DETERMINANTS OF SHARE PRICE OF NEPALESE COMMERCIAL BANKS

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

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Determinants of Share Price of Nepalese Commercial Banks".** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

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

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Jun, 2024

Report of Research Committee

Mr. Sudip Rana Magar has defended research proposal entitled **"Determinants of Share Price of Nepalese Commercial Banks"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work and guidance of supervisor and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We have examined the dissertation entitled **"Determinants of Share Price of Nepalese Commercial Banks"** presented by Sudip Rana Magar for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Sudip Rana Magar

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ABBREVIATIONS

%	:	Percentage
&	:	And
CV	:	Coefficient of Variance
DPR	:	Dividend Payout Ratio
DPS	:	Dividend Per Share
DY	:	Dividend Yield
EPS	:	Earning per share
EPS	:	Earning Per Share
etc	:	Etcetera
FY	:	Fiscal year
GDP	:	Gross Domestic Product
i.e	:	That is
INF	:	Inflaction
Ltd	:	Limited
MPS	:	Market Price per Share
NABIL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
P/E Ratio	:	Price Earning Ratio
PER	:	Price Earnings Ratio
r	:	Correlation coefficient
Rs.	:	Rupees
S.D	:	Standard Deviation

ABSTRACT

This study is conducted to analyze the Determinants of Share Price of Nepalese Commercial Banks. The study variables used in this study are earnings per share (EPS), dividend per share (DPS), price earnings ratio (PER) and book value per share (BVPS), Inflaction (INF), Gross Domestic Product (GDP) and Market Price per Share (MPS). To analyze the data a combination of descriptive research design and casual comparative research design has been used in this study. This study considered only five commercial banks Nabil Bank Limited (NABIL), Himalayan Bank Limited (HBL), Nepal SBI Bank Limited (NSBI), Global IME Bank Limited (GBL), NMB Bank Limited (NMB) as sample banks. This study is totally based on secondary data which are collected from the annual reports of sample banks from year 2013/14 to 2022/23 covering recent ten year's data.

The relationship of market price per share of commercial banks in Nepal taking the independent variables banks in this study conclude that that market price per share is positively correlated with earnings per share, dividend per share, book value per share and price earnings ratio of the banks while relationship between inflation and MPS is -0.727 showing high degree of negative correlation and the relationship between MPS and GDP is 0.495 showing less degree of positive correlation in the banks. The effect of earnings per share, dividend per share, price earnings ratio and book value per share, Inflaction, Gross Domestic Product and Market Price per Share using the multiple regression analysis in this study. Conclude that earnings per share, dividend per share, price earnings ratio and book value per share, Inflaction, Gross Domestic Product are the major factors affecting the market price per share of the banks. On the other hand, it is concluded that, The study cannot conclude that any single factor plays a more vital role to fix the price of share of Nepalese commercial banks. All the factors have significance in the price determination of share context to determinants of share price of nepalese commercial banks .

Key words : *EPS, DPS, PER, BVPS, Inflaction, Gross Domestic Product, Market Price per Share.*

CHAPTER-I
INTRODUCTION

1.1 Background of study

The purchase of equity shares is one of the significant investments that have the ability to provide investors with significant returns (Almumani, 2020). It provides funding for businesses' capital needs as well. However, returns on these equity investments could differ based on how well the specific stock performs and how the stock price moves. Although supply and demand factors may cause stock prices to fluctuate, no perfect or infallible method exists to predict the precise movement of stock prices (Al-Shubiri, 2023). There are three primary categories of factors that influence the supply and demand of stock prices: technical factors, fundamental factors, and market attitudes. Nonetheless, understanding these variables and how they may affect share prices is quite valuable since it would empower businesses to increase their market value and assist investors in making informed investment choices (Shiller, 2022).

The securities market is, to put it simply, a marketplace for the purchase and sale of financial products. Financial instruments can take several forms, such as ordinary shares, preference shares, corporate bonds, government bonds, or debentures (Ramzan, 2013). Regarding the securities market, it is a crucial component of the capital market. It is a broad phrase that includes all organizations and agencies that support the purchase, sale, and resale of corporate securities in addition to buyers and sellers. While there are few places where the securities market is concerned, it is more about the mechanisms than the pace at which stocks are exchanged. A method for connecting buyers and sellers of financial assets to enable trading is what this securities market is. The securities market should be capable of pricing shares based only on economic factors using publicly available data in order to allocate capital more effectively and maintain a better level of liquidity in securities (Sharpe & Alexender, 2022).

The Securities Market can be categorized based on the duration till the traded securities mature, for example. The capital and money markets. The money market is where short-term securities are traded, and the capital market is where long-term securities are traded. Capital markets are where stocks, bonds, and debentures are traded. These securities contribute to the nation's economic development by funding industrial projects. Securities markets can be categorized according to their economic role, for example. marketplaces that are primary and secondary. The market that unites excess and deficit savings units in order to finance

productive activities is known as a primary market. Primary markets are where securities are first sold, while secondary markets are where they are then traded after that. Investors can diversify their holdings of assets outside domestic investments thanks to both of these markets (Johns, 2023)

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The stock market offers investors the crucial characteristics of liquidity, marketability, and investment safety. Sustainable economic growth is facilitated by a well-managed capital market that offers investors long-term funding in return for financial assets. Because of this, every government works to expand and strengthen the capital market by enacting different laws and regulations. The media has focused mostly on the stock market because it is the area where people can get wealthy quickly, and public interest in the stock market has been rising (Ghimire & Mishra, 2018).

Nepal's securities market is relatively new. The first commercial bank in Nepal, Nepal Bank Limited, and the nation's first industrial organization, Biratagnar Jute Mill Limited, floated shares in 1973 A.D., marking the beginning of the securities market's history. The Company Act-1951 was then introduced in 1951 A.D., and government bonds were issued in 1964 A.D. for the initial instance. In 1976 A.D., the Securities Exchange Center Ltd. was founded. with the intention of encouraging and aiding in the expansion of the capital markets. Back then, brokering, underwriting, managing public issues, market making for government bonds, and other financial services were only performed by these capital market intuitions throughout the nation (Dhaka, 2023).

With the goal of giving the government and corporative securities free marketability and liquidity, the security exchange center was transformed into the Nepal Stock Exchange

(NEPSE) in 1993 A.D. by enabling transactions on its own trading floor through market intermediaries, such as brokers and market 3 makers. Under the Security Exchange Act of 1983, Nepal Stock Exchange is a non-profit corporation. The trading floor of NEPSE was inaugurated on January 13, 1994 A.D. It is legal for members of the Nepal Stock Exchange (NEPSE) to serve as middlemen in the purchase and sale of listed business securities and government bonds. According to the Securities Exchange Act of 1983 A.D., regulations, and legislation, there are currently 23 brokers and 2 market makers operating on the trading floor (Dhakal, 2023).

The benchmark index used to gauge the performance of all listed companies is the NEPSE index. The stock market index is typically used to measure a nation's economic health. An increase in the stock index is typically interpreted favorably since it shows investors have faith in the economy's prospects. A decline in the stock index is interpreted negatively since it shows that investors have low expectations for the state of the economy going forward. Several macroeconomic and microeconomic factors in the economy cause the index to grow and fall. Any element that affects a company's cash flows or discount rate will have an effect on the stock market's share price. Dhakal (2023).

The rule of supply and demand in the market generally determines the price of a share (Tarver, 2019). However, other qualitative and quantitative factors also have a role in determining the stock price. The company's earnings per share, dividend payout ratio, book value per share, cash flow per share, size of the business, NRB policy, monetary policy, fiscal policy, corporate governance, interest rate, political climate, Gross Domestic Product, news, rumors, and numerous other factors are the main factors that affect share price. Understanding these variables and how they might affect share prices is very valuable since it would empower businesses to increase their market value and assist investors in making informed investment decisions. Shiller (1985) discovered that because of the irrational investors in the market, stock values are not stable and move significantly in response to news concerning fundamentals, such as dividends and bonuses. Thus, knowing how different fundamental factors affect stock price is quite beneficial to investors as it will enable them to make wise investment choices.

The majority of investors in the current market make investments in both ordinary and preferred stocks. From a business perspective, common stock refers to ownership shares and is a crucial component of any company's capital structure. Equally share represents ownership interest in the corporation is another name for it. Another type of security is a

preference share, which exhibits unique behavior that is examined using several theoretical frameworks.

There are two different theories about securities, particularly stocks. There are two theories: efficient market theory and conventional theory. The stock price was studied by both theories. There are two categories of theories within conventional theory: technical analysis and fundamental analysis. Demand and supply can be measured with the use of technical analysis. The majority of anomalies are used by technical analysis to extrapolate information about potential future price movements from previous data. The formula and principal are referred to in fundamental theory. Technical analysts claim that the idealist portion of research is fundamental analysis. Both strategies assist investors in making decisions about their investments, which is a key factor in determining price. Efficient market theories speak of the best price for a stock in a competitive market (Acharya, 2022).

In the context of Nepal, the current study examines an attempt to understand the factors influencing commercial banks' share prices using data from financial statements. focuses on an analysis of the elements and characteristics that affect share price performance as well. Therefore, this study's primary goals are to examine the variables that impact share price and the relationship between firm-specific factors and the market price per share of Nepalese commercial banks. It specifically looks at the connections between book value per share, market price per share, earnings ratio, dividend per share, and price per share.

1.2 Problem statement

An essential component of every nation's economy, the success of the stock market serves as a reliable gauge of overall economic health. The significance of stock markets is demonstrated by the fact that stock market indices are now used to gauge a nation's economic health. Numerous hypotheses have been developed to explain how the stock market operates as a result of the market's growing significance (Gupta et al., 2008).

Concerns about the factors influencing share prices are still present in the capital market, particularly in emerging nations (Jeroh & Okoro, 2015). Negah (2008) claimed that there hasn't been much research done on what influences share prices in developing capital markets. According to Sutton (2001), non-accounting information continues to play a major role in determining share price, even if investors do employ accounting information in some investing choices.

According to empirical data, the most important factors influencing share prices are non-

accounting information (inflation, interest rates, political unrest, government policies, and so forth) (Udegbunam & Eriki, 2001; Ologunde, et.al, 2006; Terfa, 2010; Malaolu, Ogbuabor ad Orji, 2013). Conversely, other research indicates that the primary factors influencing share prices in the capital market are accounting data, such as earnings per share, book value per share, dividends per share, net assets per share, dividend cover, return on equity, earnings yield, and so forth (Pirie and Smith, 2003; Mondal & Imran, 2010; Malik, Qureshi & Azeem 2012; and Ejuvbekpokpo & Edesiri, 2014). Several research on the factor influencing share prices in the capital have been inconclusive due to these conflicting viewpoints.

It is crucial to remember that the market, not a single individual, determines stock prices. Stock prices are ultimately influenced by investor moods, attitudes, and expectations. Individuals only purchase stocks if they believe that the prices will increase and they will profit from the transaction. In a same vein, when they believe that stock values will drop in the future, they sell them to minimize their losses. Hence, a few factors that contribute to an increase in stock prices are insider trading, new rules and regulations, firm buyouts, increased profitability, new goods, mergers and acquisitions, and the loss of competitors. Comparably, a few factors that drop stock prices include decreased earnings, institutional selling, negative news, bankruptcy, recession, competitive profit, management changes, and legal actions. Furthermore, a few other factors that affect stock prices are economic data, geopolitical developments, market mood, and central bank statements (Bhandari, 2015).

In essence, supply and demand dictate stock price (Evan, 2019). Research by Mondal and Imran (2020) revealed that sharer price is not much affected by stock price declines. Commercial banks have a significant influence on share price. However, the stock price is also influenced by a wide range of other qualitative and quantitative variables. It is difficult to pinpoint the precise elements that affect stock price volatility. The NEPSE overall index is largely derived from the shares of commercial banks, and the share prices of these banks have a significant impact on the overall index. The financial sector makes up the majority of the sector-wise contribution to the total traded volume in NEPSE. All prospective investors appear to view the shares of the publicly traded commercial banks that were registered with NEPSE as the foundation for their investment.

Few investors in the Nepali stock market are aware of the factor influencing share price. It indicates that although a majority of investors tend to invest in a firm without conducting a thorough financial research, they are generally unaware of the company's financial performance. It results in an odd relationship between the share's market price and financial

indicators such as book value per share, dividend per share, price earnings ratio, and earnings per share. Within this framework, this research will attempt to pinpoint the factors that influence stock price and determine the degree of correlation between those factors. The current study is being conducted in order to provide answers to the following research questions.

i. What are the main determinants of Nepalese commercial banks' stock price positions?
ii. Are the share prices of Nepalese commercial banks and their earnings per share, dividends per share, book value per share, price-earnings ratio, gross domestic production, and inflation related in any way?
iii. How do the company's gross domestic product, inflation, earnings per share, book value per share, P/E ratio, dividend per share, and P/E ratio affect the stock price?

1.3 Objective of the study

In order to provide a better understanding of stock price, the purpose of this study is to determine the elements that influence stock price and their relationship. Additionally, it is suggested that this study achieve the following goals:

i. to evaluate the state of Nepalese commercial banks' share prices.
ii. to investigate the connection between Nepalese commercial banks' share price, GDP, book value, dividends, price-earnings ratio, earnings per share, and inflation.
iii. to examine the effects on share price of earnings per share, dividends per share, book value per share, P/E ratio, gross domestic product, and inflation.

1.4 Rationale of the study

On the securities listed in NEPSE, a few studies have been conducted. The majority of research done on the capital market to date has focused on risk and return, capital structure analysis, deposit mobilization, dividend policy, and financial performance assessment, among other topics. Nevertheless, no research has yet been conducted on the fundamental viewpoint of the factors influencing share price. In order to achieve their own and organizational goals, investors, planners, researchers, students, and policy makers will find great value in the current study. The goal of this study is to establish a relationship between the market price per share of Nepalese commercial banks and key financial metrics such as book value per share, dividend per share, earnings per share, and price earnings ratio. The purpose of the relationship is to illustrate the position of Nepalese commercial banks in regard to the factors that influence share price. Potential investors may find these findings

useful in helping them make better investing decisions. Similarly, the position of share price in the share industry is discussed in this thesis. Furthermore, it is useful to compare the various financial indicators of the industry average with respect to particular banks. It is anticipated that the managers of the various banks will find this information useful. And other researchers in the future who are interested in this field of my research will use my research.

1.5 Limitations of the study

The secondary data sources used in this study are primarily audited bank annual reports. Furthermore, the survey did not encompass all financial institutions; rather, it was restricted to specific banks. However, the study solely uses level banks as its sample. The following lists the study's further limitations:

i. Only the commercial banking industry is included in the analysis. Therefore, the conclusions and findings could not apply to other industries or areas of NEPSE-listed businesses.
ii. The analysis of stock price determinants has only included data spanning the last ten years.
iii. The study may not produce an accurate conclusion because it is based on secondary data that was gathered from historical trading data.
iv. Other internal variables, such as earnings dividend per share, P/E ratio, earning per share, book value per share, gross domestic product, and inflation, are not the subject of this study; instead, it only focuses on a limited number of internal variables that have an impact on the banks' MPS.

CHAPTER-II
LITERATURE REVIEW

This chapter is structured as follows: a theoretical review, an empirical review, and a defined research gap based on the findings.

2.1 Theoretical review

Exciting profit opportunities are offered by shares. They have grown incredibly popular as an investment option among the general investing public because of this. Share price behavior is a fairly complex topic, though. This is so because investments in shares are typically riskier than those in fixed returns. The following section discusses the main theoretical works on share price.

Efficient Market Hypothesis

The efficient market hypothesis, promoted by Fama (2005), postulated that prices will always accurately reflect all available information about individual stocks as well as the stock market as a whole. This is due to the fact that fresh information breaks quickly and is instantly factored into securities pricing. Because no one has access to information that is not available to the entire market, the EMH states that no player in the market has an advantage when it comes to predicting swings in stock prices. Some investors have a tendency to think that they can use technical analysis, which looks at historical stock prices to predict future prices, or fundamental analysis, which examines financial data like company earnings, dividend payouts, asset values, and so on, to choose stocks that will outperform the market. According to Malkiel and Fama (2010), these analyses allow investors to make returns that are higher than what they could get from holding a randomly chosen portfolio of individual equities with similar risk.

But according to the Efficient Market Hypothesis (EMH), when investors purchase and sell securities, they are really playing a game of chance rather than skill. Consequently, it is hard to outperform the market because prices often take into account and represent all pertinent information found in the market. The EMH considers the quality and speed of information dissemination among innovators in addition to its type and source. This makes it easier to challenge the kinds of data that are accessible and included into stock pricing. Fama (2005) states that there are three possible levels of EMH:

Weak form of the EMH

The weak form depicts the scenario in which a stock price change in an unpredictable manner. The swings in the price of stocks today are unrelated to those in the past. This indicates that the present stock prices already take into account all of the information found in previous trading volumes, stock prices, and return rates. As a result, historical stock and market data are useless for forecasting future price movements. However, because stock price movements are unpredictable, it is impossible to identify mispriced stocks or generate above-average returns by analyzing historical price movements.

As a result, adopting knowledge that other competitors in the market already possess cannot benefit one. Since technical analysis cannot be used to foresee and beat a market, investors and analysts cannot use it to predict future price movement by creating charts of past stock prices and trade volume.

Semi-strong form of the EMH

According to the semi-strong form of the Efficient Market Hypothesis (EMH), all publicly available information is reflected in the present stock prices, in addition to prior price movement (Fama, 2005). Data included in a company's financial accounts, announcements of earnings and dividends, plans for stated mergers, the financial standing of the company's rivals, predictions about macroeconomic variables, and other information are examples of public information. After then, the market will swiftly assimilate this knowledge, which will become available at random intervals. Therefore, since the stock prices have already taken into account this new public information, investors who engage in fundamental analysis by carefully examining pertinent reports and announcements in an effort to consistently generate above-average returns would be let down.

Strong-form of the EMH

The strongest version of the Efficient Market Hypothesis (EMH) holds that all relevant information, whether private or public, is reflected in current stock prices (Fama, 2005). The stock would be reasonably valued in the stock market since the current price of the shares reflects its entire actual or intrinsic value. As a result, investors are unable to obtain exclusive access to data pertaining to stock prices.

According to the stronger version of the Efficient Market Hypothesis (EMH), it is impossible for anyone, not even business insiders, to consistently generate abnormal profits from inside information. This kind of information contains specifics of the company's primary strategies

and financial standing, as well as tactical choices the business takes that shareholders might not be aware of. According to the Efficient Market Hypothesis (EMH), investors purchase and sell securities based solely on chance rather than expertise. As a result, fluctuations in stock prices and volumes are inevitable as market participants react to varying degrees of knowledge. Investors in the NSE will therefore move in response to news that appears to reflect projected market performance, creating a new market equilibrium. This will result in a link between stock volatility and market volume trading that is either positive or negative.

2.2 Review of empirical studies

This section of the literature study is devoted to a detailed evaluation of significant earlier research on stock prices. Though many research have been conducted in both foreign and Nepalese contexts, just a small number are briefly described below.

From 2013–14 to 2017–18, Dhakal (2023) looked at the variables influencing the market share price of Nepalese commercial banks. Using practical sampling approaches, the bank's particular secondary panel balance was gathered from 12 sample commercial banks, and macroeconomic variable data was gathered from the Ministry of Finance, Nepal's published economic survey. As independent factors, the study examined the dividend payout ratio, dividend yield, price earnings ratio, bank size, gross domestic product growth rate, and inflation. Descriptive, correlational, and causal comparative research designs were used in the study. The model diagnosis test guided the analysis of the data using the pooled OLS and Fixed Effects Models. The results obtained from both models were nearly identical. The market share price and the dividend payout patio have a statistically significant negative correlation. Together with market share per price, the dividend yield and earnings per share were both statistically significant and favorable. The market share price did not take into account the size of the bank, the rate of inflation, or the growth rate of the GDP. In order to prevent a detrimental impact on the share price, the study advised the commercial bank's management to step up efforts to effectively handle bank-specific factors.

In order to ascertain the relationship between stock price and explanatory variables such as dividend per share, earnings per share, price earnings ratio, book value per share, and market to book value for the years 2012 to 2017, Ghimire and Mishra (2023) conducted research on the determinants of stock price in the Nepalese market. This study looks into the factors influencing the stock price using descriptive statistics and simple and multiple regression analysis. The results show that the variables market to book value and price earnings ratio are the main predictors of stock price that directly affect the stock price, using a sample size of 11

financial and nonfinancial enterprises in Nepal. Similarly, while earnings per share have the least impact on company price, dividends per share and book value per share both significantly boost price.

Between 2011 and 2020, Acharya (2022) looked into the variables that affect the share prices of commercial banks that are listed for public trading on the Nepalese stock exchange. The research findings indicate that there exists a statistically significant positive correlation between the share price and earnings per share, dividend payout ratio, dividend yield, and bank size. Nonetheless, there is a statistically significant inverse relationship between the share price and the price-to-earnings ratio. The main finding of the study is that the price-earnings ratio, dividend yield, and earnings per share are the factors that have the most influence on the share prices of commercial banks that are listed on the Neplease stock exchange.

Between 2011 and 2020, Darami et al. (2022) looked at the variables that affected the share price of commercial banks that are listed for public trading on Bursa Malaysia. The research findings indicate that there exists a statistically significant positive correlation between the share price and earnings per share, dividend payout ratio, dividend yield, and bank size. Nonetheless, there is a statistically significant inverse relationship between the share price and the price-to-earnings ratio. The main finding of the study is that the price-earnings ratio, earnings per share, and dividend yield are the factors that have the greatest influence on the share prices of commercial banks that are listed on the Malaysian stock exchange.

The factors influencing the share price of Nepalese commercial banks were investigated by Pradhan and Dahal (2022). The market price per share has been chosen as the dependent variable, while the firm-specific independent variables are profits per share, dividends per share, price earnings ratio, book value per share, return on assets, and size. Similarly, the money supply, inflation, and gross domestic product were selected as independent macroeconomic variables. To examine the effects of macroeconomic and firm-specific factors on the share price of Nepalese commercial banks, multiple regression models were estimated. Based on data from 14 banks listed on the NEPSE between 2002–2003 and 2013–2014, the findings indicate that, in the context of Nepali commercial banks, firm-specific factors such as earnings per share, dividends per share, price–earnings ratio, book value per share, return on assets, and size are the main determinants of stock price. Size is determined to be the most significant influencing factor on the share price among the variables. It implies that the stock price would increase with the size of the company. The gross domestic product is one of the

key macroeconomic factors that influences the share price of Nepalese commercial banks, along with inflation and the money supply.

Bhattarai (2021) investigated the variables influencing Nepalese commercial banks' market share pricing between 2013–14 and 2017–18. The researcher used practical sampling strategies to obtain the bank's unique secondary panel balance from 12 sample commercial banks and obtained macroeconomic variable data from the economic survey released by the Ministry of Finance, Nepal. The model diagnosis test guided the analysis of the data using the pooled OLS and Fixed Effects Models. The results obtained from both models were nearly identical. In relation to the market share price, the dividend payout ratio was statistically significant and exhibited a negative trend. Together with market share per price, the dividend yield and earnings per share were statistically significant and favorable. The study suggested that the management of the commercial bank should step up its efforts to efficiently manage the bank-specific factors in order to prevent the negative impact on the share price. The study did not include the bank's size, the rate of inflation, or the growth rate of the gross domestic product.

Dhakal (2020) investigated the factors that influenced the share prices of financial businesses that were listed between 2009 and 2018 on the Nepal Stock Exchange Limited. The findings showed that the size of the company, price-earnings ratios, and earnings per share all significantly positively correlate with share price. By contrast, there was a substantial inverse relationship observed between the share price and the dividend yield, debt ratio, and dividend payout ratio. The research findings indicate that the primary determinants of share price in Nepalese financial companies are the company's size, earnings per share, and price-earnings ratio.

Grossman (2020) looked into the issues brought up by investors' behavior. One such issue is why outside shareholders would allow themselves to be misinformed. Or, why did they invest if they were ignorant? However, the outcomes are not shocking when the context and return are considered. There was a reputation for inadequate information in this developing equities market. Investing meant taking on the danger that comes with ignorance. Nonetheless, investors received payment for taking this specific risk. Stated differently, the pricing was a reflection of both known and unknown information about the companies. By receiving a high return, which historically proved to be better than what they would have received on an apparently safer (or at least better known) alternative like railway bonds, shareholders can be said to have accepted the increased risk of not knowing about assets or earnings.

The report also raises questions about insiders' motivations, such as why they allowed the market to blatantly undervalue the stock they owned. However, there's also a logical explanation for this. According to the report, insiders thought that by keeping the public in general and the railroads in particular in the dark, they would be able to negotiate better terms for their enterprises when they entered into contracts with the railroads, which would eventually increase their profitability. Insiders also understood that they would be able to capture the value they knew was there if they liquidated their companies. Consequently, they would have lost out on some of that value if they had sold shares before to liquidation.

For the years 1993–1994 to 2008–2009, Sharma (2019) looked at the empirical relationship between equity share prices and explanatory variables like book value per share, dividend per share, earnings per share, price–earnings ratio, dividend yield, dividend payout, size in terms of sale, and net worth. The findings showed that, from 1993–1994 to 2008–2009, book value per share, earnings per share, and dividends per share all had a major effect on the market price of shares. Additionally, the study's findings showed that earnings per share and dividend per share were the two factors that most strongly influenced market price. For these reasons, the study's findings support a liberal dividend policy and advise businesses to pay dividends on a regular basis.

Research on share price determinants: the instance of listed corporations on the Johannesburg stock exchange was done by Tabot and Pbrijlal (2018). Using 14 firms listed between 2009 and 2013 on the Johannesburg stock exchange, this study looked into the factors that influence share prices. The results of a multiple regression study show that 57.8% of changes in share prices can be attributed to changes in dividend per share, earnings per share, and price-earnings ratio. Moreover, dividends per share did not significantly positively connect with share prices, although earnings per share and price did.

Research on the analysis of variables influencing share prices was done by Sharif et al. (2017) using the Bahrain Stock Exchange as a case study. The study examines a panel data set of 41 firms that were listed between 2006 and 2010 on the Bahrain Stock Exchange. Pooled ordinary least square regression with robust standard errors, fixed effects, and random effects models forms the basis of the estimate technique. In order to determine how eight company-specific factors—return on equity, book value per share, earnings per share, dividend yield, price earnings, debt to assets, and controlled by firm size—affect share prices in their respective markets, these factors have been examined. The findings show that while earnings per share and debt to assets are not significant determinants of share price in the Bahrain

market, return on equity, book value per share, dividend per share, dividend yield, price earnings, and firm size are.

Almumani (2016) determined the quantitative variables that affected the listed banks' share prices on the Amman Stock Exchange between 2005 and 2011. These variables—dividend payout ratio, market price, book value, earnings per share, and size—were taken into account in this study. Ratio analysis, correlation, and linear multiple regression models were used to assess the individual and combined effects of the explanatory variables on the dependent variables. The empirical findings demonstrated a positive association between the dependent variable (market price of share) and independent factors (dividend per share, earnings per share, size, price earnings ratio, and book value per share). The findings of the regression analysis demonstrated the substantial and positive correlations between market price of share and earnings per share, book value per share, price earnings ratio, and dividend per share.

Research on financial factors that significantly affect share market price was done by Haque et al. (2015). Using Reneta Pharmaceuticals Limited (RPL), Bangladesh, as a case study, the study aims to determine the factors that significantly affect share prices in the capital market in order to assist investors in choosing the best investment option. The study covers the years 2004 to 2011. Through the use of correlation coefficient, coefficient of determination, and student's "t" test to assess the given hypotheses, the study demonstrates that price earnings ratio, return on assets, and cash flow per share have a noteworthy influence on share price.

Srinivasan (2014) investigated the basic factors that influence Indian share prices. The research makes use of panel data that includes cross-sectional information about six key areas of the Indian economy: banking, energy, heavy and manufacturing, pharmaceuticals, IT and ITES, infrastructure, and pharmaceuticals. The annual time series data spans the years 2006–2011. To study the goal, both fixed effects and random effects models have been used. The empirical findings show that the share price of the manufacturing, pharmaceutical, energy, and infrastructure sectors is positively and significantly impacted by book value per share, price earnings ratio, and earnings per share, while the share price is negatively and significantly impacted by the dividend per share.

Using a linear multiple regression model, Almumani (2018) sought to determine the quantitative determinants influencing share prices for the listed banks on the Amman Stock Exchange between 2008 and 2015. The EPS and the MP of the Jordanian listed banks have a strong positive correlation. Additionally, there is a noteworthy correlation between banks BV and MP. An further empirical result of the regression analysis indicates that P/E and MP have

a positive correlation. There is an inverse link between S and MP, according to empirical results from the regression analysis on the relationship between SIZE and MP. Finally, MP is not significantly impacted by other variables (DPS and DP).

The Indian stock market's share price determinants were determined by Nirmala and Sanju (2013). The research focuses on three industries: public sector initiatives, the automotive industry, and the health care sector between 2000 and 2009. They used fully modified least squares, panel co-integration testing, and profitability to investigate the impact of leverage, price earnings ratio, dividends, and profitability on share prices. The empirical results demonstrated that, from 2000 to 2009, the share prices of all three sectors in the Indian stock market were positively impacted by price earnings ratio and dividend per share. Prices of 100 corporations in relation to the National Stock Exchange (NSE). For the years 2009 through 2014, a sample of 95 businesses was chosen, and a linear regression model was applied. The findings showed that while dividend yield has a substantial inverse relationship with the market price of the firm's stock, book value, earnings per share, and price-earnings ratio had a large positive link with the firm's stock price.

Al-Shubiri (2012) looked into what factors affected Jordanian commercial banks' market stock price fluctuations. The Amman Stock Exchange's commercial bank is included in the study, which Malhotra and Tandon (2013) conducted in an effort to identify the variables influencing the stock market between 2005 and 2008. The study looked into the factors that influence market stock price using both basic and multiple regression analysis. The empirical results demonstrate a negative significant association between loan interest and inflation and a significantly positive significant relationship between market price of stock and net asset value per share, market price of stock dividend percentage, and gross domestic product.

Sharma (2011) looked studied the empirical association between the prices of equity shares and explanatory variables for the years 1993–1994 to 2008–09, including book value per share, dividend per share, earning per share, price–earnings ratio, dividend yield, dividend payout, and size in terms of sale. The findings showed that the market price of a share is significantly influenced by earnings per share, dividends per share, and book value per share. Additionally, the study's findings showed that earnings per share and dividend per share were the two factors that most strongly influenced market price. For these reasons, the study's findings support a liberal dividend policy and advise businesses to pay dividends on a regular basis. With an emphasis on Pakistan, Khan & Amanullah (2012) used a linear multiple regression model to examine several factors influencing the share prices of the Karachi Stock

Exchange (KSE) 100 index. 34 businesses have been randomly chosen as a representative from the 34 KSE sectors. Data covering the period of 2000-2009 has been gathered for the companies in the sample. According to the study, share prices grow in response to increases in GDP, dividends, and the P/E ratio, but share prices are inversely correlated with the B/M ratio and interest rate.

Somoye et al. (2011) looked at the variables affecting stock prices in the Nigerian market from 2005 to 2007. The study examined the effects of earnings per share, GDP, interest rate, dividend per share, and oil price on stock price using a straightforward linear regression model. The empirical findings demonstrated that, over the years 2005 to 2007, the variables dividend per share, earnings per share, and gross domestic product had a positive association with stock prices, but they were not statistically significant predictors of share price in the Nigerian stock market.

Irfan and Nishat (2010) made an effort to explain how the six basic variables—dividend yield, payout ratio, company size, leverage, earnings volatility, and asset growth—affect price movements in Pakistan between 1981 and 2000. They have been tracking the price variations using a basic regression model. The empirical results showed that from 1981 to 2000, Pakistan's share price deviation was not significantly impacted by the main fundamental determinants.

The relationship between the explanatory variables—dividend per share, earnings per share, book value per share, yield, cover, and market price of share—was examined by Balkrishna (2009). The book value per share and dividend per share were shown to be the most important factors influencing market price in both the general engineering and cotton textile industries, according to research using a linear regression model to analyze the relationships between those variables. In the cotton textile business, yield has also been identified as a significant factor of stock price that is negatively correlated.

Using multiple linear regression models, Zahir and Khanna (2008) looked at the factors influencing the stock prices of 101 Indian businesses for the years 1976–1977 and 1977–1978. The research revealed that yield and dividend per share were important factors in determining share price. With the exception of 1977–1978, the book value coefficient was positive and highly significant during the share price. It seemed that the earnings-price multiplier had virtually little effect on share prices.

Table 1

Literature Review

Author(s)	Variables	Methodology	Major Findings
Dhakal (2023)	**Dependent Variable** Share price **Independent Variables** Earnings per share, dividend per share, price earnings ratio and book value per share.	Using the correlation coefficient and regression model.	The earnings per share, dividend per share and book value per share are positively significant with market price per share whereas there is negative significance between price earnings ratio and market price per share.
Ghimire and Mishra (2023)	**Dependent Variable** Share price **Independent Variables** dividend per share, earnings per share, price earnings ratio, book value per share, market to book value	Using simple and multiple regression analysis and descriptive statistics	The variables market to book value, price earnings ratio are the significant determinants of stock price which directly affect the stock price. Likewise, dividend per share and book value per share also have significant positive influence on stock price whereas earnings per share have minimum influence on the stock price.
Acharya (2022)	**Dependent Variable** Share price **Independent Variables** Price earnings ratio, interest	Five from commercial banks, data from 2011-2020, using correlation and regression method.	The study showed that the market price per share has a high degree of positive relationship with earnings per share in all sample banks and largely depends upon dividend per share.

	rate, retention ratio, cost of equity, market liquidity, change in management		
Darami et al. (2022)	**Dependent Variable** Share price **Independent Variable** Earnings per share, dividend payout ratio, dividend yield, and the size of the banks.	A sample of 95 companies was selected for the period 20011-2022 and linear regression model was used.	The earnings per share, dividend payout ratio, dividend yield, and the size of the banks all have a statistically significant positive relationship with the share price. However, the priceto-earnings ratio has a statistically significant inverse relationship with the share price. The study's key result is that the dividend yield, earnings per share, and price-earnings ratio are the most important elements in determining the share price of commercial banks listed on the Malaysian stock exchange.
Pradhan and Dahal (2022)	**Dependent Variable** Market price per share **Independent Variables** earnings per share, dividend per share, price earnings ratio, book value per share, return on	Multiple regression models were estimated to test the impact of firm specific and macroeconomic fact	Among the variables, size is found to be the most important determining variable that affects the share price. It means, larger the firm size, higher would be the stock price. Among the macro economic variables such as gross domestic product, inflation and money supply, gross domestic product is a major variable that affects the share price in Nepalese commercial banks.

	assets and size		
Bhattarai (2021)	**Dependent Variable** Share price **Independent Variables** Earnings per share, dividend per share, price earnings ratio and book value per share	Annual reports of the 9 sampled banks and analyzed using a regression model.	The earnings per share and price-earnings ratios have the significant positive association with share price while dividend yield showed the significant inverse association with share price. The major conclusion of the study is that dividend yield, earnings per share and price-earnings ratio are the most influencing factors in determining share price in Nepalese commercial banks.
Dhakal (2020)	**Dependent Variable** Market share price **Independent Variables** Earnings per share, book value , earnings per share and dividend per share	Over the data from 2006 to 2014 were taken the annual Reports of the sampled banks and analyzed using regression model.	The inadequate knowledge of the share market among Nepalese investors, the capital market of Nepal has not been well developed yet. The reason why commercial banks are only the attractive sectors to invest in the view of investors is that they are better managed and controlled that is why they are in profit and distribute a good rate of dividend.
Grossman (2020)	**Dependent Variable** Market share price **Independent Variables** Dividend yield,	Generalized least squares (GLS) techniques to estimate the Predictive regressions in	The internal factors, firm-specific factors such as dividend per share (DPS), earnings per share (EPS) and book value per share (BVPS), affect positively and have a significant impact on the stock price. It also suggest that

	Asset growth, and return on assets price earnings ratio and book value per share	simple and multiple models of panel data sets.	earnings per share, book value per share and dividend positively impact and determine stock prices.
Sharma (2019)	**Dependent Variable** Share price **Independent Variables** book value per share, dividend per share, earnings per share, price earnings ratio, dividend yield, dividend payout, size in terms of sale, and net worth	The researcher collected the bank's specific secondary panel balance from 12 sample commercial banks using convenient sampling techniques and data on macroeconomic variables through the economic survey.	Earnings per share, dividend per share, and book value per share has a significant impact on the market price of share for the period 2011/12 to 2021/22. Furthermore, results of the study indicated that dividend per share and earnings per share being the strongest determinants of market price, so the results of the study supports liberal dividend policy and suggests companies to pay regular dividends.
Tabot and Pbrijlal (2018)	**Dependent Variable** Share price **Independent Variables** Earnings per share, dividend per share, price earnings ratio and book value	The data were analyzed through the pooled OLS and Fixed Effects Models as directed by the model diagnosis test.	The dividend per share, earnings per share, and price-earnings ratio accounts for 57.8 percent of share prices movements. Furthermore, earnings per share and price earnings are significantly positively correlated to share prices although dividend per share was not.

	per share		
Sharif et al. (2017)	**Dependent Variable** Share price **Independent Variables** return on equity, book value per share, earnings per share, dividend per share, dividend yield, price earnings, debt to assets and controlled by firm size	Using a multiple regression analysis	The variables return on equity, book value per share, dividend per share, dividend yield, price earnings, and firm size are significant determinants of share prices and earnings per share and debt to assets are not significant determinants of share price in the Bahrain market.
Almumani (2016)	**Dependent Variable** Share price **Independent Variables** dividend per share, earnings per share, size, price earnings ratio, book value, dividend payout ratio and market price	Pooled ordinary least square regression with robust standard errors, fixed effects and random effects models	There was a positive correlation between independent variables (dividend per share, earnings per share, size, price earnings ratio, and book value per share) and dependent variable (market price of share). Regression results showed that earnings per share, book value per share, price earnings ratio and dividend per share have significant and positive relationships with market price of share.

Haque et al. (2015)	**Dependent Variable** Share price **Independent Variables** Earnings per share, dividend per share, price earnings ratio and book value per share	Ratio analysis, correlation and a linear multiple regression odels	The study reveals that cash flow per share, price earnings ratio and return on assets have significant impact on price of shares.
Srinivasan (2014)	**Dependent Variable** Share price **Independent Variables** Earnings per share, dividend per share, price earnings ratio and book value per share	Using correlation coefficient, coefficient of determination and testing the formulated hypotheses through student's 't' test	The dividend per share has a negative and significant impact on the share price and earnings per share, price earnings ratio and book value per share has positive and significant impact on share price of manufacturing, pharmaceutical, energy and infrastructure sectors.
Almumani (2014)	**Dependent Variable** Share price **Independent Variables** Earning per share and Book Value price earning per share, SIZE, Dividend per	Over the period 2005-2011 using a linear multiple regression model.	There is a significant positive relationship between EPS and the MP of the listed banks in Jordan. Moreover, moreover, there is a significant relationship between banks BV and MP. Another empirical finding from the regression analysis shows a positive relationship between P/E and MP. Empirical findings from the regression analysis on the

	share		relationship between SIZE and MP indicate that there is an inverse relationship between S and MP. Finally, other variables (DPS and DP) have insignificant impact on MP.
Nirmala and Sanju (2013)	**Dependent Variable** Share price **Independent Variables** Price earnings ratio and book value per share	Fixed effects model and random effects model. The study employs panel data consisting of annual time series data over the period 2008-2013.	dividend per share and price earnings ratio are influenced positively to share price of all three sectors in the Indian stock market over the period 2008-2013.
Malhotra and Tandon (2013)	Dependent Variable Share price Independent Variables book value, earning per share, net asset value per share, gross domestic product	A sample of 95 companies was selected for the period 2007-2012 and linear regression model was used.	The firms' book value, earning per share and price-earnings ratio are having a significant positive association with firm's stock price while dividend yield is having a significant inverse association with the market price of the firm's stock.
Al-Shubiri (2012)	**Dependent Variable** Share price **Independent Variables**	Used simple and multiple regression analysis to investigate.	Highly positive significant relationship between market price of stock and net asset value per share, market price of stock dividend percentage, gross

	net asset value per share, market price of stock dividend percentage, gross domestic product		domestic product and negative significant relationship on inflation and lending interest.
Sharma (2011)	**Dependent Variable** Share price **Independent Variables** dividend per share, earning per share, price earnings ratio, dividend yield, dividend payout, size in terms of sale, and net worth	100 index using Linear Multiple Regression model.	The earning per share, dividend per share, and book value per share has significant impact on the market price of share. Furthermore, results of the study indicated that dividend per share and earnings per share being the strongest determinants of market price, so the results of the study supports liberal dividend policy and suggests Companies to pay regular dividends.
Somoye et al. (2011)	**Dependent Variable** Share price **Independent Variables** earnings per share, gross domestic product, interest rate, dividend per share and oil price on equity	Simple linear regression model	The variable dividend per share, earnings per share and gross domestic product exerts a positive correlation to stock prices but are not significant determinants of share price in the Nigerian stock market for the period 2006-2010.

	price		
Irfan and Nishat (2010)	**Dependent Variable** Share price **Independent Variables** dividend yield, payout ratio, size of the firm, leverage, earnings volatility and asset growth	used a simple regression model to observe the price changes	The empirical findings revealed that prime key fundamental factors had no significant influence on the share price deviation in Pakistan during the period 2001-2010.
Balkrishna (2009)	**Dependent Variable** Share price **Independent Variables** dividend per share, earnings per share, book value per share, yield, cover and market price of share	Used a linear regression model to study the relation of those variables in general engineering and cotton textile industries.	The book value per share and dividend per share as most significant determinants of market price in both the industries. Yield also emerged as a significant determinant of stock price associated negatively in the cotton textile industry.
Zahir and Khanna (2008)	**Dependent Variable** Share price **Independent Variables** Earnings per share, dividend per share, price	Employing multiple linear regression models.	The dividend per share and yield emerged as a significant determinant of share price. The coefficient of book value was positive throughout the share price and highly significant except 1998-2007. The influence of earnings-price multiplier on

	earnings ratio and book value per share	share prices appeared to be very weak.

2.3 Research Gap

Only A-rated commercial banks provided samples to the researchers, which may help them anticipate vulnerable moments in the stock market. Additionally, the most productive way to assess the most influential element impacting the share price is via the lens of an investor. As a result, the researcher's main information sources are private investors.

Additionally, if variable analysis methods are used instead of statistical analysis tools, the study on financial institutions will yield the most suitable result. The majority of the research mentioned above analyze data using statistical and technological techniques including regression analysis, correlation coefficients, NEPSE trends, etc. Variable analysis, which is crucial for studying financial institutions, is not used in any of the research. To determine the sample banks' financial health, the researcher has used tools for variable analysis such as price earnings ratio and dividend distribution pattern. Thus, the goal of this study is to examine how price earnings ratio, book value per share, dividends per share, and earnings per share relate to each other and to factors that affect the stock's market price.

A number of qualitative and quantitative elements influence how share prices are formed. Numerous studies have shown that one of the key determinants of share price is earnings per share and dividends. However, aside from this, there are a lot of other factors that influence price formation, such as political unpredictability, information, lack of visionary policies, and other macroeconomic factors. These factors also play a significant role in price fluctuations and have a decisive impact on the formation of share prices, which researchers attempt to examine in this study.

CHAPTER-III
RESEARCH METHODOLOGY

Prior to beginning any task, it is not only vital but also crucial to plan out how it will be carried out. It is significant because, in addition to making our actions and performance easier, it also enables us to accomplish our goals and targets within the allotted time. In order to analyze profitability within the framework of Nepalese commercial banks, researchers must decide which systematic process they would employ. This chapter includes a discussion of the research methodology, which is used to assess data that has been gathered.

3.1 Research design

Examining the effects of earnings per share, dividends per share, book value per share, and other financial indicators on stock price per share is the primary goal of this study. The research design used for this study is casual and descriptive. Based on ten years of data from the fiscal years 2013/14 to 2022/23, several statistical methods have been utilized to analyze the facts, and descriptive techniques have been employed to identify the factors influencing the stock prices of commercial banks in NEPSE.

3.2 Population and sample

Although all commercial banks listed on the Nepal Stock Exchange are included in the population, only those listed on the NEPSE and engaged in share transactions are considered part of the study's population. Due to their convenience sampling approach, only five out of the twenty commercial banks are selected as the sample commercial banks. where three Nepalese private banks and two joint venture banks are chosen based on the date of creation. The population and sample are described in detail in the table below.

Table 2

Population and Sample

S.N.	Name of Bank	Symbol	Year of establishment
1	Nabil Bank Limited	NABIL	1984-07-12
2	Himalayan Bank Limited	HBL	1993-01-18
3	Nepal SBI Bank Limited	NSBI	1993-07-07
4	Global IME Bank Limited	GBL	2007-04-09
5	NMB Bank Limited	NMB	2008-10-18

Source: *NRB, List of banks and financial institutions, 2024*

3.3 Sources and nature of data

To ensure that the research yields accurate and truthful results, secondary data have been gathered. Every feasible and valuable piece of information has been gathered. Secondary data is used to identify the factors that influence the share price in order to illustrate the relationships between the various variables, such as market price per share - earnings per share, market price per share -book value per share, market price per share dividend per share, and market price per share -price earnings ratio. Secondary sources provide the secondary data that are gathered. Information from books, journals, and articles relevant to the study, as well as annual reports and websites of banks, serve as secondary sources of data.

3.4 Data collection techniques

The study uses secondary data as its foundation. Secondary data refers to information that has already been gathered and is easily accessible from other sources. The primary sources from which these secondary data are gathered are yearly reports, newspapers, journals, the internet, and other sources. Secondary data are gathered from websites of different banks as well as from publications published by relevant Nepal Rastra Bank agencies.

3.5 Data processing

Without being organized and presented in a methodical manner, the data so acquired are meaningless. They also require simplification in order to be analyzed. Meaningful tables have been filled up with pertinent data. Strict documentation of processing procedures is necessary to guarantee the accuracy and usefulness of the data. Unnecessary data has

been removed from the tabular form and only the information that is pertinent to the study has been presented in an understandable manner. Using a variety of statistical tools, an attempt is made to infer the conclusion from the available data. Computer programs like Excel and SPSS have been used to calculate statistical values such as mean, standard deviation, coefficient of variance, correlation, and regression.

3.6 Data analysis tools

Only when the right tools and methodologies are applied to the analysis of secondary data gathered from diverse sources does the result make sense. The data in this study have been analyzed using a variety of statistical methods. Regression analysis, standard deviation, coefficient of variation, correlation coefficient, and average/arithmetic mean are the statistical methods used.

3.6.1Analysis of financial variables

Earnings per share

The amount of a company's profit allotted to each outstanding share of stock is known as earnings per share, or EPS. The profitability of a business is shown by its earnings per share. Better profitability is shown by a company's higher earnings per share. On the other hand, data sources occasionally use the number of shares outstanding at the conclusion of the period to simplify the calculation. Market players regularly utilize this tool to assess a company's profitability before purchasing its shares. I did the following calculation:

$$\text{Earnings per share (EPS)} = \frac{\text{Net Income} - \text{Preferred Diviends}}{\text{End} - \text{Of} - \text{Periods Common Share Outstanding}}$$

Dividend per share

The total of a company's declared dividends for each outstanding common share is known as dividend per share, or DPS. The entire dividends paid out by a company, including interim dividends, divided by the total number of outstanding ordinary shares issued is known as dividend per share, or DPS. This is the easiest number for an investor to use when figuring out how much they will get paid in dividends over time from holding stock. A company's management may think that earnings growth may be sustained if the DPS is increasing over time. The calculation is as follows:

$$\text{Dividend per Shares (DPS)} = \frac{\text{Total Dividend paid}}{\text{No. of Share Outstanding}}$$

Market price per share

The most recent price of a single share of a publicly listed company is indicated by the market price per share. The market price changes during the course of the trading day. The dynamics of supply and demand affect it. The market price of a stock will increase when more individuals attempt to purchase it than sell it. The market price of a stock will decrease when there are more attempts to sell than to buy. Market prices are driven up and down by supply and demand factors. When the bid price and ask price coincide, a market price is established. The seller offers the ask price at which they are willing to sell, and the buyer offers the bid price at which they are willing to buy.

Price earnings ratio

The ratio used to compare a company's current share price to its earnings per share (EPS) is called the price-to-earnings ratio, or P/E ratio. Price-to-earnings ratios are almost typically referred to as price multiples or earnings multiples. P/E ratios are used to calculate the stock of a company's relative value. It can also be used to assess composite markets against each other or over time in relation to the company's own historical performance. The following formula and equation are employed in this method:

$$\text{P/E Ratio} = \frac{\text{Market price per share}}{\text{Earning per share}}$$

Book value per share

An equation known as the book value per share (BVPS) compares the total equity held by investors to the total number of outstanding shares. Stated differently, BVPS calculates the total assets less the total liabilities of a corporation on a per share basis. Stock value can be determined in part by looking at book value per share. You would first determine the book value and then divide it by the total number of common shares to get the book value per share. Additionally, you need to deduct the preferred shareholders' equity because you are dealing with common shares. If not, book value per share would be inaccurate and misleading. The following formula and equation are employed in this method:

$$\text{Book Value per Share (BVPS)} = \frac{\text{Total shareholder Equity} - \text{Preferred Equity}}{\text{Total outstanding Share}}$$

3.5.1 Descriptive statistics

The study also made use of a few statistical methods. The tools listed below are used in descriptive statistics to examine the relationship between two variables.

The arithmetic average

The mean is the value that symbolizes the set of values and shows how concentrated the values are in the middle of the distribution. The most representative point of the data is given to us by an average. It depicts the features of the whole data represented. The arithmetic mean of the whole data set is the value that falls between the two extreme observations. It is a messenger for the homogeneous bulk of info. By adding up each item and dividing the result by the total number of items, the AM's value can be found.

Most people with even a basic understanding of math and finance can compute the arithmetic mean because it is an easy calculation to make. It's a helpful indicator of central tendency as well because it typically yields insightful findings, even for big sets of data.

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

Where,

$\bar{X}$ = Mean

$\sum x$ = Sum of variables

N = Number of values

Standard deviation (σ)

Investors can find the ideal stock by using the standard deviation of the stock, which is a useful tool. While some investors choose to take a more hazardous approach, others prefer to avoid taking any risks at all. They are guided in the correct path by the standard deviation.

The absolute dispersion is measured by the standard deviation. The magnitude of the values' departures from their mean will increase with increasing standard deviation. A small standard deviation indicates both strong observational uniformity and series

homogeneity, and vice versa.

Mathematically,

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

Coefficient of variation

One relative indicator of risk is the coefficient of variation, or CV. Risk per unit of return is calculated by dividing the standard deviation by the expected return. CV is a better statistical technique to compare variability between two or more series. In terms of math,

$$\text{C.V.} = \frac{S}{\bar{X}} \times 100$$

3.6.3 Correlation analysis

Correlation coefficient (r)

The finest mathematical technique for identifying, quantifying, and expressing a relationship of a quantitative type is the correlation coefficient. A positive correlation is one where the values of the variables are directly proportionate. Conversely, when the variables' values exhibit inverse proportionality, the correlation is considered negative; yet, the correlation coefficient consistently stays within the range of +1 to -1. Karl Pearson defined the simple correlation coefficient as follows: where r(x, y) denotes the correlation between two variables (X and Y, for example).

$$r = \frac{\sum (X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum (X - \bar{X})^2 \sqrt{(Y - \bar{Y})^2}}}$$

When, r = +1, there is perfect positive correlation.

r = -1, there is perfect negative correlation.

r = 0, there is no correlation.

r lies between 0.7 to 0.999 (or -0.7 to -0.999) there is high degree of positive or negative correlation.

r lies between 0.5 and 0.699, there is a moderate degree of correlation.

r is less than 0.5, there is low degree of correlation.

3.6.4 Regression analysis

The statistical method known as regression analysis is used to forecast an unknown variable's value based on the known value of any other variable. The one whose value is known is known as the independent variable, and the one whose value needs to be estimated is known as the dependent variable. It is employed to ascertain whether or not the provided independent variable has an impact on the dependent variable. The market price per share is the dependent variable in this study, whereas the independent variables are book value per share, earnings per share, dividend per share, and price earnings ratio. The decline

The Regression Model

Model for this study has been made as follows:

$$MPS = \beta_0 + \beta_1 EPS + \beta_2 DPS + \beta_3 P/E + \beta_4 BVPS + \beta_5 GDP + \beta_6 INF$$

Where,

MPS	=	Market price per share
β_0	=	Intercept
β_1	=	Coefficient of EPS
EPS	=	Earnings per share
β_2	=	Coefficient of DPS
DPS	=	Dividend per share
β_3	=	Coefficient of P/E Ratio
P/E Ratio	=	Price earnings ratio
β_4	=	Coefficient of BVPS
BVPS	=	Book value per share
B_5	=	Coefficient of GDP
GDP	=	Gross domestic production
B_6	=	Coefficient of INF
INF	=	Inflation

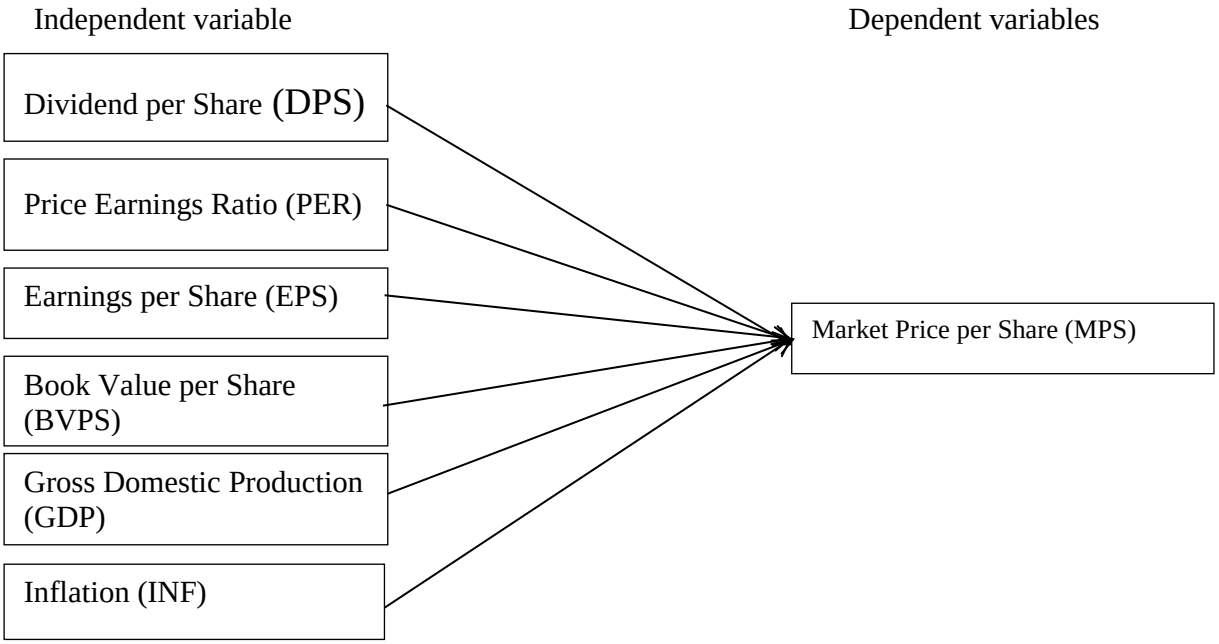
2.7 Conceptual framework

Researchers operationalize a conceptual framework, or set of variables, to accomplish a predetermined goal. A conceptual framework shows the relationship between the variables under investigation. The literature assessment of previous research on the subject is the foundation for developing the conceptual framework. In both quantitative

and qualitative research, conceptual frameworks can be thought of as maps for comprehending the connections between or among the variables (Mugenda, 2003). The conceptual framework created to examine how these independent variables affected Nepalese commercial banks listed on NEPSE's market price per share. Each arrow pointing to the dependent variable (the effect) should originate from the independent variable (the cause) to show a causal relationship.

Figure 1

Conceptual framework



Source: *Nirmala et al., (2011*, Somoye et al. (2011)

The market price per share is considered the dependent variable in this study, whereas the independent variables are book value per share, earnings per share, dividend per share, and price earnings ratio.

3.7.1 Variable specification and measurement

The bank's performance is examined through the use of variable analysis. Financial data is used to calculate and analyze various factors in order to determine a bank's strengths and weaknesses for investments as well as to support statistical analysis. Two different kinds of variables are used in this study: independent and dependent variables.

Independent variables

Earnings per share (EP)

It is the percentage of earnings allotted to each outstanding share of stock in a corporation. The profitability of a business is shown by its earnings per share. Better profitability is shown by a company's higher earnings per share. On the other hand, data sources occasionally use the number of shares outstanding at the conclusion of the period to simplify the calculation. Market players regularly utilize this tool to assess a company's profitability before purchasing its shares.

Dividend per share (DPS)

It is the total of all declared dividends paid out by a business for each outstanding common share. The entire dividends paid out by a company, including interim dividends, divided by the total number of outstanding ordinary shares issued is the dividend per share. This is the easiest number for an investor to use when figuring out how much they will get paid in dividends over time from holding stock. A company's management may think that earnings growth may be sustained if the DPS is increasing over time.

Price earnings ratio (PER)

It is the ratio used to calculate how much the present share price of a firm is worth in relation to its earnings per share (EPS). The price-to-earnings ratio is almost generally referred to as the earnings multiple or the price multiple. P/E ratios are used to calculate the stock of a company's relative value. It can also be used to assess composite markets against each other or over time in relation to the company's own historical performance.

Book value per share (BVPS)

An equation known as the book value per share (BVPS) compares the total equity held by investors to the total number of outstanding shares. Stated differently, BVPS calculates the total assets less the total liabilities of a corporation on a per share basis. Stock value can be determined in part by looking at book value per share. You would first determine the book value and then divide it by the total number of common shares to get the book value per share. Additionally, you need to deduct the preferred shareholders' equity because you are dealing with common shares. If not, book value per share would be inaccurate and misleading.

Goss domestic production (GDP)

The monetary value of final goods and services—those purchased by the end user—produced in a nation within a specific time frame, such as a quarter or a year, is measured by gross domestic output. It includes all output produced inside a nation's boundaries. GDP is made up of both market-driven products and services as well as certain non-market production, such government-supplied goods and services for defense and education. A different idea known as gross national product, or GNP, totals the productivity of a nation's citizens.

Inflation (INF)

A general increase in the costs of goods and services within an economy is referred to as inflation. Each unit of currency may purchase fewer products and services as the general price level rises; as a result, inflation is associated with a decline in the purchasing power of money.

Dependent variables

Market price per share (MPS)

The most recent price of a single share of a publicly listed company is indicated by the market price per share. The market price changes during the course of the trading day. The dynamics of supply and demand affect it. The market price of a stock will increase when more individuals attempt to purchase it than sell it.

CHAPTER-IV
RESULTS AND DISCUSSION

The study tries to analyze specific variables of selected banks. It is true that there are different variables to measure financial performance of banks, but this study only analyzes market price per share, earnings per share, dividend per share, price earnings ratio and book value per share to examine the financial performance of selected Nepalese commercial banks. The analysis of major variables was discussed.

4.1 Financial Analysis

The financial tools are used to examine the strength and weakness of the bank in terms of financial health or financial performance. The following are the financial tools we used to analyze data:

4.1.1Dividend per Share

Dividend per share is one of the determinants that affect the market price per share. This determinant helps to analyze the financial performance of banks.

Table 3

Dividend per Share of Banks

Fiscal Year	GBL	NMB	HBL	NSBI	NABIL
2013/14	60.53	15.00	65.00	35.00	20.00
2014/15	62.00	21.05	65.00	40.00	22.00
2015/16	35.00	42.11	36.84	34.7	28.42
2016/17	70.00	31.58	45.00	41.00	29.53
2014/15	33.00	26.32	48.00	40.00	16.34
2018/19	20.00	15.79	34.00	40.00	15.79
2019/20	25.00	22.00	34.00	19.00	16.84
2020/21	22.45	18.46	28.79	25.45	19.42
2021/22	30.01	21.80	32.45	20.84	20.84
2022/23	43.71	32.51	31.05	22.91	33.71
Mean	40.17	24.66	42.01	31.89	22.29
SD	18.03	8.53	13.51	8.87	6.18
CV	44.88	34.60	32.16	27.82	27.71

Source: *Appendix I*

Table 3 depicts that NABIL bank has minimum average dividend per share and HBL bank has maximum followed by GBL, NSBI and NMB respectively. The mean dividend per share

is in a fluctuating trend from fiscal year 2013/14 to 2022/23. Likewise, NABIL bank has the lowest value of standard deviation (6.18) and GBL has the highest value of standard deviation (18.03) which indicates that GIB has more fluctuation and NABIL bank has more stability in the dividend per share. The higher fluctuation of DPS in GBL suggests inconsistent performance of the bank and lower fluctuation of DPS in NABIL bank suggests consistent performance of the bank. The minimum CV DPS is NABIL i.e. 27.71 and maximum is GBL i.e. 44.88 suggest that NABIL has less variation whereas GBL has more variation.

4.1.2 Earning Per Share

Earnings per share are one of the determinants that affect the market price per share. This determinant helps to analyze the financial performance of banks. Higher earnings per share indicate greater value because investors will pay more for a company's shares if they think the company has higher profits relative to its share price. Earnings per share are one of the many indicators that could be used for the investment decision. Earnings per share are one of the many indicators that could be used to select stocks for investment. So, this determinant is carried as an independent variable for this study.

Table 4

Earning per share of banks

Fiscal Year	GBL	NMB	HBL	NSBI	NABIL
2013/14	11.28	14. 19	15.14	16.2	12.75
2014/15	16.04	13.10	13.68	10.7	14.83
2015/16	18.04	13.37	17.24	10.9	14.48
2016/17	20.33	19.03	20.27	19.3	16.78
2014/15	22.48	23.55	25.86	18.3	13.46
2018/19	27.78	20.11	19.51	15.7	15.16
2019/20	18.05	22.44	20.57	16.4	27.13
2020/21	16.58	18.46	22.36	20.15	19.24
2021/22	15.86	16.25	18.24	17.25	15.84
2022/23	12.2	17.45	17.25	14.94	18.26
Mean	17.86	18.20	19.01	15.98	16.79
SD	4.83	3.62	3.54	3.17	4.15
CV	27.05	19.88	18.61	19.84	24.73

Source: *Appendix I*

Table 4 depicts that NSBI bank has minimum average earnings per share and HBL bank has

maximum earnings per share followed by NIBL, NMB, and GBL bank respectively. The mean earnings per share are in fluctuation trend from fiscal year 2013/14 to 2022/23. NSBI bank has the lowest value of standard deviation (3.17) and GBL has the highest value of standard deviation (4.83) which indicates that GBL has more fluctuation and NSBI bank has more stable earnings per share. The higher fluctuation of earnings per share in GBL suggests inconsistent performance of the bank and lower fluctuation of EPS in NSBI bank suggests consistent performance of the bank. The minimum CV of earnings per share is HBL bank i.e.18.61 and maximum is GBL i.e. 27.05 suggest that HBL bank has less variation whereas GBL has more variation.

4.1.3 Market Price per Share

There are lots of determinants that affect the market price per share. For this study market price per share was carried as a dependent variable.

Table 5

Market Price per Share of Banks

Fiscal Year	GBL	NMB	HBL	NSBI	NABIL
2013/14	1591	700	1815	784	850
2014/15	2631	941	2535	960	1280
2015/16	2120	813	1910	704	887
2016/17	3385	1500	2344	1040	1875
2014/15	1353	886	1523	770	925
2018/19	663	551	921	621	499
2019/20	666	552	800	519	469
2020/21	812	410	763	507	524
2021/22	763	465	723	412	577
2022/23	605	360	546	376	484
Mean	1458.90	717.80	1388.00	669.30	837.00
SD	968.59	340.15	730.92	223.59	450.18
CV	66.39	47.39	52.66	33.41	53.78

Source: *Appendix I*

Table 5 depicts that NSBI bank has a minimum average market price per share and GBL has maximum followed by HB, NABIL and NMB respectively. The mean market price per share was in a fluctuation trend from fiscal year 2013/14 to 2022/23.

Likewise, NSBL bank has the lowest value of standard deviation (223.59) and GBL has the

highest value of standard deviation (968.59) which indicates that GBL has more fluctuation and NSBL bank has more stability in the market price per share. The higher fluctuation of market price per share in GBL suggests inconsistent performance of the bank and lower fluctuation of market price per share in NSBL bank suggests consistent performance of the bank. The minimum CV of market per share is NSBL bank i.e. 33.41 and maximum is GBL i.e. 66.39 suggest that NSBI bank has less variation whereas GBL has more variation.

4.1.4 Price Earnings Ratio

The Price Earnings Ratio (P/E Ratio) is the relationship between a company's stock price and earnings per share (EPS). It is a popular ratio that gives investors a better sense of the value of the company. The price earnings ratio shows the expectations of the market and is the price that must pay per unit of current earnings or future earnings. Price earnings ratio is one of the determinants that affect the market price per share. This determinant helps to analyze the financial performance of banks. Price earnings ratio is one of the many indicators that could be used to select stocks for investment. When a high or a low price earnings ratio is found, investor can quickly assess what kind of stock or company investors were dealing with. So, this determinant is carried as an independent variable for this study.

Table 6

Price Earnings Ratio of Banks

Fiscal Year	GBL	NMB	HBL	NSBI	NABIL
2013/14	17.32	20.47	19.08	16.97	25.95
2014/15	30.58	28.43	30.29	23.60	36.75
2015/16	27.17	24.36	33.37	22.80	25.73
2016/17	83.94	34.86	39.55	35.50	50.98
2014/15	41.66	26.40	25.44	26.30	27.64
2018/19	20.23	23.84	18.60	17.40	19.83
2019/20	17.50	17.02	16.79	19.60	17.29
2020/21	12.54	15.78	15.49	14.15	18.37
2021/22	20.03	16.42	14.27	13.80	15.43
2022/23	14.83	12.54	10.50	12.57	13.01
Mean	28.58	22.01	22.34	20.27	25.10
SD	21.29	6.84	9.42	7.02	11.48
CV	96.73	30.64	46.47	27.98	45.75

Source: *Appendix I*

Table 6 depicts that NSBI has minimum average price earnings ratio and GBL has maximum followed by NBIL, HBL and NMB respectively. The mean price earnings ratio was in a fluctuation trend from fiscal year 2013/15 to 2022/23. In teams of standard deviation, GBL has maximum i.e. 21.29 and NMB has minimum i.e. 6.84, which indicates that GBL has more fluctuation and NMB bank has more stability in the price earnings ratio. The higher fluctuation of P/E ratio in GBL suggests inconsistent performance of the bank and lower fluctuation of P/E ratio in NMB suggests consistent performance of the bank. NSBI has minimum CV price earnings ratio i.e. 27.98 and GBL has maximum i.e.96.73 suggest that NSBI has less variation whereas GBL has more variation.

4.1.5 Book Value per Share

Book value per share is one of the determinants that affect the market price per share. This determinant helps to analyze the financial performance of banks. Book value per share is one of the many indicators that could be used to select stocks for investment. So, this determinant is carried as an independent variable for this study.

Table 7

Book Value per Share of Banks

Fiscal Year	GBL	NMB	HBL	NSBI	NABIL
2013/14	291.53	192.02	275.00	169.00	161.26
2014/15	296.30	210.00	251.00	166.00	171.15
2015/16	335.60	208.81	259.00	155.00	186.49
2016/17	370.84	196.12	244.00	187.00	184.87
2014/15	290.02	189.91	270.00	176.00	152.20
2018/19	200.01	174.24	256.00	234.00	159.08
2019/20	218.58	187.73	258.05	199.00	167.52
2020/21	245.21	165.40	241.25	233.18	198.07
2021/22	286.67	186.24	298.47	189.29	142.31
2022/23	261.08	122.56	210.14	150.40	152.01
Mean	279.58	183.30	256.29	185.89	167.50
SD	51.23	25.32	23.24	29.30	17.73
CV	18.33	13.81	9.07	15.76	10.58

Source: *Appendix I*

Table 7 depicts that NMB bank has minimum average book value per share and GBL has maximum average book value per share followed by HBL, NSBI and NABIL respectively. The mean book value per share is on an increasing trend from fiscal year 2013/14 to 2022/23. Likewise, NABIL has the lowest value of standard deviation (17.73) and GBL has the highest value of standard deviation (51.23) which indicates that GBL has more fluctuation and NABIL bank has more stable in the book value per share. The higher fluctuation of book value per share in GBL suggests inconsistent performance of the bank and lower fluctuation book value per share in NABIL bank suggests consistent performance of the bank. HBL bank has minimum CV book value per share i.e. 9.07 and GBL has maximum i.e. 18.33 suggest that HBL has less variation whereas GBL more variation.

4.1.6 Inflation

Inflation is the rate of increase in prices over a given period of time. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country.

Table 8

Inflation

Year	Inflation
2013/14	9.22
2014/15	9.45
2015/16	9.04
2016/17	8.36
2014/15	7.86
2018/19	8.79
2019/20	3.62
2020/21	4.06
2021/22	5.56
2022/23	5.05
Mean	7.52
SD	2.13
CV	28.32

Source: *Appendix II*

Table 8 shows that the There has been significant increase in the inflation each year. Nepal has reached a mean inflation of 7.52 during the study period of 10 years. While the standard deviation has been 2.13.

4.1.7 Gross Domestic Production (GDP)

Gross domestic product is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Table 9

Gross domestic production

(In Millions)

Year	GDP
2013/14	1632040
2014/15	1689572
2015/16	1791141
2016/17	1862357
2014/15	1870424
2018/19	2038337
2019/20	2193706
2020/21	2339743
2021/22	2284300
2022/23	2381313
Mean	2008293
SD	277103
CV	13.80

Source: *Appendix II*

Table 9 shows the trend of growth of GDP. The GDP was 1632040 million in FY 2013/14 and 2381313 in FY 2022/23.The average growth of GDP is 2008293 million. The maximum growth is 2038337 in FY 2018/19 and minimum growth is 2284300 million in FY 2021/22.

4.2 Descriptive Statistics

The descriptive statistics associated with variables used in the study for sample banks during the period 2013/14 through 2022/23 are summarized in Table 10.

Table 10

Descriptive Statistics

Variables	N	Mean	St. Dev.	Minimum	Maximum
EPS	50	17.4896	3.88800	10.70	27.78
DPS	50	32.2048	13.86949	15.00	70.00
MPS	50	1014.2000	674.97223	360.00	3385.00
PER	50	23.6594	12.25036	10.50	83.94
BVPS	50	214.5122	54.33247	122.56	370.84
GDP	50	2008293	277103	1632040	2381313
INF	50	7.52	2.13	3.62	9.45
Valid N (listwise)	50				

Source: *SPSS Analysis*

Table 10 reveals that earnings per share the value ranges from minimum of 10.70 to maximum of 27.75 with mean value of 17.4896. Earnings per share of standard deviation are 3.89. In terms of dividend per share of sample banks is ranged from minimum of 15.00 to maximum of 70.00 with average value and standard deviation of 32.21 and 13.87 respectively. The market price per share of sample banks in this study ranges from minimum of 360 to maximum of 3385 with a mean value and standard deviation of 1014.20 and 674.97 respectively. In terms of price earnings ratio the value ranges from minimum of 10.50 to maximum of 83.94 with mean value of 23.66. P/E ratio of standard deviation is 12.25. In terms of book value per share the value ranges from minimum of 122.56 to maximum of 370.84. The mean book value per share of Nepalese commercial banks is 214.5122 with standard deviation of 54.33. Likewise, Gross domestic production the value ranges from minimum of 1632040 to maximum of 2381313. The mean GDP of Nepalese economy is 277103 with standard deviation of 2008293. Similarly, the inflation rate of Nepalese economy are also distorts the smooth functioning of the economy where it ranged from 3.62 to 9.45 as of table. The mean of inflation is 7.52 with standard deviation is 2.13.

4.3 Correlation Analysis

This section establishes the relationship between book value per share, earnings per

share, dividend per share, and price earnings ratio with respect to market price per share. It is therefore logical to anticipate a link of some kind between these variable pairs. A statistical technique for determining the degree of link between two quantitative variables is correlation analysis. A weak correlation indicates that there is little to no association between the variables, whereas a high correlation indicates that two or more variables have a strong relationship. For analytical purposes, it is expected that the volatility of profits per share, dividends per share, price earnings ratio, and book value per share will have an impact on the market price per share. Thus, with forty-nine data from 2013–14 to 2022–23, five sample banks are used in this section's effort to explain the relationship between these variables. The correlation matrix displays the Pearson correlation coefficients for each pair of variables.

Table 11

Correlation Coefficient of MPS, EPS and Explanatory Variables

		MPS	EPS	DPS	P/E ratio	BVPS	GDP	INF
MPS	Pearson Correlation	1						
	Sig. (2-tailed)							
EPS	Pearson Correlation	0.715**	1					
	Sig. (2-tailed)	(.001)						
DPS	Pearson Correlation	0.789**	0.383*	1				
	Sig. (2-tailed)	(.000)	(.027)					
P/E ratio	Pearson Correlation	0.752**	0.048*	0.132	1			
	Sig. (2-tailed)	(.001)	(.028)	(.486)				
BVPS	Pearson Correlation	0.597**	0.136	0.504**	0.134	1		
	Sig. (2-tailed)	(.022)	(.472)	(.005)	(.482)			
GDP	Pearson Correlation	0.495	0.231	0.4074**	0.178	0.156	1	
	Sig. (2-tailed)	(.058)	(.047)	(.023)	(.212)	(.072)		
INF	Pearson Correlation	-0.727*	-0.188	-0.599**	0.314	0.245*	-0.132	1
	Sig. (2-tailed)	(.042)	(.472)	(.025)	(.255)	(.028)	(.281)	

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

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

Source: *SPSS Analysis*

The relationship between market price per share and book value per share, earnings per

share, dividends per share, and price-earnings ratio is displayed in Table 11. It demonstrates the positive correlation between book value per share, earnings per share, dividends per share, and price-earnings ratio and market price per share. It implies that the market price per share rises as a result of these indicators rising. There is a 0.715 association between MPS and EPS. At the 0.01 level of significance (2-tailed), it demonstrates a substantial positive correlation between MPS and EPS. It suggests that MPS rises in tandem with an increase in EPS and vice versa. With a coefficient of determination of 0.5112, it can be inferred that approximately 51% of the overall change in MPS can be attributed to the effect of EPS, with the remaining 49% being the result of other factors. There is a 0.789 association between MPS and DPS. At the 0.01 level of significance (2-tailed), it shows that MPS and DPS have a substantial positive correlation. It suggests that MPS rises in tandem with DPS increases and vice versa. According to the coefficient of determination of 0.6225, the influence of DPS accounts for roughly 62% of the overall change in MPS, with other factors accounting for the remaining 38%. There is a 0.597 association between MPS and BVPS. At the 0.01 level of significance (2-tailed), it shows that MPS and BVPS have a substantial positive correlation. The coefficient of determination between MPS and BVPS is 0.3564, meaning that variations in BVPS account for approximately 36% of the variance in MPS, with the remaining 64% being explained by other factors. There is a 0.752 link between MPS and P/E ratio. At the 0.01 level of significance (2-tailed), it shows that MPS and P/E ratio have a substantial positive correlation. The MPS to P/E ratio coefficient of determination is 0.5655. It implies that changes in the P/E ratio account for roughly 57% of the variation in MPS, with other factors accounting for the remaining 43%. With the exception of BVPS, all individual factor correlations with MPS exhibit a greater than 50% connection with MPS. The correlation coefficient between MPS and GDP is 0.495, indicating a lower level of positive association and lack of statistical significance. Similarly, there is a strong negative connection ($r = -0.727$) between inflation and MPS, and this link is significant at the 0.05 level of significance. The analysis is unable to determine which factor is more important in determining the price of Nepalese commercial banks' shares. Each and every component matters when determining a share's price.

4.4 Regression Analysis

The link between the dependent variable (market price per share) and the independent

variables (earnings per share, dividend per share, price earnings ratio, and book value per share) was ascertained using a regression analysis model. This study also uses secondary data analysis based on a cross-sectional regression model utilizing multiple regression analysis. The analysis is done in the SPSS software, and the findings are provided below. This is done in order to test the statistical significance and robustness of the results.

Table 12

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.893 [a]	.798	.780	0.624

a. Predictors: (Constant), EPS, DPS, P/E ratio, BVPS, GDP, INF
b. Dependent Variable: MPS

Source: *SPSS Analysis*

The regression analysis results for the independent variables EPS, DPS, P/E ratio, BVPS, GDP, and INF over the study period are shown in Table 12 together with the dependent variable, MPS of the banks. The regression result reveals an R-squared value of 0.798, meaning that the banks' EPS, DPS, P/E ratio, BVPS, GDP, and INF account for 79.8% of the change in MPS, with the remaining 20.2 percent not being influenced by these variables.

Table 13

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18762268.79	4	4690567.199	5.174	.000[b]
	Residual	3561519.205	45	79144.871	59.266	
	Total	22323788.00	49			

a. Dependent Variable: MPS
b. Predictors: (Constant), EPS, DPS, P/E ratio, BVPS, GDP, INF

Source: *SPSS Analysis*

With an f-value of 59.266 and a corresponding p-value of 0.000, Table 13 indicates that the model's overall fitness is noteworthy because the value is less than 5%. It is dependable to use the model that measures stock price using MPS to account for the fluctuations in effect ability.

Table 14

Regression Table for Dependent Variable ROE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1101.244	313.662		-3.511	.001
	EPS	27.008	4.052	.660	7.405	.000
	DPS	-2.872	1.975	-.125	-.789	.068
	PER	30.182	2.411	.868	11.276	.000
	BVPS	2.690	.999	.217	2.692	.010
	GDP	1.146	1.727	.060	.663	.064
	INF	-2.240	2.987	-.065	-.750	.057

a. Dependent Variable: MPS

Source: *SPSS Analysis*

According to Table 14, the banks' MPS grows by 27.008 units for every unit increase in EPS. This indicates that the coefficient of regression between MPS and EPS is 27.008. The coefficient's p-value is 0.000 and t-statistic is 7.405, indicating that the outcome is deemed statistically significant. Similarly, the banks' MPS decreases by 2.872 units if their DPS increases by one unit, according to the coefficient of DPS, which is -2.872. Given that the coefficient's p-value of 0.438 is less than five percent, it may be concluded that bank DPS significantly improves MPS. Conversely, the banks' MPS increases by 30.182 units if the P/E ratio of the banks increases by one unit, according to the coefficient of P/E ratio of 30.182. As the coefficient's p-value of 0.000 is less than 5%, it can be concluded that the banks' credit-to-deposit ratio significantly improves MPS. Likewise, the banks' MPS grows by 2.690 percent if their BVPS increases by one percent, according to the corresponding coefficient of BVPS of 2.690. Given that the coefficient's p-value of 0.010 is less than five percent, it may be concluded that bank BVPS significantly improves MPS. The GDP value displays a standardized coefficient (beta) of 0.060 and a positive unstandardized coefficient of 1.146. This suggests that the GDP has a marginally favorable effect on the MPS. However, the observed link between GDP and MPS lacks statistical significance, as indicated by the non-statistically significant p-value of 0.064. Finally, INF has a beta coefficient of -0.065 and a negative coefficient of -2.240. This suggests that MPS is negatively impacted by the INF. Like INF, the p-value (0.057) indicates that there is statistical significance in the association between INF and MPS.

4.5 Discussion

The concepts of supply and demand drive the combination of quantitative and qualitative elements that affect stock price. This analysis assists in identifying the primary factors affecting stock price and quantifying their influence. Finding the stock prices of sample Nepali commercial banks is the study's main goal. One of the main objectives of this study was to investigate the relationship between EPS, DPS, BVPS, PER, MVPS, GDP, and INF. Descriptive and multiple regression analysis were employed in this study to investigate the factors influencing Nepalese commercial banks' market share prices. Secondary sources of information were used in this study. From 2013–14 to 2022–23, the data is derived from the annual reports of the related office nine times in a row. The population data included in this study consists of all 20 commercial banks that are now listed and operating in Nepal. The only five commercial banks in the sample are Nepal SBI Bank Limited (SBI), Nabil Bank Limited (NABIL), Global IME Bank Limited (GBL), NMB Bank (NMB), and Himalayan Bank Limited (HBL).

The study's conclusions demonstrate that while market price per share (MPS) is positively impacted by earning price, dividend per share (DPS), inflation (INF), and book value per share (BVPS), other variables that affect market price per share (MPS) negatively include earning per share (EPS), price earning per share (PER), and gross domestic production (GDP). Similar to the findings of Haque et al. (2015), Srinivasan (2014), Nirmala and Sanju (2013), Irfan and Nishat (2010), and Zahir and Khanna (2008), the results of this study also show that DPS and INF do not determine the MPS. In contrast to Haque et al. (2015) and Almumani (2018), the explanatory variables EPS, PER, and BVPS are shown to be statistically significant and to have a positive connection with MPS. These findings are consistent with Dhakal (2023) and Grossman (2020).

The researcher discovered that EPS, PER, and BVPS are the factors that determine stock price in NEPSE in accordance with the objectives (Dhakal, 2023). The three main factors that determine a commercial bank's stock price are EPS, PER, and BVPS. Additionally, these findings demonstrate that the GDP, INF, and DPS do not exhibit statistically significant results.

CHAPTER-V
SUMMARY AND CONCLUSION

5.1 Summary

The stock market is made up of stock buyers and sellers. The stock market is one of the most significant avenues via which business owners can raise money. This market makes it possible for companies to raise more capital for expansion or to list on a stock exchange by selling their shareholders and ownership on the open market. Common shares are the legal documents that confer ownership of a company. It is a component of business ownership. A capital market is a market that offers a way to allocate the nation's money to other purposes by moving existing savings into investments in products. A capital market is a market that facilitates this process. A common stock's value might be stated at market value, book value, or par. All company endeavors need short-, medium-, and long-term capital in order to run smoothly and grow the organization's operations.

The study's main technique, random sampling, was used using information gathered from five commercial banks in Nepal. Panel data from five commercial banks listed on the Nepal Stock Exchange between 2013–14 and 2022–23 was used to analyze the study. In recent years, there has been fluctuations in the share price of commercial banks. Since the stock market appears to be extremely sensitive and volatile, the study's primary goal is to investigate the factors influencing stock price using 10 years' worth of data. For the analysis, secondary data were employed. Over a ten-year period, secondary data are gathered from banks' websites and annual reports. The market price per share is the dependent variable in this study, with a population size of 20 and a sample size of 5, while the independent variables are earnings per share, dividend per share, price earnings ratio, and book value per share. Regression analysis and the correlation coefficient were used to examine the relationship between the independent and dependent variables.

Purchasing stock in a firm is regarded as one of the most significant investment options available to investors. Returns on equity investments, however, differ. The market price of Nepalese commercial banks fluctuates due to a variety of reasons, but supply and demand ultimately determine the stock price. The share price is influenced by a variety of environmental factors, including news, rumors, interest

rates, political situations, fiscal and governmental policies, book value per share, earnings per share, dividend per share and cost of equity. The primary movers that impact the share price are unpredictable. Thus, the primary goal of this research is to examine the key factors influencing Nepalese commercial banks' market prices. Many academics, investors, and other stakeholders have expressed serious concern about the key factors and variables that, for various reasons, influence the share price of Nepalese commercial banks.

5.2 Conclusion

These days, researching the variables that affect Nepalese commercial banks' share prices is a highly fascinating subject. Finding the variables that influence stock price is also highly fascinating, particularly with regard to the banking industry. The research specifically looks at how DPS, BVPS, PER, GDP, and INF have affected market value per share (MPS). The daily stock price observations of the selected commercial banks show that, overall, the behavior of their stock prices follows a normal distribution pattern, although some banks have constant variations in their stock prices, while other companies have little variations in their stock prices. This leads to inefficient share pricing on the Nepalese stock market. The results of the runs test further support the importance of the percentage difference between the actual and observed number of runs in the price change series.

The study's results, which covered the years 2013–14–2022/23, showed a positive relationship between market price per share (MPS), earnings per share (EPS), price–earnings ratio (PER), book value per share (BVPS), and GDP for each of these variables separately. Similarly, when combined, market price per share (MPS) and earnings per share (EPS) show a negative relationship with inflation (INF). The relationship between market price per share (MPS), earnings per share (EPS), dividend per share (DPS), and book value per share (BVPS) is statistically significant and favorable. separately The market price of a share (MPS) among listed businesses is not consistently correlated with dividend per share (DPS), gross domestic product (GDP), and inflation (INF). The analysis comes to the conclusion that most financial indicators are positive for Nepal's whole commercial banking industry. The study comes to the conclusion that the share price of Nepalese commercial banks has been significantly influenced by DPS, BVPS, PE ratio, GDP, and INF.

From a Nepalese viewpoint, the study's findings provided insightful information that helped market participants. These results highlight important aspects to take into account when assessing stock returns and anticipating share prices, and equity investors and fund managers in particular can use them to influence their investment decisions. All things considered, this study provides insightful data that can improve knowledge of share price movements within the framework of Nepalese commercial banks. To make informed judgments, investors must take into account all factors that may have an impact on common stock values, either directly or indirectly.

5.3 Implications

This study also has some implications that point to interesting avenues for future research. Here we discuss some implications and suggestions for future research.

i. The independent variables that affect the market price per share (MPS) include firm size, gross domestic product, and net asset value per share. However, this study only looks at EPS, DPS, BVPS, P/E ratio, GDP, and INF. Therefore, it is advised to take these factors into account.

ii. The internal factors influencing the stock price of sample commercial banks listed on NEPSE were investigated in this study. The factors used are particular to the company. It might not be the sole factor influencing stock price. To find out if macroeconomic factors are influencing the stock price of NEPSE listed companies, further research is still advised.

iii. Research reveals that the majority of investors rely on their knowledge of the banks' ratios for EPS, DPS, PER, MVPS, GDP, and INF. EPS alone may not always be sufficient to cover interest, depending on the risk involved. It is not advisable for investors to solely use EPS, DPS, PER, MVPS, GDP, and INF as indicators of company performance. It is also necessary to take into consideration other fundamental elements including the bed debt ratio, corporate governance, and the cost of capital. It is advised that investors purchase firm stock only after conducting thorough technical and fundamental analysis and accepting only estimated risks.

iv. The fact that banks are consistently profitable and well-managed draws in investors. Instead of banks, other industries should be well-managed, consistently pay dividends, and exhibit transparency to draw in investors and

create a wide market.

v. Nepal Rastra Bank's policies have an impact on any company's market value. In order to draw in and safeguard investor interest, NRB ought to concentrate on these kinds of measures.

vi. SEBON is NEPSE's regulating agency. Therefore, SEBON ought to improve market transparency in order to draw in new investors and boost turnover.

vii. In order to give prospective investors a better understanding of the organization's financial standing and future prospects, ICRA Nepal and other rating agencies must to take greater responsibility in promptly publishing credit rating information on the IPO and FPO.

viii. It is advised that financial analytical tools be given greater attention in the future study as opposed to statistical analysis methods. More accurate conclusions on the behavior of stock prices will result from the increased application of financial analysis technologies on huge samples.

ix. This study significantly adds to the body of literature on banking.

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APPENDIX I

Fiscal Year	Banks	EPS	DPS	MPS	P/E Ratio	BVPS
2013/14	GBL	11.28	60.53	1591	17.32	291.53
2014/15	GBL	16.04	62	2631	30.58	296.3
2015/16	GBL	18.04	35	2120	27.17	335.6
2016/17	GBL	20.33	70	3385	83.94	370.84
2014/15	GBL	22.48	33	1353	41.66	290.02
2018/19	GBL	27.78	20	663	20.23	200.01
2019/20	GBL	18.05	25	666	17.5	218.58
2020/21	GBL	16.58	22.45	812	12.54	245.21
2021/22	GBL	15.86	30.01	763	20.03	286.67
2022/23	GBL	12.2	43.71	605	14.83	261.08
2013/14	NMB	14. 19	15	700	20.47	192.02
2014/15	NMB	13.1	21.05	941	28.43	210
2015/16	NMB	13.37	42.11	813	24.36	208.81
2016/17	NMB	19.03	31.58	1500	34.86	196.12
2014/15	NMB	23.55	26.32	886	26.4	189.91
2018/19	NMB	20.11	15.79	551	23.84	174.24
2019/20	NMB	22.44	22	552	17.02	187.73
2020/21	NMB	18.46	18.46	410	15.78	165.4
2021/22	NMB	16.25	21.8	465	16.42	186.24
2022/23	NMB	17.45	32.51	360	12.54	122.56
2013/14	HBL	15.14	65	1815	19.08	275
2014/15	HBL	13.68	65	2535	30.29	251
2015/16	HBL	17.24	36.84	1910	33.37	259
2016/17	HBL	20.27	45	2344	39.55	244
2014/15	HBL	25.86	48	1523	25.44	270
2018/19	HBL	19.51	34	921	18.6	256
2019/20	HBL	20.57	34	800	16.79	258.05
2020/21	HBL	22.36	28.79	763	15.49	241.25
2021/22	HBL	18.24	32.45	723	14.27	298.47
2022/23	HBL	17.25	31.05	546	10.5	210.14

2013/14	NSBI	16.2	35	784	16.97	169
2014/15	NSBI	10.7	40	960	23.6	166
2015/16	NSBI	10.9	34.7	704	22.8	155
2016/17	NSBI	19.3	41	1040	35.5	187
2014/15	NSBI	18.3	40	770	26.3	176
2018/19	NSBI	15.7	40	621	17.4	234
2019/20	NSBI	16.4	19	519	19.6	199
2020/21	NSBI	20.15	25.45	507	14.15	233.18
2021/22	NSBI	17.25	20.84	412	13.8	189.29
2022/23	NSBI	14.94	22.91	376	12.57	150.4
2013/14	NABIL	12.75	20	850	25.95	161.26
2014/15	NABIL	14.83	22	1280	36.75	171.15
2015/16	NABIL	14.48	28.42	887	25.73	186.49
2016/17	NABIL	16.78	29.53	1875	50.98	184.87
2014/15	NABIL	13.46	16.34	925	27.64	152.2
2018/19	NABIL	15.16	15.79	499	19.83	159.08
2019/20	NABIL	27.13	16.84	469	17.29	167.52
2020/21	NABIL	19.24	19.42	524	18.37	198.07
2021/22	NABIL	15.84	20.84	577	15.43	142.31
2022/23	NABIL	18.26	33.71	484	13.01	152.01

APPENDIX II

Fiscal Year	Gross Domestic Production (In millions)	Inflation
2013/14	1632040	9.22
2014/15	1689572	9.45
2015/16	1791141	9.04
2016/17	1862357	8.36
2014/15	1870424	7.86
2018/19	2038337	8.79
2019/20	2193706	3.62
2020/21	2339743	4.06
2021/22	2284300	5.56
2022/23	2381313	5.05

APPENDIX III

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
EPS	50	10.70	27.78	17.4896	3.88800
DPS	50	15.00	70.00	32.2048	13.86949
MPS	50	360.00	3385.00	1014.2000	674.97223
PER	50	10.50	83.94	23.6594	12.25036
BVPS	50	122.56	370.84	214.5122	54.33247
Valid N (listwise)	50				

Correlation								
		MPS	EPS	DPS	P/E ratio	BVPS	GDP	INF
MPS	Pearson Correlation	1						
	Sig. (2-tailed)							
EPS	Pearson Correlation	0.715**	1					
	Sig. (2-tailed)	0.001						
DPS	Pearson Correlation	0.789**	0.383*	1				
	Sig. (2-tailed)	0	0.027					
P/E ratio	Pearson Correlation	0.752**	0.048*	0.132	1			
	Sig. (2-tailed)	0.001	0.028	0.486				
BVPS	Pearson Correlation	0.597**	0.136	0.504**	0.134	1		
	Sig. (2-tailed)	0.022	0.472	0.005	0.482			
GDP	Pearson Correlation	0.495	0.231	0.4074**	0.178	0.156	1	
	Sig. (2-tailed)	(.058)	(.047)	(.023)	(.212)	(.072)		
INF	Pearson Correlation	-0.727*	-0.188	-0.599**	0.314	0.245*	-0.132	1
	Sig. (2-tailed)	(.042)	(.472)	(.025)	(.255)	(.028)	(.281)	
*. Correlation is significant at the 0.05 level (2-tailed)								
**. Correlation is significant at the 0.01 level (2-tailed).								

Model				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.893 [a]	.798	.780	0.624
a. Predictors: (Constant), EPS, DPS, P/E ratio, BVPS, GDP, INF				
b. Dependent Variable: MPS				

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18762268.795	4	4690567.199	5.174	.000[b]
	Residual	3561519.205	45	79144.871	59.266	
	Total	22323788.000	49			
a. Dependent Variable: MPS						
b. Predictors: (Constant), BVPS, EPS, PER, DPS						

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-776.403	232.907		-3.334	.002
	EPS	-5.035	11.022	-.029	-.457	.650
	DPS	18.764	4.037	.386	4.648	.000
	PER	29.473	3.668	.535	8.036	.000
	BVPS	2.690	.999	.217	2.692	.010
a. Dependent Variable: MPS						

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