

FACTORS INFLUENCING STOCK PRICE BEHAVIOR IN NEPAL

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fulfillment of the requirement for the Master's Degree**

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**Factors Influencing Stock Price Behaviour in Nepal**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degree nor it has 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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REPORT OF RESEARCH COMMITTEE

Mr. Sajan Pyakurel has defended research proposal entitled "**Factors Influencing Stock Price Behaviour in Nepal**" successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor Madhusudan Gautam and submitted the dissertation for evaluation and viva-voce examination.

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We, the undersigned, have examined the thesis entitled "**Factors Influencing Stock Price Behavior in Nepal**" presented by Sajan Pyakurel for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

AMEX	American Stock Exchange
ASBA	Application Supported by Blocked Amount
BFI	Banking and Financial Institutions
BV	Book Value
CDSC	Central Depository Services and Clearing
CIT	Citizen Investment Trust
CRN	Customer Reference Number
CRO	Company of Registrar Office
DP	Depository Participant
DPS	Dividend Per Share
EPS	Earning Per Share
FPO	Further Public Offer
GDP	Gross Domestic Product
IPO	Initial Public Offering
MBS	Master of Business Studies
MP	Market Price
NEPSE	Nepal Stock Exchange
NGO	Non-governmental Organization
No.	Number
NRB	Nepal Rastra Bank
NYSE	New York Stock Exchange
OTC	Over the Counter Market
P/E	Price Earning
R/E	Retained Earning
SE	Security Exchange
SEBIS	Security Board of India
SEBON	Security Board of Nepal
SEC	Security Exchange Center

ABSTRACTS

This study entitled “Factors Influencing Stock Price Behavior in Nepal” is aimed to analyze the attitude of investors towards Nepalese stock market. It sought to evaluate the investor awareness about stock trading system and to examine the determinants influencing stock price in Nepalese capital market. Among the various factors influencing investors to take decision on stock market, particular emphasis was placed on investor attitude, risk, and return due to their recognized importance in existing literature. In order to achieve these objectives like: to analyze major factors to determine the stock price behavior in Nepalese stock market. Primary data were collected from the investors, who were contacted personally from secondary market. A tailored questionnaire consisting of 25 questions was utilized for research purposes. Opinions were gathered from 300 respondents affiliated with capital market-related entities such as merchant banking, investment banking, mutual funds, investment companies, and stockbrokers. Data analysis was then applied to derive conclusions from these responses. When the current DPS surpasses the previous year's DPS, it is considered advantageous to invest in that specific script. Similarly, returns earned are influenced by investors' risk-bearing tendencies, shaped by personal, economic, and situational factors such as income, family size, expenditure patterns, and age. Furthermore, political stability directly impacts stock prices and significantly influences the capital market. The research aimed to analyze investor awareness, employing descriptive and casual comparative methodologies. The findings revealed that the primary objective for most investors was to maximize income with diverse investment growth. Investors typically seek short-term returns in the form of capital gains. Moreover, the study found that the stock market is progressively expanding, attracting individuals seeking quick profits, often without a focus on long-term investment strategies. A notable observation was the prevalence of illiteracy among investors, leading to susceptibility to manipulation by brokers through artificial transactions and peer influence.

Keywords: EPS, DPS, P/E Ratio, Stock Price, Capital Market, SEBON, NEPSE.

CHAPTER-I

INTRODUCTION

1.1. Background of Study

The development of Nepalese capital market over the past 29 years, since 1994, showcases a mixed picture. While certain aspects exhibit promising growth, several indicators portray a less-than-ideal scenario. The positive indicators include a satisfactory growth rate in the approval of issue amounts, increased approvals for common shares, mutual funds, and corporate debentures issued by commercial banks. Moreover, the rise in listed shares, market capitalization, and the expanding investor base are encouraging trends. The upward trajectory of paid-up values is another favorable aspect. Recent positive changes, such as decentralized brokerage services, the implementation of ASBA and Electronic CRN systems in primary issues, the adoption of online trading, and the provision of margin lending facilities by brokerage offices, signify steps in the right direction by regulatory bodies (Panthi, 2018). However, despite these positive strides, fluctuations in annual turnover value, the NEPSE Index, and market capitalization underscore the inconsistent growth pattern of Nepal's capital market. Transparency in transactions, enhanced professional services, comprehensive corporate financial disclosures, and an improved legal regulatory framework stand out as urgent needs for the Nepalese Stock Market. The government's role is crucial in fostering individual and institutional investors' participation while ensuring their sustained engagement in the stock market. Efforts aimed at protecting investors' interests, boosting confidence, and developing the stock market infrastructure become imperative. Establishing mechanisms to enhance transparency, ensuring robust regulatory supervision, and facilitating a conducive environment for investor confidence will be pivotal in charting a more stable and prosperous future for Nepal's capital market (Bhatta, 2008).

The trajectory of Nepal's stock market has a relatively short history, evolving gradually over time. NEPSE remains the solitary stock exchange in Nepal, underscoring the country's nascent yet substantially evolving stock market. It was established in order to mobilize capital alternative to traditional banking sector for promoting economic growth and development in the country (Upadhyaya, 2010). Normally, a stock market index serves as a barometer reflecting an economy's health. A burgeoning index often signals investor confidence and augurs well for increased investments in the economy. However, an

unwarranted surge in the index can be precarious. If the upswing lacks fundamental support, it becomes unsustainable, eventually leading to a market downturn that imperils economic and financial stability. Therefore, policymakers must vigilantly monitor stock market developments and be prepared to intervene when necessary to avert market bubbles and potential collapses. Various elements impact the stock market, particularly those affecting firms' cash flows or discount rates. However, the extent to which specific factors influence the market varies across countries, contingent upon diverse economic characteristics and market dynamics (Bhatta, 2008).

Shrestha and Subedi (2014) described the intricate relationship between Nepal's stock market and macroeconomic dynamics, particularly emphasizing the significant influence of monetary sector development. They observed that alterations in monetary policies, particularly a lax approach, could trigger asset price fluctuations within the stock market, primarily influenced by banks and financial institutions. Furthermore, their findings underscored the acute attention investors pay to political developments, suggesting that positive political stability could serve as a catalyst for furthering the share market. A stable political climate is perceived as pivotal for fostering financial intermediation and resource mobilization through the capital market. The Nepal Rastra Bank (NRB) lending policies against share collateral emerged as a substantial influencer in the stock market, signifying the regulatory body's profound impact. Moreover, their research illuminated the role of market sentiments driven by rumors, news, and speculations, underscoring the necessity for heightened transparency. To mitigate such influences, there is a pressing need to enhance transparency in the market by facilitating easy access to information related to listed companies. It is imperative for relevant authorities to bolster transparency and communication strategies, effectively dispelling market rumors and enhancing overall market credibility (Shrestha & Subedi, 2014).

The capital market functions as a vital institutional platform facilitating the continuous buying and selling of shares and various stocks (Pant, 2018). Fundamentally, it's the secondary market for quoted securities, whereas the primary market denotes the space where newly created securities are introduced through open offers (Angeles, 2017). Within this context, the stock market plays a dual role. Firstly, it serves as a vital source of liquidity for investors, ensuring they can efficiently convert their investments into cash as needed. This liquidity provision supports investors in contributing funds to foster the establishment and expansion of production enterprises. Secondly, the stock market serves as an incentive

for savers to augment their savings by presenting investment opportunities. This stimulation prompts enterprising economic entities to embark on productive ventures, ultimately bolstering economic growth and overall development (Joshi, 2017).

Stock prices are initially set during a company's initial public offering (IPO) when it introduces its shares to the market. Investment firms employ various metrics and considerations, including the total number of shares offered, to establish an appropriate price for the stock. Subsequently, the stock price experiences fluctuations driven significantly by anticipated company earnings. Traders consistently utilize financial metrics to evaluate a company's value, considering its earnings history, market fluctuations, and projected profits. These factors lead traders to bid share prices either upwards or downwards. Stock exchanges are deeply ingrained within a nation's economic framework. They play a pivotal role in channeling the community's savings, essential for economic advancement and productive efficiency. In the absence of a stock exchange, the process of mobilizing and allocating savings would have relied on less specialized institutions. Entrepreneurs sought long-term funding, while investors demanded liquidity, the ability to convert their investments into cash promptly. Thus, a ready market for investments emerged, giving rise to the stock exchange. Broadly defined, a stock exchange refers to a group of individuals, whether formalized or not, assembled to oversee the trading of securities.

Nepal's financial landscape consists of the money market and the capital market, with stock trading falling under the capital market. However, in Nepal, the stock market holds a comparatively smaller position compared to similar markets in other countries. One notable aspect is that the Nepalese capital market is heavily concentrated within the financial sector. Around 90% of the market capitalization is dominated by entities operating in banking, non-banking financial institutions, and insurance sectors (Shrestha, 2017). This concentration poses challenges for the Nepalese economy as there's limited availability of capital for profitable investments. The scarcity of investment capital is primarily due to the absence of effective mechanisms that could help manage risks associated with investments. This lack of risk management is directly linked to the underdeveloped nature of Nepal's stock market (Mishra, 2018). Therefore, this research primarily concentrates on the existing securities trading systems within the Nepalese capital market. Besides it aims to analyze the factors influencing stock price behavior in the capital market and evaluate how these variables impact the overall development of Nepalese capital market.

1.2. Problem Statement

As in most nascent markets, Nepal's Capital market has undergone a tumultuous journey, especially during its early years and in the aftermath of the restoration of democracy. While there has been a noticeable shift towards an organized stock market post-1990, characterized by quantitative growth, numerous complexities and challenges persist within this sector. The confidence of investors in share performance has been shaken due to past experiences of fraudulent activities perpetrated by a few market manipulators. A significant portion of investors and the general public remains unfamiliar with the intricacies of the financial market, posing a substantial challenge to the Nepalese capital market. This lack of knowledge among investors regarding stock pricing and optimal investment strategies has led to irrational investment decisions driven by a desire for quick gains, rendering investors susceptible to misleading advice from brokers. Simultaneously, investors' own lack of self-control and judgment further exacerbates the situation, contributing to market disorders, price manipulation, and fraudulent activities that collectively impede the development of Nepal's Capital market.

In recent years, despite political instability and low economic growth in Nepal, the country's capital market has seen significant attention and investment returns (Shrestha & Subedi, 2014). The growth of the securities market is crucial for industrial growth as it facilitates the flow of funds through financial intermediaries. Various market factors influence the behavior of the capital market in Nepal. One notable weakness in Nepal's stock market is the limited participation of investors in securities transactions. With only one stock exchange located in the capital city and no other available alternatives, investor participation from outside the valley remains notably low. Another drawback is the insufficient presence of institutional investors, leading to a dominance of individual investors in the market. Moreover, issues such as political uncertainty, interference, economic imbalances, ineffective implementation of liberal economic policies, and inadequate government laws and regulations are major concerns in Nepal's capital market. These challenges have contributed to fluctuating conditions within the capital market (Magar, 2022).

The recent growth trend of the Nepalese capital market has prompted various research inquiries into its trajectory and the challenges it confronts. This research primarily focuses on factors influencing stock price behavior in Nepal. It aims to identify the factors influencing stock prices and assess the extent of their impact. This research focuses to make

a study of factors such as earnings, book value, interest rate and political environment and establish their relationship with stock price behavior in Nepal. Specifically, the research outlines the following key research questions to be addressed:

- i. What are the major factors to determine the stock price behaviour in Nepalese Capital Market?
- ii. Is there any relationship between factors such as earnings, book value, interest rate and political environment with stock price behaviour?
- iii. Do the factors such as earnings, book value, interest rate and political environment impact on stock price behaviour and how it effects in the development of Nepalese capital market?

1.3. Objectives of the Study

This study is to scrutinize the major factor influence the investors investment decision making regarding stock trading. Besides it also aims to find out whether the investors are aware or not in the capital market. The main objectives of the study are as follows:

- i. To assess the major factors to determine the stock price behaviour in Nepalese Capital Market.
- ii. To examine the relationship between factors such as earnings, book value, interest rate and political environment with stock price behaviour.
- iii. To analyze the impact of these factors on stock price behaviour and effects in the development of Nepalese capital market.

1.4. Rationale of the Study

The primary purpose of this study is to identify the factors influencing stock price behavior in Nepal. The additional purpose of this study is to recognize several aspects which influence attitude of investors towards investment in capital market, with a specific focus on investor awareness. It acknowledges that not all investors possess comprehensive knowledge about the real workings of the capital market industry. The development of capital markets in any country necessitates both political and economic stability along with growth-oriented policies as fundamental prerequisites. In the initial stages, there's often an increase in instrument prices, and over time, investors gradually build confidence in the capital market. However, it's worth noting that the market is largely dominated by individual investors, many of whom may not make well-informed investment decisions but

rather rely on market rumors.

This study aims to delve into investors' awareness within the securities market in Nepal and its direct correlation with the market's growth trajectory. Its primary objective is to shed light on the current level of investor awareness prevalent in the Nepalese securities market. By focusing on the impact of the existing circumstances faced by general investors when making investment decisions, this research endeavors to provide crucial insights. Consequently, this study is anticipated to offer valuable guidance to various stakeholders directly or indirectly involved in the stock market. From security businesspersons, mutual funds, investment bankers, market makers, brokers, private equity and venture capital firms, investment companies, to individual investors, the findings are expected to provide essential guidelines for investment decision-making. Furthermore, issuer companies can benefit by understanding investors' inclinations towards various categories of securities, using this knowledge to optimize their offerings in the market.

Investors hold a pivotal position within the security market, and understanding their needs and preferences is paramount to appropriately recognizing and compensating them for their contributions. This study endeavors to cater to the requirements of investors, aiming to accurately identify their needs and aspirations, thereby ensuring equitable rewards for their participation and contributions. The potential beneficiaries of this study encompass a wide spectrum, including academicians, research scholars, students, and policymakers engaged in fostering the development of capital markets. By offering practical insights derived from empirical research, this study is poised to bridge the gap between theoretical knowledge and its practical application in the field, providing invaluable guidance for those involved in the realm of capital markets' evolution and progression.

1.5. Limitations of the Study

This study has limited samples selection from securities transaction related companies in Nepal has been taken for the study. The limitations of the study are as follows:

- i. The research has been focused on the stock price within Nepalese capital market.
- ii. The study's effectiveness was impacted by a 300 sample size, potentially constraining the generalizability of the findings.
- iii. This study employs financial and statistical methodology like descriptive and casual comparative analysis.

iv. This study has relied on related published and unpublished documents, journals, articles, and other previous studies to ensure the accuracy of the information presented.

CHAPTER-II

LITERATURE REVIEW

The study has done a systematic review of theoretical review, conceptual review and review of empirical studies related to an efficient market. The conceptual review and empirical review of literature came out with a theoretical framework for the study as well.

2.1. Theoretical Review

2.1.1. Capital Asset Pricing Model

The Capital Asset Pricing Model (CAPM), originating from Markowitz (1952), Tobin (1958), and later refined by Sharpe (1963; 1964), Lintner (1965; 1969), and Mossin (1966), established a pivotal paradigm in financial theory. It considers expected returns as a function of expected market risk premium and risk-free rate adjusted by beta. CAPM introduced differentiation between systematic and non-systematic risk, highlighting the significance of systematic risk, which cannot be diversified away. Sharpe (1964) illustrated that in a market with a single risk-free rate, a super-efficient portfolio exists in point where Capital Market Line and efficient frontier intersect, termed Market Portfolio. This portfolio is considered by all investors, assuming homogeneous expectations, as it represents the market itself. CAPM introduced beta as a measure of the systematic risk contribution to a diversified portfolio, explicitly addressing non-diversifiable risk. Despite its foundational role, more robust models, such as the Arbitrage Pricing Theory (APT) by Ross (1976), emerged, correlating multiple factors with asset returns beyond beta. Studies by Black, Jensen, and Scholes (1972) and Fama and MacBeth (1973) supported CAPM, whereas others like Lakonishok and Shapiro (1986) and Fama and French (1992, 1993, 1996, 2004) favored multifactor approaches. This led to debates and a lack of consensus on the multifactor model's supremacy. However, APT's data requirements and complexities made CAPM more applicable to professionals estimating capital costs, despite its simplicity. Empirical testing of CAPM has yielded mixed results, leading to doubts about its applicability (Roll, 1977; Ross, 1978). Critics highlight limitations such as the one-period-ahead assumption, reliance on a single risk factor, and insufficient description of cross-sectional expected returns. Attempts to address these drawbacks involved adding other risk factors and covering multiple periods. Some scholars advocate rejecting CAPM entirely, suggesting paradigms where markets are seen as prone to capricious behavior. Efforts to enhance CAPM include adjusting assumptions to encompass foreign exchange risks, as

seen in the International Capital Asset Pricing Model (ICAPM), assuming an integrated international capital market. Tests of ICAPM by Engel & Rodrigues (1989) demonstrated better performance when variances were not constant, yet the model faced limitations compared to less restrictive asset pricing models (Balling & Gnan, 2013).

2.1.2. Arbitrage Pricing Theory

The Arbitrage Pricing Theory, introduced by Ross (1976), serves as a foundational framework linking stock returns to multiple influencing variables that contribute to income volatility. Mukherjee and Naka (1995) have demonstrated that financial variables impact capital market return by affecting future dividends and discount rates. Although there are slight variations in the selection of macroeconomic variables across studies, certain variables like the rate of inflation, money growth, interest rates, industrial production, and exchange rates are commonly used to explain movements in the stock market. These macroeconomic variables are chosen for their theoretical justifications. For instance, higher interest rates or discount rates diminish the present value of cash flows, reducing the attractiveness of investments and subsequently shrinking the value of stock returns. Moreover, increased interest rates elevate the opportunity cost of holding cash, leading to a substitution effect between stocks and interest-bearing securities like bonds (Rahman, 2009). The treasury bills rates are often utilized as proxies for interest rates in studies by Mukherjee and Naka (1995), Ratanapakorn and Sharma (2007), Yusof and Majid (2007), and Eita (2012). Regarding money supply, Mukherjee and Naka (1995) suggest that an increase in money supply, when linked to economic growth, benefits stock prices through expansionary monetary policy. However, Fama (1981) argues contrarily, positing that increased money supply leads to inflation, raising the discount rate and subsequently lowering stock market returns. Inflation, an essential variable in investment decisions, has theoretical implications. Aspren (1989) proposed that inflation should be positively related to stock returns if stocks offer a hedge against inflation, drawing on Fisher's (1930) notion that stock markets are independent of inflation expectations as equities represent claims against real company assets.

2.1.3. Efficient Market Hypothesis

The works in finance and economy encompasses three main models that aim to elucidate performance of share market: behavioral, classical, and the efficient capital market theory. The classical theory analyzes market behavior through the equilibrium of demand and supply schedules, highlighting equilibrium stability achieved through a Walrasian process,

where price changes result from shifts in demand or supply (Negishi, 1962). In contrast, the behavioral theory focuses on explaining observable decision-making processes. It perceives decision-makers as entities that respond and react to available or obtainable information, shaping their behavior through distinct decision processes. However, the most prominent approach is the efficient capital market theory, notably the Efficient Market Hypothesis (EMH) introduced by Fama (1970). This theory contends that stock prices continuously reflect all available information, rendering it impossible to earn excess profits by exploiting such information. It postulates that current stock prices fully capture a firm's value, eliminating opportunities for investors to consistently outperform the market based on information available at any given time. The EMH implies that profiting from predicting price movements is extremely challenging, as prices adjust rapidly and accurately to new information, leaving little room for investors to exploit undervalued or overvalued stocks. Investors typically seek undervalued securities with potential for future appreciation, hoping to outperform the market. However, according to the EMH, such opportunities to consistently identify mispriced securities are limited due to intense competition among investors. As more analysts strive to detect mispriced stocks, the likelihood of exploiting these inefficiencies diminishes significantly. In equilibrium, only a small number of analysts might occasionally profit from such detections, mostly by chance, while transaction costs and the challenge of consistent prediction outweigh potential gains for the majority of investors. In summary, while classical and behavioral theories provide distinct perspectives on market behavior, the efficient capital market theory, particularly the EMH, has gained prominence in finance. It suggests that profiting from stock price predictions based on available information is exceedingly difficult due to the rapid and unbiased adjustment of prices to new information in an efficient market, limiting opportunities for consistent excess returns.

These diverse theoretical perspectives on macroeconomic variables underscore the intricate relationships and varying impacts they can have on stock price behavior, showcasing the complexity in understanding and explaining the dynamics of stock returns in response to economic variables.

2.2. Empirical Review

An empirical literature review is more commonly called a systematic literature review and it examines past empirical studies to answer a particular research question. The empirical

studies we examine are usually random controlled trials. A literature review is a summary of research that has been conducted in the past on a certain subject of interest.

Chhetri (2023) wanted to examine the factors affecting the share price of commercial banks in Nepal, considering the internal and external factors like size, EPS, P/E Ratio, BVPS, ROA, Inflation, broad money supply and gross domestic product on the stock price. Chhetri highlights that investors should pay attention to BVPS, P/E ratio, ROA and Inflation before making any decisions regarding the investment in stock of commercial banks. The results of this study uncovered new evidence from the Nepalese perspective, which is considered to be valuable to the market participants. Thus, the 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. The study intended to examine the factors affecting the share price of Nepalese commercial banks. Market price per share is selected as the dependent variable, while earning per share, price-earnings ratio, book value per share, return on assets, and size was chosen as firm-specific independent variables, while inflation, broad money supply and gross domestic product (real) were taken as external factors. In order to fulfil these objectives, the data were collected from the banking and financial statistics and annual report published by Nepal Rastra Bank and the annual report of selected banks which is based on panel data over 11 years of the period from 2012 to 2022 of selected 13 out of 21 commercial banks of Nepal. The Descriptive and casual relationship research design has been used using secondary data. The multiple regression models were estimated to test the impact of firm-specific factors on the share price of Nepalese joint venture commercial banks; results show that variables like earnings per share, price-earnings ratio, book value per share and return on assets are the major determining stock price having a significant impact on the price of share except for the size of the firm having an insignificant impact in the context of joint venture commercial banks of Nepal.

Panthi and Chalise (2021) concluded that the Nepalese capital market remains in a phase of development, offering numerous opportunities for its participants. This market has been a significant revenue source for the government, primarily through taxes. To further nurture this market and encourage participation, it's imperative for the government, along with regulatory bodies, to create a conducive and favorable environment for investors. The government should focus on establishing robust regulatory frameworks and fostering an

environment that promotes investor confidence and trust. By doing so, they can attract more investors to engage in the market. They revealed that despite of positive change in quantitatively in the stock market of Nepal, many qualitative improvements are missing to develop the stock market in Nepal. Regulation and role of regulatory bodies, government policies, protection of investors' rights, timely providing sufficient financial disclosure, controlling inside information and market rumors, awareness of investors to the risk and return considerations, transparency of disclosure and corporate governance, compliance of rules and regulation through proper punishment for non-complying party should be implemented into action effectively.

Bhatta and Mishra (2021) investigated the relationship between stock returns and gross domestic product (GDP) in Nepal. The findings highlight a significant positive relationship between output growth and the one-year lagged stock returns in the Nepalese context. This correlation is in line with Mauro's observations across diverse countries at various stages of economic and financial evolution. However, while this univariate association holds, the non-significant coefficient of stock market returns concerning control variables in the Ordinary Least Squares estimates presents a nuanced insight. It indicates that the Nepalese stock market has not entirely synchronized with the economy in terms of its ability to precisely forecast output growth based on current market performance. This suggests that although there exists a positive historical link between past stock returns and subsequent economic growth, other factors beyond immediate market performance play significant roles in shaping the overall economic trajectory in Nepal. The implication of the results of this paper is to provide a quantitative estimate of the growth impact of high indebtedness. This further helps in formulating the debt management strategy in line with the fiscal consolidation and growth acceleration agenda of the country. Though the Government of Nepal has restrained its debt level below 30 per cent in recent pasts which was a part of fiscal discipline and a part of reform measure in budget formulation and implementation, the signals are not encouraging later years from the perspective of public debt -to- GDP ratio. A high level of public debt, particularly from external borrowing, requires safety measures against potential macroeconomic shocks. This paper is confined to identify the optimum level of public debt beyond which the debt adversely affects economic growth in the context of Nepal. However, the analysis can be extended further by utilizing other approaches and control variables.

Al-Tamimi and Kalli (2021) found that the financial literacy highlights concerning gaps in their overall comprehension of financial concepts, suggesting a notable deficiency in the requisite level of financial understanding. Income level, education attainment, and occupational engagement emerge as pivotal factors influencing financial literacy. Respondents with higher incomes and advanced educational backgrounds, particularly those employed in finance, banking, or investment sectors, exhibit higher levels of financial literacy. Surprisingly, financial illiteracy is prevalent across age groups, indicating a widespread issue irrespective of respondents' ages. Moreover, a distinct gender-based discrepancy in financial literacy is evident, with women displaying lower financial literacy levels compared to men. The study also establishes a significant relationship between financial literacy and investment decision-making. Among the influencing factors, religious reasons exert a substantial impact on investment decisions, while rumors hold minimal sway. These findings underscore the need for targeted interventions to improve financial literacy among investors, considering its influence on investment behaviors and the identifiable disparities across income, education, occupation, gender, and decision-making factors.

Shakya (2020) concluded a declining interest among investors due to the sluggish pace of the shares market, leading to growing dissatisfaction among them. Despite Nepal adopting liberal market policies to enhance its economy, the translation of these policies into tangible actions within the country's context remains limited. Brokers have consistently voiced concerns about government intervention, which has impeded market progress. Additionally, there's a noted deficiency in effective government regulation of companies, hindering the development of a robust corporate culture among these entities, as observed by brokers. In essence, Shakya underscores the disillusionment among investors stemming from the slow market growth, limited execution of liberal market policies, and inadequate governmental regulation, which collectively stifle the development and vibrancy of Nepal's shares market.

Pandey, Risal and Chauhan (2020) analyzed a prominent trend in public response towards shares, driven primarily by the lack of investment opportunities in other sectors. Despite this, there's a considerable inclination among the public towards shares, primarily motivated by the desire to augment the value of their investments, seek dividends, capitalize on potential gains, or acquire bonus shares. However, issues such as delays in allotment, refund processes, certificate delivery, and the delayed listing of shares on stock exchanges have led to a decline in public confidence. Furthermore, the

dominance of long-term shareholders, preferring to hold shares with the aim of wealth accumulation, has considerably reduced the dynamism of the stock market. This dominance results in a limited number of shares being actively traded, subsequently diminishing the market's vibrancy. Consequently, the scarcity of viable alternatives leaves investors with few choices beyond holding shares, which further affects the market's dynamism. Overall, Pandey's findings underscore the impact of limited investment opportunities, delays in market processes, and the dominance of long-term shareholders in constraining the stock market's dynamism and investor options.

Pokharel and Baral (2020) examined that market variables exert a significant influence on investment decisions. However, factors related to herding, heuristic, and prospect displayed no substantial impact. It's important to note that the research relied on a relatively small sample size of 120 participants from across the country. Additionally, the study's inference predominantly relied on descriptive results, limiting the depth and comprehensiveness of the findings.

Dangol and Manandhar (2020) examined the heuristics impact on investment choices, specifically focused on 4 distinct heuristics that are availability, representativeness, adjustment, anchoring and overconfidence. These selected heuristics significantly impacted various decision-making variables among Nepalese investors. The research highlighted the substantial influence of these specific heuristics on how investors make their investment choices. However, it's essential to note that the study did not delve into the exploration of other behavioral factors beyond these identified heuristics. While shedding light on the significance of these four heuristics, the research did not encompass a comprehensive analysis of additional behavioral aspects that might play roles in shaping investment decisions among Nepalese investors.

Thapa (2020) examined the factors influencing stock price in Nepal. The study indicated a significant positive association between multiple factors and share prices, including earnings per share, dividend per share, effective regulatory frameworks, market sentiments, company profiles, and a belief in success being influenced by luck. Conversely, factors such as interest rates and price to earnings ratio exhibit a significant inverse relationship with share prices. Additionally, the research underscores the impactful role of liquidity accessibility, fundamental analysis, and technical analysis in bolstering the performance of Nepal's stock market. The study emphasizes the stock

market's substantial responsiveness to changes in dividend payouts and interest rates. These findings provide valuable insights into the diverse array of elements influencing stock prices in Nepal, shedding light on the multifaceted dynamics steering the country's stock market performance. By analyzing the behavioral aspect of investors in the research work it can be concluded that the majority of respondents prefer to buy the stock from primary. As well as it is used secondary market even though there is not proper stock priced in Nepal. Investors preferred in the stock dividend than the cash dividend, according this result it can be summarized that investors want to further investment in the same company. Likewise, past movement of stock price also affects the buying behavior of the investors. There is strong evidence that most of the investors purchase the stock by analyzing the fundamentals financial statement. Nepalese stock market is not fully matured, stock prices are not determined properly in Nepal, Nepalese investors do not consider risk while making investment in securities and information is not equally accessible to all the investors in Nepal. Political crisis and/or unclear political situations observed time to time are most responsible for varying volatility of stock price. Unclear government policies are relatively more responsible for making the stock market ups and downs.

Devkota and Dhungana (2019) compared the relationship between the stock market index and four macroeconomic variables in Nepal and claimed that there is a long-run association between macroeconomic variables and the stock market in Nepal, especially money supply and interest rates have a positive and gold price and exchange rate have no impact on the stock markets in Nepal. Similarly, Panta (2020) examined the linkages between stock market prices (NEPSE index) and five macroeconomic variables, namely, real GDP, broad money supply, interest rate, inflation, and exchange rate using the ARDL model. the findings show that over a longer period, changes in the NEPSE (Nepal Stock Exchange) index are significantly linked to factors such as the broad money supply, interest rates, inflation, and exchange rates. These variables have a notable impact on the fluctuations observed in the NEPSE index over an extended period of time. Based on the result revealed from the empirical study, it is confirmed that there is long run equilibrium among the variables under study. From the result obtained above, it is clear that interest rate is the most determining variable of the stock market in Nepal. As well, money supply has significant effect on the stock market. But interestingly, exchange rate does not have significant impact. The gold price has

negative impact on stock market but it is insignificant and we claim that there are no alternative options to the investors to invest in gold derivatives in the market. In the meantime, money supply has positive significant impact on stock market in Nepal. To conclude, Nepalese stock market is highly affected by macro-economic variables in long run. Policymakers should take into consideration of various macro-economic indicators while formulating economic as well as financial policies. Furthermore, it is recommended that capital market development policies should be aligned with the macro-economic fundamental policies. The concerned policymakers should initiate to start derivative market, which will provide alternatives options to the investors in the market.

Dangol (2019) evaluated the influence of investors' perceptions on the stock market and investigating whether alterations in these perceptions directly correlate with stock market growth. A significant contribution by highlighting the pivotal role of investors' perceptions and its impact on the stock market. Contrary to expectations, the findings revealed a noteworthy negative impact on the Nepalese stock market in response to shifts in investors' perceptions. The analysis indicated a decrease in investors' positive perception, subsequently resulting in adverse effects on the stock market. This underscores the significance of investors' attitudes, beliefs, and sentiments in shaping market movements and suggests that shifts in their perceptions can indeed wield substantial influence over the performance and growth of the Nepalese stock market.

Pradhan (2019) examined that larger stocks in the Nepalese capital market tend to have larger price-earnings ratios, higher market value to book value ratios, lower liquidity, reduced profitability, and smaller dividend yields. Conversely, smaller stocks showed greater variability in price-earnings ratios and dividend ratios. Larger stocks also exhibited higher leverage, lower asset turnover, and reduced interest coverage, with these factors displaying more variability among smaller stocks. These findings provide insights into the distinctive behavior of stocks in the Nepalese capital market, showcasing different trends across various sizes and valuation measures of stocks.

Shrestha and Pokhrel (2019) analyzed on factors affecting stock index in Nepal and it is revealed that the Nepalese stock market largely aligns with theoretical expectations. Their findings unveiled a robust positive relationship between the stock index and the growth of money supply. Additionally, the stock index displayed a negative response to changes in

interest rates. This indicates that the stock index tends to rise when there's abundant liquidity in the market accompanied by lower interest rates. Moreover, while not particularly strong, their analysis suggested a positive association between the stock index and inflation.

Shrestha (2019) concluded that the exchange rate and gold price hold no explanatory power in elucidating the stock index of Nepal's stock market. The coefficients associated with the exchange rate and gold price were found to be insignificant at the 5 percent level of significance in the regression equation. Conversely, the coefficient linked to the interest rate exhibited negative significance at the five percent level, while the coefficient connected to the wholesale price index demonstrated significant positive impact at the one percent level. Therefore, this study concluded that the interest rate and wholesale price index possess substantial explanatory power in describing the stock index, exerting a greater influence on the stock market index compared to the exchange rate and gold price in the Nepalese stock market.

Rana (2019) explored the factors associated with individual investors' stock investment decision in the context of stock market in Nepal. Nepalese individual investors appear to be shifting their focus towards fundamental market factors, driven by heightened investment education and awareness. This study indicates that investors are increasingly attentive to two key factors: Earnings and Image Factors, and Corporate Governance and Positioning Factors. This heightened attention suggests that Nepalese investors are showing a growing interest in assessing firm-specific fundamentals and scrutinizing board practices. Consequently, these factors are now being accorded greater priority in the decision-making process for investments among Nepalese individual investors. This paper attempted to identify the factors associated with investment decision of investors in stock market of Nepal and also explored the relative importance of investment decision factors across the demographic characteristics of individual investors. The study was based on sample responses of 106 individual investors obtained through structured questionnaire survey during the period January to April, 2019. The study employed exploratory factor analysis to extract the common factors affecting stock investment decisions of the sample investors in Nepal. The results of factor analysis demonstrated Earnings and Image Factors, Corporate Governance and Positioning Factors, Goodwill and Market Share Factors, Industry Competition and Size Factors, Fundamental Market Factors, and Decision Making Factors as the common factors affecting stock investment decision of the

sample investors in Nepal. The results also showed that among the six factors extracted, Fundamental Market Factors have high relative importance as perceived by the sample investors followed by Earnings and Image Factors, and Corporate Governance and Positioning Factors. Fundamental Market Factors were observed significant factor in investment decision making process across all analysis in aggregate as well as across different demographic characteristics of investors. This result documented in the study has a practical implication in the context of Nepalese stock market.

Ghimire and Mishra (2018) examined the fact that earning per Share, dividend Per Share, Price Earnings Ratio, Book value are the important determinants of stock price that straightly impact the price of shares. Variables such as Market to BV and P-E ratio significantly determine stock prices, exerting a direct influence. Interestingly, while DPS and BV also positively impact stock prices, EPS demonstrates minimal influence. This departure from prior research indicating a strong EPS-market price relationship is attributed to current regulatory dynamics in banking institutions. As Nepal's banking regulator, NRB, mandates capital increment for banks, leading them to retain profits rather than distribute dividends, EPS is deprioritized by fund managers and investors in their decision-making. Consequently, despite rising EPS, it does not notably contribute to market prices due to the capital constraints faced by banks. These novel insights hold value for Nepalese market participants, particularly aiding share investors, fund managers, and the economy in gauging stock returns and predicting share prices, making these findings particularly pertinent for strategic decision-making in the market.

Dangol and Shrestha (2018) examined effect of personality traits on behavior biases among the investors. A common trend wherein investors tend to analyze securities and hold similar economic perspectives, reflecting homogeneous expectations or beliefs. These shared beliefs revolve around investors' perceptions and behaviors, notably encompassing traits such as overconfidence. This overconfidence bias significantly influences the investment decisions made by these investors. This research examined how an individual's level of education relates to their tendency towards overconfidence. It also explored whether there is a connection between overconfidence and gender among investors in Capital market.

Pradhan and Dahal (2016) analyzed the various aspect influencing price of stock in commercial banks in Nepal which are listed. They used a multiple regression method to

analyze the impact of several variables on stock prices. The results indicated that price-earnings ratio, earnings per share, book value per share, dividend per share, return on assets, and the size of the banks were identified as significant determinants influencing stock prices in the commercial banks in Nepal.

Dr. Aurangzeb (2014) identified the factors influencing the performance of stock markets in South Asia, specifically focusing on Pakistan, India, and Sri Lanka from 1997 to 2010. Regression analysis revealed several significant impacts on stock market performance in the region: foreign direct investment and exchange rates exhibited positive and notable influences, while interest rates demonstrated a negative and significant impact. Conversely, the study found a negative but insignificant association between inflation and stock market performance in South Asia. These findings underscore the importance of well-managed macroeconomic policies, emphasizing the need for careful management of interest rates and inflation levels to optimize the benefits from the capital market. Implementing effective macroeconomic strategies not only fosters investor and industry confidence but also suggests granting additional incentives to foreign investors, given their substantial influence in the region's stock markets.

Shrestha and Subedi (2014) investigated the factors influencing the stock market performance in Nepal, acknowledging the market's recent fluctuations. Analyzing monthly data and considering the market's sensitivity and volatility, the study uncovers that the Nepalese stock market behavior aligns well with theoretical expectations. It exhibits a robust positive correlation with inflation and the growth of money supply, while displaying a negative response to interest rates. This suggests that individuals increasingly view the stock market as a hedge against inflation and tend to invest when ample liquidity is available at lower interest rates. Moreover, the study highlights the influence of political changes, echoing Dangol's (2008) findings, indicating that positive prospects for political stability significantly impact the stock market index. Additionally, shifts in the Nepal Rastra Bank's (NRB) policies, particularly alterations in lending against share collateral, demonstrate a notable impact on the movement of the stock market index. These insights underline the multifaceted influences impacting the Nepalese stock market, encompassing economic indicators, political stability, and regulatory policies. Nepalese stock market has been quite responsive to macroeconomic development, especially monetary sector development. Second, a loose monetary policy could trigger an asset price bubble in share market, which is mainly dominated by banks and financial institutions. Third,

share investors seem to watch the political development closely. Hence, a positive political development with stability can promote share market further which can play a vital role for financial intermediation and resource mobilization through capital market. Fourth, NRB's policy on lending against share collateral has been effective in influencing the share market. This indicates the significant role of NRB's policy in the share market. As our results reveal that share market is also influenced by rumours, news and speculations, transparency should be increased in this market by making information related to listed companies easily accessible. Transparency and communication should, in fact, be enhanced by the concerned authorities in order to clear gossips and rumours in the market.

Bhattarai (2014) revealed the determinants of equity share prices, specifically focusing on the banking sector within the context of Nepal. Given the frequent trading activity of commercial bank shares in the Nepalese market, the research aimed to identify the factors influencing share prices. Examining dividend payout ratio, dividend yield, earnings per share, price-earnings ratio, and company size, the study unveiled crucial insights. It discovered that earnings per share and price-earnings ratio displayed a significant positive correlation with share prices, whereas dividend yield exhibited a noteworthy inverse relationship with bank share prices in Nepal. Consequently, the study concludes that dividend yield, earnings per share, and price-earnings ratio serve as pivotal determinants impacting the share prices of Nepalese commercial banks. These findings, offering fresh perspectives within the Nepalese market context, hold considerable value for market participants. These insights can be particularly beneficial for equity investors and fund managers, enabling them to consider these significant factors when estimating stock returns and predicting share prices. The findings of the study over the period 2006-2014 revealed that earning per share and price-earnings ratio 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 price earnings ratio are the major determinants of share price of Nepalese commercial banks. 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 seems 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.

Almumani (2014) compared the relationship between share prices and specific variables such as DPS, EPS, BV payout ratio & size of company measured by its assets. Employing fundamental analysis methods such as correlation, regression, and ratio analysis, the study uncovered valuable insights. It found that variables like earnings per share, book value per share, price-earnings ratio, and company size significantly determine stock prices. These findings indicate the importance of these specific factors in influencing stock prices, emphasizing their relevance in fundamental share valuation and investment decision-making processes.

Chaudhary (2013) explored the significance and relevance of behavioral finance along with its practical applications in investment decision-making. The study delved into various psychological aspects influencing investors and discussed strategies aimed at assisting them in navigating and managing their psychological hurdles when trading stocks and bonds. These approaches were designed to aid investors in recognizing and controlling their behavioral biases while making investment decisions in financial markets. Behavioral finance provides explanations for why investors make irrational financial decisions. It demonstrates how emotions and cognitive errors influence investors in the decision making process. The various causes that led to behavioral finance are anchoring, overconfidence, herd behavior, over and under reaction and loss aversions. In essence, behavioral finance approach investigates the behavioral patterns of investors and tries to understand how these patterns guide investment decision. Behavioral finance offers many useful insights for investment professionals and thus, provides a framework for evaluating active investment strategies for the investors.

Rakesh and Srinivas (2013) examined the individual investment behavior in mutual funds on 400 investors participating in mutual funds, encompassing categories such as Executives and Non-Executives. The study found that the remaining major investors were keen on investing in PEVC and private entity, aiming to exploit their returns and hedgerow against possible risks.

Babajida and Adetiloye (2012) concluded that involving an investor advisor's services could help mitigate personal biases within the management decision-making process for investors. Additionally, the study revealed a negative relationship between the independent and dependent variables, suggesting that indirect involvement in trade activity was associated with this correlation. Although the field of behavioural finance has recently

become rather popular an area for stock market performance, little or no empirical evidence exists to support behavioural theories in stock market performance in Nigeria. This is due to the fact that behavioural theories cannot be tested as easily as other traditional behavioural models. Proper assessment of behavioural theories requires detailed information on the trading strategies of various market participants, which are not easy to come by. This paper uses primary survey data combined with stock market performance data and offers a detailed look at the extent of behavioural biases in the Nigerian security market, as well as the consequence of such biases on stock market performance. The paper has tested certain behavioural biases as identified by behavioural finance experts on stock market performance: the trading attitude of randomly selected investors in the market was tested, using descriptive and parametric statistics. The investors were selected across discipline and age strata reflecting a cross section of the market participant.

Das (2012) concluded a study on small investors' behavior concerning stock selection decisions revealing that a majority of sampled small investors in Assam conscientiously considered all 38 factors before making their investment choices. This research shed light on the comprehensive approach taken by small investors, indicating their consideration of numerous factors and the multifaceted nature of influences impacting their investment choices. Indian stock market is considered to be highly volatile, sensitive and reactive to unanticipated shocks and news and it takes no time to impact the market activities. However, at the same time, Indian stock market is resilient and recovers soon after shocks. The role and importance of individual investors and their trading behaviour in Indian stock market is also very crucial. Unlike institutional investors, individual investors are believed to be less informed, have psychological biases and also thought of as the proverbial noise traders in the stock market. It is believed that trading behaviour of individual investors rarely influences the stock prices. With this perception about the individual investors, majority of trading strategies and stock market policies are designed and focused to their institutional counterparts, thereby ignoring the individual investor's interests to some extent. From this research study it is found that majority of the sample small investors in Assam took into consideration all the 38 factors before selecting the stocks to invest.

Kadariya (2012) analyzed investor perceptions within the Nepalese stock market, particularly focusing on market responses to both tangible and intangible data. His findings

revealed several key factors influencing investment decisions among investors in the Nepalese stock market. Firstly, the capital structure and average pricing method emerged as significant factors shaping investment decisions. Secondly, political considerations and media coverage played a pivotal role in influencing investor opinions. Additionally, belief in luck, coupled with financial education, constituted another influential factor in investment decision-making. Kadariya's study underscored the importance of intangible information, emphasizing its essential role in achieving success within the Nepalese capital market.

Kadariya, Subedi, Joshi, and Nyaupane (2012) analyzed the equity investors' awareness levels, highlighting that while investors exhibit awareness, it falls short of the necessary level required for informed decision-making. They found that investors who are more informed tend to hold larger amounts of equity investments. Their findings unveiled a positive correlation between investor awareness and the extent of their investment, indicating that heightened awareness tends to correspond with increased investment levels

Bennet (2012) researched investor sentiment in the Ghanaian stock market appears highly optimistic, showcasing resilience in the face of minor market downturns. Individual investors have consistently sought buying opportunities whenever favored stocks experienced declines, leveraging the low cost of trading. This consistent buying behavior has made it challenging for even slight price dips to sustain. Investors' positive expectations for stock prices over the next 12 months are influenced by several key factors such as low inflation rates, interest rates, unemployment figures, and fuel prices. This optimism reflects a prevailing belief among investors that the stock market stands as the primary and most lucrative investment option available. There's a prevailing sentiment that traditional investment avenues like Provident Fund and Gratuity may not sufficiently cover retirement needs, prompting investors to recognize the necessity of saving and investing in the stock market for their old age. Compared to alternatives like Post Office savings and Government Bonds offering lower returns, the Ghanaian stock market emerges as a significantly attractive investment vehicle for these investors.

Barber (2011) examined the motivations behind reviewing the behavior of personal investors, primarily emphasizing predominant foundation of current economy. The bulk

of research in this field has traditionally centered around the premise that investor striving to expand their capital with diminishing risks.

Chandra and Kumar (2011) analyzed the identifying and validating psychological biases that contribute to a momentum effect, impacting investor behavior in the stock market. It relied on primary data collected through a questionnaire designed with scenario-based questions encompassing various psychological and contextual biases. The questionnaire was constructed with straightforward and clear inquiries, each presenting specific scenarios related to stock market investment and equity investment decision-making. Divided into four sections, the survey questionnaire covered personal information, the application of heuristics, the utilization of prospect theory, and the influence of other factors on the process of making investment decisions in the stock market.

Sharma and Gupta (2011) examined several elements influencing investment choices. These factors encompassed elements such as risk and return associated with investments, the influence of peers, recommendations from financial advisors, and the overall trend observed in the market.

Merikas et al. (2008) evaluated the behavioral finance theory's principles concerning the factors influencing investment decisions amid uncertain conditions. The analysis conducted on collected data offers insights into the typical equity investor in the Athens Stock Exchange. Despite the presence of experienced investors, the structure and emphasis of the identified categories reflect a relatively unsophisticated and developing investor profile on average. Through a sample of 150 respondents, the study's results indicate a certain alignment between the factors outlined in behavioral finance theory and prior empirical evidence, which typically impact the behavior of active investors within the Athens Stock Exchange. These findings highlight the influence of prevailing market trends on the individual decision-making of investors.

Fischer and Gerhardt (2007) sought to address the significant welfare costs incurred by individual investors due to investment errors by advocating for the crucial inclusion of financial advice in the investment process. Their work involved comparing established research findings and contrasting normative recommendations with empirical evidence on the real behaviors of individual investors. They highlighted that deviations from recommended strategies led to substantial welfare losses. The authors proposed financial advice as a corrective factor, suggesting that professional guidance positively influences

trading. They argued that such advice enables investors to better assess their skills, leading to more rational and informed trading decisions.

Maditinos, Sevic, and Theriou (2007) analyzed that most of people tend to base their investment decisions heavily on information derived from newspapers, media reports, and the market noise. In contrast, professional investors lean more towards utilizing fundamental and technical analyses while showing less reliance on portfolio analysis when making investment decisions.

Al-Tamimi (2006) concluded that discerned six pivotal factors profoundly shaping the behaviors of individual investors. These factors, ranked by their impact, encompass expected corporate earnings as the primary influencer, followed by the allure of get rich quick prospects. Additionally, the ease of stock marketability, the historical act of the company's share, the extent of government share portion, and establishment of systematized economic and financial market were identified as significant determinants guiding investor decisions. Conversely, five factors emerged with minimal influence on individual investor behavior, encompassing anticipated losses in local and international investments, the emphasis on risk minimization, the weight of family member opinions, and the reliance on personal gut feelings regarding the economy.

Baker and Wurgler (2006) examined the influence of investor sentiment on stock returns across various categories. Their findings reveal a distinct relationship between the level of investor sentiment at the beginning of a period and subsequent stock returns. Specifically, when investor sentiment is low initially, the subsequent returns tend to be relatively high for specific categories of stocks. Conversely, in periods of high investor sentiment, these same categories of stocks tend to yield relatively lower subsequent returns. This suggests a nuanced impact of investor sentiment on different stock categories, indicating that sentiment levels significantly influence the subsequent performance of distinct stock types, thereby emphasizing the relevance of sentiment fluctuations in shaping stock returns across various market segments.

Table 1***Summary of Empirical Review***

S.No	Name of author	Findings
1	Chhetri (2023)	<p>The study examined the factors affecting the share price of commercial banks in Nepal.</p> <p>The study discovered that investors should pay attention to BVPS, P/E ratio, ROA and Inflation before making any decisions regarding the investment in stock of commercial banks.</p>
2	Panthi and Chalise (2021)	<p>The study concluded that the Nepalese capital market remains in a phase of development, offering numerous opportunities for its participants</p> <p>The study highlighted that to nurture the stock market and encourage participation, it's imperative for the government, along with regulatory bodies, to create a conducive and favorable environment for investors.</p>
3	Bhatta and Mishra (2021)	<p>The study analyzed the relationship between stock returns and gross domestic product (GDP) in Nepal.</p> <p>The study highlighted a significant positive relationship between output growth and the one-year lagged stock returns in the Nepalese context</p>
4	Al-Tamimi and Kalli (2021)	<p>The study found that the financial literacy highlights concerning gaps in their overall comprehension of financial concepts, suggesting a notable deficiency in the requisite level of financial understanding</p> <p>The study measured that income level, education attainment, and occupational engagement emerge as pivotal factors influencing financial literacy.</p>

		<p>The study concluded a declining interest among investors due to the sluggish pace of the shares market, leading to growing dissatisfaction among them</p>
5	Shakya (2020)	<p>The study showed that the brokers have consistently voiced concerns about government intervention, which has impeded market progress.</p>
6	Pandey et al. (2020)	<p>The study analyzed a prominent trend in public response towards shares, driven primarily by the lack of investment opportunities in other sectors.</p> <p>The study highlighted that the dominance of long-term shareholders, preferring to hold shares with the aim of wealth accumulation, has considerably reduced the dynamism of the stock market.</p>
7	Pokharel and Baral (2020)	<p>The study examined that market variables exert a significant influence on investment decisions.</p> <p>The study also concluded that the factors related to herding, heuristic, and prospect displayed no substantial impact.</p>
8	Dangol and Manandhar (2020)	<p>The study examined the heuristics impact on investment choices, specifically focused on 4 distinct heuristics that are availability, representativeness, adjustment, anchoring and overconfidence.</p> <p>The study concluded that the selected heuristics significantly impacted various decision-making variables among Nepalese investors.</p>
9	Thapa (2020)	<p>The study examined the factors influencing stock price in Nepal.</p> <p>The study showed a significant positive association between multiple factors and share prices, including earnings per share, dividend per share, effective regulatory frameworks, market sentiments, company profiles, and a belief in success being influenced by luck.</p>

- 10 Devkota and
Dhungana
(2019)
- The study compared the relationship between the stock market index and four macroeconomic variables in Nepal. The study concluded that there is a long-run association between macroeconomic variables and the stock market in Nepal.
- 11 Dangol (2019)
- The study evaluated the influence of investors' perceptions on the stock market and investigated whether alterations in these perceptions directly correlate with stock market growth. The study showed that contrary to expectations, the findings revealed a noteworthy negative impact on the Nepalese stock market in response to shifts in investors' perceptions.
- 12 Pradhan (2019)
- The study examined that larger stocks in the Nepalese capital market tend to have larger price-earnings ratios, higher market value to book value ratios, lower liquidity, reduced profitability, and smaller dividend yields. The study depicted that smaller stocks showed greater variability in price-earnings ratios and dividend ratios.
- 13 Shrestha and
Pokhrel (2019)
- The study analyzed on factors affecting stock index in Nepal and it revealed that the Nepalese stock market largely aligns with theoretical expectations. The study found a robust positive relationship between the stock index and the growth of money supply.
- 14 Shrestha (2019)
- The study concluded that the exchange rate and gold price hold no explanatory power in elucidating the stock index of Nepal's stock market. The study found that the coefficients associated with the exchange rate and gold price were found to be insignificant at the 5 percent level of significance in the regression equation.

- 15 Rana (2019) The study explored the factors associated with individual investors' stock investment decision in the context of stock market in Nepal.
The study found that the Nepalese individual investors appear to be shifting their focus towards fundamental market factors, driven by heightened investment education and awareness.
- 16 Ghimire and Mishra (2018) The study examined the fact that earning per share, dividend per share, price earnings ratio, book value are the important determinants of stock price that straightly impact the price of shares.
The study highlighted that variables such as Market to BV and P-E ratio significantly determine stock prices, exerting a direct influence.
- 17 Dangol and Shrestha (2018) The study examined effect of personality traits on behavior biases among the investors.
The study researched how an individual's level of education relates to their tendency towards overconfidence
- 18 Pradhan and Dahal (2016) The study analyzed the various aspect influencing price of stock in commercial banks in Nepal which are listed.
The study indicated that price earnings ratio, earnings per share, book value per share, dividend per share are significant determinants influencing stock prices in banks in Nepal.
- 19 Dr, Aurangzeb (2014) The study identified the factors influencing the performance of stock markets in South Asia, specifically focusing on Pakistan, India, and Sri Lanka from 1997 to 2010.
The study concluded that foreign direct investment and exchange rates exhibited positive and notable influences on stock market performance.

- 20 Shrestha and Subedi (2014) The study investigated the factors influencing the stock market performance in Nepal, acknowledging the market's recent fluctuations.
The study uncovered that the Nepalese stock market behavior aligns well with theoretical expectations.
- 21 Bhattarai (2014) The study revealed the determinants of equity share prices, specifically focusing on the banking sector within the context of Nepal.
The study aimed to identify the factors influencing share prices given the frequent trading activity of commercial bank shares in the Nepalese market.
- 22 Almumani (2014) The study compared the relationship between share prices and specific variables such as DPS, EPS, BV payout ratio & size of company measured by its assets.
The study found that variables like earnings per share, book value per share, price-earnings ratio, and company size significantly determine stock prices.
- 23 Chaudhary (2013) The study analyzed the significance and relevance of behavioral finance along with its practical applications in investment decision-making.
The study delved into various psychological aspects influencing investors and discussed strategies aimed at assisting them in navigating and managing their psychological hurdles when trading stocks and bonds
- 24 Rakesh and Srinivas (2013) The study examined the individual investment behavior in mutual funds on 400 investors participating in mutual funds, encompassing categories such as Executives and Non-Executives.

		<p>The study found that the remaining major investors were keen on investing in PEVC and private entity, aiming to exploit their returns and hedgerow against possible risks.</p>
25	Babajida and Adetiloye (2012)	<p>The study concluded that involving an investor advisor's services could help mitigate personal biases within the management decision-making process for investors.</p> <p>The study revealed a negative relationship between the independent and dependent variables, suggesting that indirect involvement in trade activity was associated with this correlation.</p>
26	Das (2012)	<p>The study concluded a study on small investors' behavior concerning stock selection decisions revealing that a majority of sampled small investors in Assam conscientiously considered all 38 factors before making their investment choices.</p> <p>This research shed light on the comprehensive approach taken by small investors, indicating their consideration of numerous factors and the multifaceted nature of influences impacting their investment choices.</p>
27	Kadariya (2012)	<p>The study analyzed investor perceptions within the Nepalese stock market, particularly focusing on market responses to both tangible and intangible data.</p> <p>The findings revealed several key factors influencing investment decisions among investors in the Nepalese stock market.</p>
28	Kadariya et al.	<p>The study analyzed the equity investors' awareness levels, highlighting that while investors exhibit awareness, it falls short of the necessary level required for informed decision-making</p> <p>The study found that investors who are more informed tend to hold larger amounts of equity investments</p>

		<p>The study researched investor sentiment in the Ghanaian stock market appears highly optimistic, showcasing resilience in the face of minor market downturns.</p>
29	Bennet (2012)	<p>The study showed that the individual investors have consistently sought buying opportunities whenever favored stocks experienced declines, leveraging the low cost of trading.</p>
		<p>The study analyzed the identifying and validating psychological biases that contribute to a momentum effect, impacting investor behavior in the stock market.</p>
30	Chandra and Kumar (2011)	<p>The study relied on primary data collected through a questionnaire designed with scenario-based questions encompassing various psychological and contextual biases.</p>
		<p>The study examined several elements influencing investment choices.</p>
31	Sharma and Gupta(2011)	<p>The study encompassed factors such as risk and return associated with investments, the influence of peers, recommendations from financial advisors, and the overall trend observed in the market.</p>
		<p>The study evaluated the behavioral finance theory's principles concerning the factors influencing investment decisions amid uncertain conditions.</p>
32	Merikas et al. (2008)	<p>The analysis conducted on collected data offers insights into the typical equity investor in the Athens Stock Exchange</p>
		<p>The study sought to address the significant welfare costs incurred by individual investors due to investment errors by advocating for the crucial inclusion of financial advice in the investment process</p>
33	Fischer and Gerhardt (2007)	

The study work involved comparing established research findings and contrasting normative recommendations with empirical evidence on the real behaviors of individual investors.

The study analyzed that most of people tend to base their investment decisions heavily on information derived from newspapers, media reports, and the market noise.

34 Maditinos et al. (2007) The study established that in contrast, professional investors lean more towards utilizing fundamental and technical analyses while showing less reliance on portfolio analysis when making investment decisions.

The study concluded that discerned six pivotal factors profoundly shaping the behaviors of individual investors.

35 Al-Tamimi (2006) The study shows these factors, ranked by their impact, encompass expected corporate earnings as the primary influencer, followed by the allure of get rich quick prospects.

The study examined the influence of investor sentiment on stock returns across various categories.

36 Baker and Wurgler (2006) The study revealed a distinct relationship between the level of investor sentiment at the beginning of a period and subsequent stock returns.

2.3. Research Gap

The aforementioned research primarily delves into understanding investor behavior in capital market choice decisions. It aimed to examine various elements that influence share choice decisions and scrutinize the many character played by diverse demographic, socioeconomic, demographic, attitudinal element and other factors in shaping investors' choices within the market. Notably, several prior studies have exclusively focused on the investment preferences of urban investors. These investigations uncovered the various stakeholders engage in diverse investment paths to fulfill their economic, social, and mental desires. Moreover, many investigators concluded investor sentimentality significantly impacts the likelihood of stock market crises occurring.

Drawing upon the insights gleaned from the aforementioned literature, this study attempts to analyze the major factors determining investors' attitudes when trading in Nepalese capital market. In past studies predominantly based on awareness of investor and both tangible and intangible data and few have generalized all aspects. It has taken a different approach by categorizing all the factors influencing investor attitudes into distinct categories. These categories encompass financial indicators, retained earnings, book value, interest rates, and the political environment. To unravel the intricacies of these relationships among investors and stock price behavior in Nepal, the study applied various statistical tools such as mean, standard deviation, correlation, and multiple regressions. The objective is to bridge the existing research gap by comprehensively exploring and delineating these relationships among Nepalese investors in the context of stock price behavior.

CHAPTER-III

RESEARCH METHODOLOGY

This chapter focuses on detailing the research process and the designed methods intended to achieve the objectives outlined in the study. The research methodology delves into investigating how investors perceive the stock price behavior in the Nepalese capital markets. To simplify the comprehensive research process, this methodology is divided into several subtopics.

3.1. Research Design

A Research design is purely and simply the framework of plan for a study that guides the collection and analysis of data. It is the plan, structure and strategy of investigation concerned so as to obtain answers to research questions and to control variances. Generally, research design means definite procedure and technique which gives to study and provide ways for research viability. It describes the general framework to collect and analyze the data. To achieve the objective of the study descriptive research design and casual research design have been used.

3.2. Population and Sample

The primary data for this study was predominantly obtained through a purposive sampling approach. In this study, almost 500 questionnaires were distributed out of which only 403 responses were received. Amongst that, 300 respondents are taken as sample from different sectors including stock broker, investment bankers, merchant bankers, mutual fund, investment companies, businessperson and individuals. They participated by completing a questionnaire designed by the researcher via google form.

3.3. Nature and Source of Data

The data and information presented in the study will be primary in nature. Primary data is the data that is collected for the first time through personal experiences or evidence, particularly for research.

3.4. Data Collection Procedures

The data was collected through questionnaire sent to a random set of people belonging to various ages, professions, educational level, marital status having different years of experience in capital market and also having different income levels.

3.5. Methods Analysis

This study is based on the data obtained from the primary as well as secondary sources, followed by followed by descriptive and analytical research design. Similarly, the outcome from the structured questionnaire has been presented in quantitative manner. Lastly, the collected historical data has been presented numerically using different financial, statistical tools and techniques with the help of Microsoft excel and another applicable computer software. In some extent, to clarify the all, in this study has been presented different figures, graphs and tables.

3.6. Data Analysis Tools and Techniques

The primary data and secondary gathering from various sources require systematic presentation, and statistical tools play a crucial role in effectively analyzing this data. Various financial and statistical tools have been employed to analyze the presented data, including tools such as percentage calculations, mean calculations to find the average, standard deviation to measure data dispersion, coefficient of variance for relative variability, correlation coefficient to measure relationships between variables, and regression analysis to understand the relationship between variables. These tools aid in comprehensively examining and interpreting the collected data.

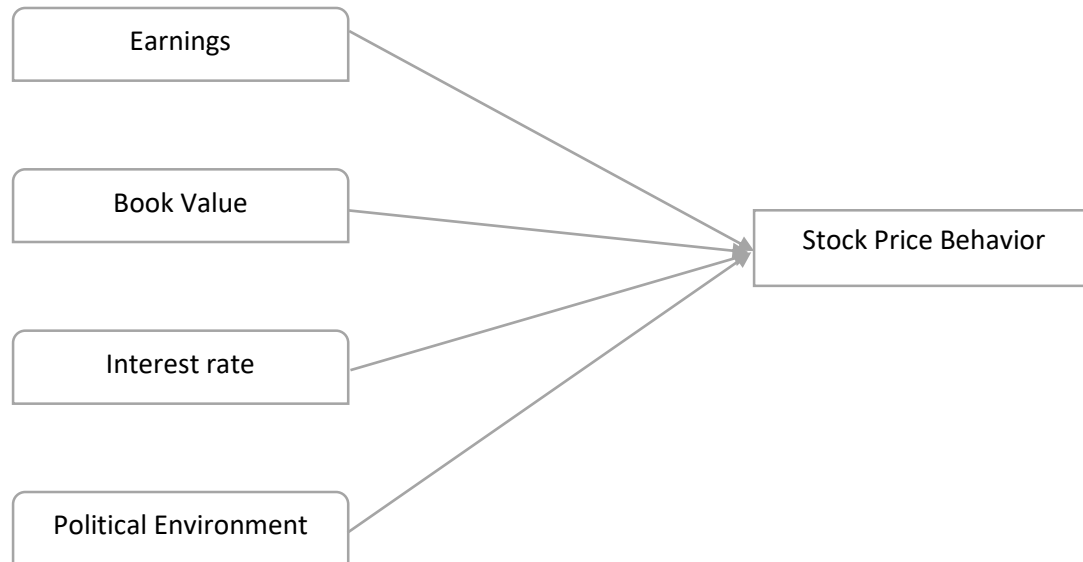
3.7. Conceptual Framework

The conceptual framework utilized to analyze the relationship between dependent and independent variables. In this framework, the dependent variable, which is the stock price behavior, is hypothesized to be a function of several independent variables. These independent variables include financial indicators, retained earnings, book value, interest rates, and the political environment. The study examines how changes or variations in these independent variables might affect or influence the behavior of stock prices in the market.

Figure 1

Conceptual Framework

Independent Variables **Dependent Variable**



Stock price behaviour is driven by a variety of factors, but ultimately the price at any given moment is due to the supply and demand at that point in time in the market. For the purpose of this study, stock price behaviour has been considered as the dependent factor. Stock Price Behaviour, SPB may be affected by a number of factors which includes earnings, book value, interest rate and political environment etc.

Earnings of the company substantially affect the stock price behaviour. Equity shareholders are the primary beneficiaries of the company's net earnings once preference shareholders have received their dividends. The importance of EPS lies in the fact that a higher EPS indicates a greater potential for increased dividend payouts and the retention of earnings, thereby contributing to the company's internal financial robustness and strength. A higher EPS generally suggests a company's ability to generate more earnings for each outstanding share, potentially signaling positive prospects for shareholders regarding dividends and company stability. Retained earnings consider that dividends are relevant and they do affect the share price.

Book value, also referred to as net asset value per share, signifies the amount of assets held by a corporation in relation to each equity share. As explained by Aiyabei, Tobias &

Macharia (2019), it represents the accounting value of publicly traded shares. This value reflects the per-share amount of common stock that would be received if a company were to liquidate its assets at their accounting values, covering all liabilities, and distributing the residual proceeds among shareholders. To be more precise, the book value is calculated by dividing the original value of a firm's common stock by the total number of outstanding shares, considering both inflows and outflows of the company. It demonstrates the net investment per share made by shareholders in the business. Essentially, it represents the value at which an asset is recorded on a company's balance sheet, as mentioned by Bondt (2008).

Interest rate reflects the opportunity cost associated with holding shares and functions as a benchmark for assessing interest rates in a given context. Generally, interest rates and the stock market have an inverse relationship.

Political environment is considered as a positive as well as bad news related to domestic politics. Ideology of ruling parties and opposition parties towards capital market are also considered here. Similarly, change in the government leadership and political parties' majority in government has been considered study (Sullivan, 2019).

CHAPTER-IV

RESULTS AND DISCUSSION

This chapter is to analyze the gathered data and fulfill the study's goals by transforming raw data into a comprehensible format. The data analysis aligns with the research methodology outlined in the third chapter. Various analytical methods such as descriptive analysis, correlation analysis, and regression analysis have been employed to ascertain the relationships between different variables and investor attitudes. These analytical tools have been utilized to investigate and understand the connections and dependencies between the identified variables and the attitudes of investors.

4.1. Presentation of Collected Data

Primary data collection involves the researcher approaching different people and research questionnaire was administered asking them to fill up and express their opinion.

4.1.1. Demographic Characteristic of Respondents

The data are distributed into demographic section to analyse investor attitude towards the stock price behavior of Nepalese capital market. In this part the researcher analyse the demographic variables from the respondents' personal information.

Table 2 shows that the data collected from 300 respondents indicates a male majority of 67.67% compared to 32.33% females. The age distribution reveals that the majority, 77.67%, belong to the 25-50 age bracket, while 19.67% fall in the below 25 age group, and a small 2.66 % in the >50 age group. Among the respondents, 49.33% were unmarried, 49.67 % were unmarried and rest were divorced. The educational status shows 16.33% with +2 level, 43.67% with a bachelor's degree, 40% holding a master's degree. In terms of profession, 21.67% were engaged in Bank, Finance & Capital Market Industries, 22.00% were self-employed, 20.67% were students, and 35.66% were involved in other professions. Income-wise, 16.00% earned above Rs.12,00,000, 31.33% had an income between Rs. 600,000 to Rs. 12,00,000, and 52.67% earned lesser than 600,000 annually. Regarding stock market experience, 37.00% had less than 1 year of investment experience, 50.67% had 1-5 years of investment experience, 10.67% had 5-10 years of investment experience and rest 1.66% had over 10 years of experience.

Table 2***Socio-demographic characteristics of participants***

<i>Baseline characteristics</i>	<i>n</i>	<i>%</i>
<i>Gender</i>		
<i>Male</i>	203	67.67
<i>Female</i>	97	32.33
<i>Age groups</i>		
<i>Below 25 years</i>	59	19.67
<i>25-50 years</i>	233	77.67
<i>>50 years</i>	8	2.66
<i>Marital status</i>		
<i>Married</i>	148	49.33
<i>Unmarried</i>	149	49.67
<i>Divorced</i>	3	1.00
<i>Education</i>		
<i>+2</i>	49	16.33
<i>Bachelors</i>	131	43.67
<i>Masters & above</i>	120	40.00
<i>Profession</i>		
<i>Profession in BFIs</i>	65	21.67
<i>Self-employed</i>	66	22.00
<i>Masters & above</i>	62	20.67
<i>Others</i>	107	35.66
<i>Level of income</i>		
<i>Below 600000</i>	158	52.67
<i>600000-1200000</i>	94	31.33
<i>>1200000</i>	48	16.00
<i>Stock market investment experience</i>		
<i>Less than 1 year</i>	111	37.00
<i>1 year-5 years</i>	152	50.67
<i>5 years-10 years</i>	32	10.67
<i>More than 10 years</i>	5	1.66

Note:

N= 300

(Source: Survey 2023)

Table 3

Other miscellaneous characteristics of participants

<i>Baseline characteristics</i>	<i>n</i>	<i>%</i>
<i>Stock investment medium</i>		
<i>Self</i>	247	82.33
<i>In person with advisor or broker</i>	26	8.67
<i>Other</i>	27	9.00
<i>Investment strategy</i>		
<i>Short-term</i>	65	21.67
<i>Long-term</i>	105	35.00
<i>Value investing</i>	29	9.66
<i>Mixed Investment Strategy</i>	101	33.67
<i>Understanding of stock price behaviour</i>		
<i>Limited</i>	129	43.00
<i>Moderate</i>	149	49.67
<i>Advanced</i>	22	7.33

Note:

N= 300

(Source: Survey 2023)

Table 3 shows other miscellaneous characteristics of participants. Notably, 82.33% managed their investments themselves, 8.67% seeking advice from advisors or brokers and 9.00% falling in others categories. Investment strategies included 21.67% adopting a short-term approach, 35.00% choosing long-term, 9.66% value investing, and 33.67% opting for a mixed investment strategy. Furthermore, 43.00% depicted limited understanding of stock price behavior, 49.67 depicted moderate understanding and smaller segment of 7.33% possessed advanced knowledge.

4.2. Descriptive Analysis

Descriptive statistics play a crucial role in summarizing the collected sample and observations within a study. In this particular analysis, descriptive statistics involve computing statistical metrics like mean and standard deviation. The data collection method

employed a 'Five-point Likert Scale' for each question, spanning from 'Strongly Disagree' coded as 1, 'Disagree' coded as 2, 'Neutral' coded as 3, 'Agree' coded as 4, to 'Strongly Agree' coded as 5. This scale assisted in quantifying the respondents' sentiments and opinions regarding the questions posed, allowing for a structured assessment of their perspectives.

The dependent variable in this study is Stock Price Behaviour (SPB), while the independent variables include Earnings (E), Book Value (BV), Interest Rate (IR), and Political Environment (PE). The analysis aims to unveil the interconnections and strengths among these variables. Presentation of Minimum value, Maximum Value, mean, Standard Deviation and Coefficient of Variation of the selected indicators of stock price behavior are highlighted below:

Table 4
Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
SPB	1.00	5.00	3.6260	0.6504
E	1.00	5.00	3.5953	0.6763
BV	1.00	5.00	3.5900	0.6999
IR	1.40	5.00	3.5947	0.7348
PE	1.00	5.00	3.9447	0.7993

Note:
N= 300

Table 4 provides an overview of the descriptive statistics concerning stock price behavior and its influencing factors. The study utilizes four main variables to stock price behavior, with each of the 300 respondents expressing their opinions on a five-point Likert scale. The table reveals the minimum and maximum values for SPB, E, BV, IR, and PE as 1, 1, 1, 1.40, 1 and 5, 5, 5, 5, 5 respectively. The arithmetic mean, or average, portrays the central tendency of a random variable and serves as a useful measure for further analysis. For SPB, E, BV, IR, and PE, the arithmetic means are recorded as 3.6260, 3.5953, 3.5900, 3.5947, 3.9447 respectively. Standard deviation, indicating the spread of observations around the mean, is also provided for each variable, showing values of 0.6504, 0.6763, 0.6999, 0.7348, 0.7993 for SPB, E, BV, IR, and PE respectively.

4.3. Correlation Analysis

Pearson Correlation analysis is a crucial tool in research used to identify connections among independent and dependent variables. It quantifies the linear relationship between different variables, particularly those with straightforward multi-option responses. By utilizing a correlation matrix, this analysis measures the degree and robustness of connections among the variables under study. A positive correlation implies a direct relationship, where an increase in one variable corresponds to a rise in the other, whereas a negative correlation signifies an inverse relationship when one variable increases, the other tends to decrease. According to Taylor (1990), the interpretation of correlations is based on the correlation coefficient (r): values ≤ 0.35 indicate weak correlations, those ranging from 0.35 to 0.68 suggest moderate relationships, and values ≥ 0.68 denote strong correlations.

Table 5

Relationship between dependent and independent variables

Variables	SPB	RE	BV	IR	PE
SPB	1				
E	.601**	1			
BV	.447**	.582**	1		
IR	.543**	.630**	.450**	1	
PE	.515**	.617**	.550**	.559**	1

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

Table 5 presents that Pearson correlation coefficient calculated between the independent variable "earnings" and the dependent variable "stock price behavior" is 0.601. This coefficient suggests a positive correlation between these two variables. In essence, it indicates a relationship where as one variable increases, the other tends to increase as well, or vice versa. Moreover, the positive correlation coefficient of 0.601 is significant at the 1% level. This level of significance strengthens the validity of the relationship observed between earnings and stock price behavior, highlighting the substantial association between these variables.

The Pearson correlation coefficient computed between the independent variable "book value" and the dependent variable "stock price behavior" is 0.447. This coefficient

indicates a positive correlation between these two variables. In simpler terms, a positive correlation of 0.447 suggests that there exists a relationship where an increase in retained earnings tends to be associated with an increase in share price behavior, or vice versa. Furthermore, the positive coefficient of correlation, specifically at the 1% significant level, underscores the significance and strength of the relationship between retained earnings and stock price behavior.

The Pearson correlation coefficient computed between the independent variable "interest rate" and the dependent variable "stock price behavior" is 0.543. This coefficient signifies a positive correlation between these two variables. In simpler terms, a positive correlation of 0.543 suggests that there exists a relationship where an increase in book value tends to be associated with an increase in share price behavior, or vice versa.

The Pearson correlation coefficient calculated between the independent variable "political environment" and the dependent variable "stock price behavior" is 0.515. This coefficient indicates a positive correlation between these two variables. In simpler terms, a positive correlation of 0.515 suggests that there exists a relationship where a favorable political environment tends to be associated with an increase in share price behavior, or vice versa. Moreover, the positive coefficient of correlation, specifically at the 1% significant level, emphasizes the strength and significance of the relationship between the political environment and share price behavior within the scope of the study.

4.4. Regression Analysis

Regression Analysis is a statistical technique used to examine the relationship between a dependent variable and one or more independent variables. The analysis provides insights into the strength and direction of the relationships, allowing predictions or estimations of the dependent variable based on the values of the independent variables. The best way to determine whether a statistical proposition is true would be to examine the entire population. Multiple regression analysis finds out the impact of independent variables earnings, book value, interest rate and political environment with stock price behavior, the dependent variable.

The regression coefficient of model was estimated using multiple regression analysis. Finding from the multiple regression analysis for the dependent and independent variables.

Table 6***Regression Analysis***

	Coefficient	Std. Error	t	Sig.
(Constant)	5.328	.900	5.920	.000
E	.313	.063	4.955	.000
BV	.071	.053	1.345	.180
IR	.196	.052	3.731	.000
PE	.121	.049	2.449	.015
Adjusted R square				0.418
F-statistic				54.792
P-value (F-stat)				.000 ^b

It shows that Coefficient of regression (B) of stock price behaviour on earnings is positive i.e. 0.313 i.e. while determining SPB, the impact of E is positive that shows increase in E leads to increase SPB. This regression of coefficient has 0.063 as standard error, which measures the variability of the observed values around the fitted line of regression. This coefficient's t-statistic is 4.955 and p-value is significant at 5% significance level. Book value involves 0.071 B value, which denotes, when book value increases 1 percent, share price behaviour also increases by 0.071 units and this relationship is not significant due to P value is 0.180. Interest rate has 0.196 B value which indicates that when interest rate increases by 1 percent share price behaviour also increase by 0.196 percent and this relationship is significant due to P value is 0.000. Political Environment displays a substantial positive impact on stock price behaviour. Analyzing B coefficient of Political environment is 0.121, it can be concluded as, when political environment increases by 1 percent, share price behaviour increase by 0.121 percent while other independent variables remain constant and the coefficient p-value is 0.015 and t-statistic is 2.449 which is significant at 5% significance level. Overall, while Retained earnings, interest rate and political environment exhibit noteworthy impacts on Stock Price Behaviour, book value do not appear to significantly influence share price behavior in this analysis.

4.5. Discussion

The study focuses on the investor attitude towards stock price behavior in the Nepalese capital market examining various factors influencing the stock price behavior through empirical findings from referencing prior research and examination of every aspect of

results in terms of related theories. Regarding the relationships between variables, there exists a positive correlation among the dependent and independent variables. The coefficients of regression for stock price behavior concerning its independent variables namely E, BV, IR, PE are 0.313, 0.071, 0.196, and 0.121, respectively. These coefficients signify the strength and direction of the relationship between each independent variable and stock price behavior, with positive coefficients indicating a positive relationship and negative coefficients indicating an inverse relationship, although some relationships are stronger than others.

The p-values for regression analysis are .000, .180, .000 and .015 for E, BV, IR and PE respectively. A p-value lesser than 0.05 shows a significant relationship between variables, henceforth, E, IR and PE have a significant relation with SPB wherein the relation between BV and SPB is not that significant though. Nevertheless, the overall value of p is lesser than 0.05 which shows a significant relationship amongst dependent variable and independent variables.

This research found that Earnings, Interest Rate and Political Environment exhibit noteworthy impacts on Stock Price Behaviour. Book Value does not appear to significantly influence share price behavior. One significant empirical finding highlights a positive relationship between earnings and stock price behaviour, suggesting that an increase in EPS correlates with a significant rise in share prices (Regmi, 2018), aligning with consistent findings from previous studies like Upadhaya (2013).

Ghimire and Mishra (2018) examined and established various relationships between EPS, DPS, P/E Ratio, Book Value and Market to Book value with stock price. Variables such as Market to BV and P-E ratio significantly determine stock prices, exerting a direct influence. BV is established to have a moderate correlation with stock price. The same has also been established by our research work.

Shrestha and Subedi (2014) investigated the factors influencing the stock market performance in Nepal, acknowledging the market's recent fluctuations. Analyzing monthly data and considering the market's sensitivity and volatility, the study uncovers that the Nepalese stock market behavior aligns well with theoretical expectations. It exhibits a robust positive correlation with inflation and the growth of money supply, while displaying a negative response to interest rates. This suggests that individuals increasingly view the

stock market as a hedge against inflation and tend to invest when ample liquidity is available at lower interest rates.

Kadariya's analysis (2014) examines market responses to both tangible and intangible data in capital market in Nepal. Factors like capital structure, average pricing methods, political environment, media coverage, belief in luck, and financial education significantly influence investment decisions. This study highlights the significant associations between earnings, book value, interest rates, political environment, and share price behavior. Babajida and Adetiloye (2012) delve into behavioral biases' effects on stock market performance, emphasizing the importance of investor advisors in mitigating biases in decision-making. Sharma and Gupta (2011) identify several elements influencing investment choices. These factors encompassed elements such as risk and return associated with investments, the influence of peers, recommendations from financial advisors, and the overall trend observed in the market. Additionally, Chandra and Kumar (2011) explore various elements impacting stock market investment decisions, encompassing personal information, heuristics, prospect theory, and other influencing factors on decision-making processes.

The importance of our research analysis is to establish the relationship between dependent variable namely stock price behaviour and independent variables namely earnings, book value, interest rate and political environment. The same has been duly established herein in our research work. In general there exists a positive correlation amongst the dependent variables and independent variables as analyzed through various parameters.

CHAPTER-V

SUMMARY AND CONCLUSION

5.1. Summary

The Capital market, being dynamic and steadily changing, presents a test for financial backers intending to foresee stock costs precisely to get ideal returns. Putting resources into shares gives the upside of liquidity and the possibility to beat the market, yielding better yields. Nonetheless, foreseeing share costs is a complicated errand that isn't effortlessly achieved. Stock value conduct is impacted by a huge number of characteristic and outward factors, adding layers of intricacy to its development. Zeroing in on Nepalese capital market, known for its awareness and unpredictability, this examination investigates the determinants of Stock Value Conduct and their effects on capital market advancement. The all-encompassing objective is to acquire bits of knowledge into financial backer mentalities inside Nepalese capital business sectors. The review focuses on different variables affecting venture choices in the securities exchange, especially underlining financial backer perspectives, hazard, and return recognized as essential elements through literature review. The primary purpose of this research to find out about the factors impacting stock price behavior and establish their relationship with stock price behavior. Data were collected via a questionnaire consisting of 25 questions from 300 respondents active in the various sectors, offering crucial insights for analysis. Findings revealed that all tested variables significantly impact investor attitudes and stock price behavior. In order to determine the survey result, statistical analyses, such as descriptive and casual comparative analysis, were initially conducted to ascertain average values and standard deviations for each variable. Subsequently, correlation tests demonstrated a positive relationship between dependent and independent variables. The co-relation rest showed that there exists a positive correlation between all the dependent variables and independent variables. Multiple regression analysis and descriptive statistics further explored the factors influencing stock price behavior. It showed that earnings, interest rate and political environment have a significant influence on stock price behaviour however book value's influence on stock price behaviour is not that significant.

This study is mostly in line with the earlies studies and theories in place. The findings of this study seems to be particularly useful for the people interested in share market and other beneficiaries. What we can conclude from this study is there are a number of factors

that influence the stock price behavior amongst which some of them are discussed in this research. We can derive that we mostly found out a positive relationship between such factors and stock price behaviour.

5.2. Conclusion

The research aimed to analyze investor attitudes towards stock price behavior in the stock market and shed light on the varied perceptions towards financial indicators. The findings underscored the significance of several variables such as book value, interest rate, earnings, and the political environment as crucial determinants directly impacting stock prices. The stock price behaviour are found to be affected significantly by earnings, interest rate, and political environment. Nevertheless, the stock price behaviour seems to have a less significant relationship with book value. As per the regression analysis, since the p-value is lesser than 5%, that implies a significant relation between dependent and independent variables. The stock price behaviour has been found to be influenced by political environment similar to finding of Dangol (2008) and the government's policies. The positive outlook for political stability has positive impact on stock price behavior. Similarly change in government's policies regarding capital market has significant impact on the movement of stock price behavior.

In addition, the research delved into investor attitudes and awareness concerning Nepal's capital market. Employing descriptive and casual comparative methodologies, it revealed that most investors primarily aimed to maximize income through diversified investment growth. A trend emerged wherein investors sought short-term capital gains rather than holding investments for extended periods. Alarmingly, the study unveiled that a considerable proportion of investors lacked literacy in financial matters and were susceptible to manipulation by brokers and artificial transactions. This suggests a growing trend where individuals invest in the stock market with the expectation of quick profits, often falling prey to market manipulation, indicating a need for increased investor education and safeguards against fraudulent practices.

5.3. Implications

This study's analysis and findings presented several implications can be inferred as follows:

- i. This study not only offers valuable insights but also serves as a foundational resource for stakeholders, aiding in strategic decision-making, policy formulation, and further research advancements in the field.
- ii. This serves as a useful guide for individuals seeking knowledge about the stock market, providing insights that could benefit both beginner investors and organizations directly or indirectly associated with the capital market.
- iii. By shedding light on the behavioral aspects driving investment decisions, this research contributes to enhancing awareness in the field, emphasizing the influence of investor attitudes on trading and investment choices
- iv. The research outcomes are pertinent for various entities such as the Stock Exchange, governmental bodies, policy maker, potential listed companies, mutual funds, investment companies, security business person, researchers, students, and individuals, offering them valuable information for informed decision-making.
- v. This study's identification of crucial factors affecting investors' perceptions of risk and return in capital markets proves beneficial for students and researchers intending to explore similar areas of study.
- vi. The ultimate objective of any firm is to maximize the wealth position of its investor, which largely depends upon the proper trend of EPS, DPS and other dominant variable.
- vii. Investor education is vital. Firms must impart information about market realities, ensuring investors make rational decisions. Public companies should initiate well-structured awareness campaigns to educate investors effectively.
- viii. The security business person including stockbrokers play a pivotal role and responsibility to develop capital market opportunities. For the development of capital market, they are suggested to provide rational and adequate sound advices to their clients/investors and upgrade their professionalism, thereby enhancing the overall capital market credibility.

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ii.	Stock price behaves according to the financial indicators					
iii.	Political environments affect the stock price behaviour					
iv.	Macro-economic information would have no immediate impact on stock price behaviour					
v.	Investor perception towards stock price behavior frequently changes					

b. Earnings

S.N.	Statement	1	2	3	4	5
i.	Investors consider Retain Earning for investing in the capital market					
ii.	EPS affects the stock price					
iii.	Investors consider P/E Ratio when making capital market investment					
iv.	DPS is the key financial indicator for the investment in the capital market					
v.	More Retain Earning is secured for investment					

c. Book Value

S.N.	Statement	1	2	3	4	5
i.	Book value is the one of the important financial indicators to invest in the capital market					
ii.	Higher book value is the much safer than the lower book value					
iii.	Investors are more likely to invest where book value is higher					
iv.	Book value plays the significant role for investment decision					
v.	You shouldn't judge a company by the cover it puts on its book value					

d. Interest rate

S.N.	Statement	1	2	3	4	5
i.	Interest rate and capital market have reverse relationship					
ii.	Interest rate plays the substantial role in the capital market					
iii.	If interest rate is high, share price is low or cheap					
iv.	Investors sell the stocks if interest rate is high					
v.	When interest rates are rising, both businesses and consumers will cut back on spending					

e. Political environment

S.N.	Statement	1	2	3	4	5
i.	Political environment affects the stock price					
ii.	Investors care the political environment while investing money in the capital market					
iii.	Political stability encourages to the investors to invest in the capital market					
iv.	Investors of capital market want the political stability					
v.	Political environment of the country affect the need and desire to invest					

5. If you have any suggestion that could help to enhance the performance of stock market in Nepal, please specify in order of preference.

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Thanking You
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