THE PREVAILING FACTORS THAT DETERMINE THE GROWTH AND PROSPECTS OF THE NEPALESE CAPITAL MARKET

A Dissertation submitted to the Office of the dean, faculty of management in partial fulfillment of the requirements for the Degree of Masters of Business Studies

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled "**The Prevailing Factors that Determine the Growth and Prospects of the Nepalese Capital Market**". 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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Madhav Ghimire

REPORT OF RESEARCH COMMITTEE

Mr. Madhav Ghimire has defended research proposal entitled "**The Prevailing Factors that Determine the Growth and Prospects of the Nepalese Capital Market**", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Srijana Khadka and submit the thesis for evaluation and viva voce examination.

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Dissertation Proposal Defended Date:

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Dissertation Submitted Date:

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**The Prevailing Factors that Determine the Growth and Prospects of the Nepalese Capital Market**" presented by Madhav Ghimire a candidate for the degree of master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Madhav Ghimire
July, 2024

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ABBREVIATIONS

ADB	:	Asian Development Bank
AGM	:	Annual General Meeting
ATS	:	Automated Trading System
C.V.	:	Coefficient of Variance
C.V.	:	Coefficient of Variance
CDS	:	Central Depository System
CFG	:	Corporate and Financial Governance
DP	:	Depository Participants
GDP	:	Gross Domestic Product
GON	:	Government of Nepal
IOSCO	:	International Organization of Securities Commission
IT	:	Information Technology
NATS	:	NEPSE Automated Trading System
NEPSE	:	Nepal Stock Exchange
NSTC	:	Nepal Security Trading Center
OTC	:	Over the Counter
S.D.	:	Standard Deviation
SEBON	:	Security Exchange Board of Nepal
SEC	:	Security Exchange Center
WAN	:	Wide Area Network

ABSTRACT

This study aims to examine the development and future prospects of Nepal's capital markets. This study's particular goals are to evaluate the effects of EPS, DPS, PER, CRR, and CAR on the MVPS of development banks in Nepal.

Descriptive and informal comparative research designs were used in this study. The foundation of this work is quantitative in character. Three development banks were selected as a sample for the secondary data collection: Lumbini Bikas Bank Ltd., Muktinath Bikas Bank Ltd., and Shangrila Development Bank Ltd. The purposive sampling strategy is employed for data collection. MVPS is a dependent variable, and EPS, DPS, PER, CRR, and CAR are independent variables. The findings show that MVPS has a strong positive association with EPS, DPS, and PER and a weak negative correlation with cash reserve ratio (CRR), indicating a slight tendency for these variables to move in tandem. CRR is not statistically significant, though. However, PER, DPS, and EPS are statistically significant.

The results of the regression analysis showed that CAR and CRR had a negative effect on MVPS, but CAR is not statistically significant. In a similar vein, EPS, DPS, and PER all have a positive influence on MVPS, with PER and DPS being statistically significant while EPS is not. Therefore, the relationship between MVPS and PER, CRR, EPS, CAR, and DPS is linear.

Keywords: Earnings per Share, Dividend per Share, Price Earnings Ratio, Cash Reserve Ratio, Capital Adequacy Ratio, Market Value per Share

CHAPTER I
INTRODUCTION

1.1 Background of the Study

Inflation, stock indexes, and interest rates are all important factors in a nation's economic expansion. The effects of interest rates and inflation on stock indexes have a significant impact on government policies regarding risk management, monitoring, and financial markets. Two significant monetary elements that influence normal stocks are loan costs and expansion. Interest rates have a direct impact on the financial market; when rates rise, investment decisions typically shift from capital market to fixed income securities (Karki, 2018).

The money market and the capital market are directly impacted by inflation and interest rate variation. Stocks are sensitive to changes in interest rates and inflation rates, which have an inverse relationship with equities (Cassel, 1918). Historical and contemporary empirical studies have examined a wide range of macroeconomic factors that have an effect on stock indexes. While this is significant, financial backers should know that different monetary areas answer distinctively to changes in macroeconomic factors. The majority of previous research ignored the impact of these variables on other parts of the economy and instead focused solely on the stock market as a whole.

It will be impossible to precisely correlate the stock prices of the banking industry with the interest rate and inflation rate until an empirical analysis is carried out. This study aims to clarify the current connection between the stock index, inflation rate, and interest rate by utilizing empirical data. One of the key macroeconomic variables that has an immediate bearing on financial development is loan fees. The cost of capital, or the amount paid to use money for a certain amount of time, is typically referred to as interest rates. Loan fees are the expense of acquiring cash according to the viewpoint of the borrower (getting rate). According to the viewpoint of the bank, the loan fee is the expense of loaning cash. A proficient market canny financial backers generally search out to put resources into. According to Shrestha & Subedi (2014), the public's faith in the market is undermined by the fact that few individuals in an inefficient market are able to make extraordinary profits.

If the interest rate banks offer to depositors rises, people move their money away from the share market and into banks. As a consequence of this, there will be less demand for shares, which will also result in a decline in share prices. On the other hand, as the loan fee that banks pay contributors rises, so does the loaning financing cost, which thusly causes a decrease in monetary speculations and, subsequently, a decrease in share cost. As a result, theoretically, the relationship between the interest rate and share price is inverse. Stock market performance typically suffers as a result of higher interest rates brought on by tighter monetary policy. This is on the grounds that higher loan fees, as shown by the profit markdown model, bring down the worth of values and, subsequently, increment the allure of fixed pay instruments as a stock substitute. As a result, investors might be less likely to borrow money and buy stocks because of this. Additionally, it raises operating costs, which lowers profit margin. On the other hand, the stock market benefits from an expansionary monetary policy that lowers interest rates (Laichena & Obwogi, 2015).

The expansion rate is another variable that impacts the stock record. A general and consistent expansion in costs is called expansion. Except for money, everything gains value with inflation. Inflation is the process by which money's value decreases while prices rise. The cost change as addressed by the month to month or yearly cost file is known as the expansion rate. The rate of inflation is used to determine the annual percentage increase in prices. The most common metric is the retail price. Consistently, the public authority delivers a purchaser cost file, and the rate expansion in that list over the first a year is known as the expansion rate (Karki, 2018).

Inflation has no effect on economic expansion. It should be lower. The performance of the stock market is also negatively impacted by a sharp rise in inflation. Investors are concerned about their stock market investments because rising inflation suggests unfavorable economic conditions in the nation. They expect tight money related approach in the future from the Fed to restrict expansion, which thusly controls the cash supply and makes it harder for organizations to acquire bank funding since getting has greater expenses and stricter terms. According to Shrestha & Subedi (2014), investors are more likely to buy stock on the stock market when the rate of inflation is falling.

The objective of this study is to examine what the financing cost and expansion rate mean for the securities exchange. The primary objective of this study is to establish a connection between these variables. The motivation behind the review is to put the discoveries to an observational test. As a result, it is safe to say that the stock market is affected by the interest rate and inflation rate. This study examines whether changes in expansion and financing costs affect securities exchange execution.

The exhibition of the financial exchange influences the economy overall, and experimental information has shown that the development of the capital market is crucial for monetary extension. During this time, the nation is most exposed to the outside world. The connection between the economy and stock price has been the subject of heated debate for a considerable amount of time (Malkiel, 1989). One of Markowitz's fundamental works, the mean-variance portfolio theory, has drawn attention to the pricing implications. Since then, academics and practitioners have paid close attention to stock price volatility because it can be used as a gauge of risk in financial markets. Establishing an empirical relationship between volatility and macroeconomic variables has proven to be extremely challenging. Solid proof has been tracked down in specific examination to help the possibility that stock unpredictability ascends during downturns. Apparently value unpredictability is inconsequential to financial factors and comes up short on design. In some cases, it is closely related to macroeconomic variables, while in others, volatility may not be affected by them. Various signs of the connection between's macroeconomic factors and stock costs have been widely archived in the surviving writing.

Stock prices are correlated with some macroeconomic variables, according to research; however, the majority of these studies were conducted in developed economies. However, stock markets may not be able to accurately reflect changes in the macroeconomic fundamentals, so macroeconomic factors may not be accurate predictors of changes in stock market prices in less developed nations, such as those in Asia (Mundell, 2010). When looking at smaller, developing, or undeveloped capital markets, it is still too early to determine whether research on industrialized economies is still relevant.

Stock markets are becoming increasingly important as investment and savings options in the Nepalese economy. Stock market volatility is generally lower than in other

developing nations. The primary reason for the low volume of equity trading is the lack of demand. However, pricing volatility has increased recently as a result of the increase in trading volume brought on by investors' speculative intentions. Subsequently, macroeconomic strength is currently an unquestionable requirement for the country's monetary turn of events and financial development. According to Shrestha (2019), it is absolutely necessary to investigate the extent to which macroeconomic factors influence the Nepalese stock market.

Exploring the connection between macroeconomic factors and stock cost for different reasons is essential. First and foremost, it aids decision-makers in comprehending the full impact of existing and future regulations. Second, investors' risk exposure would decrease if they were fully aware of this relationship and made better investment decisions. Third, monitoring anything component starts things out could help bring down the shock factor since individuals can play it safe since they will be fairly mindful of likely improvements in the monetary area or the economy. Economic liberalization and reforms to the financial sector have altered Nepal's financial architecture. Consequently, more banks and other financial institutions open for business, providing more opportunities to reevaluate the link between Nepal's stock market and economic and non-economic factors (Karki, 2018).

1.2 Problem Statement

This study aims to ascertain how the stock index is affected by various interest rates and inflation rates. We can get a feeling of the condition of the economy generally speaking from the stock record. Exchange rates, GDP, the money supply, monetary and exchange rate policies, and political news and rumors all have an impact on the stock market's performance. However, an interest rate and an inflation rate have been chosen for this study. It is guessed that financing costs and expansion rates will affect stock record. Accordingly, lower loan fees and higher expansion welcomed on by an expansionary financial arrangement might support the securities exchange file through more monetary movement. Investors, policymakers, and financial economists have long been interested in how interest rates and inflation affect stock indexes. However, the specific patterns of these interactions remain a mystery, and empirical evaluation is required to ascertain the nature and force of the dynamic interactions between inflation and high interest rates.

Naik and Padhi compared the Indian stock market index to five macroeconomic indicators, including the money supply, treasury bill rates, exchange rates, wholesale pricing index, and industrial production index. According to Naik and Padhi, the correlation between stock prices and inflation is negative, but the correlation between money supply and industrial production is positive. It was found that the transient loan cost and the swapping scale had little impact on stock qualities. Barasa (2014) investigated the factors that influence the stock market performance of the stock exchange. According to Barasa, the customer pricing index found that there was no statistically significant correlation between the stock market's success and inflation. Inflation and stock market performance were found to have no significant or inverse correlation in this study. An empirical investigation into the macroeconomic factors that influence the performance of Nepal's stock market was carried out by Karki (2018). Karki annually considers four macroeconomic variables: the broad money supply, interest rate, real GDP, and inflation. Real GDP, inflation, and the money supply all have a positive effect on stock market performance, according to empirical findings, whereas interest rates have a negative effect. All the more altogether, there is no proof over the long haul connecting macroeconomic factors to the securities exchange file, demonstrating that the macroeconomic factors don't represent changes in Nepali stock costs. This lends credence to the random walk hypothesis for the Nepalese stock market.

The dynamic relationship between the stock market and macroeconomic factors like Nepal's foreign direct investment, inflation, money supply, interest rate, and gross domestic product was the subject of an investigation by Khatri (2019). The cash supply and stock costs were viewed as emphatically and firmly related. The loan cost and genuine monetary action have an insignificant and ominous relationship with stock qualities. The US dollar exchange rate, inflation, and the Nepalese stock market are also positively and slightly correlated with each other. Shrestha and Pokhrel conducted research in 2019 on the factors influencing the Nepali stock index. The Nepalese stock record answers horribly to loan costs and well to increment in wide cash, as per experimental discoveries. Results showed that the liquidity's availability.. Inflation has a positive correlation with the stock index, while interest rates and total money have a negative correlation. All the more critically, it has been found that adjustments of the political environment, Nepal Rastra Bank's strategies with respect to loaning against share security, and settled up capital climbs all considerably affect the stock record. However,

The models cannot explain all of the volatility in the share index, implying that news, rumors, and speculation play a significant role. The macroeconomic elements affecting Nepal's securities exchange costs were analyzed by Panta (2020).

The result demonstrates that the variation of the NEPSE Index has a significant long-term relationship with the general money supply, interest rate, inflation, and exchange rate. Temporarily, the Gross domestic product, cash supply, and conversion scale can be generally decidedly characterized; nonetheless, in the long haul, just the cash supply can be emphatically characterized.

Considering the previous depiction, the review's goal is to decide the unique connection between the financing cost, expansion rate, and stock list to decide what changes in these factors mean for the stock record.

i. What is the position of money supply, GDP, interest rate, inflation rate, foreign currency reserve and NEPSE index over the period?

ii. Is there any relationship between money supply, GDP, interest rate, inflation rate, foreign currency reserve and NEPSE index?

iii. How money supply, GDP, interest rate, inflation rate, foreign currency reserve impact NEPSE index?

1.3 Objectives of the Study

The overall target of the review is to dissect the connection between financing cost, expansion rate and NEPSE. The particular goals of the review are;

i. To assess the position of money supply, GDP, interest rate, inflation rate, foreign currency reserve and NEPSE index.

ii. To examine the relationship between money supply, GDP, interest rate, inflation rate, foreign currency reserve and NEPSE index.

iii. To analyze the impact of money supply, GDP, interest rate, inflation rate, foreign currency reserve on NEPSE index.

1.4 Rationale of the Study

This study examines assuming changes to Nepal's greatest advantage rate and expansion rate affect the stock file. Financial backers and imminent financial backers will figure out

how much changes in expansion and loan fees influence interests in the two business sectors and whether they affect the profit from the stock record. It will assist financial backers with settling on shrewd venture choices and assist neighborhood organizations with picking whether posting on the stock index may be ideal. Nonetheless, realizing what financing costs and expansion mean for the stock record could help Nepalese policymakers appropriately plan and anticipate what their arrangements would mean for the market to bring financial backers into the stock list.

As a result, when making investment decisions and managing portfolios, both domestic and international investors can benefit from being aware of how Nepal's interest rate and inflation rate interact with the stock market. In addition to the fact that it is a useful wellspring of information, yet it could likewise ignite revenue in more examination on this or related points relating to the activities of both homegrown and unfamiliar financial backers.

This study enlightens the pivotal transaction between Nepal's expansion rate, loan fee, and the stock file, offering important experiences for financial backers and policymakers the same. By knowing the effect of monetary pointers on the securities exchange, financial backers can settle on informed choices, advancing their portfolios for most extreme returns. In addition, listing on the stock index provides local businesses with clarity about the benefits, which encourages economic expansion. Critically, policymakers can use this comprehension to plan designated systems, drawing in financial backers and supporting business sector security. The results show how important it is to keep an eye on the stock market, the interest and inflation rates in Nepal, investment strategies, and strategic planning. In addition, this study provides a foundation for additional research, promoting ongoing investigation into the dynamics that influence investor behavior and market performance domestically and internationally.

1.5 Limitations of the Study

Each work has its own limits because of absence of time, assets and information. Within the confines of the restrictions, the work has been completed. This study was limited to, despite the researcher's numerous efforts.

- This study has been based on secondary sources of data i.e. annual reports of the SEBON, Nepal Rastra Bank and government publications and other related journals. Thus, the result of the analysis depends on the information provided by the concern offices.
- The study covers only the latest ten fiscal years (2065/66 to 2079/80).
- The study covers the interest rate and inflation rate and its impact on NEPSE index while others aspect are not include which may affect some extent in our result.

CHAPTER II
LITERETURE REVIEW

The establishment for research in practically all scholastic fields is a writing study. It includes the best in class, enveloping huge revelations along with hypothetical and strategic headways on a given subject. It provides a fundamental comprehension of the topic. Reviews of the writing are optional sources that don't present pristine or extraordinary exploratory work. These reviews, which are linked to books with an academic focus, are typically published in academic journals. It includes both empirical data and an analysis of relevant research theories. It provides guidance for selecting the variables to be investigated and assists in defining the research's objective. It enables a researcher to learn about the existing body of knowledge on a subject that interests them. It is useful to decide the pieces of the issue that require further exploration and those that poor person yet been analyzed. It provides researchers with the opportunity to formulate research hypotheses by presenting earlier studies' findings.

2.1 Theoretical Review

2.1.1 Concept of Interest rate

Interest rates represent the cost of borrowing money or the rate of return on investment, according to macroeconomics. It is an important tool that central banks use to control the economy. It promotes economic expansion by encouraging consumer spending, investment, and borrowing when it is eliminated. In contrast, raising interest rates slows inflation by reducing spending, though it may also impede economic expansion. Loan fees influence various ventures, like assembling, lodging, and buyer spending, which shapes the condition of the economy all in all. Policymakers, investors, and businesses need to understand interest rate dynamics in order to navigate macroeconomic trends, forecast them, and make informed decisions (Fama, 1970).

There are a lot of theories about how interest rates and inflation affect stock indexes. The buying power equality speculation, frequently known as the expansion hypothesis of trade rates, was made by Cassel in 1918 to address the connection between the cost of products and the worth of different monetary forms. Nominal interest rates in two or more nations ought to be equivalent to the required real rate of return for investors, allowing for each

nation's anticipated rate of inflation, according to the Fisher effect theory (Fisher, 1930). The pace of revenue at some random time, which is the installment for surrendering liquidity, is a proportion of how hesitant individuals are to surrender their fluid command over their cash, as indicated by the thought of liquidity inclination. An efficient market, according to Fama (1970), is one in which the market price accurately reflects all of the information that is available. The efficient market hypothesis (EMH) states that financial markets are "informational efficient." In view of the idea that a resource's profits might be estimated utilizing the direct connection between the resource's normal return and a few macroeconomic factors that imply orderly liability, exchange valuing hypothesis (Wellsuited) is a multifaceted resource evaluating model. A stock's or the market's total price movement cannot be predicted based on its previous movement or direction, according to the random walk theory. It is the occurrence of an unpredictably occurring event that is determined by a sequence of arbitrary motions. This hypothesis' particulars are recorded beneath.

2.1.2 Purchasing Power Parity Theory

Buying power equality (PPP), regularly known as the expansion hypothesis of trade rates, is the groundwork of swapping scale hypothesis. Although the theory of PPP first appeared in England at the beginning of the seventeenth century and Spain in the sixteenth century, a Swedish economist first gave it the name PPP (Cassel, 1918). Cassel once expressed that without it, there would be no genuine method for discussing whether a cash is esteemed too profoundly or excessively low. At the point when outright PPP hypothesis was at first presented, it addressed how the costs of merchandise connected with the upsides of different monetary forms. Solid requirements are required for the hypothesis to work. By and large, Outright PPP accepts a verifiable gamble unbiased existence where things can be openly exchanged without limitations on send out amounts, levies, transportation charges, or different costs in an interconnected and cutthroat item market. However, in a real society, it is impossible to assume that there are no costs associated with moving things from one location to another. A huge number of wares and administrations are delivered and consumed by every economy in reality, and a considerable lot of them are evaluated diversely between countries because of exchange limitations, taxes, and transportation costs. The majority of people believe that the equilibrium of the goods market necessitates absolute PPP. By and large, PPP makes the certain presumption of a gamble nonpartisan world in which merchandise can be traded

uninhibitedly in a connected and serious item market without being confined by send out standards, charges, transportation expenses, or different limitations. However, it is impossible to assume that moving things from one location to another does not cost money in a real society. Every economy in the real world produces and consumes tens of thousands of goods and services, many of which are priced differently between nations due to tariffs, trade restrictions, and transportation costs. The majority of people believe that the equilibrium of the product market necessitates absolute PPP.

2.1.3 Fisher Effect Theory

Stock returns are negatively correlated with expected inflation, changes in expected inflation, and unexpected inflation, according to the Fisher effect theory, which states that the expected nominal return on common stocks is comprised of one expected rate of inflation and a "real" return. It expresses that ostensible financing costs in at least two nations ought to approach the necessary genuine pace of return to financial backers in addition to pay for the normal measure of expansion in every nation (Fisher, 1930). The market will set the price of common stocks so that the expected nominal return from t-1 to t is the sum of the appropriate equilibrium expected real rate and the market's estimate of the expected inflation rate for the same time period, as long as the market is efficient and reflects all available information at time t-1, according to their explanation of the generalized Fisher effect. When it is anticipated that inflation will rise significantly, investors shift their focus from financial assets to real assets. This hypothesis recommends that as stocks are claims on genuine resources, they go about as expansion fences. Additionally, it suggests that stock price appreciation and anticipated inflation are positively correlated.

2.1.4 Liquidity Preference Theory

The rate of interest at any given time, which is the payment for giving up liquidity, is a measure of how reluctant people are to give up their liquid control over money, according to liquidity preference theory. The pace of revenue is the expense that adjusts the longing to hold abundance in real money with how much money that is promptly accessible. Individuals need cash for different reasons, including funding arranged costs, making expectations about the heading of loan fees, or basically being uncertain of what's in store and realizing that it is ideal to hold a part of their assets as unadulterated buying power (Keynes, 1936). The terms "transactional," "speculative," and "preventative" came to

describe these motives for requesting payment. Then again, the national bank's activities decide perhaps of the main free factor in the realm of cash supply. Consequently, liquidity preference theory and the majority of Keynesian literature interpreted liquidity preference as the desire for money and the idea that the supply and demand of money influence interest rates. Notwithstanding, there is conflict over this prohibitive utilization of liquidity inclination hypothesis. It can likewise be seen as a resource decision hypothesis. Liquidity inclination, as Keynes featured in his debate with Ohlin, was really a hypothesis of decision between holding credits and keeping cash inactive, with the financing cost effectively adjusting the advantages of by the same token.

2.1.5 Efficient Market Hypothesis (EMH)

An efficient market, according to Fama (1970), is one in which the market price accurately reflects all of the information that is available. The efficient-market hypothesis (EMH) states that financial markets are "informational efficient." To put it another way, based on the information that was available to the general public at the time of the investment, it is impossible to consistently generate risk-adjusted returns that are higher than the typical market returns. It is essential to keep in mind that, up until this point, the typical approach taken in empirical research was to extrapolate market efficiency from the apparent independence of subsequent price movements. The rate at which prices respond to particular types of newly available information has been the subject of very little real testing.

2.1.6 Arbitrage Pricing Model

Basically, the exchange evaluating model examines the gamble premium that is assigned to different variables affecting resource returns to decide the meaning of those profits or whether those profits are "valued" into securities exchange returns. As a result, it gave us all reason to believe that stock prices and macroeconomic variables have been in a stable state for a long time. This came about following their disclosure that the economy's powers impacted rebate rates and organizations' capacity to give future incomes and profits (Ross, 1976).

2.1.7 Random Walk Theory

As per Malkiel (1989), one can't estimate the future development of a stock's cost or the course of the market overall in light of its verifiable way of behaving. It is the occurrence

of an unpredictably occurring event that is determined by a sequence of arbitrary motions. Because they are impaired and their gait does not follow a pattern that is predictable, the gait of an inebriated person, for instance, can be regarded as random. When the random walk theory is applied to stocks, it is suggested that because stock prices fluctuate at random, there is no way to predict them.

2.2 Empirical Review

The literature has talked about how interest rates and inflation rates affect stock indexes. An understanding of inflation, interest rates, and the stock index will be beneficial to advocates for government intervention through fiscal and monetary measures to control interest rates and inflation. Empirical evaluations of studies on the macroeconomic factors under consideration have been conducted. The relationship between the stock index, interest rate, and inflation is the subject of ongoing debate, as is evident. As a result, the current work aims to fill the gap.

2.2.1 Review of International Articles and Journal

Paterson et al. (2023) investigated on the impact of government policy responses to the COVID-19 pandemic and brexit on the UK financial market: a behavioral perspective.

During the pinnacle of the Coronavirus pandemic in the UK, the Legislative head of the Bank of Britain expressed in a meeting that the bank could depend on extreme cash printing measures and that the pandemic was an extraordinary monetary crisis. As a result, the FTSE 100 and the pound sterling experienced record-breaking losses on the UK financial market. We hypothesized that investors' perceptions of the financial market and their feelings about it may have been influenced by the information they received from regular announcements of government policy in light of this data. Additionally, we suggested that the pandemic and the UK's eventual exit from the European Union (Brexit) may have harmed the outlook for the UK financial market as investors began to diversify their portfolios. As a result, we investigated how investor responses to the COVID-19 outbreak and Brexit simultaneously were impacted by government policy announcements. Our information show that standard strategy declarations during the scourge significantly affected financial backer brain science, which thus impacted generally speaking business sector conduct.

Akter and Rahman (2023) conducted a research on capital market and its prospects and problems in Bangladesh. In order to boost the market and use it as a tool for the government's priority of rapid economic development, new policies have been proposed. From that point forward, the market has stayed whimsical. In recent years, the market has grown nearly continuously. The country's capital market is by the by plagued by issues like deficient monetary profundity, an absence of variety in items, conflicting lawful and administrative systems, and other equivalent worries, even with the various progressions accomplished throughout the long term. In spite of the market's numerous internal and external obstacles, this paper emphasizes its potential. A hearty capital market might be fundamental for the country's entire monetary framework. Bangladesh's capital market is significantly less developed than that of many other nations, especially its neighbors. In 1976, the capital market in Bangladesh saw a revival.

Goldstein (2023) conducted a research information in financial markets and its real effects. Empirical research seeks to identify the useful information that markets provide regarding business decisions. Theoretically, the effects of this feedback effect on economic efficiency and financial market equilibrium are examined. The current developments in information technology brought about by the Fin Tech revolution alter the manner in which financial markets handle information, which may alter the nature of the feedback effect. In this essay, I compare and contrast the primary ideas in this stilldeveloping body of work with the ongoing information revolution. Additionally, I discuss potential research directions.

Nguyen (2023) conducted a research on the development of green bond in developing countries: insights from south east Asia market Participants. Due to its growing significance as the primary funding source for the Sustainable Development Goals, the concept of a green bond is relatively new in Southeast Asia. Besides, the worldwide advancement of green bonds has been upset by the simultaneous Coronavirus pandemic. This study used 32 semi-structured interviews with participants in Southeast Asian capital markets to examine the current state of the green bond's development in those countries. The results indicate that the green bond market is expected to grow, as well as potential challenges, opportunities, and difficulties with regulations. To sum up the exploration's discoveries, various speculations are introduced in the review's decision and can be tried from here on out. Accordingly, we increment how we might interpret green securities in

Southeast Asian monetary business sectors, which has suggestions for professionals and leaders in the area in regards to the development of green bonds.

Edo (2021) analyzed Fiscal budget deficit and the emerging capital markets in West African countries. The primary objective of this study is to determine how capital market development in West African nations is affected by the fiscal budget deficit. Research is conducted by developing a panel model that demonstrates the link between the capital market and the fiscal budget deficit. According to the estimates, the deficit had a positive effect on traded stocks and market capitalization, with traded stocks having a greater impact than market capitalization. The cash supply, money rate, monetary receptiveness, and profit from speculation all have an effect notwithstanding the shortfall. The main takeaway from these findings is that a shift in fiscal policy from deficit to surplus budgeting could have a negative impact on these markets' activity. As a result, it is crucial to focus on improving financial transparency and return on investment, which are also powerful growth engines for the capital market.

Fahleyi (2019) looked into a study on how inflation, interest rates, and exchange rates affected the stock price of the Indonesian LQ45 index. The primary objective of this research is to investigate how interest rates, inflation rates, and rates for foreign currencies affect stock prices in Indonesia. Monthly data covering five years, from 2013 to 2017, was used in this study. The findings of the study demonstrated a relationship between the independent and dependent variables.

Khan (2019) conducted research on the effect of exchange rates on stock returns in the Shenzhen stock exchange using the ARDL technique for analysis. The ARDL model is used in this study to look at the short- and long-term relationships between the variables to see how the Shenzhen stock exchange exchange rate affected stock returns from January 2008 to December 2018. As per the anticipated ARDL results, the conversion scale altogether and adversely influences the stock returns of the Shenzhen stock trade. Inflation and interest rates have a statistically significant negative effect on stock returns, as shown by the findings. The expected results of this study suggest that policymakers at the central bank ought to take actions that help stabilize

Hussein (2018) conducted a comparison study between two GCC nations to examine the impact of inflation, interest rates, and currency rates on stock prices. The primary objective of this paper is to ascertain whether or not stock prices and exchange rates are related. For the period of January 2008 to December 2009, the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA) are the subjects of the study, which makes use of quarterly and monthly data. The short-term findings of the study indicate that while there is a positive influence on the stock market price index for the United Arab Emirates, there is no correlation between the exchange rate and that index for the Kingdom of Saudi Arabia. Besides, the drawn out investigation found that the Unified Bedouin Emirates' financial exchange cost list is antagonistically affected by the conversion scale. In Realm Saudi Arabia, in any case, there is no connection between's these qualities.

Haider (2018) conducted research on the effects of gold prices, interest rates, inflation rates, and exchange rates on the Karachi Meezan Index 30. The objective of this study is to decide what macroeconomic and monetary elements mean for Pakistan's most memorable Islamic stock record, the Karachi Meezan List 30. From July 2011 to June 2016, this study uses monthly data on the interest rate, inflation rate, exchange rate, and gold price of the KMI Index 30. It utilizes a Various Relapse Model to decide the effect of picked factors on KMI 30. The empirical result demonstrates that the exchange rate and the KMI 30 Index have a positive relationship, while the KMI 30 Index has a negative relationship with interest rates and gold prices. Our relapse model demonstrates that there is no significant relationship between the expansion rate and the KMI 30 File. The empirical result demonstrates that the exchange rate and the KMI 30 Index have a positive relationship, while the KMI 30 Index has a negative relationship with interest rates and gold prices. Our relapse model shows that there is no significant relationship between the expansion rate and the KMI 30 Record.

Yunita (2018) examined a study that examined the impact of changes in the exchange rate, birate, and inflation rate on the return of the banking sector stock price index in the Indonesian stock market. This' study will probably decide the effect of macroeconomic factors on the monetary area stock cost file in IDX somewhere in the range of 2011 and 2017, remembering changes for the conversion scale, BI rate, and expansion rate. This study used the analysis method of Generalize Autoregressive Conditional

Heteroscedasticity (GARCH) to determine the best model. As per the discoveries, the sole variable fundamentally influencing the monetary area stock cost list is conversion scale change. The financial area stock cost list isn't essentially influenced by expansion or the BI rate.

Table 1

Summary of International Article

Author	Topic	Objectives	Methodology	Findings	Variables
Paterson, et. al (2023)	Impact of government policy responses to the COVID-19 pandemic and brexit on the UK financial market: a behavioral perspective.	examined the impact of government's policy announcements on investors' reactions to the concurrence of the COVID-19 pandemic and Brexit	information they obtained from frequent government policy announcements from European Union (Brexit)	Our information show that standard strategy declarations during the scourge significantly affected financial backer brain science, which thus impacted generally speaking business sector conduct.	Investment and market behavior
Akter and Rahman (2023)	Capital market and its prospects and problems in Bangladesh.	to inject the market with more energy, making it an instrument of the rapid economic development the government has prioritized	DSE All Share price Index is used to calculate the autocorrelation, day-of theweek effect and the turnof-the-year effect.	The global recession's slowdown in exports and imports made it possible to invest less in real sectors. This made it ideal for extra cash to be invested in stocks. While the actual economy was anticipated to expand at its slowest rate in eight years, the DSE was setting record after record.	Independent- DSE, CSE Dependent- share price
Goldstein (2023)	Information in financial	to identify the informational feedback from	Primary data were used to analysis the	As indicated by this review, the previous sort of assets can follow a	Independent- Liquidity

markets and its markets to study. more prominent number , market real effects corporate of values and stocks price decisions about which more data is Depende

accessible. nt- stock price

Nguyen The To explores Our research Before they can issue Depende
(2023) development of the current adopts the green bonds, businesses nt-
green bond in development qualitative must establish an issuing Develop developing status of the approach. procedure, which ment green bond in The sample includes additional barriers countries:
Southeast for our collaboration with Independ
insights from
Asian research stakeholders and ent-
south east Asia
countries consists of 32 government agencies, a perceived market market management system, and advantag
Participants. participants reporting procedures. es,
Each of these steps cost regulatio money when it came to ns and issuing GBs. expected

growths

Edo Fiscal budget To investigate Study uses The estimation results Depende
(2021) deficit and the development statistical demonstrate that the nt- return emerging of capital tools like deficit had a significant on capital markets markets in regression effect on both the number investme
West African and of stocks traded and nt in West
countries, with correlation market capitalization, Independ
African
the main aim with the impact on ent-
countries.
of determining trading stocks exceeding exchange the role of
that on market rate, fiscal budget capitalization.
financial deficit openness,
and money supply

Ukamak The To evaluate A secondary Changes in the world of Depende a (2021) relationship the variables technique politics, Nepal Rastra nt-Stock between impacting the was used to Bank's portion guarantee market

	financial deepening and economic development in Nigeria from 2007 to 2019	Nepalese stock market index	collect data and constructed using the Vector Error Correction Model	loaning strategy, and settled up capital expands all essentially affect the stock file.	index Independent-CPI, broad money interest rate and Inflation rate
Fahleyi (2019)	How inflation, interest rates, and exchange rates affected the stock price of the Indonesian LQ45 index	to examine the effects of interest rates, inflation rates, and foreign currency rates on Indonesian stock prices.	Study uses secondary data from 1980-2015 period.	The review's discoveries exhibit major areas of strength for an emergency relationship between monetary development and general time spans, albeit this relationship debilitates after the emergency.	IndependentLiquidity, capital markets Dependentfinancial growth.

2.2.2 Review of Articles and Journals in Nepalese Context

Bhandari (2023) conducted a research on Impact of capital market on GDP Growth in Nepal. The capital market and Nepal's GDP growth between 1994 and 2002 are the subjects of this investigation. The study investigates the connection between capital market performance and GDP growth in Nepal. The drawn out effect of the capital market on financial development was researched utilizing the ARDL technique. In this sense, the framework's usage of elements affecting Gross domestic product development included market capitalization, gross fixed capital creation as venture, wide cash supply, the NEPSE Record, the quantity of NEPSE-recorded endeavors, and repeating costs. The review's association shows that there is a critical connection between Nepal's Gross domestic product development and the capital market. Results show that Gross domestic product development is fundamentally impacted by the capital market. The rate at which shocks and harmony are adjusted is shown by negative and significant blunder

amendment terms. Certain factors show underlying and institutional lacks in Nepal's capital business sectors, both in the short and long haul.

Chettri (2022) investigated on financial institutions depth and growth in Nepal: Sensitivity to the choice of depth proxy. The sensitivity of the proxy used to represent financial depth and the long- and short-term growth implications of financial institution depth in Nepal are the focus of this study. Using annual time-series data from the Nepal Rastra Bank's Quarterly Economic Bulletins for the years 1980 to 2019, the study assessed integration using an autoregressive distribute lag (ARDL) model and bounds testing procedures. Total deposits, domestic loans to the private sector, the money supply as a whole, and financial institution assets are all considered indicators of depth by the World Bank. Monetary development is estimated by genuine Gross domestic product, and exchange receptiveness and expansion act as marks of the macroeconomic environment. The regression analysis revealed that domestic credit to the private sector performed better than other variables in terms of its significant contribution to short- and long-term economic growth. Integration in the functions of economic growth was also found by the limits tests. It has been demonstrated that the money supply and bank deposits have a significant positive effect on growth over time. The positive correlation between financial depth measures and economic growth further supports the supply-leading (finance-led growth) hypothesis in the long run. Policies must prioritize the efficient distribution of affordable loans to successful initiatives for both short- and long-term growth. For Nepal's long-term growth, expansionary monetary and fiscal policies and long-term deposits are highly desired.

Bhandari (2022) conducted a research on the relation between foreign direct investment inflows and tourism development in Nepal. Because of its natural beauty and cultural institutions, Nepal's tourism industry is ahead of the competition. These qualities have forever been there. But the country hasn't been able to make full use of these cultural and natural resources for the benefit of the people. Indeed, even in the twenty-first hundred years, Nepal has been falling behind numerous different countries because of an absence of exhaustive exploration on the capability of the traveler area and its applications. However, research on the connection between "FDI (Foreign Direct Investment) inflows" and "tourism development" is still in its infancy. Therefore, the specific objectives of this study are to identify and examine the causal relationship between these two variables by

utilizing Nepal's time series data from 1995 to 2019. The causal comparative study design was utilized to first accomplish the objectives of stating the dependent variable, "net FDI inflow," and the independent variable, "tourism development." The conversation then moved on, with the dependent and independent roles switching. This investigation revealed a positive correlation between the short-term growth of tourism and FDI inflow. However, there has not been a demonstrated association between these variables over time. Essentially, these outcomes help the public authority and leaders in making and completing the smartest ideas and drives for Nepal's reasonable the travel industry improvement.

Panthi (2022) investigated on development and challenges of capital market of Nepal: A survey. This article about the development and troubles confronting the Nepalese capital market is study based. Both shut finished and unassuming surveys are utilized to accumulate information. From regulators (including SEBON, NEPSE, NRB, and Insurance Board staff), banking and insurance industry workers, government personnel, brokers, instructors and students, and corporate entities, a total of 80 participants were selected. The Nepalese capital market is still in its infancy, so it can focus on many things to accelerate its methodical growth. Various arrangements have been created to help the present status of the Nepalese capital market; by and by, the absence of legitimate execution of rules and guidelines, political circumstances, and the confined cooperation of enormous financial backers have pushed the market to be less invaluable than it should be.

Pandey et al. (2020) analyzed the psychology of investors in Nepalese stock market and investment decisions. The reason for this study is to look at the mental effects on values market speculation choices made by financial backers. The review utilized various factors, including speculation choice (ID), bookkeeping data (man-made intelligence), mental self portrait/firm picture fortuitous event (SIFIC), advocate proposal (AR), individual monetary necessities (PFN), and nonpartisan data (NI). The investigation utilized descriptive and analytical research designs. The mean, standard error, t-test statistic, correlation, and regression analysis were applied to the data gathered from a selfadministered structured questionnaire. ID and SIFIC have an exceptionally impressive positive connection. NI showed a feebly certain connection with speculation choices, while simulated intelligence, AR, and PFN had moderate relationships with them.

When investors were choosing which stocks to buy, their psychological state was significantly influenced by the congruence of one's own perceptions and those of the company, accounting data, advocate recommendations, and individual financial demands. However, investors' decisions regarding the stock market are also influenced by other factors such as word-of-mouth, the company's reputation, goodwill, and market research, among others.

Pokharel (2020) analyzed Capital market linkage to economic growth in Nepal. This study utilized yearly information from 1994 to 2019 to evaluate the causal connection between Nepal's capital market development and monetary development. The improvement of the optional market was anticipated by all out market capitalization, while the improvement of the essential market was anticipated by the all out number of public protections gave in a given year. As per the review, capital business sectors in Nepal advance financial development through proficient asset appropriation, liquidity, estimating, and gathering pledges. The improvement of the capital market and monetary development have a long haul and momentary unidirectional connection, as per this review. The analysis did not find any connection between economic expansion and the capital market. As a result, the methods for expanding private investors' and SMEs' access to the capital market were supported by this study's findings.

Shrestha and Pokharel (2019) assessed the factors influencing the Nepalese stock market index using monthly data from mid-August 2000 to mid-July 2017. We've also looked at important political events and Nepal Rastra Bank's position on paid-up capital and share collateral. Simple OLS and ARDL Bound testing strategies were utilized for the empirical investigation. The Nepalese stock index exhibits a negative response to changes in interest rates and a positive response to an increase in general money, according to OLS estimations of behavioral equations. As a result, low interest rates and a lot of cash are helping the stock market. ARDL investigates the stock index's long-term integration with the broad money, interest rate, and CPI. The financial exchange list and expansion are connected, while wide cash and loan fees are not. All the more critically, the stock record responds altogether to changes in the world of politics, settled up capital increments, and Nepal Rastra Bank's loaning strategies against share security. Despite this, news, rumors, and speculation significantly influence share prices. The formulation of strategies for

market stabilization and comprehension of the Nepalese stock market are aided by these observations.

Devkota (2019) looked at how the stock market's development affects Nepal's economic growth. He found a powerless connection between's genuine Gross domestic product and securities exchange turnover, recommending that there was an issue with Nepal's financial exchange. The co-initiation Bound test revealed a long-term correlation between economic growth and indicators of stock market development. A significant error correction term that suggested a favorable rate of changeability for the estimated model was discovered by the analysis. It has likewise been exhibited by the causality test that there is a nonlinear connection between financial development and the securities exchange record. The study says that Nepal's stock market helps the country grow its economy.

Kharel (2017) revealed current problems and prospects of securities market in Nepal. The objective of the study was to investigate how a cash dividend affects the market price per share. Furthermore, an absence of financial backer trust in the securities exchange because of various recorded organizations that neither hold customary AGMs nor exchange routinely. Earnings per share and dividend per share have a positive effect on market capitalization in the banking, insurance, and finance industries, according to the study. According to Dawadi (2018), the NEPSE stock price behavior of commercial banks that are listed demonstrates that the stock market is effective at pricing shares. The study concluded that the commercial banking sector of the Nepalese stock market is extremely sensitive.

Table 2

Summary of Nepalese Article

Author	Topic	Objectives	Methodology	Findings	Variables
Bhandari (2023)	Impact of capital market on GDP Growth in	To explores the connection between the capital market and Nepal's GDP growth	The ARDL approach was used	Results show that Gross domestic product development is fundamentally impacted by the capital market. Negative and significant	Dependent-market capitalization Independent-gross fixed capital

	Nepal.		error correction terms formation as indicate the rate at which investment, shocks and equilibrium broad money are corrected.		supply
Chettri (2022)	financial institution short-run from Dependent- Nepal: Sensitivity to the variables in terms of its proxy	examines long-run data for the functions, and growth in depth	the Using annual The limits tests Independent- and time-series confirmed integration in Economic s depth economic growth growth, money and growth effects period supply, deposits of financial 1980 till regression results institutions 2019, demonstrated that trade openness obtained domestic credit to the from private sector performed Quarterly better than other choice of Economic Bulletins significant contribution to economic growth.		
Bhandari (2022)	The relation between comparative connection between FDI investment inflows and developme Nepal	finding causal causal development meet	and It has T As indicated by his Independent- analyzing the followed the discoveries, there is a FDI inflow present moment, Dependentforeign relationship complementary tourism between FDI research direct and tourism design to inflow and the travel the industry improvement. objectives. However, there has not been a demonstrated tourism association between these variables over nt in time.		
Panthi (2022)	Developm ent and current Nepalese market open- ended of the small number of who and Nepal: A survey	To support the Data are The Nepalese capital Dependent- collected market is less favorable Investment challenges through than it should be because Independentof capital capital the political climate, capital stock and political and close- market, returns market of condition ended large investors price participate, and the stability. questionnaire			

				. 80 improper application of respondents laws and regulations.		
				are selected from regulators		
Pandey	The	To analyze the	The	study ID and SIFIC have an	Dependent-	et al.
psycholog		psychological	had adopted	exceptionally impressive	investment	
(2020)	y	of factors	of descriptive	positive connection. NI	decision (ID)	investors
		investor	on and	showed a feebly certain	Independent-	investment
		analytical	connection	with accounting	in decision	in the research
		speculation	choices,	information		
	Nepalese	equity market	design. The	while	simulated (AI),	self-image/
	stock			mean,	intelligence, AR,	and firm image
	market	standard	PFN had	moderate coincidence	and error,	t-test
	relationships	with them.	(SIFIC),	investment	statistic,	The synchronicity
		of advocate	decisions.	correlation	one's own	and the recommendation
	and	company's	image, (AR),	personal	regression	accounting data, financial
		needs analysis	were advocate	(PFN) and	used	recommendations, and
	neutral					
				personal	financial	information (NI)
				demands	had	a significant
				psychological impact.		
Pokhare	Capital	To	discovered	Regression	The analysis did not find	Dependentl
(2020)	market	a long-term and	Analysis	any connection between	Capital market	
linkage	to short-term	economic expansion and	Independent-	economic	unidirectional	the
capital market. As a		economic relationship	result, the	study's growth,	GDP growth	in
between capital		findings	supported	growth,		
	Nepal					
		market initiatives to broaden		exchange rate	development	private investors' and
		and inflation.				
		and economic	SMEs' access to the growth capital market.			
				According	to	the

analysis, although exchange rates and inflation had a negative impact on stock market returns in Nepal, they had a significant positive impact on actual GDP growth over the long term.

Devkota How the To find a Secondary A significant error Dependent-stock

(2019) stock relationship data has been correction term that market turnover market's between stock used and suggested a favorable Independentdevelopme market regression rate of changeability for Real GDP turnover and analysis for the estimated model was nt affects real GDP calculation discovered by the
Nepal's analysis.
economic growth.

Kharel Current To examine the This study Earnings per share and Independent-

(2017) problems impact of cash uses dividend per share have Earning per and dividend on regression a positive effect on share, dividend prospects market price analysis by market capitalization in per share per share using SPSS. the banking, insurance, Dependent- of and finance industries, market
securities according to the study. capitalization
market in Nepal.

2.3 Research Gap

Kharel (2017) researched on problem and prospects of stock market growth in Nepal is the rare recent study in Nepal. Besides While Pokharel (2020) exclusively utilized monetary techniques to examine essential information, this concentrate additionally utilizes auxiliary information and measurements. The condition of the market and financial backer way of behaving. The nation's economy can only expand rapidly if the capital market grows and expands. As a result, the initial phase of economic expansion and stock market stability in Nepal may be significant. This study used ten years of data

from NEPSE, the dependent variable, and independent variables such as EPS, DPS, PER, CRR, and CAR, as opposed to Selvarajan and Rahim (2020), who used data from five years on interest rates, EPS, and CAR.

In contrast to Risal and Chauhan (2020), who chose five commercial banks, this study's sample consists of three development banks i.e. Muktinath Bikash Bank, Lumbini Bikash Bank and Mahalaxmi Bikash Bank. The goal of Bhandari's research from 2022 was to find out how the Nepalese capital market was doing and what it could do in the future. This was finished by investigating information on the NEPSE File, yearly turnover, number of offers and organizations exchanged, number of recorded organizations, settled up capital, number of exchanges including recorded protections, and number of assessment overviews. Moreover, Paterson et al. (2023) utilized research, subjective, and quantitative procedures, albeit past propositions did exclude misbehaviors like pooling, launderable, or insider preparing through the poll approach with logical and spellbinding technique. A study covering all issues and stock market malpractices was conducted to fill this research gap.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Research Design

Descriptive and causal research methods have been utilized in this study to address the numerous issues raised. Descriptive research includes a variety of fact-finding questions and surveys. The primary objective of descriptive research is to describe the current situation. It is done in order to identify and describe the characteristics of the variables of interest.

To examine the connection between the autonomous and subordinate factors, the causal review configuration is picked. Causative research investigates the potential causes that have an impact on a given situation by observing the effects that are currently occurring and looking for potential contributing factors. To put it another way, causal research entails beginning with the observation of the dependent or variables and continuing with the investigation of the independent or variables that have already taken place. In this way, look at the free calculates knowing the past to decide any likely associations with and influences onto the reliant variable or factors. The reason for this study configuration is to examine the way that the NEPSE file connects with expansion, fixed loan costs, loaning loan costs, and saving loan fees.

3.2 Population, Sample and Sampling Design

For factual reason, an example is a more modest determination of things taken from the whole populace. 10 years of information has been drawn from the all out long periods of NEPSE for example 30 years which is lay out in 1994 Promotion. The NEPSE list was chosen for this study's purposive example approach out of the few securities exchange records used to gauge the worldwide economy. The loan cost and the expansion rate were recognized by this concentrate as the significant parts among the various elements influencing the financial exchanges. The review utilized comfort examining strategy to break down the information.

3.3 Nature and Sources of Data

The optional information utilized in this examination. The funding requirement position of little versus enormous, bound versus unconstrained, high versus low interest inclusion, high versus low stock substance, and low versus high impact of loan cost and expansion rate on NEPSE record has been perceived through the utilization of optional wellsprings of information. The NRB and NEPSE yearly reports gave the information expected to this examination. In order to investigate the connection between the independent variables and NEPSE, the dependent variable, interest rates and inflation rates for the ten years between 2069–70 and 2079–80 have been gathered.

3.4 Method of Analysis

Mean

The mean, which is gotten by separating the all-out number of values by the quantity of values, is the math mean of a scope of values or amounts. Deciding the information's focal tendency is the typical that is utilized. The arithmetic mean is the most common and straightforward method for measuring central tendency. To figure it out, add up all of the data points for the population and divide that sum by the total number of points. In this study, the mean is used to calculate the inflation rate in relation to the stock index and the average of all long-term and short-term interest rates.

$$\text{Mean} = \frac{\sum fx}{n}$$

Where, X= Values of each dependent or independent variable's responses

N= Number of statements

Standard Deviation

The standard deviation (SD) is a metric used to show how much a group of data values vary or are spread out. While an elevated expectation deviation proposes that the information focuses are scattered all through a bigger scope of values, a low standard deviation recommends that the information focuses will generally be close to the set's mean, otherwise called the expected worth. In contrast to the variance, the standard deviation uses the same units of measurement as the data, which is a useful feature. The standard deviation is calculated in this study to measure the risk factor in the dependent variables due to the influence of the dependent variables.

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

Where, X = Values of each independent or dependent variable's replies.

$\bar{X}$ = The average of each dependent or independent variable's responses.

N = Number of response

Correlation

Correlation is a statistical method for determining whether and how strong a relationship exists between two variables. As an illustration, people who are taller usually weigh more than people who are shorter. The organization isn't immaculate. Since they can uncover a prescient relationship that can be utilized in genuine circumstances, connections are significant devices. After some time, the nature and level of any connection between at least two factors change simultaneously. The relationship coefficient goes from - 1 to +1. Numbers close to +1 indicate a high degree of positive correlation, while values close to 1 indicate a low degree of negative correlation. In this study, correlation is calculated to determine the strength of the relationship between each sample's independent and dependent variables.

$$\frac{n\sum dx\sum dy - \sum dx\sum dy}{\sqrt{[n\sum dx^2 - (\sum dx)^2]}\sqrt{[n\sum dy^2 - (\sum dy)^2]}}$$

Where, X= Value of independent variable.

Y=Value of dependent Variable

N= Number of responses

Regression

Relapse examination is a measurable technique utilized in factual device displaying to gauge the connection between the factors. While inspecting the connection between a reliant variable and at least one free factors, it envelops an extensive variety of displaying and investigation instruments. Relapse examination is a well known device for estimating and expectation, and it intently covers with AI in numerous applications. In addition, regression analysis is used to determine which independent variables are related to which of the dependent variables and what kinds of correlations exist between them. In this study, regression analysis is used to determine the direction of the association between the independent and dependent variables for each sample. The model of the study can be seen below:

Multiple regressions: $y = a + b_{1.}x_1 + b_{2.}x_2 + \ldots + b_{n.}x_n$, For this study the model will be:

NEPSE Index = $\alpha + \beta_1$GDP + β_2Interest Rate + β_3Inflation Rate + β_4Money supply + β_5FCR + e

3.5 Research Framework and Definition

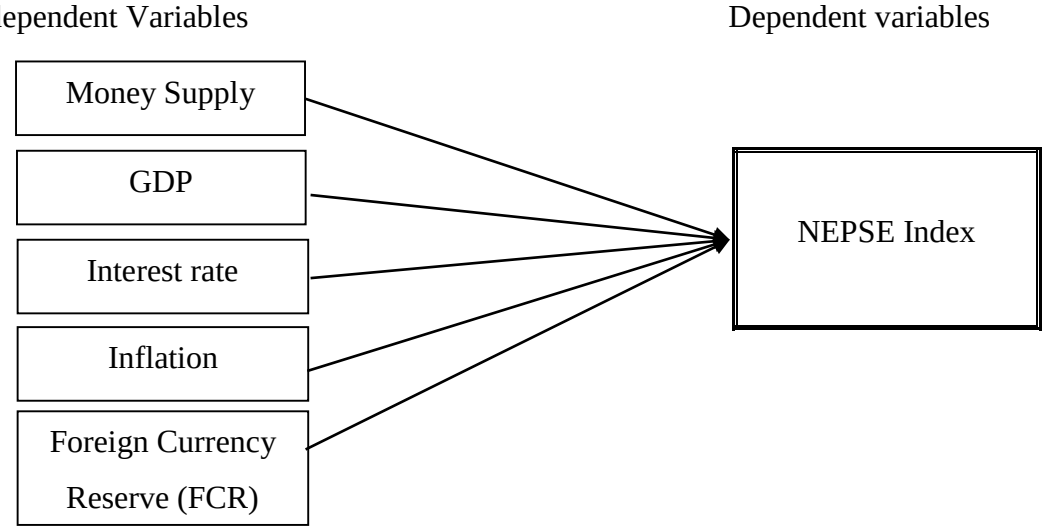

Figure1

Research Framework

(Source Mohammad, et. al, 2017)

Money Supply

The cash supply is the whole of the entirety of the money and other fluid resources in a country's economy on the date estimated. According to Pant & Chaudary (2017), the money supply consists of all cash in circulation and bank deposits that can be easily converted into cash.

Gross Domestic Product (GDP)

The best way to gauge an economy is through its gross domestic product. GDP is the total value of everything that a nation's citizens and businesses produce. It's not difficult to work out a nation's GDP utilizing this standard recipe: C + I + G + (X-M). Whether they are businesses owned by foreigners or citizens is irrelevant. On the off chance that they are situated inside the nation's limits, government considers their creation Gross domestic product (Pandey et al., 2020).

Interest rate (IR)

The Financing cost addresses the rate charged by the banks from clients for offering types of assistance or items. Bank profitability is positively correlated with this because it is an additional source of income for banks (Thapa, 2018).

Inflation rate

The rate at which the price of any good or service fluctuates is known as the inflation rate. According to Bhandari (2023), an increase in inflation results in a decrease in the profitability of banks as a result of higher prices.

Foreign Currency Reserve (FCR)

The only foreign-currency deposits held by nationals and monetary authorities are foreign exchange reserves, also known as Forex reserves. Unfamiliar trade saves are a country's property of other nations' monetary standards that can be changed over into its own money through the unfamiliar trade market, as well as possessions of unfamiliar resources in government protections, like securities, and gold, that can be effectively transformed into cash (Krampen, 2023).

NEPSE Index

The exchange file, otherwise called the NEPSE list, is delivered by the Nepal Stock Trade at the finish of every day. To put it simply, the unique base market capitalization is used to calculate the NEPSE index. It is the first index to show the workings of the stock market. The sum of all the companies' market capitalizations is used to calculate the total market capitalization. The stock exchange uses the market capitalization as its starting point to calculate the market index. According to Shrestha (2019), the NEPSE index rises in tandem with increases in market capitalization and decreases in tandem with decreases in market capitalization.

CHAPTER IV

RESULTS AND DISCUSSIONS

The data gathered about the variables used in the study are presented in this chapter. Figures with data for each variable have been created. To find the response to the exploration questions, information have been broke down by utilizing different factual measures. To describe the factors that influence the growth and prospects of the capital market, descriptive statistics like mean, maximum, minimum, standard deviation, skewness, and kurtosis have been calculated.

4.1 Descriptive Analysis

Table 3 presents the engaging measurements of the factors utilized in the concentrate together. It shows the enlightening measurements for all factors remembered for the examination. In columns two to nine, the mean value, maximum value, minimum value, standard deviation, skewness, and Kurtosis are presented sequentially.

Table 3

Descriptive statistics

Variables	Mean	Minimum	Maximum	Std. Dev.	Skewness	Kurtosis
Money Supply	404717.49	30159.02	1049410.20	467206.13	.518	-2.158
GDP	4.4690	-2.37	8.98	3.383	-.890	.657
Interest rate	5.0370	3.74	7.34	1.178	.815	-.129
Inflation Rate	6.0260	3.63	9.04	2.237	.333	-1.990
Currency Reserve	169703.85	3742.60	571971.80	227983.19	1.105	-.799
NEPSE	1456.84	518.33	2883.38	651.69	1.023	1.840

Source Annual Report of Selected Sample

Table 3 shows the distinct measurements table that presents a rundown of key qualities for every variable in the dataset connected with the exhibition assessment of NEPSE record in Nepal. GDP, inflation rate, interest rate, money supply, currency reserve, and NEPSE are the six variables listed in the table.

The average value of each variable is shown by the "Mean." For instance, the average NEPSE for the subjects under investigation is 1456.84. In a similar vein, the mean values of the money supply, currency reserve, interest rate, inflation rate, and money supply are 6.0260, 5.0370, 404717.49, and 169703.85, respectively.

The lowest value that was observed for each variable is shown under "Minimum." For instance, the lowest NEPSE price among the 10 fiscal years from 2065–66 to 2079–80 is 518.33.

The "Greatest" shows the most noteworthy worth noticed for every variable. For instance, the maximum NEPSE, which is 2883.38, is the highest of the ten fiscal years.

The "Normal Dev." The spread or dispersion of data points around the mean is measured by (Standard Deviation). It gives data about the fluctuation of the information. For instance, the standard deviation of NEPSE is 651.686, recommending that the NEPSE values fluctuate generally near the mean worth. In a similar vein, the mean values of the money supply, GDP, interest rate, inflation rate, currency reserve, and currency reserve are respectively 467206.13, 3.383, 1.178, 2.237, and 227983.19.

The "Slant ness" gauges the imbalance of the information circulation. Positive skewness values, such as those in the NEPSE, inflation rate, interest rate, money supply, and currency reserve, indicate that the right tail of the data is longer than the left tail. Be that as it may, negative worth in Gross domestic product demonstrate information to be slanted left which shows left tail is long comparative with right tail.

The "Kurtosis" measures the topped ness or levelness of the information conveyance. The distribution's heavier tails and more extreme values are indicated by kurtosis values that are higher. For example, Gross domestic product and NEPSE have generally high kurtosis values, showing their conveyances have more outrageous qualities contrasted with a typical dispersion.

4.2 Correlation Analysis

The connection between's the factors utilized in the review are introduced in Table 4.2. It is reasonable to assume that at least one variable has an impact on the other if the variables are correlated. The Karl-Pearson correlation coefficient between the variables in the analysis is shown in this table. P-values are introduced in bracket. Factors are introduced in the accompanying manner.

Table 4

Pearson's correlation

Variables	GDP	INF	INT	MS	FCR	NEPSE
GDP	1					
Sig. (2-tailed)						
Inflation rate (INF)	Sig. -.363	1				
(2-tailed)	.303					
Interest rate (INT)	Sig. .109	-.150	1			
(2-tailed)	.764	.679				
Money Supply (MS)	-.202	-.624	.104	1		
Sig. (2-tailed)	.575	.054	.775			
Foreign Currency Reserve	-.072	-.604	-.019	.863**	1	
(FCR)	.844	.064	.959	.001		
Sig. (2-tailed)						
NEPSE	-.002	-.641*	.115	.622	.381	1
Sig. (2-tailed)	.996	.046	.752	.055	.278	

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).
Source: SPSS Output

The relationships that exist between the variables that are the subject of the study are revealed in depth in Table 4. The connection coefficient estimates the strength and heading of the straight relationship between two factors. In this specific situation, the relationship framework analyzes the connections among six factors: Gross domestic product, expansion rate, financing cost, cash supply, unfamiliar money save and NEPSE.

NEPSE has a low positive correlation with interest rate (.115), a high positive correlation with money supply (0.622), and a moderate positive correlation with foreign currency reserve (0.381), according to the findings. In any case, these connections are not measurably huge with p-upsides of 0.752, 0.055 and 0.278, separately. In contrast, there is a strong negative correlation (-0.641) between NEPSE and inflation, indicating a significant association between a higher inflation rate and a higher NEPSE. With a value of 0.046 0.05, this correlation has a statistically significant relationship.

Additionally, there is a slight tendency for higher GDP to be associated with higher NEPSE, as the correlation between NEPSE and GDP is weakly negative (-0.002). However, there is no statistically significant correlation (p-value > 0.05 = 0.996). The table uncovers that FCR and cash supply have a tolerably solid positive connection (0.863), inferring a huge connection between higher unfamiliar money hold and cash supply. This connection is

genuinely critical with a p-worth of 0.001. In addition, there is a slight negative correlation between GDP and FCR (-0.072), indicating that a greater foreign currency reserve is associated with GDP. However, there is no statistically significant correlation (p-value = 0.844 or greater than 0.05).

In conclusion, financing cost and FCR show a decently feeble negative connection (-0.019), demonstrating that higher loan fee are related with lower FCR. With a p-value of 0.959 or greater, this correlation is statistically insignificant.

4.3 Regression Analysis

The primary purpose of regression analysis was to determine how the study's independent variables affected the dependent variable. The examination was done determined to test the speculations and investigating the effect Gross domestic product, Expansion Rate, Financing cost, Cash Supply and Unfamiliar Money Hold on NEPSE.

Table 5

Model Summary of NEPSE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797a	.635	.178	.42067

a. Predictors: (Constant), GDP, Inflation Rate, Interest Rate, Money Supply, Foreign Currency Reserve

Source: SPSS Output

The model summary's coefficient of determination, R2, is 0.635, indicating that Independent variables account for 63.50% of change. Dependent variables include GDP, Inflation Rate, Interest Rate, Money Supply, and Foreign Currency Reserve. NEPSE. It depicts the combined effect of all independent variables on the dependent variables, or total variance.

Table 6
ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.230	5	.246	10.390	.003b
	Residual	.708	4	.177		
	Total	1.938	9			

a. Dependent Variable: NEPSE

b. Predictors: (Constant), GDP, Inflation Rate, Interest Rate, Money Supply, Foreign Currency Reserve

Source: SPSS Output

The ANOVA table that shows how independent variables affect dependent variables is shown in Table 6. The independent variables GDP, Inflation Rate, Interest Rate, Money Supply, and Foreign Currency Reserve have a significant impact on the dependent variables, i.e., the F-value is moderate at 10.390, and the p-value is 0.000 below the 5% level of significance. NEPSE.

Table 7

Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	7.232	2.395		3.020	.039 < 0.05
	GDP	-.009	.056	-.064	-.157	.083 > 0.05
	Inflation rate	-.116	.104	-.558	-1.109	.330 > 0.05
	Interest rate	-.290	.125	-.073	-.229	.030 < 0.05
	Money Supply	.267	.211	.924	1.266	.024 < 0.05
	FCR	-.213	.178	-.760	-1.200	.006 < 0.05

a. Dependent Variable: NEPSE

Source: SPSS Output

Regression analysis output: coefficient

The linear equation of this model is,

$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5$

NEPSE = 7.232 – 0.009 GDP – 0.116 Inflation Rate – 0.290 Interest Rate + 0.267 Money Supply – 0.213 FCR

Concerning measurable meaning of relapse consistent a, it consider t-esteem alongside individual P-esteem, for a, t¬cal is 3.020 with P-worth of 0.039 or 3.90%. It demonstrates the statistical significance of computed "a." GDP, inflation rate, interest rate, and foreign

currency reserve (FCR) all have a negative impact on NEPSE, whereas interest rate and foreign currency reserve have a significant impact on NEPSE. Similarly, the money supply has a positive effect on NEPSE, with a coefficient of 0.267 (P-value = 0.024) being statistically significant.

NEPSE decreases by 0.29 units for each unit increase in IR, increases by 0.267 units for each unit increase in MS, and decreases by 0.213 units for each unit increase in FCR.

4.4 Discussions

The study's primary objective is to investigate the issues and opportunities facing Nepal's stock market. The concentrate on the issues and prospects of Stock Development in Nepal is exceptionally useful to every one of the gatherings connected with financial exchange. The review assists with following out the obstacles and possibilities of stock development to the intrigued financial backers with regards to the market. Each study is led under certain requirements and restrictions. In a similar vein, this study is constrained by a few common constraints. This study depends on the basic examination of the securities exchange development.

NEPSE is adversely affected by expansion rate and loan cost however both are not critical even at 10% degree of importance. Likewise, NEPSE is emphatically affected by Gross domestic product and cash supply where Gross domestic product is measurably huge yet cash supply isn't irrelevant individually. Therefore, there is a linear relationship between NEPSE, GDP, interest rate, money supply, and foreign currency reserve—similar to the findings of Pandey, Risal, and Chauhan (2020), but not supported by Ukamaka (2021) or Panthi.

The connection coefficient estimates the strength and heading of the straight relationship between two factors. The outcomes show that NEPSE and Gross domestic product is feebly negative recommending a minor inclination for higher Gross domestic product to be related with higher NEPSE which is like the discoveries of Nguyen (2023) yet go against with the discoveries of Haider (2018) and Akter and Rahman (2023). However, there is no statistically significant correlation here. The table uncovers that FCR and cash supply have a respectably solid positive connection, inferring a huge connection between higher unfamiliar cash save and cash supply. This relationship is genuinely huge.

Moreover, Gross domestic product and FCR show a feeble negative relationship, proposing a minor inclination for bigger Gross domestic product to be related with unfamiliar money save. Be that as it may, this relationship isn't genuinely huge.

The relationship among's NEPSE and Gross domestic product is pitifully negative, proposing a minor propensity for higher Gross domestic product to be related with higher NEPSE. However, there is no statistically significant correlation here. This is comparable to Selvarajan and Rahim's (2020) findings, but not to Edo.

FCR and cash supply have a decently solid positive connection, suggesting a critical connection between higher unfamiliar cash save and cash supply. Moreover, Gross domestic product and FCR show a feeble negative relationship, proposing a minor inclination for bigger Gross domestic product to be related with unfamiliar money save. However, the findings of Ukamaka and Nguyen (2021) indicate that this correlation is not statistically significant.

According to the regression analysis, GDP, inflation rate, interest rate, and foreign currency reserve (FCR) all have a negative impact on NEPSE, whereas interest rate and foreign currency reserve have a significant impact on NEPSE. Essentially, NEPSE is emphatically affected by cash supply where cash supply is measurably huge individually which is like the discoveries of Amanda (2023) however go against with the discoveries of Hussein (2018). The regression's P-value is 0.003, which is statistically significant at the 0.05 and 0.10 levels of significance, and the R-square is 63.50%. This is like the discoveries of Jamaludin (2017) and Suhadak (2021) while steady with the discoveries of Alzoubi (2022). Therefore, NEPSE has a linear relationship with GDP, the rate of interest, the money supply, and the foreign currency reserve.

CHAPTER V
SUMMARY AND CONCLUSION

5.1 Summary

This study's essential objective is to dissect the place of cash supply, Gross domestic product, loan cost, expansion rate, unfamiliar money save and NEPSE file. to investigate the connection that exists between the NEPSE index, the money supply, GDP, interest rate, inflation rate, and foreign currency reserve, as well as the effect that these factors have on the NEPSE index. The review time of a decade starts from the financial year 2013/14 to 2022/23. Research utilizing both graphic and causal correlation configuration has been directed to meet the particular objective of the review. During the review auxiliary information were utilized to investigation the development status of NEPSE. In order to improve an efficient statutory and regulatory framework, numerous impediments and obstacles must be resolved. To this end the Nepalese protections market is in beginning phase of advancement. For preparation of contribute capable assets starting with one area then onto the next, protections market assumes vital part crossing over of the shortage units and surplus units. A place where stocks and other securities are constantly bought and sold is the securities market. Protections market is the medium, through which dispersed saving and scant assets are moved into useful regions that eventually help to the monetary turn of events and industrialization of Country.

Throughout the course of the investigation, secondary data were analyzed using a variety of financial and statistical tools, as well as their weighted average and percentage analyses. The primary section portrays the significant issue to be explored alongside the general foundation, brief profile of the example banks, issue proclamation, targets and reasoning of the review and limit of study. Second part is given to hypothetical investigation and brief audit of the related and appropriate writing accessible. A discussion of the conceptual framework and a general review of the major studies are included. The study's research methodology is described in the third chapter. The fourth chapter covers the presentation and analysis of data to indicated quantitative factors on dividend policy using statistical tools and technique. This chapter covers the research design, source of data, method of analysis, analysis of financial indicators and variables, and definition of statistical tools, among other topics. This part additionally incorporates the conversations. The fifth chapter gives a summary, a conclusion, and some

implications. It also compares them to other empirical evidence as much as possible and offers some ideas.

The outcomes show that NEPSE displays powerless positive connections with financing cost, cash supply, unfamiliar money hold recommending a slight propensity for these factors to move together in a similar course. These correlations, on the other hand, lack statistical significance. In contrast, there is a significant tendency for a higher inflation rate to be associated with a higher NEPSE, as evidenced by the moderately weak negative correlation between the two.

5.2 Conclusion

The logged estimate showed that NEPSE has been strongly influenced by GDP, interest rate, money supply, and foreign currency reserve. When a company distributes dividends to its shareholders, both the shareholders and the company's market value rise. Assuming that the firm holds the acquiring to express learning experiences investors can hope to be helped by implication through expansion in the cost of their portions. As such, it is a right profit choice, which keep a harmony between investors premium with that of corporate development from inside created reserves. The money that couldn't be used because there weren't any good investment opportunities should have been distributed as dividends. The previously mentioned significant finding drove this study presume that the example banks have adequate profit. The proportions shows that the NMB bank is delivering high profit examination with NBL and SCBL yet it has consistence profit practice. The dividend payout ratio is not more stable than the dividend per share, so the dividend per share and other variables have fluctuated. Other things have remained the same. The fact that dividends increase share price is yet another intriguing conclusion.

According to descriptive and inferential statistics, the results show that the NEPSE has weak positive correlations with the interest rate, the money supply, and the foreign currency reserve. This suggests that these variables have a slight tendency to move in the same direction together. These correlations, on the other hand, lack statistical significance. Then again, there is a modestly frail negative relationship among NEPSE and expansion, demonstrating a critical inclination for expansion rate to be related with higher NEPSE. This relationship is genuinely huge. These results are more in line with those of Devkota (2019) and Paterson et al. (2023).

In addition, there is a slight negative correlation between GDP and NEPSE, indicating a slight correlation between GDP and NEPSE. However, there is no statistically significant correlation here. FCR and cash supply have a decently solid positive connection, suggesting a critical connection between higher unfamiliar cash save and cash supply. Moreover, Gross domestic product and FCR show a frail negative relationship, proposing a minor propensity for bigger Gross domestic product to be related with unfamiliar money hold.

Last but not least, there is a moderately weak negative correlation between interest rate and FCR, indicating that a lower FCR is associated with a higher interest rate. There is no statistically significant correlation here. The effect of the independent variable, namely on the dependent variable, i.e., inflation rate, interest rate, money supply, and foreign currency reserve NEPSE is measurably critical.

NEPSE is adversely affected by expansion rate and loan cost however both are not critical even at 10% degree of importance. Likewise, NEPSE is emphatically affected by Gross domestic product and cash supply where Gross domestic product is measurably huge yet cash supply isn't irrelevant individually. Therefore, there is a linear relationship between NEPSE, GDP, interest rate, money supply, and foreign currency reserve—similar to the findings of Pandey, Risal, and Chauhan (2020), but not supported by Ukamaka (2021) or Panthi.

5.3 Implications

Subsequent to breaking down the protections market, the accompanying ramifications have been accommodated the improvement of the protections market;

- NEPSE ought to routinely refresh the data outfitted by the recorded organizations and examined opportune. Assuming any organization is found neutralizing NEPSE rules, the organization ought to be promptly made an into move. The NEPSE ought to have rapid settlement and leeway framework, financial backer agreeable climate, exceptional office, mechanized framework and proficient staff. NEPSE ought to likewise concentrate towards the chance of replacement of present exchanging component by electronic exchanging framework.

- Nonattendance of admittance to solid guidance and idea to financial backers on stock and market potential open doors has expanded risk on interest in securities exchange. By inducting new brokers into the market and making the stock market more competitive, it is necessary to boost the confidence of public investors.
- Accentuation ought to be given to upgrade the institutional limit of safety leading body of Nepal by redesigning actual offices independence in monetary issues, reinforcing lawful perspectives, arrangement if satisfactory quantities of skilled and specialized HR and improvement in inside administration framework to empower the board to go about as a capable controller body for directing the securities exchange
- Nepalese financial backers don't know about their venture conspire. Consequently, they ought to be made mindful of the speculation plot based on appropriate investigation of hazard and return. In order to have a better chance of winning, investors should always be aware of their strengths and weaknesses as well as their willingness to take risks. Nepalese financial backers need appropriate information on securities exchanges. As a result, they ought to be required to read the NESPE and SEBON annual reports, journals, and daily newspapers.

Nonstop review and exploration of Protections Market, financial backer training, and upgrade of mindfulness and foundation of foundation for the institutional monetary schooling administrations ought to accomplish for the supportable and solid capital activation.

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APPENDICES

Appendix I

Essential Information from World Bank and Nepal Rastra Bank

Fiscal year	GDP	Inflation rate	Interest rate	NEPSE	Money Supply	FCR
2021/22	5.6	3.8	7.34	7.6	937871	71765.9
2020/21	4.84	4.09	4.72	7.97	1049410	571971.8
2019/20	-2.37	5.05	4.97	7.24	935824	490396.4
2018/19	6.66	5.57	3.74	7.14	856261	423204.3
2017/18	7.62	4.06	5.28	7.1	62139.3	35195.6
2016/17	8.98	3.63	4.12	7.37	53796.9	32748.3
2015/16	0.43	8.79	3.9	7.45	47319.1	3742.6
2014/15	3.98	7.87	5.9	6.87	39711.9	26084.4
2013/14	6.01	8.36	6.3	6.94	34682.9	22341.8
2012/13	3.53	9.04	4.1	6.25	30159	19587.42

Source: www.nrb.com.np and www.worldbank.com

Appendix - II

Variables	Minimum	Maximum	Mean	Std. Dev.	Skewness	Kurtosis
GDP	-2.37	8.98	4.4690	3.38274	-.890	.657
Inflation Rate	3.63	9.04	6.0260	2.23710	.333	-1.990
Interest rate	3.74	7.34	5.0370	1.17859	.815	-.129
Money Supply	30159.02	1049410.20	404717.49	467206.125	.518	-2.158
Currency Reserve	3742.60	571971.80	169703.85	227983.193	1.105	-.799
NEPSE	518.33	2883.38	1456.84	651.686	1.023	1.840

Source: SPSS Output

Appendix - III

Variables		GDP	INF	INT	MS	FCR	NEPSE
GDP		1					
Sig. (2-tailed)							
Inflation rate (INF)	Sig.	-.363	1				
(2-tailed)		.303					
Interest rate (INT)	Sig.	.109	-.150	1			
(2-tailed)		.764	.679				
Money Supply (MS)		-.202	-.624	.104	1		
Sig. (2-tailed)		.575	.054	.775			
Foreign Currency Reserve (FCR)		-.072	-.604	-.019	.863**	1	
Sig. (2-tailed)		.844	.064	.959	.001		
NEPSE		-.002	-.641*	.115	.622	.381	1
Sig. (2-tailed)		.996	.046	.752	.055	.278	

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

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

Source: SPSS Output

Appendix IV

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797a	.635	.178	.42067

a. Predictors: (Constant), FCR, GDP, INT, INF, MS

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.230	5	.246	10.390	.003b
	Residual	.708	4			
	Total	1.938	9	.177		

a. Dependent Variable: NEPSE
b. Predictors: (Constant), FCR, GDP, INT, INF, MS

Coefficients

Model		Un standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	7.232	2.395		3.020	.039
	GDP	-.009	.056	-.064	-.157	.083
	Inflation Rate	-.116	.104	-.558	-1.109	.330
	Interest rate	-.290	.125	-.073	-.229	.030
	Money Supply	.267	.211	.924	1.266	.024
	FCR	-.213	.178	-.760	-1.200	.006

a. Dependent Variable: NEPSE

Source: SPSS Output

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Abstract This study aims to examine the development and future prospects of Nepal's capital markets. This study's particular goals are to evaluate the effects of EPS, DPS, PER, CRR, and CAR on the MVPS of development banks in Nepal. Descriptive and informal comparative research designs were used in this study. The foundation of this work is quantitative in character. Three development banks were selected as a sample for the secondary data collection: Lumbini Bikas Bank Ltd., Muktinath Bikas Bank Ltd., and Shangrila Development Bank Ltd. The purposive sampling strategy is employed for data collection. MVPS is a dependent variable, and EPS, DPS, PER, CRR, and CAR are independent variables. The finndings show that MVPS has a strong positive association with EPS, DPS, and PER and a weak negative correlation with cash reserve ratio (CRR), indicating a slight tendency for these variables to move in tandem. CRR is not statistically signi cant, though. However, PER, DPS, and EPS are statistically signi cant. The results of the regression analysis showed that CAR and CRR had a negative effect on MVPS, but CAR is not statistically signi cant. In a similar vein, EPS, DPS, and PER all have a positive in uence on MVPS, with PER and DPS being statistically signi cant while EPS is not. Therefore, the relationship between MVPS and PER, CRR, EPS, CAR, and DPS is linear. Keywords: Earnings per Share, Dividend per Share, PriceEarnings Ratio, Cash Reserve Ratio, Capital Adequacy Ratio, Market Value per Share

CHAPTER I INTRODUCTION 1.1 Background of the Study In ation, **stock** indexes, **and interest** rates **are** all Important **factors**

in a nation's economic expansion. The effects of interest rates and in ation on stock indexes have a signi cant impact on government policies regarding risk management, monitoring, and nancial markets. Two signi cant monetary elements that in uencenormal stocks are loan costs and expansion. Interest rates have a direct impact on the nancial market; when rates rise, investment