FACTORS INFLUENCING THE SHARE PRICE IN NEPALESE COMMERCIAL BANKS

(With Special Reference to Nepal SBI Bank Ltd., Himalayan Bank Ltd. & Global IME Bank ltd.)

A THESIS

Submitted By:

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Campus Roll No.: 2720/071

T.U. Regd. No.: 7-2-325-370-2011

Second Year Symbol No: 390261

Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University

In partial fulfillment of the requirement for the Degree of

Master of Business Studies (MBS)

Kathmandu, Nepal

June, 2024

RECOMMENDATION

This is to certify that the thesis

Submitted by:

Bishwa Bandhu Bhattarai

Entitled

FACTORS INFLUENCING THE SHARE PRICE IN NEPALESE COMMERCIAL BANKS

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has been prepared as approved by this Department in the prescribed format of Faculty of Management. It is forwarded for examination and acceptance.

……	…..…….	….....
Asso. Prof. Dr. Kapil Khanal	Asso.Prof. Dr. Sajeeb Kumar Shrestha	Asso. Prof.Dr. Krishna Prasad Acharya
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VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis

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and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for

Master's Degree in Business Studies (M.B.S.)

Viva-Voce Committee

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Member (Thesis Supervisor) : _____

Member (External Expert) : _____

DECLARATION

I hereby declare that the work reported in the thesis entitled **"FACTORS INFLUENCING THE SHARE PRICE IN NEPALESE COMMERCIAL BANKS *(With Special Reference to Nepal SBI Bank Ltd., Himalayan Bank Ltd. & Global IME Bank ltd.)*"** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Master of Business Studies (MBS) under the supervisions of Asso. Prof. Dr. Kapil Khanal of Shanker Dev Campus, Kathmandu.

…..……

Bishwa Bandhu Bhattarai

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2nd Year Exam Symbol No.: 390261

ACKNOWLEDGEMENTS

I owe a deep debt of gratitude to Asso. Prof. **Dr. Kapil Khanal, Shankardev Campus** for his constant encouragement, guidance and valuable supervision.

I would like to express my sincere indebtedness to CA. Padam Bahadur Thapa for his valuable suggestions, conceptual guidance and the computer works. I would also like to express my gratitude to the library Staff of Shanker Dev Campus for their kind cooperation which has made this thesis writing possible. I am also thankful to my family who has provided the sound atmosphere to complete this thesis. Needless to say, I alone am responsible for any deficiencies that may have remained in this study.

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LIST OF ABBREVIATIONS

AGM	:	Annual General Meeting
AM	:	Arithmetic Mean
AMEX	:	American Stock Exchange
BOD	:	Board of Director
BVPS	:	Book Value per Share
CV	:	Coefficient of Variation
DPS	:	Dividend per Share
DY	:	Dividend Yield
EPS	:	Earning per Share
EVM	:	Earning Valuation Model
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GIBL	:	Global IME Bank Ltd
HBL	:	Himalayan Bank Ltd
IPO	:	Initial Public Offering
IT	:	Information Technology
KSE	:	Karachi Stock Exchange
MPS	:	Market Price per Share
NASDAQ	:	National Association of Securities Dealers Automated
NAV	:	Net Assets Value
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
NSBI.	:	Nepal SBI Bank Ltd
NSE	:	National Stock Exchange
NYSE	:	New York Stock Exchange
OTC	:	Over- the-Counter
OTCEI	:	Over the Counter Exchange India
P/E	:	Price Earnings
S.D	:	Standard Deviation
SBL	:	Siddhartha Bank Ltd
SCB	:	Standard Chartered Bank Ltd
SEBON	:	Security Board of Nepal

CHAPTER- I

INTRODUCTION

1.1 Background of the Study

The global financial crisis that began in late 2007 brought significant volatility and turbulence to the stock market. Prior to this crisis, investment trends were heavily focused on the stock market, with investors closely monitoring the fluctuations in share prices as a means of generating substantial returns. Shares were also a key source of financing for companies looking to expand and diversify. It is widely recognized that investors are risk-averse, and the volatility of their investments value is of major concern as it shows the level of risk they face. Therefore, it is advisable for investors to understand the factors influencing share prices to make optimal investment decisions. Scholars have identified several internal and external factors that affect stock prices. Company performance, board structure changes, dividends, asset position, and earnings are examples of internal factors, while external factors include government regulations, market conditions, business cycles, investor sentiment, natural disasters, and events such as strikes and lockouts. Investors are advised to consider the 'Value Investing Strategy,' which was introduced by Graham and Dodd in 1934 and has gained renewed interest post the 2007 financial crisis. This strategy involves analyzing companies with low price-earnings ratios, low price-to-cash-flow ratios, or low price-to-book ratios, as these stocks are thought to have the potential to outperform growth stocks.

There are two main approaches to predicting stock prices: the fundamental approach, which looks at financial, environmental, and managerial factors, and the technical approach, which analyzes past trends to forecast future prices. It is important for investors to be familiar with these approaches and the factors that influence their investment decisions. The stock market plays a vital role in economic development by supporting capital formation and driving growth. Trading securities on the stock market allows for fund pooling, risk sharing, and wealth transfer between savers and capital users, encouraging economic activities by directing resources to productive investments. The relationship between stock price changes and financial fundamentals is a key aspect considered by investors when choosing companies to invest in. Equity markets boost corporate efficiency, encourage innovation, and provide essential capital for long-term economic growth. They also serve as a means for governments to raise funds by selling state-owned enterprises and are increasingly becoming a significant component of individuals' assets. Fama's 1970 study on stock market efficiency concluded

that prices are fair when they reflect all available information, allowing for the use of technical and fundamental analysis in assessing stock prices. Internal factors such as dividends, earnings, company size, and leverage impact share prices in various markets, and understanding these fundamental variables can guide investors in making profitable decisions. Research aims to explore the relationship between specific firm variables and market price per share in Nepalese commercial banks, focusing on earnings per share, dividend yield, book value per share, and price earnings ratio as determinants of market price per share.

1.1.1 Constituent of Capital Market in Nepal Security Board, Nepal (SEBON)

The Security Board of Nepal being established on May 26, 1993, under the Security Exchange Act of 1983 in Nepal. The primary goals include safeguarding investors' interests and regulating the securities market, as well as nurturing the growth of the securities market within the nation. The Security Board has outlined key focus areas such as policy formulation, legal and regulatory enhancements, improving transparency, ensuring adherence to regulations, and fostering a diverse market framework for advancement. The private sector, comprising investors, listed companies, financial institutions, and market intermediaries, also plays a crucial role in establishing a resilient securities trading system. Essential government bodies like the Ministry of Finance, Registrar of Companies (Ministry of Industry, Commerce, and Supply), Nepal Rastra Bank, Nepal Stock Exchange, Federation of Nepalese Chambers of Commerce and Industries (FNCCI), Institute of Chartered Accountants of Nepal (ICAN), and Association of Chartered Accountants Nepal (ACAN) are pivotal in driving growth in the country's capital market.

Nepal Stock Exchange (NEPSE)

With the establishment of the Security Exchange Board, His Majesty's Government transformed the Securities Exchange Centre Ltd into Nepal Stock Exchange Ltd. (NEPSE) in 1993 to reform the capital market. NEPSE, a non-profit organization, operates under the Securities Exchange Act of 1983. Brokers and market makers conduct trading on the floor according to the rules and bylaws of NEPSE. Trading operations commenced on January 13, 1994, through NEPSE's members. The Securities Board was established in 1993 under Section 1 of the Securities Exchange Act of 1983.

The main goal is to implement crucial policy reforms and guidelines to ensure a structured and consistent securities exchange, as well as to cultivate a competitive stock market that

safeguards and advances investors' interests. The Nepal Stock Exchange operates as a trading platform, while the Securities Board acts as the governing authority. Initially, both roles were managed by the Securities Exchange Centre before the establishment of the Board. Any corporate entity seeking to participate in securities activities can seek licensing from the Board, although currently, the Nepal Stock Exchange stands as the exclusive entity representing the securities market in the country.

As of now, there are 75 valid member brokers and 1 market maker. There are 249 listed companies in NEPSE from various sectors out of which 27 are listed commercial banks. Previously NEPSE has adopted an "Open Out Cry" system. But NEPSE has adopted the electronic trading system from 24th august 2007. From June, 4 2008, the OTC market operated in NEPSE.

1.2 Statement of the Problem

Many studies have been conducted on the factors affecting the share prices of commercial banks, yet this topic remains open for further research. The fluctuations in Nepalese stock prices are uncertain due to the intricate interplay of supply and demand, which is shaped by a combination of qualitative and quantitative elements. However, the specific factors that impact share prices are still debated. Taimur, Purohit, and Pillai (2014) researched the Bahrain stock exchange and found a direct positive relationship between ROE, BVS, DY, PE, and BVPS, indicating these factors actively influence market share prices. Conversely, they discovered a significant negative relationship between dividend yield and MPS.

Although numerous studies have explored the relationship between various factors and share prices in different countries, my goal is to identify the factors specifically affecting the share prices of commercial banks in Nepal. The differing findings across countries raise the question, "What factors influence the share price of Nepalese commercial banks?"

This study aims to answer the following research questions:

1. What is the current status of the market price per share (MPS) of commercial banks in Nepal?
2. Do a company's earnings per share (EPS), dividend yield (DY), price-to-earnings (P/E) ratio, and book value per share (BVPS) impact stock prices?
3. Is there any relationship between internal factors and the MPS of commercial banks?

1.3 Purposes of the Study

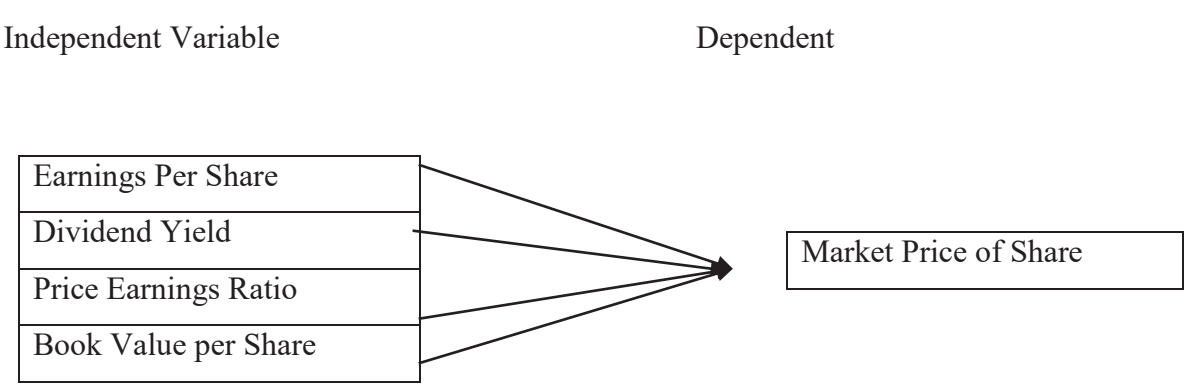
The primary aim of this study is to investigate the factors that influence the share prices of Nepalese commercial banks. To achieve this, the study has set the following specific objectives:

1. To analyze the market price per share of commercial banks.
2. To examine the effect of earnings per share (EPS), dividend yield (DY), price earning (P/E) ratio, and per share book value (BVPS) on stock prices.
3. To assess the relationship between internal variables and the market price per share of commercial banks.

1.4 Conceptual Framework

The conceptual framework aims to explore the factors that could impact the market price per share. Prior research strongly suggests that company-specific elements play a key role in driving stock price changes. Drawing on theoretical insights and substantial empirical support, it is hypothesized that earnings per share (EPS), dividend yield (DY), price-to-earnings (P/E) ratio, and book value per share (BVPS) could influence the market price per share of commercial banks. This framework is established to assess how these variables affect the market price per share of publicly listed commercial banks in Nepal.

Figure 1.1: Conceptual Framework



The independent variables are hypothesized to impact the dependent variable, which is the share price. These independent variables are chosen based on existing theoretical and empirical research. The closing stock price at the end of the financial year is used as a proxy for the market price in this study.

Among the independent variables, earnings per share (EPS) is used as an indicator of a company's profitability. An increase in EPS typically leads to a higher market price. Dividend yield also plays a significant role in influencing the market price of a share, indicating the percentage of earnings that are distributed as dividends. A higher dividend yield generally correlates with a lower market price.

The price-to-earnings (P/E) ratio compares a company's market value with its earnings per share, providing insights into whether a stock is perceived as fairly valued, undervalued, or overvalued. Additionally, a company's book value per share (BVPS) typically shows a positive relationship with its market price.

1.5 The Variables & Hypotheses

Market Price

The current study aims to investigate the factors that affect the stock prices of commercial banks in the Nepalese stock market. Researchers like Piotroski and Roulstone (2014) have noted that stock prices can fluctuate rapidly due to shifts in buying and selling pressures. This volatility makes it challenging to determine which specific market price should be used as the dependent variable in regression analysis.

For this research, the end-of-year closing stock price for each bank is selected as the market price representation. This closing price is used as the dependent variable in the study.

Earnings per Share

Earnings per share (EPS) acts as a gauge of a company's profitability. An upward trend in earnings per share typically leads to an increase in market price. As noted by Almumami (2019), there exists a positive correlation between earnings per share and market price - meaning higher earnings per share tend to correlate with higher market prices. Building on this theory and empirical findings, another hypothesis proposed for examination in this study is:

H1: There is a direct relationship between earnings per share and share price.

Dividend Yield

Dividend yield indicates the proportion of dividends distributed during a fiscal year compared to a share's market price. It is computed by dividing the dividend per share by the market value per share. Malhotra and Tandon (2018) observed a significant inverse correlation between dividend yield and a firm's stock market price. Thus, the hypothesis crafted for this research is:

H2: There is a indirect relationship between dividend yield and market share price.

Price Earnings Ratio

The price-to-earnings (P/E) ratio compares a company's market value with its earnings per share. It reflects how much investors are willing to pay per dollar of earnings. The P/E ratio helps determine whether a company's stock is perceived as fairly priced, undervalued, or overvalued. Generally, a high P/E ratio suggests that investors anticipate higher earnings growth in the future compared to companies with lower P/E ratios.

According to Almumami (2014), there is a significant positive correlation between the price-earnings ratio and the stock price of a firm. Building on these previous findings, the third hypothesis to be examined in this study is:

H3: There is a direct positive relationship between the P/E ratio and market share price.

Net worth per Share / Book Value Per Share

A company generates revenue, a portion of which is allocated to pay interest to creditors and distribute dividends to shareholders. The remaining income is then added to the accumulated retained earnings displayed in the company's financial statements. The sum of the cumulative retained earnings and other components (such as common stock and capital exceeding par value) in the equity section represents the book value of equity. The book value per share is calculated by dividing the equity's book value by the total number of outstanding shares. The equity's book value signifies the historical cost of a company's tangible assets. A well-operated company with efficient practices and strong leadership typically commands a market value that surpasses the historical book value of its physical assets. Hence, the fourth hypothesis to be examined in this study is:

H4: There is a direct positive relationship between book value per share (BVPS) and market share price.

Table 1.2: List Explanatory Variable and its Expected Sign

Variables	Description	Expected Sign
EPS	Earnings Per Share	+
DY	Dividend Yield	-
BVPS	Book Value Per Share	+
P/E Ratio	Price Earnings Ratio	+

1.6 Significance of the Study

1. This research is expected to provide a valuable foundation for future researchers in this field.
2. This research aids commercial banks in analyzing their operations and understanding the internal factors influencing their share prices.
3. This research offers valuable insights to individuals who have invested or are considering investing in the shares of commercial banks.
4. The research supports various policy makers such as SEBON, NEPSE, and NRB in formulating improved policies related to the stock market and market share prices.

1.7 Limitations of the Study

The goal of this research is to make a significant contribution to the understanding of the factors influencing the stock prices of Nepalese commercial banks. The results are anticipated to offer insights that will be beneficial for academics and forthcoming researchers. Nonetheless, the study is subject to the following constraints:

1. The study is limited to selected commercial banks.
2. It primarily relies on secondary data sourced from books, financial statements, reports, company websites, and other publications.
3. The dependent variable considered is solely the market price per share of common stock.
4. The accuracy of the study's calculations depends entirely on the reliability of data obtained from audited financial statements of organizations.
5. The study encompasses recent data spanning a period of 10 years from 2013/14 to 2022/23.
6. The research focuses exclusively on commercial banks within the capital market, limiting the generalizability of conclusions to the entire capital market.
7. Only internal factors influencing share prices in Nepalese commercial banks are analyzed. External factors such as inflation, oil/energy prices, economic conditions, and market sentiments are not included in this study.

1.8 Organization of the Study

This research is conducted in various stages and procedures as required. The study is structured into different chapters to enhance ease of understanding.

Chapter I: Introduction

Chapter I provides an introduction to the primary internal factors influencing the market price of shares in Nepalese commercial banks, presents the statement of problems, objectives, significance of the study, limitations, and organization of the study.

Chapter II: Literature Review

This chapter provides a concise review of the literature pertinent to this study. It covers the conceptual framework and examines key studies. Additionally, it offers an overview of previous related research and addresses the existing research gap.

Chapter III: Research Methodology

This chapter outlines the methodology employed to achieve the study's objectives, encompassing the research approach, sampling procedure, research instruments, data collection methods, and tools and techniques for data analysis.

Chapter IV: Data Presentation and Analysis

This chapter presents and analyzes the data collected during the study, utilizing various tools and techniques for data analysis.

Chapter V: Conclusions

This chapter presents the conclusions and recommendations derived from the study. It includes the study's findings as well as suggestions and recommendations based on those findings.

CHAPTER-II
LITERATURE REVIEW

This chapter provides a comprehensive review of literature relevant to the study. Its objectives include examining foundational literature on factors influencing the share prices of Nepalese commercial banks, incorporating theoretical frameworks and empirical evidence from previous studies.

Globally, there exists a vast body of research in the form of papers, articles, books, and journals on securities markets. Main determinants of stock prices across different exchanges have been identified. Despite the relatively nascent state of Nepal's capital market, several studies have been conducted on factors affecting stock prices, which may differ significantly from those influencing NEPSE due to its developmental stage.

This chapter reviews various sources such as books, magazines, journals, research papers, and unpublished theses that explore factors impacting stock prices in Nepalese commercial banks. It is structured into three sections: the first section provides a conceptual overview, the second section reviews relevant journals and articles, and the third section examines literature specific to Nepal.

2.1 Conceptual Review

2.1.1 Common Stock

Shareholders being the legal owners, they provide a permanent and essential source of capital as they do not have a maturity date. Shareholders who purchase common stocks contribute capital to the company and receive dividends, the amount of which is determined by the company's Board of Directors. Common stocks are considered variable income securities because dividend payments can fluctuate.

Shareholders, as owners of the company, bear the risks associated with ownership. They are entitled to dividends after other claims have been settled in the event of liquidation. Investors buy common stock issued by firm with the expectation of periodic profit sharing. Legally, common stocks represent equity in a business, and shareholders, as owners, participate in all profits and losses. They receive earnings after obligations such as interest on debts and

dividends on preferred stocks have been met, thereby assuming the risk of potential capital loss.

2.1.2 Stock Certificate

Ownership of a firm's stock is traditionally represented by a single share certificate indicating the number of shares held by the investor. This stock certificate is usually registered with the investor's name, address, and holdings recorded in the corporation's share register book. Dividends, voting materials, annual and quarterly and periodic reports, and other communications are then sent directly to the investor based on their holdings.

Shares of stock are transferable to a new owner with the assistance of the issuing corporation or its designated transfer agent called merchant banker. The transfer agent cancels the old stock certificate and issues a new one to the new owner, ensuring proper documentation through a register. Typically, banks and merchant bankers act as transfer agents and registrars. Many investors now opt for depository trust companies, which use computerized records instead of physical stock certificates, simplifying the transfer process.

2.1.3 Security

A security is a claim on the issuer’s future income or assets. It also called a financial instrument. Security is any financial claim or piece of property that is subject to ownership. They are financing or investment instruments (some negotiable, others not) bought and sold in financial markets, such as bonds, debentures, notes, options, stocks and share warrants etc. The piece of paper showing evidence of property rights is called security.

Securities are financial instruments traded on secondary markets, comprising stocks and bonds, which enable ownership of underlying assets without physical possession. This characteristic makes securities highly liquid and easily tradable. Their pricing transparency makes them reliable indicators of asset values. Traders must be licensed to trade securities, ensuring compliance with regulations set by SEBON. Securities are classified into three types: equity instruments, debt instruments, and derivative instruments.

2.1.4 Security Market

Security market is a market where financial instruments like Shares, bonds, derivatives, options etc. are traded. Well-developed securities market plays significant role in the development of the nation. It plays an important role in an economy to transfer funds from surplus unit to fund deficit unit. Securities market plays vital role in channelizing saving in

productive sectors. It helps to create capital formation and economic development, growth in the country. It is a mechanism created to help the exchange of financial securities or assets by bringing together buyers and sellers of securities.

The securities market facilitates the trading of financial assets by bringing together buyers and sellers. It operates through mechanisms designed for the exchange of these assets. One distinction within the securities market is between the primary and secondary markets. In the primary market, securities are initially offered for sale by the original issuer. This market can further be categorized into seasoned market and unseasoned market. A seasoned new issue involves additional shares of an existing security, whereas an unseasoned new issue refers to the initial offering of a security to the public, commonly known as an initial public offering (IPO).

Another way to categorize security markets is based on the lifespan of financial assets. Money markets deal with assets that mature in one year or less, while capital markets involve assets with longer lifespans exceeding one year.

2.1.5 Stock Market

The stock market encompasses various markets and exchanges where equities (stocks of publicly held companies), bonds, and other securities are issued and traded. This trading occurs either through formal exchange like NEPSE or over-the-counter OTC markets. Also referred to as the equity market, the stock market plays a crucial role in a free-market economy by enabling companies to raise capital from investors in exchange for ownership stakes.

It serves as a platform where companies list their shares to raise funds. Newly issued shares are offered in the primary market, while in the secondary market, already-listed public companies trade existing shares among investors. This secondary market also allows companies to issue additional shares to raise further capital for business expansion.

2.1.5.1 Primary Market

The primary market is where newly issued securities are sold to initial buyers by corporations or government agencies seeking to raise funds. It is where securities are first created and offered to the public, such as when firms sell bonds or stocks for the first time, a process known as an initial public offering (IPO). Investment banks play a crucial role in facilitating the sale of securities via primary market through underwriting.

Underwriting is the process through which securities are sold in the primary market, ensuring their sale to investors. The primary market is concerned with the issuance and distribution of new securities to the public. This involves companies issuing securities to buyers and the assistance of intermediaries such as issue managers, underwriters, stockbrokers, and stock exchanges.

The primary market is essential as it initiates the creation of new financial claims. Its main objective is to raise capital, typically through IPOs, to fund significant investments. Companies can raise capital in the primary market through three main methods.

Public Offering

Companies are permitted to sell securities to the public, giving everyone the right to purchase shares. There are two methods by which companies offer securities to the public: traditional underwriting and shelf registration.

Right Offering

Companies can raise additional funds by issuing rights to their current shareholders, allowing them to buy new shares at a price lower than the market value. This process, known as a rights offering or privileged subscription, provides existing shareholders the opportunity to purchase additional shares on a preemptive basis.

Private Placement

A private placement involves selling securities to a select group of investors to raise capital. These investors usually consist of large banks, mutual funds, insurance companies, and pension funds. Unlike a public issue, where securities are available to any investor in the open market, private placements are restricted to a limited number of chosen investors.

2.1.5.2 Secondary Market

The secondary market is where previously issued securities are traded among investors, making it crucial for these markets to maintain high liquidity. Also known as the aftermarket, the secondary market is a type of capital market where securities such as stocks, bonds, options, and futures that have already been issued are bought and sold. It facilitates transactions between buyers and sellers of existing securities, establishing prices and ensuring liquidity.

In essence, the secondary market deals with the trading of previously issued shares through stock exchanges, over-the-counter markets, or direct transactions. It plays a vital role in

supporting the growth of the primary market by providing liquidity to securities. This liquidity encourages investors to participate in the primary market by purchasing new securities.

In Nepal, the NEPSE serves as the only organized secondary market as of now where all of securities are traded. Globally, major exchange organizations include the NYSE and the NASDAQ.

Secondary markets can be structured in two main ways:

2.1.5.2.1 Organized Stock Exchange

An organized stock exchange is a central location where buyers and sellers of securities, or their agents and brokers, come together to execute trades. It serves as a structured marketplace where various tradable assets such as securities, commodities, foreign exchange, futures, and options contracts are bought and sold. Stock exchanges can operate as private companies, non-profit organizations, or publicly traded entities.

A stock exchange is a vital component of the capital market, providing an organized platform for the trading of industrial and financial securities. It facilitates the buying and selling of securities according to established rules and regulations, ensuring systematic conduct of transactions. Stock exchanges are also referred to as stock markets or share markets.

According to the Indian Securities Contracts (Regulation) Act of 1956, “a stock exchange is an association, organization, or body of individuals, whether incorporated or not, established to assist, regulate, and control the buying, selling, and dealing in securities”.

Examples of organized stock exchanges include NEPSE (Nepal Stock Exchange), NYSE (New York Stock Exchange), Tokyo Stock Exchange, American Stock Exchange (AMEX), and Bombay Stock Exchange (BSE).

2.1.5.2.2 Over-the-Counter Market (OTC Market)

A secondary market can also be structured as an over-the-counter (OTC) market. In this setup, dealers in various locations keep an inventory of securities and are ready to buy and sell them directly to anyone who agrees to their prices. These OTC dealers are linked through computer networks, allowing them to know each other's prices and fostering a competitive environment akin to organized exchanges.

The OTC market is extensively used for trading many common stocks, although the shares

of most major corporations are traded on organized stock exchanges. Typically, around forty dealers form a "market" in OTC securities, actively trading U.S. Government bonds and other financial instruments like negotiable certificates of deposit, federal funds, bankers' acceptances, and foreign exchange.

This market act as part of the secondary market, primarily for securities of companies not listed on formal stock exchanges. It is decentralized, lacking a central physical location, and participants conduct trades using various communication methods like telephone, email, and proprietary electronic trading systems.

In an OTC market, authorized dealers act as market makers, providing bid and ask prices at which they will buy and sell securities or currencies. Transactions in an OTC market can occur directly between two parties or intermediaries without full transparency to the market at large regarding transaction prices. Compared to organized exchanges, OTC markets generally have lower regulatory oversight and transparency.

Examples of well-known OTC markets include NASDAQ USA and Over the Counter Exchange of India in India.

2.1.6 Stock Price

The stock price refers to the cost incurred by an individual to acquire or sell a company's stock. For instance, if Mr. A purchases 10 shares of XYZ Bank from Mr. B for Rs. 2,000, then the per share price is calculated as Rs. 200 (i.e., 2000 /10). Therefore, the stock price represents the payment made by purchaser to obtain one share or the amount received by a seller per share. Market forces, namely demand (from buyers) and supply (from sellers), determine the stock price in the stock market. These forces are influenced by external factors and the expectations of individuals regarding the future. It's important to note that the stock price differs from its par value and book value.

2.1.7. Stock Valuation

Securities analysts analyze various aspects of companies such as their earnings, management practices, economic forecasts, market conditions etc, and other factors. They use their research findings in established models to examine the value of a company's stock. If a security's market price is lower than its estimated value based on these analyses, it is considered a potential opportunity for investment or further investigation.

2.1.7.1. Stock Valuation Model

There are three basic valuation models. All these three models often offer different answer.

1. Net Assets Model (NAV)

The Net Asset Value (NAV) is the total value of assets minus current liabilities and long-term debt, financed by shareholders' equity. Shareholders' equity consists of paid-up capital, share premiums, accumulated profits, and other reserves owned by shareholders. The NAV per share, also called the book value per share, is determined by dividing the total NAV by the number of shares outstanding.

$$\text{Net Asset Value Formula(P0)} = \frac{\text{Net Assets Available to Equity Shareholder}}{\text{Number of Outstanding Shares}}$$

2. Dividend Valuation Model (DVM)

The Dividend Valuation Model (DVM) asserts that the current value of a share is determined by the sum of discounted future dividends plus the value of the share when it is eventually sold in the future. Hence, the present value of a share depends on the expected cash flows received by investors and the associated risk. The following equation assumes that dividends will grow at a specified rate, and the amount of dividends will vary over different years.

"$P_o = D_1(1+K_e)^1 + D_2(1+K_e)^2 + \ldots\ldots\ldots\ldots\ldots\ldots + D_n(1+K_e)^n$ "

i.e, $P_o = \sum D_1(1+K_e)^t$

3. Earning Valuation Model (EVM)

In this model, the share value fluctuates with variations in EPS (Earnings Per Share) and P/E (Price-to-Earnings) ratio. The earnings valuation model incorporates the P/E ratio to assess the value of common stock. These ratios are subject to fluctuations due to changes in market prices. The share value is determined by multiplying the P/E ratio by the EPS.

Price of share = Earnings per share x Adjusted price earnings ratio

2.1.8 Theories of Stock Price

2.1.8.1. Technical Analysis Theory

Technical analysis theory involves studying historical price and volume data of stocks to predict future price movements. It's an alternative approach to understanding stock price behavior within investment management literature. Market-oriented, technical analysis focuses on the forces of supply and demand reflected in market actions rather than intrinsic stock value. Those who analyze securities based on past price movements to predict future price movements are known as technical analysts.

According to technical analysts, the current price of a stock reflects a balance struck between buyers and sellers at a given point in time. Price movements occur due to changes in buying and selling pressures influenced by various internal and external factors such as profits, political environment, and forecasts. Prices stabilize when there is equilibrium between buyers and sellers. Technical analysis operates on the assumption that historical price movements repeat themselves.

Technical analysts primarily look backwards; they pay little attention to future earnings and dividends. Their focus is on predicting short-term price movements and advising on the timing of buying and selling stocks or groups of stocks.

They identify past patterns or trends that they believe will repeat in the future, recommending strategies for profitable holding and selling, or for short-term speculation based on their forecasts. Technical analysts estimate prices rather than intrinsic values, often disregarding fundamental factors such as a company's risks and earnings growth rates in favor of supply and demand indicators they have developed.

The key assumptions of technical analysis are:

1. Price is determined by the interaction of supply and demand.
2. Demand and supply are influenced by various factors, both rational and irrational.
3. Price series exhibit trends that persist for appreciable periods.
4. Shifts in demand and supply that lead to changes in trends can be detected through analysis of price and volume data.
5. Patterns in price movements tend to repeat themselves.

In essence, technical analysis posits that past market patterns will recur in the future and can

therefore be used to predict future market movements.

2.1.8.2. Fundamental Analysis Theory

Fundamentalists analyze stock prices based on economic, industry, and company-specific data, focusing primarily on earnings and dividends as key decision variables. They assess a stock's value within a risk-return framework, considering factors like earning power and the economic environment.

Fundamental analysis involves evaluating various factors such as economic conditions, industry dynamics, government policies, a company's financial statements, competitors, and specific company details like products, demand, earnings, dividends, and management. Analysts who rely on these fundamental factors to determine a stock's intrinsic value are known as fundamental analysts or fundamentalists.

Fundamentalists argue that each stock has an intrinsic value at any given time, which equals the present value of its future cash flows discounted at an appropriate risk-adjusted rate. They believe that the true value of a common stock is the present value of all future income streams expected from owning the share.

However, determining the precise discount rate for these future cash flows can be challenging. Therefore, fundamentalists estimate intrinsic value by thoroughly studying all relevant aspects of a company, including its sales, earnings, profit margins, dividends, management competence, industry outlook, and other factors influencing its future performance.

Fundamental analysis employs various models such as top-down and bottom-up forecasting, as well as probabilistic analysis, to estimate security values. Based on their analysis, fundamentalists project a company's future profits and earnings per share, leading to an estimated price known as intrinsic value. This intrinsic value typically differs from the current market price.

Fundamentalists make investment decisions by comparing intrinsic value with the current market price. If intrinsic value exceeds market price, they see an opportunity to buy shares and profit from potential price appreciation. Conversely, if intrinsic value is lower than market price, they consider the stock overpriced and may decide to sell. By adhering to this approach, fundamentalists aim to achieve above-average returns, assuming that the market does not efficiently price all shares.

2.1.8.3. Efficient Market Theory

In a competitive market, the equilibrium price of goods or services at any given moment is determined by balancing the available supply with aggregate demand. This price represents a consensus among market participants regarding the true value of the goods or services, based on all publicly available information. When new relevant information emerges, it is promptly analyzed and interpreted by the market, potentially leading to a shift in the existing equilibrium price. This new equilibrium price remains until further information becomes available for analysis and interpretation.

The role of information in the market serves two main purposes: a) to facilitate the establishment of security prices that optimize resource allocation among firms and securities among investors, and b) to assist individual investors in selecting an optimal portfolio of securities given prevailing prices (Sharma, 2000).

The term "Efficiency" in the context of securities markets has been used to denote various distinct concepts, particularly exchange efficiency, production efficiency, and informational efficiency, with this study focusing solely on informational efficiency. In an efficient market, security prices "fully reflect" all available information. Information, in any form, plays a pivotal role in determining stock prices and is therefore central to the concept of market efficiency. An efficient market is characterized by several conditions:

1. A large number of rational, profit-maximizing investors actively participate in the market, analyzing, valuing, and trading stocks. These investors are price takers, meaning no single participant can influence the price of a security.
2. Information is freely available to all market participants at roughly the same time and at no cost.
3. Information is produced randomly, with each announcement being independent of the others.
4. Investors respond quickly and precisely to new information, leading to immediate adjustments in stock prices.

In an efficient market, participants act in their own self-interest to maximize returns, ensuring that price adjustments in response to new information are immediate and unbiased, and that all relevant information is fully reflected in prices. Competition among participants to acquire useful information drives securities prices from one equilibrium level to another, resulting in price changes that follow a random walk pattern in response to information.

In an ideally efficient market, all participants possess and interpret all available information uniformly and rationally. In such a scenario, price changes occur only in response to new information. A fundamental premise of an efficient market is the presence of a large number of knowledgeable and profit-maximizing investors who rapidly incorporate new information into their decisions.

The level of market efficiency has significant implications for the economy and for investment decision-makers. Economically, it is crucial that security prices provide accurate signals for allocating capital resources efficiently; mispriced securities can lead to incorrect allocation of capital. In an efficient market, securities prices reflect current knowledge accurately, reducing the likelihood of misinformed investments. Conversely, investors are less likely to discover undervalued securities offering unusually high returns (Bhalla, 1986).

Tests of market efficiency often focus on the informational efficiency of security prices, where existing models of efficient markets posit that all relevant information about a given stock is reflected in its current market price. This concept of market efficiency can be categorized into three types based on the type of information used in market decisions.

a) **Weak form Market Efficiency:** The weak form of market efficiency suggests that current security prices incorporate all historical price and return information. This means that no investor can achieve abnormal returns by devising trading strategies based on historical price or return data (Weston and Copland, 1996).

b) **Semi-strong Market Efficiency:** It says that security prices fully reflect all publicly available information. Thus, no investors could earn excess return using publicly available resources such as corporate annual reports, NEPSE price information or published investment advisory reports. It contains all publicly available data such earnings, dividends, stock split announcement, new products development, financing difficulties and accounting changes. A market that quickly incorporates all such information into prices is said to be semi-strong efficient. If the semi-strong hypothesis is true then only a few than what could be earned by using a have buy-and-hold strategy.

c) **Strong form Market Efficiency:** The strongest form of market efficiency is the strong form, which claims that prices fully incorporate all information, both public and non-public (Jones, 1943). In this type of market, no group of investors should be able to achieve excess returns over a reasonable period by using publicly available information

more effectively than others. An extreme version of the strong form posits that all non-public information, including that restricted to specific groups such as corporate insiders and exchange specialists, is instantly reflected in prices.

d) There are three hypotheses that vary only in their level of market efficiency and are not mutually exclusive. Importantly, a semi-strong efficient market includes the weak form because price and volume data are part of the broader set of publicly available information. Strong-form efficiency includes both the weak and semi-strong forms, representing the highest level of market efficiency. For the semi-strong and strong forms to be valid, the weak form hypothesis must hold true.

2.2 Review of Previous Works

2.2.1 Review of Articles in the Journals

Akhtar and Khan (2011), identified factors affecting share prices on the Karachi Stock Exchange from 2006 to 2011. Using cross-sectional weighted least square regression, they analyzed the impact of six variables: dividend yield, payout ratio, size, asset growth, leverage, and earnings volatility on share prices. The study found that payout ratio, size, leverage, and dividend yield were significant factors influencing stock prices in Karachi, indicating that firm-specific factors significantly impact share market prices.

Nizamuddin (2012), examined the connection between microeconomic factors and stock prices using multiple regression analysis. The research identified a significant linear relationship between market return and certain microeconomic factors, including net asset value per share, dividend percentage, and earnings per share for bank leasing and insurance companies. Additionally, it was found that non-linear relationships among these variables were not significant at the 95 percent confidence level.

Fisher (2013), investigated the relationship between British share prices and various quantitative variables. The study demonstrated the impact of dividends, undistributed profits, and company size on share prices, based on five cross-sectional samples of equities listed on the London Stock Exchange from 1949 to 1957.

Sharma (2014), explored the empirical relationship between equity share prices and various explanatory variables, including book value per share, dividend per share, earnings per share, price-earnings ratio, dividend yield, dividend payout, size in terms of sales, and net worth, over the period from 2008-09 to 2013-14. The findings revealed that earnings per share,

dividend per share, and book value per share significantly impact share market prices. Additionally, the study indicated that dividend per share and earnings per share are the strongest determinants of market price, supporting a liberal dividend policy and suggesting that companies should pay regular dividends.

Pradhan, (2015), Focused on identifying the determinants of share prices in the Indian market. The study used panel data pertaining to three sectors viz., auto, healthcare, and public sector undertakings over the period 2009-2015 and employed the fully modified ordinary least squares method. The results indicated that the variables dividend, price-earnings ratio and leverage are significant determinants of share prices for all the sectors under consideration. Moreover, profitability is found to influence share prices only in the case of auto sector.

Srinivasan (2016), investigated the fundamental determinants of share prices in India using panel data techniques, specifically the Fixed Effects and Random Effects models. The study analyzed annual data from 2011-2016 across six major sectors: Heavy and Manufacturing, Pharmaceutical, Energy, IT and ITES, Infrastructure, and Banking. The results indicated that dividend per share negatively and significantly impacted share prices in the manufacturing, pharmaceutical, energy, and infrastructure sectors. Earnings per share and the price-earnings ratio were crucial determinants for share prices in the manufacturing, pharmaceutical, energy, infrastructure, and banking sectors. Size was a significant factor in all sectors except manufacturing, while book value per share positively influenced share prices in the pharmaceutical, energy, IT & ITES, and infrastructure sectors.

Malhotra & Tandon (2017), sought to identify the factors influencing stock prices on the National Stock Exchange (NSE) by examining 100 companies. A sample of 95 companies was selected for the period from 2012 to 2017, and a linear regression model was used for analysis. The results showed that a firm's book value, earnings per share, and price-earnings ratio had a significant positive relationship with its stock price, while dividend yield had a significant negative relationship with the market price of the firm's stock.

2.2.2 Review of Previous Unpublished Master's Degree Thesis

Shah (2011), conducted a study on the factors influencing share prices in Nepalese commercial banks listed on NEPSE, using data from 2005/06 to 2009/10. The study's objectives were to:

1. Examine the effect of major financial indicators and their relationship with MVPS.
2. Identify whether the stock of sample banks is overpriced, underpriced, or at equilibrium.
3. Investigate informational and other factors influencing the share price of Nepalese commercial banks.
4. Analyze investor awareness regarding the share price of Nepalese commercial banks.

The study's findings include:

1. EPS, DPS, BVPS, and other financial indicators have a positive relationship with MVPS.
2. The pricing status analysis showed that SCB, NBL, EBL, BOK, NIBL, and MBL stocks were underpriced during the study period, as actual returns were significantly higher than the required rate of return. Conversely, HBL and SBI stocks were overpriced, as actual returns were lower than the required rate of return.
3. Stocks of SCB, HBL, EBL, BOK, NIBL, and MBL are defensive (beta coefficients less than 1), indicating they are less volatile compared to the market. In contrast, stocks of NBL and SBI are aggressive (beta greater than 1), indicating higher volatility compared to the market return.
4. Informational and other factors do affect the share price of Nepalese commercial banks.
5. Investors have limited awareness regarding the share price of Nepalese commercial banks.

Regmi (2012), asserted that a well-developed and supportive stock market is crucial for accelerating and sustaining strong economic growth in the country. The government needs to make significant efforts to ensure the efficient and competent operation of the stock market, as greater efficiency attracts more investors. This involves removing obstacles to stock market development, such as tax, legal, and regulatory barriers, which can deter investment. Additionally, the government should invest in and develop national infrastructure to create a conducive environment for business growth, increase productivity and efficiency, and enhance firms' rates of return. Implementing trade policies that promote international capital inflows and foreign investment will also boost the nation's production capacity. Strengthening the Nepal Stock Exchange's capacity to monitor and prevent market malpractice is necessary to protect shareholders' interests. Moreover, improving the trading

system to facilitate easier buying and selling of shares will ensure market liquidity. Stock market reform policies can further support the economy and act as a catalyst for economic growth.

Bohora (2014), conducted a study on the determinants of stock prices on the Nepal Stock Exchange using data from 2009/10 to 2013/14. The study aimed to:

1. Identify the primary factors influencing share price fluctuations of Nepalese commercial banks.
2. Examine and evaluate the relationship between MPS and various financial indicators such as EPS, BPS, and DPS.
3. Analyze market trends of MPS in relation to financial indicators.
4. Conduct an opinion survey of potential investors on various aspects of share behaviors in Nepal.

The study's findings are:

1. EPS, DPS, and BVPS are the main internal determinants of share prices for Nepalese commercial banks. Other factors include market information, AGMs, BOD elections, and the political situation.
2. While some sample banks show a negative correlation between DPS and MPS, most sample banks exhibit a positive correlation between MPS and financial indicators like EPS, BVPS, and DPS.
3. Market trends indicate a positive relationship between MPS and financial indicators like EPS and BVPS, but a negative correlation between MPS and DPS.
4. Most investors consider themselves informed, but Nepalese investors generally lack proper knowledge about the share market.
5. Many investors are either unaware of the laws or believe that imperfect policies cause problems in the share market.
6. Investors perceive an increase in EPS as a sign of better organizational performance, which boosts share demand and, consequently, share prices. Most investors believe that higher EPS leads to higher share prices.
7. Dividend patterns significantly influence share price movements, with higher DPS leading to higher share prices. Most investors analyze a company's dividend pattern before investing.

The asset and capital structure of a company plays a moderate role in share price movement, with potential investors prioritizing EPS and DPS analysis over assets and capital structure.

Bhatta (2015), conducted a study on "Dividend Decision and Its Impact on Stock Valuation," revealing several key findings:

1. Despite stockholders not experiencing satisfactory returns, share prices are increasing due to high future expectations.
2. Rational investors perceive stable dividends as significantly influencing stock valuation, with a positive relationship observed between cash dividends and share valuation.
3. Among ten companies studied, five showed a positive correlation coefficient between cash dividends and share valuation.
4. Market prices often exceed the actual net worth of shares, sometimes by two or three times, indicating inadequate investor knowledge in share valuation.
5. The stock market in Nepal is in infant stage and has not significantly contributed to the national economy. Its small size makes it susceptible to be exploited and price rigging.
6. Low turnover and minimal value-traded ratios coupled with high concentration ratios indicate a highly illiquid and risky stock market in Nepal.
7. Investors are deterred from the stock market due to their inability to align investments with their risk-return preferences.

Gurung (2016), conduct a study on factors influencing share prices in Nepalese commercial banks listed on NEPSE using data from 2011/12 to 2015/16. The study aimed to:

1. Investigate the impact of major financial indicators and their relationship with MVPS.
2. Determine whether the stocks of sampled banks were overpriced, underpriced, or at equilibrium.
3. Analyze the influence of informational and other factors on share prices in Nepalese commercial banks.
4. Assess investor awareness regarding share prices in Nepalese commercial banks.

Key findings of the study include:

1. Major financial indicators showed a positive correlation with MVPS across the sampled banks.

2. The stocks of sampled banks were found to be underpriced.
3. Informational and other factors were identified as influencing share prices in Nepalese commercial banks.
4. The study highlighted that investors have limited awareness regarding share prices in Nepalese commercial banks.

Bhandari (2017) examined the factors influencing stock prices on the Nepal Stock Exchange by studying 11 sample organizations using a range of financial and statistical methods. The study revealed that individually, DPS, BPS, and EPS do not consistently correlate with the market price of shares across the listed companies. Pricing dynamics vary from company to company. However, when considered together, EPS, BVPS, and DPS collectively have a significant impact on share prices, suggesting the presence of other major factors influencing share prices significantly.

2.3 Research Gap

Previous studies and research on the factors affecting stock prices of commercial banks listed on the NEPSE have been reviewed. It was observed that none of the previous studies have analyzed these specific sample banks and datasets. This study uses data from three commercial banks out of which two are join venture with other international banks. Earlier theses mainly focused on the market trends of MPS with other financial indicators, whereas this study examines internal factors that significantly influence the market price of commercial banks.

Moreover, this research explores the relationship and impact of market price on financial indicators such as EPS, DY, P/E Ratio, and BVPS of the firms. Previous studies primarily looked at qualitative factors affecting stock prices, while this research emphasizes quantitative factors. The researcher utilized secondary data to analyze stock price movements and behaviors, aiming to uncover subjective insights and address existing gaps in the literature.

CHAPTER-III
RESEARCH METHODOLOGY

This chapter covers the comprehensive research methods ranging from theoretical foundations to data collection and analysis. It emphasizes the application of techniques and procedures to analyze pertinent variables and establish fundamental relationships between key topics. Both financial and statistical tools have been employed to achieve the primary objectives. The chapter includes details on research design, population and sample selection, sources of data collection, data collection methods, data processing, and tools and techniques used for data analysis.

3.1 Research Design

A research design serves as a blueprint guiding the researcher through their investigation and analysis. It provides an overall plan or framework for data analysis. This research aims to analyze the internal factors of commercial banks and their effect on stock prices. In line with the study's objective, a descriptive and causal-comparative research design is employed. Therefore, secondary data is utilized to achieve the study's objectives.

3.2 Population and Sample

For this study all 19 commercial banks including three governments owned commercial banks operating in the Nepal are the total population. Due to the limited time and resources factors too, it is not possible to study all of them, so sampling has been done. To fulfill objective of the study, Among the 19 commercial banks, only 3 commercial banks (that represents 15.78%) are selected for the purpose of the study, similarly the convenient sampling method is used for selection of sample banks. The selected Banks are Nepal SBI Bank Ltd., Himalayan Bank Ltd., Global IME Bank ltd.

Table 3.1: Banks selected for the Study:

S. N	Name	Period
1	Nepal SBI Bank Ltd.	2013/14 to 2022/23
2	Himalayan Bank Ltd.	2013/14 to 2022/23
3	Global IME Bank ltd.	2013/14 to 2022/23

In conclusion,

Population size = 19 commercial Banks

Sample size = 3 commercial Banks, 10 years' data.

Sample percentage = 15.78%

3.3 Sources of Data

This research study primarily relies on secondary data obtained from three commercial banks in Nepal spanning the period from 2013/14 to 2022/23. These data are used to examine the impact of internal factors on the share prices of commercial banks. The secondary data were sourced from various outlets, including:

1. Annual reports published by the selected commercial banks.
2. Financial reports (Audited Balance Sheet and Statement of Profit and Loss Account along with Auditors Report) published by the Nepal Stock Exchange.
3. Information available on http://www.nepalstock.com.
4. Economic reports published by Nepal Rastra Bank.
5. Annual reports of SEBON (Securities Board of Nepal).
6. Newspapers, journals, magazines, and other relevant publications.

3.4 Data Collection/Processing Procedure

Due to the diverse nature of the data, the methods for collecting secondary data also vary accordingly. These secondary data are gathered from published sources such as books, reports, journals, websites, online libraries, NEPSE, SEBON, and other relevant platforms. This approach enables drawing conclusions based on the available data, supported by a range of statistical and financial tools.

3.5 Data Analysis Tools

The data gathered from various sources will be systematically recorded, focusing only on relevant and useful information that aligns with the research objectives. This data will be organized according to the specific requirements of the study. It will be presented in tables, graphs, and charts as appropriate forms of visualization. The researcher utilized specific financial and statistical tools to analyze the data, which are detailed in this study.

3.5.1 Financial Tools

Some financial tools have also used in this research work. The major financial tools used in this study are:

1. Market Price of Share (MPS)

In simple terms, the market price per share is the trading price of a share in the market, influenced by supply and demand forces. It is a key financial indicator that shows the current value of a stock. However, relying only on the market price of common stock is not sufficient. Generally, a higher earnings per share (EPS) is associated with a higher market price per share, and the opposite is true as well. Furthermore, the market price per share inversely correlates with dividend yield and directly correlates with the price-earnings (P/E) ratio.

Another metric for comparison is the book value per share (BVPS). If the market price per share exceeds BVPS, it suggests overvaluation, whereas if it is lower than BVPS, it suggests undervaluation of the stock. The calculation of market price per share involves dividing the total market capitalization by the total number of shares outstanding, represented symbolically as:

$$\text{MPS} = \frac{\text{Total Market Capitalization}}{\text{No. of Share Outstanding}}$$

2. Earnings Per Share (EPS)

Earnings per share (EPS) reflects the portion of a company's profit attributed to each outstanding share of common stock. It shows the amount earned per share in rupees and measures the return for each equity shareholder. EPS is used to gauge the profitability of shareholders' investments. A higher EPS indicates greater profitability due to efficient fund utilization by banks, whereas a lower EPS suggests lesser profitability.

EPS is calculated to assess a bank's earning capacity and to compare it with its market price. It is determined by dividing the earnings available to common shareholders by the total number of outstanding common shares of the bank. Symbolically, it is expressed as:

$$\text{EPS} = \frac{\text{Total Earnings available to common shareholders}}{\text{No. of Shares Outstanding}}$$

3. Dividend Yield (DY)

Dividend yield represents the annual amount that a company pays to its shareholders relative to the current market price of its stock. Expressed as a percentage, it indicates the attractiveness of investing in a company's stocks, particularly for investors focused on income rather than capital gains or long-term earnings growth.

Dividend yield is calculated by dividing the current dividend per share by the current market value per share. It serves as a measure of return for investors in relation to the stock's current market price. Unlike dividend per share (DPS), which is simply the amount distributed per share to stockholders, dividend yield takes into account the market price per share, providing insight into the actual return for shareholders, especially those who purchased shares at prices higher than the book value.

Symbolically, dividend yield (DY) is calculated as:

$$\text{DY} = \frac{\text{Dividend Per Share}}{\text{Market Price Per Share}}$$

4. Price Earnings Ratio (P/E Ratio)

The Price-Earnings ratio (P/E ratio) of a stock is calculated by dividing its market price per share by its earnings per share (EPS). This metric reflects how the stock is perceived by other investors and compares the market value to its earnings performance.

The P/E ratio indicates the degree to which each share's earnings are reflected in its market price. It serves as a gauge to determine whether a company's stock is perceived as fairly valued, undervalued, or overvalued in the market. Generally, a high P/E ratio suggests that investors anticipate higher earnings growth in the future compared to stocks with lower P/E ratios.

Investors typically drive up the P/E ratio of a company if they expect its earnings to increase, prompting them to purchase shares. This increased demand often leads to an appreciation in the stock's market price.

Symbolically, the Price-Earnings ratio (P/E ratio) is represented as:

$$\text{Price Earnings Ratio} = \frac{\text{Market Price Per Share}}{\text{Earnings Per Share}}$$

1. Book Value per Share (BVPS)

Over time, a company earns income, a portion of which is distributed to creditors as interest and to shareholders as dividends. The remaining income is added to cumulative retained earnings and other entries like "Common Stocks" and "Capital Contributed in excess of par value" under stockholders' equity. This cumulative value is referred to as the book value of equity.

"Book Value of Equity = Cumulative Retained Earnings + Capital Contributed in Excess of Par + Common Stock "

The book value per share is obtained by dividing the book value of the equity by the numbers of shares outstanding.

3.5.2 Statistical Tools

Statistical tools refer to methods or instruments used to analyze data gathered from various sources. In the field of statistics, there exists a variety of tools designed to analyze data of different types. In this study, the researcher utilized the following statistical tools to analyze the collected data.

1. Mean ($\overline{X}$)

One of the most recognized and extensively utilized measures of central tendency is the arithmetic mean, often referred to simply as the mean. It is computed as the sum of all values in a dataset divided by the number of values. The mean is applicable to any set of numerical data, ensuring its universal applicability. Symbolically, the mean can be expressed as:

$$\text{Mean } \overline{X} = \frac{\sum X}{n}$$

$\overline{X}$ = Arithmetic mean

ΣX = Sum of all the values of the variable X

N= Number of observations

2. Standard Deviation (σ)

The standard deviation (σ) provides an absolute measure of dispersion. It is calculated as the positive square root of the mean of the squared differences between each value and the arithmetic mean of the dataset. A larger standard deviation indicates greater variability in the data, while a smaller standard deviation suggests a higher level of consistency or precision. Symbolically, the standard deviation is represented as:

$$S.D(\sigma) = \sqrt{\frac{1}{n}\sum\left(X - \overline{X}\right)^2}$$

Where,

σ = Standard deviations

n= number of observations

$\overline{X}$ = Arithmetic mean

3. Coefficient of Variance (C.V.)

The coefficient of variation (C.V.) is a relative measure of dispersion, calculated by expressing the standard deviation as a percentage of the mean. It serves to compare variabilities across two or more distributions and is independent of the units used in the data. A higher C.V. indicates greater variability, while a lower C.V. signifies lower variability. Mathematically, the coefficient of variation is expressed as:

Coefficient of Variance $(C.V.) = \frac{\sigma}{\overline{x}} \times 100$

Where,

CV= Coefficient of variance

σ = Standard deviations

$\overline{X}$ = Arithmetic mean

4. Bivariate Correlation Analysis

Bivariate correlation analysis is employed to evaluate the connection between two variables. The Pearson correlation coefficient (r) quantifies the strength and direction of this relationship. The coefficient r ranges from -1 (perfect negative linear relationship) through 0 (no relationship) to +1 (perfect positive linear relationship). A positive coefficient signifies a direct relationship, where an increase in one variable corresponds with an increase in the other. A coefficient of zero indicates no relationship between the variables. Conversely, a

negative coefficient signifies an inverse relationship, where an increase in one variable correlates with a decrease in the other. Mathematically, this relationship is expressed as:

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

Where,

n = no of pairs

x, y = two variables.

CHAPTER- IV
DATA PRESENTATION AND ANALYSIS

This chapter focuses on presenting, analyzing, and interpreting data according to the research methodology outlined in the third chapter. It serves as the core of the study. The secondary data, initially collected in raw form, are systematically organized and analyzed using various appropriate tools and techniques. These data, gathered from different sources, are presented in a comprehensible manner and analyzed separately using quantitative measures when appropriate.

4.1 Analysis of Financial Variables

Under this topic different financial indicators have been presented and analyzed. This analysis includes MPS itself and its various determinants:

i. Market Price of Share (MPS)
ii. Earnings per Share (EPS)
iii. Dividend Yield (DY)
iv. Price Earnings Ratio (P/E Ratio)
v. Book Value Per share (BVPS)

4.1.1 Market Price per Share (MPS)

Another crucial technique is to summarize and analyze the overall market price per share of Nepalese commercial banks annually. The annual market price for each sampled bank is represented by the closing price on the respective year-end date. Tabular and graphical methods are employed to present and analyze this data effectively.

Table 4.1 Analysis of Yearly Market Price per Share (MPS in RS)

Banks	MPS										Mean	S. D	C.V%
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23			
NSBI	565	635	850	1280	887	1875	925	499	469	435	872.78	464.31	53.20
HBL	575	635	700	941	813	1500	886	551	552	540	769.30	295.71	38.44
GIBL	209	160	432	640	479	515	388	290	295	239	382.00	150.82	39.48

(Sources: Appendix A:1,2,3)

From Table 4.1, we observe the descriptive statistics—mean, standard deviation, CV, and annual Market Price per Share (MPS)—for selected commercial banks over a ten-year period. The table indicates that the average MPS of NSBI during this study period is Rs. 872.78, with a range from Rs. 435 to Rs. 1875, reflecting an overall fluctuating trend. The standard deviation of NSBI's MPS is 464.31, and the CV is 53.20%.

For HBL, the MPS ranges from Rs. 551 to Rs. 1500, with an average of Rs. 769.30, a standard deviation of 295.71, and a CV of 38.44%. GIBL's average MPS is Rs. 382, ranging from Rs. 160 to Rs. 640, with a standard deviation of Rs. 150.82 and a CV of 39.48%.

It is evident that while NSBI has the highest average price, it also exhibits the highest total risk, indicated by the highest standard deviation. Additionally, NSBI has the highest CV, signifying the greatest variation in MPS.

4.1.2 Earning per Share (EPS)

Earnings per share (EPS) represent the portion of a company's earnings allocated to each outstanding share of common stock. It reflects the rupee amount earned per share, indicating the return for each equity shareholder. EPS is used to assess the profitability of shareholders' investments. Essentially, it shows the profitability of banks on a per share basis. Higher EPS signifies better profitability, demonstrating how effectively banks are utilizing their funds. The EPS of selected commercial banks can be illustrated in the following table and graph:

Table 4.2 Analysis of Earning per Share (EPS in RS)

	EPS												
Banks	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Mean	S.D	C.V%
NSBI	24.85	22.93	32.75	34.83	34.84	36.78	33.46	25.16	27.13	17.23	29.00	6.44	22.21
HBL	44.66	39.94	34.19	33.1	33.37	43.03	35.15	23.11	32.44	27.6	34.66	6.59	19.01
GIBL	14.06	11.79	16.15	19.57	15.58	19.33	25.51	23.64	26.46	17.99	19.01	4.91	25.85

(Sources: Appendix A:1,2,3)

Table 4.2 displays the earnings per share (EPS) of three listed commercial banks for the period from 2013/14 to 2022/23. It shows that NSBI's EPS ranges from Rs. 17.23 to Rs. 36.78, with an average of Rs. 29. The standard deviation is 6.44, and the coefficient of variation (CV) is 22.21%, indicating fluctuations in the company's EPS. HBL's average EPS during the study period is Rs. 34.66, with a range from Rs. 23.11 to Rs. 44.66, a standard deviation of 6.59, and a CV of 19.01%. Similarly, GIBL's EPS ranges from Rs. 14.06 to Rs. 26.46, with an average of Rs. 19.01, a standard deviation of 4.91, and a CV of 25.85%.

4.1.3 Dividend Yield (DY)

Dividend yield is the annual amount a company pays to its shareholders for their investment, expressed as a percentage. It indicates the attractiveness of a company's stock as an investment. Dividend yield is considered a return on investment (ROI) for those who prioritize income over capital gains or long-term earnings. It is calculated by dividing the current dividend per share by the current market value per share. The dividend yield of selected commercial banks can be shown in the following table and graph:

Table 4.3 Analysis of Dividend Yield (DY in %)

	DY												
Banks	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Mean	S.D	C.V%
NSBI	3.1	2.76	2.35	1.72	3.2	1.57	1.77	3.16	3.59	2.18	2.54	0.72	28.32
HBL	6.41	4.48	2.14	2.24	5.18	2.1	2.97	2.87	3.99	3.7	3.61	1.43	39.73
GIBL	3.19	1.88	3.47	3.91	4.8	3.11	5.15	5.52	8.64	6.69	4.64	1.98	42.67

(Sources: Appendix A:1,2,3)

Table 4.3 presents descriptive statistics—mean, standard deviation, CV, and annual dividend yield (DY) percentages—of selected commercial banks over a ten-year period. NSBI's dividend yield ranges from 1.57% to 3.59%, with an average of 2.54%, a standard deviation of 0.72%, and a CV of 28.32%. HBL's average DY during this period is 3.61%, with a range

from 2.10% to 6.41%, a standard deviation of 1.43%, and a CV of 39.73%. GIBL's DY ranges from 1.88% to 6.69%, with an average of 4.64%, a standard deviation of 1.98%, and a CV of 42.67%. GIBL has the highest average DY, as well as the highest standard deviation and CV, during the study period.

4.1.4 Price Earnings Ratio (P/E Ratio)

The Price Earnings (P/E) ratio of a stock is calculated by dividing the market price by its EPS. This ratio reflects how investors perceive the stock. It compares the market value to its earnings per share, indicating the extent to which each share's earnings are supported by its price. The P/E ratio helps determine if a company's share price is fairly valued, undervalued, or overvalued. Generally, a high P/E suggests that investors expect higher future earnings growth compared to companies with a lower P/E. The P/E ratios of selected commercial banks can be displayed in the following table and graph:

Table 4.4 Analysis of Price Earnings Ratio (P/E ratio in Times)

	P/E Ratio												
Banks	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Mean	S.D	C.V%
NSBI	22.73	27.69	25.95	36.75	25.7	50.98	27.64	19.83	17.29	25.24	27.98	9.61	34.34
HBL	12.88	16.35	20.47	28.43	24.2	34.86	25.21	23.84	17.02	19.57	22.29	6.43	28.88
GIBL	14.86	13.57	26.75	32.7	30.7	26.64	15.21	12.27	12.48	13.29	19.85	8.29	41.75

(Sources: Appendix A:1,2,3)

Table 4.4 presents descriptive statistics—mean, standard deviation, CV, and the Price Earnings (P/E) ratio—for selected commercial banks over a ten-year period. NSBI's P/E ratio ranges from 17.29 to 50.98, with an average of 27.98. The standard deviation is 9.61, and the CV is 34.34. HBL's average P/E ratio during this period is 22.29, ranging from 12.88 to 34.86, with a standard deviation of 6.43 and a CV of 28.88. Similarly, GIBL's P/E ratio ranges from 12.27 to 30.74, with an average of 19.85, a standard deviation of 8.29, and a CV of 41.75.

4.1.5 Book Value Per Share (BVPS)

BVPS is a key financial metric that represents the value of a bank. Book Value of Equity Per Share (BVPS) is derived by dividing the number of equity to common shareholders by the number of outstanding shares, this represents the minimum value of a company's equity. Preferred stock is subtracted from shareholders' equity to determine the equity available to

common shareholders, as preferred stockholders have a higher claim on assets and earnings. Shareholders' equity, the owners' residual claim after debts have been paid, equals total assets minus total liabilities, which is the net asset value or book value of a company.

In this study, the BVPS of selected commercial banks is tabulated and presented in the following table and graph:

Table 4.5 Analysis of BVPS

	BVPS												
Banks	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	Mean	S.D	C.V%
NSBI	153.51	152.7	161.3	171.2	184.6	184.87	152.2	159.08	167.5	165.06	165.19	12.11	7.33
HBL	199.77	193	192	210	208.8	196.12	180.31	189.91	174.2	187.73	193.19	11.28	5.84
GIBL	113.86	112.7	127.2	123.1	118.8	112	117.98	121.21	124.1	135.42	120.64	7.25	6.01

(Sources: Appendix A:1,2,3)

Table 4.5 presents descriptive statistics—mean, standard deviation, CV, and BVPS—of selected commercial banks over a ten-year period. NSBI's BVPS ranges from 161.26 to 184.87, with an average of 165.19. The standard deviation is 12.11, and the CV is 7.33. HBL's average BVPS during this period is 193.19, ranging from 174.2 to 210, with a standard deviation of 11.28 and a CV of 5.84. Similarly, GIBL's BVPS ranges from 112 to 135.42, with an average of 120.64, a standard deviation of 7.25, and a CV of 6.01.

4.2 Presentation of Statistical Variables

Statistical tools are mathematical techniques utilized for the analysis and interpretation of performance. They describe relationships between variables and interpret the results. Therefore, this analysis includes calculating and interpreting correlation coefficients between the following financial variables.

4.2.1 Bivariate Correlations

This is used to assess the relationship between two variables, one is MPS and other are its determinants. Taking mean value as numbers representing all years the bivariate correlation analysis results have been presented in Table 4.6.

Table 4.6 Bivariate correlation analysis vis a vis MPS

Determinants	*Correlation Coefficient*	*Remarks*
MPS	1	-
EPS	0.84375	Highly Positive Relationship
DY	(0.94499)	Highly Negative Relationship
PE Ratio	0.853009	Highly positive Relationship
BVPS	0.828708	Highly Positive Relationship

(Source: Appendix-B:1,2,3,4)

The strongest correlation observed is 0.853009 between market price of shares and price earnings ratio. Market price of shares shows a positive relationship with earnings per share, price earnings ratio, and book value per share, but a negative relationship with dividend yield. This indicates that higher earnings per share, price earnings ratio, and BVPS correspond to higher market price per share.

Conversely, the negative correlation (-0.94499) between market price of shares and dividend yield suggests that a higher dividend yield results in a lower market price per share.

Factors wise elaboration of relationship are pointed out bellows.

a) The correlation coefficient between Market Price per Share (MPS) and Earnings per Share (EPS) is 0.84375, indicating a strong positive relationship. This suggests that as EPS increases, the market share price also tends to increase proportionally.
b) The correlation coefficient between MPS and Dividend Yield (D.Y) is -0.94499, indicating a strong negative correlation. This means that as the company's dividend yield increases, there is a corresponding decrease in the demand for its shares, resulting in a lower share price.
c) The correlation coefficient between Market Price per Share and Price/Earnings (P/E) ratio is 0.853009, indicating a strong positive relationship. This shows that there is a significant positive correlation between the market share price and the price earnings ratios of the bank. The P/E ratio, calculated by dividing EPS by the market price, reinforces this positive relationship.

d) The correlation coefficient between MPS and Book Value per Share (BVPS) is 0.828708, indicating a positive relationship. This means that BVPS has a positive impact on the market share price of the company. A correlation coefficient of 0.828708 suggests a strong positive correlation, though not perfect.

4.3. Major Findings:

I. According to analysis of market price per share, NSBI has the highest average share price of Rs. 872.78, while GIBL has the lowest at Rs. 382.

II. Regarding EPS analysis, NSBI and GIBL show positive and consistent average EPS figures, whereas HBL exhibits the highest average EPS and GIBL the lowest.

III. In terms of dividend yield analysis, all commercial banks have dividend yields ranging from 0% to 10%. GIBL shows the highest fluctuation in dividend yield, whereas NSBI demonstrates the lowest fluctuation during the study period.

IV. In P/E ratio analysis, NSBI has the highest average ratio of 27.98, indicating that for every unit increase in earnings, the share price increases by Rs. 27.98. Conversely, GIBL has the lowest average P/E ratio of 19.85.

V. Analyzing BVPS, HBL boasts the highest average book value per share at Rs. 193.19, calculated by dividing the company's net worth by its outstanding shares. GIBL has the lowest average BVPS at Rs. 120.64.

VI. According to bivariate correlation analysis, the market price per share (MPS) of sampled banks correlates positively with earnings per share (EPS), P/E ratio, and BVPS. This indicates that increases in EPS, P/E ratio, and BVPS lead to higher MPS for these banks, and vice versa. Conversely, MPS correlates negatively with dividend yield (DY), suggesting that a decrease in DY results in higher MPS, and vice versa.

CHAPTER V
SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter serves as the final section of the research study, encompassing a comprehensive review and synthesis of all previously discussed chapters. It consists primarily of two sections: conclusion and recommendations.

In the conclusion section, a summary of each of the four chapters—Introduction, Literature Review, Research Methodology, and Data Analysis—is provided. Conclusions are drawn based on the analysis conducted, comparing theoretical aspects with empirical findings to ascertain practical relevance.

The conclusion section addresses the alignment between theory and practice. Based on these conclusions, the recommendation section proposes various measures aimed at enhancing the current interest rate structure within the relevant organizations.

5.1 Summary

The primary goal of this study is to investigate the relationship between internal factors and the share prices of banks, particularly their impact on stock prices in the context of Nepalese commercial banks. The specific objectives are: (1) to analyze the market price per share of commercial banks, (2) to examine the internal factors that influence the share prices of commercial banks, and (3) to evaluate the relationship between these internal factors and the market price of commercial banks.

Chapter two reviews the theoretical literature on securities markets and share prices, including various stock valuation models and theories of stock pricing. It also discusses international articles and theses related to factors influencing share prices in commercial banks, along with a critical review of major issues and identifying gaps for further study.

Chapter three details the research design, encompassing the target population, sample design, data collection procedures and instruments, and methods of data analysis and presentation. The study sampled three commercial banks (NSBI, HBL, GIBL) out of a total population of 19 using convenient sampling that met specific eligibility criteria. The research employed a descriptive and casual comparative research design to achieve its objectives.

Chapter four presents and discusses the empirical results of testing the factors influencing the share prices of commercial banks. Data analysis utilized appropriate financial, descriptive,

and analytical tools, with interpretations and comments provided where necessary. The chapter highlights the major findings of the study based on the analysis conducted.

5.2 Conclusion

The importance of understanding the factors that influence the share prices of commercial banks has grown, especially within the banking sector where identifying these factors is of great interest. Nepalese investors frequently trade commercial bank shares, making them popular investment options. This study specifically examined how earnings per share (EPS), dividend yield (DY), price earnings ratio (P/E ratio), and book value per share (BVPS) affect the share prices of commercial banks listed on the Nepal Stock Exchange Limited.

Analyzing data from 2013/14 to 2022/23, the study found that both EPS and the P/E ratio have a significant and positive correlation with share prices. Conversely, dividend yield and BVPS did not significantly explain stock price movements. This implies that increases in EPS and the P/E ratio lead to increases in share prices, while changes in dividend yield and BVPS do not reliably predict share price changes.

The study concludes that EPS and the P/E ratio are the main determinants of share prices for Nepalese commercial banks. These findings offer valuable insights for market participants, especially equity investors and fund managers, helping them consider these key factors when evaluating stock returns and predicting share prices in Nepal.

5.3 Implication and Recommendation

To achieve the objectives of this study, relevant data and concepts were gathered from various sources. These data were presented, analyzed, and interpreted, leading to the formulation of conclusions. Based on the analysis, interpretation, and conclusions drawn in this study, several recommendations are proposed. These recommendations aim to provide insights to relevant authorities, further researchers, academics, and bankers regarding the current conditions of the topics discussed.

Furthermore, this study suggests several implications and avenues for future research, as well as recommendations for government and other institutions:

1. This study focused on internal factors influencing the share prices of commercial banks listed on NEPSE. It is suggested that future research explore whether macro-economic variables and external factors also impact stock prices for firms listed on NEPSE.

2. Conducted within the context of Nepalese commercial banks and with a limited time period and sample size, this study suggests that future research could encompass a broader range of firms, potentially including international banks, and extend the time horizon for a more comprehensive analysis.
3. This output serves as a guide for potential investors in Nepal, encouraging them to consider the discussed factors before arriving any investment decisions. Conducting such studies is crucial in Nepal's economy, which presents numerous opportunities, aiding investors in making informed decisions.
4. Given the public's lack of awareness about shares and the stock market, there is a recommendation for an organized effort, possibly through a dedicated department within NEPSE or an independent organization. This entity could analyze, inform, and raise awareness among potential investors through seminars, advertisements, conferences, and various media channels.
5. The government is advised not only to formulate policies for capital market development but also to implement these policies in a timely and effective manner.
6. It is recommended that the stock exchange prioritize investor interests and adopt a market-oriented approach with robust operational management.
7. Listed companies should ensure timely and comprehensive disclosure of their financial statements to maintain transparency and build investor confidence.
8. Regulatory bodies should take proactive measures to prevent the spread of negative rumors that could potentially impact stock prices adversely.

These recommendations and implications aim to guide future research directions, inform policy-making, enhance investor awareness, and foster a more transparent and robust capital market environment in Nepal.

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APPENDIX

A: Performance Indicators of Respective Banks

(source: Annual Reports of respective banks)

1. Financial Indicators of Nepal SBI Bank Ltd.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
MPS (Rs)	565	635	850	1280	887	1875	925	499	469	435
EPS (Rs)	24.85	22.93	32.75	34.83	34.84	36.78	33.46	25.16	27.13	17.23
DY (%)	3.1	2.76	2.35	1.72	3.2	1.57	1.77	3.16	3.59	2.18
P/E Ratio (	22.73	27.69	25.95	36.75	25.73	50.98	27.64	19.83	17.29	25.24
BVPS (Rs.)	153.51	152.66	161.26	171.15	184.62	184.87	152.2	159.08	167.52	165.06

2. Financial Indicators of Himalayan Bank Ltd.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
MPS (Rs)	575	635	700	941	813	1500	886	551	552	540
EPS (Rs)	44.66	39.94	34.19	33.1	33.37	43.03	35.15	23.11	32.44	27.6
DY (%)	6.41	4.48	2.14	2.24	5.18	2.1	2.97	2.87	3.99	3.7
P/E Ratio (	12.88	16.35	20.47	28.43	24.22	34.86	25.21	23.84	17.02	19.57
BVPS (Rs.)	199.77	193	192.02	210	208.81	196.12	180.31	189.91	174.24	187.73

3. Financial Indicators of Global IME Bank Ltd.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
MPS (Rs)	209	160	432	640	479	515	388	290	295	239
EPS (Rs)	14.06	11.79	16.15	19.57	15.58	19.33	25.51	23.64	26.46	17.99
DY (%)	3.19	1.88	3.47	3.91	4.8	3.11	5.15	5.52	8.64	6.69
P/E Ratio (	14.86	13.57	26.75	32.7	30.74	26.64	15.21	12.27	12.48	13.29
BVPS (Rs.)	113.86	112.72	127.19	123.09	118.79	112	117.98	121.21	124.09	135.42

Appendix - B: Secondary data and its calculations

Calculation of Correlation Coefficients between: -

1. **Average MPS and Average EPS**

Banks	**MPS mean (Rs.)**	**EPS mean (Rs.)**	**XY**	**X^2**	**Y^2**
	(X)	**(Y)**			
NSBI	872.78	29	25310.6	761745	841
HBL	769.3	34.66	26663.9	591822	1201.32
GIBL	382	19.01	7261.82	145924	361.38
n = 3	∑X =	ΣY =	ΣXY =	ΣX^2 =	ΣY^2 =
Total	**2024.08**	**82.67**	**59236.4**	**1499491**	**2403.7**

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

= 0.8437

2. **Average MPS and Average DY**

Banks	**MPS mean (Rs.)**	**DY mean (Rs.)**	**XY**	**X^2**	**Y^2**
	(X)	**(Y)**			
NSBI	872.78	2.54	2216.86	761745	6.4516
HBL	769.3	3.61	2777.17	591822	13.0321
GIBL	382	4.64	1772.48	145924	21.5296
n = 5	∑X =	ΣY =	ΣXY =	ΣX^2 =	ΣY^2 =
Total	**2024.08**	**10.79**	**6766.51**	**1499491**	**41.0133**

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

= -0.94499

3. Average MPS and Average P/E Ratio

Banks	MPS mean (Rs.) (X)	P E Ratio mean (Rs.) (Y)	XY	X^2	Y^2
NSBI	872.78	27.98	24420.4	761745	782.88
HBL	769.3	22.29	17147.7	591822	496.844
GIBL	382	19.85	7582.7	145924	394.023
n = 5	∑X =	ΣY =	ΣXY =	ΣX^2 =	ΣY^2 =
Total	**2024.08**	**70.12**	**49150.8**	**1499491**	**1673.75**

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

= 0.853009

4. Average MPS and Average BVPS

Banks	MPS mean (Rs.) (X)	BVPS mean (Rs.) (Y)	XY	X^2	Y^2
NSBI	872.78	165.19	144174.528	761745	27287.7
HBL	769.3	193.19	148621.067	591822	37322.4
GIBL	382	120.64	46084.48	145924	14554
n = 5	∑X =	ΣY =	ΣXY =	ΣX^2 =	ΣY^2 =
Total	**2024.08**	**479.02**	**338880.075**	**1499491**	**79164.1**

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

= 0.828708

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CHAPTER- I INTRODUCTION 1.1 Background of the Study The

global financial crisis that began in late 2007 brought significant volatility and turbulence to the stock market. Prior to this crisis, investment trends were heavily focused on the stock market, with investors closely monitoring the fluctuations in share prices as a means of generating substantial returns. Shares were also a key source of financing for companies looking to expand and diversify. It is widely recognized

that investors are risk-averse, and the volatility of their investments