DETERMINANTS OF SHARE PRICE ON NEPALESE COMMERCIAL BANKS

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**DETERMINANTS OF SHARE PRICE ON NEPALESE COMMERCIAL 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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Kiran Sharma

July, 2024

Report of Research Committee

Mr. Kiran Sharma has defended research proposal entitled "**DETERMINANTS OF SHARE PRICE ON NEPALESE COMMERCIAL BANKS**", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Rishi Raj Gautam and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled "**DETERMINANTS OF SHARE PRICE ON NEPALESE COMMERCIAL BANKS**" presented by Kiran Sharma for the degree of Master of Business Studies and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

BPS	: Book Value per Share
BV	: Book Value
CDS	: Central Depository System
CV	: Coefficient of Variation
DPR	: Dividend Payout Ratio
DPS	: Dividend per Share
EBL	: Everest Bank Limited
EMH	: Efficient Market Hypothesis
EPS	: Earning per Share
GDP	: Gross Domestic Product
HBL	: Himalayan Bank Limited
MPS	: Market Price per Share
NABIL	: Nabil Bank Limited
NEPSE	: Nepal Stock Exchange
NRB	: Nepal Rastra Bank
P/E Ratio	: Price Earning Ratio
SBI	: Nepal SBI Bank Limited
SD	: Standard Deviation
SEBON	: Security Board of Nepal
SEC	: Security Exchange Center
WLS	: Weighted Least Squares

ABSTRACT

The factors influencing the share price of Nepal's commercial banks are investigated in this research. Earnings per share, book value per share, dividend per share, and price earnings ratio are the independent variables, while market price per share is the dependent variable. For this research, 40 observations from 2013–14 to 2022–23 were taken from four joint venture commercial banks. The information was gathered from the annual reports of the chosen joint venture commercial banks and financial statistics released by Nepal Rastra Bank. To evaluate the significance and relevance of various factors influencing the share price of joint venture commercial banks, regression models and the correlation coefficient were determined. The findings indicate that the market price per share is most strongly and significantly influenced by the dividend per share. Additionally, it is evident that banks with greater market prices per share also have larger profits per share, dividends per share, and book value per share. Nevertheless, within a ten-year period, this research is restricted to only four joint venture commercial banks; this might alter depending on the sample size and other factors. The study also comes to the conclusion that while strong earnings, an attractive valuation (as measured by price earnings ratio and book value per share), and a consistent dividend all help to drive up the price of commercial banks' shares, other industry-specific and macroeconomic factors also influence market price per share.

Keywords: Stock price volatility, earnings per share, book value per share, dividend per share, price earnings ratio

CHAPTER-I
INTRODUCTION

1.1 Background of the study

Capital includes real gear and equipment used in factories and other production facilities, as well as financial assets or the financial worth of assets, such as money kept in various bank accounts. Facilities such as the structures used for manufacturing and storing produced items are also included in the definition of capital. While money is only used to buy goods and services for consumption, capital is more durable and is invested to create wealth. Capital includes things like cars, software, patents, and brand names. Each of these things is an input that may be used to produce riches. Every corporate organization's core is its capital (Almumani, 2014). To ensure seamless operations and growth of organizational activities, all businesses need short-, mid-, and long-term capital funds. Long-term funding is crucial to the organization's ability to expand and thrive in the future. The financial sector provides long-term funding for the majority of corporate organizations. The term "market" describes the location where buyer and seller meet to do business.

The nation's economy is mostly dependent on how its resources are used and how capital is raised. Since capital mobilization is a crucial instrument for resource utilization, it both directly and indirectly impacts the economy as a whole. By gathering disparate capital funds to support the financial demands of various productive sectors, such as the growth of solar energy, agriculture, and hydropower, financial institutions support the national economy. These financial institutions are active providers and demanders of funds in both the money and capital markets (Malhotra & Tandon, 2013).

The market for fixed income securities includes the money market (Jarrow, 2019). The relatively short-term debt instruments that typically expire in a year or less make up the money market. Thus, the money market is a marketplace for the purchase and sale of short-term securities. Short-term lending and borrowing have given rise to a variety of financial products. Treasury bills, certificates of deposit, commercial paper, bankers' acceptances, treasury notes and bonds, municipal bonds, and corporate bonds are a few examples of specialized instruments.

The marketplaces where governments and businesses raise cash and exchange assets like bonds and shares are known as capital markets. Activities that collect money from one entity and make it accessible to other companies that require money are referred to as capital markets. Capital markets provide businesses access to a wider choice of financing options, such as private equity, public equity, and the issue of debt instruments like bonds. They provide risk-adjusted rewards and alternative investment options to savers. The participants in capital markets are fund providers and consumers. The two types of capital markets are secondary markets, which deal in already-issued securities, and primary markets, which provide fresh equity stock and bond offerings to investors. The stock exchange is a long-term capital market where businesses may raise new funds and trade their current shares. The stock exchange offers a market for government loans and securities in addition to a secondary market for investors to purchase and sell their shares. The sole market for selling capital market instruments like shares and debentures is the capital market, which is the secondary stock market. In this regard, the capital market is essential to the continuous flow of savings and adjustments that these financial resources need in order to increase the nations' productive potential. By offering shares to the market, the business sector may raise money to finance profitable initiatives via the stock market.

In a similar vein, investors might find the ideal investment opportunity on the stock market. Furthermore, a long-term venture capital fund is needed to finance numerous valuable enterprises. The majority of investors are tempted to take on risk and are hesitant to link their savings to a long-term obligation. An appealing and less dangerous investment is a liquid stock market. Because they may simply and rapidly sell shares if they wish to withdraw their savings before the project matures, investors are encouraged to put their money into long-term projects. Simultaneously, firms are able to easily get capital by issuing additional shares.

The notion of the capital market was first introduced with the flotation of shares by Biratnagar Jute Mills Ltd. and Nepal Bank Ltd., although the history of equity capital market trading in Nepal began on January 13, 1994, 24 years earlier. The Securities Exchange Center (SEC) was founded in 1976 with the intention of aiding and encouraging the development of financial markets in 1937 A.D. It was the sole capital market organization doing brokerage, underwriting, managing public offerings, market

making for government bonds, and other financial services prior to its conversion into a stock exchange. However, the floor for secondary share trading was first made available for government bonds in 1981. The Securities Exchange Act of 1984 allowed the SEC to open its floor to corporate share trading, but it was very restricted. With the 1993 conversion of Securities Exchange Center (SEC) into Nepal Stock Exchange (NEPSE) Limited, full-fledged stock market trading got underway. Since January 13, 1994, the NEPSE trading floor has been operational.

The Security Board of Nepal (SEBON) was founded as a market regulator in June 1993. The highest authority governing the Nepalese securities market is SEBON. Through the regulation of the securities market and the oversight and management of the overall capital market, SEBON aims to safeguard and advance investor interests. Its primary duties include licensing stock exchanges and securities firms and keeping an eye on NEPSE's performance. The benchmark index used to gauge the performance of all listed firms is the NEPSE index.

Typically, the stock market index is used to measure a nation's economic health. An increase in the stock index is often seen favorably since it shows investors have faith in the economy's prospects. A decline in the stock index is interpreted negatively since it shows that investors have low expectations for the state of the economy going forward. Several macroeconomic and microeconomic factors in the economy cause the index to grow and decrease. Any element that affects a company's cash flows or the discount rate will have an effect on the stock market's share price (Shrestha and Subedi, 2015).

Generally speaking, the market's laws of supply and demand govern share prices. However, other qualitative and quantitative factors also have a role in determining the stock price. The company's earnings per share (EPS), dividend payout ratio (DPR or DPS), book value per share, size of the business, NRB policy, monetary policy, fiscal policy, corporate governance, interest rate, political climate, GDP, news, rumors, and numerous other factors are the main factors that affect share price. Understanding these variables and how they could affect share prices is very valuable as it would empower businesses to increase their market value and assist investors in making informed investment choices. Shiller (1985) discovered that because of the irrational investors in the market, stock values are not stable and move significantly in response to news concerning fundamentals, such as dividends and bonuses. Thus, knowing how different

fundamental factors affect stock price is quite beneficial to investors as it will enable them to make wise investment choices.

The thesis focuses on an analysis of the characteristics and factors that affect the performance of commercial banks' share prices in the Nepalese setting. Therefore, this study's primary goals are to examine the variables that impact share price and the link between firm-specific characteristics and the market price per share of Nepalese commercial banks. In particular, it looks at how the market price per share is affected by profits per share, dividends per share, book value per share, and price earnings ratio.

1.2 Problem statement

Fundamentally, supply and demand dictate stock price. However, the stock price is also influenced by a wide range of other qualitative and quantitative variables. It is difficult to pinpoint the precise variables that affect stock price (Pradhan and Dahal, 2015). The NEPSE overall index is mostly derived from the shares of commercial banks, and the share prices of these banks have a significant impact on the overall index. The financial sector makes up the majority of the sector-wise contribution to the overall traded volume in NEPSE. The stock of the openly traded company to all prospective investors, mercial banks seem to be the foundation of investing.

Few investors in the Nepali stock market are aware of the factor influencing share price. It indicates that while most investors are unaware of the company's financial performance, they nonetheless often make investments without doing a thorough financial study. It results in an odd relationship between the share market price and financial measures like EPS, BVPS, DPS, etc. Within this framework, this research will attempt to pinpoint the factors that influence stock price and determine the degree of correlation between those factors. In addition, supply and demand affect stock price (Dhakal, 2007). Determining the precise elements that impact stock price volatility is a contentious and uncertain topic. The stock market responds to changes in the environment and the price of stocks varies periodically. The goal of this research was to determine the factors that influence stock price and the degree of their correlation. More precisely, the following research issues are anticipated to be addressed by this study:

i. What is the volatility of market price per share based on EPS, BPS, DPS and P/E ratio?

ii. What is the relationship between earning per share, book value and P/E ratio on the stock price?

iii. How does EPS, BPS, DPS and P/E ratio affect the stock price?

1.3 Objectives of the study

In order to increase the profitability and fruitfulness of their investing operations, investors need to have a thorough understanding of share prices, including how they are produced, why they vary, and what factors influence those fluctuations. Studies on securities listed on the NEPSE have been conducted, but the majority of them focus on capital structure analysis, deposit mobilization of the companies, dividend policy, risk and return, etc. Not enough research has been done to provide a comprehensive view of the factors influencing the stock price. In order to provide a better understanding of stock price, this research attempts to uncover the relevant elements that determine stock price and their connection with the stock price. Additionally, it is suggested that this study achieve the following goals:

i. To assess the stock price movement of EPS, DPS, BPS and P/E ratio factors affecting the stock price in commercial banks.

ii. To analyze the correlation of earning per share, dividend per share, book value and P/E ratio on the share price.

iii. To examine the effect of EPS, DPS, BPS and P/E ratio on the stock price.

1.4 Rationale of the study

Commercial banks play a pivotal role in the economy by mobilizing savings and allocating funds to productive sectors. Understanding the factors influencing their share prices provides insights into broader market dynamics and economic health. Share prices reflect investor perceptions of a bank's current and future financial health, profitability, and growth prospects. Identifying determinants helps investors make informed decisions about buying, holding, or selling bank stocks. The factors influencing bank share prices often overlap with regulatory and policy environments. Studying these determinants can inform policymakers about the effectiveness of regulations and market interventions. Bank share prices can serve as leading indicators of economic trends, reflecting overall

market sentiment and macroeconomic conditions. Analyzing these determinants contributes to a broader understanding of economic stability and growth. Banks are exposed to various risks (credit risk, market risk, operational risk). Identifying determinants of share prices helps in assessing how well banks manage these risks and how market perceptions of risk affect stock valuations. Comparing determinants across different banks within Nepal allows for benchmarking performance and identifying outliers or exceptional performers, which can provide insights into competitive advantages or weaknesses. For institutional and individual investors, understanding the determinants of bank share prices can guide investment strategies, asset allocation decisions, and portfolio diversification. The findings from the study can be used by financial analysts, bankers, and investors to develop models for forecasting share prices, conducting risk assessments, and designing financial strategies.

Thus, this research tries to provide an understanding of market dynamics, investor behavior, regulatory impact, economic indicators, and practical applications in finance and investment decision-making.

1.5 Limitations of the study

The study tries to explore the factors determining the stock price in Nepal stock exchange. Since, the study is conducted in limited time and budget, so it may not provide the 100% result. The lack of experience, limited time and budget is the main limitation. The other limitations of the study are presented below:

i. Limited financial and statistical tools are used.

ii. The study includes only commercial banks sector for the study. So, the findings and conclusion obtained may not be applicable for other sectors of companies listed in NEPSE.

iii. Only the last ten years data has been taken for analysing stock price determinants.

iv. The study is being based on secondary data, collected from the past trading data, so it may not give the 100% result.

v. The year-end closing market price is taken as a base for the analysis, so the outcome may not be exact.

Therefore, there is a need for different research that would focus on other sectors of investment and complete the study. Limitations of this research are great milestones for additional research, and they should be addressed in future studies.

CHAPTER – II
LITERATURE REVIEW

A review of the literature entails going over earlier research that has contributed to our understanding of a certain area, both theoretically and methodologically, as well as substantive discoveries. Additionally, it contains pertinent hypotheses from the relevant field of study so that all previous research may be understood, along with its shortcomings and conclusions, and new investigations can be carried out. This chapter gives a brief overview of earlier research on common stocks and the factors that affected them. Numerous investigations have been carried out to ascertain the factors that influence stock values across various nations. Results from several research conducted in various marketplaces over various time periods have varied. The stock market has not received nearly enough attention in the context of the Nepalese financial system. Nonetheless, a few stock market-related papers and magazines are examined and consulted.

2.1 Theoretical Review

A theoretical review of stock price volatility encompasses various models and frameworks that attempt to explain and predict the fluctuations in stock prices observed in financial markets.

Random Walk Hypothesis and Efficient Market Hypothesis (EMH)

The Random Walk Hypothesis posits that stock prices reflect all available information and follow a random path, making future price movements unpredictable (Malkiel, 1973).

The Efficient Market Hypothesis (EMH) suggests that asset prices reflect all available information, implying that it is impossible to consistently outperform the market (Fama, 1970).

Behavioral Finance Theories

These theories incorporate psychological factors like investor sentiment, risk aversion, and herding behavior into volatility explanations (Shleifer & Vishny, 1997). Gennaioli et al. (2020) examined the role of overconfidence in influencing volatility during market rallies.

Macroeconomic and Market-Level Factors

Economic uncertainty, interest rates, inflation, geopolitical events, and sector-specific news can significantly impact overall market volatility (Seth & Singhania, 2019).

Firm-Level Factors

A company's financial health, debt structure, industry, dividend policy, and unexpected news related to the company can influence its individual stock's volatility.

Asymmetric Volatility

This theory suggests negative news has a stronger impact on volatility compared to positive news (Bali & Engle, 2009). This asymmetry can be more pronounced at the market index level than at the individual firm level. Garcia et al. (2023) explored the impact of sentiment-driven news on volatility asymmetries, highlighting the role of investor psychology.

2.2 Empirical Review

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

In a research on the variables influencing the market price per share of Nepalese commercial banks, Pradhan and Dahal (2015) found that the money supply, size of the company, and dividend per share had the most effects. Based on data from 14 commercial banks between 2002 and 2014, it was determined that factors such as return on assets, book value per share, and income per share had virtually little bearing on market price per share. In the context of an imperfect stock market like Nepal, they recommended that a rational investor should take into account signaling and asymmetric information together with dividend per share, business size, and money supply before making an investment choice.

Research on the title of factors of share prices of listed commercial banks in Pakistan was done by Arshad, Arshaad, Yousaf, and Jamil (2015). Data from listed commercial banks on the Karachi Stock Exchange was gathered by the researcher for this study between

2007 and 2013. This paper's ability to determine how both internal and external variables affect share price is one of its distinctive aspects. In order to ascertain whether or not the chosen independent variables have an impact on share prices, linear multiple regression analysis is used. The findings show that while other variables (gross domestic product, price-earnings ratio, dividend per share, leverage) have no relationship with share prices, earning per share has the greatest influence and a positive and significant relationship with share prices. The book to market value ratio and interest rate have a significant but negative relationship with share prices.

Almumani (2014) determined the quantitative variables affecting the share prices of the banks listed on the Amman Stock Exchange between 2005 and 2011. The explanatory variables' individual and combined effects on the dependent variables were measured in this study using ratio analysis, correlation, and linear multiple regression models. The variables that were taken into consideration were dividend per share, earning per share, size, price earnings ratio, book value, dividend payout ratio, and market price. The empirical findings demonstrated a positive link between the dependent variable (market price of share) and the independent factors (dividend per share, earning per share, size, price earnings ratio, and book value). The findings of the regression analysis demonstrated a substantial and positive link between market price of share and EPS, BV, P/E, and S.

When Shrestha and Subedi (2014) looked at what influences the performance of the Nepalese stock market, they found that inflation and money supply growth had a positive association with changes in stock prices. According to the research, the macroeconomic developments, particularly in the money sector, have had a noticeable impact on the responsiveness of the Nepalese stock market. Similar to this, an asset price bubble in the share market, which is mostly controlled by financial institutions, might be kicked off by a lax monetary policy. The study's main conclusions were that the share market has been significantly impacted by the NRB's stance on lending against share collateral. The outcome also showed that investor speculation, news, and rumors have an impact on the share market. As a consequence, information about listed firms should be freely available in order to promote openness in this market. To dispel rumors and gossip in the marketplace, the relevant authorities should really improve transparency and communication.

The macroeconomic shocks and stock returns in South Africa are examined by Gupta & Reid (2013). They investigate the relationship between monetary policy and macroeconomic news and industry-specific stock returns. They used an event research methodology using Bayesian vector autoregressive (BVAR) analysis. Finally, they came to the conclusion that although monetary surprise is the only variable that consistently has a negative impact on stock returns, both overall and sectorally, CPI surprise has a substantial contribution. However, the BVAR model based on monthly data shows that the CPI and PPI shocks also have a considerable impact on aggregate stock returns, in addition to the monetary policy surprises. Nonetheless, the impact of the PPI and CPI shocks is negligible and mostly felt at shorter time frames right after the shock.

The National Stock Exchanges (NSE) 100 firms were the focus of Malhotra and Tandon's (2013) investigation on the variables influencing stock prices. 95 organizations from the 2007–2012 time frame made up the total sample size, and the data analysis used a linear regression model. Their research revealed that although dividend yield had a substantial negative association with the market price of the firm's stock, book value, price earnings ratio, and earnings per share had a significant positive link with the firm's stock price.

Naveed and Ramzan (2013) examined the connection between a number of variables and the price of stocks. Based on 15 listed banks from the Karachi Stock Exchange between 2008 and 2011, the study's sample size was determined. The share price served as the study's dependent variable, while the size, return on asset, dividend yield, and asset growth served as the independent factors. They used a fixed effect regression model, and the outcome showed that, compared to the other factors, size had a positive and significant link with share price.

The factors influencing share price in the Nigerian stock exchange market were examined by Uwuigbe et al. (2012). They essentially examined how the share prices of thirty listed companies that are active in the Nigerian stock exchange market were impacted by financial performance, split payout, and financial leverage. Regression analysis was employed in this work to analyze data spanning five years, from 2006 to 2010. The findings showed that the only factor significantly and favorably correlated with the market value of share price is the firm's financial performance.

For the years 1994 to 2009, Sharma (2011) looked studied the correlation between equity share prices and explanatory factors including dividend per share, price-earnings ratio, earning per share, size in terms of sale, and net worth. The outcome showed that the market price per share is significantly influenced by earnings per share, dividends per share, and book value per share. Additionally, the study's findings showed that profits per share and dividend per share were the two biggest factors influencing market price. For these reasons, the study's findings support a liberal dividend policy and advise businesses to pay dividends on a regular basis.

Using panel data covering three industries (auto, health care, and public-sector undertakings) for the years 2000–2009, Nirmala, Sanju, and Ramachandran (2011) illustrated the factors influencing share prices in the Indian market. They did this by using completely modified ordinary least squares techniques. According to their research, the three sectors' share prices were significantly influenced by dividends, price-earning ratios, and leverage. Share prices were solely affected by the profitability variable in the car industry.

A case study of the Karachi stock market was used in the research of Atiq, Rafiq, and Roohullah (2010) on the variables impacting stock price. Internal variables like profits per share and dividend per share are investigated in this study. The money supply, the consumer price index, interest rates, and the gross domestic product are the macroeconomic variables. Fifteen businesses are chosen at random from the KSE's financial sector. This research utilizes data spanning eight years, from 2001 to 2008. Two kinds of panel data regression models are used: fixed effects models and random effects models. In addition, the study employs Weighted Least Squares (WLS) Regression to eliminate the autocorrelation issue. The findings show that the money supply and earnings per share have a positive and statistically significant relationship with stock prices. While interest rates are negative but not statistically significant, GDP figures are positive.

The foundations of stock return were studied by Pradhan and Balampaki (2004), who provided some significant insights into the nature of stock return in Nepal. The foundations of stock returns are the subject of this research. It specifically looks at how cash flow yield, book-to-market ratio, company size, dividend yield, and capital gain yield relate to overall yield. The study's foundation is a pooled set of cross-sectional data

from 40 businesses whose stocks are listed and traded on the Nepal Stock Exchange Ltd. According to the research, divided yield is significantly impacted by earning yield and cash flow yield. The research also found that size has a negative effect on dividend yield, while earning yield and cash flow yield had no effect on book to market value. It has been discovered that cash flow yield provides more information than earning yield when comparing the two.

Based on a study of the literature, the most significant factors influencing share price determinants are earnings per share, price earnings ratio, and dividend per share. Despite Nepal's underdeveloped capital market, a number of studies have been conducted on it. Since it is still in its infancy, the factors influencing the stock price of a major, established organized stock exchange may differ from those affecting NEPSE. Nonetheless, a few of the elements are universal. This chapter reviews a variety of publications, including books, periodicals, journals, research papers, unpublished thesis reports, etc. that influence or decide the price of NEPSE's shares.

Summary of Empirical Review

Meta-analysis provides a standardized approach for examining the existing literature on a specific, possibly controversial, issue to determine whether a conclusion can be reached regarding the effect of a treatment or exposure. The meta-analysis table of the research is presented as:

Table 1

Summary of Empirical Review

Author	**Methodology**	**Conclusion**
Pradhan and Dahal (2015)	Regression model to analyze the factors affecting share price of Nepalese commercial banks with variables dividend per share, size of firm and money supply for the year 2002-2014	Earning per share, book value per share and return on assets have very weak effect in determining the market price per share

Arshad, Arshaad, Yousaf and Jamil (2015)	Linear multiple regression analysis to determine whether the independent variables earning per share, GDP, interest rate, dividend per share, book to market ratio, P/E ratio and leverage have effect on dependent variable Share Price	Earning per share has more influence on share price and it has positive and significant relationship with share prices and book to market value ratio while interest rate have significant but negative relationship with share price and other variables have no relationship with share price.
Shrestha and Subedi (2014)	Examined the determinants of stock market performance in Nepal	Inflation and growth of money supply has positive relationship with the stock price change and Nepalese stock market has been quite responsive to macroeconomic development, especially money sector development
Almumani (2014)	Identified the quantitative factors that influenced share price of listed banks in Amman Stock Exchange over the period of 2005-2011. Ratio analysis, correlation and linear multiple regression were used to measure individual as well as combined effects	Positive correlation between dividend per share, earning per share, size, price earning ratio, book value and market price per share. Regression analysis shows that EPS, BPS, P/E ratio and Size have significant and positive relationship with MPS
Gupta and Reid (2013)	Bayesian Vector Autoregressive Analysis to investigate the macroeconomic surprises and stock returns in South Africa	Monetary surprise is the only variable that consistently negatively affects the stock returns significantly in the

		aggregate and sectoral levels
Malhotra and Tandon (2013)	Linear regression model for investigating the factors influencing the stock prices in context of National Stock Exchange of 100 companies	The firm's book value, price earning ratio and earning per share have significant positive relation with firm's stock price and dividend yield have significant inverse relationship with the stock price
Naveed and Ramzan (2013)	Fixed effect regression model to analyze the relationship between share price and dividend yield, size, return on assets and asset growth for 15 listed banks on Karachi Stock Exchange	The size has positive significant relationship while other remaining variables have insignificant association with share price
Uwuigbe et. al. (2012)	Regression Analysis method to investigate the determinants of share price in Nigerian Stock Exchange Market	The firm's financial performance has significant and positive relationship with market value of share price.
Sharma (2011)	Examined the relationship between equity share prices and dividend per share, price earning ratio, earning per share, size in terms of sale and net worth for the period of 1994 to 2009	Earning per share, dividend per share and book value per share has significant impact on market price per share where dividend per share and earnings per share are the strongest determinants
Nirmala, Sanju and Ramachandran (2011)	Determinants of share prices in Indian market using Panel Data analysis of three sectors (auto, health care and public sector) over the period of 2000-2009 and employed fully modified ordinary	Dividend, price earning ratio and leverage were significant determinants of share prices for all three sectors. Profitability variable influenced share prices only in auto sector

	least square methods	
Atiq, Rafiq and Roohullah (2010)	Panel Data Regression to determine the factors affecting stock price of Karachi Stock Exchange from 2001 to 2008	Positive and statistically significant relation of money supply and earning per share with stock prices
Pradhan and Balampaki (2004)	Examines the dividend yield, capital gain yield and total yield related to earnings yield, size of the firm, book to market ratio and cash flow yield based on pooled, crossed, sectional data of 40 enterprises listed in NEPSE	Earning yield and cash flow yield have significant impact on dividend yield while earning yield and cash flow yield have insignificant impact on book to market value

2.3 Review of Master's Degree Thesis

Various scholars in Nepal have conducted various studies on this subject. These are a few of the evaluated theses that might aid in our understanding of their goals, the statistical methods they used, and the main conclusions of their investigation.

Bohora (2011) examined what influences the pricing of stocks on the Nepal Stock Exchange. Examining the relationship between MPS and other financial indicators such as BVPS, EPS, DPS, and others is the primary goal of this research. Both the analytical and descriptive research approaches have been used to accomplish this goal. The NEPSE's commercial banks' stock prices are determined using a combination of descriptive methodologies and financial and statistical technologies that have been employed to analyze the data. For this investigation, both primary and secondary data have been gathered. A survey was distributed to the fifty participants. The respondents, who either had invested in shares or were planning to do so soon, were from the NEPSE courtyard. Numerous analytical methods, including the t-test, multiple regression analysis, coefficient of variation, and coefficient of determination, were used in the

execution of this investigation. This research looked at how, in most instances, the market price per share of the majority of banks is not substantially connected with the indicators (DPS, BVPS, and EPS). This suggests that although they have an impact on the share price collectively, they do not individually affect it. The share price may be influenced by several variables. The two main variables affecting the share price are EPS and DPS. In addition to these, the organization's capital structure, assets structure, and yearly general meeting all affect the company's share price.

Acharya (2008) examined the factors that influence the share prices of ten randomly chosen commercial banks in Nepal. Based on the survey responses from respondents, the study found that various micro and macro variables, including EPS, DPS, information disclosed, political instability, and growth rate, have an impact on share prices. The share price of NEPSE is not much impacted by the interest rate, retention ratio, cost of equity, market liquidity, or management changes. The study's main conclusions demonstrate that, in all sample institutions, market price per share has a strong positive correlation with EPS and is heavily influenced by DPS.

Dhakal (2007) examined the factors influencing the share price of ten randomly chosen commercial banks in Nepal and came to the conclusion that the MPS of the majority of the banks had a negligible correlation with other individual financial indicators such as EPS, DPS, and BPS. This demonstrates that although they seldom affect share price alone, they do so together. He also came to the conclusion that Nepal's capital market has not yet matured to its full potential because Nepalese investors lack sufficient understanding of the share market. Investors find commercial banks to be particularly appealing because they believe they are better managed and controlled, which results in their profitability and high dividend distribution rates.

Dhungel (2005) studied the relationship between the financial performance of Nepalese listed companies and the movement of stock prices. He came to the conclusion that there is no correlation between volume and stock price and that unseen factors are responsible for the ups and downs in monthly share volume, price, and market capitalization throughout each fiscal year. Larger companies have lower price-earning ratios, a larger market-to-book ratio, a lower dividend-to-market price ratio, more volatile and greater

leverage, and worse profitability.

Neupane (2004) used a variety of statistical methods, including standard deviation, correlation, regression analysis, t-test, and Z-test, to perform a research on the factors influencing stock price on the Nepal stock market, including 11 sample businesses. He came to the conclusion that, among the share prices of listed businesses, NEPSE, DPS, BPS, and EPS separately do not consistently correlate with the market price of a share. Different companies behave differently when it comes to pricing. However, the three factors combined—EPS, BPS, and DPS—have a major impact on how market price per share is formed. Therefore, there can be more important variables having a big impact on the share price. NEPSE is still in its early stages of development. It uses an open outcry method for stock trading, and its stockbrokers lack the expertise necessary to provide investment possibilities. The NEPSE's overall performance has been controlled by the commercial banking industry. The hotel, trade, and manufacturing and processing sectors fare poorly. Financial intermediaries are thus robust, but their final investment is underperforming.

Dhamala (2003) examined the factors that influence share prices in the Nepalese financial market using data and information from 1996 to 2001 for 10 public firms—five from commercial banks and five from finance companies. In his research, he discovered that the Nepalese stock market lacks the necessary efficiency to calculate MPS based on individual financial success. The share market in Nepal is unreliable, inefficient, and susceptible to manipulation; thus, the market price of a company's shares does not always reflect its financial performance on the stock exchange. Essentially, the company's future, as shown by historical financial indicators, will decide the value of the share price.

Research on the fluctuations in joint venture and commercial bank stock prices was carried out by Paudel (2003). This study was carried out with the intention of examining how the price of stocks moves in relation to Nepali joint venture commercial banks, whether they are dependent or independent of stock prices in the past, assessing the risk and return of stock investments made in these joint ventures, classifying stock tendencies in relation to price stability, and analyzing the group-wise behavior of the NEPSE index. Ultimately, this study was carried out to make recommendations for the improvement of the Nepali stock market. The following is a list of the study's findings:

The dependent variable is the MPPS, which moves based on historical or company data and is significant at the 1% level of significance.

The statistics of insignificance show that the fluctuation of the dependent variable MPS is not very reliant on the independent variable BVPS and has a significant amount of standard error of estimations.

Not every sampled bank has a fitted MPS regression model on EPS and DPS. This explains why these banks occur, as shown by the F-test statistical explanation, because of variations in EPS and DPS.

Because the projected rate of return on the stocks of the sample firms exceeds the corresponding needed rate of return, the stocks are undervalued. It is advisable to purchase and keep the stocks since they are cheap.

2.4 Research Gap

Previous research and studies on the movement of stock prices in the NEPSE are conducted using the apparent method, which takes the most popular indicators into account. It was discovered that no researcher had used the inexpensive commercial bank stock, such as Himalayan Bank shares, as a sample for the study in any of the prior theses that were reviewed. Therefore, it is thought that this study will close the gap left by the previous researcher. Only A-rated commercial banks were included in the researcher's sample, which allowed them to anticipate a delicate period in the stock market. Additionally, an analysis of the factors that influence the share price the most will provide the most beneficial outcome from the perspective of investors. As a result, the researcher's main information sources are private investors.

Additionally, using financial analysis methods rather than statistical analysis tools will provide the most appropriate result from the examination of financial institutions. The majority of the research mentioned above analyze their data using statistical and technical techniques like regression analysis, correlation coefficient, NEPSE trend, etc. The lack of usage of financial analysis techniques in the research is particularly significant when examining financial institutions. In order to determine the sample banks' financial health,

the researcher has used financial analysis methods such as the P/E ratio and dividend distribution pattern. Thus, the goal of this research is to examine how EPS, DPS, and P/E relate to each other as well as other factors that affect the stock's market price.

A number of qualitative and quantitative elements influence how share prices are formed. Numerous research have shown that one of the key determinants of share price is dividend and earnings per share. But aside from this, there are a lot of other factors that affect how prices are formed, such as information, political situations, unstable governments, a lack of forward-thinking policies, and other macroeconomic factors that the researchers are attempting to analyze in this study. These factors also play a critical role in how prices fluctuate and influence the formation of share prices.

CHAPTER – III
RESEARCH METHODOLOGY

The term "research methodology" describes the range of approaches used by researchers to investigate a topic with certain goals in mind. To accomplish the goals of a systematic research study, an appropriate technique is needed. Research methodology is an organized approach to problem solving that involves the methodical gathering, organizing, analyzing, interpreting, and reporting of data and information. Presenting the study work's fundamental framework is the goal of this chapter. The research design, sample size, data collecting method, data processing tools and procedures, and variables under examination are all included in this chapter.

3.1 Research Design

Descriptive and causal comparative research designs are used in this study. Along with correlation and regression analysis, a descriptive research design is used to ascertain the impact of earnings, book value, dividends, and price earning ratios. Additionally, the descriptive research design is used to pinpoint the qualitative elements influencing stock price. Consequently, the primary goal of this research is to investigate how MPS relates to other financial variables such as EPS, DPS, and BPS. Based on ten years of data from the fiscal years 2012/2013 to 2022/2023, a variety of financial and statistical methods have been utilized to evaluate the facts and discover the causes influencing the stock prices of commercial banks in NEPSE. Descriptive approaches have also been used in this process.

3.2 Population and Sample and Sampling Design

Population is the simple term for all of the variables or observations. The population of the research consists of all enterprises registered on the Nepal Stock Exchange; however, only commercial banks listed on the NEPSE and engaged in share transactions are included in the analysis. Only 19 of the 20 commercial banks that exist now are registered with the NEPSE. The study uses a non-probability convenience sampling approach to pick four joint venture commercial banks for investigation out of the twenty listed commercial banks. There are twenty people in the population and four banks in the sample: Everest Bank Limited, Himalayan Bank Limited, Nabil Bank Limited, and Nepal SBI Bank Limited.

3.3 Nature and Sources of Data

Secondary data served as the study's foundation. Secondary data is used to identify the factors influencing the stock price and to illustrate the relationships between the various variables (share price-earnings, share price-book value, share price-dividend, and share price-price earnings ratio).

3.4 Data Analysis Tools and Techniques

The study uses secondary sources for its data. The relevant secondary data was gathered from the commercial banks' annual reports, which are accessible on their websites.

Meaningful tables have been filled up with pertinent data. Unnecessary data has been removed from the tabular form and only the information that is pertinent to the research has been presented in a comprehensible manner. With the aid of several financial and statistical tools, an effort is made to derive the conclusion from the data that is now accessible. Analysis has been done on regression coefficients, correlation, and descriptive statistics (mean, standard deviation, and coefficient of variance).

3.4.1 Descriptive Analysis

In this research, essential indicators from a sample of commercial banks are presented and analyzed using descriptive statistics. These metrics include the variable under consideration's mean, standard deviation, and lowest and maximum values. The mean value functions as the focal point of the data display by indicating the average of the variables. The range of the variables, encompassing its lowest and highest points, is shown by the minimum and maximum values. The variability or dispersion of data points around the mean is measured by the standard deviation. A smaller standard deviation denotes a closer-knit clustering of the data points around the mean, while a greater standard deviation denotes a more dispersed collection of data points.

Arithmetic mean or average

The mean is a numerical number that denotes a set of values and provides insight into the concentration of values in the center region of the distribution. A point that is mostly

reflective of the data is provided by an average. It portrays the traits shared by the whole group. The arithmetic mean of the whole data set is the value that falls between the two extreme observations. It is a messenger for the homogenous bulk of info. By adding up each item and dividing the result by the total number of elements, the AM's value can be found.

Mathematically,

$$\bar{x} = \frac{\sum X}{n}$$

Where,

$\bar{x}$ = Arithmetic Mean

$\sum X$ = Sum of all the values of the variable X

n = Number of observations

Standard deviation

The absolute dispersion is measured by the standard deviation (σ). The size of the values' departures from their mean will increase with increasing standard deviation. A small standard deviation indicates both strong observational consistency and series homogeneity, and vice versa. The following formula is used to compute it:

It is calculated as follows:

$$\sigma = \sqrt{\frac{\sum(X - \bar{x})^2}{N}}$$

Where,

σ = Standard Deviation

X = Number in X-series

$\bar{x}$ = Mean

N = Number of observations in a sample.

Coefficient of variation

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

$$CV = \frac{S}{\bar{X}} \times 100$$

3.4.2 Correlation Analysis

The link between a single dependent variable and a single independent variable, or factor, is known as correlation. Stated differently, correlation refers to the association between two or more variables. Correlation is a statistical technique that allows us to ascertain the degree and direction of a relationship between two or more variables as well as whether or not a relationship exists. A positive correlation is one where the value of the variable is directly proportionate. Conversely, when the variables have inversely proportionate values, the correlation is considered negative; yet, the correlation coefficient always stays between +1 and -1. According to Karl Pearson, the following represents the basic correlation coefficient (between, let's say, X and Y):

$$\text{Correlation } (r_{xy}) = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X2 - (\sum X)2}\sqrt{N\sum Y2 - (\sum Y)2}}$$

3.4.3 Regression Analysis

The statistical method that allows us to predict an unknown variable's value from a known value of any other variable is regression analysis. The one whose value is known is known as the independent variable, and the one whose value has to be estimated is known as the dependent variable. It is used to ascertain whether or not the provided independent variable has an impact on the dependent variable.

The regression model for our study follows:

$$MPS = a + b_1DPS + b_2EPS + b_3BPS + b_4PE + e$$

Where,

MPS = Market Price Per Share

DPS = Dividend Per Share

EPS = Earning Per Share

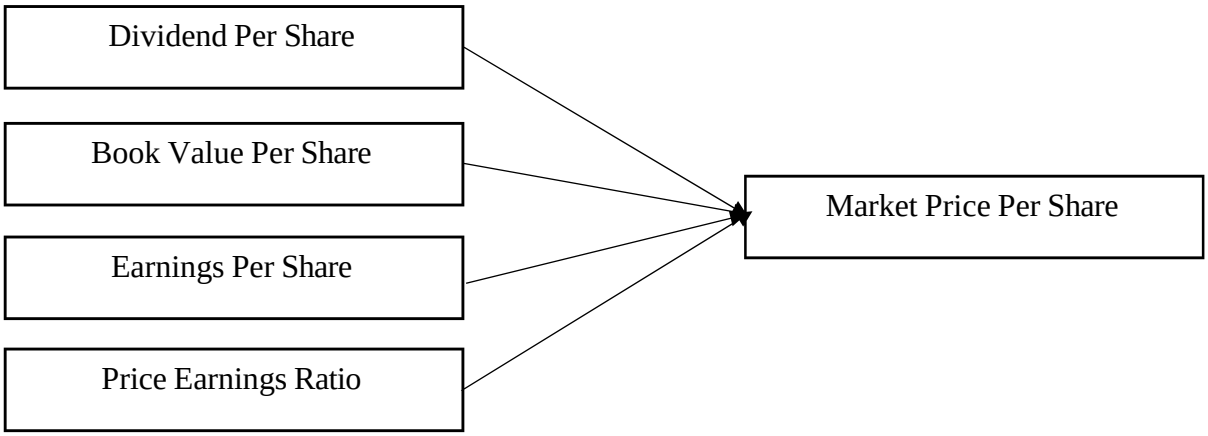
BPS = Book Value Per Share

PE = Price Earnings Ratio

3.5 Research Framework and Definition of Variables

The research framework for this thesis can be shown below:

Independent Variable **Dependent Variables**



Source: Arshad, Arshaad, Youssaf and Jamil (2015)

Dividend per share

Dividend Per Share is the total amount of dividends attributed to each individual share of a company's outstanding stock. Calculating the dividend per share allows an investor to assess how much money he or she will receive from the company on a per-share basis.

DPS = Total dividend proposed / No. of ordinary shares

Book value per share

Book value per share is a financial measure that represents a per share assessment of the

minimum value of a company's equity. More specifically, this value is determined by relating the original value of a firm's common stock adjusted for any outflow (dividend and bonus) and inflow (net profit/retained earnings) modifiers to the number of shares outstanding. With the passage of time, a corporation will generate income, much of which is paid out to creditors as interest, and to stock holders as dividend. Any remainder is added to the amount shown as cumulative retained earnings or reserve and surplus on the corporation's books. The sum of the cumulative retained earnings and other entries (such as "common stocks" and "capital contributed more than par value") under stockholder's equity is the book value of the equity. The book value per share is obtained by dividing the total book value of the equity by the numbers of shares outstanding" (Sharpe, Alexander and Bailey, 2000, p. 461).

Earnings per share

Earnings per share is also known as net profit per share. It serves as an indicator of a company's profitability. It is a market prospect ratio that measure the amount of net income earned per share of stock outstanding. The increasing earnings per share generally results in high market price. It is calculated by dividing the net profit after tax by number of shares outstanding.

Market price per share

A share of common stock may be granted either with or without par value. Par value is the documented amount in the business charter. Generally, par values of most stocks are set at low figures with compare to their market values and the market values per share of common stock is the function of the current and expected future dividend of the company and the perceived risk of the stock on the part of investors (Van Horne and Wachowicz, 2000).

The market price of the share gives the value of shares, and the value of the organization. The market price of shares is that the price in which the shares are traded or the amount, which is paid by the buyer to the seller to purchase a stock. The market price of shares varies from one company to another. Since the common shareholders are the owner of the organizations and have least priority to claim in liquidation, the share price is highly volatile and very sensitive to the environmental factors. Therefore, the organization tries to maintain the favourable environment to maximize the share price in the stock market.

On the other hand, the external environment forces are not within the control of the organization, but such forces highly affect the market price of shares. Therefore, the firm tries to adjust themselves according to the changing environmental forces, and such adjustments are intended to maximize the share price or the value of the firm.

Since the market price of shares is very much sensitive to the environmental forces, the share price increases if there is favorable environment and vice versa. This increase in the share price is based on the market mechanism or market forces, i.e. demand and supply. If the earnings and dividend of an organization increases, then the investors have positive perception towards the organization and they like to buy the shares of the organization, as a result demand increases, which leads to increase in price; on the other hand, the suppliers like to hold the shares and supply decreases, and there is gap between demand and supply so the market price of shares increases. The investors select the price, they would like to pay for the shares of an organization and the sellers calculate the price, they would like to obtain by selling shares based on their assumptions about the organization and future expectations. Such assumptions and expectations differ from one to individual. Since every individual interprets the same scenario differently with their limited information.

The NEPSE benchmark index is the sum of market price per share multiplied by number of shares outstanding of all the listed businesses. The growth or fall of an individual firm share price causes the change in index. Hence, market price per share is highly crucial in the research of stock market.

Stock price is the amount of money that one needs spend to buy a stock of the firm from the market. If, Mr. X buys 10 shares of Everest Bank Ltd. At Rs.10000, then the price of the share is Rs.1000 (i.e.10000/10). Thus, market price per share is the amount paid by a buyer to acquire one stock or the amount received by the seller selling one shares.

Price earnings ratio

It is the ratio of market price in relation to the present income per share of the firm. It is determined by dividing the current market price by income per share. reduced P/E Ratio suggests reduced risk connected with the firm share to invest. In Nepal investor relies very heavily on this ratio. They prefer to invest in the firm where P/E Ratio is less than 25.

CHAPTER- IV
RESULTS AND DISCUSSION

The primary body of this research is this chapter. The secondary data were not processed when they were gathered. Thus, these raw data are presented in this chapter in a methodical manner and examined via the use of various statistical and financial instruments and methodologies. Both primary and secondary data that were gathered from various sources are presented and examined independently using both qualitative and quantitative methods. Data collected from many sources have been entered into a tabular format for this investigation.

4.1 Results

The bank's strengths and weaknesses in terms of its financial performance or health are evaluated using financial instruments. The following is a list of the financial instruments used for data analysis:

Earnings per share

The amount of a company's profit allotted to each outstanding share of common stock is known as earnings per share. The profitability of a business is shown by its earnings per share. The table shows how it's calculated:

$$EPS = \frac{\text{Net profit after tax}}{\text{No. of share outstanding}}$$

Investors use earnings per share (EPS) as a key metric to evaluate a company's profitability. It affects stock prices and aids investors in assessing the success of the business. A high earnings per share (EPS) ratio suggests that a firm is making a substantial profit in relation to the number of shares it has, which is typically welcomed by investors.

Table 2

Earnings Per Share of Sample Banks

Year	SBI	NABIL	HBL	EBL
2013/014	34.83	83.68	33.10	86.04
2014/015	34.48	57.24	33.37	78.04
2015/016	36.78	59.27	43.03	40.33
2016/017	33.46	59.86	35.15	32.48
2017/018	25.16	49.51	23.11	32.78
2018/019	27.13	50.57	32.44	38.05
2019/020	17.23	36.16	27.60	29.71
2020/021	10.15	33.57	28.07	19.91
2021/022	16.19	18.64	18.26	26.30
2022/023	19.44	23.67	9.18	31.43
Mean	**25.49**	**47.22**	**28.33**	**41.51**
SD	**9.36**	**19.53**	**9.57**	**22.18**
CV	**36.73%**	**41.35%**	**33.77%**	**53.43%**

Source: Annual Reports

From Table 2, it is seen that NABIL has the highest average EPS with value 47.22 and SBI has the lowest average EPS with value 25.49. Also, lower CV of HBL indicates that it is more consistent that other banks.

Dividend per share

The total of a company's declared dividends for each outstanding common share is known as the dividend per share. The amount is computed by dividing the total number of outstanding ordinary shares issued by the firm by the total dividends paid, including interim payments for a certain period of time. When making investments, investors heavily depend on this ratio. They like businesses that provide enticing dividends. The following formula is used to compute it:

$$\text{DPS} = \frac{\text{Total dividend proposed}}{\text{No. of ordinary share}}$$

Table 3

Dividend Per Share of Sample Banks

Year	SBI	NABIL	HBL	EBL
2013/014	22.07	65	21.05	62.63
2014/015	28.42	36.84	42.11	36.58
2015/016	29.53	45	31.58	73.68
2016/017	16.34	48	26.32	34.74
2017/018	15.79	34	15.79	20
2018/019	16.84	34	22.00	25
2019/020	9.47	35.26	20	10.53
2020/021	5.31	38	26	10.32
2021/022	10.53	30	19.11	20.68
2022/023	10.55	11	0	20.53
Mean	**16.49**	**37.71**	**22.40**	**31.47**
SD	**8.09**	**13.79**	**10.88**	**21.30**
CV	**49.08%**	**36.56%**	**48.57%**	**67.70%**

Source: Annual Reports

Table 3 indicates that SBI has the lowest average DPS (16.49) and NABIL has the highest average DPS (37.71). Additionally, a lower NABIL CV suggests greater consistency compared to other banks.

Market price per share

The price an asset would bring in on the open market is its market price. A publicly listed firm's market value, which is calculated by multiplying the number of outstanding shares by the current share price, is also often used to refer to the market capitalization of the company. Market value is very susceptible to long-term fluctuations and is heavily impacted by the business cycle. In a bear market, market values fall, while in a bull market, they increase.

Table 4

Market Per Share of Sample Banks

Year	SBI	NABIL	HBL	EBL
2013/014	1280	2535	941	2631
2014/015	887	1910	813	2120
2015/016	1875	2344	1500	3385
2016/017	925	1523	886	1353
2017/018	499	921	551	663
2018/019	469	800	552	666
2019/020	435	765	540	675
2020/021	409	1359	484	738
2021/022	282.3	824	299.20	439
2022/023	341	599	212.80	563
Mean	**740.23**	**1358.00**	**677.90**	**1323.30**
SD	**509.73**	**699.58**	**373.41**	**1032.11**
CV	**68.86%**	**51.52%**	**55.08%**	**78.00%**

Source: Annual Reports

Table 4 shows that SBI has the lowest average MPS (value 740.23) and NABIL has the highest average MPS (value 1358). Additionally, a lower NABIL CV suggests greater consistency compared to other banks.

Price earnings ratio

The P/E ratio, which compares a company's current share price to its profits per share, is used to value the business. It is also referred to as the earnings multiple or the price multiple on occasion. Essentially, the price-to-earnings ratio (P/E) shows how much an investor must pay in a firm to get one rupee of its profits.

$$\text{P/E ratio} = \frac{\text{MPS}}{\text{EPS}}$$

Table 5

Price Earnings Ratio of Sample Banks

Year	SBI	NABIL	HBL	EBL
2013/014	36.75	30.29	28.43	30.58
2014/015	25.73	33.37	24.36	27.17
2015/016	50.98	39.55	34.85	83.94
2016/017	27.64	25.44	25.21	41.66
2017/018	19.83	18.60	23.84	20.23
2018/019	17.29	15.82	17.02	17.50
2019/020	25.24	21.15	19.57	22.72
2020/021	40.3	40.48	17.25	37.06
2021/022	16.93	44.21	16.39	16.69
2022/023	17.54	25.31	23.18	17.91
Mean	**27.82**	**29.42**	**23.01**	**31.55**
SD	**11.46**	**9.79**	**5.79**	**20.30**
CV	**41.19%**	**33.29%**	**25.16%**	**64.34%**

Source: Annual Reports

From Table 5, it is seen that EBL has the highest average P/E Ratio with value 31.55 and HBL has the lowest average P/E Ratio with value 23.01. Also, lower CV of HBL indicates that it is more consistent that other banks.

Book value per share

Divided by the total number of outstanding shares, book value per share is the ratio. One tool that investors may use to assess if a stock price is low is the book value of equity per share. Investors may think more highly of a company's stock and drive up the price if it can raise its BPS.

$$\text{BPS} = \frac{\text{Value of common equity}}{\text{No. of shares outstanding}}$$

Table 6

Book Value Per Share of Sample Banks

Year	SBI	NABIL	HBL	EBL
2013/014	171.15	251	210	296.30
2014/015	186.49	259	208.81	335.60
2015/016	184.87	244	196.12	370.84
2016/017	151.9	270	189.91	290.02
2017/018	159.08	256	174.24	200.01
2018/019	167.52	257	187.73	218.58
2019/020	165.05	256	187.67	219.56
2020/021	162.22	251	188.43	232.11
2021/022	174.17	232	169.72	241.37
2022/023	180.49	210	155.29	237.29
Mean	**170.29**	**248.60**	**186.79**	**264.17**
SD	**11.35**	**16.81**	**16.88**	**56.41**
CV	**6.66%**	**6.76%**	**9.04%**	**21.35%**

Source: Annual Reports

Table 6 reveals that SBI has the lowest average BPS of 170.29 and EBL has the highest average BPS of 264.17. Additionally, SBI's lower CV shows that it is a more consistent bank than other banks.

Descriptive statistics

Various financial measures pertinent to the investigation are included in the descriptive statistics, which provide a thorough overview of the dataset. The variables in the 40-observation dataset show noteworthy ranges, averages, and standard deviations that illustrate the variety and dispersion of the data.

Table 7

Descriptive Statistics

	Unit	N	Minimum	Maximum	Mean	Std. Deviation
MPS	Rs.	40	212.80	3385.00	1024.85	744.20
EPS	Rs.	40	9.18	86.04	35.63	18.06
DPS	Rs.	40	.00	73.68	27.01	16.10
BPS	Rs.	40	151.90	370.84	217.46	50.14
P/E Ratio	times	40	15.82	83.94	27.95	12.86

Source: IBM SPSS Output

According to Table 7, there is a significant amount of variation in the profits throughout the observations, with the Market Price Share (MPS) ranging from 212.80 to 3385 with a mean of 1024.85 and standard deviations of 744.20. In a similar vein, the Earning Per Share (EPS) shows variations in asset profitability among the businesses, ranging from 9.18 to 86.04, with a mean of 35.63 and a standard deviation of 18.06. With a range of 0 to 73.68, Dividend Per Share (DPS) exhibits an average of 27.01 and a standard deviation of 16.10, demonstrating that dividend per share varies across the sample. The range, averages, and standard deviations of additional variables, including Book Value Per Share (BPS) and Profit Earning Ratio (P/E Ratio), also provide light on their individual distributions and fluctuations within the dataset. The basis for further research and evaluation of the factors influencing the share price of Nepalese commercial banks is provided by these descriptive data.

Correlation analysis

To determine how various factors relate to MPS, a correlation analysis of the whole data is conducted.

Strong positive correlations are shown by correlation coefficients that are near to +1, meaning that as one variable rises, the other also tends to rise. Strong negative correlation is shown by a correlation coefficient around -1, meaning that while one variable rises, the other tends to fall. There may be little to no linear connection between the variables if the correlation coefficient is closer to 0.

Table 8

Correlation Coefficients

		MPS	EPS	DPS	BPS	P/E Ratio
MPS	Pearson Correlation	1	.776**	.869**	.725**	.702**
	Sig. (2-tailed)		.000	.000	.000	.000
EPS	Pearson Correlation	.776**	1	.788**	.645**	.127
	Sig. (2-tailed)	.000		.000	.000	.437
DPS	Pearson Correlation	.869**	.788**	1	.763**	.493**
	Sig. (2-tailed)	.000	.000		.000	.001
BPS	Pearson Correlation	.725**	.645**	.763**	1	.463**
	Sig. (2-tailed)	.000	.000	.000		.003
P/E	Pearson Correlation	.702**	.127	.493**	.463**	1
Ratio	Sig. (2-tailed)	.000	.437	.001	.003	

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

Source: IBM SPSS Output

Table 8 shows that there is a 0.776 association between MPS and EPS. At the 0.01 level of significance (2-tailed), it demonstrates a substantial positive correlation between MPS and EPS. It suggests that MPS rises in response to an increase in EPS and vice versa.

Additionally, it is shown that there is a 0.869 association between MPS and DPS. At the 0.01 level of significance (2-tailed), it demonstrates a substantial positive correlation between MPS and DPS. It suggests that as DPS rises, MPS also increases and vice-versa.

The correlation coefficient (0.725) between MPS and BPS is also included in the table. At the 0.01 level of significance (2-tailed), it demonstrates a substantial positive correlation between MPS and BPS. It suggests that MPS rises in response to an increase in BPS and vice versa.

According to the calculation, there is a substantial positive association between MPS and P/E ratio at the 0.01 level of significance (2-tailed), with a correlation coefficient of 0.702. It suggests that BPS rises in response to an increase in P/E ratio and vice versa.

Regression analysis

The regression analysis is carried out to determine whether the dependent variable is influenced by the given independent variables or not.

The regression model used in this research is:

$MPS = a + b_1DPS + b_2EPS + b_3BVS + b_4PE + e$

Table 9

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987[a]	.975	.972	124.7400

Source: IBM SPSS Output

From Table 9, which is the model summary, it is seen that Adjusted R-square value is 0.972 which indicates that 97.2% of change in MPS is explained by the independent variables EPS, DPS, BPS and P/E Ratio.

Table 10

Regression Coefficents

Model		**Unstandardized B**	**Coefficients Std. Error**	**Standardized Coefficients Beta**	**t**	**Sig.**
1	(Constant)	-871.340	105.937		-8.225	.000
	EPS	27.103	2.108	.658	12.855	.000
	DPS	4.226	2.788	.091	1.516	.139
	BPS	-.672	.639	-.045	-1.052	.300
	P/E Ratio	34.435	2.109	.595	16.324	.000

Source: IBM SPSS Output

From Table 10, it is observed that the when EPS changes by 0.658, the MPS changes by 1 unit. Also, it is observed that as DPS changes by 0.091, MPS changes by 1 unit. However, if BPS decreases by a factor of 0.045, MPS increases by 1 unit. It is also seen that if P/E ratio increases by a factor of 0.595, there is increase in 1 unit of MPS.

Table 11
ANOVA table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21055148.02	4	5263787.001	338.288	.000[b]
	Residual	544601.97	35	15560.056		
	Total	**21599749.96**	**39**			

Source: IBM SPSS Output

a. Dependent Variable: MPS
b. Predictors: (Constant), P/E Ratio, EPS, BPS, DPS

Table 11 shows that there is a statistically significant difference between the means of the various levels of the market price per share determinants. The f-value, which is 338.288 and approaches significance with a p-value of 0.000 less than 0.05 of the alpha level, supports this conclusion.

4.2 Discussion

According to the research, banks with greater MPS also have higher EPS, DPS, and BPS. The company's MPS is primarily impacted by EPS, BPS, and DPS. It has been observed that there is a high link between EPS and MPS, meaning that when EPS rises, MPS rises as well, and vice versa. Additionally, a substantial correlation was discovered between DPS and MPS. It suggests that MPS rises in response to DPS increases and vice versa. Additionally, the study demonstrates a strong positive correlation between BPS and MPS. It suggests that while BPS rises, MPS rises as well, and vice versa. Additionally, it was observed that there is a positive correlation between the P/E ratio and MPS, meaning that a rise in the P/E ratio raises MPS and vice versa. This outcome confirms the findings of Sharma's (2011) study, however it contradicts the findings of Pradhan and Dahal (2015), who found that earnings per share and book value per share had very little impact on market price per share.

Regression study revealed that about 97.2% of the change in MPS can be explained by the independent variables EPS, DPS, BPS, and P/E ratio.

The research discovered that the market price per share of the commercial banks is significantly and strongly influenced by earnings per share, book value per share, P/E

ratio, and dividend per share. By analyzing the correlation between equity share prices and commercial banks' net worth, size in terms of sales, price-earnings ratio, and dividend per share, Sharma (2011) had reached a similar conclusion. The results of this study are consistent with those of Malhotra and Tandon (2013), who used a linear regression model to investigate the factors influencing the stock price of the National Stock Exchange, India. They found that the firm's book value ratio and earning per share have a significant positive relation with the firm's stock price.

Nevertheless, during a ten-year period, this research is restricted to only four joint venture commercial banks. A bigger sample and more data may provide a different outcome. However, as stated in the study by Arshad, Arshaad, Yousaf, and Jamil (2015), several economic variables including inflation and GDP growth need to be taken into account.

CHAPTER -V
SUMMARY AND CONCLUSION

5.1 Summary

The purpose of the research was to examine the link between several factors that affect the market price of commercial bank stock and the volatility of the market price per share. The fundamental financial metrics book value per share, earnings per share, dividend per share, and price-earnings ratio were the study's drivers. The impact of these factors on the market price per share was determined using descriptive statistics, correlation analysis, and linear regression. This study's findings indicate that the market price per share of the sample banks is significantly and favorably impacted by profits per share, dividends per share, book value per share, and price-earnings ratio. Based on quantitative study, it was discovered that the independent variables price-earnings ratio, book value per share, earning per share, and dividend per share account for 97.2% of the change in market price per share.

Although there are several additional variables that affect price fluctuations, supply and demand ultimately decide the price of a stock. The share price is influenced by a variety of external factors, including news, rumors, interest rates, political situations, fiscal policies, government policies, and the NRB's policy, in addition to company financial indicators like cost of equity and fund. The primary variables influencing a share price shift are unpredictable.

The study's main objectives are to identify the factors that influence share price and analyze how these factors relate to the market price per share of commercial banks. For this reason, seven listed commercial banks are taken into account.

5.2 Conclusion

Many academics and investors have expressed serious concerns about the key factors that influence share price. The market price per share (MPS) of Nepal's commercial banks is influenced by many variables. The influence of four important independent variables—book value per share (BPS), price-to-earnings ratio (P/E ratio), dividend per share (DPS), and earnings per share (EPS)—was investigated in this research.

The research focused on four major independent variables—earnings per share (EPS),

book value per share (BPS), price-to-earnings (P/E) ratio, and dividend per share (DPS)—in order to investigate the factors influencing the share prices of commercial banks in Nepal. The market price per share (MPS) was taken into consideration as the dependent variable. Numerous important conclusions were reached after thorough study and empirical research.

First off, there was a clear positive link between market price per share (MPS) and earning per share (EPS), suggesting that greater market values are often correlated with higher EPS. This emphasizes how crucial profitability is to investors in determining company prices.

Second, there was a positive correlation between book value per share (BPS) and market price per share (MPS), indicating that investors should take a bank's net asset worth into account when determining how much to pay for its shares. This indicates the trust that investors have in the physical assets and stock of the banks.

Thirdly, there was a mixed association between the price-to-earnings (P/E) ratio and market price per share (MPS). This suggests that while P/E is a commonly used valuation indicator, its effect on stock prices might vary based on other market characteristics and investor mood.

Finally, the market price per share (MPS) and dividend per share (DPS) showed a positive association, underscoring the importance of dividends as a component of total returns and a factor affecting investor choices.

In summary, the rising share prices of Nepali commercial banks may be attributed to a mix of factors such as continuous dividend payments, excellent profits, and attractive value as measured by the P/E ratio and BPS. But MPS is also influenced by other macroeconomic and industry-specific variables.

5.3 Implications

Based on the study, the major implications are as follows:

- From this study, banks should prioritize strategies that increase EPS, such as growing loan portfolios, improving operational efficiency, and managing risk effectively.

- A healthy BPS reflects a bank's financial strength and stability, which can attract investors seeking secure investments.

- While dividends can be attractive to investors, excessive payouts might hinder future growth. Banks should find a balance between rewarding shareholders and retaining capital for expansion.

- Building a strong investor perception can positively influence the P/E ratio. Banks can achieve this through transparent communication, consistent performance, and a commitment to good corporate governance.

- However, this study limits to only 4 joint venture commercial banks for a period of 10 years. The result may change for a larger sample and data.

- This study serves as a baseline for future research where more variables like return on assets, return on equity, profitability index, firm size, etc. can be incorporated on a larger sample for more precise analysis.

- Understanding the relationships between EPS, BPS, P/E, DPS, and MPS can aid investors in making informed decisions. Banks with strong performance on these metrics might be good investment opportunities. Investors should not solely rely on these financial ratios. They should also evaluate factors like bank size, risk profile, and the overall economic climate.

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Appendix-A

Calculation of Mean, S.D. and CV of selected banks

1. Everest Bank Limited

Year	EPS	DPS	BPS	MPS	P/E Ratio
2013/014	86.04	62.63	296.30	2631	30.58
2014/015	78.04	36.58	335.60	2120	27.17
2015/016	40.33	73.68	370.84	3385	83.94
2016/017	32.48	34.74	290.02	1353	41.66
2017/018	32.78	20	200.01	663	20.23
2018/019	38.05	25	218.58	666	17.50
2019/020	29.71	10.53	219.56	675	22.72
2020/021	19.91	10.32	232.11	738	37.06
2021/022	26.30	20.68	241.37	439	16.69
2022/023	31.43	20.53	237.29	563	17.91
Mean	41.51	31.47	264.17	1323.30	31.55
SD	22.18	21.30	56.41	1032.11	20.30
CV	53.43%	67.70%	21.35%	78.00%	64.34%

(Source: Annual Reports of EBL)

2. Himalayan Bank Limited

Year	EPS	DPS	BPS	MPS	P/E Ratio
2013/014	33.1	21.05	210.00	941	28.43
2014/015	33.37	42.11	208.81	813	24.36
2015/016	43.03	31.58	196.12	1500	34.85
2016/017	35.15	26.32	189.91	886	25.21
2017/018	23.11	15.79	174.24	551	23.84
2018/019	32.44	22	187.73	552	17.02
2019/020	27.6	20	187.67	540	19.57
2020/021	28.07	26	188.43	484	17.25
2021/022	18.26	19.11	169.72	299.2	16.39
2022/023	9.18	0	155.29	212.8	23.18
Mean	28.33	22.40	186.79	677.90	23.01
SD	9.57	10.88	16.88	373.41	5.79
CV	33.77%	48.57%	9.04%	55.08%	25.16%

(Source: Annual Reports of HBL)

3. Nabil Bank Limited

Year	EPS	DPS	BPS	MPS	P/E Ratio
2013/014	83.68	65	251.00	2535	30.29
2014/015	57.24	36.84	259.00	1910	33.37
2015/016	59.27	45	244	2344	39.55
2016/017	59.86	48	270	1523	25.44
2017/018	49.51	34	256	921	18.6
2018/019	50.57	34	257	800	15.82
2019/020	36.16	35.26	256	765	21.15
2020/021	33.57	38	251	1359	40.48
2021/022	18.64	30	232	824	44.21
2022/023	23.67	11	210	599	25.31
Mean	47.22	37.71	248.60	1358.00	29.42
SD	19.53	13.79	16.81	699.58	9.79
CV	41.35%	36.56%	6.76%	51.52%	33.29%

(Source: Annual Reports of NABIL)

4. Nepal SBI Bank Limited

Year	EPS	DPS	BPS	MPS	P/E Ratio
2013/014	34.83	22.07	171.15	1280	36.75
2014/015	34.48	28.42	186.49	887	25.73
2015/016	36.78	29.53	184.87	1875	50.98
2016/017	33.46	16.34	151.9	925	27.64
2017/018	25.16	15.79	159.08	499	19.83
2018/019	27.13	16.84	167.52	469	17.29
2019/020	17.23	9.47	165.05	435	25.24
2020/021	10.15	5.31	162.22	409	40.3
2021/022	16.19	10.53	174.17	282.3	16.93
2022/023	19.44	10.55	180.49	341	17.54
Mean	25.49	16.49	170.29	740.23	27.82
SD	9.36	8.09	11.35	509.73	11.46
CV	36.73%	49.08%	6.66%	68.86%	41.19%

(Source: Annual Reports of SBI)

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ABSTRACT

The factors influencing the share price of Nepal's commercial banks

are investigated in this research. Earnings per share, book value per share, dividend per share, and price earnings ratio are the independent variables, while market price per share is the dependent variable. For this research, 40 observations from 2013–14 to