on financial markets. "Financial market is a platform where buyers and sellers are involved in sale and purchase of financial products like shares, mutual funds, bonds and so on." A financial market is a place where people are active in any kind of financial transaction. A financial market is a system that facilitates trading by connecting buyers, sellers, and financial assets.The financial market wherein securities are bought and sold, is influenced by various factors such as the availability and demand for traded securities, as well as the desire of buyers and sellers to reach a mutually agreeable price. As stated on www.investopedia.com, savers allow consumers to spend their savings in exchange for the possibility of generating multiple returns within a predetermined time frame. This is how the financial market operates as an active marketplace.

Nepal's financial market is still in its infancy. In a developing nation such as Nepal, where resources abound but capital for investments across many sectors is scarce, the financial market assumes a critical role in the effective allocation and utilization of resources. Since ancient times, Nepal has had a widespread unorganized lending and borrowing system. Even now, the unorganized sector provides a sizable share of rural lending.

The system for collecting deposits and issuing loans in the organized sector was formed with

the establishment of Nepal Bank Limited in 1994 B.S. Nepal's financial industry is undergoing major changes as a result of financial deregulation. Business activity is increasing at a rapid rate. The monopoly period in the Nepalese financial system has come to an end, and a new phase of competition has begun. Numerous commercial banks, finance companies, microfinance, cooperatives, and development banks have been established in order to satisfy the credit needs of individuals and business enterprises.

2.1.2 Financial market classification

The two categories of financial markets are capital markets and money markets.

2.1.2.1 Financial Market

On the money market, an only financial instrument with short maturities less than a year is exchanged. The money market is also known as the short-term financial market. The area of the financial system where short-term loans are made is known as the money market. The money market is usually used for trading government Treasury bills, commercial papers, certificates of deposit, and short-term bonds.

2.1.2.2 Capital Market

Only long-term financial securities with maturities longer than a year are traded on the capital market. The capital market is used to trade a wide range of assets and securities, including mutual fund units, stocks, bonds, and debentures. For a company to grow quickly, the capital market must be developed and expanded. The securities market and the non-securities market make up the capital market. The financial resources that are mobilized by financial institutions in the form of loans and deposits are referred to as the non-securities market. Capital markets can be divided into two categories: primary markets and secondary markets.

Principal market

The primary concerns of the markets are the distribution of shares to the general public and their flotation. It consists of companies that offer new securities for sale to consumers as well as various intermediaries that support the sale of new securities. Issue managers, underwriters, stockbrokers, stock exchanges, and others are major participants in the fresh issue market. Stock exchanges provide trading services for listed securities. It is on this market that various securities are purchased and sold for trading or speculation. That begs the question of how freshly issued securities are being sold in the market. However, it is an

essential part of the market for new issues, and any

Secondary Market

The secondary market is the marketplace for trading securities that have already been issued. In a word, secondary markets are venues for investors to engage in assets that have already been issued. On the secondary market, investors who currently own securities can buy and sell them. The majority of people refer to it as the "stock market," despite the fact that initially issued stocks are also offered for sale on the main market. National exchanges are secondary markets. Examples are the Nepal Stock Exchange in Nepal and the New York Stock Exchange (NYSE) in the USA. Demand and supply frequently have an impact on prices on secondary marketplaces. The majority of investors will typically hurry to purchase a stock because they believe it will increase in value.

Regulated stock market or organized stock exchange.

The government formally recognizes this type of market. The Nepal Stock Exchange (NEPSE) is the sole registered stock exchange in the country's securities sector. It deals with the public's securities from listed firms. Transactions involving only listed firms take place here. The ability to trade securities is provided by an established security exchange, and only exchange members are permitted to trade there. Brokerage businesses are among the members; these companies charge institutional and individual investors commissions for handling trade execution on their behalf. As dealers or market makers, other exchange participants set the prices at which they are willing to buy and sell for their own account, and they buy or sell for their own account. In today's economies, exchanges are crucial since they carry out the following functions:

i. Trading supervision to guarantee efficiency and transparency.
ii. Establishing an atmosphere that facilitates the efficient and distortion-free formation of securities pricing.

Market Accessible Through Counter/OTC

The market where securities of companies that are delisted or not listed on a stock exchange are transacted is known as the "Over-The-Counter Market". Authorized dealers and intermediaries supervise these securities transactions. The organizational issuer does not receive the proceeds from the sale of the securities in the secondary markets; rather, the

original owners of the shares do. The over-the-counter (OTC) market lacks an official exchange. There are no membership requirements, and many brokers register on the OTC as dealers. Moreover, there are no listing requirements for the hundreds of securities that are traded on the OTC market. OTC equities are usually viewed as small-cap stocks since they are considered too volatile or small to trade on the main market.

2.2 Banks of Commerce

A commercial bank is a kind of financial institution that accepts deposits and extends loans to businesses. It has a significant impact on the nation's economic growth. Through its facilitation of the intermediary phase between capital surplus and deficit, it plays a role in economic development. Commercial banks gather the dispersed capital and direct it toward the economic sectors that require it. In order to support the growth of the economic system, the commercial bank must both mobilize and allocate the few resources toward meeting the requirements of the populace. Political, social, and economic issues influence financial industry in every nation.Other important variables influencing the financial industry include the degree of urbanization, banking awareness, population growth and banking practices, income distribution, and the amount of economic development. Today's financial history began when the Bank of Venice was established in 1157 A.D. In order to preserve social and economic stability as well as the potential of the economy to grow sustainably, a commercial bank's major duty is to provide financial services to the general public, enterprises, and government.

2.2.1 Nepal's Commercial Banks

The history of the modern financial institution in Nepal was introduced with the founding of Nepal Bank Limited (NBL), the nation's first commercial bank, in 1994 B.S. under the Nepal Bank Act of 1993 B.S. Being a commercial bank, it made obvious that NBL would prioritize business initiatives and choose to open offices in urban areas. Nepal Rastra Bank (NRB) was founded as a central bank in 2013 in compliance with the NRB legislation of 2012 B.S. Its function as the government bank has changed since then, and it has assisted in the growth of the financial industry. Following this, RastriyaBanijya Bank (RBB) was founded by the government in B.S. 2022 as a fully government-owned commercial bank. The only thing that commercial banks are meant to do is what their name suggests. All other types of financial organizations' responsibilities,

however, had to be fulfilled by commercial banks. In 2013 B.S., the Industrial Development Center (IDC) was founded with the goal of advancing industrial development. 2016 saw IDC rename itself as Nepal Industrial Development Corporation (NIDC).Parallel to this, the Agricultural Development Bank (ADB) was established in 2024 B.S. to provide funding for agricultural goods with the goal of raising agricultural productivity by utilizing modern farming methods. With the passing of the "commercial bank act 2031," the establishment of the commercial bank happened gradually. In 2041 B.S., the Nepali government established five banks for rural development, and Nepal Rastra bank was tasked with managing and supervising them. After 2041 B.S., the banking industry received new technology and foreign investment to support efficient operations and a healthy level of competitiveness. As a result, a liberalization policy was implemented. The first joint venture bank was established in 2041 B.S. and was called Nepal Arab Bank, or NABIL. Parallel to this, two foreign banks formed joint ventures: Nepal Grindlays Bank Limited and Nepal Indosuez Bank Limited. Several banks owned by Nepalese people continue to operate in this manner, such as Prabhu Bank, Megabank, and NCC Bank. The banking sector is getting more dynamic and complex every day. Because of the higher return on investment, entrepreneurs were drawn to opening new banks, especially branches of international banks. But given the current political and economic situation in the country, the stricter prudential norms of Nepal Rastra Bank, and the intense rivalry, companies might rethink their ambitions to build banks. The current situations of banking in Nepal There were 21 commercial banks operating in Nepal as of the recent merger and acquisition of Nepal Rastra Bank (NRB).

2.3 Theories Regarding Common Stock Analysis

There are essentially three theories that explain how securities are valued and priced. These are technical analysis, fundamental analysis and the random walk or efficient market analysis.

2.3.1 Fundamental analysis

A company's fundamental analysis includes examining its financial statements and general state of health. Its markets, rivals, leadership, and edge over the competition. When futures and FX are involved. Its concentration is on the economy as a whole. Interest rates, earnings from manufacturing, and management. Intrinsic value theory is another name for this approach. It asserts that personal security has intrinsic value at all times. This ought to be the same as the security's future cash flow present value. At the right risk, discounted.

This value is as vital to the country as the core force of an engine or the intelligence of an individual. Finding inherent worth is also believed to be possible through the analysis of financial data. If the intrinsic worth of the security is less than the market price, it should be sold before its price drops. Investing in cheap stocks involves holding them until their price rises to align with their actual value. Furthermore, when equities that are overpriced are sold, their price declines until it reaches their actual value. Fundamentalists try to ascertain the true worth of an investment by considering financial and economic considerations. They then choose the best course of action based on whether the security's real price is higher or lower than its inherent worth (Paudel, 2019).

Essential examination uses corporate, industry, and economic data to forecast the stock market. In the end, earnings and dividends serve as the primary deciding factors. The fundamentalist evaluates companies using a risk-return framework, taking into account the nation's economic conditions and earnings potential. The following could be one approach to taking the fundamental analysis further:

a. Top Down Versus Bottom-Up Forecasting

As part of the top-down analysis approach, forecasts are made for the firm, industry, and economy. Industry forecasts are derived from the economy, business forecasts are derived from the industry forecasts, and company forecasts are derived from the projections of the economy and its industries. Similar to this, bottom-up forecasting estimates that the prospects

for businesses, industries, and the economy as a whole will all be poorer than expected.

b. Probabilistic Forecasting

Since the level of uncertainty at which projections are made is crucial in evaluating economic projections, the risk and anticipated return of a well-diversified portfolio is frequently the subject of probabilistic forecasting. A few different economic scenarios could be predicted; along with the likelihood that each will materialize. Subsequent forecasts regarding the future of businesses, sectors, and stock values are provided. This type of research, sometimes known as "what if analysis," gives investors a sense of how different equities would react to economic surprises.

c. Financial Statement Analysis

The financial statement of a business can be thought of as the result of a firm model. A lot of analysis looks at financial statements to make future projections. Through the analysis of financial accounts, an analyst can obtain insight into a company's current situation, probable future direction, influencing factors, and the interplay between these aspects. To determine the value of a company, a detailed review of its financial statements and a comparison with other financial statements are required. The price of a share can be calculated using the ratio of earnings after taxes to the book value of equity (Rana,2019).

2.3.2 Methodological Evaluation

Technical analysis's objective is to forecast future movement by analyzing stock market prices. In order to find recurrent patterns in price fluctuations, historical prices are analyzed. The price trend of a single common stock is examined using a number of crucial instruments, including charts, moving averages, relative strengths, and opposing viewpoints. However, methods such as the Confidence Index, Breath the Market, and Dow The stock market as a whole is examined using theories. Technical evaluation is a specialty within security analysis that forecasts price direction by analyzing historical market data, mainly volume and price. Finding and tracking the recurring trend in security prices is essentially its focus. It is predicated on the idea that supply and demand for securities affect security prices. Technical analysts, often known as technicians, chart previous asset prices and then look for patterns in price movement that can be used to predict future prices. The underlying presumptions of technical analysis are as follows:

i. The interplay of supply and demand determines market value.
ii. Numerous factors, both logical and irrational, control supply and demand.
iii. Despite market swings, security prices typically follow patterns that last for a sizable amount of time.
iv. Changes in supply and demand are what lead to a trend change.
v. Variations in supply and demand, regardless of their cause, can eventually be shown as defects in market action charts.
vi. Price fluctuations can be predicted using recurrent chart patterns, which have a tendency to occur.

Often referred to as chartists, technical analysts believe they can spot patterns in changes in volume or price. They also believe that they can foresee future price movements in the asset by studying and evaluating the past performance of a certain company and applying the theoretical information they have gained to it. The historical basis of patterns and chart development is acknowledged by technical analysts. Similar to how ancient astrologers interpreted the stars, they searched charts for "head and shoulders" formations. If supply and demand are about equal, the market will move in a sideways direction.Demand surpasses supply and buyers "bid up" (a.k.a. the price within a "trading range"), creating an upward trend in the stock market. New information will eventually reach the market, and the trend of the market will start to shift in one direction or another.

Contingent on how well the new informant is received. A trend is considered little if it lasts for a few days, intermediate if it lasts for a few weeks, and large if it lasts for several months. We can trade in both bull and bear markets thanks to it. Prices tend to follow patterns. The distribution of supply and demand forces appears to be uneven, based on patterns. These changes in the dynamics of supply and demand are typically easy to spot due to market activity as evidenced by pricing (Baral, 2019).

2.3.3 Effective Market Theory with Random Walk

The study of efficient or random walk markets is the focus of random walk efficient market theory. A 1900 scholarly study by French mathematician Louis Bachelor proposed that daily fluctuations in asset prices were random. The Random Walk Theory is the name given to his concept. The term "random walk theory of stock prices" was once applied to these experiments designed to determine if stock prices move randomly. The technical and basic examination fundamentally contradicts the random walk efficiency theory. In order to explain share price behavior the random walk efficient market model has been empirically tested on a range of data sets over a range of time periods.

a. The theory of Random Walk Hypothesis (RWH)

A financial theory known as the "random walk hypothesis" contends that stock market prices move in an unpredictable way, much like a random walk. It aligns with the theory of efficient markets. According to the efficient market hypothesis, historical price and volume data for securities do not contain any information that may be utilized to increase trading gains over those that could be made by adopting a buy-and-hold investment strategy. The data from the history price movement is accurately reflected in the current price, as per the random walk principle. "The sequence of price changes or the prior prices are random phenomena. According to the random walk theory, a security's price level's future course can be predicted no more accurately than the course of an accumulation of random numbers. The sequence of price fluctuations lacks memory, implying that there is no meaningful ability to anticipate the future from the past. It denotes that the magnitude and direction of price changes occurring now are a fair and independent result of earlier price changes (Fama, 1965).

b. The Efficient Market Hypothesis (EMH)

A perfectly efficient market is one in which all investors have instant access to all pertinent information and where news libraries that have an impact on the stock market are readily available. "When security prices accurately reflect all publicly available information about the financial markets, the economy, and the particular company in question, there is an efficient financial market" (Van Horne, 2000).

Fama (1965) offered three information subsets by which the efficient market model might be evaluated and assessed in a comprehensive evaluation of the theoretical and empirical work

done in the capital market. These three are classified as semi-strong, strong form, and weakly efficient. According to the weak form efficient market hypothesis (WEMH), security prices take historical data into account. The price of historical data has already been discounted in this market, so an investing strategy based on historical data cannot result in extra profit. The market is semi-strongly efficient if the stock prices as of right now accurately represent all information that is currently available to the public, including historical prices, volume information, and published accounting information.Because participants would have promptly and accurately discounted the published accounting information each year when it is given, even a basic study of the data has no value in that market. Furthermore, the strong efficient market hypothesis (SEMH) postulates that security prices reflect all information, public and private, that influences stock prices. Therefore, even individuals with access to private information cannot consistently generate excess return in such a setting. The concept of perfect competition, which presupposes free and instantaneous information, rational investors with no taxes or transaction costs, gave rise to the concept of efficiency.

2.4 Review of Previous Studies

This section of the literature study is devoted to a detailed evaluation of significant earlier research on stock prices. Numerous studies have been conducted in both foreign and Nepalese contexts; a quick summary of these studies is provided below.

2.4.1 Review of Foreign Studies

Almaaiteh and Alsaraireh (2019) determined the effect of accounting indicators on the market price per share for Jordanian commercial banks listed between 2006 and 2017 on the Amman Stock Exchange (ASE). The Random Effect Regression Model was selected to examine the association, and the STATA program was utilized for data processing in the study. The study's empirical findings show a strong and positive correlation between market price of shares, EPS, DPS, BVPS, and P/E ratio. The rate of return on equity and earnings per share were also found to be the most significant variables influencing the market price per share for commercial banks, according to the regression results.Retained earnings per share, on the other hand, has a negative and significant relationship with market price, according to the regression results. Financial leverage, on the other hand, has a negative but insignificant relationship with market price, while the current ratio variable has a positive and insignificant relationship with industry price. According to the report, investors on the Amman Stock Exchange should base their investing decisions on the accounting metrics.

Velankaret. al. (2017) studied the effect of DPS and EPS on the stock price of a few Indian public sector banks. The websites of Money Control and the NSE provided the time series data on the various variables, including EPS, DPS, and stock price, for a nine-year period from 2006–07 to 2014–15. The ARCH LM test was used to verify the stationarity of the regression model, and the impact of EPS and DPS on stock price was examined. The findings of the hypothesis test showed that EPS and DPS had a considerable impact on stock price and recommended that additional factors influencing stock price be taken into account.

Ali and Waheed (2017) examined the relationship between dividend policy and share price volatility by focusing on all of the listed businesses on the Pakistan Stock Exchange and used the top 10 companies as a sample between 2007 and 2016. Regression analysis was used to analyze the data using the least squares model method. Every independent variable significantly affected the volatility of the share price, indicating that the company's stock price is more stable and it pays dividends to its shareholders on a regular basis. While earnings volatility and leverage have a strongly positive correlation with share price, the dividend yield and payout, as well as the firm's size and growth, have a significantly negative association with share price.

Aveh and Awunyo-Vitor (2017) studied the firm-specific elements influencing stock prices

on the Ghana Stock Exchange following the implementation of IFRS and was successful in identifying the major determinants of market price for shares traded on the GSE. The results of the empirical study utilizing panel regression analysis showed a positive and substantial link between market capitalization, ROE, EPS, and BMVS, indicating that these factors are important factors influencing share prices on the Ghana Stock Exchange. Nonetheless, a noteworthy inverse correlation was seen between the market value of shares and dividend yield, indicating that dividend choices may not have a substantial impact on the market value of shares.Potential investors on the Ghana Stock Exchange were advised by the study to consider the aforementioned aspects while making investing selections. According to the study, before deciding to increase the size of their portfolio, investors who are interested in stocks listed on the GES should keep an eye on the performance of a few key variables. Additionally, the listed corporations want to concentrate on enhancing the data pertaining to the important factors influencing share market price.

Sharif, et. al (2015) determined the primary factors influencing Bahrain's financial market's share values. The study used the POLS, FE, and RE regression models to investigate a panel data set of 41 companies listed between 2006 and 2010 on the Bahrain Stock Exchange. The primary goal of the study was to determine how the market price of shares related to other variables. In order to determine their influence on the market price of shares in the relevant market, the study examined eight firm-specific variables: return on equity, book value per share, earnings per share, dividend per share, dividend yield, price earnings, and debt to assets, all of which were controlled by firm size.The variables return on equity, book value per share, dividend yield, price earnings, and business size are found to be major predictors of share prices in the Bahraini market, according to the findings. According to this study, investors can make decisions about their investments and be guaranteed reasonable returns by taking into account factors that significantly affect share market price. This suggests that investors can consider these factors, which have developed into significant contributors to the market price of shares in Bahrain, in order to make the best possible investment decisions and ensure fair returns.

Geetha and Swaaminathan (2015) investigated the relationship between the market price of the share and book value, earnings per share (EPS), and price earnings ratio utilizing ratio analysis methodologies. The study is an attempt to examine the determining factors that impact an upward or downward trend in stock price movement. According to the research,

market price is significantly impacted by EPS. However, the dividend per share has no effect on market pricing, and it is advised to collaborate with other businesses to assess the system and identify any unresolved aspects by utilizing alternative validating methodologies.

Almumani (2014) Using a linear multiple regression model, it was possible to determine the quantitative elements that affected the share prices of the listed banks on the Amman Stock Exchange between 2005 and 2011. The EPS and MPS of the Jordanian listed banks have a strong positive correlation. Additionally, there is a strong correlation between banks' MPS and BVPS. There is a positive correlation between P/E ratio and MPS, according to another empirical finding from the regression study. The regression analysis's empirical results on the relationship between SIZE and MPS show that Size and MPS have an inverse relationship. Lastly, the influence of other variable DPS on MPS is negligible. Evidence from previous studies regarding the factors influencing changes in share prices. Thirty articles from a variety of journals, periodicals, and newspapers were reviewed for the study. The study looked at several important factors that affect share prices, including book value per share, dividend yield, price earnings ratio, and earnings per share.

Bhattarai (2014) discovered that the book-to-market ratio, profits, and dividends are the variables influencing the stock price of commercial banks in Nepal. The market price per share, return on assets, dividend per share, earning per share, price-earning ratio, and gross domestic product were all found to be positively correlated in this study. The study discovered that the market price per share is mostly unaffected by earnings per share, price earnings ratio, book value per share, and return on assets. According to this study, the market price per share was significantly impacted by profits per share, dividends per share, price earnings ratio, return on assets, and gross domestic product.According to the study, the money supply, inflation, gross domestic product, size, earning per share, dividend per share, and return on assets are all positively connected with market price per share. According to this study, market price per share has a favorable relationship with bank-specific metrics including earnings per share, return on equity, and return on assets.

Malhotra and Tandon (2013) identified the variables that affect stock prices within the framework of the 100 companies listed on the National Stock Exchange (NSE). For the years 2007–2012, a sample of 95 businesses was chosen, and a linear regression model was applied. The findings showed that while dividend yield had a substantial inverse relationship with the market price of the firm's stock, book value, earnings per share, and price-earnings

ratio all had a significant positive link with the firm's stock price. According to this analysis, the company's stock price is most affected by EPS. According to this analysis, the stock price and earnings per share, profit after taxes, and return on equity are positively correlated.This study proved that while making decisions about buying or selling companies, stakeholders must take earnings per share into account.

Srinivasan (2012) demonstrated that the price-earnings ratio and earnings per share are the key factors influencing share prices. According to this study, the market price of the share is significantly influenced by elements unique to the firm. Recent research has revealed a positive correlation between basic variables and Indian commercial banks' stock prices. The price-earnings ratio and dividend per share both significantly and favorably affect share prices, according to this study. The study determined that fundamental factors have an impact on stock price and evaluated their impact on the stock price of commercial banks in India. According to this study, stock price and fundamental characteristics are positively correlated.

Sharma (2011) investigated the association between equity share prices and explanatory variables from 1993–1994 to 2008–2009, including book value per share, dividend per share, earning per share, price–earnings ratio, dividend yield, dividend payout, and size in terms of sales. The data were analyzed using a variety of statistical techniques, including regression analysis and correlation. The findings showed that the market price of a share is significantly influenced by earnings per share, dividends per share, and book value per share. Additionally, the study's findings showed that earnings per share and dividend per share were the two factors that most strongly influenced market price. For these reasons, the study's findings support a liberal dividend policy and advise businesses to pay dividends on a regular basis.

Modiglani and Miller(1961) studied dividend policy, growth, and share valuation using the dividend discount model and came to the conclusion that the dividend payout ratio, or dividend policy, had no bearing on the wealth of the shareholders or the firm's share price; their fundamental claim was that the value of the company was established by making the best possible investments. The discrepancy between earnings and investments was known as the net payout, or residual. Given that the net payout consists of both dividends and share repurchases, a company can modify its dividend policy to any amount by altering the number of shares outstanding. From the standpoint of investors, the dividend policy was meaningless because any desired payment stream could be achieved by strategically buying and selling

stock.According to Modigliani and Miller, a company's dividend policy and best investment choices have little bearing on the wealth of its owners. It was maintained that the earning potential of the company's assets or its investment strategy determines the firm's worth and that the distribution of earnings between dividends and retained earnings is irrelevant. But the foundation of this study was the idea of perfect capital markets with rational investors, instantly available information, infinitely divisible securities, instantaneous transaction costs, no investors big enough to influence market prices, no flotation costs on the firm's securities, and a fixed investment policy and is not subjected to change.

Kurihara (2006) discovered that since they guarantee the flow of resources to the most lucrative investment opportunities, stock markets are critical for economic progress. Stock is proof of ownership obtained by investors who have contributed a specific sum of money to a business. Renowned financial economists have created several notions related to stock markets that are acknowledged to be necessary preconditions for them to carry out their economic duties. According to this study, the most popular ways to invest in the capital market are through media, informal conversations, market noise, and fundamental analysis. According to the opinions of individual stock investors, the top five factors that influence investing decisions are dividend, earnings, number of equity, and book to market ratio.

Tease (1993) claimed that the stock market has a big impact on a nation's economy and resource allocation, acting as a direct source of funding as well as a factor in determining a company's worth and ability to borrow money. It acts as a go-between for investors and businesses looking to raise more money for expansion. Through the purchase of shares, it gives people, governments, businesses, and organizations a platform for trading and investing. A stock market can guarantee that resources flow to the most profitable investment possibilities, which makes it extremely important for sustainable economic growth.

The market's stock price fluctuates daily rather than remaining constant. Gompers et al. (2003) state that a variety of micro environmental factors, such as dividend per share, book value (asset value) of the company, earnings per share, price earnings ratio, dividend cover, and so on, can have a substantial impact on the stock price in the securities market, whether it is the primary or secondary market. The primary objective of the stock market is to act as a marketplace for the exchange of shares and other assets issued by publicly traded corporations between buyers and sellers. Change is also caused by the microeconomic element, commonly referred to as the corporate fundamental component, which includes

things like company performance, changes in top management, and the creation of new assets, dividends, earnings, etc.

2.4.2 Review of Nepalese Studies

The stock market in Nepal is tiny and yet in its infancy; there aren't many research examining the relationship between stock price and basic factors. An overview of research from Nepalese viewpoints is provided here:

Thapa (2019) examined the variables that affect Nepalese stock prices between 2008 and 2018 AD with regard to Nepalese commercial banks listed on the Nepal Stock Exchange Ltd. A basic linear regression model was used to examine the data that was gathered from the financial statements and questionnaires of the relevant organizations. The study's conclusions demonstrated that while interest rates and the price to earnings ratio demonstrated a significant inverse association with share price, earning per share (EPS), dividend per share (DPS), effective rules and regulations, market whims and rumors, company profiles, and success depends on luck had a significant positive association with share price.In addition, the availability of liquidity and the application of technical and fundamental analysis boost the Nepalese stock market's performance. More importantly, it has been discovered that changes in interest rates and dividends have a big impact on the stock market.

Dangaura (2018) used regression and correlation analysis to find the share price determinants. The study determined the quantitative and qualitative elements that affect share prices for the listed banks in NEPSE from 2013 to 2018. According to the findings of the empirical research, the variables GDP, interest rate, and P/E ratio had both an insignificant positive correlation and an inverse relationship with the share prices of the banks under examination, whereas the variables DPS and B/M ratio were significant drivers of share prices for all the banks under investigation.As a result, the study demonstrated that researching financial aspects is advantageous for investors in the Nepalese economy because these elements have a high explanatory power and may be used to predict stock prices accurately in the future. As a result, before making an investment, investors were advised to consider the company's accounting factors. Furthermore, finding the variables influencing share prices was a topic of great interest, particularly for the banking industry. Because commercial bank shares are traded more often on the market than other shares in the Nepalese context, they present investment opportunities to Nepalese investors.

Dhakal (2018) determined factors that affect share price and how they relate to stock price from 2012 to 2017. Several statistical techniques, including regression analysis and correlation analysis, were used to analyze the data. Using secondary data analysis, the study's five-year findings showed that book value per share, earnings per share, and dividend per share all had a substantial positive connection with share price. It was discovered that the performance of commercial banks varied greatly in how MPS related to EPS, DPS, and BVPS. The EPS and BVPS were shown to have a strong correlation with the MPS.Additionally, primary data research showed that external elements like political influences, government instability, NRB policy, SEBON performance, and book value were discovered to be influenced by internal factors like earnings per share, book value, dividend payment, price earnings ratio, and paid up capital of the banks. The primary variables influencing the share price of NEPSE were earnings, book value, dividend payment, paid-up capital, price-earnings ratio, and political stability. Prior to making a stock investment, the report advises investors to consider important factors.

Ghimire and Mishra (2018) studied the association between stock price and explanatory variables from 2012 to 2017, including market to book value, earnings per share, dividend per share, price earnings ratio, and book value. With a sample size of 11 financial and nonfinancial enterprises in Nepal, this study used descriptive statistics, simple and multiple regression analysis, and other techniques to analyze the factors influencing the stock price. The findings showed that price earnings ratio and market to book value were the key factors influencing stock price and had a direct impact on it. Similarly, book value and dividends per share have a major positive impact on stock price, whereas earnings per share have little to no impact.

Ayer (2017) Using secondary data from ten commercial banks, the study examined the changes in commercial bank stock prices during fiscal years 2006–07 and 2018–019 and employed the multiple regression technique for analysis. Market price per share, dividend per share, book value per share, and earnings per share were among the independent and dependent variables included in the study. According to the study, the MPS of the majority of banks was shown to have a substantial correlation with other individual financial indicators such as DPS, BPS, and EPS, indicating that each of these indicators has a significant impact on share price both separately and together.According to the study's findings, EPS, BPS, and DPS show a positive correlation with MPS and are the main factors influencing stock price. When making investment decisions, the study advises taking into account the organization's capital structure, annual general meeting, assets structure, taxation policy, and political climate.

Poudel (2016) investigated the factors influencing NEPSE stock price, paying particular attention to private commercial banks. The study's foundation was secondary data from eight commercial banks collected between 2011 and 2015. Various statistical and financial instruments are employed to assess the influence of distinct study variables, including DPS, BVPS, and EPS. These elements have a favorable impact on the MPS. The market price per share should theoretically rise in tandem with growth in earnings, dividends, and book value per share. However, this theory does not appear to be entirely accurate in the instance of NEPSE. Indicating that the share price is influenced by a number of other things as well.

Pradhan and Dahal (2016) investigated the connection between MPS in Nepal's banking industry and macroeconomic and bank-specific variables. The study's foundation was a pooled cross-sectional analysis employing regression and correlation analysis of secondary data from 14 commercial banks over the years 2002–03–2016–017. The market price per share is mostly determined by factors other than earnings per share, price earnings ratio, and book value per share. In the setting of an imperfect stock market like Nepal, the research study proposes that a rational investor should take into account signaling and asymmetric information, as well as dividend per share, business size, and money supply, before making an investment decision.

Shrestha and Subedi (2015) determined that there is a positive correlation between money supply increase and inflation and changes in stock prices. According to the study, the Nepalese stock market has responded well to macroeconomic developments, particularly those in the money sector. In the same way, an asset price bubble in the share market—which was mostly controlled by financial institutions—could be kicked off by a loose monetary policy. The study's main conclusions were that the share market has been significantly impacted by the NRB's stance on lending against share collateral. The outcome also showed that investor speculation, news, and rumors have an impact on the share market. As a result, transparency in this market should be improved by making information about listed companies easily accessible. In fact, transparency and communication should be improved.

Bhattarai (2014) investigated the factors that affected the share prices of commercial banks listed between 2006 and 2014 on the Nepal Stock Exchange Limited. Regression analysis was performed on the data, which came from the annual reports of the institutions that were sampled. The findings demonstrated a substantial inverse relationship between share price and dividend yield, whereas earning per share and price-earnings ratios exhibited a significant positive link with share price. The study's main finding was that the three factors that had the biggest impact on share price were dividend yield, earnings per share, and price-earnings ratio. Investors and fund managers were advised to keep an eye out for these important factors when projecting stock price and estimating stock returns.

Joshi (2012) studied how dividends affected stock prices in Nepal and found that they had a greater impact than retained earnings. The study looked at the implications, especially for the banking and non-banking sectors, and whether or not it made sense in the setting of Nepal. Using the secondary data, a multivariate linear regression analysis was conducted to investigate the effect of dividends on stock prices. The current market stock price was

considered as the dependent variable, and the four explanatory variables were dividend per share, retained earnings per share, lagged price earnings ratio, and lagged market price per share. According to the report, retained earnings have less of an impact in Nepal than dividends do. Dividend had significant effect on market stock price in both banking and non-banking sector.

Bajracharya and Koirala (2003) explored about the problem Nepalese Stock Market. The study concluded that the Nepal lag behind to develop a healthy capital market with a sound financial infrastructure. Regularity measures are slowly updating incorporating the contemporary issues but that has not been found effective because of governance problem in the corporate sector. Corporate sector generally not transparent. The culture of keeping books of account secret is still alive. Unless, it is changed, capital market will not contribute in a desirable way to contribute to growth. In order to improve it, accounting and auditing standards, disclosure and corporate governance need to be upgraded significantly and on the other the monitoring and policy response capacity of SEBON should be enhanced.

Summary of Literature Review

Summary of articles, journal and academic thesis are as follows:

Author	**Title**	**Methodology**	**Major Findings**
Modigliani and Miller(1961)	Dividend Policy, Growth and the Valuation of Shares	Discounted Dividend Models	The study came to the conclusion that a company's ideal investment and dividend policies have no bearing on the wealth of its shareholders, and that a company's worth is derived from the investment policy or the earning potential of its assets.
Baniya (2008)	Share Price Behavior of Commercial Banks and Effect of Macroeconomic Variables in Nepalese Stock	Run Test, Regression Analysis	The run test results demonstrated that the market prices of a subset of commercial banks were not random, indicating an overreaction on the part of the market to the information at hand. The study found that macroeconomic factors had little effect on NEPSE.

	Market		
Sharma (2011)	Determinants of Equity Share prices in India	Correlation and Regression Analysis	The findings showed that the market price of a share is significantly influenced by earnings per share, dividends per share, and book value per share. Additionally, the study's findings showed that the two biggest factors influencing market price were earnings per share and dividend per share.
Joshi (2012)	Effects of Dividends on Stock Prices in Nepal.	Multivariate Linear Regression Analysis	The main conclusions were that the Nepalese financial sector's dividend per share (MPS) is sufficiently strong to drive both banking and non-banking enterprises. According to the analysis, retained earnings and dividends account for a sizable portion of the share price variance.
Malhotra and Tandon (2013)	Determinants of Stock Prices: Empirical	Correlation and Linear Regression	The findings showed a significant positive correlation between companies' book value, earnings per share, and price-earnings ratio.
2014)	Determinants of Equity Share Prices of the Listed Banks in Amman Stock Exchange: Quantitative Approach	Linear Multiple Regression Model	According to the analysis, there is a noteworthy positive correlation between the MPS and EPS of Jordan's listed banks. Additionally, there is a strong correlation between banks' MPS and BVPS. According to the empirical results of the regression study, MPS and P/E ratio are positively correlated, but MPS is not significantly impacted by DPS.

Bhattarai (2014)	Determinants of Share Price of Nepalese Commercial Banks	Regression Model	The results of this study indicated that the price-earnings ratio and earnings per share had a substantial positive correlation with the share price of the bank, whereas the dividend yield had a large negative correlation.
Geetha and Swaamin athan (2015)	A study on the factors Influencing stock price: A Comparative study of Automobile and Information Technology Industries stocks in India	Ratio Analysis Techniques	The study made an effort to examine the determining factors that impact an upward or downward trend in stock price movement. According to the research, market price is significantly impacted by EPS. However, there is no discernible impact of the dividend per share on the market price, either good or negative.
Sharif, Purohit, and Pillai (2015)	Analysis of Factors Affecting Share Prices: The Case of Bahrain Stock Exchange	POLS,FE and RE Regression Model	The variables return on equity, book value per share, dividend yield, price earnings, and business size are found to be major predictors of share prices in the Bahraini market, according to the findings.
Shrestha and Subedi (2015)	Determinants of Stock Market Performance in Nepal for the Period of 2000-2014.	Regression Model	The study's conclusion is that the price of stocks responds negatively to interest rates and has a strong positive association with inflation and money supply increase.
Pradhan and Dahal (2016)	Factors Affecting the Share Prices: Evidence from Nepalese Commercial Banks	Correlation Analysis and Regression Analysis	According to the report, MPS is dependent on a number of macroeconomic and bank-specific factors. The market price per share is mostly determined by factors other than earnings per share, price earnings ratio,

			and book value per share.
Poudel (2016)	Determinant of Stock Price of Selected Banks in Nepal	Regression Analysis	The study's conclusions indicate that when earnings, dividends, and book value per share rise, so does the market price per share and vice versa.
Ali and Waheed (2017)	Impact of Dividend Policy on Share Price Volatility	Fixed Effect Regression Model	The study looked into the substantial effects that all independent factors had on the volatility of share prices. While earnings volatility and leverage have a strongly positive correlation with share price, the dividend yield and payout, as well as the firm's size and growth, have a significantly negative association with share price.
Aveh and Awunyo-Vitor (2017)	Firm-specific determinants of stock prices in an emerging capital market: Evidence from Ghana Stock Exchange	Panel Regression Analysis	The empirical results showed that market capitalization, ROE, EPS, and BMVS had a positive and substantial association with one another, indicating that these factors are important factors that influence the market price of shares on the Ghana Stock Exchange. The market price of shares and dividend yield were found to be significantly inversely correlated, indicating that dividend decisions may not have a major impact on market price.
Ayer (2017)	Stock Price Movements of commercial banks in Nepal	Correlation and Regression Analysis	According to the study's findings, EPS, BPS, and DPS show a positive correlation with MPS and are the main factors influencing stock price. In addition, the capital structure of the company, taxation policies, annual

			general meetings, assets structure, and political climate all affect how much the stock price of Nepalese commercial banks fluctuates.
Chandani , and Ahuj (2017)	Impact of EPS and DPS on Stock price : A Study of Selected Public Sector Banks of India	Stationarity test, Regression Model and ARCH LM Test	The hypothesis that EPS and DPS had a major impact on the stock price of particular public sector banks in India was tested as the study came to a close.
Dangaura (2018)	A study on Determinants of Share Price in Commercial Banks of Nepal	Regression and Correlation Analysis	In contrast to GDP, interest rate, and PE ratio, which have both an insignificant inverse and positive relationship with bank share prices, the results of empirical analysis indicate that the variables DPS and B/M ratio are important drivers of share prices for all the banks under investigation.
Dhakal (2018)	Factors Affecting Share Price of Commercial Bank	Correlation and Regression Analysis	Using secondary data analysis, the study's five-year results showed that book value per share, earnings per share, and dividend per share all had a substantial positive correlation with share price. The environmental elements that affect profits per share, book value, dividend payment, price-earnings ratio, and paid-up capital of banks include political influences, NRB policy, SEBON performance, and government instability. As to the poll respondents, the primary factors influencing the share price of NEPSE are earnings, book value, dividend payment, paid up

			capital, price-earnings ratio, and political stability.
Ghimire and Mishra (2018)	Determinants of Stock Price in Nepalese Market	Simple and Multiple Regression Analysis	The study's findings show that the two factors that significantly influence stock price and have a direct impact on it are price earnings ratio and market to book value. Similarly, book value and dividends per share have a major positive impact on stock price, whereas earnings per share has little to no impact.
Almaaiteh and Alsaraireh (2019)	Accounting Indicators and their Impact on Market Prices of Shares of Commercial Banks Listed on the Amman Stock Exchange for the Period 2006-2017	Data Processing and Random Effect Regression Model	The study's empirical findings show a strong and positive correlation between market price of shares, EPS, DPS, BVPS, and P/E ratio. According to the regression analysis, the two factors that had the biggest effects on the market price per share for commercial banks were earnings per share and the rate of return on equity.
Thapa (2019)	Influencing Factors of Stock Price in Nepal	Correlation Analysis	The work's conclusions showed that while interest rates and the price to earnings ratio demonstrated a significant inverse association with share price, earning per share, dividend per share, effective rules and regulations, market whims and rumors, company profiles, and success depending on luck had a significant positive association with share price.

2.5 Research Gap

Numerous studies on Nepal's stock market price have been carried out in an attempt to identify the factors that influence share price volatility. Each of those studies has its own limits in addition to several valuable discoveries.

Previous research and studies on the movement of stock prices in the NEPSE are conducted using the apparent approach, which takes the most popular indicators into account. A small number of studies that examined the fluctuations in commercial bank stock prices have attempted to examine the price of banking shares by contrasting them with both macroeconomic factors and their own financial indicators.The paper also reviews statistical methods that are frequently employed in the majority of these studies, including regression analysis and correlation coefficient. The sample banks, data visualization, and statistical and financial tools utilized for data interpretation and analysis set this study apart from previous studies. Additionally, an analysis of the factors that influence the share price the most will yield the most beneficial outcome from the perspective of investors. As a result, the researcher's main information sources are private investors.

Thus, from an academic and policy standpoint, this study will be beneficial to interested parties, scholars, students, instructors, civic society, other stakeholders, businessmen, and the government.

CHAPTER-III
RESEARCH METHODOLOGY

The term "research methodology" describes the range of approaches used by researchers to investigate a topic with certain goals in mind. To accomplish the goals of a systematic research study, an appropriate methodology is needed. Research methodology is an organized approach to problem solving that involves the methodical gathering, organizing, analyzing, interpreting, and reporting of data and information. Presenting the study work's fundamental framework is the goal of this chapter. The research design, sample size, data collection process, data processing tools and procedures, and variables under investigation that guarantee the study's validity, reliability, and ethical standards are all included in this chapter.

3.1 Research Design

In this study, descriptive and informal comparative research design is used in this study. The historical research design is used in conjunction with regression analysis and correlation to ascertain the impact of earnings, book value, dividends, and price earnings ratio; the descriptive research design is employed to pinpoint the qualitative elements influencing stock price. Consequently, the primary goal of this research is to investigate how MPS relates to other financial indicators such as BVPS, EPS, DPS, and P/E ratio. Based on seven years of data from fiscal years 2015/016 to 2021/022, several financial and statistical methods are utilized to evaluate the facts, and descriptive approaches are employed to determine factors determining the stock prices of commercial banks in NEPSE.

3.2 Population and Sample Size

Population is the simple term for all of the variables or observations. While all businesses listed on the Nepal Stock Exchange are included in the population, only commercial banks listed on the NEPSE and engaged in share transactions are included in the study's population. There are currently 21 commercial banks, and four of them were chosen for analysis using the convenience sampling method. The population size in this study is 21, and the sample size consists of four observations, is 28.

Details of sample banks are listed below.

S.N.	Name of the Commercial Banks	Stock Symbol
1	Global IME Bank Limited	GIBL
2	Nabil Bank Limited	NABIL
3	Himalayan Bank Limited	HBL
4	Standard Chartered Bank	SCBL

3.3 Nature and Sources of Data Collection

Secondary data served as the study's foundation. Secondary data will be used to identify the elements influencing the stock price in order to illustrate the relationships between the various variables (share price-earnings, share price-book value, share price-dividend, and share price-price earnings ratio).

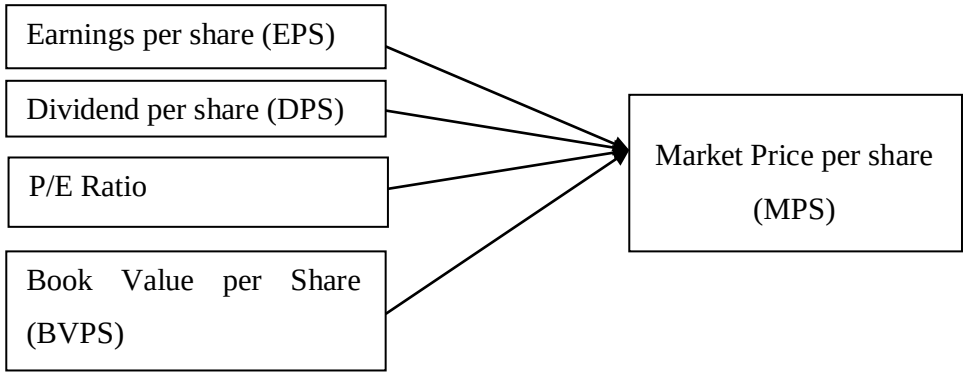
3.4 Data Collection Procedure

The study uses secondary sources for its data. Since the process used to acquire the data varies as well. The pertinent secondary data is gathered from the commercial banks' annual report.

3.5Research Framework and Definition of Variable

A conceptual framework is a flexible analytical tool that can be used in a variety of situations. It is employed to arrange concepts and draw conceptual distinctions. Robust conceptual frameworks effectively convey a true idea in a form that is simple to recall and implement. Market price is considered a dependent variable, while dividends, earnings, price-earnings ratios, and net worth are considered independent variables. Figure displays the conceptual framework utilized in the study, which defines the independent and dependent variables:

Independent Variables **Dependent Variable**



Market price (MPS)

Khanna andZahir(1982) said that the dynamics of supply and demand for a specific security in the market primarily affect the market price of the share. Variations in the purchasing and selling pressure lead to daily price swings. Selecting which market price to regress as a dependent variable measure becomes challenging as a result of these swings. The market price is represented in this study by using the closing price of the bank's stock at the conclusion of its fiscal year. In this study, the dependent variable is the market price.

Earnings per share (EPS)

The ability of a business to turn a profit for each stakeholder's share is shown by its earnings per share (EPS). Growing earnings per share typically point to a company's expansion and high market value. Earnings per share and market stock price have a positive linear relationship, according to Uddin and Rahman (2013). According to Malhotra and Tandon's (2013) research, market price and earnings per share are positively correlated; that is, the higher the earnings per share, the higher the market price per share.

Dividend per share (DPS)

Khanna andZahir(1982) found that the dividend is the amount of profit—after taxes—that is given to shareholders in exchange for their investment and assumption of risk in the business. The analysis discovered a favorable correlation between market stock price and dividend per share. According to Chaudhary and Mohammed (2002), dividends often have a beneficial impact on the share price. The market price of a share is heavily influenced by a company's dividend policy.

Price Earnings Ratio (P/E Ratio)

Divided by its EPS, a stock's price-earnings ratio is calculated. This indicates the opinion of other investors on the stock. It has to do with contrasting market value and earnings per share. The price-to-earnings ratio shows how much each share's earnings are covered by its price. It indicates if a company's share price is overvalued, undervalued, or reasonably valued. When compared to companies with a lower P/E, a high P/E often indicates that investors are expecting more profits growth in the future. If investors purchase shares of a company in the

hopes of seeing an increase in earnings from the stock, the PE ratio is high. This increase in demand is result in the share's market price rising. It can be presented symbolically as:

Book Value per Share (BVPS)

The minimum value of a company's equity is called book value of equity per share (BVPS), which is calculated by dividing the equity available to common shareholders by the total number of existing shares. A corporation has a high book value per share (BVPS) if investors purchase shares because they anticipate an increase in stock earnings. The market price of the share has increased as a result of this rise in demand.

3.6 Method of Analysis

Without being organized and presented in a methodical manner, the data so acquired are meaningless. They also require simplification in order to be analyzed. Tables with context are filled in with pertinent material. Unnecessary data is removed from the tabular form and only the information that is pertinent to the study is provided in an understandable manner. With the aid of numerous financial and statistical tools, an attempt is made to derive the conclusion from the data that is now accessible. Excel and SPSS are computer programs used to calculate statistical values such as mean, standard deviation, coefficient of variance, correlation, etc.

Descriptive Analysis

The arithmetic mean has been used to measure the central tendency under descriptive statistics. The coefficient of variation and standard deviation will be used to gauge the consistency. Statistical visualizations will also be used, depending on the type of data, to examine the phenomenon.Similarly, multiple regressions will be used to get the statistical inferences. This is because the goal of the study is to make conclusions regarding how credit risk affects the profitability of foreign joint ventures involved in commercial manufacturing in Nepal. Furthermore, the correlation matrix will be utilized to analyze the correlation coefficients among the variables. All of the statistical parameters in this study are scheduled to be computed using Microsoft Excel, a data analysis toolkit, and a computer.

a. Arithmeticmeans

The number that is obtained by adding the varied numbers of each item in a series and dividing the total by the number of items is known as the arithmetic mean. In statistical

analysis, the arithmetic mean is a helpful tool. The most basic and commonly used way to measure a mean, or average, is the arithmetic mean. It just entails adding up all of the numbers in a group and dividing that total by the total number of numbers in the series.

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

Where,

$\bar{X}$ = Arithmetic Mean

$\sum X$ = Sum of Elements

N = Number of Observations

b. Standard Deviation

The square root of the variance is used to compute the standard deviation, a statistic that expresses how dispersed a dataset is in relation to its mean. By calculating the variance between each data point and the mean, it can be expressed as the square root of variance. Larger deviation within the data set results from data points that deviate from the mean; so, the more dispersed the data, the larger the standard deviation.

$$\text{S.D.} = \sqrt{\frac{\sum(X-\bar{X})^2}{N}}$$

2. Correlation Analysis

One statistical metric used to determine the strength of the association between the relative movements of two variables is the correlation coefficient. A positive correlation exists when the values of the variables are directly proportionate to each other. Conversely, the correlation is considered to be negative if the values of the variables are inversely proportionate. The correlation coefficient always remains within the limit of +1 to -1. The correlation coefficients (r) between two variables X and Y can be obtained by using following formula" *(Gupta; 2002).*

$$r = \frac{N\sum_{XY} - \sum_X \sum_Y}{\sqrt{N\sum_X{}^2 - (\sum_X)^2}\sqrt{N\sum_Y{}^2 - (\sum_Y)^2}}$$

Where,

r = the correlation coefficient between two variables of X and Y

Proprieties:

a) It lies between -1 and+1

b) If r = +1, then there is perfect positivecorrelation.
c) If r = -1, then there is perfect negativecorrelation.
d) If r = 0, then there is nocorrelation.
e) If r = 0.7 to 0.99 (or- 0.7 to -0.99) then there is high degree positive or negative correlation.

3. RegressionAnalysis

A collection of statistical techniques called regression analysis is used to estimate the associations between a dependent variable and one or more independent variables. It can be used to estimate the future relationship between the variables and evaluate how strongly the variables are related to one another. The model produced in this study makes the first approximation that the stock price is reliant on multiple independent variables. The independent variables include return on assets, dividends per share, net profit margin earning per share, and return on equity. Consequently, the following shapes are assumed by the model:

Stock price= f(Earnings per share, dividend per share, price earnings ratio, and book value per share)

More specifically, the given model has been segmented into following models:

Model 1: $MPS_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 DPS_{it} + \beta_3 P/E\ ratio_{it} + \beta_4 BVPS_{it} + eit$

Where,

β0	=	constant term,
EPS	=	Earning per share
DPS	=	Dividend per share
P/E Ratio	=	Price earnings Ratio
BVPS	=	Book Value per Share
MPS	=	Market price per share
eit	=	the error term.

CHAPTER-IV

RESULTS AND DISCUSSION

The major body of this study is contained in this chapter. Herein lies the main body of the study. Original and secondary data in their unprocessed forms are collected. So, in order to meet the objectives of this research, these raw data are organized in this chapter and assessed using a range of statistical and financial instruments and techniques. Different sources of primary and secondary data are acquired, and both qualitative and quantitative methodologies are used to display and analyze the data independently. For the sake of this inquiry, data gathered from several sources have been put into a tabular style.

4.1 Analysis of MPS, EPS, DPS, P/E ratio and BVPS

Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related entities to determine their performance and suitability. Financial instruments are used to assess the bank's strengths and weaknesses concerning its financial performance or health. The financial metrics that were applied to the data analysis are listed below:

4.1.1 Analysis of Market Price per Share

The market value per share of the stock is the price at which it is currently traded. It is the amount that a product would sell for if it were put up for sale. Another common term for the market capitalization of a publicly traded company is its market value, which is determined by multiplying the number of outstanding shares by the current share price. Market value is greatly influenced by the business cycle and is highly vulnerable to long-term volatility. Market values decrease in a bear market and increase in a bull market. Table 4.1 provides an analysis of the sample banks' market price per share.

Table 4.1

Market Price per Share of Sample Banks

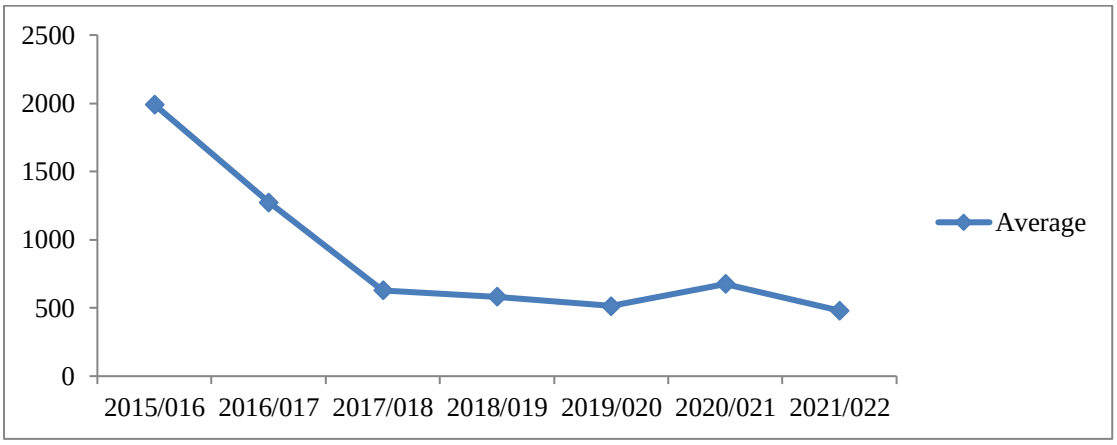
Fiscal Year	GBIL	NABIL	HBL	SCBL	Average
2015/016	515	2344	1500	3600	1989.75
2016/017	388	1523	886	2295	1273.00
2017/018	290	921	551	755	629.25
2018/019	295	800	552	682	582.25
2019/020	239	765	540	510.9	513.73
2020/021	441	1359	484	420.21	676.05
2021/022	251	825	450	396	480.50
Total					6144.53
Average					877.79
S.D.					77.58
C.V.					8.83%

Source: Annual Report of Selected Banks

The average MPS of four commercial banks throughout the course of a seven-year inquiry is displayed in table 4.1. The market price per share decreased from fiscal year 2015/016 to 2021/022. In the fiscal year 2015–016, the banks' market price per share reached its greatest point of 1989.75, while in the fiscal year 2021–022, it fell to 480.50. The average MPS for the banks is 877.79, the standard deviation is 77.58, and the company's coefficient of variation is 8.83 percent.

Figure 4.1

Market Price per Share of Sample Banks



The trend line of banks' market prices per share over a seven-year study period is depicted in figure 4.1. Between fiscal years 2015/016 and 2021/022, the market price per share has declined.

4.1.2 Analysis of Earnings per Share

Earnings per share are the portion of a company's profit allocated to each outstanding share of common stock. It serves as a barometer for the company's profitability. Increased profits are indicative of increased money mobilization profitability for financial institutions, and vice versa. Table 4.2 provides an analysis of the sample banks' earnings per share.

Table 4.2

EPS of Sample Banks

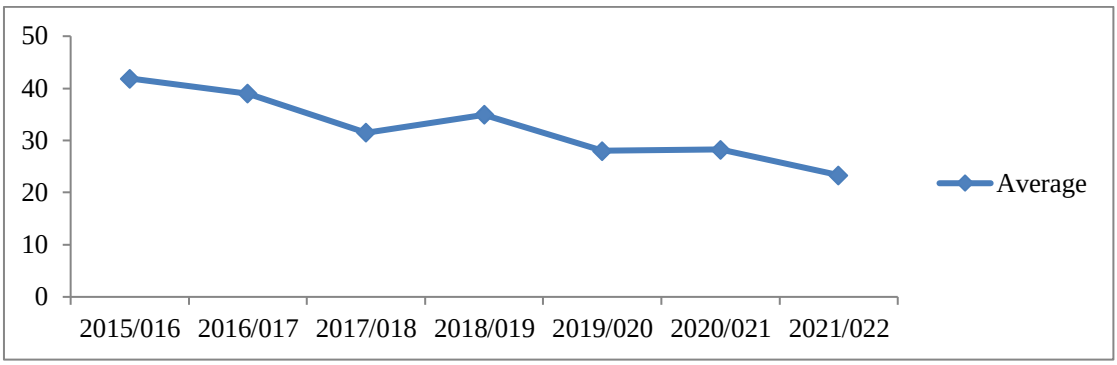
Fiscal Year	GBIL	NABIL	HBL	SCBL	Average
2015/016	19.33	59.27	43.03	45.96	41.90
2016/017	25.51	59.86	35.15	35.49	39.00
2017/018	23.64	51.84	23.11	27.33	31.48
2018/019	26.46	50.57	32.44	30.39	34.97
2019/020	17.99	36.16	27.6	30.26	28.00
2020/021	19.25	33.57	28.07	32.16	28.26
2021/022	20.84	18.64	29.84	24.07	23.35
Total					226.96
Average					32.42
S.D.					8.76
C.V.					27.02%

Source: Annual Report of Selected Banks

The average EPS of four commercial banks during the course of a seven-year inquiry is displayed in table 4.2. Earnings per share decreased from fiscal year 2015/016 to 2021/022. The earnings per share (EPS) of the banks ranged from a minimum of 23.35 in the fiscal year 2021–022 to a maximum of 41.90 in the 2015–016 fiscal year. The company's coefficient of variation is 27.02 percent, with a standard deviation of 8.76, and the banks' average earnings per share (EPS) is 32.42.

Figure 4.2

EPS of Sample Banks



A trend line representing banks' earnings per share during a seven-year study period is displayed in figure 4.2. From fiscal year 2015/016 –2021/022, there has been a decline in earnings per share.

4.1.3 Analysis of Dividend per Share

The dividend per share is the total declared dividends for each common share that is issued. It shows the total dividends paid to shareholders for a particular year divided by the total number of outstanding shares issued. The declared cash and stock dividends of each commercial bank have been taken into account for the purposes of this study. Table 4.3 provides an analysis of the sample banks' dividend per share.

Table 4.3

Dividend per Share of Sample Banks

Fiscal Year	GBIL	NABIL	HBL	SCBL	Average
2015/016	15.76	45	31.58	35.09	31.86
2016/017	20	48	26.32	105.26	49.90
2017/018	16	34	15.79	17.5	20.82
2018/019	25.5	34	22	22.5	26.00
2019/020	16	35.26	20	11.84	20.78
2020/021	13.5	38	26	13.06	22.64
2021/022	13.6	30	28	16.51	22.03
Total					194.02
Average					27.72
S.D.					9.18
C.V.					33.11%

Source: Annual Report of Selected Banks

The dividend per share for four commercial banks throughout a seven-year research period is displayed in table 4.3. The dividend per share has decreased from fiscal year 2015/016 to 2021/022. The banks' DPS is highest in the fiscal year 2016/017 (49.90) and lowest in the fiscal year 2019/020 (20.78). The average DPS for the banks is 27.72, the standard deviation is 9.18, and the coefficient of variation is 33.11 percent.

Figure 4.3

Dividend per Share of Sample Banks

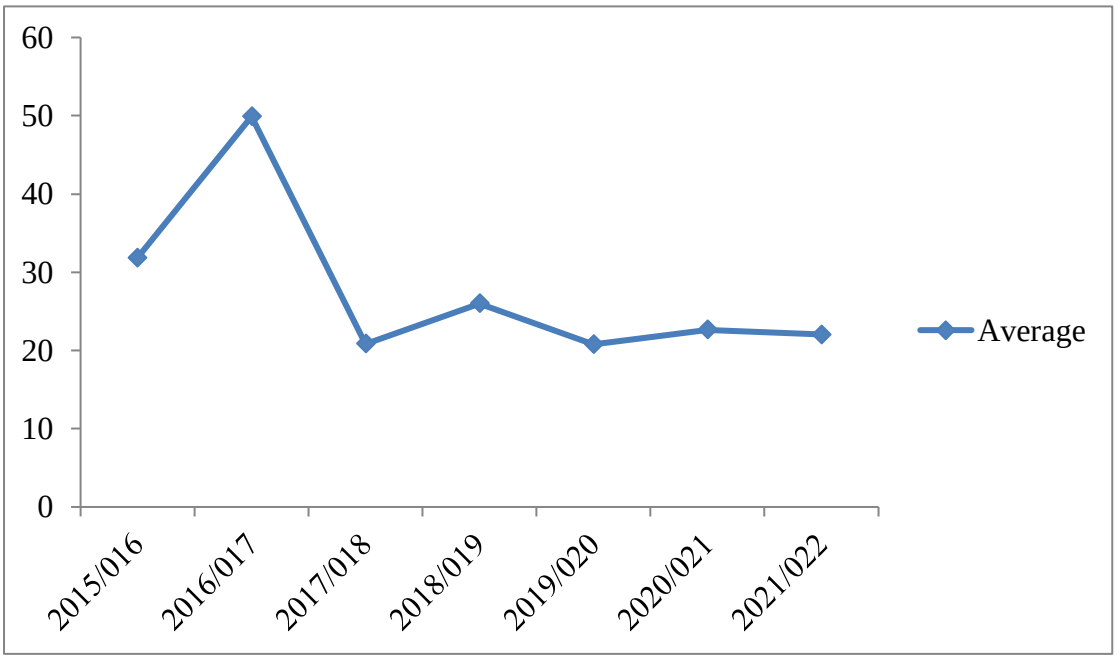


Figure 4.3 displays the trend line of bank dividends per share over the course of the seven-year study period. Between fiscal years 2015–016 and 2021–022, there was a decline in the dividend per share.

4.1.4 Analysis of Price Earnings Ratio

A corporation is valued using the P/E ratio, which contrasts the current share price of a company with its earnings per share. The expectations of investors regarding the increase of the company's profitability impact the stock price. Table 4.4 provides an analysis of the sample banks' P/E ratio.

Table 4.4

Price Earnings Ratio (P/E ratio) of Sample Banks

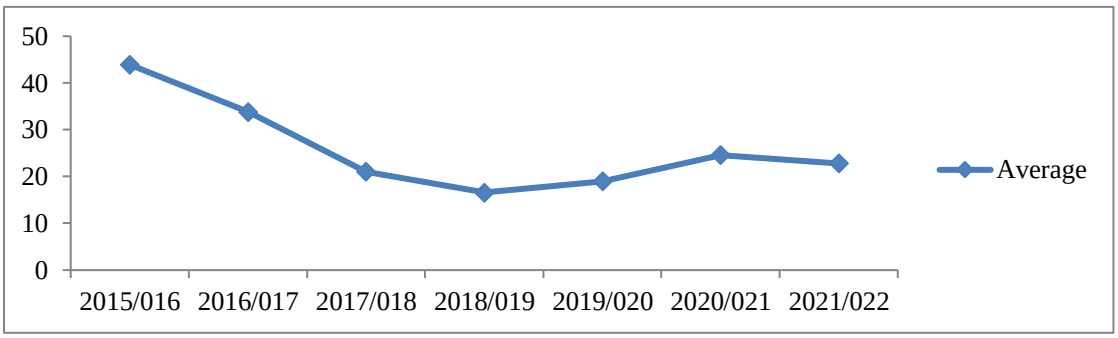
Fiscal Year	GBIL	NABIL	HBL	SCBL	Average
2015/016	22.89	39.55	34.86	78.33	43.91
2016/017	20.25	25.44	25.11	64.67	33.87
2017/018	14.08	18.6	23.84	27.62	21.04
2018/019	11.15	15.82	17.02	22.44	16.61
2019/020	13.29	21.15	19.57	21.9	18.98
2020/021	22.9	40.48	17.25	17.82	24.61
2021/022	12.06	44.21	18.52	16.45	22.81
Total					181.82
Average					25.97
S.D.					9.24
C.V.					35.57%

Source: Annual Report of Selected Banks

Four commercial banks' seven-year research period's price-earnings ratios are displayed in table 4.4. In the fiscal years 2015–2016 and 2021–2022, the P/E ratio decreased. In fiscal year 2018/019 the banks' P/E ratio is at its lowest point 16.61. In 2015–016, the fiscal year, it reached its highest point of 43.91. Compared to the average P/E ratio of 25.97 for banks, the company's coefficient of variance is 35.57 percent. It has a 9.24 standard deviation.

Figure 4.4

Price Earnings Ratio (P/E ratio) of Sample Banks



The trend line of banks' P/E ratio during the course of the seven-year study period is displayed in figure 4.4. Between fiscal year 2015/016 to 2021/022, the P/E ratio dropped.

4.1.5 Analysis of Book Value per Share

The BVPS represents the true value of the company. The value of common equity is divided by the total number of outstanding shares to arrive at this ratio. The book value of equity per share is one method that investors can use to determine whether a stock price is low. If investors believe a company has a higher BVPS, that perception could lead to an increase in the stock price. Table 4.5 provides an analysis of the sample banks' P/E ratio.

Table 4.5

Book Value per Share of Sample Banks

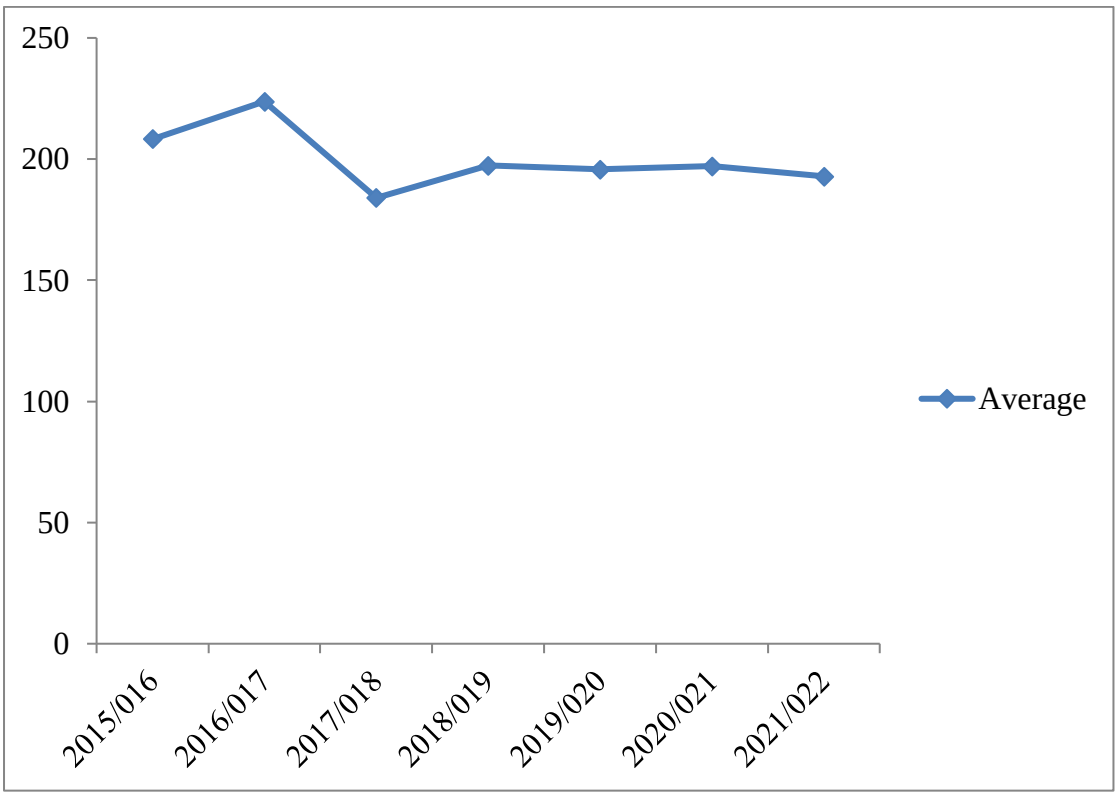
Fiscal Year	GBIL	NABIL	HBL	SCBL	Average
2015/016	125.17	244	196.12	268	208.32
2016/017	139.15	270	189.91	296	223.77
2017/018	131.72	256	174.24	174	183.99
2018/019	158.4	257	187.73	186	197.28
2019/020	151.95	256	187.67	187.08	195.68
2020/021	154.58	251	188.43	194.18	197.05
2021/022	158.6	232	188.9	192	192.88
Total					1398.96
Average					199.85
S.D.					37.01
C.V.					18.52%

Source: Annual Report of Selected Banks

Table 4.5 displays the four commercial banks' book value per share during the course of the seven-year study period. From fiscal year 2015/016 to 2021/022, book value per share has dropped. The banks' book value per share reached its highest point in the fiscal year 2016/017, at 223.77, and its lowest point in the fiscal year 2017/018, at 183.99. The banks have an average P book value per share of 199.85, with a standard deviation of 37.01 and a coefficient of variation of 18.52 percent for the company.

Figure 4.5

Book Value per Share of Sample Banks



The trend line of banks' book value per share throughout a seven-year study period is depicted in figure 4.5. Between fiscal years 2015–016 and 2021–022, there was a decline in book value per share.

4.2 Descriptive Statistics

Table 4.6

Descriptive Statistics of Study Variables

Variables	N	Minimum	Maximum	Mean	Std. Deviation
MPS	28	239.00	3600.00	877.7539	769.08489
EPS	28	17.99	59.86	32.4225	11.84133
DPS	28	11.84	105.26	27.7168	18.14153
P/E Ratio	28	11.15	78.33	25.9775	15.44431
BVPS	28	125.17	296.00	199.8511	46.37967

Source: Appendix-I

The results are displayed in Table 4.6 and include the sample banks' MPS, EPS, DPS, P/E ratio, and BVPS during a seven-year span. The table presents descriptive statistics for the

study period of 2015/016 to 2021/022, including the mean, standard deviation, minimum and maximum values of variables associated with seven commercial banks. The sample banks have an average of 877.7539 and a standard deviation of 769.08489. The sample banks have MPS ranging from Rs. 239 to Rs. 3600. With a standard deviation of Rs. 11.84133 and an average EPS of Rs. 32.4225, the range of values is from Rs. 17.99 to Rs. 59.86. With the DPS ranging from Rs. 11.84 to Rs. 105.26, the mean is Rs. 27.7168, and the standard deviation is Rs. 18.14153. Comparably, the P/E ratio runs from Rs. 11.15 to Rs. 78.33, yielding an average of Rs. 25.9775 with a standard deviation of Rs. 15.44431, while the BVPS extends from Rs. 125.17 to Rs. 296.00, yielding an average of Rs. 199.8511 with a standard deviation of Rs. 46.37967. The standard deviation shows that the dependent variable, market price per share, has the largest variance, while the independent

4.3 Relationship between EPS, DPS, P/E Ratio and BVPS to MPS

The relationships between book value per share, earnings per share, price-earnings ratio, and earnings per share in relation to market value per share are established in this section. For analytical reasons, the Market Price per Share (MPS) is anticipated to be impacted by the volatility shown in EPS, DPS, P/E ratio, and BVPS. As a result, MPS is regarded as the dependent variable, while EPS, DPS, P/E ratio, and BPS as independent factors. A correlation study is performed to determine the relationship between MPS and EPS, DPS, and BPS. To determine their effect on MPS, the simple correlation and coefficient of determination of EPS, DPS, P/E ratio, and BVPS are calculated.Multiple regression analysis is used to ascertain the extent to which the independent variable influences the dependent variable.

4.3.1 Correlation Analysis

To determine how various independent factors relate to MPS, a correlation analysis of the total data is conducted.

Table 4.7

Relationship of MPS with EPS, DPS, BVPS and P/E Ratio

Variables	MPS	EPS	DPS	P/E Ratio	BVPS
MPS	1	.641**	.644**	.904**	.710**
Sig. (2-tailed)		<.001	<.001	<.001	<.001
EPS		1	.489**	.313	.732**
Sig. (2-tailed)			.008	.105	<.001
DPS			1	.630**	.7533**
Sig. (2-tailed)				<.001	<.001
P/E Ratio				1	.611**
Sig. (2-tailed)					<.001
BVPS					1
Sig. (2-tailed)					

Source: Appendix-I

Table 4.7 demonstrates the high positive correlation between MPS and DPS (i.e.,.644**), BVPS (i.e.,.710**), EPS (i.e.,.641**), and P/E ratio (i.e.,.904**). At the 1% level of significance, the association between MPS and DPS and BVPS is significant; at the 5% level of significance, the relationship between EPS and P/E ratio is significant. According to the correlation result, a rise in independent factors raises the dependent variable, or the stock market price, and vice versa.

It is found that EPS has a positive and substantial association with DPS, P/E ratio, and BVPS when looking at the universal link between independent variables. In a similar vein, DPS and P/E ratio and BVPS have a substantial positive link, and P/E ratio and BVPS have a considerable positive relationship.

4.3.2 Regression Analysis

Table 4.8

Model Summary

R	R- Square	Adjusted R Square	Std. Error of the Estimate
.985[a]	.970	.965	143.61906

Source: Appendix-II

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

b. Dependent Variable: MPPS

Variation can be explained by the coefficient of determination, often known as the R-square or the model summary. According to Table 4.8, the R-square value is.970, which means that 97% of the variation in the market price of Nepalese commercial banks can be explained by EPS, DPS, and BVPS. Nevertheless, the remaining 0.2% (100% - 97%) is explained by additional factors not addressed in this study. For Nepalese commercial banks, the corrected R-square is.970, which indicates that EPS, DPS, and BVPS account for 97% of the variation in market price after adjusting for degree of freedom (df). This indicates that there are meaningful links between all independent and dependent variables. This suggests that EPS, DPS, and BVPS have a major impact on the movement of stock prices in Nepal's commercial banks. The model summary also shows that the standard error of estimate is 143.619006, meaning that there is a 54.22394 unit variation in the observed value of the factors influencing the stock price movement of Nepal's commercial banks as indicated by the regression line.

Regression Analysis

Table 4.9

Regression ANOVA

Variables	Unstandardized Coefficient		Unstandardized Coefficient Beta	t	Sig.
	B	Std. Error			
(Constant)	-698.674	145.411		-4.805	<.001
EPS	33.095	3.543	.510	9.340	<.001
DPS	-.540	2.455	-.013	-.220	.828
P/E Ratio	42.964	2.449	.863	17.542	<.001
BVPS	-2.991	1.245	-.180	-2.402	.025

Source: Appendix-II

The regression equation for the movement in the stock prices of Nepal's commercial banks can be found in Table 4.9 and can be interpreted as follows:

$\hat{Y}MPS = -698.674 + 33.095X_1 - .540X_2 + 42.964X_3 - 2.991X_4 + ei$

Based on EPS, DPS, P/E ratio, and BVPS, the regression coefficients are, in order, -698.674, 33.095, -.540, 42.964, and -2.991. Additionally, Table 4.9 demonstrates that the independent P/E ratio has a significant outcome because each of its p-values is below the significant level ($p < 0.05$). Yet, independent factors DPS and EPS. This shows that a rise of one unit in EPS, DPS, P/E ratio, and BVPS corresponds to increments in MPS of -698.674, 33.095, -.540, 42.964, and -2.991.

4.4 Major Findings of the Study

i. The primary and secondary data analyses yielded various major conclusions for this study due to the differing nature and sources of the data. These findings are analyzed as follows:

ii. The market price per share trend line for banks during the course of the seven-year study period. From fiscal year 2015/016 to fiscal year 2021/022, the market price per share dropped.

iii. The earnings per share trend line for the seven-year study period for banks. There has been a decline in earnings per share from fiscal year 2015/016 to fiscal year 2021/022.

iv. The banks' dividend per share trend line over the course of the seven-year study period. During the period from fiscal year 2015/016 to fiscal year 2021/022, the dividend per share was reduced.

v. The banks' P/E ratio trend line during the course of the seven-year study period. Between fiscal year 2015/016 to fiscal year 2021/022, the P/E ratio dropped.

vi. The banks' book value per share trend line during the course of the seven-year study period. From the fiscal year 2015/016 to the fiscal year 2021/022, the book value per share fell.

vii. The MPS, EPS, DPS, P/E ratio, and BVPS of the sample banks throughout the course of the seven years are shown in the results. The descriptive data for the study period of 2015/016 to 2021/022 include the mean, standard deviation, minimum and maximum values of variables linked with seven commercial banks. The MPS of the sample banks varies from 239 to 3600, with an average of 877.7539.The average EPS is Rs. 32.4225 with a standard deviation of Rs. 11.84133, ranging from Rs. 17.99 to Rs. 59.86. The DPS is a statistical measure that varies between 11.84 and 105.26, resulting in a mean of 27.7168 and a standard deviation of 18.14153. Similar to this, the BVPS ranges from Rs. 125.17 to Rs. 296.00, leading to an average of Rs. 199.8511 with a standard deviation of Rs. 46.37967, while the P/E ratio ranges from

Rs. 11.15 to Rs. 78.33, resulting in an average of Rs. 25.9775 with a standard deviation of Rs. 15.44431.

viii. There is a high positive correlation between MPS and DPS (i.e.,.644**), BVPS (i.e.,.710**), EPS (i.e.,.641**), and P/E ratio (i.e.,.904**). At the 1% level of significance, the association between MPS and DPS and BVPS is significant; at the 5% level of significance, the relationship between EPS and P/E ratio is significant.

ix. The coefficient of determination, or R-square, which is sometimes referred to as the model summary, can be used to explain variation. The R-square value is.970, meaning that EPS, DPS, and BVPS account for 97% of the fluctuation in the market price of Nepalese commercial banks. Nevertheless, other factors not covered in this study account for the remaining 0.2% (100% - 97%).

x. The regression coefficient based on the following variables: BVPS, EPS, DPS, and P/E ratio are -2.991, -2.994, 33.095, -.540, and 42.964, respectively. Additionally, Table 4.9 demonstrates that the independent P/E ratio has a significant outcome because each of its p-values is below the significant level ($p < 0.05$).

xi. The sample banks' MPS appears to have fluctuated during the course of the study. The market price of shares varied considerably for SCBL.

xii. According to the sample banks' earnings per share (EPS), GBIL experienced the largest change in earnings, while HBL experienced the least change in earnings per share of stock.

xiii. The sample banks' DPS seems erratic after seven years. The DPS of SCBL has the most volatility, while the DPS of HBL has the lowest volatility.

xiv. When looking at the P/E ratio, SCBL looks to fluctuate more because it has the biggest deviation, whereas NABIL appears to fluctuate less since it has the lowest variance.

xv. Over time, the BVPS of particular banks is likewise altering. The stock with the largest variance in book value is GBIL.

xvi. With the greatest average value among the sample banks, SCBL becomes more appealing from an MPS investing standpoint. In a similar vein, GBIL appears the least appealing given that its C.V. ranks highest among the chosen banks during the study period.

xvii. The NABIL bank has the highest average value of EPS, suggesting that it is more appealing to investors, while the GBIL bank has the lowest EPS C.V., indicating that it is the least appealing.

xviii. Because NABIL Bank's DPS has the greatest average value, it is more appealing. Likewise, SBL had the largest C.V. over the study period, making it the least appealing.

xix. The SCBL is more appealing to investors based on the P/E ratio since it has the greatest average value and is the most volatile due to a higher C.V.

xx. The sample banks' descriptive analysis indicates that MPS exhibits higher fluctuations due to its higher standard deviation. Nonetheless, because the P/E ratio has the lowest standard deviation, it looks to fluctuate less.

xxi. In light of the dependent variable's correlation results

xxii. The model summary's findings indicate that 99.80% of the variation in the market price of Nepalese commercial banks can be attributed to EPS, DPS, P/E ratio, and BVPS; the remaining 20% is determined by other variables.

xxiii. It is discovered that MPS and EPS have a very good association. It demonstrates that the market price of the stock rises in tandem with the earnings per share of Nepalese commercial banks.

xxiv. The findings indicate that there is a significant direct correlation between MPS and DPS. This suggests that the market price of bank shares rises in tandem with the dividend per share of Nepal's commercial banks.

xxv. The findings indicate a substantial correlation between the P/E ratio and MPS, demonstrating a direct relationship between increases in the P/E ratio and the share prices of Nepal's commercial banks.

xxvi. The findings indicated a positive correlation between BVPS and MPS. This demonstrates that the market price of a commercial bank's share rises in tandem with its book value per share.

4.5 Discussion

Regression analysis suggests that EPS and MPS have a positive association, which can be supported. The explanation for the results is that market values of equity shares will always rise significantly in response to an increase in earnings per share. Notably, this result aligns with the conclusions drawn in Joshi (2012), Almumani (2014), Bhattarai (2014), Paudel (2016), Thapa (2019), Velankar, Chandani, and Ahuj (2017), Joshi (2011), Malhotra and Tandon (2013), Almumani (2014), and Bhattarai (2014). These studies have all shown that earnings per share impacts stock prices significantly. The market price and dividend per share also have an inverse connection. Essentially, this means that the firm's payout will negatively affect the market if all other variables remain constant.

A further empirical finding from the regression study indicates that the P/E ratio and BVPS with MPS have a positive association. The findings can be explained by the expectation that the share prices will rise along with the P/E ratio and BVPS. This result is in line with research by Sharma (2011), Aalmumani (2014), Ghimire and Mishra (2018), Malhotra and Tandon (2013), and others that shows a significant positive relationship between share prices and the P/E ratio and BVPS. Similar to this, it can be seen from the investor comments that investors are dissatisfied with NEPSE and SEBON's performance and feel that neither organization has done enough to safeguard the interests of the investors.

the market price per share trend line for banks during the course of the seven-year study period. From fiscal year 2015/016 to 2021/022, the market price per share dropped. The seven-year study period's trend line for banks' earnings per share. There has been a decline in earnings per share from fiscal year 2015/016 to 2021/022. The banks' dividend per share trend line during the course of the seven-year study period. During the period from fiscal year 2015/016 to 2021/022, the dividend per share was reduced. The P/E ratio trend line for banks during the course of the seven-year study period. Between fiscal year 2015/016 to 2021/022, the P/E ratio dropped. The banks' book value per share trend line during the course of the seven-year study period. Between fiscal year 2015/016 to 2021/022, the book value per share dropped.

CHAPTER-V
SUMMARY, CONCLUSION AND IMPLICATIONS

This study chapter is divided into three pieces. The first section provides a brief summary of the study. The second section presents the study's conclusions, while the third and final section discusses ramifications for the analysis's setting.

5.1 Summary

Examining the fluctuations in stock prices of Nepalese commercial banks is the primary objective of this study. Seven commercial banks that are presently listed on NEPSE are considered as a result. Analytical analysis has been done on these banks' market prices to compare them to other financial measures like BVPS, EPS, DPS, and P/E ratio. For analytical reasons, secondary data were gathered from multiple sources, and a range of statistical techniques were employed to assess the data pertaining to a sample of commercial banks. Similar to this, a set of fourteen questions was created and given to a hundred participants in order to gather firsthand information about the share prices of Nepal's commercial banks. The participant responses have been thoroughly reviewed.

Nepal's stock market is still relatively new. The majority of locals are still generally ignorant of the stock market. Despite the fact that share markets are crucial for generating capital for an economy, Nepal's share market is currently making only slow progress toward development. Investors invest their savings in publicly traded companies' common stock through the Primary and Secondary Markets. Generally speaking, investors aimed to maximize their return on capital. However, due to a lack of knowledge and the Nepalese Capital Market's poor regulatory performance, investors might not make the expected gains. Except for the most educated urbanites, nobody understands the idea of share markets or the laws that govern them. Moreover, the government has not provided adequate support for the expansion of the capital market.

Whether there is a relationship between the market price of shares and the book value per share, earnings per share, dividend per share, and price-earnings ratio is the main question this study has raised. Examining the factors influencing Nepal's market stock price is the aim of this study in an effort to address the previously described issue. Based on an analysis of the study's financial data, SCBL appears to be performing well in terms of MPS in the market price among the sample banks, whereas NABIL appears to be performing well in terms of EPS. Similarly, NABIL seems to be doing well, while HBL has the lowest dividend per share

(DPS) among the sample banks.The SCBL seems to be the most attractive bank. On the basis of BVPS, GBIL seems attractive, though. Among the seven banks, NIBL has the best CV in relation to MPS and DPS, even if each bank is exceptional in and of itself. In contrast, HBL is seen as a better bank based on its EPS and P/E ratio, whereas NABIL seems to perform better when evaluated using BVPS. The independent variables EPS, DPS, P/E ratio, and BVPS were used in a regression analysis to predict the dependent variable MPS and assess the degree of correlation between the variables. Correlation analysis was used to look at the relationship between EPS, DPS, P/E ratio, BVPS, and MPS.

The primary data analysis indicates that investors believe neither NEPSE nor SEBON has done enough to protect their interests, and they are unhappy with their performance. Most investors don't complete their homework before making an investment, even though they think they are smart and informed. Even at a premium, investors scramble to purchase the shares of the company with the highest DPS and EPS. Most investors buy common stocks of commercial banks because they are reliably dividend-paying and well-managed. The stock market's regulatory body, SEBON, is unable to put in place a systematic and efficient trading mechanism for the expansion of the capital market.

5.2 Conclusions

The analysis displayed the current state of financial indicators: The market price of GBIL is the most volatile, whilst that of NIBL is the least volatile. The other banks' earnings are stable, while HBL's EPS is the least predictable and GBIL's is the most variable. In contrast, the price-to-earnings ratio of SCBL is more volatile, whereas the earnings multiplier of HBL stays stable. Compared to GBIL, NABIL has lower volatility in terms of book value per share. According to the study, price earnings ratio swings the least among the Nepalese commercial banks examined, whereas MPS appears to move the most. The market price per share trend line for banks during the course of the seven-year study period. From fiscal year 2015/016 to fiscal year 2021/022, the market price per share dropped. The seven-year study period's trend line for banks' earnings per share. There has been a decline in earnings per share from fiscal year 2015/016 to fiscal year 2021/022. The banks' dividend per share trend line during the course of the seven-year study period. During the period from fiscal year 2015/016 to fiscal year 2021/022, the dividend per share was reduced. The P/E ratio trend line for banks during the course of the seven-year study period. Between fiscal year 2015/016 to fiscal year 2021/022, the P/E ratio dropped. The banks' book value per share trend line

during the course of the seven-year study period. From the fiscal year 2015/016 to the fiscal year 2021/022, the book value per share fell.

The study period's findings also had shown a significant positive correlation between the price of commercial banks' stock and its book value per share, earnings per share, dividends per share, and price-earnings ratio. The share prices of commercial banks and dividends per share have a significant inverse link, although book values per share, price earnings ratio, and earnings per share have a significant positive association. Moreover, the research indicates that investors with an interest in the Nepalese economy might derive advantages from examining financial indicators, since they possess a high degree of explanatory power and can be employed to precisely predict future stock values. As such, it is recommended that investors take the company's accounting variables into account before to making an investment. The poll's results show that earnings, book value, dividend payments, paid-up capital, price-earnings ratio, and political stability are the main factors affecting the share price in Nepalese commercial banks' NEPSE. The study's conclusions provided industry participants with new, valuable information from a Nepalese perspective. Fund managers and stock investors may find the study's findings particularly useful since they can monitor these significant factors when forecasting share prices and predicting stock returns.

5.3 Implications

Considering the relevant concerns and the research outcomes, the ensuing suitable suggestions have been put into practice:

The study supports the idea that the bank's profitability situation influences the decision to issue a dividend. Further research has shown that the declaration of a dividend affects the bank's value before shares are bought on the open market. It is therefore advised that before buying shares, investors take into account the banks' profitability since their earnings situation will indicate their potential for dividend announcements, which will increase the share price. It is recommended that they monitor issues related to stock determinants because the market price of the selected commercial banks' stock varies throughout the study period.

It was found that the P/E ratio, EPS, DPS, BVPS, and most respondents and investors strongly relied on these metrics alone. In certain cases, the EPS and DPS by themselves could not be sufficient to cover the return because of the associated risk. It is encouraged that investors look at the company's performance using more than only the EPS, DPS, P/E ratio, and BVPS metrics. Other crucial factors to consider are the ratio of non-performing loans, the

company's corporate governance, and the cost of financing. It is recommended that investors buy the company's stock only after taking a calculated risk and after doing extensive technical and fundamental research.

The analysis shows that there are limited investment sector possibilities for investors. The Nepalese stock market is dominated by banks and other financial organizations. Larger corporations also conduct business in Nepal. NEPSE and SEBON should create a policy to incentivize additional sectors of the economy, like real estate, manufacturing, and processing, to list on the NEPSE. Investors would have additional possibilities for investing in sectors-specific financial products as the market grew in size. Considering how little the general public knows about stocks and the stock market, public education must be actively pursued. It is recommended that NEPSE create a separate department or independent organization that analyzes, teaches, and raises awareness about stocks and the stock market among aspiring potential investors through a variety of media platforms, including conferences, seminars, print publications, and online media. A few independent variables specific to banks were included in the study; macroeconomic variables such as interest rates, political considerations, economic policy, bank credit, money supply, exchange rate, etc. can be included for a more reliable outcome. Additional factors, including size, profitability, net asset value per share, return on equity, and the consumer price index, Future studies on this topic might be conducted over a longer period of time. Primary surveys will be useful in the future for researchers conducting studies and gaining additional insights into the banking sector. Analogous research can also be done in other areas, including the manufacturing, hydroelectric, hotel and service sectors.

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Appendix-I

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
MPPS	28	239.00	3600.00	877.7539	769.08489
EPS	28	17.99	59.86	32.4225	11.84133
DPS	28	11.84	105.26	27.7168	18.14153
PE RATIO	28	11.15	78.33	25.9775	15.44431
BVPS	28	125.17	296.00	199.8511	46.37967
Valid N (listwise)	28				

Correlations

		MPPS	EPS	DPS	PE RATIO	BVPS
MPPS	Pearson Correlation	1	.641**	.644**	.904**	.710**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001
	N	28	28	28	28	28
EPS	Pearson Correlation	.641**	1	.489**	.313	.732**
	Sig. (2-tailed)	<.001		.008	.105	<.001
	N	28	28	28	28	28
DPS	Pearson Correlation	.644**	.489**	1	.630**	.753**
	Sig. (2-tailed)	<.001	.008		<.001	<.001
	N	28	28	28	28	28
PE RATIO	Pearson Correlation	.904**	.313	.630**	1	.611**
	Sig. (2-tailed)	<.001	.105	<.001		<.001
	N	28	28	28	28	28
BVPS	Pearson Correlation	.710**	.732**	.753**	.611**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	
	N	28	28	28	28	28

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

Appendix-II

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985[a]	.970	.965	143.61906

a. Predictors: (Constant), BVPS, PE RATIO, EPS, DPS

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15495864.417	4	3873966.104	187.816	<.001[b]
	Residual	474407.982	23	20626.434		
	Total	15970272.399	27			

a. Dependent Variable: MPPS

b. Predictors: (Constant), BVPS, PE RATIO, EPS, DPS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-698.674	145.411		-4.805	<.001
	EPS	33.095	3.543	.510	9.340	<.001
	DPS	-.540	2.455	-.013	-.220	.828
	PE RATIO	42.964	2.449	.863	17.542	<.001
	BVPS	-2.991	1.245	-.180	-2.402	.025

a. Dependent Variable: MPPS