A COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR OF NEPALESE DEVELOPMENT BANKS

A Dissertation Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Degree of Masters on Business Studies (M.B.S.)

By

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **A COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR OF NEPALESE DEVELOPMENT BANKS.** The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees 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

Sandhya Shrestha has defended research proposal entitled **A COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR OF NEPALESE DEVELOPMENT BANKS.** The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Dr. Tri Ratna Manandhar and Rishi Ram Pantha submit the dissertation for evaluation and vice-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **A COMPARATIVE ANALYSIS ON STOCK PRICE BEHAVIOR OF NEPALESE DEVELOPMENT BANKS** presented by Sandhya Shrestha a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva-Voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Perfection is anything can hardly be thought of knowing the universal fact "Human is Error", I Have taken utmost care to avoid errors, but I know they are inescapable, so I shall be obliged if they are forgiven.

Sandhya Shrestha
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ABBREVIATIONS

BV	Book Value
Co.	Company
D/Y	Dividend Yield
DPR	Dividend Payout Ratio
DPS	Dividend per Share
E/Y	Earning Yield
EMH	Efficient Market Hypothesis
EPS	Earning Per Share
GBBL	Garima Bikash Bank Limited
GDS	Gross Domestic Savings
JBBL	Jyoti Bikash Bank Limited
KDBL	Karnali Development Bank Limited
MBBL	Muktinath Bikash Bank Limited
MPS	Market Value per Share
MV	Market Value
MV/BV Ratio	Market Value to Book Value Ratio
NEPSE	Nepal Stock Exchange Limited
NRB	Nepal Rastra Bank
NSM	Nepal Stock Market
P/E Multiple	Price Earning Multiple
ROA	Return on Assets
ROE	Return on Equity
SBBL	Standard Chartered Bank Nepal Limited
SBBL	Sindhu Bikash Bank Limited
SEBON	Securities Board of Nepal
T.U.	Tribhuvan University

ABSTRACT

This study conducts a comparative analysis on the stock price behavior of Nepalese development banks, focusing on key financial indicators such as Market Price per Share (MPS), Dividend Per Share (DPS), Debt To Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and Return on Equity (ROE). Through a descriptive and causal research design spanning a decade from fiscal year 2012/013 to 2021/022, the study examines the structure and patterns of these variables across five selected development banks. Using secondary data collection methods, correlations among these variables are analyzed. Results indicate significant relationships between MPS and independent variables such as DPS, D/E, MV/BV, and ROE. Notably, MV/BV emerges as the most influential factor affecting MPS, while ROE exhibits a negative impact on stock prices. Regression analysis further confirms the significance of these relationships, with ANOVA statistics indicating strong associations between explanatory variables and MPS. In conclusion, this study sheds light on the intricate dynamics influencing stock price behavior in Nepalese development banks. Understanding the interplay between financial indicators and stock prices is crucial for investors, policymakers, and financial analysts in making informed decisions and managing risks in the banking sector.

Keywords: Market Price per Share, Dividend Per Share, Debt To Equity Ratio, Market Value to Book Value Ratio and Return on Equity

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Stock prices are key indicators of market returns and are influenced by both firm-specific factors and macroeconomic variables. Investment returns fluctuate based on stock price movements, which are affected by internal factors such as earnings per share, bank size, and book-to-market equity. Research on asset pricing has identified several variables that explain variations in stock returns beyond market risk. Significant factors include firm size, leverage, the price-to-earnings (P/E) ratio, cash flow relative to stock price, and book-to-market equity (Fama, 2019). Fama's work highlights book-to-market equity as a critical factor in explaining stock return variations. Similarly, studies on Japanese stocks have found that book-to-market ratio and cash flow yield are the most influential variables in determining stock returns (Bhalla, 2019).

The capital market in Nepal has a relatively brief history, beginning with the initial public offerings (IPOs) of Nepal Bank Limited and Biratnagar Jute Mills in 1937 AD. The Securities Exchange Center, established in 1976 AD, marked a significant development in the country's capital market by aiming to facilitate and promote its growth. This institution was later transformed into the Nepal Stock Exchange (NEPSE), which officially commenced its trading operations in 1994 AD. Stock markets serve as a reflection of a nation's economy and play a crucial role in its economic development. They are not merely venues for trading securities but are integral to fostering capital formation and promoting sustainable economic growth. By facilitating the allocation of capital, stock markets help bridge the gap between savers and capital users. They achieve this through the pooling of funds, risk sharing, and wealth transfer, which are essential for channeling resources into the most productive investment opportunities. Furthermore, stock markets are vital for economic progress as they ensure that resources are directed towards investments with the highest potential returns. This function supports overall economic stability and growth by enhancing the efficiency of capital allocation and promoting investor confidence (Dangol, 2011; Rahman & Siddikee, 2012).

The capital market plays a critical role in fostering industrial and commercial growth, which in turn significantly impacts a country's economy. Government bodies, industries, corporations, and central banks closely monitor stock market activities due to this profound influence. The stock market channels small, dispersed savings from investors into productive corporate endeavors, offering essential benefits such as liquidity, marketability, and investment safety (Timsina, 2018). A well-structured and regulated capital market supports sustainable economic development by providing long-term funding in exchange for financial assets. Consequently, governments aim to advance their capital markets through various legislative and regulatory initiatives.

Stock prices fluctuate over time, reflecting changes in the market and the arrival of new information. This volatility, a key concern for investors, brokers, and regulators, indicates the level of risk associated with investments and can signal important developments about a firm (Berthelemy & Varoudakis, 2016). Investors, who are generally risk-averse, closely monitor stock price volatility as it impacts their risk exposure and investment valuation. The response of stock prices to unexpected dividend changes is linked to investor preferences and expectations (Cheney & Mosses, 2015).

Common stocks represent ownership in a company, with stockholders benefiting from the company's success and bearing the losses if it underperforms. Dividends, determined by the board of directors, are cash payments made to shareholders and can vary widely. Stock prices, influenced by factors like the Price Earnings Ratio (PER) and dividend payouts, are crucial for investment decisions. A higher PER suggests positive future growth expectations, prompting investors to pay more for each dollar of earnings. Dividend policies are influenced by earnings, cash availability, past dividends, and stock price considerations. Observing past stock price patterns in Nepal can provide valuable insights for predicting future movements (Pradhan, 2021).

The financial sector plays a vital role in channeling dispersed savings into capital formation, crucial for economic growth. In Nepal, the stock market is instrumental in mobilizing savings and supporting economic sustainability. It provides a platform for growth in the real sector, including major infrastructure development. However, the Nepalese securities market is still in its developmental phase, and further progress is

essential. A significant part of the securities market in Nepal consists of commercial bank shares, and their price movements significantly impact the Nepal Stock Exchange index (Shrestha, 2013).

Research on stock price behavior often focuses on whether stock prices exhibit random walk characteristics or follow a mean-reverting process. A mean-reverting process suggests that stock prices tend to return to their historical trend over time, allowing investors to forecast future returns based on past data. Conversely, a random walk implies that price shocks are permanent, with no tendency for prices to revert to a previous trend. Generally, a rising stock market index is viewed as a positive indicator, reflecting investor confidence in the economy's future prospects, which can stimulate investment (Berthelemy & Varoudakis, 2016).

However, a rapid increase in the stock market index can raise concerns. If such an increase is not supported by fundamental factors, it may not be sustainable, potentially leading to a sharp decline that could threaten economic and financial stability. Financial institutions are crucial in the modern economy as intermediaries between savers, households, enterprises, and government entities, and those seeking external finance. They facilitate the transfer of funds across different sectors. In developing countries, economic growth is often hampered by slow development rates in key sectors such as agriculture, industry, and trade. Continuous financial support is necessary to advance these sectors and promote overall economic development (Van Horne, 2018).

Issues with stock prices of commercial banks in Nepal are often linked to the current political and economic climate. While this is a significant factor, the problem extends beyond just the present situation. Company management, board attitudes, and the actions of financial intermediaries also play critical roles. The financial market actors are not tightly regulated by legal provisions, and existing regulations are poorly enforced. Due to the dominance of financial institutions in the market, there has been insufficient diversification.

Corporate governance, transparency, and disclosure issues have severely impacted the Nepalese capital market. Boards of directors often function merely as formalities, failing to address corporate governance effectively. This has resulted in inadequate protection

for investors, particularly minority shareholders, who may lack full awareness of the risks and returns involved. To enhance the stock prices of commercial banks and foster growth, it is crucial to implement measures that safeguard investors, improve corporate governance, and ensure that companies operate with greater transparency and accountability.

1.2 Problem Statement

Banks are a crucial and influential sector globally, serving both individuals and organizations as depositors or borrowers. They play a vital role in upholding confidence in the monetary system through their interactions with regulatory authorities and the government, as well as adhering to regulatory requirements. Consequently, there is significant interest in assessing the health of banks, particularly regarding their solvency, liquidity, and the risks associated with various types of banking activities (Johns, 2018).

Profitability is a key indicator of a bank's financial health, often reflecting effective business management, cost control, credit risk management, and operational efficiency. Profit is essential for a bank's survival and growth, allowing it to maintain capital adequacy through retained earnings. Banks must also ensure adequate liquidity to handle a range of financial obligations, including deposit withdrawals and other commitments. Liquidity refers to having sufficient funds available to meet these obligations as they arise, while solvency pertains to having more assets than liabilities, ensuring the adequacy of the bank's capital. Maintaining a sufficient cash and bank balance is crucial for day-to-day operations and for addressing unforeseen contingencies (Sharpe et al., 2019).

In the current environment, investors are increasingly attracted to the banking sector. A comparative analysis among different development banks is necessary, as neglecting relevant information about competing banks could have long-term negative consequences. Customers tend to favor banks that offer efficient services, and investors are drawn to banks that provide high dividends, substantial profits, and reliable payment capabilities. For banks to remain competitive and viable in the long term, they must consider their liquidity, profitability, and market positions, among other factors. Therefore, this study focuses on evaluating the financial positions of development banks

operating in Nepal, providing valuable insights for both customers and investors (Shrestha, 2013).

This study seeks to fill the gap in existing research by providing insights into these critical aspects of development banks' stock price behavior in Nepal. Numerous studies have examined the financial performance of banks in Nepal; however, comprehensive research specifically focusing on development banks listed with the Securities Board of Nepal is lacking. This study aims to analyze the stock price behavior of five development banks operating in Nepal. The research will address the following questions:

- What are the structures and patterns of Market Price Per Share (MPS), Return on Equity (ROE), Dividend Per Share (DPS), Debt to Equity Ratio (D/E), and Market Value to Book Value Ratio (MV/BV)?
- Is there a relationship between Market Price Per Share (MPS) and other determinants such as Return on Equity (ROE), Dividend Per Share (DPS), Debt to Equity Ratio (D/E), and Market Value to Book Value Ratio (MV/BV)?
- How do Return on Equity (ROE), DPS, D/E, and MV/BV ratio impact the stock prices of development banks, and which of these variables has the most significant influence?

1.3 Objectives of the Study

Investors need a clear understanding of share price formation, fluctuations, and the factors influencing its determination. While some research has been conducted on securities listed on the Nepal Stock Exchange (NEPSE), most studies have focused on aspects such as capital structure, dividend policy, and risk-return profiles. There remains a gap in research specifically addressing the determinants of stock prices. This study aims to bridge this gap by examining the factors that influence stock prices and their interrelationships, providing deeper insights into stock price behavior. The specific objectives of this study are:

- To analyze the structure and patterns of Market Price Per Share (MPS), Dividend Per Share (DPS), Debt to Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and Return on Equity (ROE).

- To investigate how Market Price Per Share (MPS) is related to Dividend Per Share (DPS), Debt to Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and Return on Equity (ROE).
- To assess the impact of Return on Equity (ROE) on Dividend Per Share (DPS), Debt to Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and the stock prices of development banks, and to identify which of these variables has the most significant influence.

1.4 Rationale of the Study

Although some research has been conducted on securities listed on the Nepal Stock Exchange (NEPSE), these studies have primarily focused on financial performance evaluation, capital structure analysis, dividend policy, and risk-return profiles. There is a notable lack of research specifically addressing the core determinants of stock prices. This study aims to fill this gap, providing valuable insights for investors, planners, researchers, students, and policymakers.

The objective of this research is to explore the relationship between the Market Price Per Share (MPS) of Nepalese development banks and key financial indicators such as Return on Equity (ROE), Dividend Per Share (DPS), Debt to Equity Ratio (D/E), and Market Value to Book Value Ratio (MV/BV). By examining these relationships, the study seeks to reveal the current status of Nepalese development banks in terms of stock price determinants. The findings are expected to assist potential investors in making more informed investment decisions.

Additionally, this study will offer insights into the positioning of share prices within the banking industry. Comparing industry averages for various financial indicators with individual banks can provide useful information for bank managers. The research aims to contribute to the national economy by encouraging the mobilization of idle capital into productive sectors, thereby supporting economic growth and reducing reliance on foreign aid.

While extensive research has been conducted on the performance of commercial banks, this specific topic has not been thoroughly explored in the context of Nepal. This study

seeks to address this gap by examining the stock price behavior of Nepalese development banks. It will provide a comprehensive view of market trends within the banking sector, helping investors understand how market fluctuations impact their investments and returns. Furthermore, the study may offer valuable guidance for government reviews and financial policy reforms and provide feedback to academic institutions, bank employees, trainees, investors, financial experts, and policymakers.

1.5 Limitations of the Study

Like any study, this research has its limitations. Key limitations include:

- The accuracy of the findings is influenced by the reliability of the statistical methods employed.
- Limited research experience may impact the depth and breadth of the analysis.
- This study examines data from the past decade, specifically from the fiscal year 2012/013 to 2021/022. The analysis is based on secondary data sourced from annual reports, bank websites, and relevant financial magazines and journals. Therefore, the reliability of the conclusions is contingent upon the accuracy and completeness of the secondary data.
- The study focuses solely on equity shares, excluding other financial instruments such as preference shares, debentures, and government bonds.
- The study evaluates the historical and current stock price behavior of development banks in Nepal but does not make projections regarding future stock prices.
- Only a select set of statistical and financial tools are used in this analysis.
- The study includes only five development banks Muktinath Bikash Bank Limited, Garima Bikash Bank Limited, Jyoti Bikash Bank Limited, Sindhu Bikash Bank Limited, and Karnali Development Bank Limited out of a total of 17 development banks in Nepal.
- A simple random sampling method was used for selecting the banks included in the study.

CHAPTER II
LITERATURE REVIEW

The review of literature is a crucial component of the thesis. It encompasses a range of sources, including previous theses, books, journals, and articles. This chapter focuses on examining theories related to stock price behavior, such as fundamental and technical analysis, efficient market hypotheses, financial institutions and markets, capital markets, economic liberalization, and capital market development. Additionally, it includes a review of significant studies in the field.

2.1 Theoretical Review

Before delving into the specifics of share price behavior, it is essential to understand the general concepts related to shares and familiarize oneself with the profiles of the banks under study.

2.1.1 Stock Price Behavior

The stock market reflects the state of the economy and plays a crucial role in fostering economic prosperity by promoting capital formation and sustainable growth. It serves as a key intermediary between savers and capital users, facilitating the pooling of funds, risk sharing, and wealth transfer. Effective stock markets are vital for economic growth as they ensure that resources flow to the most productive investment opportunities (Rahman & Siddikee, 2012).

The stock market significantly contributes to industrial and commercial growth, which, in turn, impacts the broader economy. This is why governments, industries, corporations, and central banks closely monitor stock market activities. The market directs small and dispersed investments into productive corporate ventures, offering liquidity, marketability, and investment safety. A well-regulated and organized capital market promotes sustainable economic development by providing long-term funds in exchange for financial assets. Consequently, governments strive to advance their capital markets through various legislative and regulatory measures (Weston & Copeland, 2016).

The review of literature begins with a theoretical exploration of stock price behavior, encompassing fundamental and technical analysis, efficient market theories, financial

institutions, and capital market development. Financial decision-making involves three key areas: investment, financing, and dividend decisions. An optimal blend of these decisions enhances firm value (Van Horne, 2018).

Dividends represent a portion of a company's earnings distributed to shareholders as compensation for their investment. Deciding how much to distribute versus retain is critical for a firm's growth and financial health. While retained earnings support firm expansion, dividends provide immediate benefits to shareholders. Dividend policies can significantly impact stock prices, as higher dividends often lead to higher stock values, whereas lower dividends can decrease stock prices (Rough, 2016).

Investors generally expect consistent dividends and potential capital gains from their stocks. The final stock price includes the initial investment plus any capital gains. Shareholders anticipate both dividend income and an increase in stock value. Stock dividends, which increase the number of outstanding shares without altering the total net worth of the company, can affect stock prices but do not impact the firm's overall value (Shrestha, 2013).

Stock prices fluctuate over time, driven by various factors. Recent market crashes have challenged existing economic and statistical models. Efforts have been made to build models that account for significant market movements (Francis, 2016). The stock market's volatility, driven by numerous factors, necessitates a careful examination of these determinants to guide investment decisions rather than relying on speculation.

The study aims to identify and analyze factors influencing stock prices by focusing on various sectors, including commercial banks, development banks, microfinance, hydropower, and hotels in Nepal. It will evaluate how factors such as dividends, return on equity (ROE), price-earnings ratio (P/E), book value, and market-to-book value affect stock prices and ROE (Sharpe et al., 2019).

Rapid increases in stock market indices can be concerning if not supported by underlying fundamentals, as unsustainable rises can lead to sharp declines and threaten economic stability. The random walk hypothesis suggests that past price changes do not predict future changes, indicating that stock prices reflect all available information and that future returns cannot be forecasted from historical prices alone (Francis, 2018).

In an efficient market, stock prices incorporate all relevant information, and future returns are not predictable from past price movements. The ability of stock markets to attract investment, boost savings, and improve capital pricing depends on the presence of random walks in stock prices (Sharpe, 2018). Research indicates that earnings per share (EPS), dividends per share (DPS), and book value per share significantly impact stock prices. Specifically, DPS and EPS are strong determinants of stock price, while book value and the price-earnings ratio also positively correlate with stock prices. However, high dividend yields can inversely affect stock prices (Hunjara & Muhammad, 2014).

In the context of Nepal, the relationship between variables like ROE, DPS, book value per share, and stock price varies across companies. Government policies, including taxation, significantly influence stock market volatility. Historical price changes can provide insights into future price trends, though their predictive power may diminish over time (Shrestha, 2013).

Common stockholders are considered the residual owners of a corporation, meaning their claims on income and assets come after those of creditors and preferred stockholders have been fully satisfied. Consequently, the returns for common stockholders are more uncertain compared to those of lenders or preferred stockholders. However, unlike other types of investments, common stock offers the potential for unlimited upside returns.

Common stock can be issued either with or without a par value. Par value is a nominal figure set in the corporate charter and holds minimal economic significance. Companies are generally advised not to issue stock below its par value, as shareholders who purchase stock below this value might be held liable for the difference between the purchase price and the par value (Francis & Van Horne, 2017).

When a corporation is established, its founders obtain a corporate charter from the state, print shares of common stock, and sell them to raise the necessary capital for starting the business. Thus, common stock is typically the initial type of security issued by a new corporation (Francis, 2021).

2.1.2 Common Stocks Values

a) Par Value

Par value is the face value of a share of stock. It was originally used to guarantee that the corporation receives a fair price for the value of the firm represented by a share of stock. Another reason for the creation of par values was to keep stockholders with friends in the corporation from getting shares at a low price while other buyers of identical shares have to pay more. Selling shares at reduced prices to friends is a form of price discrimination against many potential investors (Francis, 2020).

The face value when the stock, established at the time the stock is initially issued is the par value. Without a stock split or other action by the board of directors, the par value of the stock does not change (Cheney & Mosses, 2015). The par value of new issue is usually Rs. 100, as directed by company act 2022.

b) Book Value

Book Value per share can be calculated by adding the common stock‘s total value (or par value plus paid-in surplus plus retained-earnings accounts) in the net worth section of the balance sheet and then dividing by the number of shares of common stock outstanding. Book value gives a picture of the assets of the corporation, but it has no real relation to stock prices. Companies sometimes find their common stock selling for prices far different from book value (Francis, 2020).

c) Market Value

Market value in the secondary markets is determined by the demand and supplies factors, and reflects the consensus opinion of investors and traders concerning the value of the stock. The market value is influenced by many factors including economic and industry conditions, expected earnings and dividends, and market and company risk considerations (Cheney & Mosses, 2015).

2.1.3 Classifications of Common Stock based on Their Features

Blue Chip Stock, stocks of very large, well-established corporation has been dominant positions; strong balance sheets and size are called blue-chip stocks. Growth Stocks, whose price grows with the growth of corporation‘s earnings and dividend with a comparatively

higher growth than the average price appreciation. Income stocks having stable cash dividends record are often called as income stocks. Cyclical and Defensive Stocks, which are influenced by economic and industrial cycles, are called cyclical stocks whereas stocks which are less susceptible to economic cycles, a recalled defensive stocks. Speculative stocks, which are viewed by investors with some speculative motives, are called speculative stocks. Small stocks, depending upon the capitalization norms are generally known as small or even blue chip stocks (Ritter & Silber, 2016).

2.1.4 Characteristics of Common Stocks

a) Voting Rights or Control

Common Stock is voting stock, the power to vote for the board of directors and for or against major issues (such as mergers or an expansion into new product lines) belongs to the common shareholders because they are the owners of the corporation.

b) Preemptive Rights

The preemptive right allows stockholders to subscribe to any new issue of stock so that they can maintain their previous fraction of the total number of shares sold (usually called the outstanding shares. Some states automatically make the preemptive right a part of every corporate charter: in others, its inclusion as part of the charter is optional to grant the preemptive right is to recognize that stockholders are part owners of corporations and as such should have an interest in earnings and assets and a voice in management proportionate to the fraction of voting shares they own. The preemptive right, if exercised, prevents the dilution of ownership control inherent in additional stock shares. Thus, the preemptive right, if exercised, guarantees the investor‘s undiluted maintenance of voting control, share in earnings, and share in assets (Francis, 2020).

C) Right to Income and Distribution of Other Shares

In fact, shareholders have no right to receive income distribution from the corporation. As practice prevails, BOD declares cash dividends if enough financial resources are available. The dividends can be cash dividends, stock dividends, property dividends, etc (Cheney & Mosses, 2015).

2.1.5 Theories of Stock Price Behavior

Today, most of the developing countries are boosting their economic development through the contribution of the investment sector. The forces of demand and supply interact to determine a stock price. If demand is high and supply is low then price of stock goes up and vice-versa. Business cycle theories felt that tracing the evolution of several economic variables over time would clarify and predict the progress of the economy through boom periods. There are two theories of stock price behavior i.e. classical approach and efficient market theory approach. Classical or conventional approach includes fundamental analysis theory and technical analysis theory. Under efficient market theory, there are three forms of efficient market hypothesis. Classical approach assumes market as inefficient whereas the efficient market theory assumes that market is efficient. "Prior to the development of the efficient market theory, investors were generally dividend in to two groups, fundamental and technician" (Reilly, 2016).

2.1.6 Convention or Classical Approach

The conventional or classical approach includes fundamental analysis and technical analysis theories. One of the major divisions in the ranks of financial analysis is between those using fundamental analysis (known as fundamental analysts or fundamental) and those using technical analysis (known as technical analyst or technicians).

a) Fundamental Analysis

In the fundamental approach, the security analyst or prospective investor is primarily interested in analyzing factors such as economic influences, industry factors and related company information such as product demand, earnings dividends and management in order to calculate an intrinsic value for the firm's securities. Fundamental analysis begins with the assertion that the true value of any financial asset equals the present value of all cash flows. The owner of the asset expects to forecast the timing and size of these cash flows and then converts the cash flows to their equivalent present value using an appropriate discount rate. The fundamentalist makes a judgment of stocks value with risk return framework based upon earning power and the economic environment. The fundamentalists are of the opinion that the value of shares depends upon the anticipated future steam of returns and corresponding capitalization rates. The capitalization rate is

an appropriated risk related cost of equity. Therefore, value of share, under this model, is equal to the present value of future incomes from an equity discounted at risk adjusted capitalization factor. It requires full disclosure of financial and economic information. If the dissemination of information is not regular, reliable and complete, the market value of shares cannot be properly ascertained. The actual price of the security is considered a function of set of anticipation. Price changes as anticipation change which in turn changes as result of new information. The market price of share is based on its intrinsic values. "The value of the common stock is simply the present value of all the future income which the owner of the share will receive" (Francis, 2020).

b) Technical Analysis

The technical analysis theory of share price behavior is based on past stock market information in an attempt to predict future price movements. This theory includes the study of the past price and value data of stocks to forecast future price movement. Past prices are examined to identify recurring trends or patterns in price movements. Then more recent stock prices are analyzed to identify emerging trends or patterns that are similar to past ones. This analysis is done in the belief that these trends or patterns repeat themselves. "A highly specialized form of market is practiced by technical analyst. The try to predict future stock price as that might predict the pattern of wallpaper behind the mirror is the same as the pattern above the mirror (Miller, 2021).

2.1.7 Efficient Market Theory

An efficient market is one where shares are always correctly priced and where it is not possible to outperform the market consistently except by luck. In an efficient capital market, current market prices fully reflect available information. The role of markets in a competitive economy is to allocate scarce resources between competing ends in a way that leads to the scarce resources being used most productively. This means that the highest bidder for the resources gets to use to them. When this occurs, markets are said to be allocatively efficient. The role of capital or securities market is to allocate inventible resources in a way that is allocatively efficient. An Efficient Market (EM) is defined as one in which the price of security fully reflects all known information quickly and accurately (Johns, 2018).

An efficient market is one where a security's current price gives the vest estimate of its time watch. In an efficient market, there are higher free launches non-expensive dinner. It is not possible to systematically gain or loss profits from trading on the available public information. Efficient market is that, there is large number of knowledgeable and profit maximizing independent buyers and sellers, new information is generated randomly and investors adjust the information rapidly (Sharpe, 2018). The degree of market efficiency has important implication for the economy and for investment decision makers. In an economic sense, it is important that security prices provide accurate signals that can be used to allocate capital resources correctly. Incorrectly, prices securities would result in incorrect allocation of capital (Weston & Copland, 2016).

The information dissemination in market plays a significant role to estimate the market price of securities. Rapid and accurate adjustment of information system has signified more efficient market and only possible to earn normal profits and normal gain. The subject of market efficiency has been much concerned area of the study in recent time. The efficient markets are not only related to informational efficiency but also allocation, operational efficiency etc. allocation efficiency signifies that rate of return adjusted the risk that are equated the margin for all investors. At time, minimum transferred cost of investment funds refers operationally efficiency (Johns, 2018).

The requirements for a security market to be efficient is the large number of knowledgeable profit maximizing investors exist who actively participate in the market by analyzing valuing and trading stocks. These investors are price taking that is one participant alone cannot affect the price of the securities. Price must be efficient so that new inventions and better products will cause a firm's securities price to rise and cause investors to want to supply capital to the firm. (i.e. buy its stock) Information is costless and widely available to market participants at approximately the same time. Information is generated in a random fashion such that announcements are independents of one another. Transportations cost such as sales commissions on securities are ignored. Investors react quickly and accurately to the new information causing stock price to adjust accordingly. Investors must be rational and able to recognized efficient assets so that they will want to invest money where it is needed most i.e. in the assets with relatively high returns (Bhalla, 2016).

Weak-Form Market Efficiency: The stock prices are assumed to reflect all past information about the price movements in the weak form of efficiency. This hypothesis holds that no investor can earn excess returns by developing trading rules based in historical prices or return information (Weston & Copland, 2016). The significant conclusion derived from the weak form hypothesis is that past rates of return and any other security market information should have no relationship with future stock prices or future rates of return. It is not possible for an investor to predict future security price by analyzing historical prices and achieve a performance (return) better than the stock market index. It is so because the capital market has no memory, and the stock market index has already incorporated past information about the security prices in the current market price. To know that the capital market is efficient in its weak form, we can find out the correlation between the 'security prices over time'. In an efficient capital market, there should not exist a significant correlation between the security prices over time (Fama, 2020).

Most empirical test has shown that there exists serial independence between the security prices over time. An alternative method of testing the weakly efficient market hypothesis is to formulate the trading strategies using the security prices and compare their performance with the stock market performance. The capital market will be inefficient if the investor's trading strategy could beat the market. Researchers have studied a large number of trading rules, and have concluded that it is not possible for investors to outperform the market.

Semi-Strong Form of Efficiency: In the semi-strong form of efficiency, the security prices reflect all publicly available information. This implies that no investors could earn excess return using publicly available resources such as corporate annual reports, stock market price information or all publicly available data such as earnings, dividends, stock split announcements, new products development, financing difficulties, accounting changes, or financial dailies/magazines (e.g. The Economic Times). In fact, such publicly available information is already impounded in the current security prices. If the semi-strong hypothesis is true, then only a few than what could be earned by using a native buy and hold strategy (Francis, 2020).

This form of efficiency is most controversial because it implies that a security analyst who tries to identify mispriced using publicly available information is wasting time because that information is already reflected in the current price. The semi-strong efficient market hypothesis implies that the share price reflects an event or information very quickly, and therefore, it is not possible for an investor to beat the market using such information.

Strong Form of Efficiency: In the strong form of efficiency, the security prices reflect all published and unpublished public and private information. The strong form encompasses both the weak form and the semi strong form. This version implies that no opportunities should exist for any investors to derive above average rates of return. The most stringent from of market efficiency is the strong form which asserts that prices fully reflect all information public and non public (John, 202).

An obvious way to check the validity of the strong efficient market hypothesis is to examine the profitability of traders in securities made by insiders to see if the insider's access to information allows them to earn statistically significant trading profits.

2.1.8 Random Walk Efficient Market Theory

The random walk theory assumes that all future stream of income from the equity investment are independent of preceding income. In other words, future prices cannot be predicted based on past price behavior. It means is we attempt to predict future prices in absolute terms using only historical price change information, we will not be successful i.e. successive price changes at any time will on the average reflect the intrinsic value of the security. The random walk theory says that nothing more than that successive price changes are independent. This independence implies that prices at any time will on the average reflect the intrinsic value of the security. If a stock price deviates from its intrinsic value because of different insights into future prospects of the firm, professional investors and smart nonprofessionals will seize upon the short term or random deviations from the intrinsic value and their active buying and selling of the stock in question will force the price back to its equilibrium position (Rough, 2019).

In other words, the share prices fluctuate randomly; however, this does not mean that the market is irrational in the determination of prices. It operates through market mechanism.

In a free and competitive market, the relative forces of demand and supply determine the share price.

The so-called efficient market automatically adjusts the prices of shares since the market is very sensitive. Any discrepancies in the market are automatically correlated and the actual prices fluctuate randomly about its intrinsic value. This is a free and most competitive market and the prices of shares in the market are assumed to reflect all relevant information. Though the subject of market efficiency has been much concerned area of the study for the academicians and researchers in recent times, the advocates of the efficient market theory are matched by and equally eloquent opposing camp, which argues that the stock market is neither competitive nor efficient. The critics contend that one or more of the following factors cast their shadow over the efficiency and competitiveness of the stock market (John, 2020).

2.2 Empirical Review

2.2.1 Review of Articles on International Context

Chang and Chang (2023) explained on the How oil price and exchange rate affect stock price in China using Bayesian Quantile on Quantile with GARCH approach. We revisit the links of real exchange rate, oil price and stock market price for China using Bayesian Multivariate Quantile on Quantile with GARCH approach over the period of September 14, 2001 to June 17, 2022 (a total of 4051 days). Results indicate both the links between stock price and oil price and between stock price and exchange rate varying under different combinations of quintiles. GARCH model also indicate that yesterday news and persistence measures varying with current conditional variance under different quintiles. It is further estimate half-life of a shock to our whole markets and find out the half-life of a shock range from 0.415 to 4.015 days. Result not found in previous study. Our study has important policy implications for the investors, practitioners, and the government.

Wright and Swidler (2023) explained on abnormal trading volume, news and market efficiency: Evidence from the Jamaica Stock Exchange. This paper investigates market efficiency of the Jamaica Stock Exchange (JSE). Together, weak and semi-strong form efficiency claim that historical and newly released public information do not predict future stock price movement. We test both forms of market efficiency by analyzing stock

price behavior during times of abnormal trading volume and around the release dates of earnings information. Abnormal trading volume may be driven by liquidity demand or reflect new or private information flow to the market. Using JSE data over the period 2000 to 2021, we find price dynamics consistent with price pressure as firms experience negative abnormal returns on the day of abnormal trading activity but offsetting positive abnormal stock returns on the following day. Further findings show post earnings announcement drift on the JSE. Taken as a whole, the evidence suggests violations of market efficiency and has implications for capital allocation in this emerging market.

Abdulrasool and Othman (2022) explained on analyzing global research on stock market anomalies: a behavioral finance perspective. Investors' psychology and behaviours have been known to influence the emergence of capital market imperfections. The corpus of studies on this matter is copious but conflicting as researchers approach the subject from two major perspectives. Against this background, this study aims to review and establish the global research trend in behavioral finance examining stock market anomalies vis-à-vis its opposing paradigm (i.e., the efficient market hypothesis). Based on an extensive review of the types of anomalies published by scholars over 53 years (1968-2021), this study generated search strings targeting the appropriate investor behaviours as responses to stock market anomalies. The study applied bibliometric analysis and drew 1,767 documents from the Scopus database, which were later reduced to 1,436 after applying the exclusion criteria. The analyses revealed that authors prefer to disseminate their research on stock market anomalies in refereed journals and also attempt to unravel the contrast between rational and behavioural dynamics of investor decision-making based on short-term observations. Also, most of the studies fall under the general economics and business subject groups, indicating authors' preoccupation with general rather than specific matters on stock market anomalies. Further, the study highlighted the global distribution of studies on stock market anomalies, the top prolific authors in the field, the top journal sources, and the Scopus profiles of selected top authors. Based on these results, recommendations for future studies were given.

Singh (2022) explained on Stock Price Determinants: Empirical Evidence from Muscat Securities Market, Oman. Stock price is one of the main indicators for measuring firm performance and also the only factor determining shareholders' wealth. Stock price

changes are based on information related to the firm and the market as a whole. This paper is focused on the determinants of the share price of the twenty-six non-financial companies listed in Muscat Securities Market, Oman. In this study, closing annual stock price from 2011 to 2016 is the dependent variable and the firm-specific variables like firm size (logarithm of total assets), dividends payout, earning per share (EPS), debt ratio, price-earnings (PE) ratio, first lag of dependent variable(stock price) are the independent variables in the panel data regression using random effect model. There are two categories of research hypothesis: the first one is based on semi-strong form of Efficient Market Hypothesis (EMH) and second one is based on Arbitrage Pricing theory (APT). To test the second set of hypothesis, oil price, growth rate in GDP and consumer price index are considered as independent variables as they affect performance of business and so do the stock prices. EPS, debt ratio and first lag of stock prices are significant determinants of stock prices. Dividend payout, firm size and PE ratio are insignificant variables.

Gupta and Shaju (2021) explained on international stock market behavior during COVID-19 pandemic using a driven iterated function system. It is propose a novel approach to visualize and compare financial markets across the globe using chaos game representation (CGR) of iterated function systems (IFS). It is modified a fractal method, widely used in life sciences, and applied it to study the effect of COVID-19 on global financial markets. This modified driven IFS approach is used to generate compact fractal portraits of the financial markets in form of percentage CGR (PC) plots and subtraction percentage (SP) plots. The markets over different periods are compared and the difference is quantified through a parameter called the proximity (Pr) index. The reaction of the financial market across the globe and volatility to the current pandemic of COVID-19 is studied and modeled successfully. The imminent bearish and a surprise bullish pattern of the financial markets across the world is revealed by this fractal method and provides a new tool to study financial markets.

Yun, Yoon and Won (2021) examined on the interpretable stock price forecasting model using genetic algorithm-machine learning regressions and best feature subset selection. Recent stock market studies adopting machine learning and deep learning techniques have achieved remarkable performances with convenient accessibility. However,

machine learning and deep learning models are notorious for their black-box structure. To build human-friendly interpretability in stock price prediction, many studies focus on the relationship between input features and the outcome by measuring the feature importance. However, the feature-importance-based interpretability methods have such drawbacks as relative feature importance, vague importance of correlated features, and impractical interpretability. Furthermore, they overlook two principal characteristics of time series stock price data: time-dependency and collective behavior of features. As a solution to catch the collective behavior of features over a whole data period, we propose the best feature subset selection. Additionally, for the solution to reflect the time-dependent characteristic of stock price data over a short data period, we propose piecewise best feature subset selection. The proposed algorithm uses two separate input feature sets: internal technical indicators and external market prices. This bilateral forecasting scheme goes through a two-stage feature selection process composed of feature set expansion, hybridized genetic algorithm-machine learning regressions to select important features, and importance score filtering to select optimal features. Finally, the best feature subset is selected for forecasting and interpretation. The proposed method achieves the best feature subset of parsimoniously fewer features for interpretability and improves average forecasting Root Mean Squared Error by 10.42% for the optimal feature set and 13.47% for the best feature subset of the internal technical indicators. For enhanced local interpretability in this study, we use Savitzky Golay smoothing as part of piecewise optimal curve fitting to examine each potential grouping of external features. The proposed local interpretability technique using piecewise optimal curve fitting and piecewise best feature subset provides a more timely-flexible interpretation of stock price behavior using a few best features for piecewise data segments. Compared with other feature-importance interpretability techniques that only rely on either a single data point or a whole data period, the proposed interpretability technique overcomes their limitations, and reflects the main characteristics of time series data.

Kizysa, Tzouvannab and Donadellic (2020) explained on COVID-19 herd immunity to investor herding in international stock markets: The role of government and regulatory restrictions. This study if government response to the novel corona virus COVID-19

pandemic can mitigate investor herding behavior in international stock markets. Our empirical analysis is informed by daily stock market data from 72 countries from both developed and emerging economies in 2020. The government response to the COVID-19 outbreak is measured by means of the Oxford COVID-19 Government Response Tracker, where higher scores are associated with greater stringency. Three main findings are in order. First, results show evidence of investor herding in international stock markets. Second, document that the Oxford Government Response Stringency Index mitigates investor herding behavior, by way of reducing multidimensional uncertainty. Third, short-selling restrictions, temporarily imposed by the national and supranational regulatory authorities of the European Union, appear to exert a mitigating effect on herding. Finally, the results are robust to a range of model speciations.

Alam and Uddin (2019) explained on relationship between interest rate and stock price: empirical evidence from developed and developing countries. Stock exchange and interest rate are two crucial factors of economic growth of a country. The impacts of interest rate on stock exchange provide important implications for monitory policy, risk management practices, financial securities valuation and government policy towards financial markets. This study seeks evidence supporting the existence of share market efficiency based on the monthly data from January March 2003 to 2018 and also shows empirical relationship between stock index and interest rate for fifteen developed and developing countries- Australia, Bangladesh, Canada, Chile, Colombia, Germany, Italy, Jamaica, Japan, Malaysia, Mexico, Philippine, Africa, Spain, and Venezuela. Stationary of market return is tested and found none of this stock market follows random walk model, means not efficient in weak form. To investigate the reasons of market inefficiency, relationship between share price and interest rate, and changes of share price and changes of interest rate were determined through both time series and panel regressions. For all of the countries it is found that interest rate has significant negative relationship with share price and for six countries it is found that changes of interest rate has significant negative relationship with changes of share price. So, if the interest rate is considerably controlled for these countries, it will be the great benefit of these countries' stock exchange through demand pull way of more investors in share market, and supply push way of more extensional investment of companies.

Shynkevich, McGinnity, Coleman and Belatreche (2019) examined on stock price prediction based on stock-specific and sub-industry-specific news articles. Accurate forecasting of upcoming trends in the capital markets is extremely important for algorithmic trading and investment management. Before making a trading decision, investors estimate the probability that a certain news item will influence the market based on the available information. Speculation among traders is often caused by the release of a breaking news article and results in price movements. Publications of news articles influence the market state that makes them a powerful source of data in financial forecasting. Recently, researchers have developed trend and price prediction models based on information extracted from news articles. However, to date no previous research that investigates the advantages of using news articles with different levels of relevance to the target stock has been conducted. This research study uses the multiple kernels learning technique to effectively combine information extracted from stock-specific and sub-industry-specific news articles for prediction of an upcoming price movement. News articles are divided into these two categories based on their relevance to a targeted stock and analyzed by separate kernels. The experimental results show that utilizing two categories of news improves the prediction accuracy in comparison with methods based on a single news category.

Ahmad, Islam and Ruhani (2018) explained on review of the literatures on stock price behavior of Malaysia. Stock price behavior is one of the core concerns of researchers and finance scholars from more than a half-century of years. Most of the times, they have tried to identify unexplored anomalies that could be used to explain stock price movement in the different stock market. As a result, we have found different models and theories relating to stock price behavior as well as the efficiency of the stock market. Malaysian stock market is considered the second among the largest South East Asian stock markets according to its domestic market capitalization. A considerable number of researches have already been done on the stock price behavior of Malaysian stock market. This study reviews the existing literatures on the stock price behavior of Malaysian stock markets within two wings, literatures on efficient market hypothesis of Malaysian market and the effect of economic and financial variables on the stock price.

Adeyeye, Aluko and Migiro (2018) explained on the global financial crisis and stock price behaviour: time evidence from Nigeria. Extensive research was conducted on the effect of the global financial crisis on stock markets across the globe, but only a limited number focused attention on African stock markets. This study examined the impact of the global financial crisis on emerging stock market behavior by providing evidence of the efficiency and volatility of the Nigerian stock market across different time periods. The period under review ranges between July 2004 and December 2014. It was sub-divided into the period before the crisis, the crisis period, and the period after the crisis. The generalized ARCH (GARCH) model was built to test for persistence of volatility shocks in the sub-sample periods, while an exponential GARCH (EGARCH) model was developed to determine asymmetry and persistence of volatility in the overall period. The study showed that price is a martingale in all sub-sample periods, except for the pre-crisis period. However, in the overall period, price is not a martingale suggesting that the Nigerian stock market is not weak form efficient. In addition, there was evidence of long-term persistence in price volatility in the crisis, aftermath and overall periods. Holistically, this study found that the global financial crisis reduced stock prices, but did not have a significant impact on price volatility in the Nigerian stock market.

Koning, Cassidy and Ouyed (2018) explained on extended model of stock price behavior. It has developed an extended model for stock price behavior that is able to accommodate fat-tailed distributions with support as large as $[-\infty, \infty]$. The "homogeneously saturated" (HS) model avoids exponential price changes for large fluctuations by means of a saturation parameter. In the limit where the saturation parameter is zero, the standard model of stock price behavior (i.e., geometric Brownian motion) is recovered. It is compare simulated stock price series generated for both the standard and HS model for the DJIA and five random stocks from the NYSE and NASDAQ exchanges. It is found that in all cases, the HS model provides a better fit to the observed price series than the standard model. This has implications to many areas of finance including the Black-Schools formula for option pricing.

Ruhani, Islam, and Ahmad (2018) reviewed the effects of financial market variables on stock prices, highlighting the crucial role of stock markets in business expansion and economic growth. Their review underscores the significant interest in ensuring the

smooth and risk-free operation of stock markets due to their importance to the broader economy. The literature on finance includes numerous studies that explore stock price behavior and the determinants affecting the relationship between equity prices and financial market activities. The review focuses on five key financial market variables: market capitalization, earnings per share (EPS), price-earnings (P/E) multiples, dividend yield, and trading volume. Previous studies suggest a positive significant relationship between market capitalization and stock prices. Regarding dividend yield, two major theories Gordon's relevance theory and Modigliani's irrelevance theory have been supported by evidence in the literature, though this remains a contentious area with opportunities for further research. The review also indicates that price-earnings multiples generally have a negative significant impact on stock prices. Additionally, the relationship between stock prices and trading volume is characterized as co-integrated, with trading volume acting as a source of risk.

Ruhani and Ahmad (2018) reviewed various theories that explain stock price behavior, highlighting their importance for different market stakeholders. The study emphasizes that understanding stock price behavior is crucial for various reasons, including prediction and analysis. As national markets in currencies, commodities, and stocks become increasingly interconnected with global markets, the behavior of stock prices has gained new characteristics, such as rapid transmission across different markets. The review is organized into two distinct periods: the pre-modern era of financial theory and the era of modern financial economics, which incorporates technological advancements. This structured approach aims to provide a comprehensive overview of the theories that have evolved over time to explain stock price behavior.

Adittya (2017) investigated the impact of financial statement releases on stock prices of banks listed on the Dhaka Stock Exchange. The study, covering the period from 2011 to 2015, utilized event study methodology to analyze daily stock prices and market returns. The analysis found that average abnormal returns were not statistically significant at the 5% level, suggesting that financial statements did not provide actionable information for earning abnormal returns in this context.

Bayrakdaroglu, Mirgen, and Kuyu (2017) explored the relationship between profitability ratios and stock prices using data from the BIST-100 index. Their study employed panel data regression analysis to examine how ratios such as gross profit margin, operating profit margin, net profit margin, return on assets, and return on equity influence stock prices. The results indicated a positive linear relationship between net profit margin and stock prices, suggesting that investors might benefit from considering net profit margins when making investment decisions.

Nurfadilah and Samidi (2017) examined the factors influencing stock market volatility in Malaysia, focusing on earnings per share, net income, dividends, and Sharia compliance. Analyzing data from 53 firms on the FBM KLCL index during a period of significant oil price decline, the study found that earnings per share and dividends had a strong significant impact on stock market volatility, whereas net income and Sharia compliance did not. The findings are intended to guide investors and managers in developing effective strategies and improving the financial market industry.

Table 1

Review Matrix

Author/ Years	**Methodology/variables**	**Major Findings**
Chang & Chang (2023).	This study used Bayesian Multivariate Quantile on Quantile with GARCH approach. The dependent variables is Stock Market Price, independent variables are real exchange rate and oil price	• Results indicate both the links between stock price and oil price and between stock price and exchange rate varying under different combinations of quintiles. • GARCH model also indicate that yesterday news and persistence measures varying with current conditional variance under different quantiles.
Wright &	Using JSE data over the	• This study found the price dynamics

Swidler (2023).	period 2000 to 2021. The dependent variable is Market price, where independent variables are trading volume, news and efficiency.	consistent with price pressure as firms experience negative abnormal returns on the day of abnormal trading activity but offsetting positive abnormal stock returns.
Abdulrasool & Othman (2022)	Regression and correlation analysis were used. The dependent variable is Market Price, where independent variables are investor's psychology, behaviour, and investment decision.	• The analyses revealed that authors prefer to disseminate their research on stock market anomalies in refereed journals and also attempt to unravel the contrast between rational and behavioral dynamics of investor decision-making based on short-term observations.
Singh (2022)	Regression and correlation analysis were used. The dependent variable is Stock Price where independent variables are dividend payout ratio, earning per share, debt ratio, price earnings ratio and firm size.	• EPS, debt ratio and first lag of stock prices are significant determinants of stock prices. • Dividend payout, firm size and PE ratio are insignificant variables. • There are two categories of research hypothesis: the first one is based on semi-strong form of Efficient Market Hypothesis (EMH) and • Second one is based on Arbitrage Pricing theory (APT), to test the second set of hypothesis, oil price, growth rate in GDP and consumer price index are considered as

		independent variables as they affect performance of business and so do the stock prices.
Yun, Yoon & Won (2021).	Root Mean Squared Error and internal technical indicators are used. The dependent variable is Stock Price where independent variables are performance, price prediction and time dependency.	• The best feature subset of parsimoniously fewer features for interpretability and improves average forecasting root mean squared error by 10.42% for the optimal feature set and 13.47% for the best feature subset of the internal technical indicators. • The proposed local interpretability technique using price wise optimal curve fitting and pricewise best feature subset provides a more timely flexible interpretation of stock price behaviour using few best feature for pricewise data segments
Gupta &Shaju (2021)	Descriptive and casual research design has been applied. There were correlation and regression analysis used. The dependent variable is stock market price and independent variables are covid-19 pandemic, pattern of market and financial markets.	• This modified driven IFS approach is used to generate compact fractal portraits of the financial markets in form of percentage CGR (PC) plots and subtraction percentage (SP) plots. • The markets over different periods are compared and the difference is quantified through a parameter called the proximity (Pr) index. • The reaction of the financial market across the globe and volatility to the

		current pandemic of COVID-19 is studied and modeled successfully.
Kizysa, Tzouvannab & Donadellic (2020)	Descriptive and casual research design has been applied. There were correlation and regression analysis used. The dependent variable is stock price where covid-10 pandemic, investor holding behaviour, rumor, and trading or term investment is independent variables.	• Results show evidence of investor herding in international stock markets. • Second, document that the Oxford Government Response Stringency Index mitigates investor herding behavior, by way of reducing multidimensional uncertainty. • Third, short-selling restrictions, temporarily imposed by the national and supranational regulatory authorities of the European Union, appear to exert a mitigating effect on herding.
Alam &Uddin (2019)	Market return is tested and found none of this stock market follows random walk model. The dependent variable is Market price where the independent variables are interest rate, economic growth, financial securities valuation and government policy.	• This study found that interest rate has significant negative relationship with share price and for six countries it is found that changes of interest rate have significant negative relationship with changes of share price. • So, if the interest rate is considerably controlled for these countries, it will be the great benefit of these countries' stock exchange through demand pull way of more investors in share market, and supply push way of more extensional investment of companies.

Shynkevich, McGinnity, Coleman & Belatreche (2019)	This research study uses the multiple kernels learning technique to effectively combine information extracted from stock-specific. The dependent variable is Market Price where trading decision, investors estimate the profitability and market influence are independent variables.	• The results show that utilizing two categories of news improves the prediction accuracy in comparison with methods based on a single news category.
Ahmad, Islam & Ruhani (2018)	Hypothesis tests were used with correlation analysis. The dependent variable is Market Price where profitability ratio, interest rate, news are independent variables.	• As a result have found different models and theories relating to stock price behavior as well as the efficiency of the stock market. • Malaysian stock market is considered the second among the largest South East Asian stock markets according to its domestic market capitalization. • A considerable number of researches have already been done on the stock price behavior of Malaysian stock market.
Adeyeye, Aluko &Migiro (2018)	Hypothesis tests were used with correlation analysis. The study showed that price is a martingale in all sub-sample periods, except for the pre-crisis period. The dependent	• There was evidence of long-term persistence in price volatility in the crisis, aftermath and overall periods. • Holistically, this study found that the global financial crisis reduced stock

	variable is Market Price where profitability ratios, volatility in the overall period are independent variables.	prices, but did not have a significant impact on price volatility in the Nigerian stock market.
Koning, Cassidy & Ouyed (2018)	Hypothesis tests were used with correlation analysis. Stock price is dependent variable where financial ratios are independent variables.	• It is found that in all cases, the HS model provides a better fit to the observed price series than the standard model. • This has implications to many areas of finance including the Black-Schools formula for option pricing.
Ruhani, Islam & Ahmad (2018)	Stock Price is dependent variable where market capitalization, earnings per share, price earnings multiples, dividend yield, and trading volume are independent variables in this study. Correlation analyses have been used.	• There are the opinions of the positive significant relationship between market capitalization and stock price. • Both of the relevance and irrelevance theory of Gordon and Modigliani have the strong evidence in the current literature that keeps on the dilemma and provides the scopes for future research. • Based on that, it is evidenced that price-earnings multiples have a negative significant effect on stock price. • The reviewed studies state the co integrating relationship between the stock price and the trading volume as the trading volume is a source of risk.

Ruhani & Ahmad (2018)	This research study uses the multiple kernels learning technique to effectively combine information extracted from stock-specific. The dependent variable is Market Price where markets in currency, commodity and stock with world markets are independent variables.	• The growing linkages of national markets in currency, commodity and stock with world markets and the existence of common players, have given stock price behavior a new property that of its speedy transmissibility across markets.
Adittya (2017)	Using the event study methodology, secondary data is collected and analyzed on the basis of the market model. The MPS is dependent variable where profitability ratios are independent variables.	• The results obtained indicate that the average abnormal returns were not significant at 5% significance level. • Thus, it is not possible to earn abnormal returns using the information contained in the financial statements of banks enlisted in the Dhaka Stock Exchange.
Bayrakdarogl, Mirgen & Kuyu (2017)	Panel data regression analysis was applied. The dependent variable is stock price where profitability ratios including gross profit margin, operating profit margin, net profit margin, return on asset and return on equity are independent variables.	• It was determined that there is a positive linear relationship between firms' net profit margin and their stock prices. • It was concluded that while making investment decisions, taking net profit margin into consideration can contribute to investors' earnings.

Nurfadilah & Samidi (2017)	Multiple regression methods have been applied to the data. The dependent variable is MPS where investors nature, knowledge, interest rate strategy are independent variables.	• The result found that earning per share and dividends have a strong significant relationship, while net income and Shariah-compliance are not significance towards stock price volatility. • It is hoped that the outcomes of this study will serve as the reference for the investor and manager to create better and effective strategy as well as to improve the financial market industry.

2.2.2 Review on Nepalese Context

Singh (2022) explored the determinants of stock prices in the Muscat Securities Market, Oman. The study analyzed data from twenty-six non-financial companies over the period from 2011 to 2016. The research utilized a random effects model in panel data regression, with the annual closing stock price as the dependent variable and factors such as firm size, dividend payout, earnings per share (EPS), debt ratio, and price-earnings (PE) ratio as independent variables. Additionally, the study considered oil prices, GDP growth, and the consumer price index to test hypotheses based on the Efficient Market Hypothesis (EMH) and Arbitrage Pricing Theory (APT). The findings revealed that EPS, debt ratio, and the lagged stock price were significant determinants of stock prices, while dividend payout, firm size, and PE ratio were not.

Niroula (2021) examined stock price behavior among Nepalese commercial banks. Using market price per share (MPS) as the dependent variable, the study analyzed how earnings per share (EPS), price-earnings (PE) ratio, dividend yield (DY), bank size, return on equity (ROE), book value per share (BVPS), and return on assets (ROA) affected MPS. Data from annual reports of eighteen commercial banks from 2015/16 to 2019/20 were analyzed using SPSS and multiple linear regression. The results indicated that EPS, PE

ratio, and bank size had a positive and statistically significant effect on MPS, while other variables had minimal impact.

Singh and Setiawan (2021) investigated the impact of Non-Performing Loans (NPL) on profitability among Nepalese commercial banks. The study, covering 2015–2019, used secondary data from annual reports and the World Bank database on GDP and inflation. Multiple regression analysis showed that return on assets (ROA), bank size, GDP growth, and inflation significantly affected NPL, while capital adequacy ratio (CAR) did not. The study highlighted that GDP growth positively influenced NPL, suggesting that economic growth could affect bank performance despite limited changes in income growth.

Thapa (2019) analyzed factors influencing stock prices in Nepalese commercial banks listed on the Nepal Stock Exchange (NEPSE) from 2008 to 2018. Using data from questionnaires and financial statements, the study employed simple linear regression. The analysis revealed a significant positive association between earnings per share (EPS), dividend per share (DPS), and stock price, while interest rates and price-to-earnings ratios showed a negative association. The study also noted that stock market performance was influenced by liquidity accessibility, fundamental and technical analysis.

Timsina (2018) examined the impact of dividend policy on stock prices of selected commercial banks. Using variables such as MPS, BVPS, ROE, and DPS, and conducting regression and correlation analysis for 2012–2017, the study found a strong positive relationship between DPS and ROE. It noted a normal positive effect of ROE on DPS, but a minimal role of lagged DPS. The study highlighted that changes in DPS and ROE significantly affected stock prices.

Bista (2018) assessed the impact of dividends on market prices of shares of selected commercial banks in Nepal. The study analyzed variables such as DPS, dividend payout ratio (DPR), and dividend yield, noting fluctuations in market prices. The study found that while dividend policy models generally explain the relationship between dividends and stock prices, the practices and concepts in Nepal have evolved, emphasizing the need for updated research.

Kunwar (2017) investigated the relationship between financial performance indicators and stock price behavior in NEPSE. The study analyzed data for five years and found that

the Nepalese stock market was still developing, with financial indicators not being very stable. It highlighted the dominance of the banking sector and recommended restructuring NEPSE due to gaps between theoretical models and actual market practices. Return on equity (ROE) was identified as a key variable affecting stock prices.

Biniya (2016) examined stock price behavior of commercial banks and the effect of macroeconomic variables in the Nepalese stock market. The study analyzed trends and influencing factors like GDP, interest rates, inflation, ROE, DPS, and market value-to-book value (MV/BV) ratios. The findings indicated that DPS and dividend yield were the most significant factors affecting stock prices, with no significant relationship found between GDP and the NEPSE index.

Poudel (2016) explored determinants of stock prices of selected banks in NEPSE, focusing on private commercial banks. The study used statistical tools like mean, correlation, regression analysis, and t-tests. Findings showed a statistically significant relationship between DPS, BVPS, and EPS with market price per share (MPS), but also highlighted that various internal and external factors influence stock prices beyond these variables.

Bam, Thagurathi, and Shrestha (2015) analyzed the random walk hypothesis for stock prices of Nepalese commercial banks using daily stock price data from 2015/16. The study employed run tests and serial correlation analysis, concluding that the random walk hypothesis did not hold for the Nepalese stock market, aligning with previous research findings.

Sapkota (2015) studied stock price behavior of finance companies listed on NEPSE. Analyzing variables like ROE, DPS, and MV/BV using correlation and regression for 2009–2014, the study found MV/BV to be the most influential factor on stock prices. It noted that finance companies were less risky compared to other stocks, due to their stable financial position and consistent dividend declarations.

Shrestha (2014) investigated determinants of stock market performance in Nepal using data from 2000 to 2014. The study used variables such as ROE, ROA, BVPS, debt-to-equity ratio (D/E), and MV/BV, and assessed the impact of political changes and central bank policies. Results indicated that stock market performance responded positively to

inflation and broad money growth but negatively to interest rates, with ROE being a significant determinant of stock prices.

G.C. (2014) analyzed stock market behavior in Nepal, focusing on macroeconomic factors like cultural and political influences. The study found that market capitalization relative to GDP was low, indicating the stock market's limited impact on the national economy. The research highlighted the dominance of large companies and the need for improved market infrastructure and practices.

Table 2

Review of Nepalese context Matrix

Author/ Years	**Methodology/variables**	**Major Findings**
Singh (2022)	In this study, closing annual stock price from 2011 to 2016 is the dependent variable and the firm-specific variables like firm size (logarithm of total assets), dividends payout, earning per share (EPS), debt ratio, price-earnings (PE) ratio, first lag of dependent variable(stock price) are the independent variables in the panel data regression using random effect model.	• There are two categories of research hypothesis: the first one is based on semi-strong form of Efficient Market Hypothesis (EMH) and second one is based on Arbitrage Pricing theory (APT). • To test the second set of hypothesis, oil price, growth rate in GDP and consumer price index are considered as independent variables as they affect performance of business and so do the stock prices. • EPS, debt ratio and first lag of stock prices are significant determinants of stock prices. • Dividend payout, firm size and PE ratio are insignificant variables.

Niroula (2021)	This research uses MPS as dependent variable and experiment variables as EPS, PE Ratio, DY ratio, Size, ROE, BVPS and ROA. Descriptive and analytical research design is used to analyze and interpret the data using SPSS version 23.	• The result indicates that there is a positive and statistically significant effect of EPS, PE ratio and size of banks on MPS. Other variables have negligible effects.
Singh and Setiawan (2021)	The method used for data analysis in this study is multiple regression analysis. The study used NPL as a dependent variable and Return on Asset (ROA), Capital Adequacy Ratio (CAR), Bank Size, GDP growth, and Inflation as independent/explanatory variables.	• The result of this research shows that ROA, Bank Size, GDP, and Inflation have a significant effect on NPL but CAR does not have a significant effect on the NPL of banks. • In other words, the GDP effect on NPL in this study shows a positive and significant effect while most studies show a negative effect. • It demonstrates that when GDP growth increases, there is a significant increase in the growth of Nepalese banks even though there were no significant changes in income growth. • Therefore, GDP growth has a positive and significant effect on the NPL of commercial banks.
Singh (2022)	Regression and correlation analysis were used. The	• EPS, debt ratio and first lag of stock prices are significant determinants of

	dependent variable is Stock Price where independent variables are dividend payout ratio, earning per share, debt ratio, price earnings ratio and firm size.	stock prices. • Dividend payout, firm size and PE ratio are insignificant variables. • There are two categories of research hypothesis: the first one is based on semi-strong form of Efficient Market Hypothesis (EMH) and • Second one is based on Arbitrage Pricing theory (APT), to test the second set of hypothesis, oil price, growth rate in GDP and consumer price index are considered as independent variables as they affect performance of business and so do the stock prices.
Thapa (2019)	The dependent variables is Stock Price where independent variables are earning per share (EPS), dividend per share (DPS), Interest rate (IR) and price to earnings ratio (PER).	• This study revealed that earning per share (EPS), dividend per share (DPS), effective rules and regulations, market whims and rumors, company profiles and success depend upon luck have the significant positive association with share price while interest rate (IR) and price to earnings ratio (PER), showed the significant inverse association with share price. • Further, accessibility of liquidity, fundamental and technical analysis stimulates the performance of the

		Nepalese stock market. • More importantly, stock market has been found to respond significantly to changes in dividend and interest rate.
Timsina (2018)	The dependent variable is MPS, where independent variables are are BVPS, ROE and DPS. The regression and correlation analysis was conducted to taking the data for the period of five years from 2012 to 2017.	• There is high degree positive relationship between DPS and ROE in most of the bank. • There is normal positive relationship between DPS and ROE in most of the banks. • While comparing the impact of ROE and lagged DPS on DPS, it is found that there is normal positive role of change in ROE to change the DPS but there is nominal or very less role of lagged DPS. CBL is highest of the firms.
Bista (2018)	The dependent variable is MPS where DPS, DPR, dividend yield and ROE are independent variables.	• It is found that the field of dividend policy has reported a certain kind of relationship model to explain the relation between price and dividend. • The concepts and practices prevailed on the then period when study were made are not exactly same as of two days concepts and practices. • Hence, conducting a recent study on dividend policy based on the previously developed model is the

		main aim of reviewing literature in the dividend policy.
Biniya (2016)	MPS is dependent variables where GDP, rate of interest and rate of inflation, ROE, DPS, D/E and MV/BV on NEPSE Index are independent variables.	• The results of run test showed market price of selected commercial banks were not random which indicated that market overreacted to the available information. • There was no significant relationship between GDP and NEPSE, which indicate that higher annual NEPSE index did not have positive relationship with GDP. • The highly affecting factor of the stock price was found to be DPS, and the Dividend yield.
Poudel (2016)	MPS is dependent variables where DPS, BVPS and EPS are independent variables.	• The findings from Z test show that there is statistically significant relationship between the variables or not. • Even though DPS, BVPS and EPS affect the MPS positively, there is several other factors i.e. internal as well as external environment that affects the market price of stock. • Theoretically, when earnings, dividends and book value per share increases, the market price per share also increases and vice versa.

Bam, Thagurathi and Shrestha (2015)	Using the data set on daily stock prices during the fiscal year 2015/16, this paper attempts to analyze the random behavior of stock price of Nepalese Commercial Banks by using run test, serial correlation and run tests and martingale random walk hypothesis under heteroscedasticity assumption of standard error.	• The results conclude that the proposition of Random Walk Hypothesis (RWH) in Nepalese stock markets does not hold true. • This conclusion corroborates with the conclusions of the past studies carried out in Nepalese context.
Sapkota (2015)	MPS is dependent variables where BVPS, ROE, DPS and MV/BV are independent variables.	• The highest affecting variables were found to be MV/BV. Among the various groups of industries commercial banks and manufacturing and processing groups were in dominant position in terms of volume and traded amount. • The beta coefficient, which measures the risk of industrial security in relative terms, suggested that none of share of sample financial companies were at high risk.
Shrestha (2014)	MPS is dependent variables where ROE, ROA, BVPS, D/E and MV/BV, dividend yield and dividend payout ratio are independent	• Results obtained from OLS estimations of behavioral equations disclosed that the performance of stock market is found to respond positively to inflation and broad money growth,

	variables.	and negatively to interest rate. • The ROE was found to be the highly affecting variable associated with the stock price.
G.C. (2014)	MPS is dependent variables where ROE, ROA, BVPS, D/E and MV/BV, dividend yields, dividend payout ratio and GDP are independent variables.	• MVBV was found to the highly affecting variable to the stock price. • The trend of turnover ratio and value of share traded to GDP ratio show that stock market in Nepal is very small relative to its economy, and stock market in Nepal is yet to make its presence felt in the national economy. • It was found that Nepalese stock market is highly dominated by the largest companies in terms of turnover, as the concentration ratio is very high. • Stock volatility ratio gives the basis to conclude the identity of stock market to handle risk relatively to volume of stock in Nepal.

2.3 Research Gap

Previous research has predominantly focused on the determinants of stock prices for commercial banks listed on the Nepal Stock Exchange (NEPSE) (e.g., Silwal & Napit, 2019; Bhattarai, 2020; Pradhan, 2019; Poudel, 2020). However, no prior studies have examined the same sample banks and data comprehensively. The research gap highlights a disparity between earlier studies and current needs. As global dynamics evolve rapidly, past research may not fully address contemporary phenomena. Despite numerous studies on factors affecting stock prices in Nepal, there remains a significant lack of comparative

analysis among different banks. Addressing this gap is crucial as investor preferences and customer attraction are influenced by banks' service efficiency, dividend yields, and profitability. To remain competitive, banks must consider factors like liquidity, profitability, and market position. This study aims to fill this gap by analyzing the financial positions of five development banks listed with the Securities Board of Nepal, a topic not extensively covered in existing literature.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Design

The research design involves outlining the methods and detailed plans for conducting the study using empirical data to analyze the problem. A descriptive and causal research approach is employed to ensure a comprehensive analysis. Diagnostic analysis is utilized to assess the actual status of companies through various statistical and financial tools. This study examines census data spanning ten years, from fiscal year 2012/13 to 2021/22. By combining descriptive and causal research methods with diagnostic analysis and longitudinal data, the study aims to provide a thorough and reliable examination of stock price behavior among Nepalese development banks, thus contributing valuable insights to the field.

3.2 Population, Sample and Sampling Design

The population in your study consists of development banks listed in the stock market. As of the reference date (2023-06-06), there are 17 listed development banks. From the population of 17 listed development banks, you have selected a sample of 5 banks. The sample banks chosen are:

1. Muktinath Bikash Bank Ltd.
2. Garima Bikash Bank Ltd.
3. Jyoti Bikash Bank Ltd.
4. Sindhu Bikash Bank Ltd.
5. Karnali Development Bank Ltd.

The sampling method used in this study is convenience sampling design where involves on the performance of development banks listed in the stock market, specifically selecting a random sample of 5 banks from a total population of 17 listed banks. Random sampling was chosen as the sampling method, providing each bank an equal chance of being selected. This approach allows for insights into the overall performance of development banks while maintaining the principle of representativeness and fairness in

selection. The sample of 5 banks represents approximately 27.77% of the total population of 17 listed development banks. This proportion helps in generalizing findings from the sample to the entire population with a certain level of confidence, assuming the sample is sufficiently representative. Convenience sampling involves choosing the sample based on factors such as proximity, availability, or ease of access. In this case, the 5 banks were likely chosen because they were readily accessible or known to the researcher, rather than through a systematic or random process. While this approach might provide initial insights, it is important to recognize its limitations in terms of representativeness and potential bias in the findings. The selected banks may have been conveniently located or known to the researcher, making them accessible for data collection. Since convenience sampling does not ensure representativeness of the population, the findings from this sample may not generalize well to the entire population of 18 development banks. There is a risk of bias because the selection is based on convenience rather than randomization or stratification. This can lead to overrepresentation or underrepresentation of certain types of banks or characteristics within the population. In this study the sample companies were selected through the reasons of highest capital, profit and national level services (all over Nepal).

3.3 Nature and Sources of Data Collection

This study relies on secondary data collected from various sources. The primary sources include annual reports, trading reports, and official records from the stock exchange, as well as the annual reports of the specific banks. Additionally, data were obtained from the website (www.nepalstock.com). Further information was reviewed from the Nepal Rastra Bank, Ministry of Finance, national and international journals, and relevant websites of the sample banks.

3.4 Instruments of Data Collection

Presenting data alone is insufficient for analyzing stock price behavior without further processing. To draw meaningful conclusions, various mathematical and statistical tools are employed. This study utilizes both statistical and financial tools to analyze and interpret the data effectively.

3.5 Method of Analysis

Data analysis is the process of collecting, modeling and analyzing data to extract insights that support decision-making. There are several methods and techniques to perform analysis depending on the industry and the aim of the analysis. The financial and statistical tools are used for study.

3.5.1 Financial Parameter

Financial parameters are crucial for assessing an organization's financial health. These parameters, derived from financial statements and disclosures, include variables such as market capitalization, share price, earnings per share, and dividend per share.

Market Price per Share

The market price of a share is a critical factor for all stakeholders. A high share price generally reflects positively on a company, signaling strong performance and attracting investor interest. Conversely, a significant and sustained decline in share price can negatively impact the company's reputation and potentially lead to severe financial trouble, including bankruptcy. For investors, the market price is often the primary consideration, frequently taking precedence over other financial indicators.

Market Value to Book Value Ratio

The market value to book value ratio compares a company's share price to its book value per share.

$$\text{MV/BV Ratio} = \frac{\text{Market per Share}}{\text{Book Value per Share}}$$

Dividends per Share (DPS)

Dividends per share (DPS) represent the amount of dividend paid to each share of common stock. It is calculated by dividing the total dividends paid by the company, including any interim payments, by the number of outstanding shares. This metric indicates the portion of a company's profit distributed to shareholders. Unlike preferred shares with fixed dividends, common shares typically do not have predetermined dividend amounts, and dividends are based on the company's profitability. DPS is often

derived from the latest quarterly dividend and helps in calculating the dividend yield. Essentially, DPS reflects the portion of net profits allocated to each share.

$$\text{Dividends per Share (DPS)} = \frac{\textbf{Total dividends paid out in a year}}{\textbf{outstanding shares of the company}}$$

Return on Equity (ROE)

Return on Equity (ROE) is a financial performance metric that measures a company's profitability relative to its shareholders' equity. It is calculated by dividing net income by shareholders' equity. Since shareholders' equity represents the difference between a company's total assets and its total liabilities, ROE essentially assesses the return generated from the company's net assets. This ratio is widely used to evaluate how effectively a company is generating profit from its equity base, reflecting its overall efficiency and profitability.

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{AverageShareholder's Equity}}$$

Debt to equity ratio (D/E)

The debt-to-equity (D/E) ratio is a key indicator used to assess a company's financial leverage. It is determined by dividing the company's total liabilities by its shareholders' equity. This ratio measures the extent to which a company is using debt to finance its operations compared to the amount of equity it holds. Essentially, it provides insight into how well shareholders' equity can cover the company's debts if financial challenges arise. The D/E ratio is a specific form of gearing ratio, reflecting the company's reliance on borrowed funds versus its own capital.

$$\text{Debt to Equity (D/E) Ratio} = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}}$$

3.5.2 Statistical Tools

In this study, primary statistical tools utilized include the arithmetic mean, coefficient of correlation, and probable error. Additional statistical methods may also be employed as needed to support the analysis.

A. Mean

The mean, or arithmetic average, is calculated by dividing the sum of all values in a dataset by the number of values. For a set of observations X_1, X_2,…Xn, the mean, typically represented as $\overline{X}$, is determined by the formula:

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

B. Standard Deviation

Dispersion refers to the extent of variation among individual data points around a central value. Standard deviation quantifies this variation, indicating the extent of absolute dispersion within a dataset. A higher standard deviation signifies greater variability, while a lower standard deviation indicates more consistency and uniformity among the observations. In this study, the standard deviation has been computed for metrics such as earnings per share, dividends per share, dividend payout ratio, retained earnings, market value per share, dividend yield ratio, and price-to-earnings ratio.

Standard Deviation = $\sqrt{\frac{\sum(X-\overline{X})^2}{n}}$

C. Correlation Analysis

Correlation analysis assesses the strength and direction of the relationship between two or more variables. It quantifies how closely related the variables are. Pearson's correlation coefficient is commonly used to measure this degree of association. The formula for calculating Pearson's correlation coefficient is:

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

The correlation coefficient ranges from -1 to +1 and can be interpreted as follows:

- A value of +1 indicates a perfect positive relationship between the variables.
- A value of -1 signifies a perfect negative relationship between the variables.
- A value of 0 suggests no correlation between the variables.

- Values between 0 and +1 imply that the variables move in the same direction, with both increasing and both decreasing.
- Values between 0 and -1 indicate that the variables move in opposite directions, with one increasing while the other decreases.

D. Coefficient of Determination (r^2)

The coefficient of determination quantifies the degree of linear association between two variables, where one is independent and the other is dependent. Essentially, it measures the proportion of the total variation in the dependent variable that can be explained by the independent variable. The coefficient of determination ranges from zero to one. A value of one indicates that there is no unexplained variation, meaning all data points lie precisely on the regression line.

E. Regression Analysis

Regression is a statistical method used to predict the value of one variable based on the value of another variable. When two variables are closely related, regression allows us to estimate the value of one variable from the known value of the other. The variable with the known value is referred to as the independent variable, while the variable to be predicted is called the dependent variable. Regression analysis determines the average expected change in the dependent variable based on changes in the independent variable. It establishes an approximate functional relationship between the variables, helping to identify whether and how the dependent variable is influenced by the independent variable.

Regression analysis is a fundamental branch of statistical theory applied across various scientific disciplines. It is particularly prevalent in economics and business research for exploring causal relationships between variables. The analysis can be categorized into different types, and in this study, the focus is on examining the following multiple regression model.

$Y_{MPS} = b_0 + b_1 X_{ROE} + b_2 X_{DPS} + b_3 X_{D/E} + b_4 X_{MV/BV}$

$b_0 =$ Y- intercept

$b_1 =$ Coefficient of ROE which shows the change in the value of Y_{MPS} for a unit increment

in the value of ROE

$b_{2=}$ Coefficient of DPS which shows the change in the value of Y_{MPS} for a unit increment in the value of DPS

$b_{3=}$ Coefficient of D/E which shows the change in the value of Y_{MPS} for a unit increment in the value of D/E

$b_{4=}$ Coefficient of MV/BV which shows the change in the value of Y_{MPS} for a unit increment in the value of MV/BV

Where

MPS is Dependent Variable and ROE, DPS, D/E and MV/BV are independent variable.

If level of significance (p value) $\leq \alpha=0.05$ then the results are significant. If level of significance (p value) $\geq \alpha=0.05$, then the results are insignificant.

3.6 Research Framework and Definition of Variables

Based on the literature review, this study focuses on several key factors influencing stock prices, including Dividend Per Share, Return on Equity Ratio, Book Value Per Share, Price Earnings Ratio, Return on Asset Ratio, and Book Value Ratio. The schematic diagram illustrating the relationship between stock prices and these factors is presented in Figure 1.

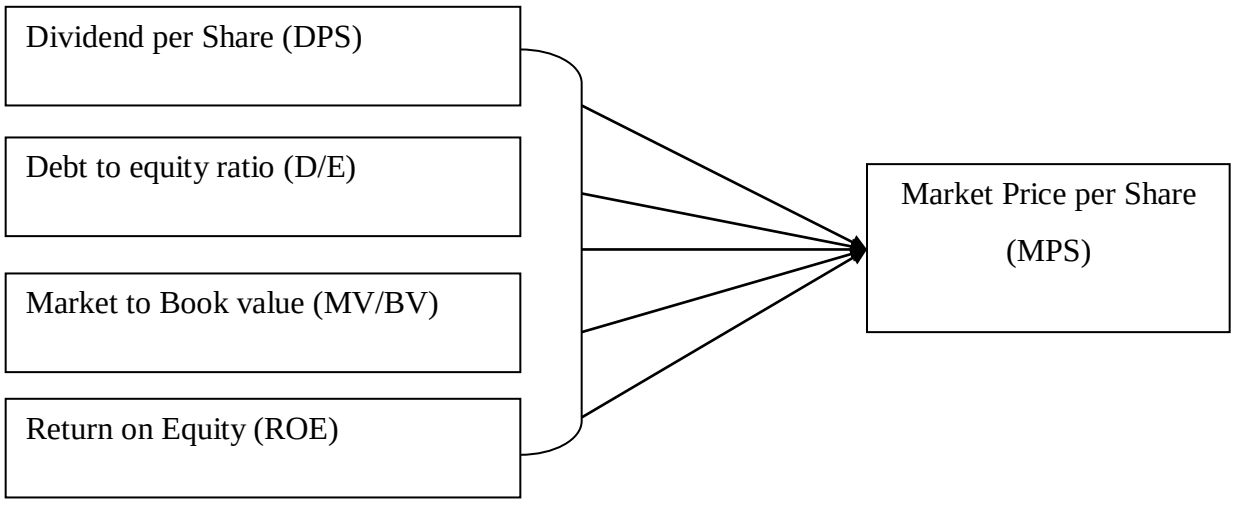

Figure 1: Research framework of the study

(Source: Pradhan, 2021)

3.7 Definitions of Variables

Market Price Per Share (MPS)

The market price per share represents the current trading price of a company's stock on the stock exchange. This price is determined by supply and demand dynamics in the market and reflects investors' perceptions of the company's value. The market price per share is used to evaluate various financial metrics, such as the Price Earnings (P/E) ratio and Dividend Yield, providing insights into the company's market valuation and financial performance.

Dividend Per Share (DPS)

Dividends represent a portion of a company's profit distributed to its shareholders. After retaining a portion of net profits for business needs, the remaining amount is paid out as dividends. DPS refers to the amount of dividend paid per share. Specifically, DPS is calculated by dividing the total annual dividends paid by the number of outstanding shares. The formula is:

$$\text{Dividend Per Share} = \frac{\text{Dividend available to ordinary shareholders}}{\text{No. of stocks outstanding}}$$

Debt-to-Equity (D/E) Ratio

The Debt-to-Equity (D/E) ratio evaluates a company's financial leverage by comparing its total liabilities to shareholders' equity. It provides insight into the proportion of debt used to finance the company's assets relative to equity. The D/E ratio is calculated as:

$$\text{Debt to Equity (D/E) Ratio} = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}}$$

Market Value to Book Value Ratio (MV/BV Ratio)

The Market Value to Book Value (MV/BV) ratio compares the market price of a company's shares to its book value per share. This ratio assesses how much investors are willing to pay for each unit of book value. It is expressed as:

$$\text{MV/BV Ratio} = \frac{\text{Market per Share}}{\text{Book Value per Share}}$$

Return on Equity (ROE)

Return on Equity (ROE) measures a company's profitability by comparing net income to shareholders' equity. This ratio indicates how effectively a company is using its equity to generate profits. The calculation is:

$$\text{Return on Equity (ROE)} = \frac{\text{Net Income}}{\text{AverageShareholder's Equity}}$$

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Introduction

This chapter is the main body part of this study. The secondary data are collected and such collected data are presented in systematic formats and analyzed using different appropriate tools and techniques, has been used. The data collected from different sources, are presented in an understandable presentation and analyzed separately using both qualitative and quantitative measure whichever are appropriate. The study employs indicators such as return on equity, market price per share, dividend per share, market price to book value ratio, and debt to equity ratio. The analysis highlights how the performance of individual listed companies influences the capital market. Companies with strong performance tend to have higher market prices, greater trading volumes, increased stock demand, reduced risk, and lower capital costs.

4.2 Presentation and Analysis of Financial Indicators

4.2.1 Market Price per Share

The market price per share of the sample banks are listed below:

Table 3

Market Price per Share

(in Rs)

Years	MBBL	GBBL	JBBL	SBBL	KDBL
2012/013	320	398	350	742	245
2013/014	450	402	451	620	360
2014/015	445	450	950	445	450
2015/016	350	550	340	240	325
2016/017	480	540	510	510	412
2017/018	313	460	535	299	454
2018/019	450	304	410	943	282
2019/020	486	540	344	600	488
2020/021	686	470	323	295	265
2021/022	451	321	421	455	230
Average	927.2	819.0	846.6	278.4	1051.12
S.D	348.26	175.74	205.35	404.077	405.23
C V	37.56%	21.45%	11.12%	47.84%	75.12

(Source: Appendix I)

Table 3 presents the market prices per share (MPS) of the sampled banks. For Muktinath Bikash Bank Limited (MBBL), the highest MPS during the study period was Rs 313 in FY 2017/18, while the lowest was Rs 320 in FY 2012/13, indicating a fluctuating trend. The average MPS was Rs 927.2, with a standard deviation of 348.26 and a coefficient of variation (CV) of 37.56%, suggesting a moderate level of risk.

Garima Bikash Bank Limited (GBBL) had an MPS peak of Rs 460 in FY 2018/19 and a low of Rs 295 in FY 2020/21. The average MPS was Rs 819.2, with a standard deviation of 175.74 and a CV of 21.45%, reflecting lower fluctuations and risk compared to other banks.

Jyoti Bikash Bank Limited (JBBL) saw its highest MPS at Rs 950 in FY 2014/15 and its lowest at Rs 323 in FY 2020/21. The mean MPS was Rs 846.6, with a standard deviation of 205.35 and a CV of 11.12%, indicating lower risk and consistent performance.

Sindhu Bikash Bank Limited (SBBL) had its highest MPS at Rs 943 in FY 2018/19 and its lowest at Rs 755 in FY 2020/21. The average MPS for SBBL was Rs 278.4, with a standard deviation of 404.077 and a CV of 47.84%, pointing to moderate fluctuations.

Overall, SBBL had the highest average MPS of Rs 943.40, reflecting strong performance, while GBBL had the lowest average MPS at Rs 550.00, indicating weaker performance. The standard deviation indicates that JBBL's MPS was more stable compared to other banks. Fluctuations in market prices across all banks can be attributed to various factors, including government policies, COVID-19, and individual bank policies.

4.2.2 Return on Common Equity

Return on common equity of sample banks are as follows:

Table 4

Return on Common Equity (in percent)

Years/Banks	MBBL	GBBL	JBBL	SBBL	KDBL
2012/013	24.12	23.20	26.30	17.20	12.20
2013/014	20.14	21.12	24.30	18.10	13.30
2014/015	19.25	23.10	29.26	18.25	17.45
2015/016	21.27	24.26	24.30	25.10	26.30
2016/017	16.23	23.25	25.12	21.30	21.10
2017/018	17.06	24.49	27.97	26.27	19.25
2018/019	24.53	19.99	22.73	21.69	11.25
2019/020	21.22	15.66	25.61	17.18	17.45
2020/021	21.58	16.64	26.65	11.98	19.30
2021/022	14.17	15.21	27.78	18.66	15.20
Average	19.71	18.38	26.15	19.14	17.28
S.D	4.07	3.90	2.14	5.42	3.78
C V	20.64%	21.21%	8.18%	28.31%	29.45

(Source: Appendix I)

Table 4 presents the Return on Equity (ROE) for the sampled banks. For Muktinath Bikash Bank Limited (MBBL), the ROE ranged from a high of 24.53% in FY 2017/18 to a low of 14.17% in FY 2020/21, indicating variability over the study period. The average ROE was 19.71%, with a standard deviation of 4.07 and a coefficient of variation (CV) of 20.64%, suggesting a moderate level of risk.

For Garima Bikash Bank Limited (GBBL), the ROE peaked at 24.49% in FY 2016/17 and fell to 15.21% in FY 2020/21. The average ROE was 18.38%, with a standard deviation of 3.90 and a CV of 21.21%, reflecting relatively lower fluctuations compared to MBBL.

Jyoti Bikash Bank Limited (JBBL) had its highest ROE at 29.26% in FY 2013/14 and its lowest at 22.73% in FY 2017/18. The average ROE for JBBL was 26.15%, with a standard deviation of 2.14 and a CV of 8.18%, indicating the lowest risk and the most consistent performance among the sampled banks.

Sindhu Bikash Bank Limited (SBBL) experienced its highest ROE at 26.27% in FY 2016/17 and its lowest at 11.98% in FY 2019/20. The average ROE was 19.14%, with a standard deviation of 5.42 and a CV of 28.31%, suggesting moderate fluctuations.

From Table 4, JBBL demonstrates the highest average ROE at 26.15%, indicating superior performance compared to other banks. In contrast, MBBL has the lowest average ROE. The standard deviation highlights that JBBL's ROE exhibits the least volatility, while GBBL shows the highest volatility among the sample banks. Overall, the ROE for all sampled banks shows fluctuations due to factors such as government policies, COVID-19, and individual bank performance. Investors generally favor higher ROE as it reflects better financial performance.

4.2.3 Dividend per Share

The dividend per share for the sample banks is detailed below:

Table 5

Dividend per Share

(in Rs)

Years/Banks	MBBL	GBBL	JBBL	SBBL	KDBL
2012/013	38.12	42.01	52.12	57.18	56.12
2013/014	37.62	38.17	56.30	56.39	68.47
2014/015	34.25	32.16	57.14	51.30	53.12
2015/016	32.15	41.30	58.12	54.20	56.30
2016/017	39.12	35.12	62.12	48.23	47.20
2017/018	42.11	40.00	65.00	51.50	55.23
2018/019	31.58	34.70	36.84	44.21	47.10
2019/020	26.32	41.00	45.00	35.09	39.20
2020/021	26.32	40.00	48.00	105.26	108.26
2021/022	15.79	40.00	34.00	17.50	18.25
Average	28.42	39.14	45.76	50.71	54.92
S.D	10.80	2.83	12.19	33.03	35.42
C V	38.00%	7.23%	26.63%	65.13%	69.14

(Source: Appendix I)

Table 5 provides the Dividend Per Share (DPS) figures for the sampled banks. For MBBL, the highest DPS recorded was Rs 42.11 in FY 2016/17, while the lowest was Rs 15.79 in FY 2020/21. This data reveals a fluctuating trend in MBBL's DPS over the study period. The average DPS for MBBL is Rs 28.42, with a standard deviation of 10.80 and a coefficient of variation (CV) of 38%. This indicates a moderate level of risk associated with MBBL's DPS.

For GBBL, the highest DPS was Rs 42.01 in FY 2011/12, and the lowest was Rs 34.70 in FY 2017/18. The average DPS for GBBL is Rs 39.14, with a standard deviation of 2.83 and a CV of 7.23%. This suggests lower fluctuation and risk in GBBL's DPS compared to the other banks.

In the case of JBBL, the highest DPS was Rs 65 in FY 2016/17, and the lowest was Rs 34 in FY 2020/21. The average DPS for JBBL is Rs 45.76, with a standard deviation of 12.19 and a CV of 26.63%, indicating a moderate level of risk.

For SBBL, the highest DPS was Rs 105.26 in FY 2019/20, while the lowest was Rs 17.50 in FY 2020/21. The average DPS for SBBL is Rs 50.71, with a standard deviation of 33.03 and a CV of 65.13%, reflecting significant fluctuation and higher risk in SBBL's DPS.

From Table 5, it is evident that SBBL has the highest average DPS of Rs 50.71, indicating strong performance compared to other banks. Conversely, MBBL has the lowest average DPS of Rs 28.42. The standard deviation data shows that SBBL experiences the most volatility in its DPS, while GBBL shows the least volatility. GBBL's CV of 7.23% reflects the greatest consistency in DPS, whereas SBBL's CV of 65.13% indicates the highest variability. The fluctuations in DPS across all banks can be attributed to factors such as government policies, the impact of COVID-19, and the banks' individual policies.

4.2.4 Market price to book value ratio

The market to book value ratio of the sample banks are given below:

Table 6

Market Price to Book Value Ratio (in percentage)

Years/Banks	MBBL	GBBL	JBBL	SBBL	KDBL
2012/013	4.26	3.10	7.14	6.23	5.26
2013/014	4.23	3.27	8.12	8.14	8.26
2014/015	3.12	4.13	9.36	8.28	7.25
2015/016	3.36	5.29	8.25	10.23	11.25
2016/017	4.25	4.26	10.3	12.36	13.20
2017/018	3.89	5.78	10.1	11.23	15.26
2018/019	7.65	4.54	7.37	7.34	8.25
2019/020	4.91	5.56	7.61	13.46	15.20
2020/021	4.67	4.38	5.64	7.75	8.39
2021/022	3.16	2.63	3.6	4.34	6.25
Average	4.86	4.58	7.26	8.82	9.85
S.D	1.69	1.27	2.72	3.56	4.59
C V	34.77%	27.72%	37.46%	40.36%	47.28

(Source: Appendix I)

Table 6 presents the Market Value to Book Value (MV/BV) ratios for the sampled banks. For MBBL, the highest MV/BV ratio recorded was 7.65% in FY 2017/18, while the lowest was 14.17% in FY 2013/14. The data indicates a fluctuating trend in MBBL's MV/BV ratio over the study period. The average MV/BV ratio for MBBL is 4.86%, with a standard deviation of 1.69 and a coefficient of variation (CV) of 34.77%. This suggests a moderate level of risk associated with MBBL's MV/BV ratio.

For GBBL, the highest MV/BV ratio was 5.78% in FY 2016/17, and the lowest was 2.63% in FY 2020/21. The average MV/BV ratio for GBBL is 4.58%, with a standard deviation of 1.27 and a CV of 27.72%. This indicates lower fluctuation and risk compared to other banks.

In the case of JBBL, the highest MV/BV ratio was 10.3% in FY 2013/14, and the lowest was 3.6% in FY 2020/21. The average MV/BV ratio for JBBL is 7.26%, with a standard

deviation of 2.72 and a CV of 37.46%. This reflects a moderate level of risk associated with JBBL's MV/BV ratio.

For SBBL, the highest MV/BV ratio was 13.46% in FY 2018/19, while the lowest was 4.34% in FY 2019/20. The average MV/BV ratio for SBBL is 8.82%, with a standard deviation of 3.56 and a CV of 40.36%. This indicates significant fluctuation and a higher level of risk.

From Table 6, it is clear that SBBL has the highest average MV/BV ratio of 8.82%, suggesting strong performance over the study period. Conversely, GBBL has the lowest average MV/BV ratio of 4.58%. The standard deviation data shows that SBBL experiences the most volatility in its MV/BV ratio, while GBBL has the least volatility. The CV of MV/BV for SBBL is 40.36%, indicating high variability, whereas GBBL's CV of 27.72% reflects greater consistency. The fluctuations in MV/BV ratios across all banks can be attributed to various factors, including government policies, the impact of COVID-19, and individual bank policies. Investors generally seek higher MV/BV ratios for investment decisions.

4.2.5 Debt to equity ratio

The debt to equity ratio of the samples banks are given below:

Table 7

Debt to Equity Ratio (in percentage)

Years/Banks	MBBL	GBBL	JBBL	SBBL	KDBL
2012/013	2.24	2.38	4.30	2.30	4.26
2013/014	1.03	1.20	1.30	4.10	5.20
2014/015	1.04	1.39	1.27	3.20	4.20
2015/016	1.01	2.40	1.20	2.45	5.36
2016/017	1.02	2.30	3.29	2.58	3.27
2017/018	1.23	2.28	1.26	2.30	2.30
2018/019	2.14	1.20	2.24	1.40	2.45
2019/020	2.42	1.25	2.36	2.15	3.69
2020/021	2.6	2.21	2.34	2.30	3.45
2021/022	1.25	1.23	1.02	1.30	2.34
Average	1.598	1.784	2.058	2.408	3.65
S.D	0.662	0.5635	1.074	0.807	0.754
C V	41.42%	31.5%	52..18%	33.51%	35.28

(Source: Appendix I)

Table 7 displays the Debt to Equity (D/E) ratios for the sampled banks. For MBBL, the highest D/E ratio observed was 2.42% in FY 2017/18, while the lowest was 1.01% in FY 2013/14. This indicates variability in MBBL's D/E ratio over the study period. The average D/E ratio for MBBL is 1.598%, with a standard deviation of 0.662 and a coefficient of variation (CV) of 41.42%, suggesting a moderate level of risk associated with its D/E ratio.

GBBL's highest D/E ratio was 2.40% in FY 2013/14, and the lowest was 1.20% in FY 2016/17. The average D/E ratio for GBBL is 1.784%, with a standard deviation of 0.5635 and a CV of 31.5%, indicating lower fluctuation and risk compared to other banks.

For JBBL, the highest D/E ratio recorded was 4.30% in FY 2010/11, and the lowest was 1.02% in FY 2020/21. The average D/E ratio for JBBL is 2.058%, with a standard deviation of 1.074 and a CV of 52.18%, reflecting higher variability and risk.

SBBL's highest D/E ratio was 4.10% in FY 2011/12, and the lowest was 1.30% in FY 2020/21. The mean D/E ratio for SBBL is 2.408%, with a standard deviation of 0.807 and a CV of 33.51%, indicating moderate fluctuation in its D/E ratio.

From Table 7, it is evident that SBBL has the highest average D/E ratio at 2.408%, while GBBL has the lowest average D/E ratio at 1.784%. The standard deviation and CV values show that SBBL and JBBL experience more fluctuation in their D/E ratios compared to MBBL and GBBL. The variability in D/E ratios across the banks is influenced by factors such as financial management practices and market conditions.

4.3 Correlation Analysis

Regression analysis is conducted to assess whether changes in the dependent variable are influenced by changes in the independent variables.

Table 8

Correlations Matrix

Variables		ROE	D/E	MV	DPS	MPPS
ROE	Pearson Correlation	1				
	Sig. (2-tailed)					
D/E	Pearson Correlation	-.446	1			
	Sig. (2-tailed)	.098				
MV/BV	Pearson Correlation	.074	.711	1		
	Sig. (2-tailed)	.420	.011			
DPS	Pearson Correlation	.353	.513	.596	1	
	Sig. (2-tailed)	.159	.065	.034		
MPS	Pearson Correlation	-.262	.576	.439	-.046	1
	Sig. (2-tailed)	.232	.041	.102	.450	

Source: Appendix II

The relationships between the variables are explained in the table 8. There is a moderate negative correlation between ROE and D/E. This suggests that higher debt-to-equity ratios might be associated with lower return on equity, but this relationship is not statistically significant at the conventional 0.05 level. Correlation coefficient is -0.446 where significance level: 0.098. Similarly, there is a very weak positive correlation between ROE and MV/BV, and it is not statistically significant. Where the correlation coefficient is 0.074 and level of significance is 0.420. In the same way, there is a moderate positive correlation between ROE and DPS, but it is not statistically significant at the 0.05 level. The correlation coefficient is 0.353 where significance level is 0.159. Similarly, there is a weak negative correlation between ROE and MPS, but it is not statistically significant where correlation coefficient is -0.262 which level of significance is 0.232. However, there is a strong positive correlation between D/E and MV/BV, which is statistically significant ($p < 0.05$) where correlation coefficient is 0.711 which level of significance is 0.011. Similarly, there is a moderate positive correlation between D/E and DPS, but it is not statistically significant where correlation coefficient is 0.513 and significance level is 0.065. In the same way, there is a moderate positive correlation between D/E and MPS, which is statistically significant ($p<0.05$) where correlation

coefficient is 0.576 and significance level is 0.041. Similarly, there is a moderate positive correlation between MV/BV and DPS, which is statistically significant ($p < 0.05$) where the correlation coefficient is 0.596 and significance level is 0.034. In the same way, there is a very weak negative correlation between MV/BV and MPS, and it is not statistically significant where correlation coefficient is -0.046 and level of significance is 0.450. At last there is no significant correlation between DPS and MPS where correlation coefficient is -0.046 and level of significance is 0.450.

In summary, while there are some correlations observed between the variables, not all of them are statistically significant. It's important to consider both the strength of correlation (magnitude of the coefficient) and the significance level when interpreting the relationships between these financial variables.

4.4 Regression Analysis

Regression examination appears the connection between MPS and indicators DPS, D/E MV/BV proportion and ROE). The objective of this study is to investigate certain indicators which essentially influence the MPS of the test microfinance. Taking after table appears the result of think about. The dependent variable is utilized as MPS and free factors utilized are DPS, D/E MV/BV proportion and ROE) of the sample microfinance. The SPSS computer program demonstrate is used to discover out the comes about of our collected information of the investigate.

Table 9

ANOVA Table

Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	16149598.55	5	3229919.710	61.479	.001
	Residual	1260896.148	24	52537.339		
	Total	17410494.70	29			

Source: *Appendix III*

The ANOVA table 9 summarizes the results of a regression analysis. It shows how much of the total variation in the dependent variable (17410494.70 units) is explained by the regression model (16149598.55 units), leaving 1260896.148 units unexplained as residuals. The model's F-value of 61.479 indicates that the explained variation is significantly larger than what would be expected by chance alone. With a significance level (Sig.) of .001, there is strong evidence to reject the null hypothesis, suggesting that the regression model as a whole is statistically significant. This means at least one predictor in the model has a significant effect on the dependent variable.

Model summary is shown in Table 10 below.

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920[a]	.846	.386	1727.1275

a Predictors: (Constant), ROE, DPS, D/E, MV/BV

Source: *Appendix III*

The model summary provides a comprehensive assessment of the regression model's performance the multiple correlation coefficient (R) of 0.920 indicates a strong positive linear relationship between the predictors (ROE, DPS, D/E, MV/BV) and the dependent variable. This suggests that these predictors collectively have a significant impact on the dependent variable. The coefficient of determination (R Square) is 0.846, indicating that approximately 84.6% of the variance in the dependent variable is explained by the independent variables. This highlights the model's ability to account for a substantial amount of variability in the outcome. Adjusted R Square, which adjusts R Square for the number of predictors in the model, is 0.386. This adjustment indicates that about 38.6% of the variance in the dependent variable can be reliably attributed to the predictors after accounting for the model's complexity. The drop from R Square to Adjusted R Square suggests that while the model explains a large portion of the variance, some predictors may not contribute significantly once the number of predictors is considered. The

standard error of the estimate (1727.1275 units) provides an average measure of the model's accuracy in predicting the dependent variable. A lower value indicates better predictive accuracy, suggesting that the model's predictions are reasonably close to the actual values on average. In conclusion, while the regression model demonstrates strong overall fit and explanatory power (R = 0.920, R Square = 0.846), the drop in Adjusted R Square suggests caution in interpreting the reliability of all predictors. The standard error of the estimate indicates moderate predictive accuracy. Therefore, while the model is effective in explaining the dependent variable, careful consideration of each predictor's contribution is advised to ensure robustness in prediction.

The regression results for the independent effect of DPS, D/E MV/BV proportion and ROE on MPS is shown in Table 11 below.

Table 11

Regression Analysis

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	-2857.264	137.931		-14.930	.093
	ROE	48.752	1.649	-3.115	51.303	.032
	DPS	-55.080	1.394	.238	-15.842	.049
	D/E	8.102	.570	4.045	2.109	.028
	MV/BV	24.498	1.826	5.013	1.087	.037

Source: *Appendix III*

Table 11 displays the results from the multiple regression analysis involving ROE, DPS, D/E, and MV/BV for development banks. The significance levels for ROE, DPS, D/E, and MV/BV are 0.032, 0.049, 0.028, and 0.037, respectively, all of which are below the

conventional significance level of 0.05. This indicates a statistically significant relationship between MPS and each of these variables.

The regression coefficients are as follows: -3.115 for ROE, 0.238 for DPS, 4.045 for D/E, and 5.013 for MV/BV. This implies that for each Rs. 1 increase in DPS, D/E, and MV/BV, the MPS increases by Rs. 0.238, Rs. 4.045, and Rs. 5.013, respectively. Conversely, a Rs. 1 increase in ROE results in a decrease of Rs. 3.115 in MPS. Among these variables, MV/BV has the most substantial effect on MPS, with the highest coefficient of 5.013, while ROE has a negative effect on MPS, indicated by its coefficient of -3.115. The regression constant, or intercept, is -2857.264, suggesting that if ROE, DPS, D/E, and MV/BV were all zero, the MPS would be -2857.264.

The multiple correlation coefficient (R) is 0.943, meaning that approximately 94.3% of the variation in MPS is explained by the combined effect of ROE, DPS, D/E, and MV/BV. The remaining 5.7% of the variation is attributed to other factors not included in the model. The coefficient of determination (R^2) is 0.889, which indicates that 88.9% of the variability in MPS can be explained by ROE, DPS, D/E, and MV/BV, leaving 11.1% of the variation due to external factors or variables not accounted for in this analysis.

4.6 Discussions

The MPS of JBBL is more consistent and low risk is associated in MPS for the investors and shareholders and MPS of GBBL is inconsistent and high risk is associated in MPS for the investors and shareholders of this bank The highest average value of MPS of SBBL implies good performance during the study period while lowest average value of MPS of GBBL implies the poor performance. The highest value of S.D of MPS of GBBL shows high volatility (i.e. prices swing widely). While lower value of S.D of MPS of GBBL implies prices are calm, so investments come with low risk. The C.V of MPS of GBBL is highest which indicates, it is inconsistent and high risk is associated in MPS for the investors and shareholders of this bank. The lowest value of C.V of MPS of JBBL implies that MPS of JBBL is more consistent and low risk is associated in MPS for investors. The finding is consistent with the result of Pradhan (2021). The consistency in the result is due to the application of similar method of financial and statistical analysis.

The highest average value of ROE of JBBL implies good performance during the study period and it is effective at generating profit from its equity while lowest average value of ROE of MBBL implies it is not effective at generating profit from its equity. While lower value of S.D of ROE of JBBL implies prices are calm, so investments come with low risk. The lowest value of C.V of ROE of JBBL implies that ROE of JBBL is more consistent and low risk is associated in MPS for investors. The finding is consistent with the result of Timsina (2018). The consistency in the result is due to the application of similar method of financial and statistical analysis and the data of same time period is analyzed.

The highest average value of DPS of SBBL implies good performance during the study period and it is effective at distributing dividend from its existing profit while lowest average value of DPS of MBBL implies it is not effective at distributing dividend from its existing profit. The highest value of S.D of DPS of SBBL shows high volatility (i.e. prices swing widely). While lower value of S.D of DPS of GBBL implies prices are calm, so investments come with low risk. The C.V of DPS of SBBL is highest which indicates, it is inconsistent and high risk is associated in DPS for the investors and shareholders of this bank. The lowest value of C.V of DPS of GBBL implies that MPS is more consistent and low risk is associated in MPS for investors. The finding is contradicted with the result of Shrestha (2016). The contradiction in the result is due to the time gap and the difference in the sample banks. Singh (2022) are also consistency with this study.

The highest average value of MV/BV of SBBL suggests that the stocks are overvalued which indicates good performance while lowest average value of MV/BV of GBBL suggests the stocks are undervalued which indicates poor performance. The highest value of S.D of MV/BV of SBBL shows high volatility (i.e. prices swing widely). While lower value of S.D of MV/BV of GBBL implies prices are calm, so investments come with low risk. The C.V. of MV/BV of SBBL is highest which indicates, it is inconsistent and high risk is associated in MV/BV for the investors and shareholders of this bank. The lowest value of C.V of MV/BV of GBBL implies that MV/BV of GBBL is more consistent and low risk is associated in MPS for investors. The finding is consistent with the result of Dangol (2011). The consistency in the result is due to the similar method of analysis and the same sample banks were taken by the previous researcher. The highest average value

of D/E of MBBL suggests higher risks and the company is financing its growth using debt while lowest average value of D/E of GBBL suggests lower risks and the company is not financing its growth using debt While lower value of S.D of D/E of GBBL implies prices are calm, so investments come with low risk. The C.V of D/E of JBBL is highest which indicates, it is inconsistent and high risk is associated in D/E for the investors and shareholders of this bank. The lowest value of C.V of D/E of GBBL implies that D/E of GBBL is more consistent and low risk is associated in MPS for investors. The finding is contradicted with the result of Ojha (2011). The contradiction in the result is due to the time gap and the difference in the method of analysis of data.

Similarly, The MPS of GBBL is least affected by the joint affect of ROE, DPS, D/E and MV/BV as it has low value of multiple correlation and multiple determination. The finding is consistent with the result of Bhattarai (2020). The consistency in the result is due to the similar method of analysis and the same sample banks were taken by the previous researcher.

In case of SBBL, from multiple regression analysis it was found that D/E is the highest influencing factor on MPS as it has higher beta coefficient and ROE negatively influences the MPS of the SBBL as it has negative beta coefficient. For JBBL, from multiple regression analysis it was found that D/E is the highest influencing factor on MPS as it has higher beta coefficient and ROE negatively influences the MPS of the SBBL as it has negative beta coefficient.

Now for MBBL it was found that ROE is the highest influencing factor on MPS as it has higher beta coefficient and DPS negatively influences the MPS of the SBBL as it has negative beta coefficient. At last, for GBBL it was found that MV/BV is the highest influencing factor on MPS as it has higher beta coefficient and ROE negatively influences the MPS of the GBBL as it has negative beta coefficient. The finding is consistent with the result of Poudel (2012). The consistency in the result is due to the similar method of analysis and the similar industry sample was analyzed.

Market Price of Shares (MPS) Analysis the MPS of the sampled banks fluctuated over the study period. SBBL had the highest average MPS, indicating good performance.

GBBL had the lowest average MPS among the sampled banks. JBBL exhibited the most consistent MPS compared to other banks. Fluctuations in MPS were influenced by various factors such as government policies and the performance of individual banks.

ROE fluctuated over the study period for all sampled banks. JBBL showed the highest average ROE, indicating strong performance. MBBL had the lowest average ROE among the sampled banks. GBBL exhibited the least fluctuation in ROE compared to other banks. Fluctuations in ROE were influenced by factors like government policies and the performance of individual banks. DPS fluctuated over the study period for all sampled banks. SBBL had the highest average DPS, indicating good performance. MBBL had the lowest average DPS among the sampled banks. GBBL exhibited the least fluctuation in DPS compared to other banks. Fluctuations in DPS were influenced by factors such as government policies and individual bank performance. Market Value to Book Value (MV/BV) Analysis MV/BV fluctuated over the study period for all sampled banks.

SBBL had the highest average MV/BV, indicating strong performance. GBBL had the lowest average MV/BV among the sampled banks. GBBL exhibited the least fluctuation in MV/BV compared to other banks. Fluctuations in MV/BV were influenced by factors such as government policies and individual bank performance. Debt-to-Equity (D/E) Ratio Analysis D/E ratios fluctuated over the study period for all sampled banks. SBBL had the highest average D/E ratio, indicating moderate risk. JBBL had the lowest average D/E ratio among the sampled banks. GBBL exhibited the least fluctuation in D/E ratio compared to other banks. Fluctuations in D/E ratio were influenced by factors such as government policies and individual bank performance. Correlation and Regression Analysis The regression model with DPS, D/E, MV/BV, and ROE as independent variables explained a significant portion of the variability in MPS. The model showed a high coefficient of determination (R-square), indicating its capability to explain the variability in MPS.

ROE, DPS, D/E, and MV/BV showed significant relationships with MPS across the sampled banks.MV/BV had the highest influence on MPS, while ROE had a negative influence on MPS for the sampled banks. Other factors not included in the model also contributed to the variability in MPS. These findings provide insights into the financial

performance and risk profiles of the sampled banks over the study period, highlighting the importance of various financial indicators in evaluating their market performance.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

This chapter is organized into three sections: the first section provides a summary of the study, the second section draws conclusions, and the final section offers recommendations based on the findings. The research examines stock price behavior through both financial and statistical analyses of four development banks: SBBL, GBBL, JBBL, and MBBL. To enhance the study's accuracy and usefulness, the researcher employed various financial and statistical tools. The analysis covers a ten-year period from 2012/13 to 2021/22. The first chapter introduces the foundational assumptions of the study, highlighting the significance of the research, defining key research issues, problems, and objectives, and outlining the study's rationale and limitations. The second chapter reviews prior research, providing insights into previous work in the field and summarizing relevant findings to avoid duplication of effort. The third chapter details the research methodology, including the design, data sources, population and sample selection, data collection techniques, and analytical methods. A descriptive and analytical research design was used, with a sample of five banks selected from a total of 17 using simple random sampling. The study utilized secondary data, including annual reports, publications, newspapers, theses, journals, and relevant websites. Data from ten consecutive years were systematically recorded and analyzed using various mathematical, statistical, and financial tools. The fourth chapter presents and discusses the results. It includes tabulated data and systematic analysis according to the study's objectives, focusing on the comparative financial performance of the banks.

The study reveals that the market prices of shares (MPS) for the sampled banks exhibit a fluctuating trend over the study period. These fluctuations are influenced by both the selected financial variables and external factors such as government policies, COVID-19, and individual bank performance. The analysis shows a consistent relationship between MPS and the financial metrics of ROE, DPS, D/E, and MV/BV.

For SBBL, multiple regression analysis indicates that D/E is the most significant factor affecting MPS, given its high beta coefficient, while ROE negatively impacts MPS, as

evidenced by its negative beta coefficient. Similarly, for JBBL, D/E is the primary influence on MPS, with ROE also showing a negative impact. In the case of SBBL, MV/BV is the strongest influence on MPS, with D/E having a negative effect. For MBBL, ROE is the most significant factor affecting MPS, with DPS showing a negative influence. For GBBL, MV/BV has the highest impact on MPS, while ROE negatively influences MPS. Overall, the findings indicate that MV/BV is the most influential factor on MPS across the sampled banks, while ROE has the least impact among the variables studied.

5.2 Conclusions

This thesis explores the factors influencing stock price determination within Nepalese development banks. It investigates how various variables impact share prices, focusing on five sample commercial banks listed on the Nepal Stock Exchange.

The study reveals that market prices of shares (MPS) exhibit fluctuating trends across the sampled banks. Among these, MBBL experienced the highest fluctuations, with a coefficient of variation indicating moderate risk. In contrast, JBBL had the lowest risk, as reflected in its coefficient of variation. SBBL consistently maintained the highest MPS, whereas GBBL had the lowest. The return on equity (ROE) varied among the banks, with JBBL achieving the highest average ROE, demonstrating superior performance. GBBL had the most stable ROE, showing minimal fluctuation.

Dividend per share (DPS) also varied, with SBBL consistently reporting the highest average DPS. MBBL faced the highest volatility in DPS, while GBBL exhibited the lowest. SBBL's DPS displayed the greatest variability, suggesting inconsistency.

The market value to book value (MV/BV) ratios fluctuated, reflecting shifts in market perceptions. SBBL had the highest average MV/BV, indicating positive market sentiment, whereas GBBL had the lowest MV/BV and minimal volatility. The debt to equity (D/E) ratios varied, with JBBL showing the highest average D/E and SBBL exhibiting moderate fluctuations. GBBL demonstrated the lowest D/E variability, indicating a stable capital structure.

Correlation analysis identified significant relationships between financial metrics, while

regression analysis highlighted that MV/BV had the greatest impact on MPS. Conversely, ROE had a negative effect on MPS. Other factors, such as DPS and D/E, also exhibited notable relationships with MPS across the banks.

The findings emphasize the dynamic nature of financial metrics in Nepalese development banks, influenced by factors such as government policies, COVID-19, and individual bank performance. Despite some banks showing consistent performance in specific metrics, overall fluctuations indicate varying levels of risk and stability. Investors should consider these insights when making investment decisions, paying attention to the impact of ROE, DPS, D/E, and MV/BV on MPS. The study underscores the importance of monitoring market trends and bank performance for informed investment strategies in the sector.

5.3 Implications

Based on the findings of this study, the following recommendations are proposed:

- The average market price per share (MPS) for GBBL is lower compared to other banks in the sample. To address this, GBBL should focus on enhancing its liquidity and profitability. Additionally, improving overall performance can help boost the MPS.
- MBBL's average dividend per share (DPS) is below that of other banks. It is recommended that MBBL improve its profitability and liquidity to increase the frequency and amount of dividend distribution. Addressing the inconsistencies in stock price will also be crucial.
- The average market value to book value (MV/BV) ratio for GBBL is relatively low, indicating potential undervaluation and poor performance. GBBL should work on strategies to raise its MV/BV ratio to reflect better market performance.
- SBBL exhibits the highest standard deviation (SD) and coefficient of variation (CV) in MV/BV, indicating higher risk. SBBL should implement measures to mitigate the risk associated with its stock price volatility.
- The Nepalese stock market authorities, including NEPSE, SEBON, and NRB, should take effective actions to manage and reduce random fluctuations in debt-to-equity (D/E) ratios. Establishing a system for regular monitoring and evaluation can help

assure investors of market stability.

- Many Nepalese investors tend to chase after companies offering higher bonuses or rights shares without thorough analysis. To address this, it is essential to establish credit rating agencies and investment banks to provide comprehensive analysis and recommendations on companies.
- Companies should regularly update investors with accurate reports on their financial status. Establishing a dedicated body to assess and disclose the strengths and weaknesses of public companies can provide valuable information to investors, helping them make informed decisions and manage investment risks.
- The government should implement stricter regulations to further develop the share market. A mechanism for prompt action against non-compliant companies should be established. Companies must disclose financial statements in a timely and complete manner, and regulatory bodies should work to prevent negative rumors that could affect stock prices.
- The procedures for buying and selling shares should be streamlined to ensure they are systematic, efficient, and less time-consuming. Stockbrokers and other market participants should develop necessary expertise and infrastructure to provide adequate services to investors.
- Further research should involve a larger sample size, advanced methodologies, and a greater number of observations. Additionally, including investor opinions in future studies could provide deeper insights into stock market efficiency and help reduce manipulation.

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APPENDIX

Appendix I

Raw Data

Years	Banks	MPS	ROE	DPS	MP/BV	D/E
2012/013	MNBBL	320	24.12	38.12	4.26	2.24
2013/014		450	20.14	37.62	4.23	1.03
2014/015		445	19.25	34.25	3.12	1.04
2015/016		350	21.27	32.15	3.36	1.01
2016/017		480	16.23	39.12	4.25	1.02
2017/018		313	17.06	42.11	3.89	1.23
2018/019		450	24.53	31.58	7.65	2.14
2019/020		486	21.22	26.32	4.91	2.42
2020/021		686	21.58	26.32	4.67	2.60
2021/022		451	14.17	15.79	3.16	1.25
2012/013	GBBL	398	23.20	42.01	3.10	2.38
2013/014		402	21.12	38.17	3.27	1.20
2014/015		450	23.10	32.16	4.13	1.39
2015/016		550	24.26	41.30	5.29	2.40
2016/017		540	23.25	35.12	4.26	2.30
2017/018		460	24.49	40.00	5.78	2.28
2018/019		304	19.99	34.70	4.54	1.20
2019/020		540	15.66	41.00	5.56	1.25
2020/021		470	16.64	40.00	4.38	2.21
2021/022		321	15.21	40.00	2.63	1.23
2012/013		350	26.30	52.12	7.14	4.30
2013/014		451	24.30	56.30	8.12	1.30
2014/015		950	29.26	57.14	9.36	1.27
2015/016		340	24.30	58.12	8.25	1.20
2016/017		510	25.12	62.12	10.30	3.29

2017/018	JBBL	535	27.97	56.00	10.10	1.26
2018/019		410	22.73	36.84	7.37	2.24
2019/020		344	25.61	45.00	7.61	2.36
2020/021		323	26.65	48.00	5.64	2.34
2021/022		421	27.78	34.00	3.60	1.02
2012/013	SBBL	742	17.20	57.18	6.23	2.30
2013/014		620	18.10	56.39	8.14	4.10
2014/015		445	18.25	51.30	8.28	3.20
2015/016		240	25.10	54.20	10.23	2.45
2016/017		510	21.30	48.323	12.36	2.58
2017/018		299	26.27	51.50	11.23	2.30
2018/019		943	21.69	44.21	7.34	1.40
2019/020		600	17.18	35.09	13.46	2.15
2020/021		295	11.98	105.26	7.75	2.30
2021/022		455	18.66	17.50	4.34	1.30
2012/013	KDBL	245	12.20	56.12	5.26	4.26
2013/014		360	13.30	68.47	8.26	5.20
2014/015		450	17.45	53.12	7.25	4.20
2015/016		325	26.30	56.30	11.25	5.36
2016/017		412	21.10	47.20	13.20	3.27
2017/018		454	19.25	55.23	15.26	2.30
2018/019		282	11.25	47.10	8.25	2.45
2019/020		488	17.45	39.20	155.20	3.69
2020/021		265	19.30	108.26	8.39	3.45
2021/022		230	15.20	18.25	6.25	2.34

(Source: Annual report of concerned banks from 2012/013 to 2021/022)

Appendix II

Correlations Matrix

		ROE	D/E	MV	DPS	MPPS
Pearson	ROE	1.000	.446	.074	.353	-.262
Correlation	D/E	.446	1.000	.711	.513	.576
	MV/BV	.074	.711	1.000	.596	.439
	DPS	.353	.513	.596	1.000	-.046
	MPSVR	-.262	.576	.439	-.046	1.000
Sig. (1-tailed)	ROE	.	.098	.420	.159	.232
	D/E	.098	.	.011	.065	.041
	MV/BV	.420	.011	.	.034	.102
	DPS	.159	.065	.034	.	.450
	MPPS	.232	.041	.102	.450	.

Source: Annual report of elected banks by using SPSS version 20

Appendix III

ANOVA Table

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16149598.55	5	3229919.710	61.479	.001
	Residual	1260896.148	24	52537.339		
	Total	17410494.70	29			

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920[a]	.846	.386	1727.1275

a Predictors: (Constant), ROE, DPS, D/E, MV/BV

Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2857.264	137.931		-14.930	.093
	ROE	48.752	1.649	-3.115	51.303	.032
	DPS	-55.080	1.394	.238	-15.842	.049
	D/E	8.102	.570	4.045	2.109	.028
	MV/BV	24.498	1.826	5.013	1.087	.037
R	0.943					
R^2	0.889					

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ABSTRACT This study conducts a comparative analysis on the stock price behavior of Nepalese development banks, focusing on key financial indicators such as Market Price per Share (MPS), Dividend Per Share (DPS), Debt To Equity Ratio (D/E), Market Value to Book Value Ratio (MV/BV), and Return on Equity (ROE). Through a descriptive and causal research design spanning a decade from fiscal year 2012/013 to 2021/022, the study examines the structure and patterns of these variables across five selected development banks. Using secondary data collection methods, correlations among these variables are analyzed. Results indicate significant relationships between MPS and independent variables such as DPS, D/E, MV/BV, and ROE. Notably, MV/BV emerges as the most influential factor affecting MPS, while ROE exhibits a negative impact on stock prices. Regression analysis further confirms the significance of these relationships, with ANOVA statistics indicating strong associations between explanatory variables and MPS. In conclusion, this study sheds light on the intricate dynamics influencing stock price behavior in Nepalese development banks. Understanding the interplay between financial