STOCK PRICE BEHAVIOR OF COMMERCIAL BANKS IN NEPAL

A Thesis Submitted to the Office of the Dean, Faculty of Management in Partial Fulfillment of the Requirements for the Master of Business Studies (MBS)

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Certificate of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **"Stock Price Behavior of Commercial Banks in Nepal".** 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

Mr. Milan Shrestha has defended research proposal entitled **"Stock Price Behavior of Commercial Banks in Nepal"** Successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per the suggestion and guidelines of supervisor Asso. Prof. Pitampar Lamichhane and submit the thesis for evaluation and viva-voce examination.

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Approval Sheet

We, the undersigned, have examined the thesis entitled **Stock Price Behavior of Commercial Banks in Nepal** presented by Mr. Milan Shrestha 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 thesis is worthy of acceptance.

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ABBREVIATIONS

BVPS	Book value per share
Co.	Company
D/Y	Dividend Yield
DPR	Dividend Payout Ratio
DPS	Dividend per Share
P/E	Price Earnings Ratio
BPS	Book Value Per Share
EPS	Earnings Per Share
F/Y	Fiscal Year
GDP	Gross Domestic Product
HBL	Himalayan Bank Limited
ADBL	Agriculture Development Bank Ltd.
NBL	Nepal Bank Ltd.
SCBL	Standard Chartered Bank Nepal Ltd.
SBI	Nepal SBI Bank Ltd.
EBL	Everest Bank Ltd.
NICA	NIC Asia Bank Ltd.
GBIME	Global IME Bank Ltd
NMB	NMB Bank Ltd.
MPS	Market Value per Share
MV	Market Value
MV/BV Ratio	Market Value to Book Value Ratio
NABIL	Nabil Bank Limited
NEPSE	Nepal Stock Exchange Limited
NRB	Nepal Rastra Bank
NSM	Nepal Stock Market
ROA	Return on Assets
ROE	Return on Equity
SEBON	Securities Board of Nepal
SEC	Securities Exchange Centre
T.U.	Tribhuvan University

ABSTRACT

The purpose of this study is to analyze the Stock price behavior of Nepalese commercial banks. This study aims to evaluate the determinants influencing the stock prices of Nepalese commercial banks. Through a comprehensive analysis, the research seeks to elucidate the relationship between crucial financial indicators such as book value per share, dividend per share, earnings per share, price-to-earnings ratio, and return on equity on the stock prices of commercial banks in Nepal. By analyzing the effects of BPS, DPS, EPS, P/E, and ROE on stock prices, this research endeavors to provide valuable insights into the dynamics governing the Nepalese banking sector's stock market performance. In this study, Bivariate Correlation and linear multiple regression models are employed to assess the impact of explanatory variables on dependent variables. Data are sourced from the annual reports of selected commercial banks, the report of Nepal Rastra Bank, and various official and unofficial publications. The analysis utilizes appropriate financial and statistical tools, adopting a descriptive and causal-comparative research design. The research is based on data collected from ten commercial banks listed on the Nepal Stock Exchange (NEPSE) for the fiscal years 2012/13 to 2021/22, using a convenience sampling method. The calculated data have been tabulated and analyzed using MS-Excel and SPSS. This paper examines the relationship between book value per share, dividend per share, earnings per share, price-earnings ratio, and return on equity on the market price of Nepalese commercial banks through descriptive statistics, correlation, and regression analysis. The study concludes that book value per share, Dividend per share, earnings per share, price earnings ratio, return on equity have positive significant relationship on market price.

Key words: Market price per share, book value per share, dividend per share, price-earnings ratio, earnings per share, and return on equity.

CHAPTER - I
INTRODUCTION

1.1 Background of the study

The stock market plays an important role in economic development by promoting capital formation and raising economic growth. Trading of securities in this market facilitates savers and users of capital by fund pooling, risk sharing, and transferring wealth. Economic activities can be created by the flow of reserves to the most productive investment. Investors make decisions to invest in particular shares of companies, keeping in view their share prices. Theories suggest that there is an association between changes in share prices and changes in financial fundamental variables (Nisa & Nishat, 2011).

The behavior of stock prices is shaped by a range of influences, with the prevailing price at any given moment being a reflection of the interplay between supply and demand in the market. Stock prices are primarily driven by fundamental factors, particularly a company's earnings and profitability derived from its operations. Stock markets serve as crucial channels for directing public savings into industrial and business ventures. While deploying these resources for investment is essential for economic advancement, the effective allocation of these funds to diverse investment endeavors is equally vital for fostering growth. This underscores the importance of an efficient stock market in facilitating optimal resource allocation, thereby contributing significantly to overall economic development (Berthelemy & Varoudakis, 1996).

In Nepal, the market price per share of commercial banks has experienced rapid fluctuations, leading to an uncertain environment for investors and companies alike in the capital market. Over the course of a year, the Nepse index surged from 1400 points to 3000 points, indicating high volatility in Nepal's capital market. The dynamics of supply and demand directly influence stock prices, which are further impacted by the performance of enterprises, industries, and the overall economic conditions of the country. The trading volume in the Nepal stock exchange market is a crucial determinant of stock prices. Trading volume refers to the number of shares exchanged for a particular security or the total shares traded overall. Additionally, interest rate mechanisms and the statutory rates mandated by Nepal Rastra Bank affect the price volatility of banking stocks. The asset quality of financial markets and provisions for non-performing assets (NPAs) within the organized financial sector also play significant roles in stock valuation (Niraula, 2021).

The history of Nepal's capital market is relatively short, dating back to the IPOs of Nepal Bank Limited and Biratnagar Jute Mills in 1937. The Securities Exchange Center was established in 1976 with the aim of fostering capital growth, later evolving into the Nepal Stock Exchange (Nepse), where trading commenced in 1994. The stock market plays a crucial role in fostering the growth of industry and commerce, thereby significantly impacting the country's economy. Consequently, various stakeholders including government bodies, industries, corporations, and central banks closely monitor stock market activities. Acting as a conduit, the stock market channels small and dispersed investor savings into productive corporate endeavors. It also offers essential attributes such as liquidity, marketability, and investment safety to investors. A well-structured and regulated capital market fosters sustainable economic development by providing long-term funding opportunities in exchange for financial assets. Consequently, governments endeavor to foster the growth and development of their capital markets through legislative and regulatory measures (Ghimire & Mishra, 2018).

The stock market behavior in smaller and under-developed capital markets is thus one of the important areas of study in finance. Information on stock market behavior in much smaller and under-developed capital markets would help the development of realistic theoretical models and formulation of relevant hypotheses for empirical testing in finance (Pradhan, 1993).

Bank profitability is one aspect that can be used as a benchmark for assessing the success of a bank in carrying out its operations. Analysis of bank profitability is an important analysis because by analyzing bank profitability it can measure the effectiveness and efficiency of the use of resources owned by the bank during a certain period (Ngurah & Panji, 2021).

Raza et al. (2021) stated that stock market performance is regarded as a crucial area of financial research by investors, managers, financial analysts, and the government. The stock market is essential for maintaining economic growth as it facilitates the flow of funds among the government, investors, and other stakeholders. This research seeks to determine the impact of BPS, DPS, EPS, P/E, and ROE on the market price per share of Nepalese commercial banks. Acknowledging the volatile nature of the stock market and the importance of protecting investors' interests, it's vital to explore the various factors influencing stock prices. This study aims to investigate what drives stock prices for

commercial banks in Nepal, using specific financial ratios from company financial statements as proxies for their sectors. Key factors to be examined include Dividend per share, Earning per share, book value per share, dividend yield, and price-earnings ratio. The market price of securities is affected by many different factors, leading to fluctuations that have lasted for over a century. Many theories and models have been created to explain why security prices fluctuate over time in response to these factors.

The establishment of Nepal Bank Ltd (NBL) in 1994 B.S. marked a significant milestone in Nepal's financial history, bringing the country into an official financial system. Following this, Nepal Rastra Bank (NRB) was founded in 2013 B.S., with Rastriya Banijya and Agricultural Development Bank Ltd. established in 2022 and 2024 B.S. respectively. The emergence of the first privately owned commercial bank, Nabil Bank Ltd., in 2041 B.S., marked a significant shift. Although there was initial growth, the pace of establishing commercial banks slowed from 2051 B.S. to 2063 B.S. due to sluggish economic growth during the Maoist insurgency and limited licensing by the NRB. After the insurgency ended in 2063 B.S., at least one commercial bank was established every year until recently. While the banking sector saw growth after the conflict ended, it faced challenges such as poor governance, corruption, and scandals. Government-owned banks, in particular, were affected by political interference in their operations.

In this study, ten commercial banks listed with the NEPSE are taken for analysis. Respective banks are Nabil Bank Limited (NABL), Standard Chartered Bank Limited (SCBL), Himalayan Bank Limited (HBL), Nic Asia Bank Ltd (NICA), Everest Bank Limited (EBL), NMB Bank, Nepal SBI Bank, Agriculture Development Bank (ADBL), Nepal Bank Ltd (NBL) and Global IME bank (GBIME).

1.2 Problem statement

Banks constitute a significant and influential sector in the global business landscape. Both individuals and organizations utilize banks, either as depositors or borrowers. Banks play a crucial role in maintaining confidence in the monetary system through their close relationships with regulatory authorities and governments, as well as the regulations imposed on them by these governments. Consequently, there is substantial and widespread interest in the well-being of banks, particularly regarding their solvency, liquidity, and the varying levels of risk associated with different types of their business activities.

The Nepalese securities market has been in operation for more than thirty years. Despite this, the market remains inefficient due to insufficient and improper oversight by relevant authorities, the lack of professionalism among market participants, an unfavorable stance from market authorities, and slow fund transfers. Furthermore, economic disparities, political instability, and ineffective enforcement of the nation's liberal economic policies have adversely affected the economy. As a result, the prices of securities, especially common stocks, have exhibited erratic fluctuations and declined in recent years. Policymakers have faced challenges in formulating effective stock market policies, and governmental efforts toward its advancement have been limited. (Joshi, 2016).

Stock prices are fundamentally determined by the forces of demand and supply, influenced by both qualitative and quantitative factors. However, pinpointing the exact factors that determine stock prices is often controversial and unpredictable. Numerous factors influence share prices, yet stock exchanges may remain unaffected by certain environmental changes. In Nepal, the banking sector holds a dominant position, and many investors are unaware of the financial health of companies. They often do not analyze financial indicators before investing through the primary market (IPO) or the secondary market (NEPSE). The market price of common stocks does not always align with financial indicators such as market value per share (MVPS), earnings per share (EPS), and dividends per share (DPS). Instead, rumors often have a greater influence on share prices than the actual financial strength of companies. The MVPS of commercial banks, particularly foreign joint venture banks, is significantly higher than that of other sectors. Consequently, the overall performance of NEPSE is heavily dependent on the MVPS of these banks (Paudel, 2013).

Stock prices of commercial banks in Nepal are highly volatile, influenced by a range of factors. This volatility creates challenges for investors, policymakers, and government authorities. While share prices are affected by both internal and external factors, this study focuses on the internal factors, such as a firm's earnings yield, dividend policy, and market-to-book value. Understanding these microeconomic factors is crucial as they can be controlled by the firm's management. The purpose of this research is to identify and analyze the internal factors that influence the stock market prices of Nepali commercial banks and to examine their relationships (Wagle, 2021).

Nepal Stock Exchange, the sole share market in Nepal, is a key indicator of the country's economic growth and development. Share prices are critical in this market as they

significantly influence investment decisions. Therefore, understanding the factors that determine share prices is essential. While numerous studies have explored these factors globally, few have focused on the Nepalese context. Literature indicates that stock price fluctuations depend on both internal and external factors. The current share prices are crucial for policymakers, investors, investment decision-makers, portfolio managers, share brokers, and researchers interested in capital market performance. Investors, in particular, should consider a firm's internal and external factors when investing in its shares to maximize their returns. Share prices are highly volatile and influenced by various factors, including earnings. The Nepalese banking sector plays a vital role in the country's economic growth (NRB, 2019). Therefore, it is important to understand stock price behavior in Nepalese commercial banks.

Now-a-days, investment in common stocks in Nepal has been gaining traction, primarily due to the dissemination of information through print media, although this information remains insufficient. Individual investors are increasingly investing in common stocks despite the limited availability of information, largely because of the lack of alternative investment opportunities. Most investment decisions are based on stock price movements observed in the market. Additionally, there is a scarcity of information regarding various risk factors, and no dedicated agencies exist to provide comprehensive data on the performance of different common stocks (Dhodary, 2020).

In today’s context, many investors are drawn to the banking sector, prompting a need for comparative analysis among different banks. Ignoring relevant information about other banks can lead to negative long-term impacts. Customers are primarily attracted to banks that offer efficient and reliable services. Similarly, investors prefer banks that provide high dividends and profits, along with transparency regarding payment capabilities. For banks to thrive in a competitive market over the long term, they must consider their liquidity, profitability, market position, and other factors. This study focuses on the financial performance of commercial banks operating in Nepal, aiming to benefit both customers and investors. While several studies have examined the financial performance of the banking sector in Nepal, there is a lack of comprehensive research specifically on commercial banks listed on Nepal's stock exchange. The research problem is framed in the following questions:

- What are the factors that affect the stock price of Nepalese commercial banks?

- What is the relationship between BPS, DPS, EPS, P/E and ROE with stock price of Nepalese commercial banks?
- What is the impact of BPS, DPS, EPS, P/E and ROE on stock price of Nepalese commercial banks?

1.3 Objectives of the study

The major objective of the study is to analyze the share price behavior of Nepalese commercial banks in Nepal. The specific objectives of the study are:

- To assess the factors that affect the stock price of Selected commercial banks.
- To examine the relationship between BPS, DPS, EPS, P/E and ROE with stock price of Selected commercial banks.
- To analyze the impact of BPS, DPS, EPS, P/E & ROE on stock price of Selected commercial banks.

1.4 Rationale of the study

There is lot of research work on the other performances of commercial banks but this specific topic does not seem given importance before in the context of Nepal. Therefore, this study is an effort to bring forth the facts related to the stock price behaviors of Nepalese commercial banks. This research is providing more information regarding the securities market trend of the banking sector. Investors can assess how market fluctuation affects their investment and return. This study may importance provide guidelines to the government for review and reforms of financial policy. Similarly, this study provides useful feedback for academic institutions, bank employees, trainees, investors, financial persons, policy-making bodies, and other concerned people with banks. Many companies are issuing new shares. The right offering has become popular because of its low floatation costs. This study is helpful to investors, security dealers, students, and the companies themselves which are the samples of the study. It helps these parties to know about the share price movement after the issue of the right share. It also helps them to know about the attitude of investors regarding the right offering.

1.5 Limitations of the study

This study has the following limitations:

- Among 20 commercial banks 10 banks were taken for sample. This selection is based on criteria such as market capitalization, aiming for a representative subset that reflects the broader banking landscape. By examining a diverse but manageable subset, the study ensures depth of analysis without sacrificing comprehensiveness.
- This study only analyzes the last ten year's data i.e. from 2013/014 to 2021/022. This period covers important ups and downs in the economy, changes in rules and regulations, and big shifts in the banking industry. By focusing on these years, we can see the bigger picture of how the banks have been performing over the long term and how they've adjusted to changes in the market.
- This study is based on secondary data taken from the annual reports and internet websites of the banks. Data for this study is sourced from the annual reports and online repositories of the selected banks. This approach ensures reliability and consistency in the dataset, as information is directly sourced from authoritative financial disclosures.
- Only limited financial and statistical tools are used for analysis. We are using specific financial and statistical tools that match up with what we're trying to find out. Even though we're not using a whole bunch of different tools, the ones we have picked are the right ones for the job.
- The study concentrates only on those factors which are related with common stock and available in the form required for analyzing the different issues. By concentrating on factors directly relevant to stock performance, the study aims to provide actionable insights for investors and stakeholders seeking to assess the financial health and prospects of the banking institutions under scrutiny.

CHAPTER -II
LITERATURE REVIEW

2.1 Introduction

This chapter has been made to review the existing literature pertaining to stock market development and economic growth. The relevant literature and articles are reviewed from international as well as national publications available from different libraries, institutions, and websites that have great significance to this study. A few books, articles, and research working papers have been reviewed on this subject.

A securities market can be described as a system that brings together buyers and sellers of financial assets to facilitate trading. Simply put, it is a marketplace where individuals buy and sell financial instruments. These financial instruments can include government bonds, corporate bonds or debentures, common shares, preferred shares, and more. As it pertains to the securities market, it is a crucial component of the capital market. It encompasses a broad range of participants, including buyers, sellers, and all the agencies and institutions that support the sale and resale of corporate securities. Although securities markets are concentrated in a few locations, they function more as mechanisms than as specific places designed to facilitate the exchange of securities. This market can be defined as a mechanism that connects buyers and sellers of financial assets to enable trading. To ensure efficient capital allocation and maintain high liquidity in securities, the market must be adept at pricing shares based solely on economic factors derived from publicly available information (Sharpe, Bailey, & Alexander, 2004).

The Securities Market can be categorized based on the time to maturity of the securities traded, namely the Money Market and the Capital Market. Short-term securities are traded in the money market, whereas long-term securities are traded in the capital market. Stocks, bonds, and debentures are typically traded in capital markets. These securities play a crucial role in financing industrial projects and fostering the economic development of a country. Securities markets can also be classified based on their economic function, specifically into Primary markets and Secondary markets. A primary market brings together surplus saving units with deficit saving units to finance productive activities. Securities are sold for the first time in primary markets, while their subsequent trading occurs in secondary markets. Both markets enable investors to diversify their asset

holdings beyond domestic investments. The connection between companies and investors has created favorable conditions for the flow of funds in both primary and secondary markets. Existing securities are traded in the secondary market, where they are transferred from one surplus unit to another. The primary market significantly relies on the presence of an active secondary market. The secondary market provides liquidity to investors who purchase securities in the primary market (Jones, 1998).

In Dow Theory, practitioners differentiate between three main components: primary trends, secondary movements, and tertiary movements. Primary trends, referred to as bear or bull markets, are fundamental in Dow Theory analysis, encapsulating the overall direction of market sentiment and price movements over the long term. Identifying and understanding these primary trends is the main objective for Dow theorists, as they provide essential insights into market dynamics and investor behavior. Secondary movements, also known as corrections, represent shorter-term fluctuations within the larger context of primary trends, typically lasting a few months and serving as adjustments to existing market sentiments. Tertiary movements comprise the daily fluctuations in asset prices, which Dow theorists consider essentially random and lacking significant long-term predictive value. However, chartists still plot these daily fluctuations alongside market averages as part of the process to identify primary and secondary trends, thus aiding in a comprehensive analysis of market behavior and trend identification (Francis, 1996).

2.2 Theoretical review

Theories of Dividend

The Dow Theory

According to Dow theory, there are three types of market trends or cycles. The primary trend represents the market's long-term movement, typically lasting around four years. A trend line can be derived from this primary trend to indicate the market's direction. The secondary trend consists of short-term deviations from this trend line, while the third trend involves short-term fluctuations in stock prices. Charles Dow believed that upward movements in the stock market were moderated by pullbacks that recaptured part of the previous gains. A market reversal happens when an upward movement fails to exceed the prior gain. To determine whether a gain actually occurred, Dow recommended examining the movements in different stock market indexes such as the Dow Jones Industrial

Average and the Dow Jones Transportation Average. One index is chosen as the primary index, and the other serves as the confirming index. If the primary index surpasses its previous high, the upward trend is expected to continue if the confirming index also surpasses its previous high (Fabozzi & Drake, 2009).

Dow Theory practitioners classify market movements into three main components: primary trends, secondary movements, and tertiary movements. Primary trends, often known as bull or bear markets, indicate the overall market direction over extended periods. Recognizing and comprehending these primary trends is essential to the Dow Theory approach. Secondary movements, or corrections, take place within the context of primary trends and typically last a few months. These corrections adjust the market's path within the larger primary trend. Tertiary movements encompass the day-to-day price fluctuations of assets. While Dow Theory posits that these daily fluctuations are largely random and insignificant, chartists still monitor them closely to identify and outline both primary and secondary trends over time. By charting these fluctuations alongside broader market averages, practitioners seek to understand the overarching market dynamics and make informed investment choices.

The Dow Theory utilizes two indicators known as the Dow Jones Industrial Average (DJIA) and the Dow Jones Transportation Average (DJTA). The DJIA is a primary indicator of fundamental trends, whereas the DJTA typically functions to validate or invalidate that signal (Bodie et al., 2002).

Therefore, the Dow Theory's forecasting is less accurate, often effective only during prolonged, broad upward movements in the market. It tends to be unreliable as a predictor when market trends frequently reverse in the short or intermediate term. This theory does not consistently explain patterns in short-term price movements.

Efficient Market Theory

The term efficiency in the securities market has been used to represent a variety of logically distinct concepts. Efficiency encompasses different dimensions, such as exchange efficiency, production efficiency, and information efficiency. However, this study focuses solely on information efficiency in stock pricing. When financial literature discusses market efficiency, it specifically refers to information efficiency in pricing stocks. A market is considered information efficient if the current market price

instantaneously and fully reflects all relevant available information. The market value of a particular share can be either undervalued or overvalued. An efficient market is one where shares are always correctly priced, making it impossible to consistently outperform the market. The efficient market theory argues that in a free and perfectly competitive market, stock prices always reflect all available information and adjust instantly with the influx of new information. In an efficient market, securities prices fully incorporate all available information. Consequently, in an efficient market, price changes would only occur due to new information (Francis, 1996).

An initial and every important premise of an efficient market is that there are large numbers of knowledge and profit-maximizing independent buyers and sellers, new information is generated randomly and investors adjust the information rapidly. Therefore, if the market is efficient, it uses all available information to set prices. The measure of efficiency evolved from the nation of perfect competition, which assumes free and instantly available information for rational investors with no taxes or transaction costs.

For a securities market to operate efficiently, several critical conditions must be met. Firstly, there needs to be a substantial presence of rational investors driven by profit motives, actively engaging in market activities such as analysis, valuation, and trading of stocks. Secondly, access to information must be equitable and cost-free, ensuring that all participants have access to the same data simultaneously. This includes timely dissemination of information without bias or preferential treatment, fostering a level playing field. Furthermore, the generation of information must occur in a stochastic manner, devoid of patterns or predictability, ensuring that market announcements are independent events. Lastly, investors must demonstrate agility and accuracy in processing new information, promptly adjusting their strategies and trades in response. This rapid and precise reaction to news enables stock prices to reflect the latest developments swiftly, contributing to market efficiency (Jones 1998).

As efficient market theory is concerned with the pricing mechanism of the securities market, it has two dimensions of price adjustment of security to the information. As any random infusion of information instantaneously and correctly adjusted in price, there will be no subsequent dependencies or lags that are profitable.

There are three forms of efficient market theory, each based on the type of information incorporated into prices. If stock market prices have absorbed all available information, the market is considered weakly efficient, rendering technical analysis useless. In this market, past information is already reflected in the prices, so no excess profit can be obtained from investment strategies based on historical data. When the current stock price reflects all publicly available information, including past prices, volume data, and published accounting information, the market is semi-strong efficient. In this market, even fundamental analysis of published accounting information is of no value because it has already been accurately and instantly discounted by participants when disclosed. A strongly efficient market exists when stock prices fully reflect all relevant information, both published and unpublished, that impacts future prices. In this market, insider information cannot outperform the market because no participant has exclusive access to such information (Reilly, 1996).

One set of tests of market efficiency examines the informational efficiency of security prices. The existing model of efficient markets implies that all relevant information regarding a given stock is reflected in its current market price. This notion of market efficiency can be divided into three categories based on the type of information used in making market decisions.
They are explained as follows:

i) Weak form market efficiency

In the weak form of market efficiency, current asset prices reflect all past prices and price movements. In other words, all worthwhile information about previous prices of the stock has been used to determine today's price; the investor cannot use that same information to predict tomorrow's price and still earn abnormal profits. Empirical evidence from the U.S. stock market suggests that in this market there is weak-form efficiency. In other words, you cannot outperform (beat) the market by using information on past stock prices (Fabozzi & Drake, 2009).

ii) Semi-strong form market efficiency

In the semi-strong form of market efficiency, the current asset prices reflect all publicly available information. The implication is that if investors employ investment strategies based on the use of publicly available information, they cannot earn abnormal profits.

This does not mean that prices change instantaneously to reflect new information, but rather that information is impounded rapidly into asset prices. Empirical evidence supports the idea that the U.S. stock market is for the most part semi-strong form efficient. This, in turn, implies that careful analysis of companies that issue stocks cannot consistently produce abnormal returns (Fabozzi & Drake, 2009).

iii) Strong form market efficiency

In the strong form of market efficiency, asset prices reflect all public and private information. In other words, the market (which includes all investors) knows everything about all financial assets, including information that has not been released to the public. The strong form implies that you cannot make abnormal returns from trading on inside information (discussed later), where inside information is information that is not yet public.5 In the U.S. stock market, this form of market efficiency is not supported by empirical studies. In fact, we know from recent events that the opposite is true; gains are available from inside information. Thus, the U.S. stock market, the empirical evidence suggests, is essentially semi-strong efficient but not in the strong form (Fabozzi & Drake, 2009).

Strong-form efficiency encompasses the weak and semi-strong forms and represents the highest level of market efficiency. It is necessary for the weak form hypothesis to be true in order to the semi-strong and strong form hypothesis to be true.

2.3 Empirical review

The stock market of Nepal has been less subjected to investment research than its counterparts elsewhere. In the Nepalese context, there is little study available about stock market behavior in small capital markets. Some of the available relevant studies are reviewed below. Even though these studies were carried out a few years back, they can provide intellectual ground in our domestic stock market and its dimension in the present context.

Chhetri (2023) examined the factors affecting the share price of Nepalese commercial banks in Nepal. It highlights that both internal and external influences significantly affect the market price of shares in these banks. Among the independent variables examined, such as P/E ratio, BVPS, and ROA, it was found that they hold statistical significance in determining the market price of shares for the selected commercial banks. However, factors

like EPS, LNFS, GDP, and broad money supply were deemed statistically insignificant, indicating they lack explanatory power in influencing stock price movements. Notably, GDP exhibited a negligible negative correlation with market price per share. On the other hand, P/E ratio, BVPS, and ROA exhibited a positive relationship with market price per share, suggesting that an increase in these factors corresponds to growth in market price per share. Ultimately, the study concludes that the price-earnings ratio, book value per share, and return on assets stand as the primary determinants shaping the share price of joint venture commercial banks in Nepal.

Gyawali (2022) analyzed on the factors influencing the stock price of Nepalese commercial banks. The study investigates how MPS are affected by DPS, EPS, P/E ratio, ROA, GDP, and inflation. A limited amount of study has been done on the factors that affect the stock price of Nepalese commercial banks. The research design was descriptive and causal-comparative. The stock price is significantly and favorably impacted by DPS, EPS, and PE ratios in this study, which use both descriptive and inferential statistics. The market price per share is negatively and insignificantly impacted by inflation, whereas ROA and GDP have a positive but minor impact on the stock price. The findings of this study are in line with the premise that the stock price is positively and significantly influenced by dividend per share, profits per share, and price-earnings ratio, whereas return on assets, GDP, and inflation are in opposition to this hypothesis.

Agrawal and Pradhan (2022) determined on the factors influencing the stock price of Nepalese commercial banks. Descriptive as well as causal comparative research designs were used. According to the study, market price per share is positively impacted by profits per share, dividend per share, price-earnings ratio, return on assets, and inflation. However, the market price per share is negatively impacted by both the GDP and the money supply. Similarly, inflation, price-earnings ratio, earnings per share, and dividends per share all have a favorable influence on stock performance. However, stock return is negatively impacted by return on assets, gross domestic product, and money supply. Similarly, the study came to the conclusion that fluctuations in the stock price of Nepalese commercial banks' stock returns are most explained by changes in gross domestic product, followed by changes in the money supply and inflation. The study came to the further conclusion that, in the context of Nepalese commercial banks, changes in the stock price in terms of

market price per share are most likely to be influenced by changes in the gross domestic product, followed by changes in the money supply and return on assets.

Pandey and Pradhan (2022) examined the impact of firm-specific and macroeconomic factors on the share price behavior of Nepalese commercial banks. Descriptive as well as causal comparative research designs were used. The study demonstrates that the share price of commercial banks in Nepal is positively impacted by earnings per share, price-earnings ratio, return on assets, asset size, dividend per share, and gross domestic product. However, the share price is negatively impacted by the inflation rate. The study also demonstrates that share return is positively impacted by earnings per share, price-earnings ratio, return on assets, dividend per share, gross domestic product, and inflation. The magnitude of the assets, however, has a detrimental effect on share return. The study came to the conclusion that the most important factor explaining fluctuations in the share price of Nepalese commercial banks is the dividend per share, followed by earnings per share and price-earnings ratio. The study came to the further conclusion that the most important factor explaining variations in the share return of Nepalese commercial banks is inflation, which is followed by GDP and asset size.

Shrestha and Lamichhane (2022) analyzed the several factors significantly influence stock returns in Nepalese commercial banks. Positive impacts are observed from dividend yield and earnings per share, while negative influences come from earnings yield, return on assets, and sales per share to stock price ratio. Firm size, including equity market capitalization and book-to-market equity ratio, does not significantly affect stock returns. Overall, dividend yield, earnings per share, return on assets, and sales per share to stock price ratio are strong predictors of stock returns in Nepalese commercial banks, suggesting that enhancing dividend yield and earnings per share while reducing earnings yield, return on assets, and sales per share to stock price ratio can boost common stock returns.

Niraula (2021) investigated the stock price behavior of commercial banks in Nepal. The study included a subset of 18 out of the 27 commercial banks listed on the Nepal Stock Exchange (NEPSE). Employing a convenience sampling method, the research utilized both descriptive and analytical research designs. Secondary data collected over a specific period were subjected to multiple regression analysis. Independent factors such as DY, size, BVPS, ROA, EPS, P/E ratio, and ROA were examined for their influence on the stock price behavior. The study's outcomes revealed that, while certain factors had minimal

impact, others like EPS, P/E ratio, and size demonstrated noteworthy positive effects on the stock price behavior of commercial banks in Nepal. The market price is influenced by DY and ROA in a positive but insignificant way. The effects of ROE and book value per share are negative and negligible. The statistical evaluation played a crucial role in understanding the relationships between dependent and independent variables and elucidating the factors influencing stock prices.

Dhodary (2021) analyzed the determinants of stock market price in Nepalese commercial banks. Causal comparative research design was used. While the profitability, dividend, and stock performance in the market are extremely variable, the study found consistently rising. Due to a specific bank's lack of earnings per share, the P/E ratio is discovered to be zero for some years. To make a profit, investors must purchase 20.888 times more shares in particular commercial banks. The equity shareholders of Nepalese commercial banks get, on average, Rs. 12.745 for every Rs. 100 invested in stocks, while the shareholders of the most prosperous banks have benefited with Rs. 23.360 on their investment. On average, the commercial banks have been paying a dividend of around Rs. 15 per every Rs. 100 of paid-up capital, comprising both cash dividends and bonus shares. Furthermore, the banks in Nepal that were sampled have a considerable dispersion from the mean MPS value. Share prices of commercial banks in Nepal are connected positively with BVPS, PE, ROE, and DIV, but negatively with firm size (FS). Except for firm size (FS), all of the independent factors are statistically significant.

Ale (2021) assed the individual investors' behaviors in the stock market of Nepal during covid-19 pandemic period. Descriptive research design was used. The findings of this qualitative study demonstrate that psychological forces also have an impact on investor decision-making in addition to fundamental and technical aspects. Numerous studies have been conducted to look at how fundamental (economic, business-related, and industry-related) dynamics affect stock prices and the market as a whole. Investor feelings and psychological factors are viewed as inescapable forces that eventually affect investors' decisions. The stock market has a propensity to vary based on the general psychology of investors. Literature from the past has shown how investor attitude influences whether they make a favorable or negative investment decision. Investors typically experience dread, unpleasant emotions, a sense of danger owing to uncertainty, and a pessimistic reaction during times of crisis. However, when investors respond with assurance and

optimism, it might result in the creation of market oddities. Such optimistic and pessimistic attitudes influence stock trading frequency, which causes the stock price to fluctuate.

Bhatta and Mishra (2021) investigated on stock returns and gross domestic product in Nepal. Descriptive and analytical research design is used. The study looks at how the Nepali economy's yearly GDP growth rate and stock market returns are related. The findings reveal that production growth and one-year lagged stock returns in Nepal have a positive, significant, and univariate connection. This outcome is in line with Mauro's (2000) observation that this link exists in a number of nations at various stages of economic and financial development. The Nepalese stock market is still not completely integrated with the economy, making it difficult to forecast production growth based on current market performance, as evidenced by the non-significant coefficient of stock market returns with control variables in OLS estimates.

Subedi and Dangal (2020) examined on the short-run return of initial public offerings (ipos) in Nepal. Descriptive and analytical research design is used. The goal of this study is to objectively analyze the short-term price performance of 133 Nepalese initial public offerings that took place between 2005–2006 and 2019–20. The average undervaluation of an IPO at the offer price is 3003 percent. The investors' unrealistic expectations for returns may be the cause of the high opening day return. Additionally, the study's regression analysis shows that contrary to what has been found in developed and other emerging markets, issue size, company size, and firm age do not account for IPO returns in the setting of the Nepalese primary market. According to the study, the most important predictor of IPO return is subscription rate. The fact that the subscription rate consistently has a large explanatory power across all models suggests that businesses with a high subscription rate would see greater early returns.

Dhami and Bista (2020) examined the impact of dividend policy on the share price volatility of commercial banks in Nepal. Descriptive as well as causal comparative research designs were used. The study found that the market price change of shares of Nepalese commercial banks is negatively impacted by dividend yield, earnings volatility, firm size, and leverage. Similar to asset growth, dividend payout ratio and market price movement are positively impacted by both. The study also came to the conclusion that the dividend policy of Nepalese commercial banks has no effect on share price volatility. The study came to the further conclusion that company size and leverage rank as the two most

important influencing variables in explaining variations in the market price of shares of Nepalese commercial banks.

Chowdhary et al (2019) investigated on the determinants of the stock price of the financial sector - a study on banks and non-bank financial institutions in Bangladesh. Descriptive and analytical research design is used. The study examined the effects of a few specific variables, including dividend, Price Earnings Ratio (P/E), Net Asset Value (NAV), Earnings per Share (EPS), Dividend Payout Ratio, and size, on the movement of the banking sector's share price in Bangladesh. The financial industry was composed of both banks and non-bank financial organizations. The sample consisted of 30 banks and 18 non-bank financial institutions listed on the Dhaka Stock Exchange (DSE) of Bangladesh. Secondary data was gathered from these companies between 2011 and 2015. Multiple regression analysis was performed in this study using SPSS 20. The information showed that depending on the firm, the effects of the factors vary. Dividends, P/E, NAV, EPS, Dividend Payout Ratio, size, and other important variables were among those that significantly influenced stock prices in Bangladesh's banking sector. The only factors that impacted non-bank financial institutions were dividends, P/E, DPR, and NAV.

Silwal and Napit (2019) examined on the fundamentals of stock price in Nepalese commercial banks. Descriptive and analytical research design was used. The study Investigates the effect of basic factors on the share prices of a few chosen commercial banks in Nepal and the degree to which the factors chosen have an impact on the share price during the course of the research. The purpose of the study was to determine the association between stock market price and the variables BVPS, P/E ratio, ROE, DY, and SIZE. The researcher identifies important explanatory factors based on earlier local and international investigations. An examination of pertinent theoretical and empirical literature served as the basis for the inquiry. It has been discovered that there is a positive association between BVPS, P/E ratio, ROE, and DY utilizing descriptive statistics, correlation, and regression analysis. The DY has a positive association with the dependent variable, which is inconsequential, but there is a negative link with the size of the stock market price.

Pokherel and Shrestha (2019) investigated on the factors affecting the stock index in Nepal. Simple behavior model was used. This essay investigates the variables influencing Nepal's stock market index, which has fluctuated in recent years. It turns out that, for the most part,

the Nepalese stock market has acted as would be predicted theoretically. It responds negatively to interest rates and has a significant positive association with money supply increases. It demonstrates that when there is enough liquidity available at a low-interest rate, stock indices tend to rise. The stock market index benefits from the favorable prognosis for political stability. Additionally, the movement of the stock market index is influenced by NRB's policies on paid-up capital requirements and lending against share collateral. The Nepalese stock market is also seen to exhibit persistent behavior and to follow trends closely. The fact that the model's explanatory power only grew to account for around 25% of the change in the stock index despite the model's examination being extended using the ARDL approach shows how important news, rumors, and speculation are in affecting the stock index. These characteristics are challenging to quantify and include into models.

Shrestha (2019) examined the effect of macroeconomic variables on the stock market index: with reference to the Nepal stock exchange. Descriptive research design is used. This study's correlation research came to the conclusion that the gold price (LnGP) and stock index (LnNEPSE) had a positive association. The positive correlation between the stock index (LnNEPSE) and the exchange rate (LnER) was also supported by this investigation. In contrast to the findings of Soenen and Hennigar (1988) and Kuwornu (2011), who found negative connections between these two variables, Aggarwal's study (1981) revealed a positive association between stock index and exchange rate. Additionally, this analysis supported the existence of a positive association between the wholesale pricing index (LnWPI) and the stock index (LnNEPSE). On the other hand, it has been noted that the stock index (LnNEPSE) and interest rate have a negative association. Humpe and Macmillan (2009) and Kuwornu (2011) both validated the negative correlation between stock index (LnNEPSE) and interest rate. However, the results of Ratanapakorn and Sharma (2007) are in direct conflict with the negative link between the stock index (LnNEPSE) and interest rate. They saw a good correlation between the US Treasury bill rate and the S&P 500.

Poudel and Shrestha (2019) analyzed the stock return and trading volume in Nepal. Descriptive and analytical research design is used. To properly comprehend portfolio management and investment management services, it is helpful to have a solid grasp of stock returns and trading volume. Profitable trading techniques are built on the link

between stock returns and trading volume, which has an impact on the market's effectiveness. The two main pillars upon which the whole stock market is based are stock returns and trading volume. The findings indicate that trading volume and stock returns have a co-integration connection. The findings also show that stock returns significantly and favorably influence trading volume. As a result, the study found that stock returns have a major influence on trading volume in the Nepalese stock market and that market players utilize volume to introduce stock returns. The link between trading volume and stock returns is crucial from an investing standpoint since it has a significant impact on trading, speculating, predicting, and ultimately hedging actions for those who invest in stock market instruments.

Pradhan and Pantha (2019) studied on the ownership structure, risk, and performance in the Nepalese banking sector. Descriptive and analytical research design is used. According to the study, foreign ownership and bank age have a favorable effect on the profitability of Nepal's commercial banks. The profitability of private banks is, however, negatively impacted by government ownership and debt. The study also demonstrates the favorable and considerable influence that government ownership, company size, leverage, and bank age have on the credit risk of Nepal's commercial banks. The study also shows that deposit, liquidity, private ownership, and foreign ownership all have a detrimental effect on the credit risk of banks. According to the study's findings, government ownership, foreign ownership, the liquid ratio, bank size, and deposits are the primary variables influencing the profitability of commercial banks in Nepal. Similar to this, government ownership, bank age, private ownership, and financial leverage are the key factors influencing Nepalese commercial banks' credit risk.

Rosikah et al (2018) investigated the effects of return on asset, return on equity, and earnings per share on corporate value. Descriptive research design was used. The study examined how a company's value was impacted differentially by profits per share, return on equity, and return on assets. The goal of the study was to determine and assess the simultaneous and individual effects of return on assets, return on equity, earnings per share, and EPS on company value. The study includes 114 companies that were listed on the Indonesia Stock Exchange (BEI) between 2006 and 2010. Using multiple regression analysis on primary data, it was determined how independent factors such as ROA, ROE, and the EPS measure of the firm's worth using Tobin's Q affected the results. The impact

of return on the asset on firm value was statistically positive but not significant, whereas the impact of return on equity was statistically negative but not significant. Earnings per share, return on equity and return on assets all simultaneously have a major influence on stock price.

Ghimire and Mishra (2018) analyzed the determinants of the stock price in the Nepalese market. Descriptive and pooled cross- sectional research design were used. According to the study, the association between stock price and explanatory factors such as DPS, EPS, P-E ratio, BV, and market-to-BV from 2012 to 2017 was significant. This study explores the factors influencing stock price using descriptive statistics, simple and multiple regression analysis, and other methods. The results show that the variables Market to BV and P-E ratio are the key drivers of stock price and directly impact the stock price, based on the sample size of 11 financial and nonfinancial enterprises in Nepal. Similar to how EPS has a minimal impact on stock price, DPS and BV likewise have a significant positive impact.

Bam and Thagurathi (2018) investigated the behavior of stock prices among commercial banks in Nepal. Their findings revealed consistent fluctuations in the stock prices of certain banks, while others exhibited minor variations. Interestingly, a normal distribution pattern was observed in the stock price behavior across sampled banks. However, the study concluded that the Nepalese stock market displays inefficiencies in share pricing. Additionally, results from the runs test indicated a significant percentage of deviation between observed and actual runs in the series of price changes.

Pradhan and Dahal (2016) examined the factors affecting the share price: evidence from Nepalese commercial banks. Causal-comparative research design was used. The study reveals that the typical market price of a share is relatively high compared to other values. The average earnings per share are quite modest, while the average dividend per share is also moderate. Additionally, the research highlights that the average Price-Earnings ratio, book value per share, return on Assets (ROA), and size are all significant factors. Similarly, the average macroeconomic variables such as GDP, inflation, and money supply are also noteworthy. Variables like earnings per share, Price-Earnings ratio, book value per share, and return on assets have limited impact on determining market price per share. The implication of this study suggests that rational investors in an imperfect stock market

like Nepal should consider factors like dividend per share, firm size, and money supply when making investment decisions, alongside signaling and asymmetric information.

Joshi (2016) analyzed the effects of dividends on stock prices in Nepal. Descriptive and analytical research design were used. Comparatively, it is also discovered that DPS has a bigger impact on market price per share than EPS. Lagged market price per share acts as a catalyst for future increases in market price per share. The analysis concludes by demonstrating that dividends and retained earnings considerably contribute to the explanation of share price fluctuations in the banking and nonbanking industries. Though the impact of the dividend is far greater than that of the retained earnings. Dividends and retained earnings have a favorable correlation with share price in every situation.

Hunjara and Muhammad (2014) examined the impact of dividend policy, earnings per share, return on equity, and profit after tax on stock prices. Ordinary least square regression model Was Used. The investigation discovered that various outcomes and stock prices have been discovered. This study used an ordinary least squares regression model as its approach. The findings showed that the stock price is significantly impacted by dividend yield and dividend payout ratio, two indicators of dividend policy. These results go against the dividend irrelevance argument since dividend yield is inversely correlated with stock price while dividend payout ratio is favorably correlated with company price.

Moffett and Naserbakht (2013) analyzed the stock price behavior of acquirers and targets due to M&A announcements in US banking. Descriptive and analytical research design were used. The study examined the financial effects of mergers and acquisitions (M&As) in the banking sector in the United States. This study examined the stock price behavior of targets and acquirers based on M&A announcements from 2000 to 2010 in a sample of 154 agreements, with a particular focus on M&As in the banking industry in the United States. The study focused on the actual return rather than the abnormal return since it was expected that no more odd events would happen throughout the estimated period (-60, +60). Future research should investigate using the abnormal return rather than the actual return to account for price volatility resulting from factors other than the announcement under examination. In M&A announcements, both target and acquirer banks generally saw positive average real returns of (-60, +60). In all-cash offers, acquirers' shareholders had higher average actual returns than targets' shareholders, while targets' shareholders' average actual return was lower compared to all cash-stock offers.

Nisa and Nishat (2011) investigated the determinants of stock prices in Pakistan. Descriptive research design was used. The study used data from 221 non-financial enterprises from 1995 to 2006 to analyze the empirical link between stock prices, financial fundamentals, and macroeconomic variables on the Karachi Stock Exchange. Dynamic penal data were employed in data analysis, and they were used to expand the scope of Moment's methodology. The independent variables employed in this study were the size of the firm, the market-to-book ratio of earnings per share, and macroeconomic factors including GDP, inflation, and the share turnover rate. According to the findings, the share price is significantly influenced by size, profits per share, and GDP. Share turnover ratio, inflation, and market-to-book value ratio all have an impact on stock price movement.

Table 2.1 Empirical studies

S.N	Date of publication	Name of the Articles	Authors	Objectives	Methodology	Findings
1	2023	Factors Affecting the Share Price of Commercial Banks in Nepal	Chhetri	To examine the factors affecting the share price of commercial banks in Nepal,	causal-comparative research design was used.	In this study P/E ratio, BVPS, and ROA, it was found that they hold statistical significance in determining the market price of shares for the selected commercial banks. However, factors like EPS, LNFS, GDP, and broad money supply were deemed statistically insignificant, indicating they lack explanatory power in influencing stock price movements. Notably, GDP exhibited a negligible negative correlation with market price per share. On the other hand, P/E ratio, BVPS, and ROA exhibited a positive relationship with market price per share, suggesting that an increase in these factors corresponds to growth in market price per share.

2	2022	Factors Influencing The Stock Price of Nepalese Commercia l Banks	Gyawali	To examine the impact of DPS, EPS, P/E ratio, ROA, GDP, and inflation on MPS	Descriptive and causal-comparative research design Were used.	The study investigates how dividend per share (DPS), earnings per share (EPS), price-earnings (P/E) ratio, return on assets (ROA), GDP, and inflation affect market price per share (MPS) for Nepalese commercial banks. Limited research exists on these factors' impact on stock prices in Nepal. Using descriptive and inferential statistics, the study found that DPS, EPS, and P/E ratio significantly and positively influence MPS. Inflation has a negligible negative impact, while ROA and GDP have a modest positive effect on MPS.
3	2022	Impact of firm specific and macroecon omic factors on share price behavior of Nepalese commercial banks	Pandey and Pradhan	To examines the effect of firm specific and macro-economic factors on share price behavior of Nepalese commercial banks	Descriptive as well as causal comparative research designs were used.	The study indicates that earnings per share, price-earnings ratio, return on assets, asset size, dividend per share, and gross domestic product positively influence the share price of commercial banks in Nepal. Conversely, inflation rate has a negative impact on share price. Additionally, earnings per share, price-earnings ratio, return on assets, dividend per share, gross domestic product, and inflation positively impact share returns according to the study.

4	2022	Factors influencing stock price of Nepalese commercial banks	Agrawal and Pradhan	To examines the factors influencing stock price of Nepalese commercial banks	Descriptive as well as causal comparative research designs were used.	The study found that earnings per share (EPS), dividend per share (DPS), price-earnings (P/E) ratio, return on assets (ROA), and inflation positively influence market price per share. Conversely, gross domestic product (GDP) and money supply negatively affect market price per share. Similarly, EPS, DPS, P/E ratio, ROA, and inflation positively impact stock returns. However, return on assets, GDP, and money supply have a negative impact on stock returns according to the study.
5	2022	Effect of Firm-Specific Variables on Stock Returns: Evidence from Nepal	Shrestha and Lamichhane	To examine the factors affecting the share price of commercial banks in Nepal, considering size, EPS, P/E Ratio, BVPS ROA, Inflation, broad money supply and gross domestic product on the stock price	Descriptive and casual research design were used	This study identifies earnings yield, dividend yield, earnings per share, return on assets, and sales per share to stock price ratio as the primary factors influencing stock returns in Nepalese commercial banks. The findings indicate that stock returns benefit positively from dividend yield and earnings per share, but are adversely affected by earnings yield, return on assets, and sales per share to stock price ratio. In contrast, firm size, including equity market capitalization and book-to-market equity ratio, shows no significant impact on stock returns according to this paper.

6	2021	Stock Price Behavior of Commercial Banks of Nepal	Niroula	To analyze Impact of EPS, PE ratio, DY, Size ROE, and ROA on MPS	Descriptive and analytical research design were used.	This study finds that earnings per share (EPS), price-earnings (PE) ratio, and bank size positively and significantly impact market share price. Dividend yield (DY) and return on assets (ROA) have a positive influence on market price, although the effect is not statistically significant. Conversely, return on equity (ROE) and book value per share (BVPS) show negative and minimal impacts. Overall, the findings support the hypothesis that EPS, PE ratio, and bank size play crucial roles in determining the market price per share of commercial banks.
7	2021	Determinants of Stock Market Price in Nepalese Commercial Banks	Dhodary	To analyze Determinants of stock price of Nepalese commercial banks	Causal comparative research design was used.	The study indicates that the share price of chosen commercial banks rises with positive changes in book value per share (BVPS), price-earnings ratio (PE), return on equity (ROE), and dividends (DIV), and decreases with increases in firm size (FS). BVPS, PE, ROE, and DIV positively and significantly influence market price per share (MPS), while firm size (FS) has a significant negative impact on MPS. These variables—BVPS, PE, ROE, DIV, and FS—are identified as significant determinants of MPS in Nepalese commercial banks. Particularly, the price-earnings ratio (PE) has the greatest impact on MPS, followed by dividends

						(DIV), with firm size showing the least effect.
8	2021	Stock Returns and Gross Domestic Product in Nepal	Bhatta and Mishra	To analyse the association of GDP with stock market performance	Descriptive and analytical research design were used	The study reveals a statistically significant positive relationship between output growth and stock returns lagged by one year in Nepal. This finding aligns with Mauro (2000), who observed a similar connection in various countries at different economic and financial development stages. However, the lack of significant coefficients for stock market returns when controlling for other variables in OLS estimates suggests that the Nepalese stock market is not fully synchronized with the economy in predicting current output growth based on market performance.

9	2021	A Study Of Individual Investors' Behaviors In The Stock Market Of Nepal During COVID-19 Pandemic Period	Ale	To investigate and identify the psychological and contextual factors affecting individual investor's investment decision making behavior during the time of COVID 19	Descriptive research design was used.	The research paper investigates various behavioral biases influencing investor decision-making on NEPSE during periods both with and without COVID. The findings illustrate how these biases contribute to market anomalies and fluctuations in stock prices. Themes derived from data analysis and coding shed light on the decision-making patterns of individual investors during the COVID period.
10	2020	The Short Run Return of Initial Public Offerings (IPOs) in Nepal	Subedi and Dangal	To examines the initial return (first day returns) of 133 initial public offerings (IPOs) of Nepalese companies during a 15-year period.	Descriptive and analytical research design were used	The study indicates that Initial Public Offerings (IPOs) in Nepal are underpriced significantly, up to 3003 percent below their offer price. The substantial initial day returns observed may result from investors' over-expectations. Furthermore, the regression analysis conducted in the study shows that factors such as issue size, firm size, and firm age do not account for IPO returns in the Nepalese primary market, contrary to findings in developed and other emerging markets. Instead, the study identifies subscription rate as the most influential predictor of IPO returns.

11	2020	Impact Of Dividend Policy On Share Price Volatility Of Commercial Banks In Nepal	Dhami and Bista	To examines the impact of dividend policy on share price volatility of Nepalsese commercial banks	Descriptive as well as causal comparative research designs were used.	The study indicates that Initial Public Offerings (IPOs) in Nepal are underpriced significantly, up to 3003 percent below their offer price. The substantial initial day returns observed may result from investors' over-expectations. Furthermore, the regression analysis conducted in the study shows that factors such as issue size, firm size, and firm age do not account for IPO returns in the Nepalese primary market, contrary to findings in developed and other emerging markets. Instead, the study identifies subscription rate as the most influential predictor of IPO returns.
12	2019	Fundamentals of Stock Price in Nepalese commercial banks	Silwal and Napit	To Find out the relationship between BVPS, P/E ratio, ROE, DY and SIZE with stock market price	Descriptive and analytical research design was used.	The study explores the relationship between BVPS, P/E ratio, ROE, DY, and SIZE with stock market price. Through descriptive statistics, correlation, and regression analysis, it identifies positive correlations between BVPS, P/E ratio, ROE, and DY with stock market price. However, DY shows a positive but insignificant relationship with the dependent variable, while SIZE has a negative relationship with stock market price.

13	2019	Determinants of Stock Price of Financial Sector - A Study on Banks and Non-Bank Financial Institutions in Bangladesh	Chowdhury and Dovash	To investigates the impact of some selected variables like dividend, Price Earnings Ratio (P/E), Net Asset Value (NAV), Earnings per Share (EPS), Dividend Payout Ratio, and the size on the movement of the share price of the financial sector in Bangladesh	Descriptive and analytical research design were used.	The study reveals that dividend, price-earnings ratio, and net asset value have a positive impact on stock price, whereas dividend payout ratio has a negative impact. Investors anticipate higher stock prices for commercial banks when dividends, earnings per share, price-earnings ratio, and net asset value are higher. Similarly, investors in non-bank financial institutions expect better stock prices with higher dividend rates and net asset value
14	2019	Factors affecting stock index in Nepal	Shresth, and Pokhrel	To examines the factors affecting the stock market index in Nepal using monthly data.	Simple behavior model was used.	The study indicates that optimism regarding political stability positively affects the stock market index. Additionally, policies from Nepal Rastra Bank (NRB) concerning lending against share collateral and paid-up capital requirements influence the movement of the stock market index. The Nepalese stock market exhibits a strong tendency to follow trends, displaying persistent behavior. Despite extending the model through ARDL analysis, its explanatory power only improved to explain a

						quarter of the changes in the stock index, highlighting the significant influence of news, rumors, and speculation on stock index movements.
15	2019	Effect of macroeconomic variables on stock market index: With reference to Nepal Stock Exchange	Shrestha	To examined the effect of macroeconomic variables on the NEPSE index over the period of January 2002 to December 2016	Descriptive research design was used.	The study indicates a positive correlation between gold price (LnGP) and the stock index (LnNEPSE). Similarly, it affirms a positive relationship between the stock index (LnNEPSE) and exchange rate (LnER). While this positive association aligns with Aggarwal's findings (1981), it contradicts the results of Soenen and Hennigar (1988) and Kuwornu (2011), who reported negative relationships between these variables. Additionally, the study confirms a positive correlation between the stock index (LnNEPSE) and wholesale price index (LnWPI).

16	2019	Stock return and Trading Volume in Nepal	Poudel and Shrestha	To observed the relationship between stock returns and trading volume.	Descriptive and analytical research design were used.	The study finds that there is a co-integration between trading volume and stock returns. It also reveals that stock returns positively and significantly influence trading volume. As a result, the research concludes that the impact of stock returns on trading volume is significant in the Nepalese stock market, suggesting that market participants use trading volume as an indicator of stock returns.
17	2019	Ownership structure, risk and performance in Nepalese banking sector	Pradhan and Pantha	To examines the effect of ownership structure on risk and performance of Nepalese commercial banks	Descriptive and analytical research design were used.	The study indicates that government ownership, firm size, leverage, and bank age positively and significantly affect credit risk in Nepalese commercial banks. Conversely, private ownership, foreign ownership, deposit levels, and liquidity have a negative impact on credit risk. The study concludes that government ownership, foreign ownership, liquidity ratio, bank size, and deposit amounts are the primary factors influencing the profitability of commercial banks in Nepal.

18	2018	Determinants of Stock Price in Nepalese Market	Ghimire and Mishra	To determine the relationship between stock price and explanatory variables like: DPS, EPS, P-E ratio, BV, Market to BV.	Descriptive and pooled cross-sectional research design were used.	The study shows that market-to-book value (BV) and price-earnings (P-E) ratio significantly impact stock prices. While many researchers have found a positive relationship between earnings per share (EPS) and market price, this study shows that EPS has minimal influence on stock prices. EPS should not be studied in isolation; for example, an increase in EPS often suggests future dividends. However, in the current scenario, the Nepal Rastra Bank (NRB), the regulator of banking institutions, has imposed regulations requiring banks to raise their capital.
19	2018	Effects of Return on Asset, Return On Equity, Earning Per Share on Corporate Value from Nepalese commercial banks	Rosikah & Prananingrum	1) To Identify and analyze the effect of the Return on Assets to firm value, return on Equity to firm value, Earning Per Share on firm value. 2) Identify and analyze the effect of ROA, ROE, EPS simultaneously on firm value.	Descriptive research design was used.	The study reveals that return on assets (ROA) positively and significantly influences company value, while return on equity (ROE) has a positive but statistically insignificant effect on firm value. Additionally, earnings per share (EPS) negatively impacts firm value, though this effect is not significant. Overall, ROA, ROE, and EPS collectively have a significant effect on stock price.

20	2018	Stock Price Behavior of Nepalese Commercial Banks: Random Walk Hypothesis	Bam, Thagurathi & Shrestha	To analyze the random behavior of stock price of Nepalese Commercial Banks	Descriptive as well as causal comparative research designs were used.	The study examined stock price behavior among commercial banks in Nepal, finding that some banks experienced consistent fluctuations in stock prices, while others showed only minor variations. Notably, stock prices across the sampled banks followed a normal distribution pattern. Despite this, the study concluded that the Nepalese stock market is inefficient in pricing shares. Furthermore, the runs test results indicated a significant deviation between the observed and actual runs in the series of price changes.
21	2016	Effects of Dividends on Stock Prices in Nepal	Joshi	To examines the impact of dividends on stock price in the context of Nepal	Descriptive and analytical research design were used.	The study indicates that dividends and retained earnings significantly account for variations in share prices in both the banking and nonbanking sectors. However, dividends have a much stronger impact than retained earnings. In all cases, the relationship between dividends, retained earnings, and share prices is positive.

22	2014	Impact of Dividend Policy, Earning per Share, Return on Equity, Profit after Taxon Stock Prices	Hunjara and Muham mad	To analyze the effect of dividend yield, dividend payout ratio, return on equity, earning per share, and profit after tax on stock prices in Pakistan.	Ordinary least square regression model Was Used.	The study reveals varying results regarding stock prices, utilizing the ordinary least square regression model. The findings indicate that measures of dividend policy, specifically dividend yield and dividend payout ratio, significantly impact stock prices. Dividend yield is negatively related to stock price, while dividend payout ratio is positively related, contradicting the dividend irrelevance theory.
23	2012	The Determinan ts of Stock Prices in Pakistan	Nisa & Nishat	To examines the empirical relationship between the stock prices, financial fundamental s and macroecono mic factors in Karachi Stock Exchange.	Descriptive research design was used.	The study demonstrates that in Pakistan, current stock prices are heavily influenced by the previous year's stock prices, earnings per share (EPS), and company size. Significant impacts also come from macroeconomic indicators such as real GDP growth, interest rates, and financial development. Meanwhile, market-to-book value, share turnover ratio, and inflation rate have minor roles. The liquidity ratio is insignificant due to speculative trading on the Karachi Stock Exchange (KSE). The dividend payout ratio has no impact, indicating that many firms in Pakistan do not pay dividends. The size of the stock market does not determine stock prices due to the varying sizes of firms. Additionally, reforms in 2002 contributed to the overall rise in stock prices.

2.4 Research Gap

The research gap is the difference between the earlier research and the current research. As the world is growing faster, the rapid changes and new developments may not be adequate to explain the current phenomena. Though many affiliated researches have been conducted in this area are very significant number of research has been done on the topic "A study on stock price behaviors' of Nepalese commercial banks. The purpose of this study is to find out the stock price behavior and its impact on stock price with reference to ten commercial banks in Nepal. In the realm of research on the stock price behavior of commercial banks in Nepal, a critical examination of the existing literature reveals several notable gaps that warrant dedicated investigation. While prior studies have shed light on secondary fluctuations in stock prices and investor preferences, there remains a distinct dearth of research with a specific focus on commercial banks in the Nepalese context. Although financial institutions have been explored in previous works, the intricacies of stock behavior in commercial banks have not been sufficiently addressed. During the review of previous studies, it was found that most of the researches (Niraula 2021, Silwal and Napit 2019, Bam and Thagurathi 2018) has been conducted on the stock price behavior of commercial banks in Nepal listed in the NEPSE. During the review of the previous thesis, it was found that no research has been conducted by taking these sample banks and these data. Present study is based on the data taken from ten different commercial banks.

Moreover, the identified research gaps extend to the scope of variables under consideration. The existing studies acknowledge the importance of internal factors such as Earning Per Share (EPS), Dividend Per Share (DPS), Book Value Per Share (BPS), Price Earning Ratio (P/E), Return on Equity (ROE), and Market Value Per Share (MVPS). However, there is a potential research gap in failing to comprehensively investigate external variables that might exert influence on stock prices. A holistic analysis should not only scrutinize internal metrics but also integrate external market factors for a more nuanced understanding of stock price dynamics.

The previous study uncovered the both secondary fluctuation of the respective company's stock price and the investor's voices regarding what factors they preferred while buying and selling securities. Hence, this study fulfills the gap in the research. Secondary sources of data and information while analyzing the study. Further, this study examines the relationship between Earning Per Share (EPS), Dividend Per Share (DPS), Book value per

share (BPS), Price Earning ratio (P/E), Return on Equity (ROE) Market Value Per Share (MVPS).

In addition to the identified research gaps, it is crucial to emphasize the significance of understanding the unique dynamics that shape the stock price behavior of commercial banks in Nepal. Unlike other sectors, commercial banks operate within a highly regulated environment influenced by both domestic economic policies and global financial trends. Factors such as changes in interest rates, government regulations, macroeconomic indicators, and geopolitical events can significantly impact the performance of commercial banks and consequently influence their stock prices. Therefore, a comprehensive investigation into the stock price behavior of Nepalese commercial banks should not only consider internal financial metrics but also incorporate an in-depth analysis of the external economic and regulatory landscape to provide a holistic perspective on stock market dynamics in Nepal. Such insights are essential for investors, policymakers, and stakeholders to make informed decisions and navigate the complexities of the Nepalese financial market.

CHAPTER - III
RESEARCH METHODOLOGY

This chapter refers to the overall research methods from the theoretical aspects to the collection and analysis of data. Its focus is made on the application of the technique and procedure to analyze the relevant variables to see the basic relationship between relevant topics. To achieve the basic objectives both financial and statistical tools have been adopted. This chapter contains the research design, population and sample, sources of data collection, data collection techniques, data processing and data analysis tools and techniques.

3.1 Research design

Research design refers to the definite procedure and techniques which guides to study and provide ways for research viability. It is arrangements for collection and analysis of data. A plan of study or blue print for study that presents a series of guide posts to enable the researcher to progress in the right direction in order to achieve the goal is called a research design or strategy.

The research design used in this study is both descriptive and casual comparative. In this study descriptive research design is used for describing the effect of EPS, DPS, BPS, P/E on market price (MPS) of share from basic calculation of secondary data from 2012/13 to 2021/22. The data are extracted from the annual reports of sample banks. Similarly, Causal research design is used to examine cause-and-effect relationships between variables. In this type of research, the researcher seeks to determine whether changes in one variable cause changes in another variable. This design involves manipulating one or more independent variables to observe the effect on a dependent variable, while controlling for other potential influencing factors.

3.2 Population, sample and sampling design

The study focuses on various sectors within the stock market, including commercial banks, trading, hotels, insurance, finance, manufacturing and processing, and others. For this research, a sample of ten commercial banks was selected using convenience sampling methods. These banks were chosen from the 20 commercial banks listed in the stock

market. The study examines their performance in the capital market over the period from 2013/14 to 2021/22.

3.3 Nature and sources of data collection

The study relies on secondary data collected from various sources. The necessary information is obtained from annual reports, trading reports, official stock exchange records, and the specific banks' annual reports. Additionally, data is gathered from the website www.nepalstock.com. Other relevant information is sourced from the Nepal Rastra Bank (NRB), the Ministry of Finance, national and international journals, and the websites of the sample banks.

In this study, ten commercial banks listed with the NEPSE are taken for analysis. Respective banks are Nabil Bank Limited (NABL), Standard Chartered Bank Limited (SCBL), Himalayan Bank Limited (HBL), Nic Asia Bank Ltd (NICA), Everest Bank Limited (EBL), NMB Bank, Nepal SBI Bank, Agriculture Development Bank (ADBL), Nepal Bank Ltd (NBL) and Global IME bank (GBIME).

3.4 Methods of analysis

Simply presenting data is insufficient for analyzing stock price behavior; the data must be further processed. To achieve this, numerous mathematical and statistical tools have been developed. In this study, a combination of statistical and financial tools is employed to analyze and interpret the data, enabling the derivation of meaningful conclusions.

3.4.1 Statistical tools

The study primarily uses statistical tools such as the arithmetic mean, coefficient of correlation, and probable error. Additionally, other statistical tools are applied as needed to ensure a comprehensive analysis.

3.4.1.1 Mean

The mean, also known as the arithmetic average, is a measure of central tendency calculated by summing all the values in a dataset and then dividing by the number of values. If X_1 X_2 ... Xn represent 'N' observations, the mean, denoted as $\bar{X}$, is found using the formula:

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

Where,

$\bar{X}$= Arithmetic mean

∑X = Sum of all the values of the variable X

n= Number of Observations

3.4.1.1 Standard deviation

Standard deviation quantifies the degree of variation among individual items relative to a central value. It provides a measure of absolute dispersion, with larger standard deviations indicating greater dispersion. Conversely, smaller standard deviations signify a higher level of consistency or uniformity within the observations. In this analysis, standard deviation is computed for metrics such as market value per share, earnings per share, book value per share, dividend per share, price-earnings ratio and return on equity.

$$\sigma = \sqrt{\frac{\sum(X - \bar{X})}{n - 1}}$$

Where,

σ = Standard deviation

∑X = Sum of all the values of the variable X

$\bar{X}$= Arithmetic mean

n= Number of Observations

3.4.1.2 Correlation coefficient

Correlation analysis determines the strength and direction of the relationship between two or more variables. It quantifies the degree of association between them. Karl Pearson's coefficient of correlation is used to measure this association. The formula for calculating the coefficient of correlation denoted as r, is:

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

The correlation coefficient, denoted as r, measures the strength and direction of the relationship between two variables. Its value ranges from -1 to +1, and it can be interpreted as follows:

- r = +1, indicates a perfect positive relationship between the variables.
- r = -1, indicates a perfect negative correlation between the variables..
- r = 0, means there is no correlation between the variables..
- When r is between the 0 to +1, the variables increasing or decreasing to the same direction.
- When r is between 0 and -1, the variables increase or decrease in opposite directions.

3.4.1.3 Regression analysis

Simple regression analysis

Simple regression analysis is a statistical method used to understand and quantify the relationship between two variables. In this context, we have one independent variable, also known as the predictor or explanatory variable, and one dependent variable, the variable we aim to predict or explain. The main goal of simple regression analysis is to find a mathematical equation that best describes the relationship between these two variables. This equation is typically in the form of a straight line, represented by the formula:

The line of regression of X on Y is represented by the equation Y = a + bx

where:
Y = predicted value of X
a = y-intercept
b = slope of the line

Multiple regression analysis

Multiple regression analysis is a statistical method used to understand the relationship between a dependent variable and two or more independent variables. It aims to develop an equation that predicts the dependent variable based on the values of these independent

variables. This method not only quantifies how each independent variable contributes to explaining the variation in the dependent variable but also assesses the collective impact when considered together.

The multiple regression equations is explained by:

X1 = a + b1 X2 + b2X3 ……. (i)

Where,

X1 : This is the dependent variable, which we are trying to explain.

A : Known as the intercept, it represents the value of X1 when all independent variables X2 & X3 are zero.

b1, b2 : These are the coefficients associated with each independent variable X2, X3. They indicate how much X1 changes for a one-unit increase in each independent variable, holding all other variables constant.

X2, X3 : These are the independent variables that are used to predict or explain X1.

The econometric model proposed for the study is expressed as:

$$y = \alpha + \beta x + \varepsilon$$

Where:

y represents the outcome variable that we're trying to predict or explain. α is the constant term, representing the value of y when all explanatory variables (x) are zero. β is the coefficient of the explanatory variable, indicating how y changes for a one-unit change in the explanatory variable x, reflecting their relationship. x is the vector of explanatory variables, also known as independent variables, used to predict or explain the outcome variable y. ϵ is the error term, capturing the influence of all other factors not included in the model. It is assumed to have a mean of zero and to be independent across observations.

The regression model can be specified as:

MPS it = β0 +β1 BPS it +β2 DPS it +β3 EPS it +β4 P/E it + β5ROE it

Where,

MPS it = Market price per share for the bank during t period.

BVit = Book value per share for the bank during t period. B1= Intercept

DYit = Dividend yield ratio for the bank during t period

EPSit = Earnings per share for the bank during t period.

PEit = Price earnings ratio for the bank during t period.

ROEit = Return on Equity for the bank during t period. ε it = Error terms

3.4.1.5 Standard error of estimate

Regression equations allow us to estimate the value of the dependent variable for any given value of the independent variable. However, perfect estimations are not possible due to variability in data. In such cases, the standard error of estimate is used to assess the reliability of the estimating equation. Similar to standard deviation, which measures the spread of observations around the mean, the standard error of estimate quantifies the variability or scatter of observed values around the regression line. There are two types: the standard error of estimate of Y on X and the standard error of estimate of X on Y. Each provides insights into the accuracy of predictions made by regression models based on different perspectives of variable relationships. (Pant and Chaudhary)

The formula for calculating the standard error of estimate of Y on X is defined by:

$$S_{X.Y} = \sqrt{\frac{\sum(Y+Y_e)}{n-2}}$$

Y= Actual value

Y_e= Estimated value

$$S_{Y.X} = \sqrt{\frac{\sum Y^2 - a\sum Y + b\ \sum YX}{n-2}}$$

Where,

Y= Actual value

A & b = coefficients from a linear regression model

∑YX = sum of the product of actual values and corresponding independent variable values.

n = Number of data point

3.4.1.6 t-Test

The t-test is a statistical tool used primarily for analyzing small sample sizes, typically less than 30 observations, where the population standard deviation is unknown. Named after W.S. Gosset, who introduced the t-distribution in 1908, it's also known as Student's t-test. There are two main types: one for comparing independent samples and another for dependent samples.

Key assumptions for the t-test include

- The sample size is small (n < 30) and the population standard deviation is unknown.
- Data come from a normally distributed population.
- The sample is randomly selected, ensuring that observations are independent.

Applications of t-Test:

- Testing whether the mean of a single sample significantly differs from a known or hypothesized value.
- Comparing the means of two independent samples to determine if they differ significantly.
- Assessing the difference between paired or dependent samples to establish if there is a significant distinction between them.
- Evaluating the significance of a correlation coefficient observed in a sample, providing insights into the relationship between variables.
- T- value =$|t| = \frac{r}{\sqrt{1-r^2}} \times \sqrt{n-2}$

  where,

  |t| = t - Value

  r = the sample correlation coefficient

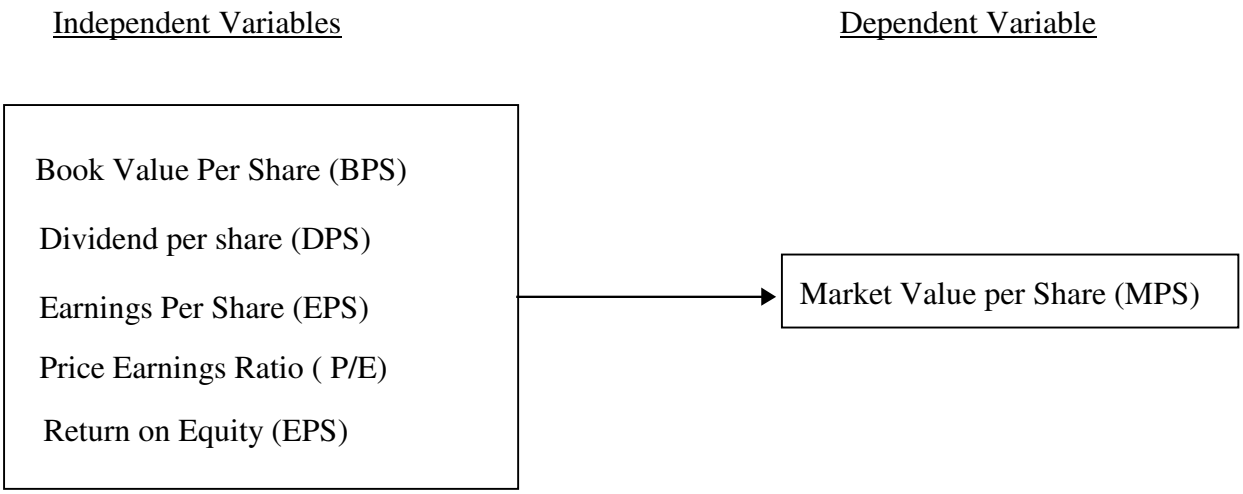
  n = Sample size

3.5 Research framework and definition of variables

3.5.1 Research framework

This research is mainly concerned with financial analysis of commercial banks. Research has been conducted through analysis of secondary data available due to previous research

and the data published by the banks under study. Therefore, many variables affecting banks financial situation of banks financial statements are described as follows:



Sourse : Niraula (2021)

Figure 1: Theoretical framework of relationship between Variables

3.5.2 Definition of variables

3.5.2.1 Earning per share (EPS)

Earnings Per Share (EPS) is a financial metric that indicates the profitability of a company from the perspective of its ordinary shareholders. It represents the portion of a company's profit that is allocated to each outstanding share of its common stock. EPS is calculated by dividing the net profits available to ordinary shareholders, after deducting taxes and preferred dividends, by the total number of outstanding shares. This metric is highly valued by investors as it provides a clear measure of how much profit each share of stock can potentially earn. A higher EPS is generally considered favorable, signaling stronger profitability and potential returns for shareholders. EPS serves as a key indicator of financial health and performance for companies across various industries. Thus,

$$\text{EPS} = \frac{Total\ Earning\ available\ to\ common\ shareholders}{No.of\ Shares\ Outstanding}$$

3.5.2.2 Dividend per share (DPS)

Dividend Per Share (DPS) represents the amount of profit distributed to shareholders on a per-share basis. It indicates the portion of a company's net profits that is allocated to each outstanding share of common stock as dividends. DPS is calculated by dividing the total dividends paid to equity shareholders by the number of ordinary shares outstanding. Essentially, DPS reflects how much cash or stock dividend each shareholder receives for each share they own. It serves as a key metric for investors interested in income generation from their investments in a company, highlighting the company's policy on sharing profits with its shareholders.

$$\text{DPS} = \frac{Total\ Dividend\ padi\ to\ common\ shreholders}{No.of\ Shares\ Outstanding}$$

3.5.2.3 Book Value Per Share (BPS)

Book Value Per Share (BPS) is a financial measure that indicates the amount of shareholders' equity attributable to each outstanding share of a company's common stock. It represents the net value of the company per share based on its financial records. To calculate BPS, we take the total shareholders' equity, which includes cumulative retained earnings and other contributions like common stock and capital in excess of par value, and divide it by the number of outstanding shares. BPS provides investors with insights into the net worth of each share they own, reflecting the company's underlying financial health and the value of its assets after liabilities are subtracted. It serves as a fundamental indicator used in financial analysis to assess the intrinsic value of a company's stock relative to its market price.

$$\text{BVPS} = \frac{Book\ value\ of\ the\ equity}{Number\ of\ share\ outstanding}$$

3.5.2.4 Market Price Per Share (MPS)

The market price of a share is the current value at which shares are traded, representing the price paid by buyers to sellers. It is determined by supply and demand dynamics in the market and can vary widely among companies. To calculate the market price of shares, investors consider factors such as economic conditions, company performance, industry trends, and investor sentiment. Common stockholders, who have lower priority in liquidation, experience volatile share prices that are highly responsive to changes in these factors.

$$\text{MPS} = \frac{Current\ market\ price\ of\ the\ share}{Number\ of\ equity\ outstanding}$$

3.5.2.5 Price Earnings Ratio (P/E)

Price earnings ratio is the relationship between earning per share and market price of the stock. Earnings per share shows the company's performance in the sense that how well the company has managed its material as well as human resources to satisfy the interest of stockholders. So, P/E multiple reflects the price currently being paid by the market for each rupee of currently reported EPS.

$$\text{Price Earnings Ratio} = \frac{Market\ Price\ Per\ Share}{Earnings\ Per\ Share}$$

3.5.2.6 Dividend Yield

Dividend yield is a financial ratio that indicates the annual return on a company's stock in the form of dividends. It is calculated by dividing the dividend per share by the market price per share. This ratio helps investors assess how much cash flow they are receiving relative to the price they paid for each share. A higher dividend yield typically indicates a higher return on investment through dividends, making it a key metric for income-oriented investors evaluating stocks for potential investment.

$$DY = \frac{Dividend\ Per\ Share}{Market\ Price\ Per\ Share}$$

3.5.2.7 Return on Equity (ROE)

Return on Equity (ROE) is a financial metric that measures the profitability of a company in relation to its shareholders' equity. ROE is expressed as a percentage and is calculated by dividing net income by shareholders' equity.

$$ROE = \frac{Net\ Income}{Shareholder's\ Equity}$$

CHAPTER - IV
RESULT AND DISCUSSION

In this chapter, collected data and other information are presented and analyzed for ten commercial banks. This chapter consists of the presentation and analysis of data as important financial indicators. The chapter attempts to analyze Book Value per Share, Dividend per Share, Earnings per Share, Price Earnings Ratio, and Return on Equity. Additionally, the correlation between financial variables and regression analysis of financial variables of sample commercial banks are examined. The analysis can be presented in the following manner:

4.1 Results

4.1.1 Descriptive statistics

In the following the descriptive statistics used in this study consist of mean, standard deviation value associated with variables under some consideration. Table 4.1.1 presents a summary of the descriptive statistics for both dependent and independent variables, which were collected from different ten commercials in Nepal over 10-year period from 2012/2013 to 2021/22. The analysis is based on 100 observations.

Table 4.1.1

Descriptive Statistics

	MPS	BPS	DPS	EPS	P/E	ROE	Observation
Mean	805.076	198.781	20.951	33.991	23.233	17.075	100
Standard Deviation (SD)	647.234	57.434	17.077	23.366	10.912	10.038	100
Maximum	3385	314	105.26	198.53	64.67	54.68	100
Minimum	171	-5.62	2	7.48	0.86	-48.46	100

Source: Calculated by Excel and SPSS software.

Table 4.1.1 presents descriptive statistics for various financial variables based on 100 observations. The Minimum, Maximum, Mean, and Standard Deviation (SD) are provided for each variable, offering insights into the distribution and characteristics of the data. For MPS, the Minimum value is 171, the Maximum is 3385, the Mean is 805.076, and the SD is 647.234. This indicates a wide range of market prices, with considerable volatility in the observed values. The Nepalese capital market appears to experience rapid fluctuations in MPS. Regarding BPS, the Minimum value is -5.62, the Maximum is 314, the Mean is 198.781, and the SD is 57.434. This suggests variations in book value per share, with some instances of negative values. The mean provides an average reference point for the book value per share. For DPS, the Minimum value is 2, the Maximum is 105.26, the Mean is 20.951, and the SD is 17.077. The dividend per share exhibits variability, ranging from a minimum of 2 to a maximum of 105.26. The mean gives an average representation of dividend payments. Regarding EPS, the Minimum value is 7.48, the Maximum is 198.53, the Mean is 33.990, and the SD is 23.366. This illustrates a broad range of earnings per share, indicating diverse profitability levels across observations. The mean offers an average measure of earnings. For P/E ratio, the Minimum value is 0.86, the Maximum is 64.67, the Mean is 23.233, and the SD is 10.912. This reflects variations in price-to-earnings ratios, with some instances of very low or high values. The mean provides an average benchmark for price-to-earnings. Concerning ROE, the Minimum value is -48.46, the Maximum is 54.68, the Mean is 17.075, and the SD is 10.038. This suggests a wide range of return on equity values, with both positive and negative figures. The mean indicates the average return on equity across observations.

The observations are based on a dataset of 100 entities, providing a comprehensive overview of the distribution and characteristics of the financial variables examined. These descriptive statistics offer valuable insights for understanding the financial landscape represented in the data.

4.1.2 Correlation Analysis

Correlation analysis is a statistical tool used to determine how closely one variable is related to another. The correlation coefficient ranges from +1 to -1. A value of +1 indicates a perfect positive correlation, where the variables move in the same direction, while -1 indicates a perfect negative correlation, where the variables move in opposite directions. A correlation of 0 indicates no linear relationship between the variables.

In this study, the correlation coefficients were calculated for the dependent and independent variables of 10 commercial banks over a 10-year period from fiscal year 2012/13 to 2021/22. The descriptive statistics and Pearson's correlation coefficients are presented in Table 4.1.2, showing the strength and direction of the relationships between the variables.

The analysis specifically looks at the correlation between the dependent variable, Market Price Per Share (MPS), and several independent variables: Book Value Per Share (BPS), Dividend Per Share (DPS), Earnings Per Share (EPS), Price/Earnings (P/E) ratio, and Return on Equity (ROE). By examining these relationships, the study aims to identify significant statistical connections between MPS and the other financial metrics, helping to explain how these factors may influence the market price of a bank's shares.

Table 4.1.2

Correlation Table

Correlation Probability	MPS	BVPS	DPS	EPS	P/E	ROE
MPS	1					
BVPS	0.3791	1				
DPS	0.7102	0.4021	1			
EPS	0.3074	0.0957	0.2417	1		
P/E	0.6567	0.0445	0.5108	-0.1802	1	
ROE	0.3897	0.2208	0.1713	-0.2334	0.1671	1

Source: Calculated by Excel and SPSS software.

Table 4.1.2 shows that BPS, DPS, EPS, P/E & ROE, are positively correlated with Market value per share. This indicates that higher the BPS, DPS, EPS, P/E & ROE, higher would be the stock price of Nepalese commercial banks. Examining Market Price per Share (MPS), there is a strong positive correlation with Dividends per Share (DPS) at 0.7102, suggesting that higher DPS is associated with an increase in MPS. Additionally, MPS

displays a moderate positive correlation with Book Value per Share BVPS at 0.3791, indicating a connection between higher BVPS and elevated MPS.

BVPS reveals positive correlations with DPS, EPS, and ROE at 0.4021, 0.0957, and 0.2208, respectively. This implies that higher BVPS is linked to increased values of DPS, EPS, and ROE. However, the correlation with P/E is relatively weak at 0.0450. DPS shows positive correlations with MPS, BVPS, and EPS at 0.7102, 0.4021, and 0.2417, respectively. This suggests that higher DPS is associated with increased values of MPS, BVPS, and EPS.

EPS exhibits positive correlations with MPS, BVPS, DPS at 0.3074, 0.0957, 0.2417. This indicates that higher EPS is linked to elevated values of MPS, BVPS, and DPS. The Price-to-Earnings ratio (P/E) displays positive correlations with MPS, BVPS, DPS, and a negative correlation with EPS at 0.6567, 0.0450, 0.510845, and -0.18017, respectively. This suggests that a higher P/E ratio is associated with increased values of MPS, BVPS, and DPS, while a higher EPS is associated with a lower P/E ratio. Lastly, return on Equity (ROE) exhibits positive correlations with MPS, BVPS, DPS and P/E at 0.3897, 0.2208,0.1713 and 0.1671 respectively. However, ROE has negative correlations with EPS at -0.2334.

In summary, the correlation table offers important insights into the relationships between key financial metrics. It helps to understand how changes in one variable can affect others, providing a clearer picture of the interconnectedness of various financial factors. This analysis is crucial for making informed decisions and predicting the potential impact of different financial strategies.

4.1.3 Regression Analysis

Table 4.1.3

regression Results

Variable	Beta (Bi)	Se	t- value	p-value	Model statistic
Constant	-1258.37	139.388	-9.028	0.000	F value= 93.117
BPS	1.8392	0.5419	3.3943	0.001	

DPS	7.3731	2.2698	3.2483	0.002	P-value of F= 0.000
EPS	11.7275	1.3474	8.7034	0.000	
P/E	33.9384	3.2110	10.5696	0.000	R square= 0.8320
ROE	20.8628	2.9350	7.1082	0.000	

Source: Calculated by Excel and SPSS software.

The regression model in Table 4.1.3 indicates that when the Book Value per Share (BPS), Dividend per Share (DPS), Earnings per Share (EPS), Price/Earnings (P/E) ratio, and Return on Equity (ROE) are all zero, the Market Price per Share (MPS) of Nepalese commercial banks would be -1258.37. The model establishes that a one-unit increase in BPS results in a 1.83 increase in MPS, a one-unit increase in DPS leads to a 7.37 increase in MPS, a one-unit increase in EPS causes an 11.72 increase in MPS, a one-unit increase in the P/E ratio results in a 33.93 increase in MPS, and a one-unit increase in ROE leads to a 20.86 increase in MPS. These findings indicate a positive relationship between MPS and the variables BPS, DPS, EPS, P/E ratio, and ROE. Furthermore, the study reveals that the P-values for these variables are less than 5%, making them statistically significant at a 95% confidence level. This significance suggests that BPS, DPS, EPS, P/E ratio, and ROE have a substantial influence on MPS.

The regression analysis reveals several significant findings regarding the relationship between Market price per share (MPS) and various financial metrics within Nepalese commercial banks. Firstly, there is a significant positive correlation between market price per share (MPS) and book value per share (BPS), evidenced by a p-value of 0.000, which indicates strong statistical significance. Secondly, a similar significant positive relationship is observed between MPS and Dividend Price per Share (DPS), supported by a p-value of 0.0010. Additionally, the analysis demonstrates a significant positive association between MPS and earnings per share (EPS), as evidenced by a p-value of 0.0016. Moreover, the investigation highlights another significant positive correlation between MPS and Price/Earnings (P/E) ratio, with a p-value of 0.000. Lastly, there is a significant positive relationship between MPS and return on equity (ROE) of Nepalese commercial banks, supported by a p-value of 0.000. These empirical findings underscore

the interconnectedness between MPS and key financial indicators, indicating their importance in assessing the financial performance and market valuation of Nepalese commercial banks.

P value of F indicate that overall relationship between dependent and independent variables has significant. R square is 0.8320 which indicate that there is 83.20 percent total variation of dependent variables explained by independent variables.

4.1.4 Major findings of the study

The study presents several significant findings pertaining to the analysis of various financial metrics across commercial banks. Firstly, market price per share (MPS) analysis reveals that Nabil bank holds the highest average price per share at Rs. 1483.2, whereas Nepal bank reports the lowest at Rs. 336.3. Secondly, examination of earnings per share (EPS) indicates positive averages across all banks, with Nabil bank boasting the highest average EPS at Rs. 54.188 and Global IME bank reporting the lowest at Rs. 20.138. Thirdly, Standard chartered bank exhibits the highest average price earnings ratio at 33.61 times, while Agriculture development bank demonstrates the lowest at 12.25 times. Moreover, analysis of book value per share (BVPS) Agriculture development bank has the highest average book value i.e. Rs. 267.5 & Global IME bank has lowest average book value i.e. Rs. 151.4 . Additionally, Everest bank records the highest average return on equity (ROE) at 22.24 %, while NMB bank reporting the lowest at 14.39%. Furthermore, Nabil bank exhibits the highest average dividend per share at Rs. 43.11, contrasting with Nepal Bank's lowest at Rs. 4.3. If the coefficient of multiple determination is 0.832, this means the variables BVPS, EPS, DPS, P/E ratio, and ROE are responsible for determining the stock price by 83.2%, and the rest 16.8% are unexplained in determining the stock price.

The descriptive statistics for 100 observations reveal substantial variability and volatility across financial variables in the Nepalese capital market. Market Price per Share (MPS) shows significant fluctuations with a mean of 805.076 and a wide range. Book Value per Share (BPS) also varies greatly, including some negative values, with a mean of 198.781. Dividend per Share (DPS) ranges from 2 to 105.26, reflecting variability in dividend payments. Earnings per Share (EPS) exhibit diverse profitability levels with a mean of 33.990. The Price-to-Earnings (P/E) ratio and Return on Equity (ROE) both show

considerable variation, with means of 23.233 and 17.075, respectively, indicating diverse valuation and return levels across observations.

Bivariate correlation analysis indicates positive correlations between MPS and various independent variables such as BVPS, EPS, DPS, P/E ratio, and ROE, implying that an increase in these metrics leads to higher MPS. Notably DPS emerges as the most influential factor in determining stock price in Nepal. Overall, multiple regressions confirm positive regression coefficients for BVPS, DPS, EPS, P/E ratio, and ROE, underscoring their significance in determining stock prices. The estimated regression result BVPS, EPS, DPS, P/E ratio, and ROE on MPS. There is Positive and significant impact of BVPS, EPS, DPS, P/E ratio, and ROE on MPS.

4.2 Discussion

This study utilized descriptive and multiple regression analysis to investigate the factors influencing the market share price of Nepalese commercial banks. Using an appropriate research methodology, secondary data were collected from the annual reports of selected commercial banks. Various financial and statistical tools were employed to analyze the data. The regression model revealed that book value per share (BVPS), Dividend per share (DPS), earnings per share (EPS), price-earnings (P/E) ratio and return on equity (ROE) have significant positive relationships with the market price per share (MPS) of Nepalese commercial banks. This indicates that an increase in BVPS, DPS, EPS, and P/E ratio, as well as return on equity (ROE), leads to an increase in MPS and vice versa.

The finding that BVPS has a significant positive relationship with MPS aligns with the studies by Dhodary (2020) and Silwal and Napit (2019), indicating that BVPS is a critical factor in determining stock prices. This is likely because BVPS reflects the company's strong financial performance, with a high book value typically signaling a good record of past performance.

Similarly, the result showing a significant positive relationship between EPS and MPS is consistent with the findings of Gyawali (2022), Silwal and Napit (2019), and Pradhan and Dahal (2016). This suggests that EPS is a determining factor affecting MPS because it is an indicator of the company's profitability. An increase in EPS means higher company profits and better returns for investors, leading to higher demand for stocks with rising EPS.

The positive significant relationship between the P/E ratio and MPS is consistent with the findings of Pradhan and Dahal (2016), and Chhetri (2023). This suggests that the P/E ratio is a determining factor affecting MPS because a higher P/E ratio signals a promising future to investors. Generally, a high P/E ratio indicates that investors expect higher earnings growth in the future, which leads to increased demand for such stocks and a subsequent rise in stock prices.

On the other hand, the finding that ROE has an insignificant relationship with MPS aligns with the research of Niraula (2021) but contradicts the findings of Pradhan and Dahal (2016) and Almumani (2014). This discrepancy may be due to differences in the time periods and markets examined in these studies.

Finally, the finding regarding DPS aligns with the research of Pradhan and Dahal (2019), Ghimire and Mishra (2018), and Gyawali (2022). The study concludes that DPS has an insignificant positive relationship with stock prices. It also suggests that rational investors should consider DPS when making investment decisions, taking into account signaling and asymmetric information in the context of an imperfect market like Nepal.

CHAPTER - V
SUMMARY AND CONCLUSION

This chapter presents the summary, conclusions, and implications of the research. It compiles the key facts and findings derived from the analysis of secondary data. In addition to summarizing and concluding the research, this chapter provides recommendations for relevant individuals, groups, and organizations.

5.1 Summary

This chapter provides a concise summary of the entire study and highlights its major findings. The primary objective was to investigate of the stock prices behavior of Nepalese commercial banks, aiming to contribute significantly to the limited literature on corporate finance in Nepal. Chapter one outlined the background of market prices and the study's objectives, discussing their significance, limitations, and the overall structure of the study.

The study's main goal was to explore the relationships between Book Value per Share (BPS), Dividend per Share (DPS), Earnings per Share (EPS), Price-Earnings (P/E) ratio, Return on Equity (ROE), and their impact on stock prices in Nepalese commercial banks. Specific objectives included assessing the factors influencing stock prices, analyzing the relationships between these financial metrics and stock prices, and examining their combined impact on stock prices.

Chapter two reviewed theoretical literature on securities markets, share prices, and various stock valuation models. It also delved into different theories of stock pricing and reviewed international research on factors affecting share prices in commercial banks. The chapter critically reviewed major issues, summarized key findings, and identified gaps that the study aimed to address regarding the determinants of Market share prices in Nepalese commercial banks.

Chapter three was structured to detail the research design, target population, sample selection methodology, data collection procedures, and analytical approach. The study focused on a sample of 10 selected commercial banks from a total of 20 eligible banks using a convenient sampling method. The chosen banks included Nabil Bank Limited,

Standard Chartered Bank Limited, Himalayan Bank Limited, Nic Asia Bank Ltd, Everest Bank Limited, NMB Bank, Nepal SBI Bank, Agriculture Development Bank, Nepal Bank Ltd, and Global IME Bank.

The research employed a descriptive and causal comparative research design to achieve its objectives. Chapter four presented and analyzed the empirical findings related to factors influencing share prices in commercial banks. Data were rigorously analyzed using appropriate financial, descriptive, and analytical tools. The chapter discussed interpretations and provided comments where necessary, highlighting the major findings of the study.

The impact of non- performance indicator on MPS of bank is crucial for investors, fund managers, and regulatory authorities to make informed decisions regarding investment strategies, fund selection, and market analysis. To fulfill the research objective, I had chosen ten different commercial banks in Nepal over the 10 years' period from 2012/13 to 2021/22. Market price per share is dependent variable and book value per share, dividend per share, earning per share, price earnings ratio, and ROE are independent variable. This is based on the secondary data. The data were collected from the different sources such as corresponding website of related commercial bank, and the NRB reports to study the stock price behavior of commercial bank in Nepal. In the regression analysis, all variables were found to have significant relationships with Market Price per Share (MPS): Book value per share (BPS), Dividend per share(DPS), Earning per share(EPS), Price earnings ratio(P/E), and return on Equity (ROE). ROE showed a highly significant positive relationship, indicating that an increase in ROE corresponds to a substantial increase in MPS. Similarly, a higher P/E ratio exhibited a highly significant positive association with MPS, implying that banks with favorable P/E ratios tend to have higher MPS.

5.2 Conclusion

In conclusion, the regression analysis conducted on the Nepalese commercial bank dataset for the period of 2012/13 to 2021/22 yielded valuable insights into the factors influencing the Market Price per Share (MPS) of these banks. This analysis specifically examined the impact of several financial ratios, including Book value per share (BPS), Dividend per share(DPS), Earning per share(EPS), Price earnings ratio(P/E), and return on Equity (ROE) as independent variables on MPS as the dependent variable. Correlation coefficient

of all sample bank shows that all factors are positively correlated with MPS. Multiple correlation coefficient of all bank MPS with BPS, DPS, EPS, P/E and ROE are also positive correlated.

The study revealed that book value per share, dividend per share, earning per share, price earnings ratio, and return on equity have the significant positive association with share price. It means if book value per share, dividend per share, earning per share, price earnings ratio, and return on Equity increases, the price of share will also increase and vice-versa. The study's findings indicate that the price-earnings ratio, return on equity, and earnings per share play pivotal roles in determining the share prices of Nepalese commercial banks. These results offer fresh insights within the Nepalese context, providing valuable information for market participants. Specifically, equity investors and fund managers can benefit from these findings by focusing on these critical factors when assessing stock returns and forecasting share prices. This study underscores the importance of understanding these variables for making informed investment decisions in Nepal's banking sector.

The Nepalese banking sector's stock market is currently experiencing a downward trend. Analysis of secondary data shows that pricing behaviors vary among banks. While factors like book value per share (BPS), dividend per share (DPS), earnings per share (EPS), price-earnings ratio (P/E), and return on equity (ROE) collectively influence share prices significantly, individually their impact on share prices is not consistently observed. This suggests that there are likely other significant factors influencing and determining share prices. Therefore, both technical indicators and fundamental factors should be carefully considered when analyzing stock price behavior in the Nepalese banking industry.

The stock price of Nepalese commercial banks is influenced by several factors. Key among these are the banks' financial performance, including profitability, asset quality, and liquidity. Macroeconomic conditions, such as inflation rates, interest rates, and economic growth, also play a significant role. Additionally, regulatory changes and policies set by the Nepal Rastra Bank can impact stock prices. Investor sentiment and market trends, both domestic and global, further contribute to fluctuations. Lastly, events like political stability, changes in government, and natural disasters can significantly affect investor confidence and stock prices.

5.3 Implications

The findings of this study offer significant insights, suggesting several avenues for future research. Initially focusing on "A" class financial institutions in Nepal, future studies could expand to encompass a broader range of financial sectors including development banks, insurance firms, and microfinance institutions. While this study relied on secondary data, future research could benefit from integrating primary data or a mixed-methods approach to capture diverse investor perspectives comprehensively. Increasing the sample size and study duration would enhance the study's robustness, and exploring alternative analytical models beyond multiple linear regressions could yield deeper insights into corporate governance and capital structure in Nepalese commercial banks. Utilizing advanced statistical techniques such as non-linear methods and bidirectional causality analysis could further enrich future investigations.

Although this study centered on Nepalese commercial banks, applying its findings to similar firms requires careful consideration. Ensuring transparency and performance metrics like BPS, DPS, EPS, P/E, and ROE remains crucial for regulatory bodies and investors alike. Future research could delve into additional factors such as governmental regulations, economic conditions, and political dynamics that influence securities markets, thereby advancing our understanding of these complexities.

NEPSE plays a pivotal role in enhancing liquidity and marketability of securities by facilitating trading among members, brokers, and market makers. However, market imperfections often hinder investor access to comprehensive and reliable information, which can affect securities pricing. NEPSE should ensure listed companies disclose pertinent information transparently. Extending NEPSE's reach to regional levels could promote broader investor participation and access to investment guidelines. Oversight of brokers and listed companies by NEPSE is essential to uphold market integrity and investor confidence. Overall, enhancing information dissemination and regulatory oversight are crucial steps for NEPSE in fostering a fair and informed securities market environment.

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Appendix - I

Table (A) List of commercial bank

S. No.	Name of commercial bank	Established date
1	Nepal Bank Ltd.	1937-11-15
2	Agriculture Development Bank Ltd.	1968-01-21
3	Nabil Bank Ltd.	1984-07-12
4	Nepal Investment Mega Bank Ltd	1986-03-09
5	Standard Chartered Bank Nepal Ltd.	1987-02-28
6	Himalayan Bank Ltd.	1993-01-18
7	Nepal SBI Bank Ltd.	1993-07-07
8	Everest Bank Ltd.	1994-10-18
9	Kumari Bank Ltd.	2001-04-03
10	Laxmi Sunrise Bank Ltd.	2002-04-01
11	Citizens Bank International Ltd.	2007-04-20
12	Prime Commercial Bank Ltd.	2007-09-24
13	Sanima Bank Ltd.	2012-02-15
14	Machhapuchhre Bank Ltd.	2012-07-09
15	NIC Asia Bank Ltd.	2013-06-30
16	Global IME Bank Ltd.	2012-01-06
17	NMB Bank Ltd.	2015-10-18
18	Prabhu Bank Ltd.	2014-09-14
19	Siddhartha Bank Ltd.	2016-07-21
20	Rastriya Banijya Bank Ltd.	1966-01-23

Source: www.nrb.org.np

Table (B) List of Sample Bank

S.N	Names of sample of commercial bank
1	Nabil Bank Limited
2	Standard Chartered
3	Nic Asia Bank Ltd
4	Global IME bank

5	Everest Bank Limited,
6	NMB Bank
7	Nepal SBI Bank
8	Agriculture Development Bank,
9	Nepal Bank Ltd
10	Himalayan Bank Limited

Table (C) Listed of Financial Institutions

S.N.	Types of financial institution	Number of financial institution	
		2022	2023
2	Commercial bank (class A)	27	20
3	Development bank (class B)	17	17
4	Finance corporation (class C)	17	17
5	Micro finance institutions (class D)	65	64
Total		126	118

(Source: www.nepalstock.com)

Table (D) The development of stock market in Nepal **(in Billions)**

Descriptions	2074/75 2017/18	2075/76 2018/19	2076/77 2019/20	2077/78 2020/21	2078/79 2021/22
Trading Amount (Rs in Billion)	121.4	110.07	150.03	1494.44	1202.1
Market Capitalization (Rs. In Billion)	1435.07	1567.5	1792.76	4010.74	2869.45
No. of Company Listed	196	215	212	219	234
No of shares traded ('000)	293695	387507	428522	3404514	2492010.8
No of listed shares ('000)	3598745	4206602	4827582	5826048	6771226.5
NEPSE Index	1212.36	1259.02	1362.35	2883.41	2009.47
% Market Capitalization /GDP	47.30%	45.94%	47.59%	94.00%	59.10%
% Trading Amount/ Market Cap.	8.46%	7.02%	8.37%	37.26%	41.89%
Market Days	233	246	182	246	239

(Sources:www.nepalstock.com)

Table (4.1.1) Summary of the Financial Performance of Sample Bank

Summary of the Financial Performance of Sample Bank										
	Years									
	2012/013	2013/014	2014/015	2015/016	2016/017	2017/018	2018/019	2019/020	2020/021	2021/022
NABIL										
MPS	1851	2535	1,910	2,344	1,523	921	800	765	1,359	824
EPS	91.05	83.68	57.24	59.27	59.86	51.84	50.57	36.16	33.57	18.64
DPS	65	65	37	45	48	34	34	35	38	30
BVPS	275	251	259	244	270	256	257	256	251	232
P/E	19.08	30.29	33.37	39.55	25.44	18.6	15.82	21.15	40.48	44.21
ROE	32.78	27.97	22.73	25.61	22.41	20.94	17.76	13.61	15.19	9.78
EBL										
MPS	1591	2631	2120	3385	1353	663	666	675	738	439
EPS	91.88	26.63	27.20	28.88	25.82	32.78	38.05	29.71	19.91	26.30
DPS	10	12	30	70	33	0	5	5	6	13
BVPS	291	264	258	186	230	178	200	220	232	240
P/E	17.32	30.58	27.17	51.31	30.53	20.23	17.50	22.72	37.06	16.69
ROE	36.62	32.98	29.50	25.56	23.50	21.60	18.13	13.45	9.30	11.76
SCB										
MPS	1820	2799	1943	1600	2295	755	682	645	590	396
EPS	65.7	65.47	57.38	45.96	35.49	27.33	30.39	24.81	14.83	23.92
DPS	50	51.50	44.21	35.09	105.26	17.50	22.50	11.84	13.06	16.51
BVPS	249	249	265	268	296	174	186	189	189	192
P/E	27.7	42.75	33.86	38.33	64.67	27.62	22.44	26.00	36.16	16.56
ROE	26.38	26.27	21.69	17.18	11.98	18.66	19.49	15.15	9.44	14.21
NIC ASIA										
MPS	554	970	617	798	445	316	448	553	994	696
EPS	47	36	26	28	23	17	34	32	28	36
DPS	20.00	30.00	41.05	27.37	21.05	10.53	21.05	20.00	0	0
BVPS	190	211	207	161	151	145	169	177	181	215
P/E	11.69	26.96	24.11	28.19	19.30	19.01	13.09	17.34	35.27	19.10
ROE	12.77	15.93	13.05	16.50	16.84	12.09	22.73	19.26	17.09	18.43
HBL										
MPS	700	941	813	1500	886	551	552	540	484	299
EPS	34	33	33	43	35	23	32	28	28	18
DPS	15.00	21.05	42.11	31.58	26.32	15.79	22.00	20.00	26.00	19.11
BVPS	192	210	208.81	196.12	189.91	174.24	187.73	187.67	188.43	169.72
P/E	20.47	28.43	24.36	34.86	25.21	23.84	17.02	19.57	17.25	16.39
ROE	20.5	21.58	14.17	18.34	15.4	14.17	18.34	15.4	14.89	10.76
Global IME										
MPS	432	640	479	515	388	290	295	239	441	251.4

EPS	16.15	19.57	15.58	19.33	22.57	23.64	26.46	17.99	19.25	20.84
DPS	15	21	23	16.00	10.00	16.00	12.75	14.00	10.00	3.00
BVPS	138	153	147	141	161	152	158	152	154	158
P/E	26.74	32.7	30.74	26.64	17.19	12.27	11.15	13.29	22.90	12.06
ROE	14	16	13	16	18	16	18	13	13	14
Nepal SBI										
MPS	850	1280	887.00	1875	925	499.00	469	435	409.00	282
EPS	32.75	34.83	34.84	34.29	30.61	25.16	27.13	17.23	10.15	16.67
DPS	20	22.07	28.42	29.53	16.34	15.79	16.84	9.47	5.31	10.53
BVPS	161	171	184	178	150	159	167	165	162	174
P/E	25.29	36.75	25.46	54.68	30.22	19.83	17.29	25.24	40.3	16.93
ROE	20.31	22.85	21.51	22.16	20.41	15.81	16.2	10.44	6.26	9.57
NMB										
MPS	252	515	507	810	545	358	382	397	440	261
EPS	18.02	20.50	25.05	27.78	26.88	21.86	18.79	11.18	14.76	17.92
DPS	0	21.05	8.42	20	15.79	30.00	35	16	16.00	8
BVPS	121	141	137	124	164	217	181	150	147	146
P/E	13.98	25.13	20.24	29.15	20.27	12.48	16.23	31.45	26.41	14.57
ROE	12.95	12.08	8.99	13.32	13.54	16.49	21.96	16.4	14.46	13.73
NBL										
MPS	171	459	305	470	364	336	249	443	268	298
EPS	198.53	18.08	7.48	44.59	39.98	26.99	20.68	23.43	20.29	22.67
DPS	0	0	0	0	0	15	12	14	0	2
BVPS	-932	21	59	104	142	298	266	262	246	248
P/E	0.86	25.39	40.78	10.45	9.39	12.45	12.04	18.9	13.21	13.14
ROE	-48.46	45.69	13.48	54.68	34.33	25.86	9.95	7.87	9.36	8.51
ADBL										
MPS	212	756	432	768	435	314	409	385	479	331
EPS	59.03	35.19	78.83	52.79	31.59	36.91	42.88	31.45	29.13	14.41
DPS	31.58	15.79	15.79	21.05	21.05	6	6	15	20	2
BVPS	243	204	245	296	231	305	314	298	286	253
P/E	2.96	16.03	5.48	14.55	13.77	8.51	9.54	12.24	16.44	22.98
ROE	6.88	12.44	13.23	17.01	13.01	12.6	17.78	18.6	12.61	20.92

Table (E).1

Summary of the Financial Performance of NABIL

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	1851	275	65	91.05	19.08	32.78
2013/014	2535	251	65	83.68	30.29	27.97
2014/015	1910	259	36.84	57.24	33.37	22.73
2015/016	2344	244	45	59.27	39.55	25.61
2016/017	1523	270	48	59.86	25.44	22.41
2017/018	921	256	34	51.84	18.6	20.94
2018/019	800	257	34	50.57	15.82	17.76
2019/020	765	256	35.26	36.16	21.15	13.61
2020/021	1359	251	38	33.57	40.48	15.19
2021/022	824	232	30	18.64	44.21	9.78
Mean	1483.2	255.1	43.11	54.188	28.80	20.88
S.D	625.691	11.5278	12.0446	20.8045	9.74	6.62
C V	42.1852	4.51893	27.9393	38.3932	0.34	0.32

$$\bar{X} = \frac{\sum X}{n} = \frac{541.88}{10} = 54.185$$

$$\sigma = \sqrt{\frac{\sum(X-\bar{X})^2}{n-1}} = \sqrt{\frac{4328.2}{9}} = 20.80$$

$$\text{C.v} = \frac{\bar{X}}{\sigma} \times 100 = \frac{54.185}{20.80} = 38.38$$

Table (E).2

Summary of the Financial Performance of EBL

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	1591	291	10	91.88	17.32	36.62
2013/014	2631	264	12	26.63	30.58	32.98
2014/015	2120	258	30	27.2	27.17	29.50
2015/016	3385	186	70	28.88	51.31	25.56
2016/017	1353	230	33	25.82	30.53	23.50
2017/018	663	178	0	32.78	20.23	21.60
2018/019	666	200	5	38.05	17.50	18.13
2019/020	675	220	5	29.71	22.72	13.45
2020/021	738	232	6	19.91	37.06	9.30
2021/022	439	240	13	26.3	16.69	11.76
Mean	1426.1	229.9	18.4	34.716	27.11	22.24
S.D	947.374	33.7711	20.006	19.5774	10.35	8.71
C V	66.4311	14.6895	108.728	56.3932	0.38	0.39

Table (E).3

Summary of the Financial Performance of SCB

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	1820	249	50	65.7	27.7	26.38
2013/014	2799	249	51.5	65.47	42.75	26.27
2014/015	1943	265	44.21	57.38	33.86	21.69
2015/016	1600	268	35.09	45.96	38.33	17.18
2016/017	2295	296	105.26	35.49	64.67	11.98
2017/018	755	174	17.5	27.33	27.62	18.66
2018/019	682	186	22.5	30.39	22.44	19.49
2019/020	645	189	11.84	24.81	26.00	15.15
2020/021	590	189	13.06	14.83	36.16	9.44
2021/022	396	192	16.51	23.92	16.56	14.21
Mean	1352.5	225.7	36.747	39.128	33.61	18.05
S.D	800.787	41.7613	27.0373	17.422	12.73	5.36
C V	59.2079	18.503	73.5769	44.5255	0.38	0.30

Table (E).4

Summary of the Financial Performance of NIC ASIA

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	554	190	20	47.41	11.69	12.77
2013/014	970	211	30	35.98	26.96	15.93
2014/015	617	207	41.05	25.59	24.11	13.05
2015/016	798	161	27.37	28.31	28.19	16.50
2016/017	445	151	21.05	23.06	19.30	16.84
2017/018	316	145.32	10.53	16.62	19.01	12.09
2018/019	448	169	21.05	34.22	13.09	22.73
2019/020	553	177	20	31.89	17.34	19.26
2020/021	994	181	0	28.18	35.27	17.09
2021/022	696	215	0	36.45	19.10	18.43
Mean	639.1	180.732	19.105	30.771	21.41	16.47
S.D	213.932	23.5486	12.1708	8.05426	6.87	3.10
C V	33.4739	13.0295	63.705	26.1749	0.32	0.19

Table (E).5

Summary of the Financial Performance of HBL

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	700	192	15	34.19	20.47	20.5
2013/014	941	210	21.05	33.1	28.43	21.58
2014/015	813	208.81	42.11	33.37	24.36	14.17
2015/016	1500	196.12	31.58	43.03	34.86	18.34
2016/017	886	189.91	26.32	35.15	25.21	15.4
2017/018	551	174.24	15.79	23.11	23.84	14.17
2018/019	552	187.73	22	32.44	17.02	18.34
2019/020	540	187.67	20	27.6	19.57	15.4
2020/021	484	188.43	26	28.07	17.25	14.89
2021/022	299.2	169.72	19.11	18.26	16.39	10.76
Mean	726.62	190.463	23.896	30.832	22.74	16.36
S.D	318.647	12.1072	7.7183	6.54708	5.55	3.12
C V	43.8534	6.35671	32.2995	21.2347	0.24	0.19

Table (E).6

Summary of the Financial Performance of Global IME

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	432	138	15	16.15	26.74	14
2013/014	640	153	21	19.57	32.7	16
2014/015	479	147	23	15.58	30.74	13
2015/016	515	141	16	19.33	26.64	16
2016/017	388	161	10	22.57	17.19	18
2017/018	290	152	16	23.64	12.27	16
2018/019	295	158	12.75	26.46	11.15	18
2019/020	239	152	14	17.99	13.29	13
2020/021	441	154	10	19.25	22.90	13
2021/022	251.4	158	3	20.84	12.06	14
Mean	397.04	151.4	14.075	20.138	20.57	15.19
S.D	122.864	7.04557	5.41762	3.18899	7.91	1.93
C V	30.945	4.65361	38.4911	15.8357	0.38	0.13

Table (F).7

Summary of the Financial Performance of NEPAL SBI

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	850	161	20	32.75	25.29	20.31
2013/014	1280	171	22.07	34.83	36.75	22.85
2014/015	887	184	28.42	34.84	25.46	21.51
2015/016	1875	178	29.53	34.29	54.68	22.16
2016/017	925	150	16.34	30.61	30.22	20.41
2017/018	499	159	15.79	25.16	19.83	15.81
2018/019	469	167	16.84	27.13	17.29	16.2
2019/020	435	165	9.47	17.23	25.24	10.44
2020/021	409	162	5.31	10.15	40.3	6.26
2021/022	282	174	10.53	16.67	16.93	9.57
Mean	791.1	167.1	17.43	26.366	29.20	16.55
S.D	465.351	9.44934	7.46603	8.41119	11.21	5.63
C V	58.8233	5.6549	42.8344	31.9016	0.38	0.34

Table (F).8

Summary of the Financial Performance of NMB

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	252	121	0	18.02	13.98	12.95
2013/014	515	141	21.05	20.5	25.13	12.08
2014/015	507	137	8.42	25.05	20.24	8.99
2015/016	810	124	20	27.78	29.15	13.32
2016/017	545	164	15.79	26.88	20.27	13.54
2017/018	358	217	30	21.86	12.48	16.49
2018/019	382	181	35	18.79	16.23	21.96
2019/020	397	150	16	11.18	31.45	16.4
2020/021	440	147	16	14.76	26.41	14.46
2021/022	261	146	8	17.92	14.57	13.73
Mean	446.7	152.8	17.026	20.274	20.99	14.39
S.D	153.919	27.1286	9.82587	5.01283	6.40	3.23
C V	34.457	17.7543	57.7109	24.7254	0.30	0.22

Table (F).9

Summary of the Financial Performance of NBL

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	171	-932	0	198.53	0.86	-48.46
2013/014	459	21	0	18.08	25.39	45.69
2014/015	305	59	0	7.48	40.78	13.48
2015/016	470	104	0	44.59	10.45	54.68
2016/017	364	142	0	39.98	9.39	34.33
2017/018	336	298	15	26.99	12.45	25.86
2018/019	249	266	12	20.68	12.04	9.95
2019/020	443	262	14	23.43	18.9	7.87
2020/021	268	246	0	20.29	13.21	9.36
2021/022	298	248	2	22.67	13.14	8.51
Mean	336.3	71.4	4.3	42.272	15.66	16.13
S.D	93.3489	346.81	6.19758	53.052	10.28	26.79
C V	27.7576	485.728	144.13	125.502	0.66	1.66

Table (F).10

Summary of the Financial Performance of ADBL

Years	MPS	BVPS	DPS	EPS	P/E	ROE
2012/013	212	243	31.58	59.03	2.96	6.88
2013/014	756	204	15.79	35.19	16.03	12.44
2014/015	432	245	15.79	78.83	5.48	13.23
2015/016	768	296	21.05	52.79	14.55	17.01
2016/017	435	231	21.05	31.59	13.77	13.01
2017/018	314	305	6	36.91	8.51	12.6
2018/019	409	314	6	42.88	9.54	17.78
2019/020	385	298	15	31.45	12.24	18.6
2020/021	479	286	20	29.13	16.44	12.61
2021/022	331	253	2	14.41	22.98	20.92
Mean	452.1	267.5	15.426	41.221	12.25	14.51
S.D	170.679	35.1205	8.3877	17.2522	5.55	3.85
C V	37.7525	13.1292	54.3738	41.853	0.45	0.27

Appendix- II
Figure

Figure A

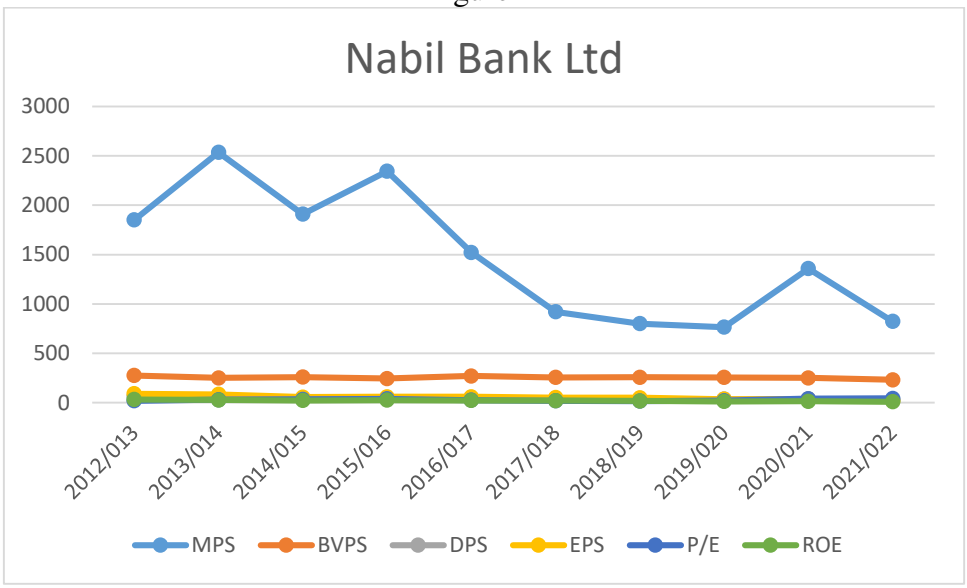


Figure B

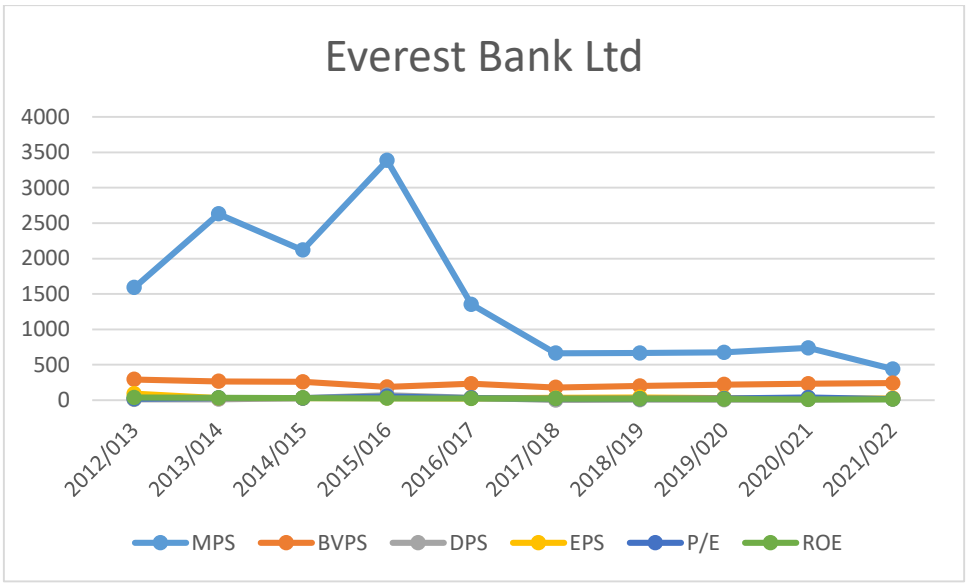


Figure C

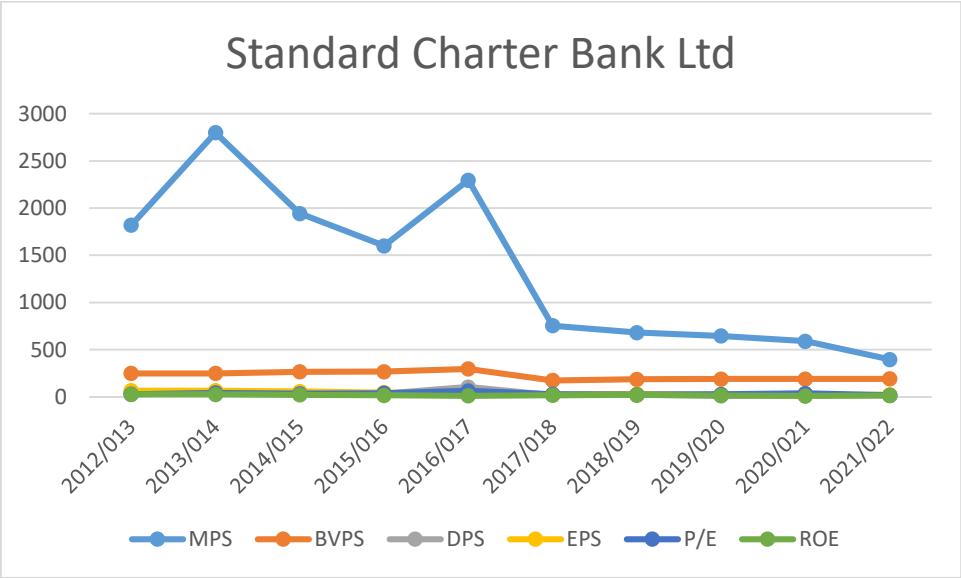


Figure D

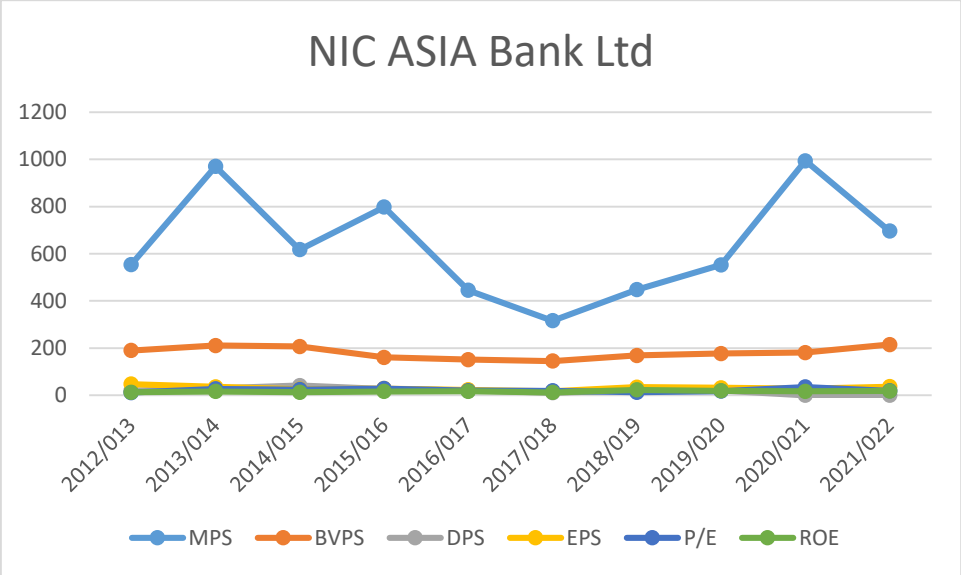


Figure E

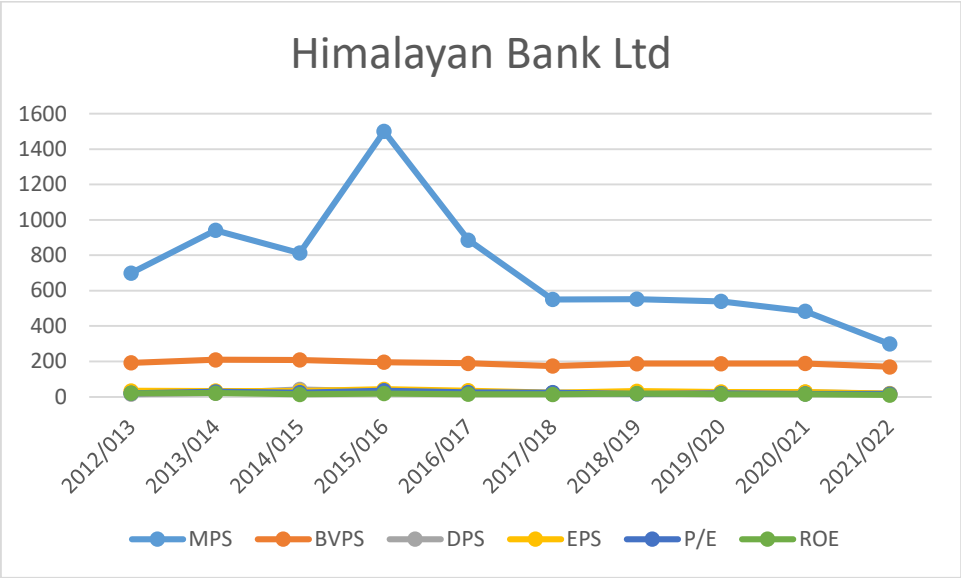


Figure F

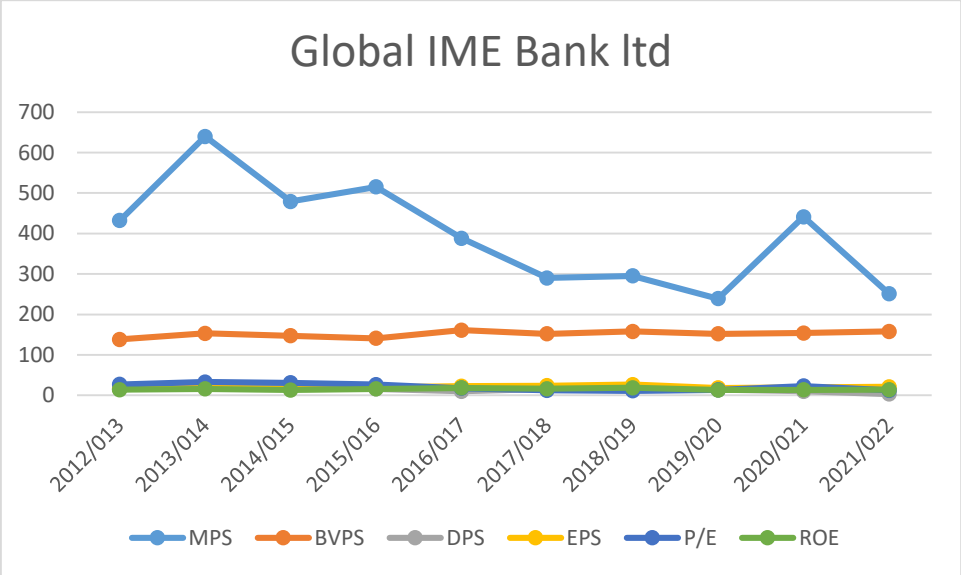


Figure G

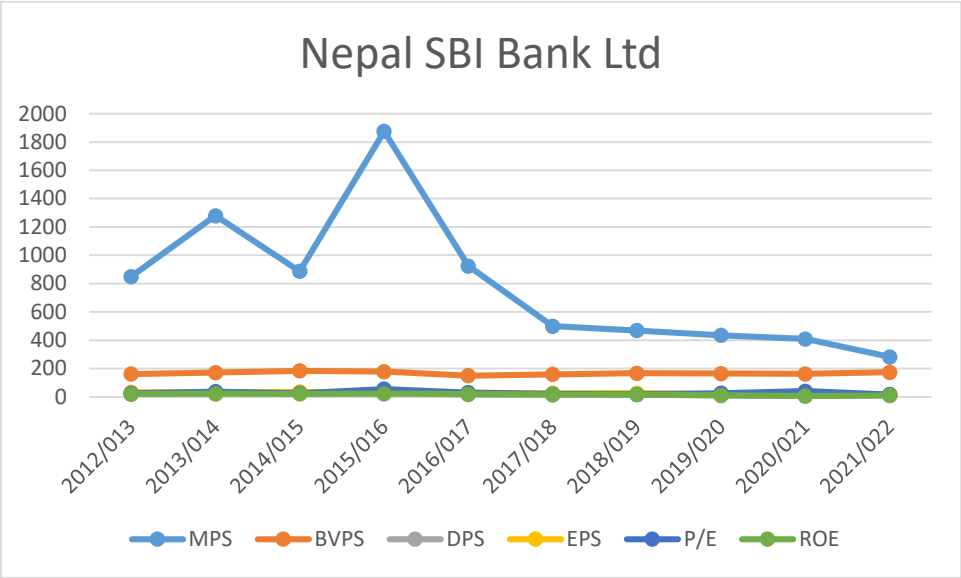


Figure H

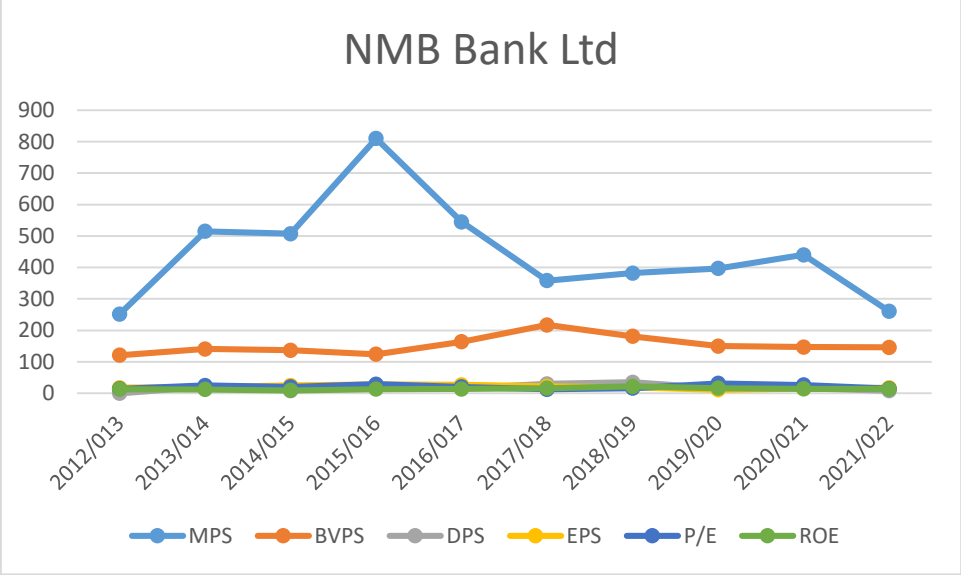


Figure I

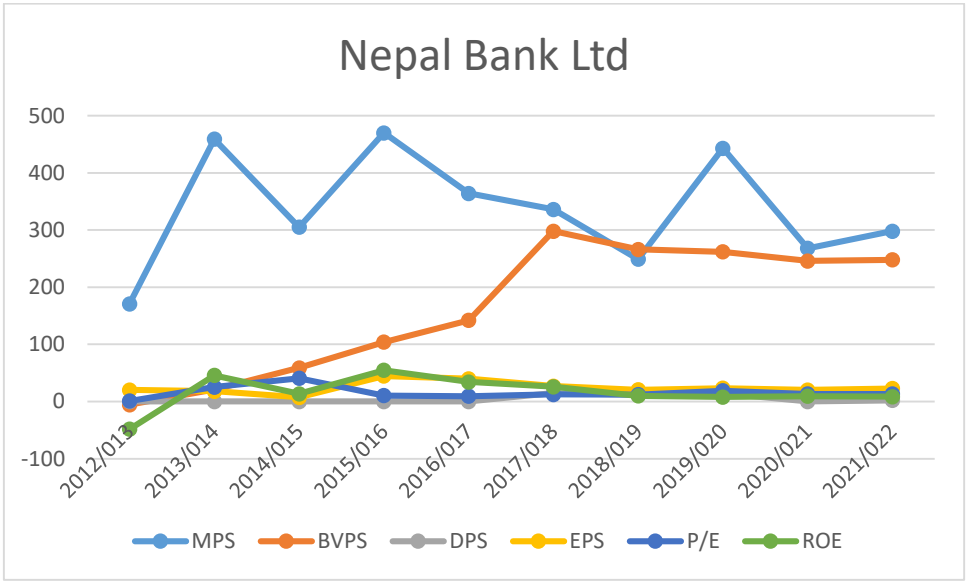
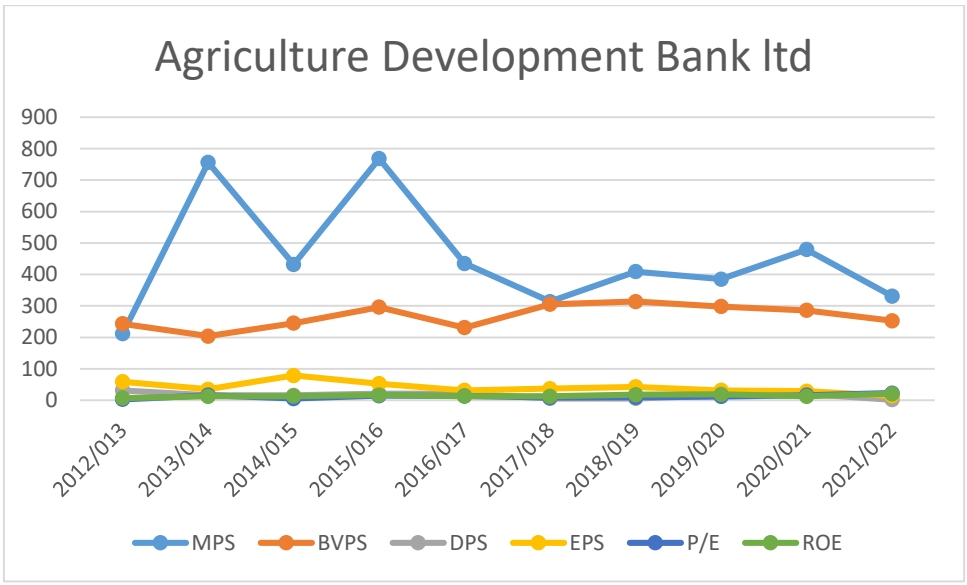


Figure J



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