COMMON STOCK INVESTMENT ANALYSIS OF COMMERCIAL BANKS IN NEPAL

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**COMMON STOCK INVESTMENT ANALYSIS OF COMMERCIAL BANKS IN NEPAL**" 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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Researcher

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ABBREVIATIONS

AD	:	Anno Domini
ANOVA	:	Analysis Of Variance
ATM	:	Automated Tailor Machine
BS	:	Bikram Sambat
BVR	:	Book Value Ratio
C.L	:	Current Liabilities
CB	:	Commercial Banks
CRR	:	Cash Reserve Ratio
DPR	:	Dividend Payout Ratio
DPS	:	Dividends per Share
DY	:	Dividend Yield
e.g.	:	Example
EMH	:	Efficient Market Hypothesis
EPS	:	Earnings per Share
F/Y	:	Fiscal Year
GCG	:	Good Corporate Governance
GDP	:	Gross Domestic Products
i.e.	:	That is
JVBs	:	Joint Venture Banks
Ltd	:	Limited
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
PER	:	Price-Earnings Ratio
ROA	:	Return on Asset
SD	:	Standard Deviation
SEM	:	Structural Equation Model
T.A	:	Total Assets
TU	:	Tribhuvan University
YPE	:	Yield per Share

ABSTRACT

The aim of the study is to investigate firm specific factors that influence the share price of Nepalese commercial banks. More specifically, it examines the relationship of the firm specific factors on the share price of Nepalese commercial banks. There is still a gap about the relationship of determinants with share price. This study attempts to construct the relation of MPS of the Nepalese commercial banks to the major financial indicators like EPS, DPR, DY, PER and ROA. This study is based on the secondary data which have been collected from five commercials banks by using convenient sampling method for the study period of 2013/14 to 2022/23. The main sources of data are banking and financial statistics published by NEPSE and annual report of different sample banks. The reliability and accuracy of that data may therefore, affect the robustness of the results of the present study. Similarly, it takes into account a few numbers of selected organizations (five listed commercial banks) from among the listed companies and only the latest available ten years data for analyzing the stock price determinants. Specifically, this study examined the effects of dividend payout ratio, dividend yield, earning per share, price- earnings ratio and return on asset on the share price of banks listed on Nepal stock exchange Limited. The findings of the study over the period 2013/14 to 2022/23 revealed that earning per share have the significant positive association with share price while dividend yield showed the significant inverse association with the share price of the banks. The study concludes that dividend yield, earnings per share, and dividend payout ratio are the major determinants of share price of Nepalese commercial banks. It has been found that the Earnings per share and dividend payout ratio have significant positive effect on the share price of Nepalese commercial banks. This means that when the price earnings ratio of the bank increases the market price per share of the bank also increases and vice versa. The results of this study uncovered new evidence in Nepalese perspective, which are considered to be valuable to the market participants. Thus, findings of this study seem to be particularly useful for equity investors and fund managers as they can watch out for these significant factors while estimating stock returns and predicting share prices.

Keywords: Dividend payout ratio, Dividend yield, Earnings per share, Price earnings ratio, Return on assets, Market price per share

CHAPTER-I

INTRODUCTION

1.1 Background of the study

Nepal's capital market has a relatively short history. With the IPO of Biratnagar Jute Mills and Nepal Bank Limited in 1937 AD, the capital market in Nepal was established. In order to facilitate and encourage the expansion of capital, the Securities Exchange Center was founded in 1976 AD. It eventually changed its name to the Nepal Stock Exchange, and the NEPSE trading floor opened for business in 1994 AD. The stock market is the economy's mirror. It has developed into a market that is now necessary for economic prosperity, supporting capital generation and long-term economic expansion. Stock markets serve as a platform for the sharing of risk, the pooling of funds, and the transfer of wealth between savers and capital users. They are not just a venue to trade securities. Because they guarantee the flow of resources to the most lucrative investment possibilities, stock markets are crucial for economic growth (Kurihara, 2006). It contributes to the nation's industrial and commercial expansion, which eventually has a significant impact on the nation's economy. For this reason, the nation's central banks as well as the government, business, and industry all closely monitor what happens in the stock market. The stock market serves as a channel for investors' little, dispersed savings to be allocated toward the profitable operations of businesses. Additionally, it gives investors access to the crucial characteristics of assets' marketability, safety, and liquidity. Sustainable economic growth is facilitated by a well-managed capital market that offers investors long-term funds 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 price at which a share of stock is currently trading on the market is referred to as the stock price. When shares of a publicly traded firm are issued, they are assigned a value that, in theory, corresponds to the company's overall worth. A stock's price will fluctuate in response to various circumstances, such as shifts in the overall economy, shifts in specific industries, conflict, political developments, and changes in the environment. The banking industry is essential to the nation's economic growth. A bank is a type of organization that mobilizes resources by taking deposits from

different sources and using the money to invest in industries, trade, commerce, tourism, and agriculture, among other things. Thus, it is evident that banks are very beneficial and necessary for a contemporary society. As a result, banks are essential to the economic growth of emerging nations like Nepal. Over the past 20 years, academics and practitioners have paid close attention to stock price movement since it may be used as a gauge of market risk. Interest in predicting time-varying stock return volatility has increased recently (Shrestha & Subedi, 2014).

Typically, the stock market index is used to measure a nation's economic health. An increase in the stock index is typically interpreted favorably because 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 common stock price (Shrestha & Subedi, 2015).

The market where financial products like bonds, debentures, shares, and so on are transacted is known as the financial market. The community's savings are made available to users of those funds through a number of means. It offers a platform for direct business fund transactions between fund sources and demanders. The marketplace where buyers and sellers engage in the trading of financial instruments is referred to as the financial market. Financial assets come in a variety of shapes and sizes, from common shares of different corporations to long-term government bonds. The money market, which is made up of providers and demanders of short-term funds with maturities of one year or less, is known as short-term financing. Businesses can borrow money on a short-term basis thanks to the money market. The capital market, also referred to as long-term finance, is made up of suppliers and demanders of long-term funds having maturities longer than a year. The capital market enables businesses to obtain long-term investment. The financial market supports national growth, investment, entrepreneurship, saving, and industrial development (Fama, 2016).

The term "capital market" refers to the bond and stock exchanges where securities are exchanged and is a crucial component of contemporary financial systems. There are two categories of securities: debt securities, which include bonds and debentures, and

equity securities, which include shares in corporations. It makes it possible for people and businesses to lend their savings to those in need and for governments and businesses to raise long-term capital. Commercial banks are an essential part of the financial system since they provide loans and take deposits. Banks and the capital market coexist and are the most important external finance sources for people, businesses, and the government. They offer a way to mobilize and direct savings in addition to moving and allocating risks throughout the economy (Lindon, 2016).

1.2 Problem statement

Nowadays, the majority of investors are drawn to the banking industry. Numerous studies have been carried out regarding the movement of stock prices. The goal of this study is to determine the degree of these changes and the stock price's sensitivity. The stock exchange responds to changes in the environment by adjusting the price of stocks on occasion. Among several equities, the investors were unable to distinguish between excellent and bad ones. Moreover, there aren't enough organized investors in Nepal's stock market to evaluate the risk and return data of the companies listed there. Any investor cannot make a sane investment decision in this scenario.

An investor needs to be aware of the business climate, stock price volatility, and sensitivity of the stock price, dividend policy of the firm, earnings, net worth, price - earnings ratio, and government policies regarding investors in general. Additionally, investors have a tendency to ignore statistical data and technical analysis in favor of explanatory information. Since the public has not been provided with adequate information regarding the financial performance of the listed businesses, the state and vibrancy of the stock market are negatively impacted by the lack of transparency.

One of the primary sources of information for shareholders on securities trading is the broker's role. Compared to brokers on stock markets in other nations, NEPSE brokers are unable to offer the same range of services related to stock trading.

Thus, this study explains the research questions are as follows:

i. What is the status of the common stock price of Nepalese commercial banks?
ii. Is there any relationship between the dividend payout ratio, earnings per share, price earnings ratio, dividend yield, return on assets with common stock price of Nepalese commercial banks?

iii. What is the impact of dividend payout ratio, earnings per share, price earnings ratio, dividend yield, return on assets on the common stock price of Nepalese commercial banks?

1.3 Objectives of the study

The specific objectives of the study are shown below:

i. To assess the status of the common stock price of commercial banks in Nepal.
ii. To examine the relationship between the dividend payout ratio, earnings per share, price earnings ratio, dividend yield, return on assets with common stock price of commercial banks in Nepal.
iii. To analyze the impact of dividend payout ratio, earnings per share, price earnings ratio, dividend yield, return on assets on the common stock price of commercial banks in Nepal.

1.4 Hypothesis

Research Hypothesis Testing of hypothesis is one of the most important aspects of the research study. It is the quantitative statement about the population parameter. By testing the hypothesis, we can find out whether it deserves the acceptance or rejection of the hypothesis. The main goal of testing of hypothesis is to test the characteristics of hypothesized population parameter based on sample information whether the difference between the population parameter and sample statistic is significant or not. The hypothesis formulated for this study are as follows:

This research has identified and set five alternative hypotheses. The alternative hypotheses are as follows.

H1: There is significant impact of dividend payout ratio on the common stock price.

H2: There is significant impact of earnings per share on the common stock price.

H3: There is significant impact of price earnings ratio on the common stock price.

H4: There is significant impact of dividend yield on the common stock price.

H5: There is significant impact of return on assets on the common stock price.

1.5 Rationale of the study

Everyone is drawn to investing in shares in order to optimize their money and receive a higher return. Therefore, analyzing the common stock price sensitivity on the Nepalese stock market has shown to be a successful strategy for drawing in new investors. For individual investors who are eager to deal in securities of multinational corporations and Nepalese companies, the study will be important. Understanding the common stock prices of the various listed firms in Nepal will also be aided by this study. Policymakers, shareholders, management, and all other stakeholders in the Nepalese share market will find it useful. Investors may find this study useful in considering a portfolio reorganization. In a similar vein, prospective investors might base their timely investing decisions on the study's findings. The results will be significant for researchers and academics studying the Nepalese stock market in the future.

This study aids in our understanding of the potential, issues, and future directions of the Nepali stock market. Learning about the financial standing of particular banks will also be beneficial. As a result, it is anticipated that this study will be beneficial to organizations involved in the stock market and public investors.

1.6 Limitations of the study

The following are some limitations of the study:

i. The main focus of the research is how dividend policies affect Nepalese commercial banks' stock prices.
ii. The sample consists of just five commercial banks: Nepal Bank Ltd., Everest Bank Ltd., Nabil Bank Ltd., Machhapuchchhre Bank Ltd., and Nepal SBI Bank Ltd.
iii. The outcome is solely dependent on data from secondary sources, such as the firm website, SEBON, NEPSE, NRB, etc.
iv. The study examines five commercial banks over a ten-year period, from FY 2013–14 to FY 2022–23.

CHAPTER-II

LITERATURE REVIEW

A literature review is an extensive synopsis of earlier studies on a particular subject. A literature review examines academic books, papers, and other sources that are pertinent to a specific field of study. This prior research should be listed, described, summarized, impartially assessed, and made clear in the review. It need to provide a theoretical framework for the study and assist you, the author, in defining its scope. By acknowledging the work of earlier researchers, the literature review reassures the reader that the conception of your study has been sound. When a prior study in the subject is mentioned, it is considered that the author has read, assessed, and incorporated that work into the current work. Finding out what research studies have been done in one's chosen subject of study and gathering ideas for creating a research design are the goals of this chapter. Because they served as the basis for the current study, the earlier research cannot be disregarded. Stated differently, research needs to be conducted continuously. By connecting the current study with earlier research investigations, this continuity is revealed. As a result, numerous books, journals, and articles related to this subject have been examined.

2.1 Conceptual Review

Reviewing previous research that encompasses current knowledge, including significant discoveries as well as theoretical and methodological contributions to a certain field, is what is meant by the term "review of literature." Additionally, it contains pertinent hypotheses from the relevant field of study so that all previous research may be understood, along with its shortcomings and conclusions, and new investigations can be carried out. Numerous investigations have been carried out to ascertain the factors that influence stock values across various nations. The stock market has not received nearly enough attention in the context of the Nepalese financial system. Nonetheless, a few stock market-related articles and magazines are examined and consulted.

In order to determine the reasons behind the movement of the stock price, or the NEPSE index, several papers issued by Nepal Rastra Bank, NEPSE, SEBON, and other organizations particularly relevant to the capital market have consulted.

Additionally, a variety of newspapers and periodicals, such as Aarthikabhiyan, Share Bazaar, and others, are used as a guide to find the opinions of institutional investors, other specialists, and investors. Similar to this, NEPSE's website provides basic details, data, and other information about the organization and how it operates.

In order to raise money to launch a new business, a corporation's founder will first apply for a corporate charter from the state, have shares of common stock printed, and then sell the shares to as many individuals as they like. As a result, common stock is always the first security issued by a new corporation. There is a residual claim of common investors on the corporation's assets and earnings. This implies that the firm must, by law, pay bondholders' interest, employee compensation, and supplier invoices before it can distribute any remaining profits or losses to common stockholders. Furthermore, in the event that the corporation files for bankruptcy, all outstanding debts must be settled from its assets before any remaining funds are distributed to its common stockholders, according to the law. First, limited liability protects common stockowners from being required to share in the payout of outstanding bills in the event that the business files for bankruptcy and cannot pay all of its debts. This is one benefit that common stockowners receive from their investment. Second, if earnings become extremely profitable, stockholders will benefit from unrestricted participation in the company's profit. Third, common stock shares are securities that can be purchased and traded with a case. Lastly, at the corporation's stockholder's meeting, only common stockholders are able to cast a vote. As a result, investors can influence management.

2.1.1 Security Market

A platform that connects buyers and sellers of financial assets to enable trading is known as a security market. On the other hand, a security market is an area where securities are purchased and sold, together with the resources and individuals involved in these transactions, the supply and demand for securities for trading, and the readiness of buyers and sellers to come to a mutually agreeable price. According to Geetha and Swaaminathan (2015), market price is the average common stock price determined by taking the high and low of the financial year. It is the going rate for purchasing or selling an item or service. In this case, high price corresponds to the financial year's highest market price, while low price corresponds to the financial year's lowest market price.

Despite being concentrated in a small number of places, securities markets are more of a mechanism than a physical location that brings buyers and sellers of securities together to allow the exchange of securities. Put differently, individuals and institutions seeking to borrow alongside those possessing excess funds within the securities markets. Products traded on the market include securities like stocks, short- and long-term debt instruments, derivatives, etc. The primary purpose of securities markets is to facilitate the generation of new wealth by acting as a link between saving and investing. One of the mechanisms that facilitates the efficient transfer of savings from surplus spending units to deficit spending ones, who can use them more productively and/or have loss/risk evaluation, is the development of a sound securities market with its constituent financial institutions. Both issuers and investors benefit from the existence of securities markets. Regarding the advantages they offer issuers, the securities market helps the government and company raise capital. Savings must be used toward investments in sectors of the economy where capital is most productive, such as in a society where the means of production and distribution of goods and services are privately owned. Additionally, borrowing by governments is necessary for public improvements.

The efficient and inexpensive flow of capital from surplus to deficit sectors is made possible by market mechanisms. In order to investigate the empirical relationship between stock price and certain variables, such as book value per share, dividend per share, earning ratio, dividend payout, and size in terms of total assets, Almumani (2014) performed study. 49 observations, covering branches of 7 institutions, were made by the researcher during the 2005–2011 timeframe for Jordanian banks that were listed on the Amman Stock Exchange (ASE). This study examined the fundamentals of share valuation by correlation, regression, and ratio analysis. The results showed that size, price-earning ratio, book value per share, earning per share, and earning per share are important factors that affect stock price.

2.1.2 Stock Exchange and Its Role

The stock market is the most prominent and highly centralized venue for the purchase and sale of already-issued securities for speculative and investment purposes. It offers trading capabilities for financial securities that are listed. shares exchanges provide a trading floor where a continuous auction market is held; they do not, however, actively purchase or sell shares. A seat on the exchange must be purchased in order

for a person to conduct business on the trading floor of an exchange. Orders placed by individual or institutional investors to purchase or sell securities listed on an exchange might not be filled in person at the time of execution. Instead, they have to send their orders to a member of the exchange, typically a commission broker, who will ensure that they are executed. The significance of the stock exchange has been recognized by the authorities more and more in recent years.

The stock exchange is not, and has never been, a private matter for a select few people. Neither have their endeavors been restricted to the cyclical ups and downs that garnered a great deal of public interest. Everyone has access to a variety of options for capital investment through the stock exchange, which serves as the market for securities. Equitable possibilities for as many buyers and sellers of securities as possible are the purpose of the stock exchange. From a broad economic perspective, the stock exchange is the central hub of the capital market. It has its finger on the economic pulse and provides the public with the diagnosis in the form of quotations. The link between the explanatory variables—dividend per share, earnings per share, book value per share, yield, cover, and market price per share—was examined by Balkrishnan (1984). The most important factors influencing market price in both the general engineering and cotton textile industries, according to the researchers' analysis of the relationships between those variables using a linear regression model, were book value per share and dividend per share. In the cotton textile business, yield has also been shown to be a key determinant of stock price and to be inversely correlated.

The organization has a significant impact on the nation's economy by functioning as a free market where supply and demand decide securities prices. In addition to serving as a market for securities, a stock exchange also helps the government and business sectors raise capital. Free and active stock and share markets are now necessary for the mobilization and allocation of a country's savings in order to sustain contemporary enterprise.

2.1.3 Participants in the Stock Exchange:

Brokers

Brokers are the intermediaries or brokers who help investors buy and sell stocks. They execute the transactions on the trading floor after receiving buy or sale orders from the investors. Brokers offer more services than just carrying out orders; they include

holding stocks for safekeeping, giving guidance and advise on possible investments, granting margin loans, and assisting with short sales.

Dealers:

Dealers are not allowed to handle orders from the general public and trade only for themselves. Dealers profit from buying low and selling high since they have access to the floor and can possess securities in their own names. The market benefits from dealers since their purchase and sell activities increase the securities' liquidity.

Market Makers:

By keeping inventory of specific securities, market makers—also referred to as specialists—help to expedite the trading of securities. With the exception of the fact that they are constantly prepared to purchase and sell assets at the market prices, they are comparable to dealers in many respects.

2.1.4 Common stock

A company's capital raised through the sale of common shares is known as its common stock. Ownership in a firm is represented by the common stocks. The company's legitimate owners are the people who own common stock, also referred to as shareholders or stockholders. Since common stocks have no maturity date, they are a reliable and permanent source of money. Dividends are paid to shareholders for the capital they contributed by buying common stocks. The Board of Directors of the corporation determines the dividend amount and rate. For this reason, the common stock is referred to as a variable income security. Since they are the business's proprietors, investors assume ownership risk and are entitled to dividends only when the claims of other parties have been met. In a similar vein, when winding up the business, they will be able to exercise their claims over assets only after the other capital providers' claims have been satisfied.

Investors purchase common stocks with the hope of occasionally receiving a portion of the profits, which were issued by the companies to raise ownership capital. The owners of common stock are the ones who legally own the company's equity and are entitled to a portion of its profits and losses. After paying loan interest and preferred stock dividends, they are free to keep all profits. As a result, they bear the risk of losing their cash while yet benefiting from all net business gains.

2.1.5 Common Stock Values

a) Par value

A share of stock's face value is its par value. Originally, it was meant to ensure that the company is paid fairly for the stock, which stands for the value of the company. The par value of the stock is its face value as determined at the moment it is first issued. The par value of the shares remains unchanged in the absence of a stock split or any other action taken by the Board of Directors (Campbell, 1991). Typically, a new issue's par value is one hundred rupees.

b) Net Worth / Book Value

By dividing the total amount of common equity on the balance sheet by the total number of outstanding common stocks, one can determine net worth per share. This number shows the assets' worth per share after preferred stock and liabilities are subtracted. Common stock of a profitable corporation is usually valued at a price that is substantially higher than book value, with the basis for this valuation being earning power. A business will make money, most of which is distributed as dividends to shareholders and as interest to creditors. The amount displayed on the firms' books as cumulative retained earnings is increased by any reminder. The book value of the equity is the total of all cumulative retained earnings and other entries (such common stock and capital donated beyond par value) under shareholders equity. Sharpe, Alexander, and Bailey (2001) state that the book value per share is calculated by dividing the equity's book value by the total number of outstanding shares. The common equity of the company (common stock plus retained earnings) divided by the total number of outstanding shares is the accounting value of a share of common stock.

c) Market Price / Value

In secondary markets, market value is established by supply and demand, representing the general view among traders and investors regarding the stock's worth. Numerous factors affect market value, such as corporate and market risk concerns, predicted earnings and dividends, and industry and economic conditions. The market price of a company's stock reflects projections for its dividends and profitability in the future. Since book value only represents past investments made in the company that may not

have any bearing on current market values, it is typically seen as being somewhat irrelevant when determining the worth of the business.

The market price of the company's shares indicates its worth. The price at which stock is exchanged or the sum that a buyer must pay a seller in order to acquire business stock is known as the market price of stock. The market value of stocks differs amongst businesses. The common stock price is extremely volatile and susceptible to external and internal environmental factors because ordinary shareholders control the organization and have the lowest priority to claim in a liquidation. The internal environment of an organization is what's known as its external environment, and it controls the company in some way. In order to optimize the common stock price in the stock market, the business works to keep the atmosphere favorable. Conversely, the firm has no control over outside environmental conditions, yet these forces have a significant impact on share market values.

It makes sense to be familiar with a few technical terminology before delving into the main idea of what influences common stock price, as these phrases are often used in studies on the capital market and finance. Thus, several technical words pertaining to the capital market have been defined in this section. The cost of purchasing or receiving a stock corporation is known as the common stock price. In a stock market, supply and demand—that is, the forces of buyers and sellers—determine the common stock price. Environmental factors and people's expectations and assumptions about the future determine supply and demand Fama (1965). Francis (1991) contends that an organization's worth and the value of its shares are determined by the market price of each share. The amount that a buyer pays a seller to acquire a share of a company is known as the market price of shares, which is also the price at which the shares are exchanged.

The market value of a company's shares differs from another. Given that the market price of a share determines both the value of the organization and the shares, common shareholders own the majority of the companies. The amount that a buyer pays a seller to acquire a share of a company is known as the market price of shares, which is also the price at which the shares are exchanged. The market value of a company's shares differs from another. The common stock price is especially susceptible to environmental conditions and very volatile because common shareholders control the organization and have the lowest priority to claim in a liquidation. The share index

provides a proxy for the share's market price. The proxy for all listed firms in NEPSE is the NEPSE index. Thus, it's one of the NEPSE common stock price indicators.

2.1.6 Earning Per Share (EPS)

A company's net revenues are divided by the number of outstanding shares to get its earnings per share, or EPS. Since it is rare that any two companies will have the same number of outstanding shares, this provides a number that may be used to compare the earnings of companies. Total earning available for common stock is the accounting earnings that show the difference between revenues and expenses, including costs related to non-equity sources of funding (such interest on debt or dividends on preferred shares). The earning per share is calculated by dividing this portion of income by the total number of outstanding shares (Francis, 1991).

2.1.7 Retained Earning

Retained Earnings is the entire amount of the company's earnings that, throughout its history, were not distributed as dividends but are shown as earnings on the balance sheet. The company reinvests these earnings (Foster, Olsen, & Shevlin, 1984). The profits a business has made thus far, less any dividends or other payments made to investors, are known as retained earnings. Every time there is an entry made to the accounting records that affects a revenue or expense account, this amount is updated.

2.1.8 Dividend Per Share

By dividing the entire dividend amount paid for the financial period by the total number of common shares in issue, the dividend per share was determined. During the accounting period, the company may pay an interim dividend. At the annual general meeting (AGM), shareholders will then be asked to approve the final dividend rate per share.

Forms of Dividend:

- Cash dividends are dividends paid to shareholders in the form of cash. A cash dividend distribution lowers the company's net value and total assets.
- Stock dividend: A stock dividend is the distribution of bonus shares to shareholders as a dividend. As a result, the company's outstanding shares grow.

2.1.9 Net Worth/Book Value Per Share:

The previous costs of brick and mortar and the physical assets of the business are reflected in the book value of the equity. A company that operates efficiently and has competent management should be worth more on the market than the historical book value of its tangible assets.

2.1.10 Market Value Per Share

The price at which the stock is traded at the moment is its market value per share. Prices are hard to come by for thinly traded, actively traded companies. Even if it is available, the data might only show a few stock sales and not the entire market value of the company. This kind of company needs to be careful when evaluating market price data. The worth of the organization and the shares are determined by the market price of each share. The price at which shares are exchanged or the sum that the buyer pays the seller to acquire firm stock is known as the market price. Given that common stockholders own the organization and have the lowest claim priority in the event of a liquidation, the common stock price is extremely sensitive to changes in the market. A higher value may be placed on close payouts and capital gains by shareholders as a result of imperfection and uncertainty in the market. As a result, dividend payments have the potential to have a big impact on common stock prices. Shares with higher dividends are worth more, whereas those with lower payouts are worth less.

2.1.11 Price Determination

The interaction of supply and demand, or market forces, determines the common stock price on the floor. The point of equilibrium between supply and demand determines the price. When this equilibrium shifts, prices are constantly adjusted to find a new, constantly fluctuating equilibrium. The price of the market then fluctuates.

The stock price fluctuates for a variety of additional reasons. Market, non-economic, and economic factors make up the majority of them. The most crucial element in determining a stock's price is its dividend. Strong correlation exists between the firm's earnings power and dividends. The relationship between dividends and company earnings is quite strong. Interest rates, in turn, have a significant impact on earning ability. Thus, variations in corporate earnings, which are a component of the economic factors influencing stock price together with interest rates and business cycle trends, are the most basic element influencing stock price fluctuation.

Non-economic factors can also have an impact. These include shifts in political circumstances, such as those involving administration, weather, and other natural elements, as well as shifts in cultural norms, technology advancements, and investor preferences. Comparably, the third type of factors that affect the stock price is the market, or internal factors of the market, taking into account the state of the market and supply-demand dynamics. In addition to these, the company's corporate performance, its policy on the capitalization of earnings, governmental regulations, and the market's signaling effect all have an impact on the stock price.

2.2 Theoretical Review

Regarding the valuation of assets and their price behavior, there are generally three schools of thought: (1) Technical analysis; (2) Fundamental analysis; and (3) Random Walk or Efficient Market analysis.

2.2.1 Technical Analysis

Technical analysis is a philosophy focused on the market. Historical data from the market is the foundation of the Technical Analysis theory of common stock price behavior. Given the premise that history often repeats itself, it is thought that understanding historical common stock price trends will aid in forecasting future values in comparable situations. To predict the future stock price, it entails analyzing historical market behavior in relation to a range of financial and economic variables. Although economic and financial variables fluctuate, they must be modified in the context of the current circumstances. The most important supporter of this hypothesis is Charles Dow. This method is sometimes referred to as the "Chartist Approach" since its proponents predict future share values using graphs and charts of previous price movements.

Therefore, using this method, technicians are interested in interpreting historical trends to forecast equity common stock prices in the future. The commonly held belief that supply and demand for securities affect security prices is the foundation of technical analysis. For this reason, supply and demand are measured using technical analysis methods. Technical analysis often creates charts from historical financial data, examines these charts to look for patterns that have meaning, and uses these patterns to forecast future securities values. Certain charting techniques are employed to forecast the volatility of a single security, while others are used to forecast the

volatility of a market index. Still others are used to forecast the movement of both the market and individual securities.

Technical analysts attempt to predict short-term changes in supply and demand that will impact the market price of one or more securities, estimating asset prices as opposed to intrinsic values. Instead of focusing on numerous supply and demand barometers that they have developed, they frequently overlook elements like the firm's risk and earnings growth (Malhotra & Tandon, 1991).

The following are the fundamental presumptions that support technical analyses:

- The only factors influencing the market are supply and demand.
- Many rational and irrational factors influence supply and demand.
- Apart from the impact of small market fluctuations, stock prices typically follow trends that hold true for sizable periods of time.
- Shifts in supply and demand lead to changes in trends.
- Charts of market behavior can eventually be used to identify changes in supply and demand, regardless of when they happen.
- Certain patterns on charts have a tendency to repeat, and price moves can be predicted using these repeating patterns.

Technical analysts focus more on price estimation than inherent worth. Their aim is to predict fluctuations in supply and demand that could impact the market value of multiple assets in the short term. It tends to focus on supply and demand barometers that they have developed, ignoring other aspects like business risk and earnings growth. Technical analysts therefore identify patterns or trends from the past that they predict will recur in the future and advise for timely holding and disposing of valuable assets or for short-term speculation based on their forecast of profitable patterns.

2.2.2 Fundamental Analysis

Fundamentalists believe that a share's value is determined by the capitalization rates that correspond to the expected future stream of returns. The authorized risk-adjusted cost of equity is the capitalization rate. The present value of future earnings from an equity discounted at a risk-adjusted capitalization factor, then, equals the value of a share under this model. Complete disclosure of economic and financial data is

mandated. The market value of the shares cannot be accurately determined if information is not regularly, consistently, and completely disseminated. This theory is commonly applied to two models, namely. Dividend Discount Model and Earnings Capitalization Model. A share's inherent value determines its market price. By purchasing stock in the undervalued firm and selling stock in the overvalued company, the shareholders hope to optimize their return. Until the equilibrium price is restored, buying pressure will drive up the price of an undervalued company and selling pressure will drive down the price of an overvalued company. To determine the intrinsic worth of a business's stocks, fundamentalists are mainly interested in examining influences, industry factors, and relevant corporate information including product demand, earnings, dividends, and management.

Fundamentalists compare value using a risk-return framework based on earning potential and the state of the economy, which establishes future income and prospects for business opportunities, before making an investment decision (Francis, 1991). Fundamentalists have a tendency to gaze ahead. They are worried about things like dividends and potential earnings in the future. It has been argued that the purpose of fundamental analysis is to provide an answer to the "What" question. Fundamentalists use this study's foundation to reasonably predict a company's future earnings potential and profitability, as well as the appropriate price for its shares. We refer to this projected cost as intrinsic value. The stock's intrinsic worth is typically higher than its current market value. As a result, there is a distinction or gulf between them. Fundamentalists make investing decisions based on the belief that prices will rise when they compare this value to the present market value. Fundamentalists will buy shares in this scenario because the differential gives them a chance to profit.

In contrast, the share is expensive and should be sold by fundamentalists if the intrinsic value is less than the market value. By adhering to this criterion, they think that if the market is inefficient in pricing the shares, an over average return can be obtained. It is believed that the real price of the security is a function of anticipation, with the price acting as a function of this anticipation and changing in response to new information. The company's sales, profit, dividends, management caliber, and other economic and industrial aspects are a few of these expectations. Additional new information may be a significant order, a labor issue, a revised profit estimate, or anything similar. Finding the current discounted value of all the payments a

stockholder will get from each share of stock is the goal of fundamental analysis. The fundamental analyst would advise buying the stock if that value is higher than the market price, and vice versa.

Through the application of basic analysis and the notion of intrinsic value, an investor can ascertain if a stock is trading at fair market value, is overpriced, or is inexpensive. The resulting analysis is stated to offer the intrinsic worth of the stock if all the data about a corporation's future expected growth, sales statistics, cost of operations, and industry structure, among other things, are available and reviewed.

A fundamentalist believes that a stock's market price eventually approaches its inherent worth. An investor would buy a stock if its intrinsic worth exceeded the current market price. On the other hand, the investor would sell the stock from their portfolio or initiate a short position in the stock if analysis revealed that the intrinsic value of the stock was lower than the market price. Fundamental analysis involves a number of stages. The investor needs to assess the state of the economy as a whole, both now and in the future. Make an effort to ascertain the direction and level of interest rates over the short, medium, and long terms (Nawazish, 2008).

Interest rate forecasting might be used to achieve this. It's also essential to comprehend the industry sector in question, particularly its maturity and any cyclical effects that the broader economies may have on it. Following the completion of these procedures, an analysis of the specific firm is required. The elements that offer the company a competitive edge in its industry (low cost producer, technological superiority, distribution channels, etc.) must be included in this research. A thorough examination of the company must also be done. It is necessary to look at things like management experience and skill, performance history, revenue and cost forecasting accuracy, growth potential, etc. A qualitative summary of the firm's position within its industry and the overall economy is provided by each of the aforementioned processes. To determine whether a quantitative analysis should be conducted, this is required. In the event that calculations are necessary, two really straightforward models can be useful for investors who wish to gain a deeper understanding of the company they are considering investing in. The dividend discount model and the price/earnings model are the two approaches that are most frequently used to calculate a company's intrinsic worth. When used correctly, both approaches ought to yield intrinsic values that are comparable.

2.2.3 Random Walk Analysis

The Random Walk Theory makes the assumption that every income stream from the equity investment in the future will be independent of income streams from the past. Stated differently, it is not possible to forecast future prices by using historical price data. The common stock prices are erratic. But this does not imply that the market sets prices in an unreasonable manner. It uses a market mechanism to function. Common stock prices are determined by the relative forces of supply and demand in a market that is free and competitive. The very sensitive nature of the market prompts the so-called efficient market to automatically modify common stock prices. The market automatically corrects any disparities, and actual prices vary at random with respect to their underlying value. The prices of shares on the market are thought to reflect all pertinent information because it is a free and highly competitive market. According to the random walk hypothesis, it is impossible to forecast changes in price or return in the future based on past price changes (AL-Shubiri, 2010).

According to Fama (1965), the Random Walk hypothesis suggests that the price level of a security's future route is no more foreseeable than the sequence of accumulated random integers. The sequence of price fluctuations lacks memory, implying that there is no significant way to forecast the future from the past. The statistical underpinnings of the random walk theory are as follows: (i) price cannot be an independent random variable; and (ii) price change follows a probability distribution, without elaborating on the distribution's specific form. According to the random walk model, past variations in price or return cannot be used to forecast future variations in any of these variables. This indicates that subsequent price changes are independent, meaning we will not be successful if we try to anticipate future prices in absolute terms using prior price-change information. Because of their independence, prices should always, on average, reflect the security's inherent value. Professional investors and astute nonprofessionals will take advantage of the short term of random deviations from the intrinsic value, and through their active buying and selling of the stock in question, they will force the price back to its equilibrium position. If a stock's price deviates from its intrinsic value due to, among other reasons, different investors evaluating the available information differently or having different insight into future prospects of the firm (Fisher & Jorden, 1965).

2.2.4 Efficient market Hypothesis and Common stock price Movement

Securities that are priced accurately all the time are in an efficient market. Current market prices properly represent available information in an effective capital market. As a result, in an efficient market, pricing is determined using all available information. According to the efficient market theory, there are three possible levels of market efficiency. The idea of perfect competition gave rise to market efficiency. It is predicated on rational investors with no transaction fees or taxes, and free and instantaneous access to information. There are three possible exit points for market efficiency as defined by the efficient market theory. Weak form, semi-strong form, and strong form are the three types.

a. Weak form

According to the weak version of the efficient market hypothesis, all information from previous price movements is fully reflected in the common stock prices as of right now. The stock price will not exhibit a random walk pattern. There will be less or greater random fluctuations in the stock price. Because the market has no memory, there is no point in attempting to forecast future price by examining post-price movement tendencies as they provide no hints. Weak efficiency markets are those where historical data does not predict future prices in a way that would enable a buy-hold short-term trade strategy. According to the weak form hypothesis, trend analysis is useless since the stock price already takes into account all of the information that can be found out by looking at market trade data, including trading volume, historical price history, and short interest.

b. Semi- strong form

In addition to past price movements, the semi-strong form of the efficient market hypothesis asserts that current market prices reflect all information that is currently available to the public. Analyzing the present common stock price in relation to the available facts is pointless. Those who have access to the information before it is made public may benefit from higher or unusual returns than would be expected given the level of risk involved. According to the semi-strong hypothesis, the stock price must already take into account all information that is readily available to the public about a company's future. These details include historical pricing as well as basic information on the company's product range, management caliber, balance sheet

composition, number of patents held, earnings projections, and accounting procedures.

c. Strong form

According to the strong version of the efficient market hypothesis, all pertinent information is reflected in current market pricing, even if it is proprietary. All information is reflected in security prices in strong, efficient markets. No one can outperform the market, meaning that no one can make extraordinary profits in that market; instead, the market prices shares at their real or intrinsic value based on underlying future cash flows. The strong form of market does not exist at all in the real world. The semi-strong variant of the efficient market hypothesis (EMH) represents the strong form of the market in the majority of industrialized nations. The EMH appears to be weaker in developing country marketplaces. In such a market, the stock price fluctuates erratically and doesn't adhere to a set pattern. The evidence is in favor of the weak efficient and semi-strong efficient market hypotheses. However, this contradicts the strongly efficient market theory, which holds that the stock price not only represents all important information about the company but also includes information that is exclusively known to insiders in the organization. The way that the market price of the shares reflects information that is available to the public determines the types of markets. The Efficient Market Hypothesis (EMH) utilizes past data to ascertain the current common stock price. However, various nations may have different sets of laws governing share trading and stock market operations.

2.3 Empirical Review

A summary of significant empirical research with firm-specific effects on market price per share is provided in this section. As a result, different academics looked at the commercial banks' stock price movement from different directions:

Sharma (2023) investigated how Nepalese commercial banks' dividend policies were impacted by collateralizable assets, net asset growth, liquidity, leverage, and profitability. This study looked at how Nepalese commercial banks' dividend policies were affected by collateralizable assets, net asset growth, liquidity, leverage, and profitability. To evaluate the importance, regression models and correlation coefficients are estimated. According to the analysis, the dividend per share is

negatively impacted by collateralizable assets. It suggests that a rise in collateralizable assets causes the dividend per share to fall.

Bhatti et al. (2023) investigated the dividend policy and its effect on market price through an empirical research of the chemical industry. This study looked into the impact of the dividend policy in the chemical industry on market prices. The Levin li Chu, Hauseman, Wald, VIF, Tolerance, Durban Watson, Normality, and Homosedacity tests were employed in this investigation. This analysis indicated that all explanatory factors are relevant, with the exception of profit after taxes.

Goet and Kharel (2022) investigated into how the market price per share of Nepalese commercial banks was affected by factors including net worth per share, earnings per share (EPS), dividends per share (DPS), and price-earnings ratio (PER). Examining the effects of variables including dividends per share, earnings per share, price-earnings ratio, and net worth per share on Nepalese commercial banks' market price per share was the aim of the study. Regression, correlation, and descriptive analysis were employed in this investigation. The study's conclusions indicate that while there is a minimal positive correlation between market price per share, profits per share, and net worth per share of commercial banks, there is a large positive correlation between earnings per share and dividends per share and price earnings ratio.

Gyawali (2022) examined the effects of variables affecting Nepalese commercial banks' stock prices. Examining the effects of variables on Nepalese commercial banks' stock prices was the aim of this study. There have been several models of linear regression applied. The outcome demonstrates that DPS, EPS, and P/E ratio have a positive and statistically significant impact on stock price. The inflation rate has a negative and negligible impact on the stock price, while ROA and GDP have a positive but not statistically significant effect.

Ahmed et al. (2021) analyzed the focused on price volatility and stock market development drivers. This study set out to investigate how institutional quality measures affected the volatility and development of the stock market. This research employed a heterogeneous noncausality test, a fully modified ordinary least square approach, and a panel cointegration test. The results have demonstrated a strong long-term correlation between the variables.

Niraula (2021) investigated The behavior of stock prices in Nepalese commercial banks, Examining the stock price behavior of Nepalese commercial banks was the goal of this study. The model of multiple linear regression has been applied. The outcome shows that the size of banks, the PE ratio, and EPS all have a positive and statistically significant impact on MPS. Other factors barely make a difference.

Sholichah et al. (2021) investigated the effects of risk profile, good corporate governance (GCG), earnings, capital (RGEC), and earnings per share (EPS) on stock prices with financial crisis acting as an intervening variable. This study looked at the relationship between stock prices and risk profile, earnings per share (EPS), good corporate governance (GCG), and earnings capital (RGEC). The AMOS Program was used to analyze the data using the structural equation model (SEM). The findings indicated that stock prices are influenced by RGEC, EPS, and financial distress.

Wagle (2021) examined the equity share investments are among the major investment avenues that offer investors substantial returns.. The purpose of this study was to determine the empirical factors influencing the price of commercial banks' stock on the market. Regression analysis, correlation, mean, and standard deviation are the methods employed in this study. The market to book ratio (M/B), price-earnings ratio (P/E), and yield-to-yield ratio (E/Y) were found to have a strong positive correlation with the stock market price.

Bajracharya (2020) analyzed the factors influencing the common stock prices of Nepalese commercial banks. This study looked at how market capitalization, bank rate, and inflation affected Nepalese commercial banks' market share values. Multiple regression analysis, correlation, mean, and standard deviation have all been used in this study. The study's conclusion was that there was a substantial negative correlation between the market price per share and the external factor inflation rate.

Bhattarai (2020) investigated the variables influencing Nepalese commercial banks' market common stock prices. Examining the variables influencing commercial banks' market common stock prices was the goal of this study. The model diagnosis test guided the use of the OLS and Fixed Effects models for data analysis. The results indicate a statistically significant negative correlation between the dividend payout ratio and market common stock price.

Huy, Loan, and Anh (2020) investigated how the stock prices of developing-nation commercial banks fluctuated. This study set out to examine and assess the effects of seven macroeconomic variables on the stock price of Vietnam's joint stock commercial bank, Vietcombank (VCB). Standard deviation, correlation, multiple regression analysis, and a seven-factor model were all used in this study. According to the study's findings, the VCB stock price increased significantly when GDP growth, lending rates, and risk-free rates increased. The exchange rate decreased, which had the second-highest impact coefficient, and the stock price somewhat decreased.

In 2020, Saud and Shakya conducted an analysis of stock market predictions in an effort to estimate the future worth of stocks that are traded on stock exchanges. Examining stock market predictions for estimating the future value of stocks traded on stock exchanges was the aim of this study. Multiple regression analysis, correlation, and standard deviation were used in this investigation. According to this study, GRU performed the best at predicting stock prices.

Shammout (2020) examined the effect of stock characteristics as measured by Price Earnings Ratio (PER), Yield Per Share (YPE), Market to Book Ratio (MBR), Earnings Per Share (EPS), Dividends Per Share (DPS), Dividends Payout Ratio (DPR), and Book Value Ratio (BVR) on the market stock price. Multiple regression analysis, correlation, and standard deviation were used in this investigation. The study discovered that a stock's market price at Jordanian commercial banks is significantly influenced by its attributes.

Silwal and Napit (2019) investigated the factors influencing the stock market price in Nepalese commercial banks. This study set out to investigate the factors that influence Nepalese commercial banks' stock market prices. Multiple regression analysis, correlation, and standard deviation were used in this investigation. The study's findings indicate that there is a positive correlation between stock price and book value per share, price earnings ratio, and return on equity.

Thapa (2019) investigated the variables that affect Nepal's stock price. Examining the variables affecting Nepal's stock price was the goal of this study. A basic linear regression model was used in this investigation. The results of this study showed that while interest rate (IR) and price to earnings ratio (PER) demonstrated a strong inverse correlation with common stock price, earning per share (EPS) and dividend

per share (DPS) demonstrated a substantial positive association with common stock price.

Bhattarai (2018) examined the impact of macroeconomic and firm-specific factors on Nepalese commercial banks' common stock prices. This study's objective is to investigate how macroeconomic and firm-specific factors affect Nepalese commercial banks' common stock prices. The method of multiple regression has been applied. The study discovered that the following factors affected the common stock prices of banks in Nepal: ROE, ROA, EPS, DPS, P/E Ratio, MS, GDPR, ER, and IR.

Karki (2018) investigated the macroeconomic elements influencing Nepal's stock market performance. This study set out to determine how these factors affected stock prices, as measured by the Nepalese capital market's NEPSE Index. Multiple regression analysis, correlation, and standard deviation were used in this investigation. The findings showed that there is a favorable correlation between real GDP and stock market performance.

Prayogo and Lestari (2018) investigated the factors influencing the stock price at the Indonesia Stock Exchange's Banking Sub-Sector Company. The purpose of this study is to examine how Indonesian stock prices are influenced by Return on Assets (ROA), Earnings per Share (EPS), and Price to Earnings Ratio (PER). Panel data regression analysis was the method of data analysis employed in this study. The study's conclusion was that, while not statistically significant, ROA has a negative impact on stock price.

Singh (2018) analyzed one of the key metrics for gauging a company's success is its stock price. This paper's goal was to investigate the factors that affect common stock price. The random effect model is used in the panel data regression. The study's findings indicate that the first lag of stock prices, the debt ratio, and EPS are important factors that influence stock prices. Firm size, PE ratio, and dividend payout are unimportant factors.

Figeac (2017) investigated the factors that influence the stock prices of particular European banks. This study set out to investigate the factors that influence European bank stock values. Multiple regression analysis and descriptive statistics were used in this investigation. The study's conclusion showed that factors unique to these banks,

such as return on equity and equity/asset ratios, account for the majority of the variation in stock prices.

Gautam (2016) investigated the effects of firm-specific variables on stock price volatility and stock return in Nepalese commercial banks. In this work, regression analysis has been used. According to the analysis, there is a positive correlation between stock return and leverage, market capitalization, dividend payout, and dividend yield.

Sapkota (2016) examined the factors influencing Nepalese commercial banks' common stock prices. Examining the effects of earnings per share, dividends per share, price earnings ratio, and gross domestic product on the common stock price of Nepalese commercial banks is the goal of this research. Correlation analysis and regression models have been applied. According to the findings, surplus and stock return have a positive relationship with GDP, price-earnings ratio, earning per share, and dividend per share.

Table 1

Summary of Empirical Review

Year	Researcher	Topic	Objectives	Methods	Findings
2023	Azeem Akhtar Bhatti, Abdul Qadir Patoli, Tahal Kumar	Dividend Policy and its Impact on Market Price: An Empirical Study of Chemical Sector	This study investigates the dividend policy in the chemical industries and how it affects market prices.	On the dataset, the Levin li chu, Hauseman, Wald, VIF, Tolerance, Durban Watson, Normality and Homosedacity tests were run.	This study found except for Profit after Tax, all explanatory factors are shown to be significant.
2023	Anjali Sharma	Effect of collateral	The study examines the	The correlation coefficients and	The study showed that collateralizable

		izable assets, growth in net assets, liquidity, leverage and profitability on dividend policy of Nepalese commercial banks	effect of collateralizable assets, growth in net assets, liquidity, leverage and profitability on dividend policy of Nepalese commercial banks.	regression models are estimated to test the significance.	assets has a negative impact on dividend per share. It indicates that increase in collateralizable assets leads to decrease in dividend per share
2022	Gyawali, B.	Factors Influencing The Stock Price of Nepalese Commercial Banks	To examine the impact of factors influencing the stock price of Nepalese commercial banks.	Descriptive and causal-comparative research design has been used to analyze and interpret this data.	The result shows that there is a positive and statistically significant effect of DPS, EPS, and P/E ratio on the stock price.
2022	Goet, G., Kharel, K.	Factors Influencing Stock Price Variability of Commercial Banks in Nepal	This study investigates the impact of variables such as Dividends Per Share (DPS), Earnings Per Share (EPS),	In this study, descriptive, correlation, and regression analysis was used.	The findings of this study, Earnings per share has a significant positive relationship with the Dividends Per Share and Price Earnings Ratio but a negligible positive

			Price-Earnings Ratio (PER), and Net Worth Per Share on the Market Price Per Share of Nepalese commercial banks.		relationship with Market Price Per Share, Earnings Per Share, and Net Worth Per Share of commercial banks.
2021	U'minatus Sholichah, M. Jihadi, Bambang Widagdo, Novita Mardiani4, Dewi Nurjannah, Yoosita Aulia0	The Effect of RGEC and EPS on Stock Prices: Evidence from Commercial Banks in Indonesia	To examine and analyze the effect of Risk Profile, Good Corporate Governance (GCG), Earnings, Capital (RGEC), and Earnings per Share (EPS) on stock prices with financial distress as an intervening variable.	The sampling technique used purposive sampling based on certain criteria and data used was secondary data, that is, annual reports of commercial banks in Indonesia.	The results show that financial distress cannot mediate the effect of RGEC and EPS on stock prices as indicated by a p-value greater than 0.05. The implication of this research is very important for investors to analyze stock price changes based on RGEC, EPS, and financial distress to gain profits.

2021	Muhammad Naveed Akhtar, Sana Saleem	The Impact of Market Discipline on Charter Value of Commercial Banks.	To Analysis relationship between these two markets withholds invaluable information	The relation between market discipline and charter value of local commercial banks that are registered on the Pakistan Stock Exchange.	This result although looks inconsistent with the general perception that oil market causes capital market, yet makes sense within the context of global oil market and global economic activity.
2021	Dinh Tran Ngoc Huy*; Nguyen Thi Hang	Factors that affect Stock Price and Beta CAPM of Vietnam Banks and Enhancing Management Information System – Case of Asia	To improve Risk management information system (RMIS) that is becoming an important element in MIS system of banking sector in Vietnam in recent years and in future.	This study mainly use combination of quantitative methods including OLS regression for the case of Asia Commercial Bank (ACB).	Research results indicate that GDP growth (G), CPI and Risk free rate (Rf) have highest effects on both ACB beta CAPM and stock price..

2021	Ballav Niroula	Stock Price Behavior of Commercial Banks of Nepal	To analyze purpose of this research is to examine the behavior of stock price in Nepalese commercial banks.	This research uses MPS as dependent variable and experiment variables as EPS, PE Ratio, DY ratio, Size, MPS, BV per share and ROA	The result indicates that there is a positive and statistically significant effect of EPS, PE ratio and size of banks on MPS. Other variables have negligible effects
2021	Sudip Wagle	Determinant of Stock Market Prices in Nepal: A Case of Commercial Banks	To identify the empirical variables that influence the stock market price in commercial banks.	The descriptive and causal-comparative research design was employed. For that, mean, standard deviation, correlation, and regression analysis techniques have been used	The finding of this study is valuable to the curious investors, concerned bankers, academicians and government authorities, which help them to more about the stock market's returns and likelihood in the country.
2020	Dinh Tran Ngoc Huy , Pham Minh Dat , Pham Tuan Anh	Building An Econometric Model of Selected Factors'	To explore stock price in commercial banks in developing countries such as Vietnam	By data collection method to perform regression equation and evaluate	This research finding and recommended policy also can be used as reference in policy for commercial bank

		Impact on Stock Price: A Case Study	will reflect the business health of bank system and the whole economy.	quantitative results.	system in many developing countries.
2020	Dr. Belal Rabah Taher Shammout	The Impact of Stock Characteristics on Its Market Price in Jordanian Commercial Banks	To study has found that there is a significant impact of stock characteristics on its market price at the Jordanian commercial banks..	Descriptive and causal-comparative research design has been used to analyze and interpret this data.	The study recommends that investors, analysts, and decision-makers use the characteristics of stocks when carrying out analyses before making important investment decisions that can affect their wealth in the future through forecasting stock prices
2020	Dinh Tran Ngoc Huy , Bui Thi Thu Loan , Pham Tuan Anh	Impact of Selected Factors on Stock Price: A Case Study Of Voicebank in	To Analysis Fluctuation of stock price in commercial banks in developing countries such as Vietnam will reflect the	Good business management requires us to consider the impacts of multi macro factors on stock price, and it contributes to promoting business plan,	The results of quantitative research, in a seven factor model, show that the increase in GDP growth and lending rate and risk free rate has a significant effect on increasing VCB

		Vietnam	business health of bank system and the whole economy.	financial risk management and economic policies for economic growth and stabilizing macroeconomic factors.	stock price with the highest impact coefficient, the second is decreasing the exchange rate, finally is a slight decrease in S&P500.
2020	Arjun Singh Sauda*, Subarna Shakya	Analysis of look back period for stock price predictio n with RNN variants: A case study on banking sector of NEPSE	To analyze Stock market prediction is an attempt of determining the future value of a stock traded on a stock exchange.	This paper has performed a novel analysis of the parameter look-back period used with recurrent neural networks and also compared stock price prediction performance of three deep learning models.	In addition, the research work has suggested suitable values of the look-back period that could be used with LSTM and GRU for better stock price prediction performance
2019	Thapa, K. B.	Influenci ng factors of stock price in Nepal.	To examined the influencing factors of stock price in Nepal	Nepal Stock Exchange Ltd. over the period of 2008 to 2018 AD. The information were collected from questionnaire	The conclusions of the work revealed that earning per share (EPS), dividend per share (DPS), effective rules and regulations, market

				and financial statement of concerned organizations and analyzed using simple linear regression model.	whims and rumors, company profiles and success depend upon luck have the significant positive association with common stock price while interest rate (IR) and price to earnings ratio (PER).
2019	Silwal and Napit	Fundamentals of Stock Price in Nepalese commercial banks.	To determined the stock market price in Nepalese commercial banks	It is based on pooled cross-sectional data of ten banks for 10 years whose stocks are listed in Nepal stock exchange	It reveals that book value per share is a most influential factor that determines stock price in Nepal.
2018	Prayogo and Lestari	The Determinant of Stock Price at the Banking Sub-Sector Company in Indonesia Stock	The aim of this research is to analyze the influence of stock price seen from Return on Assets (ROA), Earning per Share (EPS) dan Price to Earning Ratio	This is explanatory research that describes causal relations between one variable and another variable by using hypothesis and quantitative approach.	The results revealed that earning per share and price-earnings ratios and size of the company has the significant positive association with common stock price while dividend yield, debt ratio and dividend payout ratio showed the significant

		Exchange.	(PER).		inverse association with common stock price.
2018	Bhattarai	Determinants of Common stock price of Nepalese Commercial Banks	To examined the firm specific and macroeconomic variables effects on Common stock prices of Nepalese commercial banks and insurance companies.	The descriptive and causal comparative research design has been used for the study.	The study concludes that the major factors firm specific: ROE, ROA, EPS, DPS, P/E Ratio, size and macroeconomic: MS, GDPR, ER and IR affecting the common stock prices of banks and insurances companies in Nepalese context.
2018	Singh	Stock price determinants: Empirical Evidence from Muscat Securities Market	To examined the stock price is one of the main indicators for measuring firm performance and also the only factor determining shareholders wealth	In this study, the panel data regression using random effect model.	To test the second set of hypotheses, oil price, growth rate in GDP and consumer price index are considered as independent variables as they effect performance of business and so do the stock prices.

2017	Figeac	Determinants of stock prices of selected European banks.	To examined the determinants of stock prices of selected European banks.	This study examines the determinants for stock prices of the 10 largest commercial European banks in terms of asset, with descriptive statistics and multiple regression analysis, over the period from 2007 to 2016.	This study's results reveal that these banks' stock prices are mainly explained by (1) bank-specific characteristics including Return on Average Equity and Equity/Assets Ratios, (2) industry-specific factor like the Herfindahl Index, and (3) macroeconomic-specific factors including Gross Domestic Products, Household Disposal Income, Labour Productivity and Industry Productivity.
2016	Sapkota	Firm specific and macro economic determinant of common stock	To examines the determinants of common stock price of Nepalese commercial banks.	In this study, the panel data regression using random effect model..	It shows that an increase in price earning ratio and gross domestic product leads to an increase in stock return and excess return.

		prices of Nepalese commercial banks.			
2016	Gautam	Impact of firm specific variables on stock price volatility and stock returns of nepalese commercial Banks	To examined the impact of firm specific variables on stock price volatility and stock return in context of Nepalese commercials banks	This study employs causal comparative research design which deals, the panel data regression using random effect model.	The study reveals a positive relationship between leverage, market capitalization, dividend payout and dividend yield with stock return which indicates that higher the market capitalization, leverage, dividend payout and dividend yield ratio, higher would be the stock return.

2.4 Research Gap

Common stock price has been the subject of numerous research since it is seen as a significant occurrence in the stock market. Each of them has its own limits in addition to numerous valuable findings. The majority of research mostly use secondary data, which is also out of date. The stock market has seen numerous developments as time has gone on. As a result, there are now more listed businesses in NEPSE. This research project differs somewhat from other research projects in terms of time, goal, population, sample, and subject matter. Due to the increase in listed companies in NEPSE, the population and sample will differ. Even though common stock price has been the subject of numerous studies because it is thought to be a significant phenomenon in the stock market, it is evident that common stock prices fluctuate

abnormally and that there are insufficient studies to determine how volatile the common stock prices of commercial banks are in the stock market.

The themes covered in the prior these included stock price behavior, factors influencing common stock price, and risk and return analyses of specific companies' shares; however, "Stock Price Variability of Commercial Banks in Nepal" has not been the subject of any research. This research project's goal is to use secondary data to investigate and evaluate the dynamism in the stock prices of commercial banks listed on the NEPSE. The current study uses secondary data to apply numerous facts in an attempt to assess the behavior of commercial banks' stock prices. The current research will benefit investors, interested parties in academia, and policymakers alike. I hope that our study will benefit future researchers in the same sector.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology refers to the various sequential steps to be adopted by researcher in studying a problem with certain objectives in view.

3.1 Research design

Since the study examines the relationship between firm-specific characteristics and market price per share, it has employed a descriptive and causal comparative research approach. This study is cross-sectional. A framework of methodologies and strategies selected by a researcher to integrate different study components in a reasonably logical way to effectively address the research topic is known as research design. The data used in this study was taken straight off of the sample banks' yearly reports. The data spans the years 2013–14 to 2022–2023 A.D. For this study, descriptive and informal comparative research were employed. The study design makes use of secondary data that is extracted from its sources.

3.2 Population and sample, and sampling design

This study's population consists of particular commercial banks. Convenience sampling has been used in the study's bank selection process. Five commercial banks are chosen from a total of 20 commercial banks. One kind of non-probability sampling called convenience sampling takes a sample from the areas of the population that are easily accessible. Convenience sampling is widely available and has been utilized for generations, despite its drawbacks. Its many benefits make it one of the reasons it is most frequently utilized. The majority of researchers find this approach to be the most appealing because it is incredibly quick, simple, accessible, and affordable (Dusovskiy, 2018).

Table 2

List of Nepalese Commercial Banks

S.N	Name of Banks	Year	Study Periods
1	Nabil Bank Limited	2013/14 to 2022/23	10
2	Machhapuchchhre Bank Limited.	2013/14 to 2022/23	10
3	Nepal Bank Limited	2013/14 to 2022/23	10
4	Everest Bank Limited.	2013/14 to 2022/23	10
5.	Nepal SBI Bank Limited.	2013/14 to 2022/23	10
	Total		50

3.3 Nature and sources of data

Secondary sources provide the information and data that are required. The information is derived from the NEPSE, SEBON, and sampling banks' annual reports, trade reports, and publications. Additional information on relevant websites and national periodicals of the NRB.

3.4 Methods of analysis

The secondary data used in this study were gathered from five commercial banks using a straightforward sampling technique. Over the research, secondary data will be gathered from the chosen banks' annual reports over the years 2014–2023. Using multiple regression analysis, correlation analysis, and descriptive analysis, the gathered data will be examined using SPSS 26 software.

3.4.1 Descriptive Analysis

According to Mugenda and Mugenda (2003) descriptive analysis is typically the best method for obtaining data that illustrates relationships and presents the world as it is—that is, the rate or frequency distribution, mean, and change influencing the common stock price of commercial banks. This analysis can be helpful in identifying the key points of the examination's data and in providing an overview of the example and metrics.

3.4.2 Correlation Analysis

When there is a strong correlation between two variables, inferential analysis is used to characterize and assess the relationship between them. The relationship between common stock price and dividend payout ratio, dividend yield, earnings per share, price earnings ratio, and bank asset return is examined in this study using the Pearson coefficient of correlation. The value ranges from -1 to +1.

3.4.3 Multiple Regression Analysis

The estimation of the relationship between the variables is one use of regression analysis. Regression refers to the process of evaluating an unknown estimate of a single variable, known as the dependent variable, with the help of another known variable, known as the independent variable. Multiple regressions are the term for an analysis that includes more than one variable. The regression coefficient's value indicates how closely the independent variables relate to fulfillment. By separating out each factor's overall commitment, multiple regression analysis also determines which of the components the strongest predictor is. Prior to considering and discovering the regression analysis assumptions, those presumptions were met.

3.4.4 Model Specification

The linear regression model that follows is given based on the body of existing literature. It shows that the dividend payout ratio, dividend yield, earnings per share, price-earnings ratio, and return on asset all affect the share's market price.

$$MPit = \beta0 + \beta1\ DPRit + \beta2\ DYit + \beta3\ EPSit + \beta4\ P/Eit + \beta5\ ROAit + \varepsilon it \ldots\ldots\ldots\ldots (1)$$

Where:

MPit = market price of the share of firm *i* in year *t*

DPRit = dividend payout ratio of firm *i* in year *t*

DYit = dividend declared in a financial year with respect to its market price firm *i* in year *t*

EPSit = earnings per share of firm *i* in year *t*

P/Eit = price earnings ratio of firm *i* in year *t*

ROAit = return on asset of firm *i* in year *t* β0 = the intercept (constant term)

The regression coefficients for each variable are represented by the values of β1, β2, β3, β4, and β5, which indicate the degree of change in common stock price with each unit variable change in the independent variable.

ε = Error terms

3.5 Research framework and definition of variables

The research framework is a versatile analytical tool that can be used in a variety of situations. It is employed to structure concepts and draw distinctions in study. Both independent and dependent variables were included. An independent variable is one that the researcher has control over and that influences the changes of other variables. The impact of changing the independent variable is displayed by the dependent variables. Market price is considered a dependent variable, while dividends, earnings, price-earnings ratios, and net worth are considered independent variables. Figure displays the research framework, which explains the independent and dependent variables employed in the study.

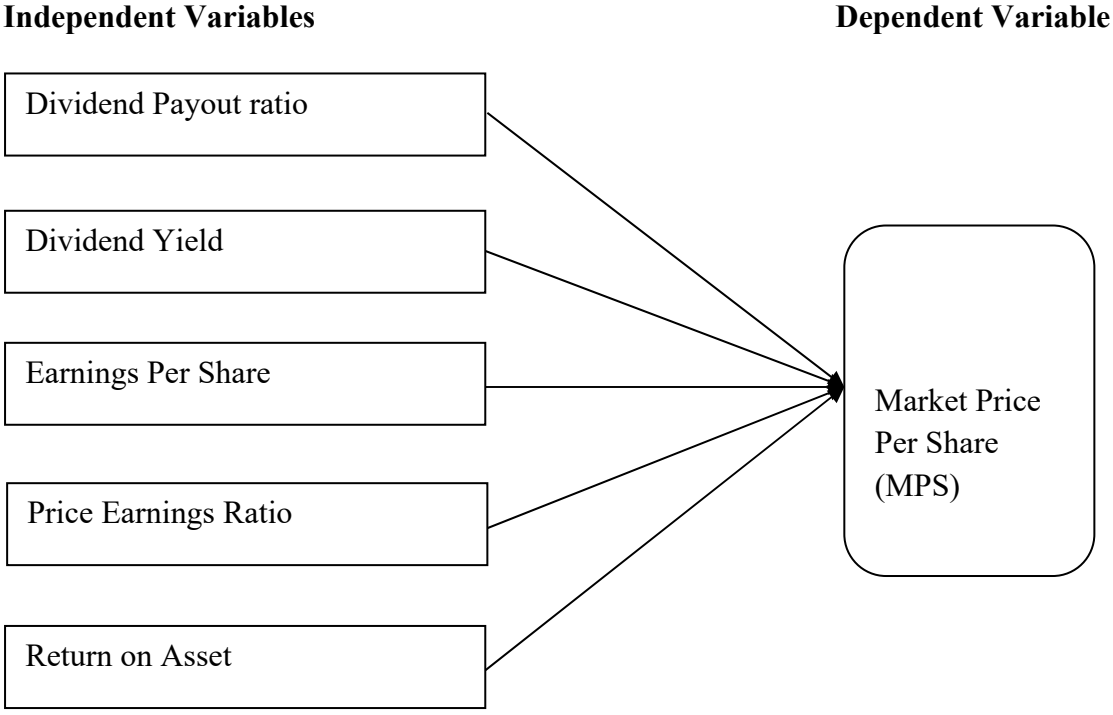

Figure 1 Conceptual Framework

Source: Gyawali (2022)

3.5.1 Definition of Variables

The following highlights the dependent and independent variables as well as the suggested hypotheses.

Market Price of Share

Because of variations in the pressure from buyers and sellers, the market price of a share can fluctuate minute by minute. Choosing which share market price to regress as a dependent variable becomes challenging as a result of these changes. The closing price of a share at the conclusion of the bank's fiscal year is used in this study to reflect market pricing. The study's dependent variable is the share market price.

Dividend Payout Ratio

An indication of how effectively earnings support dividend payments is given by the dividend payout ratio. Dhanani (2005) discovered that a company's dividend policy raises its market value. In actuality, payout ratios are typically greater in more established businesses. On the other hand, it indicates that the payout ratio and variations in common stock price are inversely related. On the basis of the results, the following alternative hypothesis has been investigated:

H1: There is significant impact of dividend payout ratio on the common stock price.

Dividend Yield

It shows the dividend issued in a fiscal year as a proportion of the market price. It is calculated by dividing market value per share by dividend per share. The market price of the company's stock and the dividend yield were found to be significantly inversely correlated by Malhotra and Tandon (2013), Zahir and Khanna (1982), and Irfan and Nishat (2002). Thus, the alternate theory is:

H2: There is significant impact of dividend yield on the common stock price.

Earnings per Share

The profitability of a business is shown by its earnings per share. A high market price is typically the outcome of rising earnings per share. The market price and earnings per share have a positive relationship, meaning that the higher the earnings per share, the higher the market price, according to Ball and Brown (1968), Baskin (1989), Malhotra and Tandon (2013), AL-Omar and AL-Mutairi (2008), Almumani (2014),

Jatoi, Shabir, Hamad, Iqbal, and Muhammad (2014). This study also evaluated the following alternative hypothesis, which is based on theory and these empirical findings:

H3: There is significant impact of earnings per share on the common stock price.

Price Earnings Ratio

It has to do with contrasting market value and earnings per share. The price-to-earnings ratio shows how much each share's earnings are covered by its price. It indicates if a company's common stock price is overvalued, undervalued, or reasonably valued. When compared to companies with a lower P/E, a high P/E often indicates that investors are expecting more profits growth in the future. According to Oyama (1997), Khan and Amanullah (2012), Malhotra and Tandon (2013), and Alumumani (2014), there is a noteworthy positive correlation between the price-earnings ratio and the common stock price of a company. Consistent with previous research, the study's fourth alternative hypothesis is:

H4: There is significant impact of price earnings ratio on the common stock price.

Return on Assets

A financial measure called return on assets (ROA) indicates how much profit (or percentage of return) a business is making relative to its total resources. The net income for the year divided by the total assets—typically the average value during the year—is the return on assets, or ROA. The ROA shows how well a firm's management can turn a profit from the assets that the company uses to run its operations. Since it shows the returns from the company's assets, this is perhaps the most significant factor to compare when evaluating the effectiveness and operational performance of the business. It demonstrates how effectively assets are managed to produce profits. According to Sawagvudcharee and Bajracharya (2020), there is no discernible correlation between ROA and MPS.

H5: There is significant impact of return on asset on the common stock price.

CHAPTER-IV

RESULTS AND DISCUSSION

This chapter deals with the presentation and analysis of relevant data of the banks of Nepal in order to fulfill the objectives of the study. To obtain best result, the data have been analyzed according to the research methodology as mentioned in third chapter. The purpose of this chapter is to introduce to the mechanics of data analysis and interpretation. Data analysis is the relationships or differences supporting or conflicting with original or new hypothesis should be subjected to statistical test of significance to determine with what validity data can be served to indicate any conclusion. In this chapter, data has collected from secondary sources has been presented and examined by using financial and statistical tools and its findings have been discussed in this chapter.

4.1 Results

4.1.1 Descriptive Statistics

The table 3 summarizes the descriptive details for five variables influencing share prices of Nepalese commercial banks.

Table 3

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	50	0.00	173.57	78.61	41.97
DY	50	0.00	8.70	3.54	2.03
EPS	50	6.30	198.53	35.01	29.63
PE	50	0.86	83.94	24.72	13.10
ROA	50	0.87	3.25	1.78	0.60
MPS	50	171.00	3385.00	767.25	728.35

Source: Results are drawn from SPSS-26 and Annual report of sample companies

Table 3 presents descriptive statistics for six financial metrics across 50 observations, providing a comprehensive snapshot of the distribution and variability within the dataset. The Dividend Payout Ratio (DPR) exhibits a wide range, spanning from 0.00% to 173.57%, with an average of 78.61%. The significant standard deviation of 41.97% suggests considerable diversity in dividend payout practices among the entities under consideration. In terms of Dividend Yield (DY), the observed values range from 0.00% to 8.70%, with an average yield of 3.54% and a moderate standard deviation of 2.03%, indicating moderate variability in dividend yields. Earnings Per Share (EPS) demonstrates substantial diversity, ranging from 6.30 to 198.53, with an average of 35.01 and a noteworthy standard deviation of 29.63, highlighting disparities in profitability.

The Price-to-Earnings Ratio (PE) varies from 0.86 to 83.94, with an average of 24.72. The standard deviation of 13.10 suggests variability in market valuations relative to earnings across the dataset. Return on Assets (ROA) displays a relatively narrow range, from 0.87% to 3.25%, with an average return of 1.78% and a low standard deviation of 0.60, indicating relatively consistent performance in terms of asset utilization and profitability. Market Price per Share (MPS) spans from 171.00 to 3385.00, with an average share price of 767.25. The substantial standard deviation of 728.35 suggests considerable variability in market valuations among the observed entities.

4.1.2 Correlation Analysis

The Pearson co-efficient of correlation examines the connection between share price and dividend yield, dividend payout ratio, earnings per share, price earnings ratio, and return on asset. It shows the magnitude and direction of the linear relationship between market value of share and variables affecting market price of the share of the sample commercial banks at 1% and 5% level of significance over the study period. The Pearson correlation analysis results are presented in Table 4.

Table 4

Correlations Matrix

		MPS	DPR	DY	EPS	PE	ROA
MPS	Pearson Correlation	1					
	Sig. (2-tailed)						
DPR	Pearson Correlation	.398**	1				
	Sig. (2-tailed)	.004					
DY	Pearson Correlation	-.042	.654**	1			
	Sig. (2-tailed)	.770	.000				
EPS	Pearson Correlation	.375**	-.137	-.132	1		
	Sig. (2-tailed)	.007	.342	.361			
PE	Pearson Correlation	.681**	.412**	-.155	-.190	1	
	Sig. (2-tailed)	.000	.003	.283	.187		
ROA	Pearson Correlation	.293*	-.232	-.251	.571**	-.096	1
	Sig. (2-tailed)	.039	.105	.079	.000	.508	

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

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

Findings from the Pearson's correlational analysis of variables as presented in Table 4 shows that, Pearson correlation was used to find the relationship between variables at 1% and 5% level of confidence. The Pearson correlation result shows that there is significant correlation between the independent variables EPS, DPR, P/E and ROA. Market share price is significantly positively related to EPS and ROA at the level of 0.01 significant i,e at 99% confidence level and it indicates that increase in EPS and ROA will increase market price and vice-versa. Similarly, share price is significantly positively related to DY and PE at 95% confidence level i,e at 0.05 level of significance. This means that these variable move in the same direction with the share prices. Increase in dividend yield of bank will also increase in value of market share price.

However, correlation result shows no relation of dividend yield with market share price of commercial banks of Nepal.

4.1.3 Regression Analysis

Regression analysis results are the statistical tools for the data analysis. The regression analysis has been conducted to examine whether or not the Dividend Yield , Dividend payout, earning per share, P/E ratio and ROA has affected the share price of Nepalese commercial banks.

The study used tolerance and variance inflation factor (VIF) values for the predictors as a check for multicollinearity. Tolerance indicates the present of variance in the independent variable that cannot be accounted for by the other independent variable while VIF is the inverse of tolerance. In the presence of multicollinearity, regression estimates are unstable and high standard errors.

Multiple regression analysis was used to obtain the regression coefficients of model (1). Table 5 shows the results of the regression analysis for the chosen banks.

Table 5

Multiple Regression Coefficients of independent Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858a	.736	.706	465.81857

Table 6

ANOVA of all variables

Model	Sum of square	Df	Mean square	F	Sig.
1. Regression	26567710.69	5	5313542.137	24.488	0.000
Residual	9547425.313	44	216986.939		
Total	36115136.00	49			

Table 7

Regression Results on the Determinants of Share Price

Predictors	Coefficients	t-statistic	p-value
Constant	-1189.657	-4.120	.000
DPR	2.461	1.086	.283
DY	25.683	.614	.543
EPS	10.431	5.055	.000
P/E	41.731	7.091	.000
ROA	215.252	1.724	.092

Indicates Significant at the 0.05 Level (2-Tailed)

The R-Square, also known as the variables' coefficient of determination, is 0.736. The model can account for roughly 73.60% of the volatility in bank share prices, according to the R-Square, which is another indicator of the model's overall quality. This indicates that roughly 73.60% of the dependent variable's systematic variance can be explained by the model. That is to say, variables not included in the model account for roughly 26.40% of the fluctuations in the market prices of the banks that were sampled. The corrected R-square, or roughly 70.60%, which represents the percentage of total variance explained by the model, supports this outcome.

Comparably, results from the Fishers ratio, also known as the F-Statistics, which demonstrate the reliability of the estimated model and are shown in Table 7, show that the F is approximately 24.488 and the p-value, or F(sig), is equal to 0.000. This implies a significant relationship between the explanatory factors and the dependent variable. In other words, they have a significant influence on how share price market values behave. Furthermore, the error term is independent and devoid of autocorrelation, as indicated by the regression statistics value of 1.606.

4.1.4 Hypotheses Testing

The process of using statistics to ascertain the likelihood that a particular hypothesis is true is known as hypothesis testing. To test hypotheses, inferential analysis is employed. To ascertain whether observed differences between groups or variables are true or the result of random variation, inferential analysis tests hypotheses. Analyzing the complete population is the best method to find out if a statistical hypothesis is true. Because it is frequently not feasible, researchers usually look at a random sample of the population. The hypothesis is rejected if sample data do not support the statistical hypothesis. Every hypothesis is independently evaluated and examined, and the analysis is carried out using a statistical analysis system (SPSS). In order to determine the link between the dependent and independent variables in this study, five alternative hypotheses were generated. Based on the regression analysis shown in Table 8, each hypothesis is examined.

Table 8

Hypothesis testing for dependent variable MPS

Predictors	Coefficients	T	Sig.	Result
Constant	-1189.657	-0.112	.000	
DPR	2.461	5.097	.283	Rejected
DY	25.683	-5.238	.543	Rejected
EPS	10.431	4.452	.000	Accepted
P/E	41.731	1.515	.000	Accepted
ROA	215.252	0.135	.092	Rejected

4.1.5 Diagnostic test

This study has adopted the variance inflation factor (VIF) measure to test the multicollinearity. The VIF measure the impact of collinearity among the variable in a regression model. Values of VIF exceed 10 are often regarded as indicating multicollinearity (James et al. 2015). Findings of the VIF test are depicted in Table 4.7.

Table 9

Diagnostic test Coefficients

Model	Collinearity statistics	
	Tolerance	VIF
Constant		
DPR	0.504	1.982
DY	0.512	1.152
EPS	0.321	3.119
P/E	0.620	1.614
ROA	0.235	4.254

From the table 9, it can be clearly seen that there is no multicollinearity between the variables. The value of VIF for both all variables is lower than 10 and the tolerance value is higher than 0.1.

So, among the independent variables all the variable has been used in order to obtain stable regression estimates and mitigate high standard errors.

4.2 Discussion

Additionally, the regression's conclusion demonstrates the inverse link between dividend yield and market price. This finding essentially indicates that the dividend yield of the company will have a negative effect on the market price, holding other variables constant. The results of Bhattttarai (2015) provide support for the outcome. This finding essentially means that the market price of Nepal's listed commercial banks is significantly impacted negatively by the dividend yield of banks.

Regression analysis empirical results indicate a favorable correlation between market price and earnings per share. The t-statistics value, or t-statistics = 4.452, and the p-value <.01 both demonstrate this. The findings can be interpreted as follows: a rise in earnings per share will result in a notable rise in equity share market prices. Significantly, this result aligns with the conclusions drawn by AL-Omar and AL-Mutairi (2008), who noted that earnings per share is a key factor influencing stock prices.

Regression analysis yielded additional empirical findings indicating a favorable correlation between DPR and MP. This is demonstrated by the p-value of <.01 and the t-statistics value, which is t-statistics = 1.515. The coefficient of P/E ratio is 41.731, meaning that the share prices will rise by Rs. 41.731 for every unit increase in the dividend payout ratio. This result is in line with research by Baral and Pradhan (2019), which found that the dividend payout ratio significantly raises share values.

In the meantime, the conclusion that ROA and MPS have no meaningful association runs counter to Pradhan and Dahal's (2017) findings. The discrepancy in the results could be the consequence of earlier research being conducted in a different market and time period. Additionally, MPS is not much impacted by P/E Ratio. This suggests that the share price of Nepalese commercial banks is unaffected by ROA or P/E.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1 Summary

A company is selling its shares for the first time; it is called an initial public offering or IPO. Similarly, if a company has its share already listed in the share market and it wants to issue new shares, it releases follow on public offering or FPO. Third, a company can issue right shares for the already existing shareholders at the base price.

The majority of studies focus on current capital structure analysis, dividend policy, risk and return, etc., but not enough has been done to offer a fundamental understanding of the factors that influence share price. As a result, by supplying information on particular firm-specific factors that affect Nepalese commercial banks' share prices, this study will close the knowledge gap. More precisely, the following research issues are anticipated to be addressed by this study: What effect do dividend policies have on Nepalese commercial banks' share prices? What connection exists between Nepalese commercial banks' share prices and their dividend policies? What effect do different internal elements have on Nepalese commercial banks' share price?

The study's primary goal is to look at firm-specific factors that affect Nepalese commercial banks' share prices. More precisely, it looks at how firm-specific factors affect Nepalese commercial banks' share prices. The relationship between determinants and share price is still unclear. On the securities listed in NEPSE, a few studies have been conducted. The majority of research that focus on the capital market have to do with things like risk and return, dividend policy, capital structure analysis, and financial performance assessment. 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 MPS of Nepalese commercial banks and key financial metrics such as EPS, DPR, DY, PER, and ROA.

It is anticipated that the relationship will demonstrate how Nepalese commercial banks stand in regard to share price factors. Potential investors may find these findings useful in helping them make better investing decisions. A brief overview and key points of the literature on the subject are given in the review of the literature. It

specifically covers research done by academics and researchers both inside and outside the nation. Books, papers, dissertations, and other related materials were studied in order to assess the relevant studies or research in the area of commercial banks' stock price determinants. This chapter comprises the conceptual review, reviews of relevant publications and articles, and reviews of earlier research.

The following highlights the dependent and independent variables as well as the suggested hypotheses. An indication of how effectively earnings support dividend payments is given by the dividend payout ratio. Dhanani (2005) discovered that a company's dividend policy raises its market value. In actuality, payout ratios are typically greater in more established businesses. On the other hand, it indicates that the payout ratio and variations in share price are inversely related. Based on the results, the alternative hypothesis has been evaluated. The profitability of a business is shown by its earnings per share. A high market price is typically the outcome of rising earnings per share. The linear regression model that follows is given based on the body of existing literature. It shows that the dividend payout ratio, dividend yield, earnings per share, price-earnings ratio, and return on asset all affect the share's market price.

The secondary data used in this study's collection, which spans the study period of 2013–2022–was obtained from five commercial banks utilizing a straightforward sampling technique. The primary data sources are the annual reports of several sample banks and the banking and financial statistics released by NEPSE. The data set used for the study was compiled from bank annual reports that were published. Therefore, the validity and dependability of those data may have an impact on how strong the current study's findings are. Similarly, it only considers the most recent ten years of data available for studying the stock price determinants and just a small number of selected firms (five listed commercial banks) from among the listed corporations.

5.2 Conclusion

These days, there is a lot of interest in researching the factors that influence stock share prices. Moreover, figuring out what influences share prices is a topic of great interest, particularly for the banking industry. Because commercial bank shares are traded more often on the market than other shares in the Nepalese context, they present investment opportunities to Nepalese investors.

This study specifically looked at how the share prices of banks listed on the Nepal Stock Exchange Limited were affected by the dividend payout ratio, dividend yield, earning per share, price-earnings ratio, and return on asset. The study's results from 2013–14 to 2022–23 showed that while dividend yield had a substantial adverse relationship with bank share prices, earning per share had a significant positive link with share prices. The study comes to the conclusion that the main factors influencing the share price of Nepalese commercial banks are dividend yield, earnings per share, and dividend payment ratio.

It has been discovered that the share price of Nepalese commercial banks is significantly positively impacted by the earnings per share and dividend payout ratio. This implies that the market price per share of the bank rises in tandem with an increase in the bank's price-earnings ratio and vice versa.

The study's findings revealed fresh data from a Nepalese perspective, which the industry players value highly. The results of this study appear to be especially helpful for fund managers and equities investors, as they may keep an eye out for these important variables when forecasting share prices and evaluating stock returns.

5.3 Implication

Reputable establishments are critical to the growth of the stock market. A well-established institution lowers political risk, which is a significant concern in the Nepalese setting and influences investment choices. For rising economies like Nepal, the establishment of high-quality institutions like law and order, effective administration, and democratic accountability is therefore essential to the growth of the stock market. Additional studies can be carried out taking macroeconomic factors like the money supply and currency rate into account. The development of various measurement tools and techniques is necessary to maximize the benefits of stock markets. Macroeconomic variables like inflation and interest rates should be decreased in order to allow the stock market, in particular, and the capital market in general to fully capitalize on opportunities and overcome obstacles. For macroeconomic stability to be guaranteed, this needs to be done in connection with suitable monetary policies. Based on this research, investors are advised to consider additional fundamentals, such as the corporate cost of capital, in addition to the company's performance metrics, such as EPS, DPR, DY, PER, and ROA. It is advised

that investors purchase firm shares only after conducting a thorough fundamental, technical, and trend study.

Therefore, banks should concentrate on maintaining a consistent and growing dividend pattern in order to draw investors into purchasing their common stock. The company's ultimate objective should be to maximize shareholder wealth by paying out a desirable dividend.

The analysis reveals that investors' options for investing sectors are restricted. Banks and other financial entities dominate the Nepalese stock market. Other large corporations do business in Nepal. A policy should be established by NEPSE and SEBON to encourage other industries, such as manufacturing, trading, and real estate, to list on NEPSE. The market would grow in size, and investors would have more investment options based on industry.

It is therefore advised that novice investors avoid purchasing common stock without adequate expertise and a well-thought-out investing plan. It is advised that novice investors purchase the stock for investing purposes as opposed to trading.

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APPENDICES I: DATA COLLECTION

Bank	Year	DPR	DY	EPS	P/E	ROA	MPS
1	2013/14	120.15	7.38	76.12	16.21	2.80	2535
1	2014/15	115.32	5.78	57.24	19.08	3.25	1910
1	2015/16	144.51	4.33	59.27	33.38	2.65	2344
1	2016/17	76.31	2.29	59.86	33.37	2.06	1523
1	2017/18	101.23	2.56	51.84	39.55	2.32	921
1	2018/19	110.26	4.33	50.57	25.44	2.11	800
1	2019/20	108.03	6.08	36.16	18.60	1.58	765
1	2020/21	110.74	7.00	33.57	40.48	1.71	1359
1	2021/22	102.38	4.84	18.64	44.21	1.20	824
1	2022/23	98.24	6.41	23.678	25.31	1.60	599..2
2	2013/14	43.87	2.14	34.19	20.47	2.60	470.0
2	2014/15	63.61	2.24	33.09	28.44	2.30	541.0
2	2015/16	126.19	5.18	33.37	24.36	2.03	383.0
2	2016/17	73.41	2.11	43.02	34.87	2.19	510.0
2	2017/18	78.43	2.97	33.56	26.4	1.67	386.0
2	2018/19	68.30	2.87	21.07	23.83	1.61	264.0
2	2019/20	67.82	3.99	14.96	14.71	1.02	220.0
2	2020/21	72.46	3.70	17.76	21.68	1.02	385.0

2	2021/22	90.91	5.37	16.44	15.45	0.94	254.0
2	2022/23	94.21	4.54	15.85	14.63	0.87	231.8
3	2013/14	0.00	0.00	198.53	0.86	2.80	171
3	2014/15	0.00	0.00	18.08	25.39	2.67	459
3	2015/16	0.00	0.00	7.48	40.78	2.51	305
3	2016/17	0.00	0.00	44.59	10.54	1.99	470
3	2017/18	0.00	0.00	38.77	9.39	2.78	364
3	2018/19	0.00	0.00	39.98	7.03	2.41	281
3	2019/20	55.58	4.46	26.99	12.45	1.51	336
3	2020/21	58.03	4.82	20.68	12.04	1.22	249
3	2021/22	59.75	3.16	23.43	18.91	1.33	443
3	2022/23	67.22	3.14	20.29	13.21	1.12	268
4	2013/14	35.66	3.06	86.04	30.58	2.11	2631
4	2014/15	65.30	3.77	78.04	27.17	2.39	2120
4	2015/16	72.06	2.36	40.33	83.94	2.25	3385
4	2016/17	44.85	1.65	32.48	41.66	1.85	1353
4	2017/18	173.57	2.07	32.78	20.23	1.61	663
4	2018/19	101.60	2.44	38.05	17.50	1.94	666
4	2019/20	61.01	3.02	29.70	22.72	1.42	675

4	2020/21	65.70	3.75	19.91	37.06	0.89	738
4	2021/22	35.37	1.56	6.30	16.69	1.13	439
4	2022/23	62.24	2.76	31.43	17.91	1.41	563
5	2013/14	107.67	3.47	16.15	26.74	1.15	432
5	2014/15	78.28	3.91	19.57	32.70	1.62	640
5	2015/16	67.74	4.80	15.58	30.74	1.39	479
5	2016/17	120.81	3.11	19.33	26.64	1.58	515
5	2017/18	127.55	5.15	25.51	15.21	1.75	388
5	2018/19	147.75	5.52	27.13	17.29	1.67	469
5	2019/20	92.04	8.70	17.23	25.24	1.82	435
5	2020/21	112.44	6.69	10.15	40.30	1.06	409
5	2021/22	142.59	3.06	16.19	16.93	1.21	282.3
5	2022/23	109.27	4.31	19.44	17.54	1.09	341

APPEDICES II: BANK CATEGORY

Bank Name	Bank No.
NABIL	1
MBL	2
NBL	3
EBL	4
NSBI	5

APPENDICES III: SPSS OUTPUT

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	50	0.00	173.57	78.61	41.97
DY	50	0.00	8.70	3.54	2.03
EPS	50	6.30	198.53	35.01	29.63
PE	50	0.86	83.94	24.72	13.10
ROA	50	0.87	3.25	1.78	0.60
MPS	50	171.00	3385.00	767.25	728.35
Valid N (listwise)	50				

Correlations

		MPS	DPR	DY	EPS	PE	ROA
MPS	Pearson Correlation	1	.398**	-.042	.375**	.681**	.293*
	Sig. (2-tailed)		.004	.770	.007	.000	.039
	N	50	50	50	50	50	50
DPR	Pearson Correlation	.398**	1	.654**	-.137	.412**	-.232
	Sig. (2-tailed)	.004		.000	.342	.003	.105
	N	50	50	50	50	50	50
DY	Pearson Correlation	-.042	.654**	1	-.132	-.155	-.251
	Sig. (2-tailed)	.770	.000		.361	.283	.079
	N	50	50	50	50	50	50
EPS	Pearson Correlation	.375**	-.137	-.132	1	-.190	.571**
	Sig. (2-tailed)	.007	.342	.361		.187	.000
	N	50	50	50	50	50	50
PE	Pearson Correlation	.681**	.412**	-.155	-.190	1	-.096
	Sig. (2-tailed)	.000	.003	.283	.187		.508
	N	50	50	50	50	50	50
ROA	Pearson Correlation	.293*	-.232	-.251	.571**	-.096	1
	Sig. (2-tailed)	.039	.105	.079	.000	.508	
	N	50	50	50	50	50	50

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

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

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858[a]	.736	.706	465.81857

a. Predictors: (Constant), ROA, PE, DY, EPS, DPR

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26567710.69	5	5313542.137	24.488	.000[b]
	Residual	9547425.313	44	216986.939		
	Total	36115136.00	49			

a. Dependent Variable: MPS

b. Predictors: (Constant), ROA, PE, DY, EPS, DPR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1189.657	288.721		-4.120	.000
	DPR	2.461	2.266	.144	1.086	.283
	DY	25.683	41.852	.076	.614	.543
	EPS	10.431	2.063	.455	5.055	.000
	PE	41.731	5.885	.734	7.091	.000
	ROA	215.252	124.836	.156	1.724	.092

a. Dependent Variable: MPS

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