

# **Determinants of Share Price in Nepal**

A Thesis

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## **RECOMMENDATION**

This is to certify that the thesis

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**Entitled:**

**Determinants of Share Price in Nepal**

*has been prepared as approved by this Department in the prescribed format of the Faculty of Management. This thesis is forwarded for examination.*

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## VIVA-VOCE SHEET

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*And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for the degree of*

Master of Business Studies (MBS)

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## DECLARATION

I hereby declare that this thesis work entitled **Determinants of Share Price in Nepal** submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the degree of Masters of Business Studies which is prepared under the supervision of respected supervisor Dr. Pitri Raj Adhikari of Shanker Dev Campus, T.U.

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This entitled thesis **Determinants of Share Price in Nepal** has been prepared in partial fulfillment for the Degree of Master of Business Studies (M.B.S.) under the Faculty of Management, Tribhuvan University is based on research models involving the use of qualitative aspect of financial performance.

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Researcher  
Kamlesh Kumari

# CHAPTER - I

## INTRODUCTION

### 1.1 Background of the study

Equity shares of publicly traded businesses are traded on stock exchanges between buyers and sellers. Stock markets are essential components of a free-market economy because they provide democratized access to trade and capital exchange for investors of all stripes. The term "stock market" refers to the public markets that are utilized for the issuance, acquisition, and sale of stocks that are traded over-the-counter or on stock exchanges. Values, or stocks, are investible resources that address a part of an organization's proprietorship. Financial backers can buy and sell stocks on the securities exchange. A functioning stock market is seen as crucial to economic expansion because it makes it simple for businesses to obtain public capital.

The underpinning of a country's improvement is its modern turn of events. Nonetheless, Nepal is currently at an essential stage. In 1937, the Biratnagar jute mills and Nepal Bank Limited opened, kicking off the process of industrial development. The Company Act was first enacted by the government in 1964, and bonds were issued. Most of the areas — producing, handling, administrations, exchanging, and inns — have been set up as open undertakings claimed by the public authority and confidential restricted firms. Industrial development took a new turn, especially after democracy came back in 1990. Privatization and monetary advancement have arisen as the center fundamentals of Nepal's majority rule economy. The rise of the service sector, particularly the banking sector, has been the most important aspect of the Nepalese economy over the past 15 years. Confidential speculation, both homegrown and unfamiliar, is attracted to metropolitan markets. The extension of the working class in the Kathmandu Valley adds to the development of the Nepalese capital market. A sound security market is expected because of the developing revenue in and enthusiasm for corporate shares.

There are two types of financial markets: money markets and capital markets. The money markets are markets for debt securities with shorter maturities than one year. Transient protections are exchanged essentially on currency markets. Money markets fall into two categories: organized and unstructured. The structured or formal money market, an

institutional mechanism for the exchange of short-term securities, is made up of credit unions, financing companies, and commercial banks. Family members, native bankers, and owners of local businesses are all considered informal or unorganized sector participants. According to a 1992 report by Nepal Rastra Bank, the formal sector market only meets 20% of the total credit demand for the rural sector. This recommends that the country's monetary business sectors have not yet developed. The business sectors for corporate offers and long haul obligation are known as capital business sectors. Essential and optional business sectors are extra classes for capital business sectors. When a company goes public, its primary market is established. The auxiliary market is the scene for exchanging gave protections. NEPSE is Nepal's only organized secondary market for trading issued securities.

Corporate sectors use the stock market to issue securities to raise capital to finance profitable operations. Similar to this, investors may locate the ideal opportunity for investing on the stock market. Additionally, it provides securities holders with liquidity. One of the most crucial functions of the securities market is the continuation of active securities trading. Consequently, it provides investors with a trading platform for securities.

The stock market's performance at different times is influenced by a variety of factors, including the overall trend of the market. The behavior of the stock market can be distinguished into two categories: primary trends and secondary trends. The market's behavior is determined by the main industry trend. The market's way of behaving and the market pattern are altogether different. The market shows specific ways of behaving during positively trending markets, though bear markets display unmistakable ways of behaving. Naturally, corrective periods give the market a different appearance. In order to comprehend the various behaviors of the stock market, we need to comprehend both the fundamental causes and market trends.

We should start by discussing the positive market pattern. A positively trending market is one in which there is predictable, wide market development. Bullish inclination in the market demonstrates rising costs. For instance, gold is being purchased by optimistic investors, which raises the price. Investors who are bullish on Company A and anticipate a prosperous future are another illustration. They buy a lot of the company's shares as a

result, raising the price. Also, bullish investors might buy futures on commodities like wheat or soy, which would raise prices. In fact, at this time, the market is under the control of the buyer, or bull. The current bull market trend is supported by a number of factors, including the country's political and economic stability, the growth of the business and industrial sectors, and other factors. As of now, buyers' confidence in the market is at its most elevated, and they make huge corporate securities. The market is getting even higher, and the bullish trend is getting stronger because stock demand is so high. The bull phase, or steady growth of the market, then determines its behavior. During this time, buyers might be able to see consistent gains in the stock market, which is why the market behaves in an upbeat manner. An increasing number of individual and institutional investors participate in the market when it exhibits such favorable behavior.

The bearish trend in the market is exactly the opposite of the positive trend. A continuous or sharp decrease in stock interest flags the start of a bear market. When the market is in a gloomy mood, prices go down. A negative investor, for instance, shorted Company A's stock on the belief that the price would fall. A financial backer who needed trust in developing business sectors stripped his property in general and redistributed his assets to different regions. Anything on the market, including commodities, precious metals, and foreign exchange, can cause traders to be pessimistic. Various elements, remembering a slump for the economy, political turmoil, slow monetary development, troublesome news, and a large group of different issues, could cause this. Purchasers begin to give indications of weakness with respect to the market's future. All investors sell their shares in an effort to preserve some of their capital as the market exhibits negative behavior at this point. Huge scope stock deals by institutional and individual financial backers have brought about an excess of stock and a lack of interest. As a result, the market continues to decline. As a result, when the market is experiencing a bearish trend, it exhibits negative behavior, thereby intensifying the trend.

The concept of share price determinants for the US market was first proposed by Collins in 1957. He identified book value, dividends, net profit, and operating earnings as the primary factors that influence US share prices. From that point forward, a sizable corpus of hypothetical and observational exploration on the elements impacting share market cost has arisen. Irfan and Nishat (2002) identified the factors that influenced the Karachi Stock Exchange's share prices between 1981 and 2000. This study looked at dividend

yield, payout ratio, size, asset growth, leverage, earning volatility, and earning volatility. The examination was finished utilizing cross-sectional weighted least square relapse. Among them, the payout proportion, size, influence, and profit yield were viewed as the main factors affecting the costs of stocks. This indicates that firm-specific factors have a significant impact on the market price of shares.

In accordance with the Securities Exchange Act of 1983, the Securities Board, Nepal was established on May 26, 1993. It was established with the goal of controlling the securities market to advance and protect investors' interests. It also takes on the responsibility of developing the national securities market in addition to its regulatory duties. The Board has decided that the most important areas for improvement are policy development, reforming laws and regulations, standardizing disclosures, enforcing compliance through enforcement, and encouraging a broad market. A trustworthy securities exchange system has also been built with fair participation from business. The country's capital market has been significantly helped by the endeavors of private area financial backers, recorded organizations, monetary and market delegates, and government offices like the Service of Money, the recorder of organizations (Service of Industry, Business and Supply), Nepal Rastra Bank, the Nepal Stock Trade, the Alliance of Nepalese Office of Trade and Ventures (FNCCI), the Establishment of Contracted Bookkeepers of Nepal (ICAN), and the Relationship of Sanctioned Bookkeepers.

The Nepal Stock Exchange was established in 1993 under the Securities Exchange Act of 1983. The Protections Trade Center was the past name of the Nepal Stock Trade. The motivation behind Protections Trade Center Ltd's. foundation in 1976 was to work with and energize the development of capital business sectors. Facilitating, endorsing, overseeing public issues, stamping markets for government securities, and other monetary administrations are among the fundamental obligations of Nepal Stock Trade. The Nepal Stock Exchange was a non-profit market organization prior to becoming a profit-making entity and operating under the Securities Exchange Act of 2063.

To guarantee public responsibility for in broad daylight restricted endeavors, the Nepal Modern Advancement Organization and Nepal Rastra Bank teamed up to lay out it. The middle previously led various examinations on open restricted organizations and doing

the matter of buying and offering protections to help the stock trade industry. On January 13, 1994, the Nepal Stock Trade started exchanging through its authorized individuals.

As indicated by the Protections Demonstration of 2006, the Directorate (Body), which has administered NEPSE, is comprised of agents from a few industry areas. The Body currently comprises of two individuals, one from NIDC, two from Nepal Rastra Bank, and a director from the Nepalese government. Furthermore, the Body will assign one part as a capital market master. The general manager of NEPSE is a director on the Board of Directors.

Nepal's rivals only get their market price per share (MPS) from a securities exchange, which is derived solely from the market price of listed stocks. One of the variables influenced by the company's earnings per share and dividend per share is the share's market value. If profit and profits per share are high, the market esteem per offer will likewise be high. There is a possibility that a share's book value and market value do not coincide. The market value of a share will be greater than its book value if a company is expanding and its earning potential is greater than its cost of capital. MPS will be lower if the company's earning potential is lower than its cost of capital. MPS's engine is the capital market. The stock market usually changes its prices when there is enough information. It is unlawful for shortcoming to manage the security market in any country and for anybody to procure more from it. However, it is essential to discuss the various models and practices that either have a significant impact on MPS or do not, given that the focus of this research is dividend policy and its relationship to stock market price. As a result, MPS and security valuation are essential components. Trade can't happen without evaluation, and nobody can give a value (Duncan, 2020). payout strategy and MPS are constantly connected: when an organization proclaims a major payout, MPS increments as well as the other way around. However, in some instances, this interaction may result in price stability or reduction. Therefore, the MPS analysis is greatly reliant on the information flow or lack thereof (Boyte, 2021).

In this study five business banks recorded in the NEPSE are taken for examination. The following provides a brief overview of these banks.

Everest Bank Restricted. Everest Bank Limited is owned jointly by Nepal and the Indian Punjab National Bank. It began operations in 1994 with the intention of providing professional and efficient financial services to various sectors of the nation. EBL is possessed by Punjab Public Bank to the tune of 20%. The bank's fundamental office is situated in Kathmandu's New Baneshwor. The trading symbol EBL, which is provided by NEPSE, is used in the study to identify the bank.

***Himalayan Bank Limited:*** Himalayan Bank Limited (HBL) and Pakistan's Habib Bank Limited formed a joint venture in 1993. A couple of financial specialists from Nepal established the bank in a joint effort with staff individuals from Pakistan's Habib Bank Restricted and Fortunate Asset. In January 1993 A.D., the bank opened for business. The bank's principal office is situated in Kathmandu's Thamel. The bank is distinguished in the paper by the NEPSE exchanging image, HBL.

***Nabil Bank Limited:*** Nabil Bank Limited, the nation's first private sector bank, opened its doors to customers in July 1984. The objective of Nabil's fuse was to furnish different cultural fragments with global grade current financial administrations. In the past, the bank has frequently distributed more than thirty percent of its dividends. The study uses the trading symbol NABIL, provided by NEPSE, to identify the bank.

***Siddhartha Bank Limited:*** Siddhartha Bank Limited began operations in 2002. The bank is being promoted by prominent Nepalis. Presently, Siddhartha Bank Restricted is one of Nepal's manages an account with the quickest pace of development. The bank is recognized in the concentrate by the exchanging image SBL, which is given by NEPSE.

***Sanima Bank Limited:*** Driving and fruitful Non-Occupant Nepalese (NRNs) money managers support Sanima Bank, which opened for tasks in 2004 as a Public Level Improvement Bank. With its enlisted office situated in Naxal, Kathmandu, Sanima has been working as 'A' class business bank since February 2012. Sanima Bank offers a wide range of banking products and financial services to both business and retail customers through 58 fully operational branches that run from Mechi to Mahakali and one extension counter.

## 1.2 Statement of Problem

The prices of securities, particularly common stock, have fluctuated and fallen at random over the past few years. The decision-makers are unable to devise a suitable strategy for the expansion of the stock market. According to Joshi (2016), the government's contribution to the expansion of the stock market is insufficient.

In 2012, Aurangzeb did explore on three South Asian countries: Pakistan, India, and Sri Lanka. The discoveries of the relapse show that the swapping scale and unfamiliar direct speculation affect the financial exchange execution of South Asian countries. The performance of the South Asian stock market is significantly negatively impacted by interest rates. Inflation also has a small but negative impact on South Asia's stock market performance, according to the findings.

This question was examined by Fama (1970) in order for the stock market to be efficient—that is, for pricing to represent all of the information that is available. Specialized examination and crucial examination would be utilized to assess stock costs in a productive market. Technical analysis looks at how the stock price has changed in the past and makes predictions about how it will change in the future. The stock price is compared to the intrinsic value of the business in a fundamental analysis.

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According to Srinivasan (2012), internal factors—dividend, retained earnings, size, book value per share, payout ratio, leverage, and earnings per share—determine share values across various markets. Financial backers will find it exceptionally gainful to comprehend what different crucial elements mean for share cost, as this will empower them to make beneficial money management choices.

Fisher (1930) looked at the idea that prices and inflation should move in the same way since stock markets are independent of predictions for inflation. This is made sense of by the way that the genuine return and the expected expansion rate make up the two parts of the normal ostensible profit from stocks. Stock is a claim against the company's real assets and can serve as a hedge against inflation, according to the generalized Fisher hypothesis. When inflation is high, investors would trade financial assets for real assets. Assuming that occurs, the cost of stocks or offers ought to precisely address the anticipated expansion, and there ought to be a positive connection between's the two factors.

Fundamentally, stock prices are determined by supply and demand. The stock not set in stone by both quantitative and subjective components. In any case, it very well may be easy to refute or questionable to pinpoint the exact factors that influence stock cost. Various things impact the offer cost. However, certain environmental changes are unaffected by the stock exchanges (Paudel, 2013).

The goal of this study is to learn more about the factors that influence stock price and their level of affection. More specifically, the following are the research questions for this study:

- i. What is the structure and patterns of dividend yield, earning per share, dividend payout ratio, price earnings ratio, firm size and market value per share of commercial banks in Nepal?
- ii. Is there any relationship between dividend yield, earning per share, dividend payout ratio, price earnings ratio, firm size and market value per share of commercial banks in Nepal?
- iii. What is the effect of dividend yield, earning per share, dividend payout ratio, price earnings ratio and firm size on market value per share of sample banks?

### **1.3 Objectives of the study**

The primary objective of this study is to identify and evaluate the factors that influence the stock prices of Nepal's commercial banks. To put it another way, the objective of this study is to identify the factors that influence stock price. As a result, the primary focus of this study is on the following objectives:

- i. To assess the structure and patterns of dividend yield, earning per share, dividend payout ratio, price earnings ratio, firm size and market value per share of commercial banks in Nepal.
- ii. To examine the relationship between dividend yield, earning per share, dividend payout ratio, price earnings ratio, firm size and market value per share of commercial banks in Nepal.
- iii. To analyze the impact of dividend yield, earning per share, dividend payout ratio, price earnings ratio and firm size on market value per share of commercial banks in Nepal.

## **1.4 Hypothesis**

H1: There is positive huge connection among DY and market esteem per share

H2: The relationship between EPS and market value per share is negative and significant.

H3: There is positive inconsequential connection among DPR and market esteem per share

H4: The relationship between PER and market value per share is negative and insignificant.

H5: FS and share market value are positively and significantly correlated.

## **1.5 Rationale of the study**

This examination features the worries of financial backers, researchers, entrepreneurs, and other closely involved individuals. Monetary chiefs will track down this study valuable in grasping the different components that influence the stock value, the course of cost advancement, and the connection between the cost and the organization's monetary status. Setting share costs is a troublesome and inconsistent cycle. It follows that knowing what different basic elements mean for stock cost is exceptionally valuable to financial backers since it will empower them to go with astute speculation decisions. Forthcoming financial backers who are interested in the impact of flagging variables in the NEPSE list, value pattern, and volume of stocks exchanged can likewise profit from this review. This concentrate most likely will have significance to different gatherings however specifically it is coordinated to specific gathering which are:

**Importance to shareholders**

For instance, assuming investors feel that the offered cost is excessively low, they can actually upset takeover endeavors. Because shareholders control the majority of a company's operations, they have a significant impact on the company's overall performance and profitability.

**Importance to management team of the bank**

Using the procedures and technology provided by bank relationship management, a company can keep track of and manage all of its bank relationships. Among these are providing a global single view of all bank-related activities and accounts. Insurance, credit lines, bank accounts, and foreign exchange are all included.

**Importance to customers**

Your client is the most crucial part of your business, no matter what the area you work in or the sorts of labor and products you offer. If there is no customer, there will be no sales. They are accordingly fundamental to consider while formulating your showcasing system and informing.

**Importance to financial institution and stock exchange**

Financial markets facilitate trade and ensure that capital goes where it is most needed, despite their apparent complexity. Markets give organizations the cash they need to extend, select staff, and make speculations. They give the public authority cash to help with subsidizing the development of new thruways, schools, and clinics.

**Importance to government bodies and policy makers**

Government policy provides the justifications for carrying out things in a particular way. Public issues can arise in a variety of ways, each requiring its own set of policy solutions. Governments set many policies that help businesses.

**Importance to the institutes**

As well as guaranteeing that assets are disseminated reasonably and that the devastated or those with less monetary assets are defended, establishments likewise play a critical redistributive capability in the economy. By offering equity and policing frameworks that keep a comparable arrangement of regulations, they likewise advance certainty.

**Importance to the researchers**

Advancement of knowledge in a field of study, evidence-based support for hypotheses, and direction for action are the primary objectives of research. Research builds cognizance and judgment. It is the most helpful instrument for grasping the intricacies of an issue, dismissing misrepresentations, shielding reality, and developing data to create reliable and credible information. Research enhances one's capacity for decision-making and comprehension.

**1.6 Limitations of the study**

This study tries to investigate the variable deciding the offer cost in Nepal. Analysis is limited to secondary data. However, the following are some of the limitations of this study:

- This research is based on Secondary data are collected from NEPSE, concerned banks financial reports and from different financial journals; therefore, the error may exist as they publish.
- Only five commercial banks i.e. Everest Bank Ltd, Himalayan Bank Ltd, Nabil Bank Ltd., Siddhartha Bank Ltd. and Sanima Bank Ltd. is analyzed.
- This study covers period data FY 2013/14 to 2022/23 (Ten fiscal years) for the analysis; result is based on this data.
- Only selected statistical and financial tools have been employed in this study.

## **CHAPTER-II**

### **REVIEW OF LITERATURE**

The way to find out what other researchers have found about a problem is through a literature review. The objective of the literature review is to determine the current state of research in one's chosen field of study. It contains:

- Theoretical review
- Empirical review

This chapter aims to assess the existing body of knowledge regarding the development of the stock market and economic expansion. We look at relevant papers and literature from domestic and international publications that can be found in a variety of libraries, organizations, and websites and are crucial to our investigation. A few books, journals, and research working papers on this subject have been examined.

#### **2.1 Theoretical Review**

##### **2.1.1 Theory of Stock Price**

Stock not entirely settled by the market, where vender supply and purchaser request are adjusted. Be that as it may, what drives the financial exchange and what influences a stock's cost? Tragically, there is certainly not a clear equation that can dependably estimate the development of a stock's cost. Notwithstanding, the factors that influence a stock's ascent or decline. Despite the fact that there are numerous factors that influence stock costs, the cost at any one not set in stone by market interest on the lookout. Technical aspects of a stock's price history in the market include momentum, chart patterns, and trader and investor activity (Om & Geot, 2017).

The stock market is a financial marketplace where long-term securities, such as those backed by debt and equity, are bought and sold. Stocks, additionally alluded to as offers or value, are the most broadly involved and exchanged protections monetary business sectors (Ritter and Silber, 2007). It is viewed as a drawn out wellspring of subsidizing. A person who invests in stocks gains ownership of a portion of the business and the potential to earn if the business is profitable or to lose the same amount as shares. The stock market provides individuals with a platform on which to invest their resources as well as businesses with low-cost long-term financing (Arkan, 2016).

Research on stock price behavior has focused a lot on the long-term time series characteristics of stock prices, with the goal of determining whether or not stock prices can be thought of as random walks. If stock prices exhibit a mean reverting process, investors may be able to forecast future returns by utilizing previous return data because the price level has a tendency to eventually return to its trend path. A random walk process, on the other hand, implies that any shock to the stock price is not temporary and that there is no tendency for the price level to eventually return to a trend path.

Even though higher volatility is not always indicative of greater or lesser stock market growth, "less volatility" and "greater stock market development" are sometimes used interchangeably when referring to "more stock market development." A stock market with increased volatility does not necessarily indicate a weak market; rather, it indicates the risk associated with investing in shares. There is a widespread belief that established stock markets offer higher returns and lower volatility while absorbing risk associated with financial assets. As a result, lower volatility is preferred to higher volatility as a measure of the development of stock markets in eight nations. Unpredictability is one more significant marker to follow the improvement of the financial exchange. Market returns were used to calculate this indicator's twelve-month standard deviation. Bigger standard deviations are connected with expanded chance and unpredictability.

### **2.1.2 Shareholder Value Theory**

The primary story around investor esteem is that administration ought to focus on expanding investor riches. Dividends and capital gains, or the value increase of an investment, are two ways to increase shareholder wealth. A steady increase in the balance sheet's return on assets indicates success when evaluating the management team's performance (Fligstein & Shin, 2007).

Since the 1980s, capitalist nations have placed a greater emphasis on shareholder value (Martin et al., 2007). In the 1980s and 1990s, American, Australian, and British businesses recognized shareholder satisfaction as a fundamental principle of corporate governance. The concept has since spread to a number of other nations (Lazonick & O'Sullivan, 2000). Even into the twenty-first century, the focus on "maximizing shareholder value" has grown in popularity. A greater emphasis is placed on maximizing shareholder value as institutional shareholders outnumber governments and individual

shareholders. When stockholding moved from private people to foundations, it was simpler to carry out the takeovers upheld by organization scholars (Lazonick and O'Sullivan, 2000). Execution measurements that illuminate financial backers about the association's exhibition and go about as a wellspring of motivator for directors depend on the target of making investor esteem (Martin et al., 2007). With the essential target of impacting the board's choices to raise the market esteem and natural worth of the organization and, in the long run, work on the worth of their stakes, individual dissident financial backers have been putting resources into organizations at a rising rate (Ponomareva, 2018). According to Armour & Cheffins (2009), the use of hedge funds in shareholder activism by institutional investors has increased.

### **2.1.3 Stakeholder Theory**

The "stakeholder theory" offers an alternative to the shareholder value concept. This approach suggests that managers develop and implement policies that take into account the requirements of all parties affected by the business. This thought expresses that to upgrade the organization both now and later on, the board ought to think about the interests of critical partners. According to Schwab & Kroos (1971), a company's degree of success is determined by its ability to manage the competing expectations of its stakeholders.

An organization's primary purpose is to be a vehicle looking out for the welfare and satisfaction of stakeholder interests above and beyond its objective of creating profitability, according to Freeman's groundbreaking implementation of stakeholder theory in 1984. A stakeholder approach, according to Freeman and McVea (2001), involves actively encouraging partnerships, shared activities, and business conditions. According to Jensen (2001), managers are ill-equipped to make informed decisions because they are placed in difficult circumstances, which has led to criticism of the stakeholder method. Supervisors are not considered liable for their activities in light of the fact that the proposition does exclude execution markers. Directors who put their own advantages first will thusly track down offer in this thought. As per measurements traversing over two centuries, (Jensen, 2001) expressed, cultural government assistance has been augmented in economies where each undertaking has the unlimited chance to expand its reasonable worth. Gompers et al. (2003) found that a variety of metrics show that businesses with strong shareholder rights perform better overall. Strong shareholder

rights were linked to higher valuations, increased profitability, higher revenue growth, lower costs for capital expenditures, and less demand for acquisitions, according to a 1990s study of 1500 large corporations.

#### **2.1.4 Arbitrage Pricing Theory (1976)**

The macro variable model and the factor loading model are the two APT variants. Factor stacking models utilize fake factors produced by factor examination. The large scale variable model, as indicated by Erdugan (2012), utilizes macroeconomic factors that meaningfully affect stock costs that might be seen monetarily. Ross came up with the APT in 1976. Roll & Ross (1995) examined the concept's benefits for portfolio management and provided a more in-depth explanation. The CAPM, which is now the primary analytical tool for explaining the events that are observed in capital markets, takes a different approach with the APT. The APT and the CAPM are not the same asset-pricing model because they discuss different risk factors and make different assumptions. Returns are just indicated as a straight capability of methodical gamble by the CAPM.

The Well-suited indicates returns as a direct capability of a few unique boundaries. It extends a connection between the profits of a particular resource and the profits of a portfolio utilizing a straight mix of elements. The CAPM's risk vs. return justification was dropped in favor of the APT method's full implementation of the "pricing by arbitrage" concept. According to Ross (1976), the logic behind arbitrage theory is not unique to his theory; rather, it serves as the fundamental structure and methodology for the majority of financial theories. Countless multifaceted resource evaluating models have been created and reported in academic works. According to Sinclair (1984), a single theoretical case can be considered for any multifactor asset pricing model that has been developed in the literature.

Experimental concentrate on the Well-suited has been directed in the US and different countries. Roll and Ross (1980), Chen (1983), and Chen et al. are a few notable works. (1986), Priestly (1996), Clare and Thomas (1994), Cheng (1998), and Chen and Jordan With Australian information, various experimental examinations on Adept have been completed, like those by Groenewold and Fraser (1997), Faff and Chan (1998), and Sinclair (1984). The macro variable models of the APT and CAPM were contrasted with the factor loading model (Groenewold & Fraser, 1997) Despite the fact that both APT

variants performed better than the CAPM, there was no clear winner in terms of within- and outside-of-sample explanatory power. The factor loading model is a method of factor analysis that uses artificial factors to look at the number of factors and how important they are for predicting how well each security will respond to various systematic risk indicators.

### **2.1.5 Financial Market**

On the financial markets, lenders and investors can deal directly with one another. Providers in the monetary business sectors know about where their cash is being loaned or contributed, despite the fact that establishments loan cash and make speculations without the funders' or alternately savers' immediate information. The capital market and the money supply are the two main parts of financial markets. Attractive protections, one more name for momentary obligation instruments, are traded on the currency market. Long haul protections, similar to stocks and securities, are traded on the capital market (Gitman, 1989).

### **2.1.6 Money Market**

The currency market exercises incorporate the essential and optional business sectors for transient debatable instruments, including Depository Bills, Government Securities, Testaments of Store, Investor's Acknowledgments, Business Paper, and Promissory Notes. Normally, vendor financiers act as clients and market creators (sellers) for these kinds of papers as opposed to dealers.

The capital market and the money market are distinct in theory. However, merchant banks are present in both the capital and money markets in the majority of nations with functioning financial markets. Because a negotiable money market item is really just a capital market product with a shorter maturity period, this is a natural outcome. As a result, the tools and resources required to conduct business in the capital market and the money market are very similar.

### **2.1.7 Security market**

The security market simplifies the process of trading securities by establishing a price. The protections market is an imperative wellspring of long haul capital for undertakings and general society, as well as a viable instrument for asset designation. It is crucial for

the sound development of any economy. Mass cooperation in the country's industrialization cycle is made conceivable by the protections showcases, a productive construction that makes it practical to accumulate nearly nothing, scattered assets from financial backers and prize them with returns as profits. Only extremely profitable businesses can easily raise capital with the help of a developed securities market. Set forth plainly, flourishing capital business sectors empower great organizations to back themselves progressively through protections (bonds and stocks) rather than bank credits (Shirai, 2006).

The protections markets permit the development of public reserve funds to corporate and modern organizations. Financial development obviously relies upon these assets being accessible for venture, yet it is likewise basic to consider how these assets ought to be distributed among different speculation projects. By preventing the premature liquidation of capital, securities markets assist agents in managing risk related to productivity and liquidity. This leads to increased productivity in the business sector over time. According to Levine & Zervous (2007), securities markets also indirectly contribute to growth by lowering the risk of liquidity and encouraging corporate investment. There is areas of strength for a between many proportions of the protections market's advancement and long haul monetary development. Capital accumulation, productivity growth, and long-term economic growth are all helped by securities market liquidity, according to Levine and Zervous (2007).

If long haul project financial backers need to get to their money before the undertaking is finished, they can without much of a stretch sell their premium, in this way they have less motivation to be reluctant to take part in additional fluid business sectors. As a result, investing in long-term, higher-return projects that accelerate productivity growth is easier when you have more money. Protections markets add to the preparation of homegrown reserve funds by expanding the range of monetary instruments accessible to savers to enhance their portfolios and, simultaneously, giving a significant and decently estimated wellspring of venture capital. By allowing investors who experience a liquidity shock to sell their interest to other investors, securities markets assist investors in managing liquidity risk. So, businesses don't get cash too quickly to meet their urgent liquidity needs. Additionally, the securities markets account for a significant portion of business sector funding, which has a significant impact on the economy as a whole. One of the

most important aspects of the modern economy is the expansion of the securities market. According to Dhungel (2007), the significance of the securities market cannot be denied: nations with developed securities market procedures are clearly developed, whereas nations with less developed securities market mechanisms are clearly underdeveloped.

A sound financial system is necessary for long-term economic growth. Businesses require capital to expand and meet their investment requirements. It requires effective methods of funding collection. In the absence of active and liquid securities markets, early capital liquidation is always a risk whenever new technologies are invested in for projects with lengthy gestation periods. The securities market significantly enhances the infrastructure needed for the economy to function properly and for the country's industrial and economic development. The securities market is very important in bringing in a steady stream of savings and putting that money toward improving the economies of the countries.

As a result, the securities markets play a bigger role and are more important in today's economy. Transferable securities can be purchased, traded, and repurchased on the securities market. The expression "security market" alludes to a commercial center that joins purchasers and venders of monetary resources for work with exchanging. The two distinct categories of securities markets are the primary market, where new securities are traded, and the secondary market, where assets that already exist are resold. Dealers, brokers, and market makers create secondary markets. Vendors, then again, set the asking and bid rates at which they will trade. In reality, representatives go about as mediators among purchasers and venders. In order to trade stocks on stock exchanges or other structured markets, brokers and dealers collaborate (Gitmans, 2007).

Primary and secondary markets for securities exist. The main market is the area where companies that issue securities and the general public depart from the other two markets. On the other hand, the optional market is where protections that are exchanged on a stock trade and have recently been given to the general population are traded. Right-of-reserve securities, which are offered to the company's current shareholders, are another aspect of the main market. The stock market's growth and the nation's economic expansion are the primary topics of this study. It additionally examines the means and cycles expected to fund-raise from the principal market, which is vital for the extension of the financial

exchange. Optional market tasks make up a huge part of vendor banking, in spite of the fact that they are not shrouded in this manual. The essential and auxiliary business sectors are found in both the currency market and the capital market.

Size, liquidity, volatility, and market concentration all have an impact on the growth of the stock market. The development of a nation's economy typically has a direct impact on the stock market. However, the stock market's expansion is influenced by governmental laws, the legal system, human resource development, and investor impulsive investments. There are two techniques to quantify the size of a market: the market capitalization proportion and the all out number of recorded organizations. Section 8 of the Securities Exchange Act of 1983 prohibits trading in securities without listing on the Nepal Stock Exchange Ltd. There were 115 listed businesses in FY 2000/01, up from 66 in FY 1993/94. It fell pointedly to 96 in FY 2001/02 because of the delisting of the protections of 25 organizations for neglecting to submit yearly reports on time and paying posting expenses. This expanded to 135 in FY 2005-06 and FY 2006-07, and to 159 in FY 2008-09. However, the market economy's expansion resulted in 173 listed businesses during FY 2009–10.

Demiguc-Kunt and Levine (2000) found that from 1986 to 1993, the stock markets with the highest levels of development, such as Japan, the United Kingdom, and the United States, had listed companies with stock market values of 2027, 1932, and 7087. Conversely, the stock markets with the lowest levels of development, such as Colombia, Nigeria, Venezuela, and Zimbabwe, had listed companies with stock market values of 87, 127, 82, and 57. The study's findings indicate that Nepal has a small number of listed companies, making it impossible to draw meaningful comparisons to industrialized stock markets. Notwithstanding, contrasted with the Nepalese securities exchange, most creating financial exchanges have a tantamount number of recorded organizations. This exemplifies the degree to which the Nepalese stock market still requires further growth and maturation before it can be regarded as a mature market.

### **2.1.8 Offices of the registrar of companies (ROC)**

Any company that is registered under the Company Act is overseen by the Registrar of Companies (ROC). As part of its regulatory role, it oversees and regulates any company that goes public, ensuring that the "going public" procedure complies with the current

Company Act's standards. Before offering securities to the general public, public companies are required by the Company Act of 2063 to publish their prospectus. Prospectuses must be sent to ROC in one copy prior to publication. ROC awards endorsement for the outline to be distributed during this stage. ROC checks a prospectus to make sure that no crucial information is missing or provided in excess. ROC returns the item to the business after such modifications are made so that the necessary adjustments can be made. After the revisions have been approved, ROC gives the issuing entity permission to issue the prospectus. ROC has no significant responsibilities aside from approving the issuing company's prospectus prior to going public.

### **2.1.9 Indicators of stock market development.**

This study uses the following stock market development indicators to examine stock market development in Nepal, as suggested by (Demiguc-Kunt & Levine, 1998)

- **Market Size:** A created financial exchange is for the most part demonstrated by an enormous financial exchange size. The quantity of recorded organizations and the market capitalization proportion can be utilized to evaluate the size of the financial exchange. The previous measurement is the recorded offer worth partitioned by Gross domestic product. The last measurement is the absolute number of organizations recorded on the stock trade for each time span.
- **Liquidity:** In the stock market, liquidity refers to the ease with which securities can be exchanged. There are two methods for measuring the securities exchange's liquidity. First, divide the GDP by the total value of the shares traded on the stock market. This metric is utilized in addition to the market capitalization ratio. Second, the turnover ratio, or liquidity of the stock market, which is the ratio of traded share value to market capitalization.
- **Volatility:** Volatility is one of the most important indicators of how the stock market has changed. The year moving standard deviation of this marker is determined utilizing market returns as a premise.

- **Concentration:** If a small number of very large corporations dominate a nation's stock market, it is considered to be highly concentrated. In order to assess the degree of market concentration, we calculate the concentration ratio, which is the proportion of market capitalization that is held by the ten largest stocks.

## 2.2 Empirical Review

Han, Kim and Enke (2023) researched on a machine learning trading system for the stock market based on N-period Min-Max labeling using XG Boost. In an effort to make a lot of money in the stock market, many academics use technologies like deep learning and machine learning to accurately predict stock price patterns. However, because stock values are nonlinear and can appear random, it is difficult to accurately predict the trend. In order to increase accuracy, modelers typically concentrate on improving the prediction model's performance. Looking at the information that the model was prepared on, notwithstanding, is fundamental. The majority of studies on stock price trend prediction employ an up-down labeling method to continuously label data. Due to its insensitivity to minor price variations, this labeling method results in poor model training. This work proposes a N-Period Min-Max (NPMM) marking strategy that names information just at determined time focuses, which mitigates the defenselessness to direct cost changes. In addition, the proposed model constructs a trading system using XG Boost to evaluate the proposed labeling method and automate trading. An experimental examination is led on 92 NASDAQ-recorded organizations to assess the proposed exchanging framework. In addition, the trading performance of the proposed labeling strategy is contrasted with that of other well-liked labeling strategies. This study showed that NPMM marking was a superb naming methodology for expecting stock cost developments and accomplished exchanging outperformance when contrasted with other naming strategies.

Xing, Zhang and Xiong (2023) investigated on social capital, independent director connectedness, and stock price crash risk. The social capital of independent directors, as measured by a proxy of their social network centrality, is the subject of this study, which investigates a previously unexplored relationship between the risk of a stock price crash. Involving an enormous example of Chinese recorded organizations for the years 2013-2019, we observe that there is for the most part a lower probability of a financial exchange implosion for organizations with free chiefs who have more friendly capital.

This finding is well supported by numerous model specifications, variable choices, instrumental variables, and propensity score matching regressions. The adverse consequences of free chiefs' social capital on stock cost breakdown risk are bound to influence non-state-claimed ventures, firms with strong outside examination, and firms with a serious level of possession and control detachment, as per extra review. Additionally, we find that financial opacity, corporate fraud, and board absenteeism are all reduced in companies with independent directors with higher social capital. Our discoveries propose that social capital ought to be considered while recognizing the possible triggers for a financial exchange emergency.

Li and Pan (2022) investigated on a novel ensemble deep learning model for stock prediction based on stock prices and news. The use of machine learning and deep learning as techniques for analyzing financial data, including textual, graphical, and numerical data, has increased in recent years. Forecasting stock values in the future is one of the most popular and challenging deep learning topics in finance. The huge measure of elements that could all the while influence the power and recurrence of stock cost changes makes it hard to expect future stock costs. a couple of organization explicit components, including reports of income and benefits, expected future profit, profits, the presentation of another item or the review of an old one, handling a huge agreement, representative cutbacks, a significant administration change, a forthcoming consolidation or obtaining, and bookkeeping outrages or blunders. Other factors, such as market conditions, investor sentiment, and industry success, will also have an impact on how stocks perform in the future. In addition, these characteristics are specific to the company. A novel deep learning method for predicting stock movement in the future is proposed in this study. The model combines two fully connected recurrent neural networks by combining ensemble learning. Our test case in this study is the S&P 500 Index. Using the same dataset, our research demonstrates that the blending ensemble deep learning model performs significantly better than the most recent prediction model. The precision rate, recall, F1-score, and movement direction accuracy all increase by 40%, 50%, and 33.34%, respectively, while the mean-squared error is reduced by 57.55%. This study looks to explain our plan reasoning and show how group profound learning advances may more effectively gauge future stock cost designs than other customary strategies, helping financial backers in settling on better venture choices.

Carter (2022) conducted a research on the stock price reaction of the COVID-19 pandemic on the airline, hotel, and tourism industries. Because of the Coronavirus pandemic, this study takes a gander at the financial exchange execution of US travel-related organizations (carriers, lodgings, and eateries) from the last part of February to the furthest limit of Walk 2020. The fall in movement positively hurt the movement business, yet what truly catches our eye are the manners by which market members valued the news into stock costs. Greater firms experienced greater misfortunes, however they additionally had more positive returns because of their bigger money saves and more grounded market-to-book proportions. Also, we observe that monetary stores were especially significant for lodgings.

Ali (2022) conducted a research on micro-meso-level and macro-level determinants of stock price crash risk: a systematic survey of literature. This paper conducts a comprehensive analysis and synthesis of the empirical research on the antecedents of stock price crash risk in order to identify the macro-meso and micro-level factors that influence stock price crashes. The authors evaluated the macro-, meso-, and micro-level factors that influence stock market collapses through a rigorous analysis of 85 empirical studies published in journals with an ABS ranking. According to the findings, macroeconomic variables such as political and legal issues, socioeconomic indices, religious beliefs, and corporate governance have an impact on firm-level business conduct and raise the likelihood of a stock market crash. The likelihood of a stock market crash is significantly influenced by a number of factors at the meso-level, including media coverage, industry-level features, customer concentration, ownership structure, and behavioral aspects. Managerial qualities, firm-specific factors, earnings management, corporate policies, CEO attributes and compensation, and financial transparency are all micro-level factors that influence the likelihood of a stock market crash.

Saputra (2022) researched on analysis of total debt, revenue and net profit on stock prices of foods and beverages companies on the Indonesia Stock Exchange (IDX) Period 2018-2021. Finding the variables affecting the stock costs of food and drink organizations recorded on the Indonesia Stock Trade somewhere in the range of 2018 and 2021 is the point of this review. Net profit, revenue, and total debt were the independent variables in the investigation, while stock price was the dependent variable. For this examination, twenty food and drink organizations that are recorded on the Indonesia Stock Trade were

found. A sample of ten food and beverage businesses was obtained through simple random sampling. The exploration approach utilized in the review was quantitative elucidating measurements. The tests that were utilized were the various straight relapse investigation, the F test for coefficient of assurance, the T-test, and the old style presumption test. The company's financial statements for the years 2018–2021 were accessible on the Indonesia Stock Exchange website. The connected firm page for the exploration expresses that the IBM application handled the information after that. 27 SPSS. The consolidated F test consequences of the review show that Pay, Complete Obligation, and Net Benefit all influence stock costs. Then again, the T-test demonstrates that Pay has no impact by any means, Profit Net has a significant effect, and All out Obligation has no effect by any stretch of the imagination on stock costs.

Endri (2021) observed about the stock price volatility during the COVID-2019 pandemic: The GRACH model. Using the GARCH model and an event study approach, this study looked at how COVID-19 affected stock prices on the Indonesia Stock Exchange (IDX). The search sample includes companies included in LQ-45 and the composite stock price index (JCI) on March 2, 2020, the day of the incident (40 days prior to COVID-19), and 10 days after the incident (January 6, 2020 – March 16, 2020). The GARCH(1,2) model can be used to anticipate abnormal returns for stocks in IDX during COVID-19-affected market conditions, and studies demonstrate that abnormal returns are negatively impacted by COVID-19, that volatility in the JCI is highly variable during the COVID-19 event, and that abnormal returns can be predicted for stocks in IDX. Anomaly returns are impacted by stock price volatility caused by the COVID-19 event, which has practical implications for investors. In order to manage a stock portfolio in the face of uncertain and volatile future circumstances, multiple layers of risk management are required. In addition, it provides investors with opportunities to profit from an inefficient market. This study depends on experimental writing as of now being created to research the peculiarity of stock cost unpredictability conduct during Coronavirus on the IDX. The GARCH model shows that the Coronavirus pandemic increments securities exchange unpredictability, which thus brings down strange returns. The effective market speculation hypothesis, which is connected with the investigation of occasions, and hypotheses of monetary conduct connected with vulnerability are both upheld by the observational proof.

Raza (2021) studied on the impact of micro and macro factors on share prices, especially non-financial enterprises listed on the Pakistan Stock Exchange in the textile sector (PSX). Using databases, annual reports, SBP, Data Stream, and other secondary sources, the study gathered data from publicly traded textile companies (PSX). The concentrate somewhere in the range of 2009 and 2017 utilized board information examination to look at the effect on share cost. The review incorporated a large number of measurable logical techniques, including fixed impact models, Hausman tests, Breusch and Agnostic LM tests, relationship networks, graphic measurements, and pooled OLS. In Pakistan's textile industry, it was discovered that firm share price was positively and significantly linked to macro and micro dynamics (GDP, EPS, BVS, and LNFS). The micro (DPS) and macro (INF) dynamics, on the other hand, were found to be negligible. The review adds to the group of information and proceeding with talk about the variables impacting share cost in creating markets, especially in the material area of Pakistan.

Badruzaman (2020) conducted an investigation on Nikkei 225 Index of issuers on the Japan Stock Exchange in 2018. to calculate the impact of return on equity and earnings per share on stock prices. Furthermore, our exploration shows that the market had a negative response in the underlying days following the affirmation of cases and in the following 40 to 60 days. Taking everything into account, our discoveries infer that monetary business sectors respond to the Coronavirus pandemic quick and that this response changes over the long haul in view of how the episode advances.

Ashraf (2020) examined about stock markets' reaction to COVID-19: Cases or fatalities. The primary objective of this paper was to investigate the effects of the COVID-19 pandemic on stock markets. Based on data on daily deaths, stock market returns, and COVID-19 confirmed cases from 64 countries between January 22, 2020 and April 17, 2020, we conclude that the increase in confirmed cases had a negative impact on stock markets. In other words, as more cases were confirmed, stock market returns decreased. We likewise observe that an expansion in affirmed cases was met with more forceful response from securities exchanges than an expansion in fatalities. Moreover, our information shows that the market responded adversely in the good 'ol days after the affirmation of cases and somewhere in the range of 40 and 60 days from there on. Our findings suggest, taking everything into account, that stock markets respond quickly to

the COVID-19 pandemic and that this response varies over time based on the progression of the outbreak.

Karlsson, Häggqvist and Hedberg (2020) guided Market structure and efficiency in Swedish commercial banking, 1912–1938. This article analyzes the connection between market construction and execution in the Swedish business banking area somewhere in the range of 1912 and 1938. This was the period when new market regulations were instituted to support enormous scope banking. As a result, significant industrial consolidation occurred. The effects of market concentration and bank mergers on efficiency are studied using fractional regression analysis. They discover that market concentration had a significant impact on the average efficiency of the Swedish commercial banking sector during this time period. Large financial intermediaries may have been required to provide funding for extensive industrial and infrastructure projects.

Silwal and Napit (2019) examined Fundamentals of Stock Price in Nepalese commercial banks. Finding the factors impacting Nepalese business banks' securities exchange cost between 2065-2066 and 2074-2075 is the point of this review. It is based on combined cross-sectional data from ten banks whose shares were listed on the Nepal Stock Exchange over a ten-year period. Profit yield impacts stock cost, however DPS has a negative affiliation and is genuinely unimportant with organization cost. Additionally, it demonstrates that Nepali stock prices are primarily influenced by book value per share.

Thapa (2019) researched influencing factors of stock price in Nepal. Finding the factors influencing the stock price in the Nepali market is the researcher's main objective. Earnings per share (EPS), dividend per share (DPS), market rumors, and business profiles all had significant positive correlations with the share price, while the price to earnings ratio (PER) and interest rate (IR) had significant negative correlations with the share price. Relapse and proportion examination were utilized in monetary and measurable investigation to come to these end results. Thusly, it is reasoned that the main signs of stock costs in Nepal's auxiliary market would be profits and the momentary loan fee.

Kumari (2019) managed the An Empirical Analysis of Stock Price Behavior around Bonus Issue Announcement in India. This study plans to examine the effect of a reward issuance declaration on the Indian financial exchange during a five-year time frame, from

2014 to 2018. Market investors typically view business activity announcements as positive news. Factual strategies such as the t-test, mean, standard deviation, relapse examination, rate investigation, and CAGR (Accumulated Yearly Development Rate) have been utilized to assess and decipher the information. An investigation window (t-10 to t+10) was used for each bonus issue announcement event to examine the abnormal return for nine companies. The outcome exhibits that the Indian financial exchange is unaffected by the declaration of a reward share issue. This study therefore supports the idea that a company's announcement of the issuance of bonus shares has no significant impact on stock price.

Bam and Thagurathi (2018) examined Stock Price Behavior of Nepalese Commercial Banks. The outcomes showed that while the day to day stock costs of the inspected banks follow an ordinary dissemination design, a few banks reliably change their stock costs, and a few banks' stock costs vacillate marginally. The Nepalese stock market has inefficient prices for shares. The results of the runs test demonstrate once more how significant the percentage difference in the price change series between the observed and actual number of runs is.

Gaire (2017) investigated Stock Index, Interest Rate and Gold Price of Nepal Co-Integration and Causality Analysis. Financial and statistical methods like ratio, correlation, and regression analysis are used in descriptive and explanatory data analysis. The NEPSE index and the short-term interest rate had a unilateral causal relationship, with the interest rate shifting from the index to the NEPSE index. The test discoveries obviously show that momentary loan costs are a predominant indicator of the NEPSE record.

Narwani (2017) sponsored equity share price of selected pharmaceutical industries (BSE) in stock exchange. According to the findings, India is one of the world's fastest-growing pharmaceutical markets. By looking at how stock prices have behaved in the past, technical analysis can predict future stock values. Before making an investment, it assists investors in comprehending price risk and market trends. This helps keep children safe and educates them about the financial system based on projections from five businesses. The various price patterns of these companies' stocks can be used to predict their future trends when studied with the appropriate technical analysis instrument. With regards to

expecting the short-and medium-term cost development examples and assisting financial backers with pursuing the ideal choices while putting resources into beneficial stocks, specialized examination is fundamental.

Joshi (2016) guided effects of dividends on stock prices in Nepal. Data were analyzed using regression and Pearson correlation studies after the effect of dividends on the stock price of the Nepalese stock market was observed. The examination shows that DPS is areas of strength for a pushing Nepal's monetary area, sufficiently able to expand the market cost per portion of both non-endlessly banking ventures. In conclusion, the study's findings suggest that dividends and retained earnings account for a significant portion of the variation in share prices observed across the banking and nonbanking industries. The effect of the profit, in any case, is observably more evident than that of held profit. In every instance, the relationship between share price, dividends, and retained earnings is positive.

Paudel (2016) conducted a research on Dividend Policy and its Impact on Share Price in Nepalese Context. The review's targets included evaluating the connection among profits and income, share market cost, and total assets as well as seeing present practices and their suggestions on profit strategy and offer cost investigation. The regression analysis, correlation, mean, and coefficient of variation were utilized in the investigation. The bonus share issue typically has a positive impact on the stock's market price because the stock's actual market price is higher than its theoretical price. The examination shows that few variables add to the offer's MPS eventually. The purpose of the study is to find out how dividend policy affects the price of shares on the market. The dividend ratio and the percentage increase in the company's value are positively correlated; a higher dividend ratio indicates a higher firm value.

Shrestha (2015) examined NRB Monetary Policy and Stock Market Impact. He guarantees that financial strategy straightforwardly affects stock qualities. The researcher discovered, after applying descriptive analysis to the data, that the stock market's performance was influenced by the NRB's monetary policy. Since they figured the business banks would give extra offers to expand their capital base to Rs. 100 million, financial backers were persuaded to purchase business bank shares along with some

hidden costs. The massive demand for commercial bank shares in daily transactions caused the stock market index to rise to levels never before seen.

Gyawali (2015) organized rights share practice and its impact on share price movement. The current review planned to distinguish the issue related with fitting practice, research the relationship between's portion value development and market development, and explain the cost development that went before the proper contribution. One of the study's conclusions was that right offers affected differences in share price movement between businesses and listed companies in different industries. Outstanding is the change in the offer cost when the fitting contribution. Benefit and attractiveness are the two fundamental factors that drive financial backers to make speculations. Both monetary examination and relapse investigation have been utilized.

Lucky and Akani (2015) assisted prudential determinants of stock prices of commercial banks in Nigeria: an application of fundamentalists and macroeconomic view. 1980 – 2014. The prudential variable influencing the stock upsides of Nigerian business banks was analyzed in this review. The Granger Causality test, the Vector Error Correction Model, the Augmented Dickey Fuller Unit Root Test, and the Ordinary Least Square Method of Co-integration were all utilized. The investigation revealed that the stock values of commercial banks were positively impacted by every micro sensible component, with the exception of the lending rate. Fundamentalist and macroeconomic theories are supported by the findings. Thusly, we suggest that administration of business banks fortify their ability to address both large scale and miniature level judicious worries that could adversely influence Nigeria's recorded stock qualities.

Hunjara and Muhammad (2014) researched on Stock dividend and fluctuation in its stock prices. This study's essential objective is to recognize the factors that impact stock cost unpredictability, and different ends have been drawn from it. This investigation employed the ordinary least square regression model as its methodology. The results demonstrated that the dividend yield and dividend payout ratio—the parameters of dividend policy—have a significant impact on stock prices. These discoveries oppose the profit superfluity contention since profit yield and stock cost have a negative relationship while the profit payout proportion has a positive relationship.

Mainali (2014) examined A Study on Share Price Behavior of Listed Companies. The objectives of the study included assessing investors' opinions on stock investment decisions, determining what influences stock price, and examining trends in stock price and volume traded on the secondary market. Relapse models are utilized to assess the importance and meaning of business and advancement banks' capital adequacy. Despite the methodical operation of the stock market, there are still insufficient brokers in terms of trading volume. In addition, earlier research on the subject generally supports the notion that the Nepalese stock market is inefficient, particularly in the weaker sectors.

Komo and Ngugi (2013) investigated on Behaviour of Bank Share Prices and Their Impact on National Stock Market Indices: Comparing Countries at Different Levels of Economic Development during Recessionary and Non-Recessionary Periods". The researchers say that politicians, academics, businesses, and the general public have all been interested in how banks perform and how it affects the global economy, especially in light of the credit crisis of 2008–2009. The discoveries suggest that most financial exchange records had equivalent conduct over a scope of monetary improvement levels. The mean stock market indexes were statistically significantly higher before the credit crisis. Before and during the crisis, there was generally a negative correlation between bank share prices. A small number of strong banks that influenced the course of the corresponding national stock market index helped to distinguish certain nations. This shows how involvement in controlling the performance of the stock market and stabilizing the financial system has implications for policy.

Table 1

*Summary of Empirical Review*

Author(s)	Year	Topic	Objective	Findings
Han, Kim and Enke	(2023)	machine learning trading system for the stock market based on N-period Min-Max labeling	to generate significant profits in the stock market, a number of researchers	The majority of studies on stock price trend prediction always use an up-down labeling method to label data. The problem with this labeling method is that it is not sensitive to small price

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		using XG Boost	use technologies like deep learning	changes, which makes model training ineffective.
Xing, Zhang and Xiong	(2023)	social capital, independent director connectedness, and stock price crash risk	examines the impact of independent directors' social capital	Result uncovered that non-state-possessed organizations, organizations with solid outer oversight, and organizations with a serious level of proprietorship and control partition are bound to encounter the unfavorable impacts of free chiefs' social capital on stock cost breakdown risk
Li and Pan	(2022)	Novel ensemble deep learning model for stock prediction based on stock prices and news	to elucidate our design philosophy and demonstrate how ensemble deep learning technologies can	The outcome uncovered that the mixing gathering profound learning model performs fundamentally better compared to the best current expectation model. Mean-square error is reduced by 57.55%, precision rate is increased by 40%, recall is increased by 50%, F1-score is increased by 44.78%, and movement direction accuracy is increased by 33.34%.
Ali	(2022)	Micro-meso-level and macro-level determinants of stock price crash risk:	To ascertain the macro-meso and micro-level determinants a contributing	Corporate governance, political and legal issues, socioeconomic indices, and religious attitudes are among the macroeconomic variables that influence firm-level business conduct and raise

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		systematic survey literature	to stock price of crashes	the likelihood of a stock market crash, according to the findings.
Carter	(2022)	the stock price reaction of the COVID-19 pandemic on the airline, hotel, and tourism industries	To examine the stock market performance of US travel-related companies	Bigger organizations with bigger money saves and higher market-to-book proportions showed more positive returns, yet bigger organizations were rebuffed more.
Bhatt and Jain	(2022)	Economic Policy Uncertainty and Dividend Policy: Evidence from Commercial Banks in Nepal	To examine the effects of Economic Policy Uncertainty (EPU) on dividend distribution strategy	Our discoveries oppose the discoveries of other huge examinations did in created market conditions, subsequently we suggest that financial organizations contemplate, survey, and change their profit strategy considering the open doors and dangers introduced by the public monetary methodology.
Niroula	(2021)	This research uses MPS as dependent variable and independent variables as EPS, PE, DY ratio, DPS, ROE and BV per share and ROA.	To examine the behavior of stock price in Nepalese commercial banks	The outcome shows that there is a positive and genuinely huge impact of EPS, Price-earning relationship and DPS of banks on MPS. The effects of other variables are insignificant.
Endri	(2021)	Stock price volatility during the COVID-2019	To examine the response of stock	The experimental outcomes additionally support the speculations of monetary

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		pandemic: The GRACH model	The prices on the Indonesia Stock Exchange (IDX)	conduct connected with vulnerability and the productive market theory hypothesis connected with the investigation of events.
Raza	(2021)	impact of micro and macro factors on share prices, especially non-financial enterprises listed on the Pakistan Stock Exchange in the textile sector (PSX).	to examine the impact of micro and macro factors on share price	(GDP) and firm share price were found to be significantly and positively correlated in Pakistan's textile industry. DPS and macro (INF) dynamics, on the other hand, were found to be insignificant.
Panta	(2020)	Money supply, interest rate, inflation rate and exchange rate used as independent variables and stock price used as dependent.	To examines the linkage between stock market prices (NEPSE index) and five macro-economic variables	The result shows that the expansive cash supply, loan fee, expansion, and swapping scale have a huge long haul relationship with the variety of the NEPSE Record.
Badruzaman	(2020)	Nikkei 225 Index of issuers on the Japan Stock Exchange in 2018	To estimate the effect of Earnings Per Share and Return on Equity on Stock Prices.	Stock prices felt the negative impact of return on equity as well. When these two factors were compared, EPS had the greatest and most significant impact on stock prices, whereas return on equity had the opposite effect.
Ashraf	(2020)	Stock markets' reaction to COVID-19: Cases	To examine the stock markets' response to	In addition, our data indicates that there was a significant negative market reaction in the days and weeks following the

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		fatalities	the COVID-19 pandemic	confirmation of cases. In light of everything, our discoveries suggest that financial exchanges respond to the Coronavirus pandemic quick, and that this response changes over the long haul in view of the flare-up's stage.
Karlss, Häggqvist and Hedberg	(2020)	Market structure and efficiency in Swedish commercial banking, 1912–1938	To analyze to examine the impact of market concentration and bank mergers on efficiency.	During this time, the typical effectiveness of the Swedish business banking area was fundamentally affected adversely by this market focus. It's possible that large financial intermediaries were needed to get money for big infrastructure and industrial projects.
Thapa	(2019)	Earning per share (EPS), dividend per share (DPS), market whims and rumors and company profiles are independent variables and Share price as a independent variables	To determine the factors influencing the stock price	The results demonstrated a significant positive correlation between the share price, earnings per share (EPS), dividend per share (DPS), market rumors, and business profiles.
Kumari	(2019)	Bonus share is used as independent variables and stock price uses as dependent	To investigate the impact of Bonus Issue announcement on Indian stock market	The result shows that the declaration of a reward share issue significantly affects the Indian securities exchange. Subsequently, this study upholds the possibility that an

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		variables.		organization's declaration of the issuance of extra offers detectably affects stock cost.
Silwal and Napit	(2019)	It used stock price as dependent variables and Book value per share, price earnings ratio, return on equity, dividend yield as independent variables.	To ascertain the determinants of the stock market price in Nepalese commercial banks for the period of 2065/66 to 2074/75	The cost profit proportion, return on value, and book esteem per share are decidedly connected with stock cost. Dividend yield has a positive but negligible effect on stock price, whereas DPS has a negative correlation with the price of the company and is statistically negligible.
Bam Thagurathi and Shrestha	(2018)	DPS, EPS and PE used as independent variables while stock price used as dependent variables.	To analyze the random behavior of stock price of Nepalese Commercial Banks	The Random Walk Hypothesis (RWH) is not supported on end is steady with the discoveries of prior research led in a Nepalese setting.
Gaire	(2017)	Price is used as dependent and interest rate used as independent variables.	To examine the relationship between the NEPSE index and short term interest rate	It is feasible to make the determination from the information that the NEPSE record is better anticipated by transient loan fees.
Narwani	(2017)	equity share price of selected pharmaceutical industries (BSE) in stock exchange.	To analyze about the trend of market and risk of the prices before they invest.	This keeps kids safe and helps them learn about the financial system.

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Joshi	(2016)	Market price per share as dependent variables and DPS and REPS.	To observed the impact of dividends on stock price of Nepalese stock market	Moreover, it is found that DPS strongerly affects market cost per share than REPS does. In the end, the research demonstrates that dividends and retained earnings account for a significant portion of the share price variations.
Poudel	(2016)	Dividend is used as independent variables and stock price is used as dependent variables.	To examine the prevailing practice and effect made in dividend policy, to analyze dividend policy and its impact on share price and to access the relationship between the dividend with earning, market price of share and net worth.	The study says that when a dividend is given out on stock, the price of the stock goes down, but after a few months, it keeps going up.
Gyawali	(2015)	Study used right offering shares as independent variables and share price as dependent variables.	To explain the price movement before the right offering, to analyze the relationship between share	The study came to the conclusion that right offers have varying effects on the movement of share prices within and between listed companies, as well as between companies in different industries.

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			price movement and market movement.	
Lucy and Akani (2015)	Prudential Determinants of Stock Prices of Commercial Banks in Nigeria: Application of Fundamentalists and Macroeconomic View. 1980 – 2014.	To examine the prudential determinant of stock prices of commercial banks in the Nigeria:	Business bank the executives needs to work on capacity to battle full scale and microprudential issues could negatively affect Nigerian stock statements.	
Mainali (2014)	The regression models are applied to test the significance and importance of capital adequacy.	To analyze the behavior of stock price of listed company, examine the stock price trend and volume of stock traded.	As per the report, even in this day of trend setting innovation, the offer market's exchanging structure is as yet outdated. There are still the same number of brokers, even though there has been an increase in trading volume.	
Hunjara and Muhammad (2014)	Stock dividend and fluctuation in its stock prices	To examine the Dividend yield that is negatively related with stock price and dividend payout ratio that is positively	The results demonstrated that the dividend yield and dividend payout ratio—the parameters of dividend policy—have a significant impact on stock prices.	

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			related with stock price.	
Paudel	(2013)	The EPS was the most affecting factor for the price change of the stock	To find out Nepalese people's awareness of the securities investment and examine the major investment influencing factors	As per the review, there was a relationship between's the ensuing cost changes and before cost series.
Shrestha	(2015)	Descriptive analysis is used to analyze the data.	To analyze the monetary policy which directly affects stock prices.	The stock market index reached unanticipated heights as a result of the enormous demand for commercial bank shares in daily transactions.
Komo and Ngugi	(2013)	Behaviour of Bank Share Prices and Their Impact on National Stock Market Indices	This paper contributes to clear whether the national stock markets of countries at different levels of economic development reacted differently to the crisis	The discoveries suggest that most financial exchange records had equivalent conduct over a scope of monetary improvement levels. Preceding the credit emergency, the mean securities exchange files were measurably altogether higher.

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### 2.3 Research Gap

Evaluating prior research, it was found that most of studies (Bhattarai 2020, Silwal and Napit 2019, Baral and Pradhan 2018, Ghimire and Mishra 2018, Adhikari 2015) zeroed in

on the variables impacting the stock cost of Nepalese insurance agency that are recorded on the NEPSE. It was found that this study uses data from three insurance companies from ten years ago, whereas Gaire's previous thesis from 2017 used data from two insurance companies from five years ago. The information utilized in this examination came from three protection firms.

When looking at a previous thesis, it was found that Badruzaman (2020) only looked at the MVPS market trend using additional financial indicators. This study, on the other hand, looked at internal factors that are important in influencing insurance companies' market prices. This study also looks into the effect and relationship between market price and other financial indicators like EPS, P/E Ratio, BVPS, and DPS. While Raza et al. (2021) and Niroula (2021) have focused solely on the qualitative factors that influence stock price, this study relies on quantitative factors that influence stock price. Utilizing optional information, Ali (2022) has concentrated on the way of behaving and development of stock costs. The purpose of the current study is to determine subjective facts and fill in the gaps.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

Research methodology is a methodical approach to addressing the research challenge. It could be thought of as a science that studies the methodology of scientific research. The research methodology, which also takes into account the logic of a given method, explains the justification for that method or approach. We can decide the legitimacy, materialness, and accuracy of exploration with the utilization of examination method. Acquiring the reasoning for the ebb and flow examination without the help of proper exploration methods is incomprehensible. To achieve the objectives of the study, the applied method will be used.

#### **3.1 Research Design**

In this review, unmistakable and casual relative exploration plans were utilized. Casual comparative research design has been used to illustrate the causes and effects of relationships between independent and dependent variables, whereas descriptive research design has been used to find patterns and relationships among qualitative aspects that influence market value per share. It incorporates data from 2013-14 and 2022-23. It discusses the factors that affect Nepali commercial banks' market share prices.

#### **3.2 Population and Sample and Sampling Design**

Twenty commercial banks that are listed on the Nepal Rastra Bank (NRB) website make up the population of the study, which focuses on the banking sector in Nepal. Everest Bank Ltd., Himalayan Bank Ltd., Nabil Bank Ltd., Siddhartha Bank Ltd., and Sanima Bank Ltd. were selected as the study's sample. In order to ensure a fair representation while taking into account time constraints and data accessibility, random sampling was used in the selection process. Because they provide a wide range of services and meet the needs of Nepal's economy, these banks are essential to the country's financial system.

#### **3.3 Nature and Sources of Data and the instrument of data Collection**

The optional information utilized in this examination. However, insurance companies also seek advice from a wide range of experts within and outside the company when

necessary. The administrative center of the pertinent protection organizations gives the expected data, which incorporates the yearly reports of the singular insurance agency as well as distributed monetary records, benefit and misfortune articulations, and other significant proclamation of records. In addition, additional important and pertinent information can be found on the Nepal Rastra Bank website and publication. This can also be done with booklets, books, magazines, journals, newspapers, schools of thought, and other publications.

### **3.4 Method of Analysis**

The available data pattern will serve as the basis for the data analysis. Numerous financial, accounting, and statistical instruments have been utilized to accomplish the study's objective.

#### **Statistical tools**

A number of statistical tools have been utilized in this study to compare the Figures and arrive at a single meaningful conclusion. Short depictions of the measurable devices have been introduced here.

#### **Mean**

The most famous and generally utilized proportion of addressing the whole information by one variable is the number-crunching mean. It is determined by dividing the total number of items by the sum of all of them. Mean upsides of the different variable address the typical incentive for the review time frame.

#### **Standard deviation**

Dispersion is the degree to which individual items depart from a core value. The outright scattering is estimated by the standard deviation. The standard deviation increments with the level of scattering. Minimal standard deviations are a sign of series homogeneity and observational regularity at high levels, and vice versa. This study determined the price earnings ratio, dividend yield ratio, market value per share, retained earnings, standard deviation, and dividend payout ratio.

### **Correlation analysis**

One factual strategy for depicting how intently one variable is connected with another is relationship investigation. Correlation has been used in this investigation. The connection coefficient between the resulting monetary factors has been processed, broke down, and showed in a framework design.

### **Coefficient of determination ( $r^2$ )**

The coefficient of determination is a measure of the degree of linear relationship or correlation between two variables, one of which is dependent and the other independent. Expressed in an unexpected way,  $r$  is the general rate difference in the reliant factors. The coefficient of determination can have values anywhere from 0 to 1. Just when the unforeseen variety is zero, or when each datum point in the scatterplot falls definitively on the relapse line, could a worth of one at any point happen.

### **Regression analysis**

In the variables under investigation, regression analysis indicates movement direction but not relative movement. We can decide the overall development in the factors with the utilization of relapse examination. For the given variable, regression analysis has been computed and analyzed.

The econometric components that have an impact on the MVPS results can be quantified and estimated with the help of multiple regression analysis. Multiple regression analysis is a statistical method that makes it simpler to estimate or predict the value of the dependent variable from the value of the independent variable. MVPs are the reliant variable in this review, and the free factors are firm size (FS), DY, EPS, DPR, and PER. In multiple regression analysis, the standard error of estimate, least squares, and multiple coefficient of determination approaches are typically used to calculate this. For multiple regression, the equation is

Model 1:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

$$Y = \beta_0 + \beta_1 DY + \beta_2 EPS + \beta_3 DPR + \beta_4 PER + \beta_5 FS$$

Where,

$$Y = MVPS$$

$X_1, X_2, X_3, X_4, X_5 = \text{DY, EPS, DPR, PER and FS}$

$\beta_0 = \text{Regression Constant}$

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 \dots = \text{Regression Coefficient of DY, EPS, DPR, PER and FS respectively}$

$e = \text{Error}$

### 3.5 Research Framework and Definition

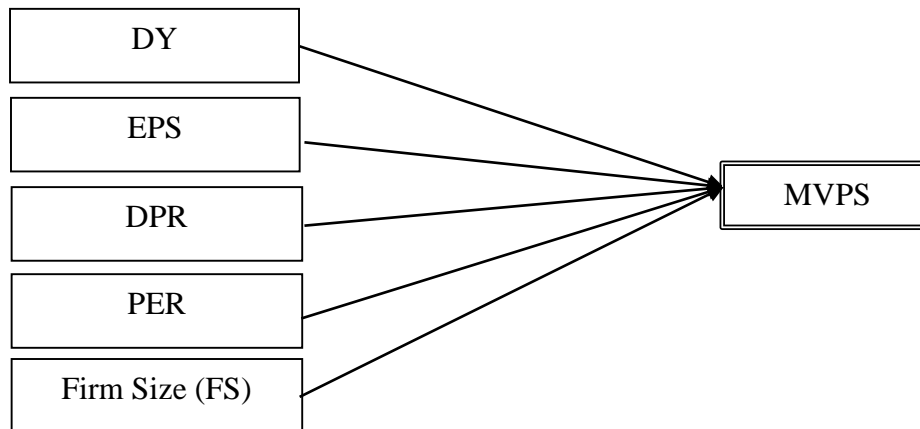


Figure 1

*Research Framework*

Source (Hendricks & Singhal, 2022)

#### Definition of Variables

##### Market Value per Share (MVPS)

Use the share's market value per share to determine its market value. The MVPS of a company is the business's assessed market value divided by the total number of stockholder shares. The cost at which an organization's portions are exchanged on the securities exchange is its reasonable worth.

##### Dividend Yield

It shows how much the dividend paid out was compared to the market price during a fiscal year. It is determined by partitioning market esteem per share by profit per share. Malhotra and Tandon (2013) say that there is a significant inverse relationship between the dividend yield and the stock's market price.

**Earnings per Share**

The profit available to holders of cash equity is calculated using earnings per share. It simply evaluates the overall efficiency of the bank's operations. The benefit charge figure, or EPS, shows how much benefit every normal investor gets.

**Dividend payout ratio (DPR)**

The D/P ratio is the proportion of profit allocated to dividends. This proportion shows which part of benefit is held as overabundance and switched for the organization's development, as well as which piece is scattered as profits. DPS partitioned by EPS is the way things are registered.

**Price Earnings Ratio (PER)**

This ratio shows the relationship between market value per share and earnings per share. This ratio measures the profitability of the business. A ratio that is higher indicates a level of management efficiency that is superior, whereas a ratio that is lower indicates a level of management efficiency that is lower.

**Firm Size (FS)**

A portion of the size can be determined by using the total assets. Resources are the assets that an organization has. The organizations' resources comprise of money close by, ventures, shares, and different speculations; additionally, credits, progresses, completely covered bills, fixed resources, and different resources are incorporated. As a result, a company's total assets are the sum of its current and long-term holdings. An asset is considered current if it can be sold in less than a year; if it takes longer to sell, it is considered long-term. It ought to be noticed that the client stores held by the monetary establishments comprise the aggregate of the bank's commitments.

## CHAPTER - IV

### PRESENTATION AND ANALYSIS OF DATA

Information gathered from Sanima Bank Ltd., Everest Bank Ltd., Himalayan Bank Ltd., Nabil Bank Ltd., and Siddhartha Bank Ltd. is presented and analyzed in this chapter. In this chapter, significant financial indicator data are presented and analyzed. The examination of cost profit proportion, market esteem per share, acquiring per share, profit payout proportion, profit yield, and firm size is endeavored in this section.

#### 4.1 Data Analysis

##### 4.1.1 Analysis of secondary data

Table 2 presents distinct measurements of the factors used in the investigation of business banks in Nepal from 2013-14 to 2022-23, including Everest Bank Ltd., Himalayan Bank Ltd., Nabil Bank Ltd., Siddhartha Bank Ltd., and Sanima Bank Ltd. The statistics include the mean, standard deviation, minimum, and maximum values.

Table 2

*Descriptive Statistics of Variable of Insurance Companies*

Variables	Minimum	Maximum	Mean	Std. Deviation
Dependent Variables				
MVPS	212.80	3385.00	856.114	701.619
Independent Variables				
DY	.00	7.94	3.766	1.627
EPS	9.18	86.04	33.575	16.243
DPR	.00	173.57	37.233	50.161
PER	11.26	83.94	23.858	12.102
FS (LN)	4.47	5.68	5.117	.257

*Source* Annual Report of Sample Companies

The descriptive statistics for the study's independent variables (DY, EPS, DPR, PER, and firm size) and dependent variables (MVPS) are presented in Table 2. The typical cost over the review time frame was 856.114, with a standard deviation of 701.619. The summary of dependent variables, or MVPS, stated that the minimum MVPS was 212.8, and the maximum MVPS was 3385.0.

The first independent variable is dividend yield. It had a maximum ratio of 7.94 percent, a minimum ratio of negative 0.00 percent, an average DY of 3.766 percent, and a standard deviation of 1.627 percent throughout the course of the study. The dividend payout ratio experiences similar swings, with a standard deviation of 50.161 and an average of 37.233 percent, ranging from 0.00 percent to 173.57%. Profits per share also varied, ranging from 9.18 to 86.04 percent. Then, at that point, the low standard deviation of 16.243 compares to a typical EPS of 33.575 percent. The price-earnings ratio has a standard deviation of 12.102 and an average of 23.858%, ranging from 11.268% to 83.948%. Last but not least, the standard deviation of 0.257 and the average company size (LNFS) of 5.117 are not insignificant. FS can be anywhere from 4.47 to 5.68.

#### 4.1.2 Correlation analysis

A statistical method called correlation analysis is used to explain how much one variable is related to another in a linear way. It can have a worth among +1 and - 1. Put another way, on the off chance that the variable had wonderful relationship, the profits on them would likewise go all over all the while. That kind of variable would be just as risky as individual stocks.

Table 3

*Relationship between MVPS, DPS, EPS, PER and DPR*

	DY	EPS	DPR	PER	FS	MVPS
Dividend Yield	1					
Earnings per Share	-.132	1				
	.363					
Dividend Payout Ratio	-.110	.474**	1			
	.446	.001				
Price Earnings Ratio	-.461**	.281*	.656**	1		
	.001	.048	.000			
Firm Size (FS)	.105	-.349*	.249	-.097	1	
	.468	.013	.081	.505		
Market Value per Share	-.345*	.799**	.665**	.777**	-.273	1
	.014	.000	.000	.000	.055	

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

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

Source: Appendix II

Table 3 shows the correlation matrix that shows how the variables are linked. The association between DY and MVPS is negative at the 0.05 level of significance. At the 1% level of significance, EPS and MVPS have a positive relationship with a coefficient of 0.799, whereas DPR has a positive relationship with MVPS of 0.665 at the 0.01 level of significance. Likewise, at the 0.01 degree of importance, PER and MVPS have a decidedly huge association with a coefficient of 0.777. MVPS and FS have a correlation coefficient of -0.273, indicating a moderately negative but insignificant connection. EPS, DPR, and PER have a strong positive correlation with MVPS that is statistically significant at the 0.05 level of significance.

#### 4.1.3 Regression analysis

Regression analysis is a statistical method for predicting one variable from other factors and determining the statistical relationship between two or more variables. Multiple regression analysis was used in this study. Utilizing an enormous number of free factors and the proper relapse line to foresee the worth of the reliant variable is known as numerous relapse investigation. Size, price-earnings ratio, dividend yield, earnings per share, and dividend payout ratio are the independent variables. The data's availability has been put off until last.

Table 4

#### *Model Summary of MVPS*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987a	.974	.971	119.15272

a. Predictors: (Constant), LNSIZE, PER, EPS, DY, DPR

The coefficient of determination ( $R^2$ ) of the model summary, which is 0.94, indicates that independent variables such as DY, EPS, DPR, PER, and FS account for 97.40% of the variation in MVPS and other dependent variables. It shows the total impact of all free factors on the reliant factors, or the all out change.

Table 5  
ANOVA

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	23496516.061	5	4699303.212	330.998	.000b
	Residual	624684.259	44	14197.370		
	Total	24121200.320	49			

a. Dependent Variable: MVPS

b. Predictors: (Constant), LNSIZE, PER, EPS, DY, DPR

The ANOVA table that shows how independent variables affect dependent variables is shown in Table 5. The F-esteem is 330.998 which is high and the p-esteem is 0.000 lesser than 5% degree of importance which shows that the autonomous factors LNSIZE, PER, EPS, DY, DPR altogether affects subordinate factors for example MVPS.

Table 6

*Regression Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Remarks
	B	Std. Error	Beta				
1 (Constant)	-1999.372	535.315			-3.735	.001	Significant
DY	19.066	12.608	.044		1.512	.138	Insignificant
EPS	29.956	1.528	.693		19.599	.000	Significant
DPR	-1.816	.679	-.130		-2.673	.011	Significant
PER	40.219	2.485	.694		16.187	.000	Significant
SIZE	173.138	93.034	.064		1.861	.069	Insignificant

a. Dependent Variable: MVPS

(Source: Appendix III)

**Regression analysis output: coefficient**

The assessed straight condition of this model is,

$$\text{MVPS} = -1999.372 + 19.066 \text{ DY} + 29.956 \text{ EPS} - 1.816 \text{ DPR} + 40.219 \text{ PER} + 173.138 \text{ SIZE}$$

Table 6 shows the regression coefficient. A p-worth of more than 0.05 for both DY and SIZE demonstrates a unimportant impact on MVPS. On the other hand, the significance level of 0.05 is not met by the constant terms EPS, DPR, or PER, whose p-values are, respectively, 0.001, 0.000, 0.011, and 0.000. It demonstrates that constant term, EPS,

DPR, and PER have a significant impact on MVPS. The p-an incentive for DY is 0.138, which is higher than 0.05 and demonstrates that DY significantly affects MVPS.

The beta upsides of the three huge coefficients — EPS, DPR, and PER — are 0.693, -0.130, and 16.187, individually. This indicates that an increase in DPR is accompanied by an increase in MVPS of 16.187 units, an increase in MVPS of 0.693 units, and a decrease in MVPS of -0.130 units.

## **4.2 Major Findings**

The beta upsides of the three huge coefficients — EPS, DPR, and PER — are 0.693, -0.130, and 16.187, individually. This indicates that an increase in DPR is accompanied by an increase in MVPS of 16.187 units, an increase in MVPS of 0.693 units, and a decrease in MVPS of -0.130 units.

The market cost of an offer is emphatically and fundamentally influenced by DY, EPS, FS, and PER, while MVPS are harmed by DPR, as per engaging and inferential information. DPS and PER have a positive and significant effect on market price, in line with the findings of Tiwari's study (2022). There are numerous negative effects of DPR. The study's findings back up the hypothesis that the dividend per share (DPS), earnings per share, and price–earnings ratio will have a positive impact on the commercial banks' market price per share between 2013–14 and 2022–23. EPS will not be quite influenced, yet DPS and PER probably will be.

This study's discoveries are more in accordance with those of Hunjara and Muhammad's (2014) examination of stock cost vacillations. It expresses that the capital market in Nepal is very whimsical. As to, the typical worth of each and every variable is addressed by the "Mean". The most extreme worth recorded for each factor is demonstrated by the expression "Greatest". The "Minimum" column displays the lowest previously observed value for each variable. The scattering or spread of pieces of information around the mean is estimated by the "sexually transmitted disease. Dev." (Standard Abweighthment)

This demonstrates that banks' MVPS rapidly rise to a maximum of 2535 in the Nepalese setting. This is more in accordance with the examination done by Karlsson, Häggqvist,

and Hedberg (2020). A p-value of more than 0.05 for both DY and SIZE demonstrates a unimportant impact on MVPS. On the other hand, the significance level of 0.05 is not met by the constant terms EPS, DPR, or PER, whose p-values are, respectively, 0.001, 0.000, 0.011, and 0.000. It demonstrates that constant term, EPS, DPR, and PER have a significant impact on MVPS. MVPS are unaffected by DY, as evidenced by its p-value of 0.138, which is greater than 0.05. This is consistent with Endri's findings (2021), but it differs from Ali's.

# **CHAPTER V**

## **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Summary**

The review analyzes the organization of business banks' benefits per share, profit payout proportion, cost income proportion, and market esteem per share. Investigate the association between the business banks' EPS, DPR, DY, FS, and PER too. The essential objective of the examination is to analyze the way that business banks' MVPS are impacted by EPS, PER, DPR, FS, and DY. Research utilizing both illustrative and causal examination techniques has been led to meet the particular objective of the review. A number of works on the subject, including books, essays, journals, and earlier studies as well as theoretical reviews, have been looked at. The example and status of reliant and free factors are broke down utilizing an elucidating and casual exploration plan. A causal research design, regression analysis, correlation, and other financial aspects are used to measure the influence of EPS, DY, DPR, FS, and PER on MVPS of commercial banks in Nepal. Optional information were utilized in this examination. The data comes from the connected office's yearly reports during a ten-year time frame, from 2013-14 to 2022-23. The review's populace information comprises of every one of the 20 enrolled business banks that are currently carrying on with work in Nepal. Nepal Bank Ltd., Kumari Bank Ltd., NIC Asia Bank Ltd., Nabil Bank Ltd., and Nepal Investment Mega Bank Ltd. are the sample's five commercial banks. In the current context, these banks are among the top five for dividend payments.

This study indicates that MVPS is significantly correlated with EPS, DY, FS, and PER; however, DPR and MVPS are correlated positively but insignificantly. EPS inconsequential affects MVPS. In a similar vein, MVPS were benefited by DY and PER at the 0.05 and 0.01 levels of significance, respectively.

### **5.2 Conclusions**

This study fosters a few critical outcomes fully intent on examining the profit practice on stock cost of Nepalese business banks involving information from 5 business banks for the time of 2013/14 to 2022/23.

The connection between's MVPS, EPS, DPR, DY, and Price-earning relationship is shown by the consequences of a connection investigation. The logged estimate revealed that EPS, DY, DPR, and PER had a significant effect on Nepal's market value per share. According to Li and Pan's findings, there is a direct correlation between MVPS, PER, DY, EPS, and DPR. Besides, a high sure relationship between EPS, DY, DPR, PER, and MVPS is exhibited by the outcomes. In addition, MVPS and DPR have a positive but weak correlation. This study is like those of Xing, Zhang, and Xiong (2023); Raza et al. (2021); notwithstanding, it varies from the finishes of Fortunate and Akani (2015): Carter et al. (2022).

We utilized relapse examination to determine how EPS, DY, FS, DPR, and PER impacted MVPS. As per the review, EPS has a 10% level of importance on MVPS, contrasted with 5% for DPS and PER. Similar to that, EPS is not significant even at the 10% significance level. Consequently, MVPS are connected in a linear fashion by DY, DPR, FS, and PER. The findings of the studies by Bhatt and Jain (2022) and Badruzaman (2020) are similar, but they are not exactly the same.

The consequences of the review exhibit that few contemplations are made before dispersing profits to investors. These include the reserve fund's size, the period's net earnings, dividends paid to preferred shareholders, dividends paid in the past, and investment potential.

### **5.3 Recommendations**

Based on the findings of the study, investors and portfolio analysts should use the information regarding the factors they should consider when making investment decisions and forecasting future dividends. Prior to making a speculation choice, the specialist encourages financial backers to completely inspect the venture components using their sensible business aptitude. Investors need to be able to comprehend market and economic indicators because they affect how well a share performs.

Controllers have the ability to lay out decides that would help with eliminating propelling components for financial backers. This study can be used by brokers to find out what factors affect the price of market shares. By offering their clients sound advice, they are

able to prevent investors from making poor decisions. With the help of this study, investors can independently evaluate their behavior. They can also identify stocks that are profitable and increase their purchases. The aftereffects of this study should be applied by venture associations who wish to give more dependable proposals and have top to bottom comprehension of financial backer attributes and monetary market variances. Future academics may benefit from this strategy by gaining a deeper comprehension of the various ways in which investors and market prices are affected.

Future market irregularities might be considered to see what they mean for the cost at which financial backers in the Nepalese securities exchange contribute. Alternate cognitive preferences can also be used to determine how dividend analysis affects the stock market.

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## **ABBREVIATIONS**

BOD	:	Board of Directors
C.V.	:	Coefficient of Variation
D/Y	:	Dividend Yield
DPR	:	Dividend Payout Ratio
DPS	:	Dividend Per Share
EPS	:	Earnings Per Share
HBL	:	Himalayan Bank Limited
LC	:	Letter of Credit
MPS	:	Market Price per Share
MVPS	:	Market Value per Share
NABIL	:	Nabil Bank Limited
NEPSE	:	Nepal Stock Exchange
NIMB	:	Nepal Investment Mega Bank Limited
NRB	:	Nepal Rastra Bank
NWPS	:	Net Worth per Share
P/E	:	Price Earnings
ROC	:	Registrar of Companies
S.D.	:	Standard Deviation
Sanima	:	Sanima Bank Limited
SBL	:	Siddhartha Bank Limited
SEB	:	Securities Exchange Board
SEC	:	Securities Exchange Centre

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## APPENDICES

### APPENDIX- I

#### Nabil Bank Limited 10 year's data

Fiscal Year	D/Y	EPS	DPR	PER	Size	MVPS
2013/14	4.34	76.12	144.51	33.38	73241	2535
2014/15	2.29	57.24	76.31	33.37	87275	1910
2015/16	2.56	59.27	101.23	39.55	115985	2344
2016/17	4.33	59.86	110.26	25.44	127619	1523
2017/18	6.08	51.84	108.02	18.6	140697	921
2018/19	4.25	50.57	67.24	15.82	169623	800
2019/20	4.61	36.16	97.51	21.15	201139	765
2020/21	2.8	33.57	113.18	40.48	237680	1359
2021/22	3.64	18.64	160.95	44.21	419818	824
2022/23	3.67	23.67	92.94	25.31	481204	599.2

(Source: Annual Report)

#### Sanima Bank Limited 10 year's data

Fiscal Year	D/Y	EPS	DPR	PER	Size	MVPS
2013/14	2.47	19.28	0.82	33.09	29377	638
2014/15	3.79	24.47	0.86	22.68	40301	555
2015/16	2.11	32.55	0.49	23.04	55891	750
2016/17	3.71	26.31	0.61	16.38	69955	431
2017/18	4.32	21.22	0.66	15.27	91822	324
2018/19	6.05	28.22	0.75	12.33	109064	348
2019/20	4.12	20.18	0.67	16.35	126313	330
2020/21	3.69	23.94	0.75	20.26	160750	485
2021/22	4.33	18.48	0.65	14.94	192511	276
2022/23	7.83	20.91	0.98	12.46	215643	260.5

(Source: Annual Report)

Siddhartha Bank Limited 10 year's data

Fiscal Year	D/Y	EPS	DPR	PER	Size	MVPS
2013/14	4.24	38.63	1.13	20.97	40329	810
2014/15	3.39	37.77	1.64	17.95	50720	678
2015/16	5.61	41.53	0.85	20.93	74826	869
2016/17	2.89	26.6	1.90	18.24	89879	485
2017/18	4.39	26.45	2.01	11.34	129820	300
2018/19	7.94	23.07	0.91	13.79	154031	318
2019/20	5.07	19.55	1.30	15.14	170585	296
2020/21	2.98	22.79	1.52	19.35	228942	504
2021/22	4.34	20.6	1.57	13.07	264327	303
2022/23	1.66	22.48	5.34	11.26	285978	253

(Source: Annual Report)

Himalayan Bank Limited 10 year's data

Fiscal Year	D/Y	EPS	DPR	PER	Size	MVPS
2013/14	2.24	33.1	1.57	28.43	73590	941
2014/15	5.18	33.37	0.79	24.36	82802	813
2015/16	2.11	43.03	1.36	34.86	99863	1500
2016/17	2.97	33.55	1.27	26.4	107255	886
2017/18	2.87	23.11	1.46	23.84	116462	551
2018/19	3.99	32.44	1.47	17.02	133151	552
2019/20	3.7	27.6	1.38	19.57	155885	540
2020/21	5.37	28.07	1.08	17.25	178491	484
2021/22	6.39	18.26	0.96	16.39	216286	299.2
2022/23	0	9.18	0	23.18	332392	212.8

(Source: Annual Report)

Everest Bank Limited 10 year's data

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Fiscal Year	D/Y	EPS	DPR	PER	Size	MVPS
2013/14	2.38	86.04	72.79	30.58	70445	2631
2014/15	1.73	78.04	46.87	27.17	99153	2120
2015/16	2.07	40.33	173.57	83.94	113885	3385
2016/17	2.44	32.48	101.6	41.66	116510	1353
2017/18	3.02	32.78	61.01	20.23	144811	663
2018/19	3.75	38.05	65.7	17.5	170077	666
2019/20	1.56	29.71	35.44	22.72	185023	675
2020/21	1.48	19.91	51.83	37.06	211650	738
2021/22	5.99	26.3	78.63	16.69	225211	439
2022/23	5.58	31.43	65.32	17.91	250090	563

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(Source: Annual Report)

## APPENDIX- I

### Relationship between DY, EPS, DPR, PER, SIZE and MVPS

		Correlations					
		DY	EPS	DPR	PER	LNSIZE	MVPS
DY	Pearson Correlation	1	-.132	-.110	-.461**	.105	-.345*
	Sig. (2-tailed)		.363	.446	.001	.468	.014
	N	50	50	50	50	50	50
EPS	Pearson Correlation	-.132	1	.474**	.281*	-.349*	.799**
	Sig. (2-tailed)	.363		.001	.048	.013	.000
	N	50	50	50	50	50	50
DPR	Pearson Correlation	-.110	.474**	1	.656**	.249	.665**
	Sig. (2-tailed)	.446	.001		.000	.081	.000
	N	50	50	50	50	50	50
PER	Pearson Correlation	-.461**	.281*	.656**	1	-.097	.777**
	Sig. (2-tailed)	.001	.048	.000		.505	.000
	N	50	50	50	50	50	50
SIZE	Pearson Correlation	.105	-.349*	.249	-.097	1	-.273
	Sig. (2-tailed)	.468	.013	.081	.505		.055
	N	50	50	50	50	50	50
MVPS	Pearson Correlation	-.345*	.799**	.665**	.777**	-.273	1
	Sig. (2-tailed)	.014	.000	.000	.000	.055	
	N	50	50	50	50	50	50

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

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

(Source: SPSS Calculation)

## APPENDIX- II

### Impact of DY, EPS, DPR, PER and SIZE on MVPS

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.987a	.974	.971	119.15272

a. Predictors: (Constant), LNSIZE, PER, EPS, DY, DPR

#### ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	23496516.061	5	4699303.212	330.998	.000b
	Residual	624684.259	44	14197.370		
	Total	24121200.320	49			

a. Dependent Variable: MVPS

b. Predictors: (Constant), LNSIZE, PER, EPS, DY, DPR

#### Coefficients

Model	Unstandardized Coefficients	Std. Error	Standardized	t	Sig.	
			Coefficients			
B	Beta					
1	(Constant)	-1999.372	535.315	-3.735	.001	
	DY	19.066	12.608	.044	1.512	.138
	EPS	29.956	1.528	.693	19.599	.000
	DPR	-1.816	.679	-.130	-2.673	.011
	PER	40.219	2.485	.694	16.187	.000
	LNSIZE	173.138	93.034	.064	1.861	.069

a. Dependent Variable: MVPS

(Source: SPSS Calculation)

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CHAPTER - I INTRODUCTION 1.1 Background of the study Equity shares of publicly traded businesses are traded on stock exchanges between buyers and sellers. Stock markets are essential components of a free-market economy because they provide democratized access to trade and capital exchange for investors of all stripes. The term "stock market" refers to the public markets that are utilized for the issuance, acquisition, and sale of stocks that are traded over-the-counter or on stock exchanges. Values, or stocks, are investible resources that address a part of an organization's proprietorship. Financial backers can buy and sell stocks on the securities exchange. A functioning stock market is seen as crucial to economic expansion because it makes it simple for businesses to obtain public capital. The underpinning of a country's improvement is its modern turn of events. Nonetheless, Nepal is currently at an essential stage. In 1937, the Biratnagar jute mills and Nepal Bank Limited opened, kicking off the process of industrial development. The Company Act was first enacted by the government in 1964, and bonds were issued. Most of the areas – producing, handling, administrations, exchanging, and inns – have been set up as open undertakings claimed by the public authority and confidential restricted firms. Industrial development took a new turn, especially after democracy came back in 1990. Privatization and monetary advancement have arisen as the center fundamentals of Nepal's majority rule economy. The rise of the service sector, particularly the banking sector, has been the most important aspect of the Nepalese economy over the past 15 years. Confidential speculation, both homegrown and unfamiliar, is attracted to metropolitan markets. The extension of the working class in the Kathmandu Valley adds to the development of the Nepalese capital market. A sound security market is expected because of the developing revenue in and enthusiasm for corporate shares. There are two types of financial markets: money markets and capital markets. The money markets are markets for debt securities with shorter maturities than one year. Transient protections are exchanged essentially on currency markets. Money markets fall into two categories: organized and unstructured. The structured or formal money market, an institutional mechanism for the exchange of short-term securities, is made up of credit unions, financing companies, and commercial banks. Family members, native bankers, and owners of local businesses are all considered informal or unorganized sector participants. According to a 1992 report by Nepal Rastra Bank, the formal sector market only meets 20% of the total credit demand for the rural sector. This recommends that the country's monetary business sectors have not yet developed. The business sectors for corporate offers and long haul obligation are known as capital business sectors. Essential and optional business