IMPACT OF PROFITABILITY ON MARKET PRICE OF STOCK

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

By

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Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “IMPACT OF PROFITABILITY ON MARKET PRICE OF STOCK”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

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

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December, 2023

Report of Research Committee

Mr. Prakash Giri has defended research proposal entitled "IMPACT OF PROFITABILITY ON MARKET PRICE OF STOCK", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Dilli Ram Bhandari and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We have examined the dissertation entitled "IMPACT OF PROFITABILITY ON MARKET PRICE OF STOCK" presented by Prakash Giri for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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This study entitled **"**IMPACT OF PROFITABILITY ON MARKET PRICE OF STOCK" has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the impact of profitability on market price of development banks of Nepal.

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Abbreviations

BOD	:	Board of Directors
C.V.	:	Coefficient of Variation
DPS	:	Dividend per Share
EPS	:	Earnings per Share
GBBL	:	Garima Bikas Bank Limited
GDP	:	Gross Domestic Product
ICAN	:	Institute Of Chartered Accountants of Nepal
IPO	:	Initial Public Offering
JBBL	:	Jyoti Bikas Bank Limited
LBBL	:	Lumbini Bikas Bank Limited
LC	:	Letter Of Credit
MVPS	:	Market Value per Share
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
P/E	:	Price Earnings
ROC	:	Registrar of Companies
S.D.	:	Standard Deviation
SADBL	:	Shangrila Bikas Bank Limited
SEB	:	Securities Exchange Board
SEC	:	Securities Exchange Centre

Abstract

The purpose of this research is to examine the EPS, P/E ratio, BVPS, DY, DPS and market price of share in Nepalese development banks. It also includes structure of earning per share, BVPS, dividend yield, price earnings ratio, dividend per share and market value per share of insurance. Basically, stock price is determined by demand and supply forces. Both, the qualitative and quantitative factors determine the stock price. However, for some environmental changes, the stock exchanges have no effect. Through the financial sector has dominant position, most of the investors are not aware of the financial strength of the companies and they do not analyze company's financial indicators before they invest their funds through primary market-participating in IPO and secondary market NEPSE.

This research uses Market Value per Share (MVPS) as dependent variable and experiment variables as Earnings per Share (EPS), Price Earnings ratio (PER), BVPSs, Dividend Yield (DY) and Dividend Payout Ratio (DPR). The secondary data has been collected from the annual report published by development banks for nine years' period from 2013/14 to 2021/22. Descriptive and Casual research design is used to analyze and interpret the data using SPSS version 24. Four development banks i.e. Jyoti Bikas Bank Limited (JBBL), Garima Bikas Bank Limited (GBBL), Shangrila Bikas Bank Limited (SHBBL) and Lumbini Bikas Bank Limited (LBBL) are taken as sample out of 17 population using purposive sampling method. Multiple linear regression model has been used to show the impact of independent variables on MVPS. The result indicates that there is a positive and statistically significant relation of DPS, EPS and PER on MVPS but BVPS and DY is not significant even at significance level 0.10 with MVPS. Likewise, the regression result revealed that PER as independent variable is statistically significant at the significance level 0.01 and 0.05 but DY, DPS and EPS is not statistically significant even at 10% level of significance.

Key Words: MVPS, EPS, DPS, BVPS, PER

Chapter – I

Introduction

1.1 Background of the Study

The stock market is a mechanism designed to make it easier to exchange financial assets that have a longer maturity term than a year. It is a broad term that includes all agencies that facilitate the sale and resale of securities as well as buyers and sellers of securities. People purchase and sell securities on the stock market, which are less physical than gold but just as valuable. Financial securities can be exchanged on the stock market, which makes it easier to mobilize both internal and external financial resources.

One of the most important factors influencing a company's stock price is its profitability. Companies that are successful typically attract the attention of investors since they are a good sign of a company's sound financial standing and capacity to produce returns for owners. Earnings per share (EPS) is directly impacted by a company's profitability. Investors use earnings per share (EPS) as a key statistic to evaluate a company's profitability.

Increased EPS is a direct effect of increasing earnings, and higher EPS frequently results in higher stock prices. Profitable businesses might choose to keep their profits in order to reinvest them back into the company or to pay dividends to its shareholders. Retained earnings may result in future growth and draw in income-seeking investors, both of which could raise the price of the stock.

Profitable businesses are frequently preferred by institutional investors, including mutual funds and pension funds, because of their stability and possibility for expansion. Institutional investors' growing interest in the stock may raise demand for it and raise its market price.

The stock market is acknowledged as a successful means of generating capital for businesses while simultaneously offering individuals and institutions with excess funds a chance for investment. By offering a variety of assets, such as stocks, corporate bonds, mutual funds, stock derivatives, etc., the company can raise money from the stock market. In a similar vein, the government may raise money from the stock market by issuing

municipal and development bonds. However, selling securities is only feasible if the market provides equal opportunity for both institutional and individual investors, as well as for long-term capital investments and short-term speculative ventures. In addition to the general development and management of the market, protecting investors' interests is crucial for drawing in a large number of domestic and international investors.

In the field of corporate policy, the correlation between market share and profitability has perhaps received the greatest research attention. This study aims to investigate how several factors (market share, concentration ratio, etc.) affect bank profitability measurements in Bulgaria. Based on balanced panel data from 22 banks between 2006 and 2010, the analysis was conducted. The primary research hypothesis for the evaluation of bank profitability using return on equity (ROE), one of the most popular metrics, is that the top banks (based on market share) should have higher profitability. The survey's findings indicate a favorable and statistically significant correlation between banks' market share and profitability.

The findings of empirical research verify that there is no statistically significant correlation between the profitability of the Bulgarian banking industry and its level of concentration. According to the estimation results, changes in the external macroeconomic environment have no effect on the profitability of Bulgarian banks; rather, it is solely driven by factors connected to their management actions. The results of this investigation have several managerial ramifications. The bank can increase its market share in order to boost profitability first. Secondly, bank management shouldn't be concerned about the level of industry concentration. Analysis reveals that the factor affecting bank profitability is management rather than concentration (Genchev, 2012).

This study is to investigate the relationship between book value per share, P/E ratio, market value per share, earnings per share, and dividend per share in relation to the aforementioned topics. Additionally displays the effect on market value per share of earnings per share, dividends per share, book value per share, and P/E ratio.

1.2 Problem Statement

Market price plays significant role on the profitability of Nepalese development banks. In present context most of the investors are attracted to banking sectors and are very attentive toward the market. There are no sufficient researches that have been conducted regarding

market price. This study tries to find out the sensitivity of the market price and to identify the degree of those movements. The stock price fluctuates time to time and stock exchange reacts to the environment changes. The investors couldn’t identify the good and bad stocks among many. Further, there is not adequate number of organized investors to analyze the information regarding risk and return of the companies in the stock market in Nepal. In this situation any investors cannot take rational investment decision.

The paper "A Study on Nepalese Stock Market in the Light of its Growth, Problems and Prospects" was published by Dahal (2010). The capital market in Nepal is quite little when compared to other developed stock exchanges. Few brokers exist, there aren't many listed businesses, there aren't many transactions, and most significantly, investors don't recognize the advantages and disadvantages of the stock market. Because individual investors purchase relatively few shares and do not care to analyze data and information before purchasing and selling stock, they account for practically all of the market activity. Every investor can choose an asset that fits his risk tolerance, inclinations, and beliefs thanks to the wide range of securities on the market.

In his paper "Problems and Scenario of Capital Market in Nepal," Panthi (2018) found that while the country's stock market has seen favorable quantitative changes, numerous qualitative advancements are still needed to further the country's stock market's development. Effective implementation of regulations and the role of regulatory bodies, government policies, investor protection, timely and sufficient financial disclosure, control over insider information and market rumors, investor awareness of risk and return considerations, transparency of disclosure and corporate governance, and enforcement of rules and regulations through appropriate sanctions for noncomplying parties are all necessary.

An investor needs to be aware of the business climate, stock price volatility and sensitivity of the stock price, dividend policy of the firm, earnings, net worth, price - earnings ratio, and government policies regarding investors in general. Additionally, investors have a tendency to ignore statistical data and technical analysis in favor of explanatory information. Since the public has not been provided with adequate information regarding the financial performance of the listed businesses, the state and vibrancy of the stock market

are negatively impacted by the lack of transparency. The purpose of this study is to investigate the following research question:

- What is the position of market price behavior in Nepal?
- Is there any relationship between EPS, DPS, BVPS, P/E ratio and MPS of development banks of Nepal?
- What is the effect of EPS, DPS, BVPS and P/E ratio on MPS with various financial indicators?

1.3. Objectives of the Study

The major objective of this study is to find out effects of Profitability on Market Price of Nepalese Development banks. The main objectives of the study are as follow:

- To explain the position of EPS, DPS, BVPS, P/E ratio and MPS of development banks of Nepal.
- To identify the relationship between EPS, DPS, BVPS, P/E ratio and MPS of development banks of Nepal.
- To examine the impact of EPS, DPS, BVPS, and P/E ratio on MPS.

1.4. Hypotheses

The following hypotheses will be used for the study:

H_1: There is significant relationship between earning per share and market price per share.

H_2: There is no significant relationship between dividend per share and market price per share.

H_3: There is significant relationship between net worth per share and market price per share.

H_4: There is significant relationship between price earnings ratio and market price per share.

1.5. Rationale of the Study

Everyone is drawn to investing in shares in order to optimize their money and receive a higher return. Therefore, analyzing the share price sensitivity on the Nepalese stock market has shown to be a successful strategy for drawing in new investors. For individual investors who wish to trade in securities of multinational corporations and Nepalese companies, the study will be essential. Understanding the share prices of Nepal's numerous listed companies would also be aided by this study. All parties involved in the Nepalese share market, including policymakers, shareholders, and management, will benefit from it.

Investors may find this study useful in considering a portfolio reorganization. In a similar vein, prospective investors might base their timely investing decisions on the study's findings. The results will hold greater significance for researchers and academics studying the Nepalese stock market in the future.

The purpose of this study is to investigate the potential, issues, and future prospects of the Nepali stock market. Learning about the financial standing of particular banks will also be beneficial. Consequently, it is anticipated that this study will be beneficial to general investors and stock market-related organizations..

1.6. Limitations of the Study

No study is free of limitations, so as this study does have its own limitations. The following will be the limitations of this study:

1. The study will be mainly concentrated on the market price volatility of Nepalese development banks. Only four development banks out of 18 development banks will be selected via purposive sampling method.
2. This study will include the observation period of 10 years from FY 2012/13 to FY 2021/22 of four development banks.
3. The dependent variable, market price per share will be used in this study and will be computed only in the basis of the average price of stock in a year.
4. The data will be taken from secondary source; therefore, authenticity of the data is dependent on the accuracy of the information used.
5. The result will be strictly based on information provided by the company's website, SEBON, NEPSE, NRB etc. (www.nrb.com).

Chapter – II

Literature Review

Using a conceptual framework and a literature review will help you find out what other research has been done on the same subject. Finding out what research has been done and what needs to be done in one's chosen topic of study is, thus, the goal of the literature review. It includes:

- Theoretical Review
- Empirical Review

The purpose of this chapter is to evaluate the body of knowledge regarding the evolution of the stock market and economic growth. The pertinent papers and literature are examined from both domestic and foreign publications that are accessible through various libraries, organizations, and websites and are very important to our investigation. On this topic, a few books, journals, and research working papers have been reviewed.

2.1 Conceptual Review

2.1.1 General Concept of Profitability

In the business world, profit is the difference in value between the costs of producing and selling goods and services and the final prices that are paid for them. In the economy, making a profit is a necessary component of competition while purchasing and selling goods. Loss is the inverse of profit, occurring when the cost of creating a good or service exceeds what a customer is willing to pay. The desire to create and sustain profits in a free market economy is known as the profit motive. The theory of the firm has cast doubt on the universality of what is typically understood to be the fundamental motivation behind business. Particularly Japanese businesses are known for prioritizing market share over immediate financial gain.

The amount of money received from a sale that exceeds the amount of money paid, or simply the profit. A reward for engaging resources in conditions of speculative risk for the satisfaction of consumer demand, profit is defined by the dictionary of commerce as the surplus that results after a defined trading period. Nevertheless, profit must be regarded as the first essential charge upon business. It provides resources to invest in operations going

forward, hence its absence must lead to a decrease in effective capital resources and eventually the business's competitive extinction. (Lynch & Williamson, 1989).

As a legal entity, the bank ought to be able to profit from the investment vehicle. The notion of making a profit strengthens the bank's mission. To make money, the bank should invest its funds. The bank has several options for investing. A significant amount of money is deposited into several bank accounts as a deposit. The bank makes investments using loans, cash funds, and money gathered from other sources. Furthermore, the bank distributes its investments across other lucrative industries. The bank offers its clients a range of banking services. If the bank makes money from all of these investments and operations, it is considered successful. But the bank certainly provides little interest to the account holders who deposit the money in the bank. It can be guessed the liquidity from the profit of a bank has gained (Javaid & Alalawi, 2018).

There are two ways to interpret the word "profit." As an owner-oriented notion, it refers to the amount and portion of the national revenue that firm owners—those who provide equity capital as a variation on profitability—are paid. Put differently, profitability denotes a state in which the value generated by the utilization of resources surpasses the entire amount of resources used. Profitability is a phrase that deviates from "profit" and refers to the capacity to turn a profit as the primary indicator of a business enterprise's performance. It is merely describing the fundamental test performance of any firm Profit is defined as the excess of sales revenue over expenses, yet the term "profit" is highly contested and has many meanings.

Profitability is a phrase that deviates from "profit" and refers to the capacity to turn a profit as the primary indicator of a business enterprise's performance. It is merely describing the fundamental test performance of any firm. Profit is defined as the excess of sales revenue over expenses, yet the term "profit" is highly contested and has many meanings. Profit, according to economists, is what entrepreneurship gets in exchange for taking risks. A labor leader may argue that it serves as a gauge of labor productivity and a starting point for wage increase negotiations. Additionally, investors will see it as a gauge of their financial return. It could be used as a basis by an internal revenue agent to calculate income taxes. According to Lynch and Williamson (1989), an accountant's definition of it is the difference between

a company's revenue and its expenses for generating revenue during a specific fiscal quarter.

According to the American Institute of Banking, in a free market economy such as the United States of America, the pursuit of profit is thought to be the greatest way to advance both the national interest and the interests of individual investors. However, a company's profit cannot be its only goal, and its success should not be measured just by the amount of money it makes. If a banker unjustly sacrifices the safety funds of the bank's liquidity in an attempt to boost profits, neither the bank nor the community will be best served.

Every company has a variety of objectives. Maximizing profits is the aim of business. For a business, profit is everything. It holds the same significance as water. To pay for ongoing expenses associated with operating a firm, such as replacing furnishings and equipment, managing market or technological risks, etc. In the context of the self-financing principle, profit is crucial. It lowers the cost of capital and offers structure. An enterprise's profitability attracts investors. So, when there is a sufficient profit, investors would put their money to work. Therefore, in order to guarantee and fulfill the expectations of management, owners, investors, employees, and the country at large, profit is necessary.

2.1.2 Traditional Approach Towards Profit

The conventional method of studying the business environment and economic theory based on a firm's profit is called profit maximization. Profit maximization is one of the tenets of economic theory. The primary tenet of management economics is to maximize profit since it is always assumed that a company sets out to maximize profit and that this is the firm's discretionary behavior.

Profit serves as a gauge for a company's overall performance. If a company can continue to make enough money to cover its costs and maintain a positive return on investment, it can be considered successful. This helps companies avoid running out of money and offers the finest chances to expand their assets and grow their business (Shrestha, 1980).

Owners and managers have a significant motivation to perform effectively: the prospect of profit. Consequently, it is a widespread notion in economic theory that profit maximization should be the basis for judging a firm's actions. Manufacturing items and providing services are the fundamental business incentives. In this context, profit is defined as revenue that is

left over after all explicit and implicit expenditures have been subtracted, including the nominal profit that is allocated to the entrepreneur's services. "Every business needs profit to stay in business over the long term and to keep its capital adequate through retained earnings. In order to generate money for further support for the productive sector, it is also essential to accept the market for both equity and debt (Robinson, 1951).

2.1.3 Modern Approach Towards Profit

The business environment of today is very different from that of the past. In the past, maximizing profits was one of the company's primary goals. However, the company's primary goal these days is salsa maximization. Therefore, the company's goal can be to maximize shareholder wealth maximization or growth rate.

All businesses nowadays receive funding from creditors and equity investors. Professional management has connections to the government, workers, clients, and society at large. In addition to other goals, maximizing shareholder wealth is typically the company's goal; if not, it should establish a benchmark for fair profit.

Profit maximization is threatened, and economists who study the profitability of firms offer a plethora of solutions. Even so, there are arguments against a company's profitability maximization model. The alternative paradigm that applies when markets are perfectly competitive, monopolistic, or oligopolistic is still not well understood by economists. As a result, the profitability model continues to be used. Even now, a business wants to make as much money as it can. "Business has many objectives, and in order to achieve its demands for security, goodwill, and existence, it frequently has to give up some short-term financial gains. However, most businesses continuously rank profitability high among their long-term goals, and it may be argued that short-term goals like security and growth rate are less important than long-term profitability" (Lynch & Williamson, 1989).

2.1.4 Factors Affecting the Profitability

Firm Size

Size is thought to be a good indicator of many good things, including profitability. When Ha-Brookshire (2009) looked at US non-manufacturing enterprises, he discovered a strong and positive correlation between size and profitability. When Stierwald (2010) looked at big Australian corporations, he found similar effects. According to the resource-based

hypothesis, capital costs decrease with increased access to financial resources. This is relevant to large businesses. The company's ability to obtain more financial resources becomes easier as it grows, which lowers its cost of capital and boosts profits. Firm size and profitability were found to be positively correlated by Punnose (2008) and Malik (2011). Nguyen (1985) discovered that large, foreign-owned businesses typically make more money than large, local businesses. Keith (1998), however, looked at 38 small manufacturing companies in the Tayside Region of Scotland and discovered that size has little bearing on profitability. In Belgium, France, Italy, and the UK, Goddard et al. (2005) looked at the factors that affect manufacturing and service companies' profitability. The findings show that size, gearing ratio, and profitability are negatively correlated. The relationship between firm size and profitability is investigated in this study. The same metric that Kajüter (2006) used to determine firm size is total sales.

Working Capital

According to Grinyer and McKiernan (1991), one of the factors that significantly contributes to the explanation of business success is working capital. This is the outcome of looking through the data of 45 electricity businesses in the United Kingdom. When Chowdhury and Amin (2007) looked into the profitability of pharmaceutical companies listed on the Dhaka Stock Exchange, they came to similar conclusions. The findings demonstrate how working capital affects profitability as determined by ROA. Furthermore, Alipour (2011) used the Pearson correlation test and the multiple regression technique on 1,063 Tehran Stock Exchange companies. The findings indicate a strong correlation between profitability and working capital management. Malik (2011) examined the profitability of 35 Pakistani life and non-life insurance businesses in emerging nations. The results show a strong and positive correlation between profitability and working capital. Burja (2011) discovered comparable outcomes. Dong and Su (2010) discovered, however, that working capital management and profitability for companies listed on the Vietnam Stock Market were negatively correlated. This research investigates the relationship between working capital and profitability in Nepalese listed firms because the findings in emerging nations are inconsistent.

Company Efficiency

Efficiency is without a doubt the key to achieving larger revenues. Efficiency can be applied to the business as a whole or only to the activities. Innocent et al. (2013) examined

the pharmaceutical industry's profitability in Nigeria over an 11-year period, from 2001 to 2011. The findings indicate a weak and negative correlation between profitability and the ratios of total assets turnover, creditor velocity, and debt turnover. It is also discovered that there is a negative yet substantial correlation between inventory turnover ratio and profitability. The effect of fixed asset turnover ratio and total assets turnover ratio on return on assets (ROA) of companies in the Jordanian industrial sector was investigated by Warrad and Al Omari (2015). A straightforward linear regression was employed to examine the influence between 2008 and 2011. The study demonstrates that the ROA of the Jordanian industrial sector is significantly impacted by the total assets turnover ratio. Thus, variations in ROA can be attributed to the turnover ratio of total assets. However, a previous study by Selling and Stickney (1989) looked at operating profit margin ratios and total assets turnover as they related to return on assets (ROA) using data from a group of Composted enterprises between 1977 and 1986. They discovered negative relationships between operating profit margin ratios and total assets turnover in 15 of the 22 industries that made up their sample.

The total assets turnover and operational profit margin ratios were shown to be negatively associated in another study conducted by Reed & Reed (1989). The use of operating profit margin and asset turnover ratios to predict future profitability was investigated by Fairfield and Yohn (2001). It was discovered that there is a statistically significant negative association between the two variables. Skolnik (2002) examined the relationship between operational returns, operating profit margin, and total assets turnover ratios using the non-financial companies in the S&P 500 over the years 1989 through 1999. Over the course of the investigation, he discovered that while the operational profit margin ratio rose, the total assets turnover ratio fell. As a result, he discovered a statistically significant inverse relationship between operational profit margin ratios and total assets turnover. This study looks at the assets turnover ratio as one of the profitability metrics as the results demonstrate a discrepancy in this relationship. Profitability and corporate efficiency, as shown by the assets turnover ratio, should be positively correlated.

Company Liquidity

The ability of a business to swiftly turn an asset into cash is known as liquidity. It can also mean a company's capacity to settle its immediate debts. A variety of ratios, including the current ratio, quick ratio, and cash ratio, are used to quantify liquidity. A company's ability

to maintain liquidity is crucial to its operation. Bhayani (2010) looked at variables that affect cement companies' profitability between 2001 and 2008. He came to the conclusion that key factors influencing the profitability of the Indian cement sector include liquidity, the firm's age, the operating ratio, the interest rate, and inflation. Liquidity and profitability were found to be positively correlated by Boadi, Antwi, and Lartey (2013). Elsiefy (2013) investigated the factors influencing commercial banks' profitability in Qatar and discovered a robust correlation between Islamic banks' profitability and liquidity. Using the generalized method of moments (GMM) technique, Al-Jafari and Alchami (2014) conducted a more current study to examine the factors influencing the profitability of Syrian banks. Their findings show that the profitability of Syrian banks is highly impacted by the liquidity ratio, credit risk, bank size, and managerial effectiveness. Similarly, Pratheepan (2014) used static panel models to assess the profitability factors for manufacturing enterprises in Sri Lanka. The findings indicate that there is a substantial positive correlation between size and profitability.

Company Leverage

One element of a company's capital structure is leverage. This is due to the fact that selecting between debt and equity implies a trade-off between financial and business risk. Corporate ownership is unaffected when businesses decide to take on greater debt to meet their demands (Yazdnafar, 2013). After measuring the factors affecting profitability and industry affiliation by looking at the data of 12,530 non-financial micro-firms operating in four industrial sectors in Sweden, the researcher came to the conclusion that businesses with a high percentage of equity based on shareholders' investment provide better credit rating for the businesses.

As a result, businesses that take on a lot of debt run greater risks than those that use more equity, which tend to operate more cautiously by employing internal resources. The ideal debt level, in accordance with the trade-off theory of capital structure, strikes a balance between the advantages and disadvantages of debt. Up to a particular debt ratio, the tax benefits of debt outweigh the costs, increasing return on equity; however, beyond that point, the benefit would be smaller. A company's income tax liability decreases as it employs more debt, but it also increases its financial risk (Myers, 1984). Charumathi (2012) investigated the factors that influence the profitability of life insurance firms in India. He discovered that leverage significantly and negatively affects profitability.

2.2 Theoretical Review on Stock price

Shareholder Value Theory

The idea that maximizing shareholder wealth should be management's top priority is the central narrative surrounding shareholder value. Increases in dividend payments and the monetary worth of the investment (capital gains) are two indicators of growing shareholder wealth. Growing the return on assets in the balance sheet over time is a sign of success when evaluating the performance of a company's management team (Fligstein and Shin 2007).

Since the 1980s, a significant factor in capitalist nations has been a greater emphasis on shareholder wealth (Martin et al. 2007). In the 1980s and 1990s, companies in the United States, Australia, and Great Britain identified shareholder pleasure as a core idea of corporate administration. Since then, the notion has gained traction in many other nations (Lazonick and O'Sullivan 2000). Into the twenty-first century, the emphasis on "maximizing shareholder value" has continued to gain traction. The pursuit of maximizing shareholder value has intensified due to the rise of institutional shareholders relative to governments and individual shareholders. It was simpler to carry out the takeovers suggested by agency theorists when stockholding moved from private individuals to institutions (Lazonick and O'Sullivan 2000). According to Martin et al. (2007), the goal of maximizing shareholder value serves as the foundation for performance indicators that incentivize managers and inform investors of the organization's level of performance. Individual activist investors have become more and more involved in companies, primarily with the goal of influencing management's operations in order to increase the market value and intrinsic worth of the business and, ultimately, increase the value of their stakes (Ponomareva 2018). Hedge funds have been increasingly important in shareholder activism among institutional investors (Armour and Cheffins 2009).

Stakeholder Theory

The "stakeholder theory" is an alternative to the shareholder value theory. According to this approach, managers should develop and implement policies that take into account the demands of all stakeholders affected by the firm. According to this theory, a company's management should take important stakeholders' interests into account in order to improve the firm as a whole over the short and long terms. A company's ability to successfully

manage the conflicting demands of its stakeholders determines its success (Schwab and Kroos 1971).

In his groundbreaking formulation of stakeholder theory in 1984, Freeman argued that an organization's primary purpose should be to serve as a vehicle for ensuring the interests of its stakeholders are met, rather than just its own financial gain. A stakeholder approach includes actively promoting shared affairs, partnerships, and business circumstances (Freeman and McVea 2001). Jensen (2001) criticized the stakeholder approach, claiming that managers are unable to make wise judgments because of the circumstances they are placed in. Since the idea does not specify performance metrics, managers are not held accountable for their actions. Therefore, the theory appeals to managers who prioritize their own interests. Jensen (2001) further pointed out that, according to data spanning more than 200 years, societal welfare is greatest in economies where every enterprise has the unrestricted ability to increase its market value. It has been discovered that companies with robust shareholder rights exhibit greater performance on a variety of parameters (Gompers et al. 2003). Strong shareholder rights are associated with better valuations, more profitability, higher revenue growth, lower capital expenditure costs, and a decreased need for acquisitions, according to a 1990s study of 1500 large companies.

Theory of Stock Price

The market, where buyer demand and seller supply balance, sets stock prices. However, have you ever questioned what influences a stock's price and what moves the stock market? Sadly, there isn't a simple formula that can accurately predict how a stock's price will move. Nevertheless, we do have some knowledge of the factors that influence a stock's rise or fall. Although a number of factors influence stock prices, supply and demand in the market at any one time determine the price at that instant. Technical aspects of a stock's price history in the market include momentum, chart patterns, and trader and investor activity (Om & Geol, 2017). Risk and the behavior of stock prices have gained more significance in recent years for scholars, market players, regulators, and financial professionals. Reviewing the body of research on hypotheses that explain stock price behavior is the goal of the current investigation (Ritter & Silber, 2007). The stock market is a financial marketplace where long-term securities, such as those backed by debt and equity, are purchased and sold. The most popular and frequently traded securities in financial markets are stocks, sometimes known as "shares" or "equity." Arkan (2016). In the event that stock prices exhibit a mean

reverting process, investors may be able to predict future returns by utilizing historical return data, as there is a propensity for the price level to eventually return to its trend path. As the number of listed businesses rises, so does the stock market's BVPS. Market capitalization ratio, which divides the total market value of listed shares by GDP, is another indicator of stock market BVPS.According to Alexander (1997), there is a strong and positive correlation between the development of the stock market and economic growth. Likewise, Archer & Ambrosio (2006) have determined that long-term economic growth can be stimulated by a robust stock market.

The Pricing Decision Theory

Determining the best price for a good or service is referred to as pricing decision theory. To make well-informed price decisions, a variety of elements must be analyzed and economic concepts must be applied. Pricing decisions are based on the fundamentals of supply and demand. Prices usually increase when there is a high demand for a good or service and a limited supply. On the other hand, if supply outpaces demand, it can be necessary to reduce prices in order to boost sales. The amount demanded's sensitivity to price variations is measured by price elasticity of demand. A little change in price will cause a correspondingly bigger change in the quantity required if demand is elastic. On the other hand, price changes have a comparatively less effect on quantity required if demand is inelastic. Determining how price adjustments may impact sales revenue requires an understanding of price elasticity.

Cost-based pricing determines the price by taking the intended profit margin, operational and production expenses into account. Various cost-based pricing techniques include target return pricing, which attempts to get a particular return on investment, and cost-plus pricing, which adds a markup to the cost of manufacturing. Setting prices in accordance with competitiveness, market dynamics, and customer value judgments is the main goal of market-based pricing. Market-based pricing techniques include price skimming and penetration pricing, which involve setting low initial prices to increase market share. The psychological aspects that affect how consumers perceive prices are taken into consideration when developing a pricing strategy. Techniques like prestige pricing—which involves setting high costs to evoke feelings of exclusivity or luxury—and charm pricing—which involves setting prices slightly below whole numbers, such as $9.99 instead of $10—are used to sway consumer behavior.

Arbitrage Pricing Theory (1976)

The factor loading model and the macro variable model are the two APT variations. Artificial variables produced by factor analysis are used in factor loading models. According to Erdugan (2012), the macro variable model employs macroeconomic variables that have an economically interpretable impact on stock prices. The APT was created by Ross in 1976, and Roll and Ross (1995) explored its benefits for portfolio management and offered a clearer explanation of the concept. An alternate method to the CAPM, which has emerged as the primary analytical instrument for elucidating the phenomena seen in capital markets, is the APT.

Using a linear combination of variables, it forecasts a link between the returns of a portfolio and the returns of a particular asset. With the APT approach, the concept of "pricing by arbitrage" was fully utilized, departing from the risk vs return rationale of the CAPM. Since arbitrage-theoretic reasoning is the fundamental logic and process of almost all finance theory, it is not exclusive to any one theory, as Ross (1976) has pointed out. While it was observed that both APT variants performed significantly better than the CAPM, there was no clear winner when it came to within- and out-of-sample explanatory power.

2.3 Theoretical Review on Profitability

The efficiency theory

Conversely, the efficiency hypothesis asserts that banks' large profits are a result of their superior efficiency. The X-efficiency and Scale-efficiency hypothesis are two different approaches that fall under the efficiency category. The X-efficiency approach states that because more efficient businesses have lower overhead, they are more profitable. These companies typically increase their market shares, which can result in increased market concentration levels, although there is no correlation between concentration and profitability. (Athanasoglou et al. 2008).

Financial Performance Theory

According to Nandan (2010), financial performance is a subjective assessment of how well a firm uses its resources to generate income. A corporation might be seen to be performing well financially if it is making greater use of its assets than its peers or competitors. Financial performance can be measured in a number of fundamental ways. By concentrating on the balance sheet, income statement, and cash flow statements of the

business, financial ratios—which can be presented in this way—are utilized to evaluate performance (Engle 2010). The primary measures used in such an evaluation are estimates of return on equity (ROE) and return on assets (ROA).

Slack Resource Theory

Two theories from the management literature can be used to explain the relationship between CSP and CFP: (1) slack resource theory, and (2) good management theory, also known as the resource-based perspective of competitive advantage (Miles et al., 2000). The foundation of slack resource theory is the idea that an organization's resources, which are often allocated to predetermined tasks, enable it to carry out its operations. The resource's purpose is to make it possible for the business to effectively respond to demands for change, whether they come from the outside or from within (Buchholtz et al., 1999). Slack, which is defined as any accessible or free resource (financial and other organizational resource) used to reach the firm's specific aim, is the resource that the company needs to successfully adapt (see, for example, Bourgeois, 1981; Jensen, 1986). Waddock and Grave (1997) posit that an improvement in a business's financial performance will free up resources for the corporation to engage in corporate social performance, which includes employee relations, society and community relations, and environmental performance. Through image, reputation, segmentation, and long-term cost savings, the corporation hopes to strengthen and improve its competitive edge through some of its corporate social performance initiatives (Miles & Covin, 2000; Miles & Russel, 1997; Miles et al., 1997). McGuire et al. (1988, 1990) have provided some empirical support to the theory.

Good Management Theory

Stakeholder theory is further articulated by Waddock and Grave (1997) in their explanation of the CSPCFP connection. (Donaldson & Preston, 1995). According to the excellent management principle, a business should aim to satisfy its stakeholders without making assumptions about its financial situation. The business will gain a positive reputation and image by doing this. From a resource-based perspective, one of the company's assets is its qualities, which are an intangible component that helps the business gain a competitive edge. (Barney, 1991).

In essence, the notion pushes managers to always look for new and improved ways to boost their organization's competitive advantage, which in turn can increase the financial

performance of the company. Miles and Covin (2000) assert that environmental performance can be a unique advantage that strengthens competitive power and serves as an alternate means of satisfying stakeholders. Advocates of good management theory contend that good management practices have a strong correlation with CSP because they can enhance a business's standing with its stakeholders, which benefits the business's bottom line and competitive edge (Donaldson & Preston, 1995; Freeman, 1994; Waddock & Grave, 1997). There is some empirical evidence in favor of good management theory (McGuire, 1988, 1990; Waddock and Grave, 1997).

Agency Theory

The relationship between the principal (shareholders) and agents (management) is the subject of this theory. It focuses on how shareholder and management alignment of interests impacts profitability in the setting of insurance firms. Profitability can be increased through management incentives and effective corporate governance (Adams and Buckle, 2000).

The Market Power Theory

The market power hypothesis, as mentioned in Tregena (2009), states that the industry's market structure affects a bank's performance. The Structure Conduct Performance (SCP) and Relative Market Power (RMP) hypotheses are two different ways that make up the market power hypothesis. The SCP method states that banks have the potential to gain market power due to the degree of market concentration in the banking industry, which could increase banks' profitability. Regardless of their efficiency, banks operating in more concentrated markets are more likely to make abnormal profits than businesses in less concentrated markets due to their ability to charge higher loan rates and lower deposit rates for monopolistic or collusive (explicit or tacit) reasons (Tregenna 2009).

The Balanced Portfolio Theory

According to Olweny and Shipo (2011), the portfolio theory approach is the most pertinent and significant in bank performance research. The optimal holding of each asset in a wealth holder's portfolio is a function of policy decisions determined by a number of factors, including the size of the portfolio, the vector of risks associated with owning each financial asset, and the vector of rates of return on all assets held in the portfolio, according to the Portfolio Balance Model of Asset Diversification. It suggests that the intended composition of commercial banks' portfolios and portfolio diversification are the outcome of decisions

made by bank management. Additionally, the management's determination of a workable set of assets and liabilities as well as the unit expenses incurred by the bank in creating each asset component affect the potential to achieve maximum profits (Olweny & Shipo, 2011).

Bankruptcy Cost Theory

According to (Aremu, Ekpo, and Mustapha, 2013), the positive correlation between capital sufficiency and profitability can be explained by the bankruptcy cost theory. In order to lower the estimated value of bankruptcy expenses and prevent financial distress, banks will need to hold more equity and boost their capital ratio if the costs of bankruptcy are unexpectedly high as a result of environmental changes.

Risk Return Hypothesis

Olweny and Shipho (2011) posited that the negative correlation between capital adequacy and profitability can be explained by the Risk-Return hypothesis. A bank will increase leverage or debt in order to increase profitability when it chooses to take on greater risk in order to obtain higher expected returns. This implies that a bank would have to lower its equity-to-asset ratio (capital) in order to raise leverage. This hypothesis therefore illustrated how a bank's preference for using leverage over equity can have a detrimental impact on capital sufficiency and bank profitability.

Portfolio Theory

The theory of portfolios, commonly referred to as modern portfolio theory. Financial institutions have been dealing with credit defaults for a while now. The Modern Portfolio Theory was developed by Harry Markowitz in 1952 and is extensively utilized by MFIs and the banking industry. The value at risk and portfolio at risk are used by the majority of MFIs to manage exposure resulting from changes in interest rates and market conditions. With the use of this theory, investors may evaluate the projected risk and return on their investment holdings (Wong, 2013). The 14 MPT is a sophisticated technique to investing that has shown to be successful in helping investors and financial institutions construct their asset portfolios. Markowitz measured exposure and provided mathematical evidence of how portfolio diversity lowers risk and boosts investors' return on investment. By adopting a statistical measure for their asset portfolios, investors can use modern portfolio theory to predict both the expected return and their risk exposure. Markowitz (1952) provided examples of how to combine assets to create portfolios that are well diversified. According

to this theory, the majority of investors failed to properly account for the high connection between security incomes. The theory posits that by pooling securities with diverging value actions, a portfolio's exposure can be reduced and its predicted rate of return can be increased. According to Markowitz, diversity reduces vulnerability when securities are combined and their prices move at different times or in opposition to one another.

Value at Risk Theory

This theory is used to calculate the probability of portfolio losses based on mathematical analyses of historical price fluctuations and volatility. Since it can measure risk as it happens, banks and financial firms frequently employ it. When making judgments about trading and hedging, it is crucial for businesses to take this into account 15 (Kaplanski & Levy, 2013). Three variables—the total potential loss, the chance of that total loss, and the time period—can be used to calculate value at risk. This theory is relevant to the study because it helps measure credit risk associated with non-performing loans and portfolios that are at risk in relation to MFIs' financial health. This theory also aids in identifying the relevant risk factors affecting the various portfolios of MFIs.

Liquidity Risk Theory

One significant danger that comes before every unrelenting market disaster is liquidity risk. It is called the method that transforms isolated loss trades into widespread financial institution collapses, and it is contended to be the decisive indicator that causes credit risks to soar in addition to market risks. This is also true of the unparalleled catastrophe that the US mortgage industry experienced in 2007. According to Acerbi and Scandolo (2007), every financial institution ought to be able to identify and group the many types of liquidity risk that it faces. Microfinance institutions' balance sheet composition, product portfolio, cash flow reports, and deals all play a significant role in determining their liquidity requirements and the sources of liquidity available to meet them. Therefore, in order to prevent a negative impact on its earnings and capital, any financial institution must assess its liquidity position. This theory is relevant to the study because it helps to quantify the liquidity risk associated with non-performing loans and portfolios that are at risk, which in turn affects the financial stability and performance of MFIs. This theory also helps in determining the pertinent variations in capital and revenue that impact the MFIs' overall stability.

Commercial Loan Theory or Real Bills Doctrine

During the early 1920s, this theory developed. According to the real bills doctrine, a commercial bank should only provide business businesses with short-term, productive loans that self-liquidate. Loans designed to finance production, storage, transportation, and distribution are known as self-liquidating loans. The loans are thought to automatically liquidate when such things are eventually sold. Three benefits come with such a short-term self-liquidating productive debt. They automatically liquidate themselves because, first of all, they have cash. Second, there is no chance of them incurring bad debts because they mature quickly and are used for beneficial uses. Third, because these loans are profitable, the banks benefit (Sinkey, 1983).

i. Asset Conversion or the Shift ability Theory

In the latter part of the 1940s, this hypothesis was developed. H.G. Moulton developed the shift ability hypothesis of bank liquidity, arguing that there is no need to rely on maturities if commercial banks have a sizable quantity of assets that may be transferred to other banks for cash without suffering a meaningful loss in an emergency. This point of view states that in order for an asset to be completely shiftable, it must be instantly transferable without causing capital loss when the need for liquidity arises. However, during a general crisis, all banks must have these kinds of assets on hand so that they can be transferred to the central bank, which serves as the lender of last resort. There are some truthful aspects to this hypothesis (Bhandari, 2004). However, it is not without flaws. First off, the financial system does not get liquidity from the simple transfer ability of assets. It is totally dependent on the state of the economy. Second, the shift ability argument fails to take into account the fact that the bank is unable to transfer shares or debentures to other parties during periods of severe depression. Nobody wants to buy them in such a scenario, and those who do want to sell them. Third, even if a single bank could have enough shift able assets, if it tries to sell them during a bank run, it could have a negative impact on the whole banking system. Fourth, if all the banks simultaneously start shifting their assets, it would have disastrous effect soon both the lenders and borrowers.

ii. The Anticipated Income Theory

H.V. Proch's expected income theory was created in 1950 and was based on the US commercial banks' practice of offering term loans. This idea states that the bank prepares the long-term loan's liquidation from the borrower's projected income, irrespective of the

type and form of the borrower's business. A term loan is one that lasts more than a year but less than five years. It is awarded in opposition to the hypothecation of stock, machinery, and even real estate. When granting this loan, the bank places limitations on the borrower's financial activity. In addition to the security, the bank considers the borrower's expected earnings at the time of loan issuance. Actually, the primary factor is the expected revenue.

Because it satisfies the three goals of liquidity, safety, and profitability, this theory is preferable to the shift ability hypothesis and the real bills doctrine. The bank receives assurance of liquidity when the borrower maintains savings and makes timely installment loan repayments. It complies with the safety principle since the bank offers a loan based on the borrower's ability to repay the loan during its term and their guarantee of a steady income, in addition to a good security. Finally, the term loan has a lot of advantages for the company.

iii. The Liabilities Management Theory

The late 1960s and early 1970s saw the development of theory. This theory holds that since banks may borrow reserve money in the money market in an emergency, they do not need to give self-liquidating loans and maintain liquid assets. A bank can obtain reserves by establishing new obligations from various sources against it. These sources consist of the issuance of time certificates of deposit, borrowing from the central bank and other commercial banks, issuing shares to raise capital, and pouching back profits. We quickly go over these bank sources (Sinkey, 1983).

a. Time Certificates of Deposits

In the money market, time certificates of deposit are negotiable. on order to obtain liquidity, a bank may sell them on the money market. However, there are two restrictions. First, time deposit certificates cannot be offered on the market if, during a boom, the money market's interest rate structure exceeds the ceiling rate established by the central bank. Secondly, the commercial banks cannot depend on them as a source of funding. Larger commercial banks have an edge over smaller banks when it comes to marketing these certificates since they can provide larger certificates at even lower interest rates. In this regard, the smaller banks are at a disadvantage.

b. Borrowing from Other Commercial Banks

A bank that borrows money from other banks that have extra reserves may end up with more liabilities. However, these kind of loans from banks with excess reserves are only made for a day or a week at most. The current money market rate determines the interest rate on these types of borrowings. However, borrowing from other banks is only feasible when the economy is doing well. No bank can afford to lend money to anyone during unusual times.

c. Borrowing from the Central Bank

Additionally, banks impose responsibilities on themselves by taking out loans from the nation's central bank. They borrow money by discounting central bank notes in order to cover their short-term liquidity needs. However, compared to borrowing from other sources, these types of borrowing are more expensive.

d. Raising Capital Funds

Commercial banks use the issuance of debentures to raise capital. However, the amount of dividend or interest rate that the bank is willing to offer will determine how much money is available through this source. Typically, banks are unable to offer interest rates that are greater than those offered by trading and manufacturing firms. Thus, they are unable to obtain enough money from these sources.

e. Plugging Back of Profit

Reinvesting its profits is another way for a commercial bank to get liquid capital. However, its rate of profit and dividend policy will determine how much company can get from this source. Bigger banks are more likely than smaller banks to rely on this source.

2.4 Empirical Review

Kumari (2019) conducted a study on *An Empirical Analysis of Stock Price Behaviour around Bonus Issue Announcement in India*. Given this, the current study looks into how Bonus Issue announcements affected the Indian stock market over a five-year period, from 2014 to 2018. Announcements of corporate actions are typically interpreted as positive news for market investors. The data have been analyzed and interpreted using statistical methods such as t-test, mean, standard deviation, regression analysis, percentage analysis,

and CAGR (Compounded Annual Growth Rate). To examine the abnormal return taking into account nine companies, an investigation window (t-10 to t+10) was taken for all bonus issue announcement events. The outcome shows that the announcement of a bonus share issue has no effect on the Indian stock market. As a result, this study supports the idea that a company's announcement of the issuance of bonus shares has no discernible impact on the stock price.

Thapa (2019)) conducted a research on *influencing factors of stock price in Nepal.* The researcher's goal is to identify the variables affecting the stock price in the Nepali market. Earnings per share (EPS), dividend per share (DPS), market whims and rumors, and company profiles showed a significant positive association with share price, while interest rate (IR) and price to earnings ratio (PER) showed a significant inverse association with share price. These findings were obtained through financial and statistical analysis using ratios and regression. As a result, it is determined that the short-term interest rate and dividends may be the most significant indicators of stock prices in Nepal's secondary market.

Silwal and Napit (2019) conducted a research on *Fundamentals of Stock Price in Nepalese development banks*. The purpose of this study is to identify the factors that influence the stock market price in Nepalese development banks between 2065–2066 and 2074–2075. It is based on aggregated cross-sectional data from ten banks with stocks listed on the Nepal Stock Exchange during a ten-year period. While BVPS has a negative correlation and is statistically insignificant with company price, dividend yield has a positive but minimal impact on stock price. It also shows that one of the main factors influencing Nepali stock prices is book value per share.

Karlsson, Häggqvist and Hedberg (2020) conducted a research on *Market structure and efficiency in Swedish development banking, 1912–1938*. The relationship between market structure and performance in the Swedish development banking sector from 1912 to 1938 is examined in this article. New market regulations were implemented at this time in an effort to promote large-scale banking. The industry thus went through a significant era of consolidation. Fractional regression analysis is a tool used by researchers to study how bank mergers and market concentration affect efficiency. They discover that over this time, the average efficiency of the Swedish development banking sector was significantly impacted

negatively by market concentration. Large financial intermediaries might have been required to provide funding for the extensive industrial and infrastructure projects.

Ashraf (2020) examined about *Stock markets' reaction to COVID-19: Cases or fatalities*. The primary aim of this paper was to investigate how the stock markets reacted to the COVID-19 epidemic. Using data on daily COVID-19 confirmed cases, deaths, and stock market returns from 64 countries between January 22, 2020, and April 17, 2020, we conclude that the increase in COVID-19 confirmed cases had a negative impact on stock markets. In other words, as the number of confirmed instances rose, stock market returns decreased. We also discover that stock markets responded more aggressively to an increase in confirmed cases than to an increase in fatalities. Additionally, according to our data, there was a significant negative market reaction in the early days following the confirmation of cases as well as between 40 and 60 days later. Overall, our results suggest that stock markets quickly respond to COVID-19 pandemic and this response varies over time depending on the stage of outbreak.

Panta (2020) conducted a research on *Macroeconomic Determinants of Stock Market Prices in Nepal*. An autoregressive distributed lag (ARDL) model is used in this study to analyze the relationship between stock market prices (NEPSE index) and five macroeconomic variables: real GDP, broad money supply, interest rate, inflation, and exchange rate. The goal of the model is to explain the behavior of the NEPSSE index. The outcome shows that the broad money supply, interest rate, inflation, and exchange rate have a significant long-term relationship with the variation of the NEPSE Index. In the short term, the GDP, money supply, and exchange rate can all be positively defined; however, in the long term, only the money supply can be positively defined.

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. There were 57 distinct issuers in this investigation. The 2018 financial report provided the data that was used. The SPSS version 25 program's data processing results show that Return on Equity and Earnings per Share have a 67.3 percent influence on stock prices, with Earnings per Share having a moderately favorable impact. The negative effect of return on equity was also felt by stock prices. EPS had the biggest and

most significant effect on stock prices when these two factors were compared, whereas return on equity had the reverse effect.

Raza et al., (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)*. Numerous statistical analysis techniques, such as descriptive statistics, correlation matrices, pooled OLS, Hausman tests, Breusch and Pagan LM tests, and fixed effect models, were employed in the analysis. In Pakistan's textile industry, it was discovered that firm share price was positively and strongly correlated with both macro and micro dynamics (GDP, EPS, BVS, and LNFS). On the other hand, it was found that macro (INF) and micro (DPS) dynamics were insignificant. The study adds to the corpus of information and ongoing discussion regarding the variables affecting share price in developing markets, specifically in Pakistan's textile industry.

Niroula (2021) conducted a research on *stock price behavior of commercial banks of Nepal*. This study aims to investigate the stock price behavior of commercial banks in Nepal. MPS is the dependent variable in this study, while the experiment factors include ROE, BV per share, DY ratio, EPS, PE Ratio, and ROA. Using SPSS version 23, a descriptive and analytical research design is utilized to examine and evaluate the data. The influence of independent variables on MPS has been demonstrated using a multiple linear regression model. The outcome shows that bank BVPS, PE ratio, and EPS have a favorable and statistically significant impact on MPS. Other factors barely make a difference.

Endri (2021) observed about the *Stock price volatility during the COVID-2019 pandemic: The GRACH model*. Using an event study methodology and the GARCH model, this research looked at how stock prices on the Indonesia Stock Exchange (IDX) responded to COVID-19. The study's practical implications for investors are that abnormal returns are impacted by stock price volatility, which was brought on by the COVID-19 event. The empirical literature that is presently being generated to look into the phenomena of stock price volatility behavior during COVID-19 on the IDX is the basis for this study. The COVID-19 pandemic causes an increase in stock price volatility, which in turn causes anomalous returns to drop, as demonstrated by the GARCH model. The empirical results also support the theories of financial behavior related to uncertainty and the efficient market hypothesis theory related to the study of occurrences.

Bhatt and Jain (2022) measured the study of *economic policy uncertainty and dividend policy: Evidence from development banks in Nepal*. We looked at how Economic Policy Uncertainty (EPU) affected dividend distribution strategy in order to offer some data from prospective developing nations. The empirical findings show that during EPU, the banking company in Nepal does not start or stop paying dividends. Additionally, we discovered evidence that banking executives did not respond to policy distress with a cautious incentive. For the banking company in Nepal, the choice to pay dividends is instinctive rather than unclear due to shifts in economic policy. Our findings run counter to the findings of other significant studies carried out in developed market environments, thus we recommend that banking companies think about, assess, and modify their dividend policy in light of the opportunities and risks presented by the national economic strategy.

Ali (2022) conducted a research on *Micro-meso-level and macro-level determinants of stock price crash risk: a systematic survey of literature*. In order to identify the macro-meso and micro-level factors influencing stock price crashes, this paper performs a comprehensive assessment and synthesis of the empirical research on the antecedents of stock price crash risk. The probability of a stock market crash is significantly influenced at the meso-level by factors such as media coverage, industry-level characteristics, consumer concentration, ownership structure, and behavioral aspects. Lastly, managerial traits, firm-specific factors, earnings management, business policies, CEO attributes and compensation, financial transparency, and financial transparency are micro-level factors that affect the likelihood of a stock market crash.

Connell (2023) examined on determinants of bank profitability: evidence from the UK. Examining the impact of macroeconomic, industry-specific, and bank-specific factors on bank profitability among domestic UK commercial banks is the aim of this research. An empirically motivated single equation framework incorporating the classic structure–conduct–performance (SCP) hypothesis was employed in this investigation. To account for profit persistence, a panel of UK banks covering the years 1998–2018 were subjected to a generalized version of Moment's strategy. The estimation results demonstrate that all bank-specific factors have the expected, substantial effects on bank profitability, with the exception of credit risk. But there was no proof discovered to back up the SCP theory. Bank profitability is significantly impacted by interest rates, particularly longer-term interest rates, and the rate of inflation; once other factors are taken into consideration, the business

cycle has a symmetrically little impact. In the UK banking sector, profitability is maintained to a reasonable degree, suggesting that the market structure is not totally competitive.

AI- Matari (2023) examined the determinants of bank profitability of GCC: The role of bank liquidity as moderating variable-Further analysis. The main goal of the study is to look into the factors that affect bank profitability in the GCC countries. Ordinary least squares (OLS) regression is used to examine data that were received from GCC banks between 2000 and 2018. The size of the bank and asset management have a major impact on the performance of GCC banks, according to the acquired findings. Furthermore, the relationship between capital adequacy, asset quality, and the performance of GCC banks is moderated by bank liquidity. The bank's profitability score has a favorable correlation, according to more research. Furthermore, there is a positive but moderate association between bank liquidity and the performance of GCC banks as measured by their profitability score. Policymakers, regulators, and shareholders should find this study's implications for the factors that determine bank profitability in emerging economies-where common profitability exists—helpful in determining the banks' appeal to investors.

Jigeer and Koroleva (2023) examined the determinants of profitability in the city commercial banks: Case of China. The profitability of Chinese city commercial banks is examined in this study using a panel data regression model to examine the effects of both internal and external factors. The 16 specified city commercial banks that make up the research sample have an unbalanced dataset that spans the years 2008–2020. To find out what factors affect Chinese city commercial banks' profitability, a panel data regression method is applied. Panel data can be estimated using a variety of techniques, although the fixed effects and random effects models are the most widely used. In panel data regression, the pooled OLS model is frequently used as a comparison model; statistical hypothesis testing will identify the best model. The findings indicate that while liquidity has no discernible impact on the profitability of city commercial banks, internal explanatory variables like bank size, capital adequacy, credit quality, and operating efficiency, as well as external explanatory variables like inflation and province GDP, have a significant impact. By identifying the factors that influence city commercial banks' profitability in light of the most recent state of the Chinese banking industry, the paper adds to the pertinent body of literature. It also offers useful recommendations for enhancing bank profitability,

which are crucial for regulators, management of financial institutions, and local and state governments.

Ahmeti and Iseni (2023) analyzed to investigate how certain business factors—specifically, independent variables like liquidity, size, age, physical assets, leverage, capital, and firm growth—affect profitability as measured by return on assets (ROA) and net profit margin (NPM), which are the dependent variables. For the years 2015 through 2020, eleven insurance firms make up the study's sample. The regression's findings show that the company's age, size, and leverage all significantly affect ROA. Meanwhile, firm development and size have a big impact on the NPM of insurance businesses in Kosovo.

Subedi (2023) examined the profitability and determinants of protected vegetable farming in Nepal. Globally, protected vegetable farming is becoming more and more popular as a means of increasing the quantity and quality of vegetables produced. The study's results about the factors that influence protected vegetable farming in Nepal and its profitability are covered in this paper. Ninety respondents who were cultivating vegetables beneath covered structures were chosen for the study, which was carried out throughout seven districts in Nepal. The data were analyzed using multinomial logistic regression and descriptive statistics. In comparison to semi-permanent and permanent structures, the financial analysis revealed a noticeably greater benefit-cost ratio and payback period for temporary structures. Regarding the promotion and adoption of various forms of protected structures, the study's conclusions will have an impact on farmers, suppliers of building materials, and legislators.

Table 1

Summary of Previous Studies

Author	Year	Title	Variables	Findings
Ali	2022	Micro, meso and Macro level factors are independent variables and stock price is used as dependent variables.	To ascertain the macro-meso and micro-level determinants contributing to stock price crashes	The findings indicate that macroeconomic factors such as corporate governance, political and legal factors, socioeconomic indicators and religious beliefs have an effect on firm-level corporate

				behavior contributing to stock price crash risk.
Bhatt and Jain	2022	Economic Policy Uncertainty and Dividend Policy: Evidence from Development banks in Nepal.	To examine the effects of Economic Policy Uncertainty (EPU) on dividend distribution strategy	As our results contradict the previous major studies conducted in developed market settings, we suggest that the banking firms should consider, analyze, and adjust their dividend policy based on the opportunities and threats posit by the country's economic policy.
Endri	2021	Stock price volatility during the COVID-2019 pandemic: The GRACH model	To examine the response of stock prices on the Indonesia Stock Exchange (IDX)	The empirical findings also validate the efficient market hypothesis theory related to the study of events and the theory of financial behavior related to uncertainty.
Niroula	2021	Stock Price Behavior of commercial banks of Nepal	EPS, PE Ratio, DY ratio, BVPS, ROE, Book Value per share and ROA	The result indicates that there is a positive and statistically significant effect of EPS, PE ratio and BVPS of banks on MPS. Other variables have negligible effects.
Raza et al.	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) were found to be positively and significantly connected to firm share price in Pakistan's textile sector. Micro (DPS) and macro (INF) dynamics, on the other hand, were determined to be unimportant.
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.	Return on Equity also had a detrimental impact on stock prices. When these two variables were evaluated, EPS had the greatest and most significant impact on stock prices, while return on equity had the opposite effect.

Panta	2020	Macroeconomic Determinants of Stock Market Prices in Nepal	To examines the linkage between stock market prices (NEPSE index) and five macro-economic variables	The result indicates that the fluctuation of NEPSE Index in long run is strongly associated with broad money supply, interest rate, inflation, and exchange rate.
Ashraf	2020	Stock markets' reaction to COVID-19: Cases or fatalities?	EPS, PE Ratio, DY ratio, BVPS, ROE, BV per share and ROA	Overall, our results suggest that stock markets quickly respond to COVID-19 pandemic and this response varies over time depending on the stage of outbreak.
Karlsson, Häggqvist and Hedberg	2020	Market structure and efficiency in Swedish development banking, 1912–1938	Deposit Capital and general expenses are used a independent and total loan and bond share are used as dependent variables.	That market concentration had a decidedly negative impact on the average efficiency of the Swedish development banking industry during this period. While large financial intermediaries may have been necessary to channel capital into the large-scale industrial and infrastructural.
Silwal and Napit	2019	Fundamentals of Stock Price in Nepalese development banks	It used stock price as dependent variables and Book value per share, price earnings ratio, return on equity, dividend yield as independent variables.	Book value per share, price earnings ratio and return on equity have positive relationship with stock price. Dividend yield has positive but minimum influence on the price of the stock whereas BVPS has negative relationship and is statistically insignificant with stock price.
Thapa	2019	Influencing factors of stock price in Nepal.	To determine the factors influencing the stock price	The results revealed that earning per share (EPS), dividend per share (DPS), market whims and rumors and company profiles have the

				significant positive association with share price
Kumari	2019	An Empirical Analysis of Stock Price Behavior around Bonus Issue Announcement in India.	To investigate the impact of Bonus Issue announcement on Indian stock market	The result reveals that Indian Stock market does not react to bonus share issue announcement. Thus, this paper contributes to the fact that there is no significant effect on stock price when a company announces the issue of bonus shares

2.5 Research Gap

There have been prior investigations of the stock price behavior practices of different financial companies and banks. Nonetheless, the impact of profitability on the market price of Nepali development banks' shares has been taken into consideration when conducting this study. This study aims to determine the behavior of stock prices and how it affects stock prices with regard to four development banks. The results of the earlier study revealed the secondary fluctuations in the stock prices of the individual companies as well as the preferences expressed by investors while purchasing and disposing of shares.

Hence, this study fulfils the gap of the research. Secondary sources of data and information while analyzing the study. Further, this study examines the relationship between Earnings per Share (EPS), Dividend per Share (DPS), Market Value per Share (MVPS), Price Earnings ratio (PER), Book value per share (BVPS) and analyze the effect of dividend in share price.

Chapter - III

Research Methodology

3.1 Research Design

For this study, a descriptive and informal research design will be employed. The impact of EPS, DPS, NWPS, and P/E ratio on market price will be described using a descriptive study approach based on tables, graphs, and figures with simple computations of the currently gathered data. Analytical study design will also be employed to analyze the sampled banks' standard deviation, correlation coefficient, and regression analysis.

3.2 Sources of Data

We will get the relevant data and information from secondary sources. The NEPSE, SEBON, and sampled banks' annual reports, trading reports, and publications will be the sources of the data. Additional information about the NRB, relevant websites, and national and international periodicals.

3.3 Population and Sample

The stock market is divided into several different areas, including banking, development banks, trading, manufacturing and processing, hydropower, and others. The population of this study will consist of the 18 development banks that are listed on NEPSE. Four of the total eighteen development banks will be selected as a sample using the purposive sampling technique in order to reflect the performance of the capital market. Lumbini Bikas Bank Limited (LBBL), Shangrila Bikas Bank Limited (SHBBL), Jyoti Bikas Bank Limited (JBBL), and Garima Bikas Bank Limited (GBBL) are the sample banks. These banks are chosen based on their profit margin and their ten years' worth of annual data is publicly accessible, making them suitable for use as sample banks.

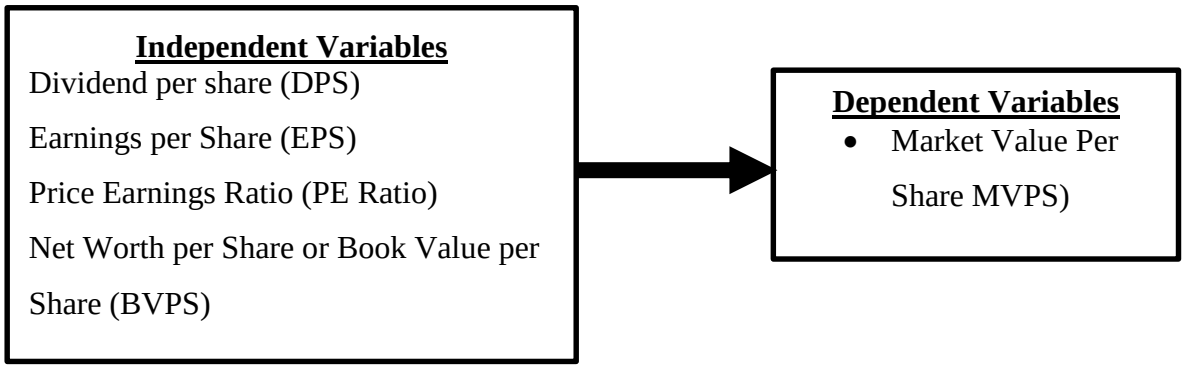
3.4 Data Collection Procedure

The majority of the information required for the study will come from secondary sources. Information about share prices, market capitalization, and NEPSE index volatility, among other things, was extracted from the trading report that NEPSE released. From the firms, additional information on related companies was also obtained.

3.5 Research Framework and Definitions of Variables

A research framework is a versatile analytical instrument that may be used in a variety of situations. It is employed to arrange concepts and draw conceptual distinctions. Robust frameworks effectively convey a meaningful idea in a form that is simple to recall and implement. Market price is considered a dependent variable, while dividends, earnings, price-earnings ratios, and net worth are considered independent variables. Figure displays the research framework, which explains the independent and dependent variables employed in the study.

Figure 1: Research Framework



(Source: Wijerathna 2018)

The figure 1 shows that independent variable DPS, EPS, P/E Ratio and BWPS used in this study to measure its impact on market price per share. Market price per share used as dependent variable (Wijerathna 2018).

Market Value per Share (MVPS)

The market's supply and demand determine this value. Market value is the result of the discussion between the seller and the investor and is based on supply and demand. Many factors, including the state of the economy and sector, anticipated earnings and dividends, speculative activity, and other signaling effects like significant national events, government stability, all have an impact on the market value (Wijerathna 2018).

$$\text{MPS} = \frac{\text{Total Market Capitalization}}{\text{No. of Shares Outstanding}}$$

Dividend per Share (DPS)

The total declared dividends for each issued ordinary share is known as the dividend per share. Divided by the total number of outstanding shares issued, it represents the total

dividends distributed to shareholders for a given year. For the purposes of this analysis, each company's declared cash and stock dividends have been taken into consideration. It is one of the study's independent variables.

$$\text{DPS} = \frac{\text{Total Dividend Paid}}{\text{No. of Shares Outstanding}}$$

H_2: There is insignificant impact of dividend per share on market price share price

Earnings per Share (EPS)

The amount of a company's profit allotted to each outstanding share of common stock is known as earnings per share. It is among the determinants of a business's profitability. Greater profitability and improved fund mobilization by financial institutions are both indicated by higher earnings and vice versa. The study's independent variable is EPS.

$$\text{EPS} = \frac{\text{Total Earning}}{\text{No. of Shares Outstanding}}$$

H_1: There is significant impact of earnings per share on market price per share.

Price Earnings Ratio (P/E ratio)

The price-earnings ratio looks at how much a company's stock is currently worth in relation to its earnings. It also represents what investors anticipate will happen to the company's earnings over time, which has an impact on the stock price. In this study, it serves as an independent variable as well.

$$\text{PE ratio} = \frac{\text{MVPS}}{\text{EPS}}$$

H_4: There is significant relationship between price earnings ratio and market price per share.

Net Worth per Share or Book Value per Share (BVPS)

The true worth of the business is reflected in the NWPS. It is the simple division of the number of outstanding shares by the net worth (share capital plus retained earnings/genera reserve). It is one of the study's independent variables as well.

$$\text{BVPS} = \frac{\text{Net Worth}}{\text{No. of Shares Outstanding}}$$

H_3: There is insignificant impact of BVPS on market price per share.

3.6 Method of Analysis

It contains all of the gathered data as well as an explanation of it. The market price of the chosen companies' shares, earnings and dividends paid, net worth, PE ratio, market price, NEPSE index, and numerous other relevant keywords were all provided and examined in the study.

a. Descriptive Analysis

Brief informational coefficients known as descriptive statistics are used to provide an overview of a specific data collection, which may be a sample or a representative of the full population. Measurements of central tendency and measurements of variability (spread) are the two categories into which descriptive statistics fall. The standard deviation, variance, minimum and maximum variables, kurtosis, and skewness are measurements of variability, whereas the mean, median, and mode are measures of central tendency.

b. Correlation Analysis

The statistical method used to characterize how closely one variable is related to another linearly is correlation analysis (Levin & David, 1994: 613). It is helpful for determining how strongly and how much a linear relationship there is between two variables. A positive correlation is one when there is a direct proportionality between the variables' values. Conversely, in the event where the variables' values exhibit inverse proportionality, the correlation is considered negative; yet, the correlation coefficient consistently stays within the range of +1 to -1. The formula that follows can be used to find the correlation coefficients (r) between two versions, x and y.

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma xy - \Sigma x\Sigma y}{\sqrt{n\Sigma x^2 - (\Sigma x)^2}\sqrt{n\Sigma y^2 - (\Sigma y)^2}}$$

Where,

r = coefficient of correlation

ΣXY = Sum of product of two series.

ΣX^2 = Sum of squared in X series

ΣY^2 = Sum of squared in Y series

n = number of years

The value of this coefficient can never be more than + 1 or less than -1. Thus, + 1 and -1 are the limit of this coefficient. The value of r = + 1 implies the correlation between variables is positive and vice- versa. And zero denoted no correlation.

c. Regression Analysis

A collection of statistical techniques called regression analysis is used to estimate the associations between a dependent variable and one or more independent variables. It can be used to simulate the future relationship between variables and evaluate how strongly the variables are related to one another.

It can be express in following Equation:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \ldots\ldots + e$

$MVPS = a + \beta_1 DPS + \beta_2 EPS + \beta_3 PE + \beta_4 BVPS + e$

Where,

Y (MVPS) = Dependent Variables

a = Intercept or Average

$\beta_1, \beta_2 \ldots.$ = Slope of Independent variables

e = Error

Chapter - IV

Results and Discussion

In this chapter, the data are carefully presented and analyzed. These additional details were found only in yearly reports. This chapter presents, assesses, and interprets the collected data in accordance with the study methodology discussed in the third chapter. Relevant data and information about development banks' share price behavior are provided and contrasted.

The chapter begins with a descriptive examination of the market per share, earnings per share, dividend yield, price earnings ratio, BVPS, and earnings per share of the sample insurance businesses. This is followed by an explanatory and hypothetical analysis. Both statistical methods are applied to compare the financial variables. This chapter concludes with correlation and regression analysis of the sample development banks and a structured tabulated presentation of the findings.

4.1 Descriptive Statistics of Variables

Table 1 displays the descriptive statistics for the variables utilized in the investigation. Together with additional independent variables (market value per share, earnings per share, dividend per share, dividend yield, and price-earnings ratio of development banks in Nepal), the result demonstrates the lowest and maximum performance of market value per share.

Table 2

Descriptive Statistics of Variable of Development banks

Variables	Minimum	Maximum	Mean	Std. Deviation
Dependent Variables				
Market value per Share	124	4351	1475.42	1058.18
Independent Variables				
Dividend per Share	.00	78.40	27.2704	23.36919
Earnings per Share	10.11	100.81	29.6553	21.35969
BVPS	126.00	250.83	168.7560	38.78566
Price Earnings Ratio	10.11	100.81	48.9907	25.63025

Source Annual Report of selected Development banks

In relation to the profitability and market share performance of Jyoti Bikas Bank Limited (JBBL), Garima Bikas Bank Limited (GBBL), Shangrila Bikas Bank Limited (SHBBL),

and Lumbini Bikas Bank Limited (LBBL), Table 2 displays the descriptive statistics table that summarizes key characteristics for each variable data set of ten years, from 2012/13 to 2021/22. Five factors are covered by the table: The terms earnings per share (EPS), dividend per share (DPS), price earnings ratio (PER), earnings per share (BVPS), and market value per share (MVPS) are all related to these concepts.

The average value of every variable is denoted by the term "Mean". For example, the sampled banks' 10-year mean MVPS of 1475.42 is the average MVPS for the investigated banks. In a similar vein, the average values for DPS, EPS, BVPS, and PER are, in that order, 27.2704, 29.6553, 168.756, and 48.9907.

The maximum value recorded for every variable is indicated by the term "Maximum". For instance, the maximum MVPS of 4351 is the highest of the ten fiscal years for the four development banks that were chosen. For every variable, the "Minimum" displays the lowest value that has been seen. For example, the sampled development banks' minimum MVPS of 124 indicates the lowest MVPS among their ten fiscal years.

The dispersion or spread of data points around the mean is measured by the "Std. Dev." (Standard Deviation). It offers details regarding the data's variability. For instance, the MVPS standard deviation of 1058.18 indicates that the range of MVPS values is reasonably near to the mean value.

4.2 Correlation Analysis

A table displaying correlation coefficients between variables is called a correlation matrix. The correlation between corresponding variables is displayed in each cell of the table. Data can be summarized using a correlation matrix. This gives us a quick overview of the variables that correlate at different strengths and levels of significance. When two variables have a correlation value of zero, it means that there is no linear relationship between them. The correlation coefficient goes from +1 (perfect positive link) to -1 (perfect negative relationship). Correlation matrix is presented as following in Table 3.

Table 3

Correlation Coefficients of Study Variables

Variables	DPS	EPS	BVPS	PER	MVPS
Dividend Per Share	1				
Sig. (2-tailed)					
Earnings Per Share	.591*	1			
Sig. (2-tailed)	.020				
BVPS	.573*	.222	1		
Sig. (2-tailed)	.026	.427			
Price Earnings Ratio	.483	.553*	-.019	1	
Sig. (2-tailed)	.068	.032	.947		
MVPS	.795**	.573*	.332	.605*	1
Sig. (2-tailed)	.000	.025	.227	.017	

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

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

Source SPSS Output

The correlation test employing a correlation coefficient matrix is shown in Table 3 for both dependent and independent variables. At the 0.05 and 0.01 level of significance, the correlation test reveals a substantial positive relationship between dividend per share (DPS) and EPS, BVPS, and MVPS. Additionally, there is a strong positive correlation between EPS and both PER and MVPS. Then, the relationship between BVPS and other factors is marginally positive. On the other hand, there is a strong positive correlation between MVPS and price earnings ratio.

4.3 Regression Analysis

This section examines the link between the dependent variable, market value per share (MVPS), and the independent variables, earnings per share (EPS), dividend per share (DPS), price earnings ratio (PER), and book value per share (BVPS).

Table 4

Model Summary of MVPS

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837a	.701	.534	.53833

a. Predictors: (Constant), EPS, DPS, PER, BVPS

b. Dependent Variable: MVPS

Here, R^2 represent the percentage of the variability of stock that can be explained by independent variables. The value of R^2 (coefficient of determination) is 0.701 which represents 70.01% variation in MVPS has been explained by RPS, DPS, PER and BVPS..

Table 5

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.105	5	1.221	4.214	.030b
	Residual	2.608	9	.290		
	Total	8.714	14			

a. Dependent Variable: MVPS
b. Predictors: (Constant), EPS, DPS, PER, BVPS

The overall summary and significance of the independent and dependent variables are displayed in the ANOVA table. This table shows that, at significance level 0.05, or 0.030, the relationship between the independent variables EPS, DPS, PER, BVPS, and DY and the dependent variable, MVPS, is statistically significant. To determine whether there is a significant relationship between these variables, the calculated p-value must be less than the 5% significance level.

Table 6

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.664	.887		.749	.473
	DPS	.023	.010	.684	2.282	.048
	EPS	.002	.009	.044	.181	.860
	BVPS	-.001	.005	-.053	-.207	.841
	PER	.008	.008	.256	1.030	.330

a. Dependent Variable: MVPS

Regression analysis output: coefficient

The linear equation of this model is,

$Y = a + b1x1+b2x2+b3x3+b4x4$

MVPS = 0.664 + 0.023 DPS + 0.002 EPS – 0.001 BVPS – 0.118 DY + 0.008 PER

The estimated regression results for DPS, EPS, BVPS, DY, and PER on MVPS are displayed in Table 4. The negative coefficients of DY and BVPS show that MVPS falls by 0.001 and 0.118, respectively, for every Rs. 1 increase in DY and BVPS. It suggests that

the MVPS of Nepalese development banks would be lower the higher the DY and BVPS. The DPS, EPS, and PER beta coefficients are all positive. It suggests that the stock price of development banks would increase in proportion to increasing DPS, EPS, and PER.

70.10%, or 0.701, is the coefficient of determination (r^2). As can be seen in the above table, the independent variable DPS has a p-value of 0.048 at the significance level 0.05, making it statistically significant. The p-values of EPS, BVPS, DY, and PER, on the other hand, are bigger than the significance level even at 0.10, indicating that they are not statistically significant. The significance threshold of 0.05 means that while the overall model is significant, each independent variable is not.

4.4 Discussions

Since examining the relation between EPS, DPS, BVPS, PER, and MVPS is one of the study's primary goals. The development banks' EPS, DPS, PER, and MVPS are all positively correlated. MVPS and DPS have a substantial positive relationship. Similarly, even at the 10% threshold of significance, BVPS is statistically insignificant, while EPS and PER are both positively statistically significant. It suggests that these businesses handle their overall circumstances more skillfully. A positive relationship between stock prices is necessary for effective stock price management. Therefore, additional objective reasoning based on analysis indicates that EPS, PER, and DPS have little overall effect on MVPS.

Descriptive and inferential statistics indicate that the market price of a share is significantly and favorably impacted by EPS, PE ratio, and DY. Positive but negligible effects of DY and DPS on the market price are demonstrated, which is in line with Tiwari's study (2022). DPS has small and detrimental impacts. The study's findings are consistent with the prediction that, from 2012–2013 to 2020–21, the market price per share of insurance will be positively but marginally impacted by earnings per share, price earnings ratio, and DY.

This demonstrates the sharp rise in MVPS of insurance in the Nepalese context and is more in line with the findings of Karlsson, Häggqvist, and Hedberg (2020). It states that the capital market in Nepal is extremely erratic. There is a positive correlation between market value per share and the DPS, EPS, BVPS, and PER. This suggests that the stock price of Nepalese development banks would increase in proportion to increasing DPS, EPS, DY, BVPS, and PER. Additionally, the data indicate a strong positive link between DPS and

EPS but a positive correlation between DPS and MVPS. Price-earnings ratio, on the other hand, has a negligible negative association with BVPS but a strong positive link with EPS. There exists a considerable positive link between MVPS and EPS. Lastly, in line with the findings of Niroula's study from 2021, this analysis also reveals that DPS has a strong positive association with EPS but a negligible negative link with PER.

Conversely, DPS has a noteworthy and favorable effect on MVPS. In a similar vein, PER and MVPS have a positive and statistically significant relationship, as does EPS. MVPS has a big statistical impact. To determine whether there is a significant relationship between these variables, the calculated p-value must be less than the 5% significance level. There is statistical significance in PER as an independent variable. However, DPS and EPS are not statistically significant, which supports Kengatharan and Ford's (2021) conclusions but conflicts with the findings of Usman, Lestari, and Sofyan (2021) and Aktürk, Karan, and Pirgaip (2022).

The negative coefficient of DY shows that MVPS falls by corresponding coefficients when DY increases by Rs. 1. It suggests that the stock price of Nepalese development banks would decrease with an increase in DY. The EPS, PER, and DPS beta coefficients are all positive. It suggests that the stock price of development banks would increase in proportion to the EPS, PER, and DPS. This is in line with the findings of Hikmah, Pahlevi, and Damang (2022) and Bhatti, Patoli, and Kumar (2023) but contradictory to the findings of Kengatharan and Ford (2021), Joseph and Symon (2019), and Bokpin (2016).

Chapter – V

Summary and Conclusion

5.1 Summary

This study's primary goal is to assess development banks' market value per share, dividend yield, price earnings ratio, and earnings per share. Additionally, look into the relationship between development banks' MVPS and EPS, DPS, PER, and BVPS as well as the effects of these factors on MVPS. The stock market has a number of inquiries about paying share prices or keeping earnings. Research using both descriptive and causal comparison methods has been conducted in order to meet the specific goal of the study. To examine the trend and current state of dividend practices, a descriptive design is employed. It is possible to quantify the effect of EPS, DPS, PER, and BVPS on the MVPS of development banks in Nepal by using causal study design and explanatory design. Secondary data were employed in this investigation. The information comes from the associated office's annual reports for nine years in a row, from 2013–14 to 2021–22. All 17 development banks that are currently listed and doing business in Nepal make up the population data included in this study. Jyoti Bikas Bank Limited (JBBL), Garima Bikas Bank Limited (GBBL), Shangrila Bikas Bank Limited (SHBBL), and Lumbini Bikas Bank Limited (LBBL) are the only four development banks included in the sample. These banks rank in the top three in the current dividend landscape.

The stock market offers developing businesses a low-cost means of raising cash, which can stimulate economic growth. Businesses typically take out bank loans to cover their short-term liquidity needs. Nonetheless, they may use ordinary and preferred shares to sell their ownership stake in the business if they require long-term financing. The stock exchange fulfills two essential purposes. It serves as a vital conduit between investors with excess capital and businesses in need of funding to launch new ventures or expand existing operations. It also offers a regulated share market where prices are controlled by supply and demand. The study has been structured into five chapters in order to address the research objectives.

The primary topic to be researched, the general context, a brief description of the sample development banks, the problem statement, the objectives, the significance of the study, and the study's limitations are all covered in the first chapter. The second chapter focuses

on theoretical analysis and provides a brief overview of relevant and related literature. A summary of the important research in general is included, along with an explanation of the conceptual framework. The research approach used for the study is described in the third chapter. This chapter covers a number of topics, including the definition of statistical tools, research design, data source, analysis methodology, and examination of financial indicators and variables. The fourth chapter uses statistical methods to present and analyze data to show quantitative factors on dividend policy. The data analysis demonstrates a significant positive relationship between dividend per share (DPS) and EPS, BVPS, and MVPS through correlation and regression. The discussions are included in this chapter as well. The fifth chapter states summary, conclusion and recommendation, compare them with other empirical evidence to the extent possible and provides some suggestions.

5.2 Conclusion

The logged estimate's outcome demonstrated that in Nepal, market value per share has been significantly influenced by EPS, DPS, and PER. The daily stock price observations of the development banks that were sampled demonstrate that while some banks have constant variations in their stock prices, some companies have little variations in their stock prices, and overall, the behavior of their stock prices follows a normal distribution pattern. As a result, the pricing of shares on the Nepalese stock market is inefficient. The findings of the runs test also demonstrate the significance of the percentage difference between the observed and real number of runs in the series of price changes.

A corporation's market value rises and its shareholders directly profit when it distributes dividends to them. A rise in the share price is what shareholders can anticipate as an indirect gain if the company keeps its earnings for explicit growth prospects. Stated differently, this dividend decision is appropriate as it preserves a balance between the interests of shareholders and corporate growth through internally generated cash. It would be preferable to pay dividends on the money that was unable to be utilized since there were no profitable investment options. This study's primary conclusion that the sample development banks had adequate earnings was prompted by the aforementioned key finding. Dividend per share and other variables have changed because, other things being equal, dividend per share is not more stable than dividend yield. The idea that the dividend attracts market price of a share is another intriguing conclusion.

The independent variable accounts for 61.70%, or 0.617, of the Market Value per Share (MVPS), according to the coefficient of determination (r2). The positive correlation between DPS and PER suggests that an increase in DPS will likely result in an increase in the mean of the dependent variable, or MVPS. This demonstrates how the MVPS of development banks in Nepal quickly rises to its maximum value of 2535, which is more in line with the conclusions of Karlsson, Häggqvist, and Hedberg (2020). It states that the capital market in Nepal is extremely erratic. BVPS of development banks in Nepal It states that the capital market in Nepal is extremely erratic. The results of this study are consistent with those presented by Ali (2021), which indicates that there aren't many disparities in the BVPS of Nepalese development banks.

While BVPS has a negative relationship with MVPS, DPS, PER, and EPS have positive relationships with market value per share. This suggests that the stock price of Nepalese development banks would increase in proportion to increasing DPS and EPS. The outcome demonstrates a negative correlation between market value per share and PER. It suggests that a rise in DPS causes a fall in stock price, which is consistent with the findings of the Niroula (2021) study. The stock price of Nepalese development banks would increase in proportion to increasing EPS, PER, and DPS, as indicated by the coefficient of determination (r2). Because the DPS's p-value is equivalent to 0.000 at the significance threshold of 0.05, the independent variable in the table above is statistically significant. However, EPS is not statistically significant, even at a significance threshold of 0.10. This is in contrast to Endyi's (2021) work, but more compatible with Ashraf's (2020) research.

5.3 Implications

Based on the observation of the MVPS with DPS and another variable of selected development banks, as well as the empirical perspective of the impact of dividends on share price by financial performance, the recommendation has been made. We suggest the following.

- There should be a documented strategic dividend policy in place for every corporation. In compliance with the rules governing public corporations, it must be approved by the Supervisory Board or the General Meeting before being made public.
- The DPS analysis reveals that there is inconsistent dividend policy across all sample

development banks. Consequently, these companies must find a way to pay a reasonable DPS annually, as higher DPS fosters a positive attitude among investors and shareholders, who are valued for their psychological worth equally with the companies' assets.

- The sample development banks' DY, MVPS, EPS, and DPS all fluctuate significantly. It is imperative to regulate fluctuations and maintain consistency in the variable. If a significant financial indicator points to a good market sentiment, the stakeholders in both companies will be pleased; if not, the financial institution will suffer long-term consequences.
- The company's dividend payout policies are not consistent. It can be difficult to determine a share's true market value when dividends are paid in modest amounts without taking the risk-free rate of return into account. This is especially true when the price of the shares on which the dividend is not paid is rising.As a result, a precise policy for DPS payment should be created, and dividends should be controlled, stable, and fairly assessed.
- • Development banks should establish long-term goals for profits and dividend payments that will enable them to meet the difficult demands of the current competitive environment. Prior to making a decision, a number of internal and external considerations should be taken into account.
- The creation of a dividend policy will provide clear direction for implementing the dividend distribution plan. It should be decided if the development banks will follow a low regular plus extra dividend policy, a constant payout policy, or a stable dividend policy. When ought to the long term begin? The dividend policy should have provided an explanation of the dividend yield, whether it be pure residual, fixed dividend payout, or smooth residual.
- The dividend policy should aim to give shareholders a fair return on equity as a result of the increase in value of shares and/or dividend payments.
- A strategic company's dividend policy ought to align with the regulatory and supervisory authorities' recommendations from the NRB. In this instance, the company's worth to shareholders should take a backseat to the proposals' adoption. This primarily pertains to suggestions concerning the domains of energy security and financial stability.

- The management boards of both firms should recommend the dividend amount to be paid for a specific fiscal year and notify the public well in advance of the annual general meeting of the shareholders.
- There must to be a stated strategic dividend policy for development banks. In compliance with the rules governing public corporations, it must be approved by the Supervisory Board or the General Meeting before being made public

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APPENDICES

Appendix I

Cross Sectional Panel Data of Sample Development Banks

BVPS	EPS	DPS	PER	MVPS
143.18	18.89	0	-2.65	50
170.64	-33.46	0	-3.2	107
144.37	17.27	0	8.97	155
153.67	17.24	0	8.82	152
132.65	8.71	0	8.95	77.99
250.83	15.19	17.07	9.61	146
220	28.38	5	6.94	197
166	13.94	7	12.99	181
128	14.93	13	39.18	585
135	19.4	3	17.58	341
126.00	40.01	27.5	6.6	264
185.00	41.32	40	15.25	630
231.00	35.99	32.63	15.25	564
180.00	43.1	34	30.32	1307
165.00	32.09	21.05	30.26	971
141.18	20.45	22.63	18.48	378
128.64	27.94	17.6	13.24	370
174.28	16.56	11.25	18.84	312
157.21	24.03	17.58	27.34	657
121.38	23.72	13.5	18.55	439.9
151.11	33.92	33.81	4.33	147
104.71	11.57	21.3	12.7	147
119.28	24.19	20.85	12.98	314
132.11	22.06	16.92	19.27	425
144.57	25.6	20.69	15.23	390
184.29	12.18	9.45	12.89	157
177.34	13.11	8.96	12.12	159
152.14	7.33	5.26	19.23	141
118.19	14.98	10.53	28.3	424
114.64	17.51	8.534	21.53	290
14.21	35.56	0.00	19.32	165
14.63	30.87	0.00	21.21	182
10.53	13.99	0.00	8.97	155
22	24.17	0.00	8.82	152
18.79	21.49	0.00	8.95	77.99
70.53	32.44	17.07	9.61	146
48.5	20	20	6.94	197
51	24	10	12.99	181
14.74	15	13.68	39.18	585
15.62	24	12	17.58	341

Source: Annual report of selected development banks

Appendix II

Correlation Analysis

Variables	DPS	EPS	BVPS	PER	MVPS
Dividend Per Share	1				
Sig. (2-tailed)					
Earnings Per Share	.591*	1			
Sig. (2-tailed)	.020				
BVPS	.573*	.222	1		
Sig. (2-tailed)	.026	.427			
Price Earnings Ratio	.483	.553*	-.019	1	
Sig. (2-tailed)	.068	.032	.947		
MVPS	.795**	.573*	.332	.605*	1
Sig. (2-tailed)	.000	.025	.227	.017	

Source: SPSS Output

Appendix- III

Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.837a	.701	.534	.53833

a. Predictors: (Constant), EPS, DPS, PER, BVPS

b. Dependent Variable: MVPS

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.105	5	1.221	4.214	.030b
	Residual	2.608	9	.290		
	Total	8.714	14			

a. Dependent Variable: MVPS

b. Predictors: (Constant), EPS, DPS, PER, BVPS

Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.664	.887		.749	.473
	DPS	.023	.010	.684	2.282	.048
	EPS	.002	.009	.044	.181	.860
	BVPS	-.001	.005	-.053	-.207	.841
	PER	.008	.008	.256	1.030	.330

a. Dependent Variable: MVPS

Source: SPSS Output