

# **DETERMINANTS OF SHARE PRICE OF NEPALESE MICROFINANCE**

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirement for the Master's degree

**By**

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## **CERTIFICATE OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Determinants of Share Price of Nepalese Microfinance**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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## REPORT OF RESEARCH COMMITTEE

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## APPROVAL SHEET

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## **ABBREVIATIONS**

MFI	Microfinance Institutions
BVPS	Book Value Per Share
MACD	Moving Average Convergence
DPR	Dividend Payout Ratio
DPS	Dividend per share
DY	Dividend Yield
ROA	Return on Assets
EMH	Efficient Market Hypothesis
RSI	Relative Strength Index
EPS	Earning Payout Ratio
MPS	Market Share Price
JBLBSL	Jeevan Bikas Laghubitta Bittiya Sanstha Limited
CLBSL	Chhimek Laghubitta Bittiya Sanstha Limited
NULBSL	Nirdhan Utthan Laghubitta Bittya Sanstha limited
NEPSE	Nepal Stock Exchange
NWPS	Net Worth Per Share
P/E	Price Earnings Ratio
FMLBSL	Forward Microfinance Laghubitta Sanstha Limited
SKLBSL	Sana Kisan Laghubitta Bittiya Sanstha Limited

## ABSTRACTS

Most prior studies in Nepal on determinants of share prices were performed on commercial banks, but not sufficient research have been performed to provide core prospective on the determinants of share price of microfinances. Therefore, this study focuses to examine the determinants of share price of microfinances in Nepal.

Market share price has been selected as dependent variable while earnings per share, divided yield, price earnings ratio, dividend payout ratio and return on asset of microfinances has been chosen as firm specific independent variables. For analysis, secondary data have been collected from the NEPSE and annual report of selected microfinance from 2013/2014 to 2022/23. The descriptive statistics, Pearson's correlations and multiple regression model have been estimated to test impact of firm specific factors on share price of Nepalese microfinance. Using Pearson correlation analysis, the result reveals that share price is significantly positively related to DPR, EPS, P/E and ROA but negative relation with DY. Similarly, coefficient of determination (R-square) of model is 0.895. It also shows that F-value is about 23.843, and the p-value is equal to 0.000, which means that explanatory variable is significantly associated with the dependent variable. The study also found that the EPS, P/E and ROA to have the significant positive association with share price. While DY showed the inverse association with share price, DPR showed a positive correlation with share but both variables' correlations coefficients are not statistically significant. Regression analysis showed that EPS and P/E has strong association with MPS of microfinances with respective p-values of 0.001 and 0.000.

The study concludes that P/E and EPS are the most influencing factors in determining share price in Nepalese microfinances. Further studies with larger sample size, increased time-period of study, size of the bank etc. can be considered to better gauge at the determinants of the share prices of microfinances in Nepal.

**Keywords:** Market Share Price, Dividend Payout Ratio, Dividend Yield, Earnings per Share, Price Earnings Ratio and Return on Asset

## **CHAPTER-I**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Share cost alludes to the esteem of a company's stock . A share is the cost of a single share of a number of deal able value offers of a company. Inlayman' s terms, the stock is the most elevated sum somebody is will in to pay for the stock, or the least sum that it can be bought for. In financial matters and monetary hypothesis, examiners utilize arbitrary walk methods to demonstrate conduct of resource costs, in specific share costs on stock markets. In economics and financial theory, analysts use random walk techniques to model behaviour of asset prices, in particular share prices on stock markets. In addition, share prices also inform the public on management's performance (Enow&Brijlal, 2016).This practice has its basis in the presumption that investors act rationally and without biases, and that at any moment they estimate the value of an asset based on future expectations. Under these conditions, all existing information affects the price, which changes only when new information comes out. By definition, new information appears randomly and influences the asset price randomly.

Fluctuation in share prices may occur due to the supply and demand forces but there is no foolproof or perfect system that indicates the exact movement of stock prices (Bhattarai,2014). It is a generally accepted phenomenon that investors are risk averse, and the volatility of their investments cause great concern to them as it is a measure of the intensity of risk they bear. However, from an investor's point of view it is advisable to have knowledge and awareness about the determinants of share price to make an optimum investment decision (Sharif,Purohit&Pillai,2015). The stock market is all about dynamics and that is why investors and fund managers have been time and again confronted with the problem of accurately predicting the stock prices to earn decent returns. Stock markets are essential for economic growth as they insure the flow of resources to the most productive investment opportunities (Kurihara, 2006). Investment in shares offers the benefit of liquidity as well as the opportunity to beat the market and earn high returns. But the task of predicting share prices is far from simple. Share price

movement is not independent in nature and both intrinsic as well as extrinsic factors have been established to exercise influences over stock price movements. (Malhotra and Tandon,2013) Share prices convey information to the outside world about the current and future performance of firms, it is imperative for the managers of the firms to pay due attention to the factors that influence share prices. This would help them to enhance their firm value in the market. Consideration of such factors by investors is also warranted while investing their funds, since this would aid them in making wise investment decisions and invest in stocks that yield good profits.

The whole sale microcredit programs are RSRF, RMDC and SKBBL etc. The financial institutions operating under different models are functioning a salegal entity and have received NRB's approval for their operation. Some partner organizations of Rural Self Reliance fund, operating in the rural and remote are as are registered with the Department of cooperatives. Also, several NGOs involved in financial intermediation in the informal sector, village banks, self-help groups, etc., are also rendering microfinances services to the rural people. Some of these institutions are promoted and developed by Cooperatives, INGOs ,and local people(NRB,2007). Nepalese microfinance sector can be classified as formal and semi formal. Formal sector model is initiated by government/NRB. The initiative so far includes the establishment of Rural Microfinance Development center and implementation of the programs as *Jagriti* (women empowerment program) ,*Bisheshwor* with the poor, intensive Banking Program, small farmer Development Program and Production credit for Rural Women. The semiformal model is initiated by NGOs, Cooperatives and Microfinance. Encouraged by the results and learning from the experience of this initiative, the same department in 1994 started the Micro-credit project for women (Bashyal,2008).

Similarly, capital refers to financial assets or the financial value of assets, such as funds held in different deposit accounts, as well as the tangible machinery and equipment used in the environment such as factories and other manufacturing facilities. Additionally, capital includes facilities, such as the buildings used for the production and stocking of the manufactured goods. Money is used simply to purchase goods and services for consumption, capital is more durable and is used to generate wealth

through investment. Examples of capital include automobiles, patents, software, and brand names. All these items are inputs that can be used to create wealth. Capital is the heart of every business organization. Every business enterprise requires short term, mid-term and long-term capital fund for the smooth operations and expansion of organizational activities. Long-term funds play highly significant role for future growth and prosperity of the organization. Most business organization collect long term funds from financial market. Market refers to the place where buyer and seller come together to perform the trade. Capital Markets are the markets consisting long-term securities issued by the government or a corporation. Capital Market typically relates with financial assets which have life spans of greater than one year. Capital Market is a means through which scattered saving and investable resources are converted into actual investment. Capital market is one of the several factors that play a Prominent role in the economic development of the nation (Levine and Zervos, 1998). The savings institutions such as banks, investment trusts or companies, specialized financial corporations and stock exchanges are some of the important constituents of capital market(Bolton and Thadden,1998).The primary role of capital market is to allocate the economy's capital stock among various productive sectors (Fisher and Jorden, 2000). Capital invested in such sectors acts as *seed money* and generates more funds for further investments. No modern corporation of any size can function effectively without ready access to capital markets at the lowest possible cost (Bernstein,1987)

Capital markets are the markets in which companies and governments raise capital, and where securities, such as shares and bonds, are traded. Capital markets refer to gather funds from some entities and make them available to other entities needing funds. For companies, capital markets expand the range of funding source, including public equity markets, private equity ,and the issuance of debt securities such as bond. For savers, they provide alternative investment opportunities and risk-adjusted returns. Capital markets consist of suppliers and users of funds. Capital markets include primary markets, where new equity stock and bond issues are sold to investors, and secondary markets, which trade existing securities. Stock exchange is the market for long term capital where both new capitals can be raised by companies and where

existing share can also be traded. By providing secondary market for investors to buy and sell their shares, the stock exchange also provides a market for government loans and securities. Capital market is the secondary market of stock which is the only market for liquidating capital market instruments like share and debentures. In this respect, capital market plays a crucial role in mobilization a constant flow of saving and changing these financial resources for expanding productive capacity in the countries. Stock market is a medium through which corporate sector mobilizes funds to finance productive projects by issuing shares in the market.

## **1.2 Problem Statement**

The determinants of share costs have frequently ended up a matter of wrangle about. The powers of request and supply of the share ordinarily drive share Costs. Variance in share costs happen due to the supply and request powers (Uddin, Rahman, & Hossain, 2013). Supply is driven by the number of offers accessible to the contributing open. Request is driven by the wish of dealers to purchase or offer a stock. To indicate precisely what variables, decide the share cost is a controversial/unpredictable issue. The share fetched changes time to time and stock exchange reacts with the normal changes underpriced, over estimated or at standard and the share cost changes ceaselessly within the auxiliary showcase due to inner (organizational) and outside (political, financial, financial) factors.. To specify exactly what factors, determine the share price isa controversial/unpredictable issue. The share price fluctuates time to time and stock exchange reacts with the environmental changes. Price of the share in the primary market is at par value, however, the price of the share in the secondary market is either underpriced, over priced or at par and the share price changes continuously in the secondary market due to internal (organizational) and external (political, economic, financial) factors. A stock's price correctly predicts the underlying company's future results. Since stock prices clearly do not reflect company future results in many cases, many people reject it clearly wrong. (Fama1991; Hawawini, 1994) argued that weak form of efficiency can be found in developing countries. The shares of the publicly quoted microfinance seem to be the basis of investment to all potential investors. Only few investors of Nepalese share market are aware of the causing agent of share price. It

means that most of the investors are unknown about the financial performance of the company but tends to invest in the company without proper financial analysis.

The potential investors have none or little knowledge about the factors that cause the variability in share prices. On top of that, determining the share prices is a complex and conflicting task (Almumani, 2014). As a result, they are prone to make bad investment decisions on shares and face loss rather than earning considerable returns. Similarly, the companies also find it tough to enhance their market value without knowing about the factors that influence the share prices as the share prices convey information to the public about the current and future performance of firms (Poudel,2016).So, the lack of knowledge about the factors that influence share prices create issues for both the investors and the companies.

The problem of Nepal share market have not been diagnosed and identified. The policy makers are unable to make the appropriate policy for the development of the share market. Most of the government level efforts for the development of the stock market have poorly contributed. Investment on different sectors is guided by future return from that investment like wise equity investment is motivated by future dividend gain and capital gain. Capital gain is outcome of increase in market price of share, if dividend yield and MPS have positive relation then only one factor which play vital role to determine the price of stock on secondary market is dividend. Dividend has no significant impact son the stock pricing in most of the banks, MPS and EPS as well as MPS and DPS (including bonus share) have positive and significant correlation, however this finding does not apply for all banks. It causes the unusual relation of the financial indicators – Earnings Per Share, Dividend Per share, etc. with the market price per share. The market rumors relating the financial position of the company is the major analytic tool for most of the Nepalese investors. That has caused that the Market price per share of most of the foreign joint venture micro finance bank high in comparison with the other banks and manufacturing companies. Only few studies have been made regarding securities listed in NEPSE. Most of the studies are made up to the present capital structure analysis, dividend policy and risk and return etc. but sufficient research have not been done to provide core prospective on the determinants of share price.

Only few investors of Nepalese share market are aware of the causing agent of share price. It means most of the investors are unknown about the financial performance of the company but tends to invest on the company without proper financial analysis. Alexander(1961), for example, in his study of filters found that his initial results were affected materially by neglecting the within day fluctuations of share prices. It causes the unusual relation of the financial indicators EPS, BVPS, DPS,P/E, ROA etc. with the market price of the share. In this context, this study will try to identify the determinants of stock price and find out the degree of affection of those determinants. Therefore, this study will fill the knowledge gap by providing information on selected firm specific factors that influence the share price of Nepalese Microfinances. More specifically, this study is expected to answer the following research questions:

- What factors affect the share price of Nepalese Microfinances?
- What is the relationship between the DPR,DY, EPS,P/E and ROA with MPS?
- What are the major determinants of the share price of Nepalese Microfinances?

### **1.3 Objectives of the Study**

The general objective of the study is to investigate firm specific factors that influence the share price of Nepalese Microfinance. The specific objective is highlighted below.

- To assess the major indicators that has influence on the share price.
- To examine the relationship of the firm particular components on the share cost of Nepalese Microfinances.
- To analyze the impact of firm specific factors on the share price of Nepalese microfinance.

### **1.4 Hypothesis**

This research has identified and set five alternative hypotheses. The alternative hypotheses are as follows.

- H<sub>1</sub>:There is significant impact of dividend payout ratio on the share

price.

- H<sub>2</sub>: There is significant impact of earnings per share on the share price.
- H<sub>3</sub>: There is significant impact of price earnings ratio on the share price.
- H<sub>4</sub>: There is significant impact of dividend yield on the share price.
- H<sub>5</sub>: There is significant impact of return on assets on the share price.

### **1.5 Rationale of the Study**

There's still a hole around the relationship of determinants with share price. A couple of ponders have been made on the securities recorded in NEPSE. Most of the thinks about are based on capital advertise are related to money related execution assessment, capital structure examination, profit approach, chance and return etc. Hence, the display ponder will be of significant significance for financial specialists, organizers, analysts, understudies, and arrangement producers to meet their person and organizational objectives. This think almost endeavors to construct the association of MPS of the Nepalese microfinance to the major money related markers like EPS, DPR, PER, and ROA of the bank. The association is expected to seem the status of Nepalese microfinance with respect to the determinants of share cost. The relation is expected to show the status of Nepalese microfinance with respect to the determinants of share price. These findings may be helpful to the potential investors to make the better investment decision. Likewise, this report provides the information about the position of share price in share industry. Moreover, the industrial average regarding different financial indicators is helpful to compare with the individual finance. This information is expected to be helpful to the managers of the respective microfinance. Similarly, it intends to reveal the investors the major determinants that effect the share prices of microfinance sector and due to this, the procedure of analyzing the securities will become easier.

### **1.6 Limitations of the Study**

As the think about considers firm specific factors and denies macro-economic factors like GDP, development, interested rates, commerce cycles etc., we cannot supersede

the influence of these factors on the MPS. The consider is based on the data set that's built from the disseminations of yearly reports of microfinances. The unwavering quality and exactness of that information may, in this manner, influence the vigor of the comes about of the display consider. Similarly, it considers a couple of numbers of chosen organizations (five recorded microfinance) from among the recorded companies and as it were the most recent accessible ten a long time information for analyzing the stock cost determinants. Overall study is based on secondary data which are collected from the past trading data. Hence, the result of the study may not be exact and hundred percent genuine. However, this opens an arena for further research to encompass the macro and micro factors for determining the factors affecting share price along with the larger sample size. Therefore, there is a need for different research which could address these questions and complement this study. Limitations of this research thesis are the major milestones for additional research, and these factors should be addressed in future studies.

## **CHAPTER II**

### **LITERATURE REVIEW**

Literature review provides an outline of current information, permitting you to distinguish pertinent speculations, strategies, and holes within the existing investigate. The survey of writing gives see and highlights on the literatures that are accessible within the point. Extraordinarily, it covers those thinks about conducted exterior and interior the nation by academicians and researchers. The related thinks about or inquire about within the field of stock cost determinants of commercial banks were surveyed by looking into books, articles, theses etc. This chapter incorporates the conceptual audit, audit of diaries and articles and survey of past considers related to the consider. A writing audit examines distributed data in a specific subject range, and some of the time data in a specific subject range inside a certain time-period A writing audit can be fair a basic outline of the sources, but it more often than not has an organizational design and combines both rundown and union. A summary is a recap of the important information of the source, but a synthesis is a re-organization, or are shuffling, of that information. It might give a new interpretation of old material or combine new with old interpretations. Or it might trace the intellectual progression of the field, including major debates. And depending on the situation, the literature review may evaluate the sources and advise the reader on the most pertinent or relevant.

#### **2.1 Theoretical Review**

Theoretical review is the review of concepts as well as review of past research in the relevant field of the study. The reason of survey of investigate is to know that results of the past investigate within the proposed range of thinks about where comparative concept and strategy had been utilized effectively. Survey of writing will offer assistance analyst to define palatable structure of the report. It too makes a difference to define palatable structure of the report. It moreover makes a difference to familiarize with concept, characteristics, translation, and phrasing utilized within the report. To survey of related considers or investigate within the field of stock cost determinants of commercial banks related investigate work and ponders were surveyed by checking on books, articles, and theses etc

Like all assets, share prices change because of shifts in supply and demand. Here we examine the key drivers behind supply and demand for stocks to explain what causes share prices to rise and fall. The main factors that determine whether a share price moves up or down are supply and demand. Recent estimates that there exist more than 10,000 MFIS serving 200 million clients worldwide (Azzam, Mimouni, and Abu Ali,2012). Essentially, if more people want to buy a share than sell it, the price will rise because the share is more sought-after (the 'demand' outstrips the 'supply'). On the other hand, if supply is greater than demand, then the price will fall.

Supply and demand affect the appeal—and, ultimately, the price—of shares. According to (Massar Associates,2002) in their assessment of demand and supply of microfinance in west bank find that there is a gap between microfinance demand and supply. While it might appear that there are other factors at play, such as the health of the economy and company earnings, these are just drivers of supply and demand. This means, even if you think stock is over or undervalued, the market decides what it's worth. It's all about the dynamic between buyers and sellers. (Kramer and Conforti, 2009) suggest that the buyers move into the market, the demand grows and share prices drop—especially if there is limited supply. If supply and demand are just about equal, the share price is likely to move around in an arrow range for a while, until one of the factors outweighs the other. Supply factors that affect share prices.

Broadly, there are three schools of thought concerning the valuation of securities and their price behaviour:(1)Technical Analysis(2)Fundamental Analysis and (3) Random Walk or Efficient Market Analysis.

### **2.1.1 Technical Analysis**

Technical analysis is market-oriented logic. The specialized investigation hypothesis of share cost behavior is based on past price data. On the suspicion that history tends to rehash itself, it is accepted that information of past designs of share costs will offer assistance to anticipate future costs beneath comparative circumstances. (Wong, Manzur and Chew,2003)looked at the significance of specialized investigate in anticipating when to enter and exit the stock showcase. Test insights are utilized to assess the execution of the Moving

Normal, the foremost well-known pattern supporter, and the Relative Quality File, the foremost broadly utilized counter-trend indicator. The discoveries, based on Singapore information, that the markers can be utilized to create a significant positive return. It was concluded that members of SES enjoy substantial profits by applying technical analysis. (Chong and Ng , 2008) applied two oscillators namely, Moving Average Convergence Divergence (MACD) and the Relative Strength Index (RSI) to know that whether they are profit able or not. The RSI and MACD rules will yield better returns than the buy-and-hold approach in most situations, according to 60-year data from the London Stock Exchange FT30 Index. It involves the study of past market behavior with reference to various financial and economic variables to forecast the future stock price. Financial and economic variables do change, but these variables are to be adjusted in the light of the present situation. Charles Dow is the greatest protagonist of this theory. Since the followers of this theory anticipate future share prices on the basis of charts and graphs of past movements in prices, this approach is popularly known as Chartist Approach.

Thus, under this approach, technicians are interested to interpret the past trend to predict the future prices of equity shares. Technical analysis is based on the widely accepted premise that security prices are determined by the supply of and demand for securities. The tools of technical analysis are therefore designed to measure supply and demand. Typically, technical analysis record historical financial data on charts, study these charts to find meaningful patterns, and use these patterns to predict future prices of securities. Some charting techniques are used to predict the volatility of single security, some are used to predict the volatility of market index, and some are used to predict both the action Of individual securities and the market action. (Hudson, Dempsey and Keasey,1996) investigated whether technical trading rules would forecast the stock market in the United Kingdom. Their paper also looked at whether technical analysis could provide investors with higher returns in a high-cost trading scenario. Study also concluded that although the technical trading rules investigated have predictive potential in terms of UK data, their use does not enable investors to make excessive returns in the case of expensive trading. (Wong, Manzur and Chew, 2003), looked at the importance of technical research in predicting when to enter and exit the stock market. Test statistics are used to evaluate the performance of the Moving Average, the most well-known pattern follower, and the Relative Strength Index, the most widely used counter-trend predictor.

The findings, based on Singapore data, showed that the indicators can be used to generate a substantial positive return. It was concluded that members of SES enjoy substantial profits by applying technical analysis. (Chong and Ng, 2008) applied two oscillators namely, Moving Average Convergence Divergence (MACD) and the Relative Strength Index (RSI) to know that whether they are profitable or not. The RSI and MACD rules will yield better returns than the buy-and-hold approach in most situations, according to 60-year data from the London Stock Exchange FT30 Index. (Bettman, Sault and Schultz, 2009). Proposed an equity valuation model that combined fundamental and technical analysis, recognizing their complementary rather than substitutive potential. Testing demonstrated the complimentary existence of fundamental and technical analysis, demonstrating that, although each performs well on its own, models that combine the two have superior explanatory capacity. While their conclusions are related, though their results are specific to stock valuation, they have implications for other valuation activities as well. (Veronika Caljkusic, 2011) studied the right approach to make valuation of the stock and to predicting the moment in which investors should take action buying and selling decisions by using different approaches and methods during a certain period of time (Hosni 2011) explored that the Investors use financial statements and support and resistance levels as a primary instrument for their investing behavior. For several years, investors relied on a variety of tools to assist them in making stock buying and selling decisions. Fundamental and technical analysis is two sets of methods widely used by investors. Bhupesh (2013), suggests a hybrid approach consisting of self-organizing maps and selective technical indicators for stock picking and access point investing in stocks. Pandya (2013), presented a research study on information technology sector with the application of technical analysis. He conducted in-depth research for Technical Analysis of the stocks of selected companies in the Information Technology field, to aid portfolio decisions in this domain, which is one of the most upcoming and growing sectors in the Indian economy.

Technical analysis seeks to estimate security prices rather than intrinsic values that is they try to forecast short-run shifts in supply and demand that will affect the market price of one or more securities. They tend to ignore such factors as the firm's risk and earnings growth in favor of concentrating on various barometers of supply and demand that they have devised (Malhotra & Tandon, 1991).

The basic assumptions underlying technical analyses are as follows:

- Market is solely determined by the supply and demand.
- Supply and demand are governed by numerous factors, both rational and irrational.
- Aside from the effects of minor fluctuation in the market, stocks prices tend to move in the trends that persist for appreciable lengths of time.
- Changes in trends are caused by shifts in supply and demand.
- Shifts in supply and demand, no matter because they occur can be detected sooner or later in charts of market action.
- Some charts patterns tend to recur, and these recurring patterns can be used to forecast price movements.

Technical analysts seek to estimate price rather than intrinsic value. They try to forecast short-run shifts in supply and demand that will affect the market price of one or more securities. It tends to ignore such factors as the firm risk and earnings growth in favor of concentrating barometers of supply and demand that they have devised. Peach vanish(2016), suggests a cluster analysis-based approach for identifying a group of stocks with the best trend and movement characteristics at any given time, and hence are more likely to outperform the market over a short period of time. Thus, technical analysts discern past pattern or trends which they repeat in the future and recommend for the timely holding and disposing mechanism which is profitable or that recommend for short-term speculation based on its forecast of profitable pattern.

### **2.1.1 Fundamental Analysis**

The fundamentalists are of the Conclusion that the esteem of a share depends up on the expected future stream of returns and comparing capitalization rates. To assess the reasonable esteem of one company's stock requires a figure with respect to profit or profit “fundamentals are characteristics of a company related to benefit, monetary quality or risk” (Pinto et al.,2010). Crucial investigation is one strategy which assess securities to degree the inherent esteem such as profit and profit in respect of economic,financial, and other related subjective and quantitative variables. Essential investigation looks at related variables which influence the securities counting macro-economic, variables such as net residential generation

development industry investigation such as normal lie cycle of an industry to particular components within the viewpoint of a company such as budgetary condition and administration (Bodie et al., 2009). Therefore, value of share, under this model, is equal to the present value of future out comes from an equity discounted at risk adjusted capitalization factor. It requires full disclosure of financial and economic information. If the dissemination of information is not regular, reliable, and complete, the market value of shares cannot be properly ascertained. Two models are popularly used under this theories. Earnings Capitalization Model and Dividend Discount Model. The market price of share is based on its intrinsic value. The share holders would like to maximize the return by buying shares of the under-valued company and selling shares of the over-valued company. Buying pressure would increase the price of under-valued company and selling pressure would decrease the price of over valued company until the equilibrium price is restored. To estimate the fair value of one company's stock requires a forecast regarding earnings or dividends. "Fundamentals are characteristics of a company related to profitability, financial strength, or risk"(Pinto et al., 2010). Fundamental analysis is one method which evaluate securities to measure the intrinsic value such as earnings and dividend in regard of economic, financial, and other related quantitative and qualitative factors. Fundamental analysis examines related factors which affect the securities including macro-economic factor such as gross domestic production growth industry analysis such as typically cycle of an industry to specific factors in the perspectives of a company such as financial condition and management (Bodie et al., 2009). The purpose of conducting fundamental analysis is to evaluate the value which could be compared with market price, then considered as underpriced or overpriced. Fundamental lists are primarily interested in analyzing factors such as influences, industry factors and pertinent company information such as product demand, earnings, dividends, and management to calculate the intrinsic value of the firm's securities.

The fundamentalists reach an investment decision by comparing the value with a risk return frame work based upon earning power and the economic environment, which determines its future in come and prospects of the business opportunities (Francis, 1991). The fundamentalist tends to look forward. They are concerned with such matters as future earnings and dividends. It is sometime said that fundamental analysis is designed to answer the question "What?". One the basis of such a study, fundamentalists project a company's future prof its and earning

capacity with reasonable accuracy what the price of a company's share ought to be. This estimated price is termed as intrinsic value. The intrinsic value of the stock is generally away from its present market value. Thus, there is a difference or gap between them. A fundamentalist reaches an investment decision by comparing this value with the current market value; it is believed that the price will rise. In this situation, fundamentalists will acquire shares as this difference presents them with an opportunity to make a profit.

Alternatively, if the intrinsic value is lower than the market value, the share is overpriced and is an indication to the fundamentalists to sell. Following this rule, they believe an above average return can be attained, given that the market is inefficient in pricing the shares. The actual price of the security is a function of anticipation and the price acts as the function of this anticipation which in turn changes because of new information. Some of these anticipations are a company's sales, profit, dividends, management competency and other economic and industrial factors. The other new information includes a major order, labor dispute or a revised profit forecast and the like. Fundamental analysis represents an attempt to determine the present discounted value of all the payments a stock holder will receive from each share of stock. If that value exceeds the stock price, the fundamental analyst recommends purchasing the stock and *vice versa*. An investor can determine, a stock is undervalued, overvalued, or trading at fair market value with fundamental analysis by applying the concept of intrinsic value. If all the information regarding a corporation's future anticipated growth, sales figures, cost of operations, and industry structure, among other things, are available and examined, then the resulting analysis is said to provide the intrinsic value of the stock.

To a fundamentalist, the market price of a stock tends to move towards its intrinsic value. If the intrinsic value of a stock is above the current market price, the investor would purchase the stock. However, if the investor found through analysis that the intrinsic value of a stock is below the market price for the stock, the investor would sell the stock from their portfolio or take a short position in the stock. There are several steps associated with fundamental analysis. The investor must make an examination of the current and future overall health of the economy. Attempt to determine the short-, medium- and long-term direction and level of interest rates (Nawazish, 2008).

### **2.1.2 Random Walk Analysis**

The Random Walk Theory assumes that all future streams of incomes from the equity

investment are independent of preceding incomes. In other words, future prices cannot be predicted based on past price behavior. The share prices fluctuate randomly. However, this does not mean that the market is irrational in the determination of prices. It operates through market mechanism. In a free and competitive market, the relative forces of demand and supply determines share prices. The so-called efficient market automatically adjusts the prices of shares since the market is very sensitive. Any discrepancies in the market are automatically corrected and actual prices fluctuate randomly about its intrinsic value. This is a free and most competitive market and the prices of shares in the market are assumed to reflect all relevant information. Random walk theory describes that the previous price changes in return are useless in predicting future price or return changes (AL-Shubiri,2010).

Fama(1965), argued that Irregular walk hypothesis infers the long run way of the cost level of a security is no more unsurprising than the way of a arrangement of cumulated irregular numbers. The arrangement of cost changes has no memory i.e., the past cannot be utilized to anticipate the longer term in any important way. The irregular walk hypothesis factually comprises of partitioned suspicions (i) cost cannot be free arbitrary variable, (ii) cost alter adjusts to a few likelihood conveyance without indicating the specific shape or frame of the dispersion. Irregular walk show says that past cost changes or changes in return are pointless in predicting future fetched or return changes. It infers in case we endeavor to expect future costs in by and large terms utilizing chronicled price-change information, we are going not be productive., dynamic fetched changes are independent. This independence implies that prices at any time will on the average reflect the intrinsic value of the security. If a stock's price deviates from its intrinsic value because, among other things, different investors evaluate the available information differently or have different insight in to future prospects of the firm, professional investors and astute nonprofessional will seize upon the short term of random deviations from the intrinsic value, and though their active buying and selling of the stock in question will force the price back to its equilibrium position (Fisher and Jorden, 1965).

### **2.1.3 Efficient market Hypothesis and Share Price Movement**

Securities that are priced accurately all the time are in an efficient market. Many studies have been conducted to verify the validity of the Efficient Market hypothesis since Fama (1965) first proposed it, using both industrialized and developing nations as case studies. Current market

prices properly represent available information in an effective capital market. As a result, in an efficient market, pricing is determined using all available information. There are three possible levels of efficiency, as indicated by the efficient market hypothesis. The idea of perfect competition gave rise to market efficiency. It is predicated on rational investors without taxes or transaction costs, and free and information, rational investors with not taxes or transaction costs. The straightforward claim that security prices accurately reflect all available information is known as the "market efficiency hypothesis." A precondition for this strong version of the hypothesis is that information and trading costs, the costs of getting prices to reflect information, are always (Grossman & Stiglitz, 1980). A weaker and economically more sensible version of the efficiency hypothesis says that prices reflect information to the point where the marginal benefits of acting on information (the profits to be made) do not exceed the marginal costs (Jensen, 1978). The ability of a stock market to perform its role efficiently is highly contingent to the extent on which it can be deemed efficient. The hypothesis demonstrating the efficiency of capital markets is grounded up on the realization that competitive behavior existing among profit-seeking participants will ensure that asset prices continuously adjust to reflect all price-influential information (Jawad et al. 2009). Market efficiency as reflected by the efficient market hypothesis may exist at three levels. They are: Weak form, Semi-strong form, and Strong form.

#### **a. Weak form**

According to the weak version of the efficient market hypothesis, all information from previous price movements is fully reflected in the share prices as of right now. In their analysis of the Muscat securities market, Al Kharusi and Weagley (2014) disproved the weak form theory. The stock price will not exhibit a random walk pattern. The price of the stock will change more or less arbitrarily. Because the market has no memory, it is useless to try to forecast future price by looking at post-price movement trends as they provide no hints. Weak efficiency market are markets in which past provide no information about future price that would allow a short-term trade to buy hold strategy. The results of the co-integration have given no evidence about long run link between the seven-stock series, and using co-integration tests, Chan, Gup and Pan (1997) tested for weak form efficient market hypothesis of the eighteen international stock exchanges. The weak form hypothesis implies that trend analysis is fruitless because the stock-price already reflects all information that can be derived by examining market trading data such

as the history of past price, trading volume or short interest.

(Shiller and Radikoko,2014) tested the validity of Weak form Market Efficiency hypothesis of daily index returns of Canadian equity market. Different statistical tests are used like BG, Auto correlation and the runs are used which supported that returns are serially correlated. Overall results rejected the Random walk Model of TSX index return thus supporting the phenomenon that Canadian equity markets are not weak form efficient also (Birau ,2015) conducted study in Romanian and Hungarian markets in the context of financial crisis during the period of 2007 to 2011 based on daily price indices. Author rejected the Weak form efficiency and concluded that both markets are inefficient.

### **b.Semi-strong form**

In addition to past price movements, the semistrong form of the efficient market hypothesis asserts that current market prices reflect all information that is currently available to the public. There is no benefit to analyze existing information as the current share price. (Fama,1970) the that each individual test on semi- strong form efficiency only brings supporting evidence for the model, with the idea that by accumulating such evidence, the validity of the model will be established. The persons who can access to the information before it is made public may benefit from higher or unusual returns than would be expected given the level of risk involved. The semi-strong hypothesis states that all publicly available information regarding the prospects of a firm must be reflected already in the stock price. Such information includes, in addition to past prices, fundamental data on the firm's product line, quality of management, balance sheet composition, patents held, earning forecasts and accounting practices.

### **c. Strong form**

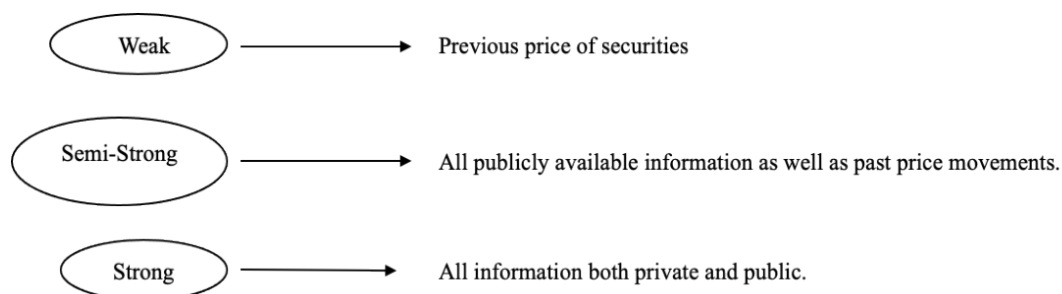
The strong form of efficient market hypothesis states that current market prices reflect all the relevant information even if privately held. Strong efficient markets are markets in which all information is reflected in security prices. Jensen(1968) claims that "on average the funds apparently were not quite successful enough in their trading activities to recoup even their brokerage expenses", which proves the prevalence of the strong form of EMH. The market price the true or intrinsic value of the share based on underlying future cash flows, and no one can beat the market i.e., no one can earn abnormal profit in that market. In the real world, the strong form of market does not exist at all. The strong form of market in most of the developed

countries appears in semi- strong form of efficient market hypothesis (EMH). The markets in the developing countries seem to be weak form of the EMH. The stock price in such market walks randomly and does not follow a definite practice in the price movements. The weak efficient and semi- strong efficient market hypotheses are well supported by the facts. But the strongly efficient market hypothesis is not supported by the fact because it states not only that the stock price reflects all information relevant to the firm but also including the information available only to company insiders. The way that the market price of the shares reflects information that is available to the public determines the types of markets. The EMH focuses on historical information to determine the market price of shares. But different countries might have different set of regulations regarding the behavior of the stock exchange and trading of shares.

The following Figure presents basic differences of their level of market.

**figure1**

*forms of efficiency set of information reflected in security price.*



*(Sources: martin, 2011)*

### **Empirical Review**

Not at all like commercial banks, microfinance both in Nepal and over the world are ineffectively examined, particularly, the connections between subordinate and free factors we look for to look at in this consider. Owing to their long history, commercial banks are broadly investigated, and discoveries are promptly accessible. Hence, we survey few famous literary works in setting of commercial banks in this area and hypothesizes that these observational perceptions from different famous considers will give understanding into conceivable be Jeremiah & Irungu (2024) examines how capital structure affects deposit-taking microfinance

institutions' budgeting execution in Nairobi Province, Kenya, acknowledging the imperative part these educate play in financial advancement in the midst of challenges such as government arrangements, financial variances, and advance defaults. Utilizing a clear investigate plan, the think about analyzes auxiliary information from all 13 authorized microfinance banks within the county, sourced from educate just like via SPSS, via SPSS, the Kenyan Central Bank and the Association of Deposit-Taking Microfinance Banks in Kenya. The discoveries uncover a noteworthy impact of value capital on the execution of these microfinance banks, driving to the conclusion that keeping up vigorous capital structures and compelling value administration are fundamental for the effective operation of such teach analyzes auxiliary information from all 13 authorized microfinance banks within the county, sourced from educate just like the Central Bank of Kenya and the Affiliation of Deposit-Taking Microfinance Banks in Kenya, through SPSS. The discoveries uncover a noteworthy impact of value capital on the execution of these microfinance banks, driving to the conclusion that keeping up vigorous capital structures and compelling value administration are basic for the proficient operation of such teach.

Ukpong&Ukpe (2023) investigates dividend policy's effect on Nigerian firms' performance over the period 2015 to 2019, employing an ex post facto research design. The study population consists of all listed consumer and service firms on the Nigerian stock exchange, with purposive sampling selecting 12 firms. Secondary data from the annual financial reports of the consumer product and services sector is utilized, with return on assets (ROA) serving as the measurement for firm performance. Dividend policy is measured through form of dividend payment (FDP), timing of dividend payment (TDP), and earnings per share (EPS). Panel regression analysis, alongside descriptive and correlational statistics, is employed for data analysis, with logistic regression testing hypotheses. The findings reveal a positive relationship between ROA and form of dividend payment, but negative relationships with EPS and TDP. Overall, the study concludes that there is no significant positive effect of FDP, TDP, and EPS on the performance of Nigerian companies. It recommends that companies adopt dividend payment forms conducive to organizational growth.

Fadhil et al. (2023) researched on between financial sustainability and dividend policy in Malaysian real estate firms. Its goals are to determine the major variables influencing dividend policy and to comprehend how financial sustainability affects dividend decisions. The study

makes use of unbalanced panel data from 45 companies listed on the Malaysian Bursa between 2012 and 2021, utilizing a quantitative research design. The findings show a strong inverse relationship between dividend policy and financial sustainability, suggesting that companies with stronger financial standing tend to pay out fewer dividends to their shareholders. Additionally, leverage and profitability are found to significantly influence dividend policy. Limitations include focusing solely on the real estate sector, suggesting future research should encompass other industries and sectors in Malaysia and beyond. Practical implications suggest firms should carefully balance financial sustainability and dividend policy decisions, implementing financial sustainability measures to achieve holistic outcomes. The study's originality resides in offering perceptions on the factors that influence dividend policy and financial sustainability, with implications for shareholders, managers, investors, and policymakers alike.

Ozigbo&Ekane (2022) examines the relationship between dividend policy and the performance of listed microfinance banks in Nigeria from 2006 to 2021. Utilizing ordinary least squares estimation and multiple regression analysis, the study finds that factors such as Return on Assets, Liquidity Ratio, Debt Ratio, and bank size do not significantly impact dividend policy, as measured by dividend payout, during the study period. Recommendations include increasing dividend payments to shareholders and expanding branch networks, while the Central Bank of Nigeria is advised to enhance supervisory measures to prevent illicit liquidity depletion by certain microfinance banks.

Ogege (2020) examined the influence of dividend payments on the price of share of quoted manufacturing companies in Nigeria employing panel data with 125 data observations spanning from 2014-2018. A purposeful sampling technique was used to select twenty-five manufacturing companies investigated from the Nigerian stock market. A linear regression model was specified and was further broken down into a bivariate regression model and the method of least square regression was adopted for data analysis. The outcome of the panel regression indicated that, dividend per share has a positive influence on the price of shares of high and low geared manufacturing firms; earnings per shares positively influence the shares price of both dividend and non-dividend paying manufacturing companies; dividend yield show an adverse effect on the share price of new and old manufacturing companies; credit risk was found to positively impact share price of big manufacturing companies, but adversely

affect the share price of small manufacturing companies in Nigeria. In view of the outcomes of the analysis, the study therefore recommended that a conducive and favorable business environment should be created by the government for both old and new manufacturing companies in Nigeria to thrive. Also, credit risk should be effectively and efficiently managed by small manufacturing companies in particular in order to eliminate its adverse influence on their share price.

Al-Ali (2020) ) examined how dividend payments affected the market share prices of Islamic financial institutions in Jordan between 2010 and 2018, as represented by (Islamic Insurance Company, First Insurance, Al-Safwa Islamic Bank, Arab International Islamic Bank, Jordan Islamic Bank). The study looked at the effects of retained earnings and cash and profit dividends as well as dividends in the form of shares on the market share price of Jordanian Islamic financial companies. It found that there was no effect of cash distributions on the market share price of Islamic financial companies, and it also came to the conclusion that retained earnings and dividends in the form of shares had an impact on the market share price of Islamic financial companies.

Shah (2019) examined the impact of dividend payout on market price. The dividend distribution and its effects on various aspects of firm is becoming the crucial issue of the firm. The main aim of the study is to know the impact of dividend payout on market price, including other selected independent variables that are required to measure dividend and investment decision. The study has selected 48 companies listed on Bombay Stock Exchange based on high and consistent dividend for the time period from 2008 to 2017. The study covers market price as dependent variable whereas dividend payout, earnings per share, growth, return on equity as independent variables. For the study purpose, to check the multicollinearity, variance influence factor has been used. Balanced panel data and pooled ordinary least square regression has been run to check the impact of independent variables on dependent variables. Correlation is used to check the relationship between the variables. The study found high and significant impact of dividend payout, earnings per share and growth on market price of shares whereas return on equity has no significant impact on market price of shares. The study also revealed the negative and significant correlation between dividend payout and market price. It means increase in dividend payout decrease the market price and vice-a-versa. It also shows dividend

payout and growth have positive significant impact. It indicates that high growth companies are paying high dividends. The study revealed that Return on equity has insignificant correlation with dividend payout. The study is useful to the individual investors, institutional investors and companies in terms of sound investment purpose.

Tondon and Shingh (2019) looked into how dividend policies affect stock prices using data from the Indian market. The connection between dividend policy and share market price is one of the most hotly contested topics in corporate finance. A sizable body of literature both supports and refutes this claim. The goal of the current study is to assess how dividend policies have affected Nifty 50 firms' market values for shares that have been listed on the National Stock Exchange (NSE) between 2008 and 2017. Multiple panel data regression methods, including pooled regression, fixed effect models, and random effect models, have been used to examine the data. The best regression model has been recommended using the Hausman test. The results of the random effect regression model support the relevant approaches of dividend policy. Thus, we conclude that there is significant effect of dividend policy on the stock price of firms.

Memon, Channa&Khosro (2017) explored the impact of dividend policy on market prices of firms' stocks of the non-financial sectors of Pakistan during the time period from 2006 to 2015, after controlling some other variables. Data is taken from sixty-seven non-financial firms listed in KSE (PSX). The outcome of fixed effect Regression model exposed that there is the significant negative impact of dividend yield and significant positive impact of dividend payout on stocks market prices. The result of control variables showed that growth in assets, growth in earnings, growth in sales and size have a significant positive impact on stock market prices while liquidity, leverage and profit after tax have no significant impact on stock market prices during our study period. Therefore, all outcomes of this research signify that the dividend policy has a significant impact on market prices of stocks in Pakistan.

Nowak (2016) explored the Polish stock market reactions to dividend announcements and dividend payouts made by the companies listed on the Warsaw Stock Exchange (WSE). The research sample comprises 56 companies (WIG index constituents) that announced dividend payments and completed the payout during 2013. In the analysis, event study methodology is

employed including either calculating abnormal returns and cumulative abnormal returns around the event day or testing their statistical significance using parametric and nonparametric tests. The average cross-sectional abnormal return calculated for the entire sample is found to be significant on the dividend announcement day ( $t = 0$ , 0.86%) and on one day after ( $t = +1$ , 0.59%) at the 1% and 10% significance levels, respectively. The outcomes of the analysis conducted within the three distinguished subsamples are rather more diverse. In the subgroup of the first announced dividends (or dividends announced after a minimum one-year break), the significant average abnormal return is found on day  $t = +1$  (0.90%, 5% significance level), whereas in the case of the dividend decreases subsample, the significant average abnormal returns (at the 10% significance level) occur on days  $t = -4$  (-1.44%) and  $t = +2$  (-1.15%). The average abnormal return calculated within the subsample of dividend increases turns out to be positive and significant on day  $t = +1$  (1.03%, 10% significance level). The results obtained for the average cumulative abnormal returns corroborate the findings reached for the average cross-sectional abnormal returns in the case of the first dividend and dividend increase subsamples. However, the average cross-sectional abnormal returns calculated within the eleven-day-long event window around the dividend payment day turn out to be statistically insignificant. The obtained results provide evidence that the Polish stock market reaction to dividend announcements is positive and immediate. However, the market does not significantly react to dividend payouts, which may lead to the conclusion that the WSE directly incorporates news on dividends into stock prices. Moreover, the reaction of the market for dividend announcements is consistent with the sign of the dividend change: dividend increase (decrease) announcements are interpreted as a positive (negative) signal by the investors. Such results support both the informational content of the dividend hypothesis and the dividend signaling hypothesis. Considering that the observed abnormal market behavior disappears within two days at most after the announcement date, the results of the study can be useful for financial practitioners only with regard to short-term investment decisions.

Rosario & Chavali (2016) examined the impact of dividend announcement both cash and stock on the share price performance in Oman. A sample of 21 companies listed in Muscat Securities Market pertaining to different sectors which have made dividend announcement consequently from 2012 to 2015 are taken. The study adopts the event study methodology. A window of 39

days (19 days prior and 19 days post announcement and dividend announcement date) is taken as to examine the market reaction to the dividend announcement. The findings show that there is an increase in the share price and has resulted in positive average abnormal return especially in the post dividend declaration period in Oman context. Sharif, Purohit, & Pillai (2015) examined the factor affecting stock price, found that the empirical findings reveal a positive and significant relationship between ROE, BVS, DPS, PE and Log MCAP suggesting that these factors act as active determinants in shaping the market price of shares. However, a significant negative relationship was found between dividend yield and MPS. This suggests that dividend decision is made in order to attract different clienteles. Consistencies in results have been noticed in both the estimation models. Therefore, a certain group who expects short term and regular return will show their impact as a positive relationship with market price while the group who is unaffected or considers dividends as irrelevant will show an inverse relationship with stock price. Leverage also showed an inverse but insignificant relationship with market price. This can be due to the fact that investors show a general aversion towards heavily indebted companies but same time do not consider the inclusion of debt in the capital structure of companies as a determinant of market price.

Ahmed, Iqbal & Ullah (2014) analyzed the impact of change in dividend on the stock price. The sample of the population depends on the three-banking sector of Pakistan which is Bank Al-Falah, UBL and MCB. In this paper descriptive data was gathered of the five years (2008-2012) related the Banking sectors of the payment of dividend and stock price. The descriptive statistics and regression analysis represent that there is positive or negative relationship has been found between the dividend and stock price. It is proved that the dividend has positive regression with the earning per share and negative regression dividend with the stock price.

Table 1

*Meta Table*

SN	Authors & Date	Objectives of Study	Methods	Major finding
1	Jeremiah & Irungu (2024)	to ascertain how capital structure affects the deposit-	Descriptive research design	The findings of this study are that equity capital has a significant influence on the performance of

		taking microfinance banks in Nairobi County		deposit-taking microfinance banks
2	Gregory & Amos (2023)	Impact of dividend policy on firm performance in Nigeria	Panel regression analysis, Descriptive and Correlational statistics	The study concludes that there is no significant positive effect of FDP, TDP, and EPS on the performance of Nigerian companies
3	Fadhil et al. (2023)	To examine the extent to which financial sustainability influences dividend policy decisions and to identify the key factors that affect dividend policy	Quantitative research design	The findings uncovered a significant negative relationship between financial sustainability and dividend policy, which denotes financially sustainable firms are likely to pay fewer dividends to their shareholders
4	Sylvester & Ogagaoghene (2022)	The major objective of this study is to empirically investigate the impact of Return on Asset on Dividend payout ratio of microfinance banks in Nigeria.	Least square estimation technique and multiple regression method of data analysis	ROA, Debt ratio, bank size, and Liquidity ratio in Nigerian microfinance banks did not significantly affect Dividend Payout ratio during the study period.

5	Bhatta& Duwal (2021)	To scrutinize the impact of dividend policy on stock price volatility	Regression model	Dividend policy has a significant negative relationship with the stock price volatility
6	Ogege (2020)	To ascertain the impact of dividend payment on share price of quoted manufacturing firm	Least square and Regression model	Positive relationship between DPS and SP Positive EPS and SP Adverse relation of DY and MP
7	Ali-Ali (2020)	To know the effect of level of cash dividend on market price in Jordan  To examine the impact of level of dividend in the form of share on market price  To analyze the impact of level of retained earnings on market price	Panel data model (random effect model)	Study shows, dividend affects market price (only in the form of share)
8	Shrestha (2020)	To analyze the impact of dividend on stock market price of Nepalese enterprises	Fixed Effect model	cash dividend has significant negative and stock dividend has significant positive impact on stock market price of

Nepalese enterprises.

9	Singh and Tandon (2019)	To identify variable that have an impact on dividend policy.	Descriptive statistics, correlation, unit root test and panel regression analysis	EPS have a positive impact on the MPS; DPS and RR have no effect on the MPS while DY, ROE and PAT have a negative effect on the MPS.
10	Shah (2019)	To know the impact of dividend payout on market Price  To know the impact of EPS, ROE and growth on market price.	Panel Least square method	The overall model suggests the significant impact of selected variables on market price.
11	Baral& Pradhan (2018).	To examine the impact of dividend policy on the share price of commercial bank in Nepal.	Wilcoxon signed test, Regression analysis, Correlation analysis	Dividend impacts significantly on share price of Nepalese commercial bank
12	Memon, Channa& Kosho (2017)	To analyze the impact of dividend yield and payout ratio on market price in Pakistan	Multiple regression model	Both dividend yield and dividend payout ratio have significant impact on stock price in Pakistan during study period

13	Bhattarai (2016)	To examine the relationship between MPS with DPS, profitability, return on assets and size of the bank.	Descriptive statistics, correlation analysis, regression analysis	It is found that DPS has positive and statistically significant impact on MPS and profitability and size have negative impact on share price of commercial bank.
14	Nowak (2016)	To examine the stock market reactions to dividend announcements and dividend payouts made by the companies listed on the Warsaw Stock Exchange	event study methodology	the Polish stock market reaction to dividend announcements is positive and immediate. However, the market does not significantly react to dividend payouts, which may lead to the conclusion that the WSE directly incorporates news on dividends into stock prices.
15	Poudel (2016)	To explore the determinants of stock price in NEPSE.	Correlation analysis, Hypothesis test	DPS, BVPS and EPS affect the MPS positively there is several other internal and external environmental factors affect the MPS.

16	Dangol (2016)	To examines the abnormal returns before and after the cash, stock, and cash and stock dividend announcements in the Nepalese stock market.	Market model of event methodology	In three cases, dividend-increases, dividend decreases and dividend-no changes, the positive excess returns find stock dividend announcement indicating the Nepalese investors seek for stock dividend than cash dividend.
17	Rosario, Chavali (2016)	To examine the impact of dividend announcement both cash and stock on the share price performance in Oman	Event study methodology.	The findings show that there is an increase in the share price and has resulted in positive average abnormal return especially in the post dividend declaration period in Oman context
18	Lashgari& Ahmadi (2014)	To examine the impact of dividend policy on share price volatility in Tehran Stock Exchange	Multivariable regression model, Unit root test, Chaw test and Hausman test, fixed effects model	payout ratio has a adversely affect price volatility, and also has a statistically significant effect on stock price volatility

## 2.1 Research Gap

A few studies have been conducted related to share cost considering it as a vital wonder within the stock showcase. All these considers have numerous valuable discoveries and have possess

restrictions as well. Most of the considers are basically centered on out dated auxiliary information. With the alter in time, there have been numerous advancements in stock showcase. Appropriately, the number of recorded companies in NEPSE has expanded. The crevice between this inquire about work and past inquire about works in terms of time, objective, populace, test, and subject itself. The populace and test will be distinctive as number of recorded companies in NEPSE has risen. In spite of the fact that different ponders have been conducted related to share cost considering it as a vital marvel within the stock advertise, but it is clearly realized that share cost are fluctuating unusually and there's need of suitable research to discover out the instability of share cost of microfinance within the stock advertise (Bhatta,2021).

The past proposal inquire about is restricted on stock cost behavior, variables influencing share cost, Hazard and Return investigation of share of certain companies .The objective of this inquire about is to consider and analyze the dynamism in stock cost of microfinance recorded in NEPSE based on auxiliary information. Display think about tries to analyze the stock cost behavior of microfinance by applying different information focuses from the auxiliary information procured from NEPSE and yearly reports of the particular banks. The display think about will be instructive to the speculators, interested academicians as well as in approach producers. We trust this ponder will offer assistance others in future in related field (Bhattarai, 2016).

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Research design is the task of defining the research problem. In other words, a research design is the arrangement of conditions, for collection and analysis of data manner that aims to combine relevance to the research purpose with economy in procedure. The study has adopted descriptive and causal comparative research design as it deals with the relationship of firms specific and variables with market price per share. It is a cross sectional study. The study has also adopted variance inflation factor and tolerance to test multi-collinearity. More specifically, the study has examined the effect of earnings per share, divided payout ratio, dividend yield, price earnings ratio and return on assets of the banks with market price per share.

#### **3.2 Population and Sample**

All the listed Microfinance are population and five microfinances have been selected as sample by using convenient sampling method. This sampling method widely used when the time and resource for conducting research are limited. The two-microfinance selected as of 2013/14 to 2022/23. The sample consists of two randomly selected microfinance for the study includes: Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (NULBSL) and Sana Kisan Laghubitta Bittiya Sanstha Limited (SKLBSL). The total population of the research is 54, and sample size of the research is 5 which represented the 9.25% of the total population. Sample were chosen from top highest ranking on a basis of market capitalization of microfinance. The only two microfinance, Sana Kisan Laghubitta Bittiya Sanstha Limited (SKLBSL) and Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (NULBSL) had ten years (2013/14-2022/23) of data available. Therefore, SKLBSL and NULBSL data were used for the analysis in this study.

#### **3.1 Nature and Sources of Data**

This study is based on the secondary data which have been collected from two microfinance based on convenient sampling method for the study period of 2013/14 to 2022/23. The main sources of data are financing, and financial statistics published by NEPSE and annual report of different sample of finance.

Data so obtained have no meaning unless they are arranged and presented in a systematic manner. Further, they need to be simplified for analysis. The relevant data have been inserted in meaningful tables. Only the data that are relevant to the study have been presented in tabular form in an intelligible way, and unnecessary data are excluded. It is attempted to draw out the conclusion from the available data, with the help of various financial as well as statistical tools. For the calculation of statistical value like mean, standard deviation, multiple regression analysis, correlation etc., SPSS statistical analysis software has been used.

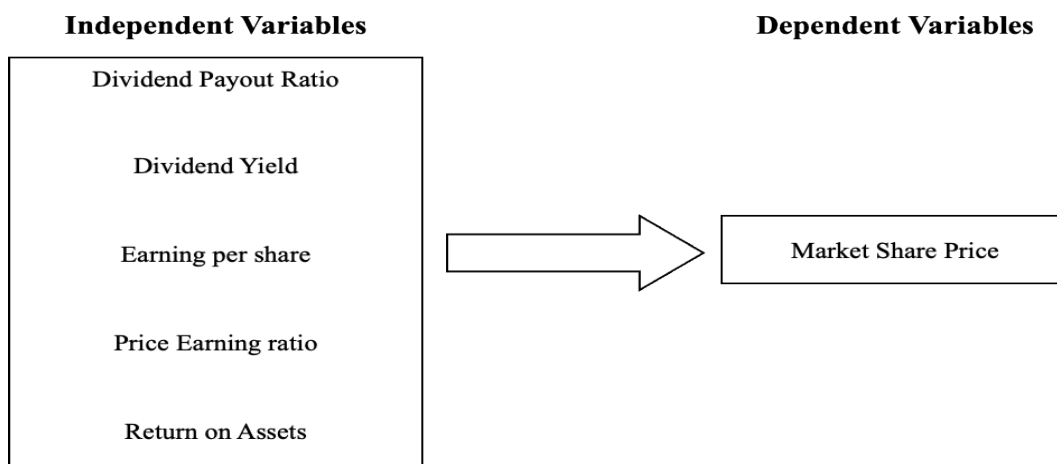
### 3.2 Research Frame work and Definition of Variables

#### 3.2.1 Research Framework

For this study, the following theoretical frame works have been formulated after reviewing the literature. It has been expected that the market price per share of microfinance may be influenced by dividend per share, earnings per share, price earnings ratio and return on assets of the bank. The research is based on impact of these factors on share price of Nepalese Microfinance. The independent variables are assumed to affect the dependent variable, share price of Microfinance. The independent variables are selected depending upon prior theoretical and empirical grounds. The conceptual framework developed to test the effect of these variables on the market price per share of listed microfinance of Nepal in this study is portrayed in *Figure2*.

**Figure2**

*Conceptual Framework of the Effect of Independent Variables on the Market Share Price.*



*\*Adapted from Bhattarai(2014)*

The independent variables are assumed to affect the dependent variable, share price of microfinances. The independent variables are selected depending upon prior theoretical and empirical grounds.

### **3.1.1 Definition of Variables**

The dependent and independent variables along with the proposed hypotheses has been highlighted below:

#### **Market Price of Share(MPS)**

Market price of share can change minute by minute due to changes in the buying and selling pressure. Due to these changes, it becomes difficult to decide as to which market price of share should be regressed as a measure of dependent variable. As previously observed by Malhotra (1987), Piotroski and Roulstone (2004), and Zakir and Khanna (1982), stock price can change minute by minute due to changes in the buying and selling pressure. Due to these changes, it becomes difficult to decide as to which market price should be regressed as a measure of dependent variable. In the present study, the closing price of stock at the end of the financial year of the bank has been taken to represent market price.

#### **Dividend Payout Ratio (DPR)**

The dividend payout ratio provides an idea of how well earnings support the dividend payments. Dhanani (2005) found that dividend policy serves to enhance corporate market value. In fact, more mature companies tend to have a higher payout ratio. Conversely, it means that there is an inverse relation between payout ratio and share price changes. Geetha and Swaaminathan (2015) have stated it as the portion of the profit after tax, which is distributed to the shareholders for their investment bearing risk in the company. They also added that it has a significant influence on the market price of the share. It has a significant influence on the market price of the share. DPR shows how much the company has paid out as a dividend.

#### **Dividend Yield (DY)**

It depicts the percentage of dividend declared in a financial year with respect to its market price. It is derived by dividing dividend per share with market value per share. Malhotra

and Tandon (2013), Zahir and Khanna (1982), Irfan and Nishat (2002) found a significant inverse association between dividend yield and market price of the firm's stock.

### **Earnings per Share(EPS)**

Earnings per share serve as an indicator of a company's profitability. The increasing earnings per share generally results in high market price. According to Ball and Brown(1968), Baskin (1989), Malhotra and Tandon (2013), AL-Omar and AL-Mutairi (2008),Almumani (2014), Jatoi, Shabir, Hamad, Iqbal and Muhammad (2014)the earnings per Dividend Payout Ratio(DPR) The dividend payout ratio provides an idea of how well earnings support the dividend payments. Dhanani (2005) found that dividend policy serves to enhance corporate market value. In fact, more mature companies tend to have a higher payout ratio. Conversely, it means that there is an inverse relation between payout ratio and share price changes. Geetha and Swaminathan (2015) have stated it as the portion of the profit after tax, which is distributed to the shareholders for their investment bearing risk in the company. They also added that it has a significant influence on the market price of the share. It has a significant influence on the market price of the share. DPR shows how much the company has paid out as a dividend.

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### **Price Earnings Ratio (P/E)**

It relates with the comparison of market value with its earnings per share. The price earnings

ratio indicates the extent to which the earnings of each share are covered by its price. It tells whether the share price of a company is fairly valued, undervalued, or overvalued. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. In the same token, Oyama(1997), Khan and Amanullah (2012), Malhotra and Tandon (2013), Alumumani (2014)also indicated that price-earnings ratio have a significant positive association with firm's share price. Geetha and Swaaminathan(2015) pointed that this ratio enables an investor to make appropriate calculation of the time required to cover the investment in a company's stock. P/E ratio expresses the relationship between the market price of a company's share and its earning per share.

### **Return on Assets**

ROA is a financial ratio that gives the percentage of return (profit) that a company is producing in relation to its overall resources (total assets). The return on assets (ROA) is the net income for the year divided by total assets, usually the average value over the year. The ROA reflects the ability of a company's management to generate profits from the company's assets employed for the business. This is probably the most important variable to comparing the efficiency and operating performance of company as it indicates the returns generated from the assets that company owns. It shows the efficient management at using assets to generate earnings.

(Sawagvudcharee and Bajracharya, 2020) indicated that ROA does not have a significant relationship with MPS. Explanatory variables used in the study along with their expected sign are summarized in Table 1.

**Table1***Summary of the Dependent Variables on Market Share Price*

<b>Variables</b>	<b>Abbreviations</b>	<b>Description</b>	<b>Expected Result</b>
Dividend Payout	DPR	TotalDividend/ NetIncome	Positive
Dividend Yield	DY	AnnualDividend/ Price Per Share	Positive
Earnings Per Share	EPS	NetIncome/ AverageOut standing Share	Positive
Price Earnings Ratio	P/E	Market Value PerShare / EarningPerShare	Positive
Return on Assets	ROA	NetProfit/Total Assets	Positive

### **3.1 Methods of Analysis**

This study is based on the secondary data which have been collected from two microfinances based on convenient sampling method. The secondary data will be collected from the annual reports of the selected finance for the years 2013- 2023 for the research. The collected data will be analyzed through SPSS 20 software using descriptive analysis, correlation analysis and multiple regressions analysis.

#### **3.1.1 Descriptive Analysis**

Descriptive analysis is normally best technique for gathering data that shows relationship and portray the world as it exists the rate or frequencies distribution, mean and change influencing the share price of commercial banks (Mugenda and Mugenda, 2003). To discover the fundamental highlights of information in the examination this analysis can be useful which helps in giving the basic outlines about the example and measures. It gives an idea of the distribution of data helps to detect out liners and typos ,and enable the identify associations among variables, thus making ready to conduct further statistical analyses. The three main

types of descriptive statistics are frequency distribution, central tendency, and variability of a dataset.

### 3.2.1.1 Mean ( $\bar{X}$ )

Mean ( $\bar{X}$ ) The average, which can be swapped for any value in the series without changing the series' overall size, is the statistical measure of central tendency. It represents the complete series with a single value. It displays the traits shared by the entire group. The average value, or the largest and smallest objects, typically falls between the two extremes:

$$\text{Mean}(X) = \frac{\text{Sum of Observations}(\sum x)}{\text{Number of Observations}(n)}$$

### 3.2.1.2 Standard deviation( $\sigma$ )

It is the square root of the variance standard deviation. As the rate of returns is given in percentage, the standard deviation of returns of assets will also be in percentage.

$$\text{SD} = \sqrt{\frac{\sum(x - \bar{x})^2}{n - 1}}$$

Where,

$\bar{x}$  = Expected return of the historical data.

n = Number of observations.

### 3.2.2 Correlation Analysis

The inferential analysis that is utilized to describe and evaluate the connection between two variables presence of huge relationship between factors are correlation. In this study, the Pearson co-efficient of correlation is used to access the relationship between price of share and dividend payout ratio, dividend yield, earnings per share, price earnings ratio, return on asset of bank. It ranges from -1 to +1. It is a statistical tool for measuring the intensity or the magnitude of linear relationship between two series. Karl Pearson's measure, known as Pearson's correlation coefficient between two variable and series X and Y is usually denoted by 'r' and can be obtained as,

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum X^2 - (\sum X)^2} \sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Where,

N = number of observations in series X and Y

$\sum X$  = sum of the observation in series X

$\sum Y$  = sum of the observation in series Y

$\sum X^2$  = sum of squared observation in series X

$\sum Y^2$  = sum of squared observation in series Y

### 3.2.3 Multiple Regression Analysis

Regression analysis is particularly used to estimate the connection between the variables. Regression means the assessment of an unknown estimation of one variable called dependent variable with the assistance of the known variable called independent variable. If there are more than one variable in an analysis, at that point it is called multiple regressions. The level of relationship of independent variables with fulfillment is determined by the value of regression coefficient. Regression analysis distinguishes the overall commitment of every factor, and furthermore, decides the best anticipating variable among the factors. Those assumptions were fulfilled before the regression analysis assumptions was thought of and found. In this study, the following multiple regression equation is analyzed.

$$\text{MPS} = a + b_1 \text{EPS} + b_2 \text{DPR} + b_3 \text{DY} + b_4 \text{P/ERatio} + b_5 \text{ROA} \dots \dots \dots (1)$$

Where, MPS is a dependent variable and EPS, DPR, DY, P/E ratio and ROA are independent variables.

## CHAPTER IV

### RESULTS AND DISCUSSION

This chapter describes the presentation and examination of pertinent financial data from Nepal in order to achieve the study's goals. The data have been assessed in accordance with the study technique as stated in the third chapter in order to test the hypothesis. This chapter aims to provide an introduction to the principles of data analysis and interpretation. Data analysis should be used to assess the validity of any conclusions by running a statistical test of significance on the relationships or differences that support or contradict the original or new hypothesis. This chapter presents and discusses the analysis and findings of the data that were gathered from secondary sources utilizing statistical and financial tools.

The only two microfinances, Sana Kisan Laghubitta Bittiya Sanstha Limited (SKLBSL) and Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (NULBSL) had ten years (2013/14-2022/23) of data available. Therefore, SKLBSL and NULBSL data were used for the analysis in this study.

#### 4.1 Results

##### 4.1.1 Descriptive Statistics

The table 3 summarizes the descriptive details for five variables influencing share prices of Nepalese microfinance companies.

**Table 3**

*Descriptive Statistics*

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	20	0.00	173.57	78.61	41.97
DY	20	0.00	8.70	3.54	2.03
EPS	20	6.30	198.53	35.01	29.63
PE	20	0.86	83.94	24.72	13.10
ROA	20	0.87	3.25	1.78	0.60
MPS	20	171.00	3385.00	767.25	728.35

*Source: Results are drawn from SPSS-26 and Annual report of sample companies*

Table 3 presents descriptive statistics for six financial metrics across 20 observations, providing a comprehensive snapshot of the distribution and variability within the dataset. The Dividend Payout Ratio (DPR) exhibits a wide range, spanning from 0.00% to 173.57%, with an average of 78.61%. The significant standard deviation of 41.97% suggests considerable diversity in dividend payout

practices among the entities under consideration. In terms of Dividend Yield (DY), the observed values range from 0.00% to 8.70%, with an average yield of 3.54% and a moderate standard deviation of 2.03%, indicating moderate variability in dividend yields. Earnings Per Share (EPS) demonstrates substantial diversity, ranging from 6.30 to 198.53, with an average of 35.01 and a noteworthy standard deviation of 29.63, highlighting disparities in profitability.

The Price-to-Earnings Ratio (PE) varies from 0.86 to 83.94, with an average of 24.72. The standard deviation of 13.10 suggests variability in market valuations relative to earnings across the dataset. Return on Assets (ROA) displays a relatively narrow range, from 0.87% to 3.25%, with an average return of 1.78% and a low standard deviation of 0.60, indicating relatively consistent performance in terms of asset utilization and profitability. Market Price per Share (MPS) spans from 171.00 to 3385.00, with an average share price of 767.25. The substantial standard deviation of 728.35 suggests considerable variability in market valuations among the observed entities.

#### **4.1.2 Correlation Analysis**

The Pearson co-efficient of correlation examines the connection between share price and dividend yield, dividend payout ratio, earnings per share, price earnings ratio, and return on asset. It shows the magnitude and direction of the linear relationship between market value of share and variables affecting market price of the share of the sample microfinance companies at 1% and 5% level of significance over the study period. The Pearson correlation analysis results are presented in Table 4.

**Table 4***Correlations Matrix*

		MPS	DPR	DY	EPS	PE	ROA
MPS	Pearson Correlation	1					
	Sig. (2-tailed)						
DPR	Pearson Correlation	.398**	1				
	Sig. (2-tailed)	.004					
DY	Pearson Correlation	-.042	.654**	1			
	Sig. (2-tailed)	.770	.000				
EPS	Pearson Correlation	.375**	-.137	-.132	1		
	Sig. (2-tailed)	.007	.342	.361			
PE	Pearson Correlation	.681**	.412**	-.155	-.190	1	
	Sig. (2-tailed)	.000	.003	.283	.187		
ROA	Pearson Correlation	.293*	-.232	-.251	.571**	-.096	1
	Sig. (2-tailed)	.039	.105	.079	.000	.208	

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

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

Findings from the Pearson's correlational analysis of variables as presented in Table 4 shows that, Pearson correlation was used to find the relationship between variables at 1% and 5% level of

confidence. The Pearson correlation result shows that there is significant correlation between the independent variables EPS, DPR, P/E and ROA. Market share price is significantly positively related to EPS and ROA at the level of 0.01 significant i.e at 99% confidence level and it indicates that increase in EPS and ROA will increase market price and vice-versa. Similarly, share price is significantly positively related to DY and PE at 95% confidence level i.e at 0.05 level of significance. This means that these variable move in the same direction with the share prices. Increase in dividend yield of bank will also increase in value of market share price.

However, correlation result shows no relation of dividend yield with market share price of microfinance companies of Nepal.

#### 4.1.3 Regression Analysis

Regression analysis results are the statistical tools for the data analysis. The regression analysis has been conducted to examine whether or not the Dividend Yield , Dividend payout, earning per share, P/E ratio and ROA has affected the share price of Nepalese microfinance companies.

The study used tolerance and variance inflation factor (VIF) values for the predictors as a check for multicollinearity. Tolerance indicates the present of variance in the independent variable that cannot be accounted for by the other independent variable while VIF is the inverse of tolerance. In the presence of multicollinearity, regression estimates are unstable and high standard errors.

Multiple regression analysis was used to obtain the regression coefficients of model (1). Table 5 shows the results of the regression analysis for the chosen microfinance companies.

**Table 5**

*Multiple Regression Coefficients of independent Variables*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858a	.736	.706	465.81857

The R-Square, also known as the variables' coefficient of determination, is 0.736. The model can account for roughly 73.60% of the volatility in bank share prices, according to the R-Square, which is another indicator of the model's overall quality. This indicates that roughly 73.60% of the dependent variable's systematic variance can be explained by the model. That is to say, variables not included in the model account for roughly 26.40% of the fluctuations in the market prices of the

microfinance companies that were sampled. The corrected R-square, or roughly 70.60%, which represents the percentage of total variance explained by the model, supports this outcome.

**Table 6**

*ANOVA of all variables*

Model	Sum of square	Df	Mean square	F	Sig.
1. Regression	26567710.69	5	5313542.137	24.488	0.000
Residual	9547425.313	14	216986.939		
Total	36115136.00	19			

Comparably, results from the Fishers ratio, also known as the F-Statistics, which demonstrate the reliability of the estimated model and are shown in Table 7, show that the F is approximately 24.488 and the p-value, or F(sig), is equal to 0.000. This implies a significant relationship between the explanatory factors and the dependent variable. In other words, they have a significant influence on how share price market values behave. Furthermore, the error term is independent and devoid of autocorrelation, as indicated by the regression statistics value of 1.606.

**Table 7**

*Regression Results on the Determinants of Share Price*

Predictors	Coefficients	t-statistic	p-value
Constant	-1189.657	-4.120	.000
DPR	2.461	1.086	.283
DY	25.683	.614	.543
EPS	10.431	5.055	.000
P/E	41.731	7.091	.000
ROA	215.252	1.724	.092

*Indicates Significant at the 0.05 Level (2-Tailed)*

The regression results presented in Table 7 analyze the determinants of the market price of Nepalese microfinance companies. This analysis aims to identify which financial metrics significantly influence the market price of these companies. The predictors included in this model are Dividend Payout Ratio (DPR), Dividend Yield (DY), Earnings Per Share (EPS), Price Earnings Ratio (P/E), and Return on Assets (ROA). The results are detailed with coefficients, t-statistics, and p-values for each predictor.

The coefficient for the Dividend Payout Ratio (DPR) is 2.461, with a t-statistic of 1.086 and a p-value of .283. This implies that DPR has a positive relationship with the market price, meaning that higher dividend payout ratios are associated with higher market prices. However, the high p-value indicates that this relationship is not statistically significant at conventional levels. Thus, changes in DPR are not a reliable predictor of market price for these companies. The Dividend Yield (DY) has a coefficient of 25.683, a t-statistic of .614, and a p-value of .543. Like DPR, DY also shows a positive relationship with market price, suggesting that higher dividend yields might lead to higher market prices. However, the relationship is weak and statistically insignificant due to the high p-value. Therefore, DY does not significantly impact the market price in this model.

Earnings Per Share (EPS) shows a coefficient of 10.431, with a t-statistic of 5.055 and a p-value of .000. This indicates a strong and statistically significant positive relationship between EPS and market price. Essentially, higher earnings per share are strongly associated with higher market prices, making EPS a crucial determinant in this context. The Price Earnings Ratio (P/E) has a coefficient of 41.731, with a t-statistic of 7.091 and a p-value of .000. This strong positive coefficient, combined with a highly significant p-value, suggests that P/E ratio is a powerful predictor of market price. Companies with higher P/E ratios tend to have higher market prices, reflecting investor expectations of future growth.

Return on Assets (ROA) is represented by a coefficient of 215.252, a t-statistic of 1.724, and a p-value of .092. While the coefficient suggests a strong positive relationship with market price, the p-value indicates that this relationship is only marginally significant at the 10% level. This implies that higher ROA might contribute to higher market prices, but the evidence is not robust enough to confirm this definitively.

#### **4.1.4 Hypotheses Testing**

The process of using statistics to ascertain the likelihood that a particular hypothesis is true is known as hypothesis testing. To test hypotheses, inferential analysis is employed. To ascertain whether observed differences between groups or variables are true or the result of random variation, inferential analysis tests hypotheses. Analyzing the complete population is the best method to find

out if a statistical hypothesis is true. Because it is frequently not feasible, researchers usually look at a random sample of the population. The hypothesis is rejected if sample data do not support the statistical hypothesis. Every hypothesis is independently evaluated and examined, and the analysis is carried out using a statistical analysis system (SPSS). In order to determine the link between the dependent and independent variables in this study, five alternative hypotheses were generated. Based on the regression analysis shown in Table 8, each hypothesis is examined.

Table 8

*Hypothesis testing for dependent variable MPS*

<b>Predictors</b>	<b>Coefficients</b>	<b>T</b>	<b>Sig.</b>	<b>Result</b>
Constant	-1189.657	-0.112	.000	
DPR	2.461	5.097	.283	Rejected
DY	25.683	-5.238	.543	Rejected
EPS	10.431	4.452	.000	Accepted
P/E	41.731	1.515	.000	Accepted
ROA	215.252	0.135	.092	Rejected

**4.1.5 Diagnostic test**

This study has adopted the variance inflation factor (VIF) measure to test the multicollinearity. The VIF measure the impact of collinearity among the variable in a regression model. Values of VIF exceed 10 are often regarded as indicating multicollinearity (James et al. 2015). Findings of the VIF test are depicted in Table 4.7.

**Table 9***Diagnostic test Coefficients*

Model	Collinearity statistics	
	Tolerance	VIF
Constant		
DPR	0.204	1.982
DY	0.512	1.152
EPS	0.321	3.119
P/E	0.620	1.614
ROA	0.235	4.254

From the table 9, it can be clearly seen that there is no multicollinearity between the variables. The value of VIF for both all variables is lower than 10 and the tolerance value is higher than 0.1.

So, among the independent variables all the variable has been used in order to obtain stable regression estimates and mitigate high standard errors.

#### 4.2 Discussion

Additionally, the regression's conclusion demonstrates the inverse link between dividend yield and market price. This finding essentially indicates that the dividend yield of the company will have a negative effect on the market price, holding other variables constant. The results of Bhattttarai (2015) provide support for the outcome. This finding essentially means that the market price of Nepal's listed microfinance companies is significantly impacted negatively by the dividend yield of microfinance companies.

Regression analysis empirical results indicate a favorable correlation between market price and earnings per share. The t-statistics value, or t-statistics = 4.452, and the p-value <.01 both demonstrate this. The findings can be interpreted as follows: a rise in earnings per share will result in a notable rise in equity share market prices. Significantly, this result aligns with the conclusions drawn by AL-Omar and AL-Mutairi (2008), who noted that earnings per share is a key factor influencing stock prices.

Regression analysis yielded additional empirical findings indicating a favorable correlation between DPR and MP. This is demonstrated by the p-value of <.01 and the t-statistics value, which is t-

statistics = 1.515. The coefficient of P/E ratio is 41.731, meaning that the share prices will rise by Rs. 41.731 for every unit increase in the dividend payout ratio. This result is in line with research by Baral and Pradhan (2019), which found that the dividend payout ratio significantly raises share values.

In the meantime, the conclusion that ROA and MPS have no meaningful association runs counter to Pradhan and Dahal's (2017) findings. The discrepancy in the results could be the consequence of earlier research being conducted in a different market and time period. Additionally, MPS is not much impacted by P/E Ratio. This suggests that the share price of Nepalese microfinance companies is unaffected by ROA or P/E.

## CHAPTER-V

### SUMMARY AND CONCLUSION

#### 5.1 Summary

A company is selling its shares for the first time; it is called an initial public offering or IPO. Similarly, if a company has its share already listed in the share market and it wants to issue new shares, it releases follow on public offering or FPO. Third, a company can issue right shares for the already existing shareholders at the base price.

The majority of studies focus on current capital structure analysis, dividend policy, risk and return, etc., but not enough has been done to offer a fundamental understanding of the factors that influence share price. As a result, by supplying information on particular firm-specific factors that affect Nepalese microfinance companies' share prices, this study will close the knowledge gap. More precisely, the following research issues are anticipated to be addressed by this study: What effect do dividend policies have on Nepalese microfinance companies' share prices? What connection exists between Nepalese microfinance companies' share prices and their dividend policies? What effect do different internal elements have on Nepalese microfinance companies' share price?

The study's primary goal is to look at firm-specific factors that affect Nepalese microfinance companies' share prices. More precisely, it looks at how firm-specific factors affect Nepalese microfinance companies' share prices. The relationship between determinants and share price is still unclear. On the securities listed in NEPSE, a few studies have been conducted. The majority of research that focus on the capital market have to do with things like risk and return, dividend policy, capital structure analysis, and financial performance assessment. In order to achieve their own and organizational goals, investors, planners, researchers, students, and policy makers will find great value in the current study. The goal of this study is to establish a relationship between the MPS of Nepalese microfinance companies and key financial metrics such as EPS, DPR, DY, PER, and ROA.

It is anticipated that the relationship will demonstrate how Nepalese microfinance companies stand in regard to share price factors. Potential investors may find these findings useful in helping them make better investing decisions. A brief overview and key points of the literature on the subject are given in the review of the literature. It specifically covers research done by academics and researchers both inside and outside the nation. Books, papers, dissertations, and other related materials were studied in order to assess the relevant studies or research in the area of microfinance companies' stock price determinants. This chapter comprises the conceptual review, reviews of relevant publications and articles, and reviews of earlier research.

The following highlights the dependent and independent variables as well as the suggested hypotheses. An indication of how effectively earnings support dividend payments is given by the dividend payout ratio. Dhanani (2005) discovered that a company's dividend policy raises its market value. In actuality, payout ratios are typically greater in more established businesses. On the other hand, it indicates that the payout ratio and variations in share price are inversely related. Based on the results, the alternative hypothesis has been evaluated. The profitability of a business is shown by its earnings per share. A high market price is typically the outcome of rising earnings per share. The linear regression model that follows is given based on the body of existing literature. It shows that the dividend payout ratio, dividend yield, earnings per share, price-earnings ratio, and return on asset all affect the share's market price.

The secondary data used in this study's collection, which spans the study period of 2013 to 2022 was obtained from two microfinance companies utilizing a straightforward sampling technique. The primary data sources are the annual reports of two sample microfinance companies and the banking and financial statistics released by NEPSE. The data set used for the study was compiled from bank annual reports that were published. Therefore, the validity and dependability of those data may have an impact on how strong the current study's findings are. Similarly, it only considers the most recent ten years of data available for studying the stock price determinants and just a small number of selected firms (five listed microfinance companies) from among the listed corporations.

## **5.2 Conclusion**

These days, there is a lot of interest in researching the factors that influence stock share prices. Moreover, figuring out what influences share prices is a topic of great interest, particularly for the banking industry. Because commercial bank shares are traded more often on the market than other shares in the Nepalese context, they present investment opportunities to Nepalese investors.

This study specifically looked at how the share prices of microfinance companies listed on the Nepal Stock Exchange Limited were affected by the dividend payout ratio, dividend yield, earning per share, price-earnings ratio, and return on asset. The study's results from 2013–14 to 2022–23 showed that while dividend yield had a substantial adverse relationship with bank share prices, earning per share had a significant positive link with share prices. The study comes to the conclusion that the main factors influencing the share price of Nepalese microfinance companies are dividend yield, earnings per share, and dividend payment ratio.

It has been discovered that the share price of Nepalese microfinance companies is significantly positively impacted by the earnings per share and dividend payout ratio. This implies that the market

price per share of the bank rises in tandem with an increase in the bank's price-earnings ratio and vice versa.

The study's findings revealed fresh data from a Nepalese perspective, which the industry players value highly. The results of this study appear to be especially helpful for fund managers and equities investors, as they may keep an eye out for these important variables when forecasting share prices and evaluating stock returns.

### **5.3 Implication**

Reputable establishments are critical to the growth of the stock market. A well-established institution lowers political risk, which is a significant concern in the Nepalese setting and influences investment choices. For rising economies like Nepal, the establishment of high-quality institutions like law and order, effective administration, and democratic accountability is therefore essential to the growth of the stock market. Additional studies can be carried out taking macroeconomic factors like the money supply and currency rate into account. The development of various measurement tools and techniques is necessary to maximize the benefits of stock markets. Macroeconomic variables like inflation and interest rates should be decreased in order to allow the stock market, in particular, and the capital market in general to fully capitalize on opportunities and overcome obstacles. For macroeconomic stability to be guaranteed, this needs to be done in connection with suitable monetary policies. Based on this research, investors are advised to consider additional fundamentals, such as the corporate cost of capital, in addition to the company's performance metrics, such as EPS, DPR, DY, PER, and ROA. It is advised that investors purchase firm shares only after conducting a thorough fundamental, technical, and trend study.

Therefore, microfinance companies should concentrate on maintaining a consistent and growing dividend pattern in order to draw investors into purchasing their common stock. The company's ultimate objective should be to maximize shareholder wealth by paying out a desirable dividend.

The analysis reveals that investors' options for investing sectors are restricted. Microfinance companies and other financial entities dominate the Nepalese stock market. Other large corporations do business in Nepal. A policy should be established by NEPSE and SEBON to encourage other industries, such as manufacturing, trading, and real estate, to list on NEPSE. The market would grow in size, and investors would have more investment options based on industry.

It is therefore advised that novice investors avoid purchasing common stock without adequate expertise and a well-thought-out investing plan. It is advised that novice investors purchase the stock for investing purposes as opposed to trading.

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## SPSS OUTPUT

## Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DPR	20	0.00	173.57	78.61	41.97
DY	20	0.00	8.70	3.54	2.03
EPS	20	6.30	198.53	35.01	29.63
PE	20	0.86	83.94	24.72	13.10
ROA	20	0.87	3.25	1.78	0.60
MPS	20	171.00	3385.00	767.25	728.35
Valid N (listwise)	20				

## Correlations

		MPS	DPR	DY	EPS	PE	ROA
MPS	Pearson Correlation	1	.398**	-.042	.375**	.681**	.293*
	Sig. (2-tailed)		.004	.770	.007	.000	.039
	N	20	20	20	20	20	20
DPR	Pearson Correlation	.398**	1	.654**	-.137	.412**	-.232
	Sig. (2-tailed)	.004		.000	.342	.003	.105
	N	20	20	20	20	20	20
DY	Pearson Correlation	-.042	.654**	1	-.132	-.155	-.251
	Sig. (2-tailed)	.770	.000		.361	.283	.079
	N	20	20	20	20	20	20
EPS	Pearson Correlation	.375**	-.137	-.132	1	-.190	.571**
	Sig. (2-tailed)	.007	.342	.361		.187	.000
	N	20	20	20	20	20	20
PE	Pearson Correlation	.681**	.412**	-.155	-.190	1	-.096
	Sig. (2-tailed)	.000	.003	.283	.187		.208
	N	20	20	20	20	20	20
ROA	Pearson Correlation	.293*	-.232	-.251	.571**	-.096	1
	Sig. (2-tailed)	.039	.105	.079	.000	.208	
	N	20	20	20	20	20	20

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

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

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.858 <sup>a</sup>	.736	.706	465.81857

a. Predictors: (Constant), ROA, PE, DY, EPS, DPR

**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	26567710.69	5	5313542.137	24.488	.000 <sup>b</sup>
	Residual	9547425.313	14	216986.939		
	Total	36115136.00	19			

a. Dependent Variable: MPS

b. Predictors: (Constant), ROA, PE, DY, EPS, DPR

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1189.657	288.721		-4.120	.000
	DPR	2.461	2.266	.144	1.086	.283
	DY	25.683	41.852	.076	.614	.543
	EPS	10.431	2.063	.455	5.055	.000
	PE	41.731	5.885	.734	7.091	.000
	ROA	215.252	124.836	.156	1.724	.092

a. Dependent Variable: MPS

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1 ii ABSTRACTS Most earlier considers in Nepal on determinants of share costs were performed on commercial banks, but not adequate investigate have been performed to supply center planned on the determinants of share cost of microfinances. Subsequently, this consider centers to look at the determinants of share cost of microfinances in Nepal. Market share cost has been chosen as subordinate variable whereas profit per share, isolated surrender, cost profit proportion, profit payout proportion and return on resource of microfinances has been chosen as firm particular autonomous factors. For investigation, auxiliary information have been collected from the NEPSE and yearly report of chosen microfinance from 2013/2014 to 2022/23. The expressive insights, Pearson's relationships and numerous relapse demonstrate have been evaluated to test affect of firm particular components on share cost of Nepalese microfinance. Utilizing Pearson relationship examination, the result uncovers that share cost is altogether emphatically related to DPR, EPS, P/E and ROA but negative connection with DY. Additionally, coefficient of assurance (R-square) of