

**STOCK PRICE MOVEMENT OF NEPALESE COMMERCIAL
BANKS**

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

By

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I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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REPORT OF RESEARCH COMMITTEE

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ABBREVIATIONS

AD	:	Anno Domoni
ADBL	:	Agriculture Development Bank Limited
ARXH LM	:	Autoregressive Conditional Heteroscedasticity- Lagrange Multiplier
BVPS	:	Book Value per Share
B.S.	:	Bikram Sambat
B/M ratio	:	Book to Market ratio
CV	:	Coefficient of Variance
df	:	Degree of Freedom
DPS	:	Dividend per Share
EBL	:	Everest Bank Limited
EPS	:	Earnings per Share
FE	:	Fixed Effect
GDP	:	Gross Domestic Product
GSE	:	Ghana Stock Exchange
HBL	:	Himalyan Bank Limited
IDC	:	Industrial Development Center
IFRS	:	International Financial Reporting Standards
Ltd.	:	Limited
MBS	:	Master's in Business Studies
MBL	:	Machhapuchhre Bank Limited
MPS	:	Market Price per Share
NABIL	:	Nabil Bank Limited
NIBL	:	Nepal Investment Bank Limited
NCC	:	Nepal Credit and Commerce Bank
NEPSE	:	Nepal Stock Exchange
NIDC	:	Nepal Industrial Development Corporation

NRB	:	Nepal Rastra Bank
NSE	:	National Stock Exchange
NYSE	:	New York Stock Exchange
OTC	:	Over -the- Counter
P/E Ratio	:	Price Earnings Ratio
POLS	:	Pooled Ordinary Least Square
RBB	:	Rastriya Banijya Bank
RE	:	Random Effect
ROE	:	Return on Equity
Rs.	:	Rupees
SBL	:	Siddhartha Bank Limited
SCBL	:	Standard Chartered Bank Limited
SD	:	Standard Deviation
SEAQ	:	Stock Exchange Automated Quotation
SEBON	:	Security Exchange Board of Nepal
SEC	:	Security Exchange Center
SEHM	:	Strong efficient market hypothesis
S.N.	:	Serial Number
SPSS	:	Statistical Package for Social Sciences
TU	:	Tribhuvan University
USA	:	United States of America
WEHM	:	Weak form efficient market hypothesis

ABSTRACTS

This study investigates Stock Price Movements of commercial banks in Nepal. The main purpose of this study is to investigate, analysis and interpret the share price movement of Commercial Banks of Nepal. To meet the purpose of the study descriptive and causal comparative research design was used. Seven commercial banks were selected as a sample for the study between the fiscal year 2012/13 to fiscal year 2018/19. Data were obtained from respective commercial banks' annual report, Nepal Stock Exchange and Security Board of Nepal annual supervision report. Data were analyzed through correlation and multiple regression technique by using SPSS version 25. Variables used were Market price per Share (MPS) as dependent variable and Earnings per Share (EPS), Dividend per Share (DPS), Book Value per Share (BVPS) and Price Earnings Ratio (P/E Ratio) as independent variables. The MPS has positive relation with EPS, P/E ratio and BVPS but has negative relation with DPS. The findings of the study show that there is significant positive correlation between all independent variables (EPS, DPS, BVPS and P/E Ratio) and dependent variable (MPS). Besides this, Earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability were the determinants of the share price in NEPSE from the respondents of the survey. Finally, the analysis of Nepalese share market, researcher recommends that government should formulate and implement a rigid rules and regulations for the further development of share market. A mechanism to take immediate action against fraud companies is to be established. As a result, Nepalese capital market could be more competitive.

CHAPTER-I

INTRODUCTION

1.1 Background of the study

Share price is the value of the firm divided by the number of shares outstanding (Weston, 1989). It is the price of a single share of a number of saleable stocks of a company or financial institution, derivative or other financial asset. The stock price is the highest amount someone is willing to pay for the stock or the lowest amount that it can be bought for. Stocks are equities that allow investors to put their money into a company with hope of achieving a higher return than that of a saving account or bonds. Stock markets operate as an intermediary between savers and users of capital by means of pooling funds, sharing risk, and transferring wealth (Almumani, 2014). The stock exchange plays pivotal roles in the economy. Stock exchange provides a critical link between companies that need funds to set up new businesses or to expand their current operations and investors that have excess funds to invest in such companies and it provides a regulated market place for buying and selling of shares at prices determined by supply and demand, notwithstanding other macroeconomic fundamentals such as interest and inflation rates (Sanderson, 2009).

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

Equity markets enhance corporate efficiency, spur innovation, and provide a valuable source of capital for long-term economic development. They also provide a useful mechanism for governments to raise capital through the sale of state-owned Enterprises. Moreover, equity market investments constitute an important element of individuals' assets, particularly as governments shift their pension systems toward the

private sector. In short, it is clear that equities constitute an increasingly important capital market in the world economy (Mosley & Singer, 2008).

The stock market has become an essential market playing a vital role in economic prosperity that fostering capital formation and sustaining economic growth. Stock markets are more than a place to trade securities; they operate as a facilitator between savers and users of capital by means of pooling of funds, sharing risk, and transferring wealth. Stock markets are essential for economic growth as they insure the flow of resources to the most productive investment opportunities. In essence, a large number of economic variables like gross domestic product, interest rates, current account, monthly supply, employment, their information etc. have an impact on daily stock prices (Kurihara, 2006).

Fundamental analysis and technical analysis are the two widely known analytical approaches that affirm the effectiveness of security evaluation. The first refers to the analysis of the factors that affect the real value of the shares, while the second is the study of the chronology of the trading of the action or of the shares. Fundamental analysis refers to the evaluation of the fundamental factors for determining the real value (intrinsic value) of a share. These factors are related to the economy, industry and the company to which the share belongs. The basic principle in fundamental analysis is that the price behaviour of the stock is always determined by changes in the intrinsic value (real value) of the stock and the success of the investment lies in the ability to predict the intrinsic value and the price of the stock market there. Technical analysis, on the other hand, maintains that history tends to repeat itself in the market and, as such, the market predicts prices. Therefore, a successful investment is possible by analyzing the trading history of stocks. The basic assumption is that all market phenomena are recurring in nature and each phenomenon is followed by price movements in a particular direction. "Fundamental values are not taken into account because investors' expectations compared to "Values (and much more besides) are already reflected in prices. This implies that the financial market will always try to anticipate the future and that; therefore, changes in the prices of financial markets will precede changes in fundamental conditions. "Therefore," it should be possible to use price behaviour to provide the fundamentals that the way sound (Plummet & Tony, 1989). The technician, based on the trading history of the stock, foresees when the

price movement in a certain direction begins or reverses. As such, it signals when to buy and sell shares.

Securities history began when two companies, that are Biratnagar Jute Mills and Nepal Bank Limited share was floated in 1937 over Nepali Market. After 24 years of the floating of share over the market, the Company Act was enacted and at the same time there was the issue of Government Bonds. In 1973, in the collaboration of Nepal Government and Nepal Rastra Bank, Securities Exchange Center was established, whose task was to undertake brokering, underwriting, manage public issues, create markets for Securities and Government bonds. Nepal Government under a programme initiated to reform the capital market converting Securities Exchange Center (SEC) into Nepal Stock Exchange (NEPSE) in 1993 as non-profit organization under Securities Exchange Act, 1983. In the same year, the Securities Board of Nepal (SEBON) was established by the Government of Nepal on June 7, 1993 as an apex regulator of Securities Markets. SEBON provides advice to the government on the issue of the capital markets. It allows issuing necessary securities regulations and directives. It allows the registration of public companies. It regulates and systematizes the issue, transfer, sale and exchange of registered securities. It takes necessary actions to prevent insider trading or any other offenses relating to transactions in securities in order to protect the interest of investors in securities. It allows issuing licenses to operate stock exchanges. In the context of Nepal, SEBON works for the capital market so that the market will be in sound economic conditions. It establishes coordination and exchange cooperation with appropriate agencies in order to supervise and regulate matters concerning securities or companies (Aryal & Khadka, 2020).

According to Nepal Rastra Bank Financial report 2020, there are 27 Commercial Banks have been operating in Nepal till fiscal year 2076/77. All banks have listed in Nepal Stock Exchange (NEPSE) which is the main secondary or capital market in Nepal which is regulated by Securities Exchange Board of Nepal (SEBON). Stock or share price of listed Commercial Bank is determined on the basis of demand and supply of shares of the banks i.e. on the basis of daily transaction in the secondary market. For this stock market fair many investors, securities brokers and other concerned parties involve in daily trading to gain their own return. In this study, it is

mainly focused on the price movement of stock of listed Commercial Banks in Nepal for which it would have to be examined the secondary stock market of Nepal and it also be identified how the price of banks' stock fluctuate (volatile) in daily or why this shift happened in stock price.

1.2 Statement of the Problem

A person or entity invests in equity shares of companies for a number of reasons. It may be for safety cushion, cyclical cash needs, investment for a return, investment for influence, or purchase for control. Whatever the reason might be, an investor undertakes thorough financial evaluation of the available options before deciding to invest in stocks of a particular company. A stock price in an efficient market provides investors with a good measure of any firm's performance and its value. Understanding the impact of various fundamental variables on stock price is therefore very important to investors since that will help them make profitable investment decisions (Srinivasan, 2013). Financial market in Nepal starts systematically with the establishment of the Nepal Stock Exchange (NEPSE). Common stocks comprise the largest portion of securities in the financial market in Nepal listed with the Nepal Stock Exchange (NEPSE). Stocks are traded in primary and secondary market. Generally, the common stock in the primary market is traded at par value, however, it is traded either underpriced, overpriced or at par value in the secondary market. The stock price fluctuates continuously in the secondary market due to organizational (internal) and external factors. Moreover, the NEPSE index is sensitive to both firm specific factors and external factors (Nepal, 2016).

Secondary market in Nepal covers small area in security transaction volume in comparison of international stock markets such as New York Stock Exchange, Hong Kong Stock Exchange, and Bombay Stock Exchange etc. (Paudel, Baral, Gautam, & Rana, 2019). Few investors invest in secondary market in Nepal due to lack of information and knowledge regarding stock trading and capital market investment. So there is not efficient stock market in Nepal. Limited investors have monopoly in Nepalese secondary market. In Nepal, the price of stock fluctuates on the basis of hearsay so there is no any pre-specified and fair factors that cause price volatile (Bam, Thagurathi, & Shrestha, 2018).

This study attempts to analyze how is market price of stock (MPS) fluctuates in Nepalese Commercial Banks by using various measuring financial indicators such as earning per share (EPS), dividend per share (DPS), price earnings ratio (P/E ratio), and book value per share (BVPS). So, the following questions may arise:

- a. What is the current trend of EPS, DPS, P/E ratio, BVPS and MPS of the sample banks?
- b. Is there any relationship between MPS with EPS, DPS, P/E ratio and BVPS?
- c. Are the investors' awareness of financial indicators which influence the MPS of the Commercial Banks?

1.3 Objectives Of the Study

The general objective of the study is to investigate, analyze and interpret the movement of share market price of Nepalese Commercial Banks. The specific objectives of this study are:

- a. To examine the current trend of EPS, DPS, P/E ratio, BVPS and MPS of the sample banks.
- b. To examine the relationship of MPS with EPS, DPS, P/E ratio, and BVPS of selected Nepalese Commercial Banks.
- c. To explore the investors awareness of financial indicators of share price of Commercial Banks of Nepal.

1.4 Significance of the Study

Stock price movement analysis of the Nepalese Commercial Banks focuses on stock price fluctuation and determinant factors that changes price of share in the secondary market in Nepal, so the study is particularly significant to the investors, mangers, bankers, stock analyst, brokers, government officials, academicians, students and other stakeholders who are interested in understanding the share price behavior of the Commercial Banks.

This study analyses financial condition of the Commercial Banks and performance of their stock traded in the financial market. Therefore, the study is significant to

investors and public to help them undertake rational decisions while investing in the stock of Commercial Banks to acquire fair returns from their investment. Moreover, the study provides insight over the financial position and capitalization status of the Commercial Banks. The bank management can analyse the financial position and performance of their traded stock to undertake necessary steps for its improvement. Since, the study provides general picture of the existing share market, it is significant to the government and the policy making agencies to prepare/amend policies in a timely manner for effective and efficient functioning and growth of stock market.

The stock market and banks can benefit from this study as it will highlight those factors which are perceived by an investor as share price determinants. Once these factors or variables are identified the banks can strive hard in maximizing the value of the aforesaid variables that are deemed significant for investment decisions. In addition, the study would also be useful to stock analyst, brokers and other persons who are actively involved in stock market. Moreover, the study is significant to academicians and students who are willing to learn about the movement in stock price behavior of the Commercial Banks and also to those who wanted to pursue their career in banking or share business. Taking all these issues into consideration, this study will analyze about stock price movement of the listed Nepalese Commercial Banks.

1.5 Limitation of the Study

Despite the ample efforts on the part of the research, this study cannot be exceptional and free from limitations. The accuracy of this study largely depends upon the data and statements provided by the sample Commercial Banks.

The major limitations of the study are presented below:

- a. This study covers only the relevant data of seven years i.e. from fiscal year 2012/13 to 2018/19.
- b. The study is based on primary and secondary data. Thus, the validity and reliability of the data depends upon their sources.
- c. The study has been designed to concentrate on stock price volatility of the banking sector, which is a part of total capital market. Hence, the conclusion cannot be generalized on the total capital market.

- d. This study has been based on only bank specific factors (like EPS, DPS, P/E ratio, BVPS) affecting the stock price.

1.6 Organization of the Study

On this research, the study is carried out through different stages and procedures, as it is necessary. The study has been organized on following chapters in order to make the study easy to understand:

Chapter-I: introduction

This chapter covers background of the study, focus of the study, statement of the problem, objectives of the study, significance of the study, theoretical framework, research hypothesis and , limitations of the study.

Chapter-II: Review of Literature

This Chapter is the brief review of literature related to this study. It includes a discussion on the conceptual framework and review of the major studies and research gap.

Chapter-III: Research Methodology

This chapter deals with the methodology followed to achieving the objective of the study, which include research design, population and sample, sampling procedure, collection of data and data analysis tools and techniques.

Chapter-IV: Results and Discussion

This chapter deals with presentation, analysis and interpretation of data, collected from various sources. It also includes the major finding of the study.

Chapter-V: Summary and Conclusion

This chapter includes brief sketch of the study, conclusions and recommendation or implications. Finally, references and appendices are also included at the end of the study.

CHAPTER-II

REVIEW OF THE LITERATURE

Review of literature means reviewing research studies of other relevant propositions in the related area of the study so that all the past studies, their conclusions and deficiencies may be known and further research can be conducted. This part of the study highlights available literature related to this research which makes base of knowledge for the study. Review of literature is stock thinking of available literature in one's field of research. A short glance of past studies in stock price movement is presented in this chapter. Different studies carried over different time periods across different markets have given varying results. In the context of Nepalese financial market, no sufficient studies have been made in the area of stock market. However, some articles and journals which are related to stock market are consulted and reviewed.

2.1 Theoretical Review

2.1.1 Financial Market in Nepal

Any company and firm can be raised funds by issuing share to the public through financial or capital market. Financial markets, markets in which funds are transferred from people who have an excess of available funds to people who have a shortage. A place where individuals are involved in any kind of financial transaction refers to financial market. "Financial market is a platform where buyers and sellers are involved in sale and purchase of financial products like shares, mutual funds, bonds and so on. A financial market can be defined as mechanism bringing together buyers, sellers and financial assets in order to facilitate trading. Financial market is a place, where securities are bought and sold, the facilities and people engaged in such transaction the demand for and availability of securities to be traded and the willingness of buyers and sellers to reach agreement on sales. Financial market plays as an active market where capital resources are transferred from savers to users, where savers let users to use their saving in expectation of multiplied returns from users in specified time period" www.investopedia.com.

The financial market in Nepal is still in infancy stage. Since, the financial market plays an important role in the efficient distribution and use of resources, it is extremely important in a developing country like Nepal, where there are plenty of resources available and there is not enough capital for investment in different sectors. The system of lending and borrowing in an un-organized way is prevalent in Nepal since the very beginning. Even today, substantial portion of rural credit is available from the unorganized sector.

The system of collecting deposit and granting loans in the organized sector had started with the establishment of Nepal Bank Limited in 1994 B.S. There are many changes taking place in the financial system of Nepal due to financial liberalization. The business activities are increasing rapidly. The situation of monopoly has come to an end and age of competition has emerged in Nepalese financial system. Many commercial banks, finance companies, microfinance, co-operative and development bank have been established to cater the credit need of individuals and business firms.

2.1.2 Classification of financial market

Financial market can be classified into two types as money market and capital market.

2.1.2.1 Money Market

Money market is a market in which only short-term financial instruments are traded having maturity period less than one year. Money market is also known as short-term financial market. The financial market in which funds are borrowed for short period is money market. Generally, money market trades commercial papers, certificates of deposit, short-term bonds and Government Treasury bill.

2.1.2.2 Capital Market

Capital market is a market in which only long-term financial instruments are traded having maturity period more than one year. There are various instruments or securities traded in the capital market such as stock, bonds or debentures, mutual fund units etc. Development and expansion of capital market is essential for the rapid growth of the company. The capital market consists of both non-securities market and

securities market. Non -securities market refers to the mobilization of the financial resources by the financial institutions in the form of deposits and loans.

Capital market can be divided into two types: primary market and secondary market.

Primary Market

The Primary market is concerned with the floatation of shares and distribution of shares to the general public. It consists of companies issuing securities to the buyer of new securities and various intermediaries that help in the disposal of new securities. Issue managers, underwriters; stockbrokers, stock exchange etc. are the important constituents of the new issue market. Stock exchange provides facilities of trading in listed securities. It is the market where various securities are bought and sold for investment or speculative purchase. So that is concerns with the sale of new issued securities in the market. But it is one of the most integral parts of the new issue market and the change of one certainly affects the others.

Secondary Market

Secondary market is the market in which securities are traded that has been issued in the past. Simply, secondary markets are markets in which existing outstanding securities are traded between the investors i.e. buyers and sellers. The secondary market is where investors buy and sell securities they already own. It is what most people typically think of as the "stock market," though stocks are also sold on the primary market when they are first issued. The national exchanges, such as the Nepal Stock Exchange in Nepal and New York Stock Exchange in USA (NYSE) are secondary markets. Secondary market prices are often determined by the basic forces of supply and demand. If the majority of investors believe a stock will increase in value and rush to buy it, the stock's price will typically rise. If a company loses favor with investors or fails to post sufficient earnings, its stock price declines as demand for that security dwindles. There are two types of secondary markets; over the counter markets and organized security exchange.

Organized Stock Exchange/Registered Stock Market.

This type of market is registered in the government agency. There is only one registered stock exchange i.e. Nepal Stock Exchange (NEPSE) in Nepalese securities market. It trades the securities of listed companies for the public. Here, transactions of only listed companies are made. An organized security exchange provides the facility for the members to trade securities, and only exchange members may trade there. The members include brokerage firms, which offer their services to individual investors, institutional investor by charging commissions for executing trades on their behalf. Other exchange members buy or sell for their own account, functioning as dealers or market makers who set prices at which they are willing to buy and sell for their own account. Exchanges play very important role in the modern economies by performing the following tasks:

- a. Supervision of trading to ensure transparency and efficiency.
- b. Creation of an environment in which securities prices are formed efficiently and without distortion.

Over the Counter Market/ OTC Market.

The market where the securities of the companies, not listed in the stock exchange or delisted from there, are traded is called 'Over-The-Counter Market'. Intermediates and authorized dealers head such kinds of securities transaction. The proceeds from sale of securities in the secondary markets don't go to the organizational issuer instead to the initial owners of the securities. The over-the-counter (OTC) market is not a formal exchange. There are no membership requirements and many brokers register as dealers on the OTC. At the same time, there are no listing requirements and thousands of securities are traded in the OTC market. OTC stocks are usually considered as very risky because they are the stocks that are not considered large or stable enough to trade on the major exchange.

2.2 Commercial Banks

Commercial bank is a financial institution that provides services such as accepting deposits providing business loans. It plays an important role in the economic

development of the country. It plays the role of economic development through facilitating the intermediary process in between capital surplus and deficit. Commercial banks accumulate the scattered capital and mobilize it to the needed sector of the economy. The commercial bank plays a dual role of mobilizing as well as allocating the limited resources towards people's needs for the development of the economic system. Financial business in any country is determined by political, social and economic factors. Moreover, level of economic development, banking awareness, growth and habits of population services provided by banks, level of urbanization and income distribution are other key factors affecting financial business. The history of modern bank begins from the establishment of Bank of Venice in 1157 A.D. The general role of commercial bank is to provide financial services to public, business firms and government ensuring economic and social stability and sustainable growth of the economy.

2.2.1 Commercial Banks in Nepal

In Nepal, the history of the modern banking institution was introduced when the first commercial bank, Nepal Bank Limited (NBL) was established in 1994 B.S. under the Nepal Bank act 1993 B.S. Being a commercial bank, it was natural that NBL paid more attention to profit-generating business and preferred opening branches in urban areas. Nepal Rastra Bank (NRB) was set up in 2013 B.S. as a central bank under the NRB act 2012 B.S. Since then it has been fluctuating as the government bank and has contributed to the growth of the financial sector. After this, the government set up Rastriya Banijya Bank (RBB) in B.S. 2022 as a fully government-owned commercial bank. As the name suggests, commercial banks are to carry out commercial transactions only. But commercial banks had to carry out the function of all types of financial institutions. Hence, the Industrial Development Center (IDC) was set up in 2013 B.S. for industrial development. In 2016, IDC was converted to Nepal Industrial Development Corporation (NIDC). Similarly, the Agricultural Development Bank (ADB) was established in 2024 B.S. to provide finance for agricultural produces so that agricultural productivity could be enhanced by introducing modern agriculture techniques. The commercial bank has been established gradually after the "commercial bank act 2031". In the 2041 B.S. Nepal government established five rural development banks under the control and supervision of Nepal Rastra bank. After

2041 B.S. to provide quality banking service, efficiency, and healthy competition foreign investment and new technology in the banking sector were introduced to adopting liberalization policy. The first joint venture bank, Nepal Arab bank was established in 2041 B.S. i.e. NABIL. Similarly, two foreign banks named Nepal Indosuez bank limited and Nepal Grind lays bank limited entered in the forms of joint venture banks and the trend is continuous till today as many Nepalese owned banks are also running e.g. Prabhu bank, Megabank, NCC bank. The banking activities are getting very much dynamic as well as complex. Because of the higher return on investment, entrepreneurs were interested in the setting of the new bank including branches of foreign banks. However, the current political and economic scenario of the country coupled with new prudential norms of Nepal Rastra Bank and stiff competition may make the entrepreneurs give a second thought to the idea of establishing banks. Current scenario banking in Nepal After the merger and acquisition of the recent publication of Nepal Rastra Bank (NRB), 27 commercial banks were operating in Nepal.

2.3 Theories of Common Stock Analysis

Basically, there are three theories concerning the valuation of securities and their price behavior. They are: Fundamental Analysis, Technical Analysis, and Random walk or Efficient Market Analysis.

2.3.1 Fundamental analysis

Fundamental analysis of a business involves analyzing its financial statements and health. Its management and competitive advantages and its competitors and markets. When applied to future and forex. It focuses and the overall state of the economy. Interest rates, production earning and management. This theory is also known as intrinsic value theory. It claims that at any point of time and individual security has an intrinsic value. Which should be equal to present value of the future cash flows from that security. Discounted at appropriate risk.

This value is an as interest part of the country as in person's intelligence or an engine's core power. It is further believed that intrinsic value can be discovered by analysis of financial information. If the intrinsic value is below the market price, the

security should be sold before its price drops. Under priced stocks are purchased until their price is bid up to equal their value. And over priced stocks are sold, which drives their price down until it equals their value. The fundamentalists attempts to estimate the real worth of a security by considering economic and financial variables and them decide as to what investment action is called for in a given situation depending upon whether they actual price is above or below its intrinsic value (Paudel, Baral, Gautam, & Rana, Investment Management, 2019).

Fundamental analysis forecast stock market on the basis of economic, industry, and company statistics. The principal decision variables ultimately take the form of earnings and dividends. The fundamentalist makes a judgment of the stocks with risk return framework based upon earnings power and the economic situation of the country. Some of the way to go through with the fundamental analysis may be following:

a. Top Down Versus Bottom-Up Forecasting

Under top down analysis approach the analysis is done by making forecast for the economy, industries, and companies. The industries forecast are based on the forecast for the economy and a company's forecast are based on the forecast for the economy and a company's forecast are based on the forecasts for both its industries and the economy likewise while doing bottom up forecasting estimation of the prospects for the companies is down and then only estimation of the prospects for the companies is down and then only estimation of the prospects for the industries in carried out and ultimately the economy's prospects is conducted.

b. Probabilistic Forecasting

Probabilistic forecasting often focuses on economy wide forecasts, as uncertainty at this level is of the greatest importance in determining the risk and expected return of well-diversified portfolio. A few alternatives economic sceneries may be forecasts along with their respective probability of occurrence. Then accompanying projections are made of the prospects for industries, companies and stock prices. Such exercise provides an idea of the likely sensitivities of different stocks to surprises concerning the economic and hence it sometimes referred to as what if analysis.

c. **Financial Statement Analysis**

A company's financial statement can be regarded as the output of a model of a firm. Many analyses do study financial statement to predict the future. Financial statement analysis can help an analyst to understand a company's current situation where it may be going, what factors affect it and how these factors affect it. To fully understand a company and comparing this with other financial statements are required to analyze carefully to determine the value of the firm. The price of the share can be estimated by examining the ratio of earnings after tax to the book value of equity (Paudel, Baral, Gautam, & Rana, Investment Management, 2019).

2.3.2 Technical Analysis

Technical analysis involves the study of the stock market prices in an attempt predict future movement. Under this analysis, past prices are examined to identify recurring trends in price movements. Some of the important tools such as charts, moving average, relative strength, and contrary opinions are used to analyze the price trend of individual common stock. On the other hand tools like Dow Theory, Breath the Market, Confidence Index are used to analyze the stock market as a whole.

Technical analysis is a security analysis discipline for forecasting the direction of prices through the study of past market data, primarily price and volume. It is basically concerned with identifying and observing the recurrent pattern in security prices. It is based on the philosophy that security prices are determined by the supply of and demand for securities. The technical analysis usually called technicians, record the historical security prices in a chart and then observe the pattern in price movement that is meaningful to forecast the future prices. Technical analysis is based on the following assumptions:

- a. Market value is determined by the interaction of demand and supply.
- b. Supply and demand are governed by the numerous factors, both rational and irrational.
- c. Security price tend to move in trends that persist for an appreciable length of time, despite fluctuations in the market.
- d. Change in trend is caused by shifts in demand and supply.

- e. Changes in supply and demand, no matters why they occur, can be defected sooner or later in charts of markets action, and
- f. Some chart patterns tend to recur and the recurring patterns can be used to forecast the price movements.

Technical analysts, or chartists, believe that they can discern patterns in price or volume movements, and that by observing and studying the past behavior patterns to given stocks, they can use this accumulated theoretical information to predict future price movements in the security. Technical analyst believes in the history behind chart formation and patterns. They read charts much like ancient astrologers read the stars, looking for "head and shoulders" formation. When the supply of a stock is greater than the demand, the trend will be down as there are more sellers than buyers; when demand exceeds supply, the trend will be up as buyers "bid up" the price; and if the forces of supply and demand are nearly equal, the market will move sideways which is called a "Trading Range". Eventually, new information will enter the market and the market trend will begin to go either up or down.

Depending whether the new informant is taken as positive or negative. Trend which are very brief are called minor trends; those lasting a few weeks are known as Intermediate Trends; and trends for a period of months are major trends. It helps us to act in market both in bullish and bearish market. Price moves in trends. A trend indicates there exists an inequality between the forces of supply and demand. Such changes in the forces of supply and demand usually are readily identifiable by the action of the market itself as displayed in the prices (Paudel , Baral, Gautam, & Rana, 2019).

2.3.3 Random Walk-Efficient Market Theory

“Random walk efficient market theory consists of the study of random walk or efficient market hypothesis. In 1900 a French mathematician, Louis Bachelor wrote a scientific paper suggesting that day to day security price fluctuation were random. His idea is known as the Random Walk Theory". These tests to see if stock price fluctuate randomly used to be called test of the "random walk theory of stock prices. The random walk efficient theory is a completely at variance with the technical and fundamental analysis. A number of empirical researcher have been done on varied set

of data for different time periods to test the random walk efficient market model for describing share price behavior.

a. The Random Walk Hypothesis (RWH)

The random walk hypothesis is a financial theory stating that stock market prices evolve according to a random walk and thus cannot be predicted. It is consistent with the efficient-market hypothesis. The work from of efficient market hypothesis stipulates that historical price and volume data for securities contain no information which can be used to earn a trading profit above what could be attained with a buy-and-hold investment strategy. The random walk hypothesis states that current price fully reflect the information contained in the Historical price movement. "The previous prices or the series of price changes are random phenomenon. Random walk theory implies that the future path of the price level of a security is no more predictable than the path of a series of cumulated random numbers. The series of price changes has no memory, that is, the past cannot be predicting the future in any meaningful way. It means that current size and direction of price changes is independent and unbiased outcome of previous price changes" (Fama, 1965)

b. The Efficient Market Hypothesis (EMH)

A perfectly efficient market is a market in which all investors have access to all relevant information in which news Library that affects stock market is immediately available through the market. "An efficient financial market exists when security prices reflect all available public information about the economic, financial markets and the specific company involved" (Van Horne , 2000)

In a major review of the theoretical and empirical work done in capital market, Fama (1965) proposed three information subsets by which the efficient market model could be appraised and tested. These three are weakly efficient, semi strong efficient and strong form efficient. The weak form efficient market hypothesis (WEMH) assumes that all past information is reflected in security prices. In this market past information has already been discounted in price, so excess profit cannot be derived from the investment strategy based on past information. If current prices of the stocks reflect all the publicly available information i.e. past prices and volume data and all the published accounting information , the market is semi strong efficient. In that market

even fundamental analysis of the published accounting information has no value because participants would have discounted it accurately and instant annually when they are disclosed. And the strong efficient market hypothesis (SEMH) assumes that all information affecting stock prices, both public and private is reflected in security prices. Thus, in such situation even those who have access to private information cannot consistently earn excess return. The measure of efficiency evolved from the notion of perfect competition which assumes free and instantly available information, rational investors with no taxes or transaction cost.

2.4 Review of Previous Studies

This part of the literature review is devoted to review of major previous studies relating to stock prices in detail. There are large numbers of studies in foreign and Nepalese context but only few of them are briefly reviewed below:

2.4.1 Review of Foreign Studies

Modigliani and Miller(1961) examined dividend policy, growth and the valuation of share using dividend discount model and concluded that dividend payout ratio (dividend policy) did not affect the wealth of the shareholders or on the share price of the firm; the basic premise of their argument was that firm value was determined by choosing optimal investments. The net payout (residual) was the difference between earnings and investments. A firm can adjust its dividends to any level with an offsetting change in share outstanding since the net payout comprises dividends and share repurchases. From investor's perspective, dividends policy was irrelevant because any desired stream of payments can be replicated by 14 appropriate purchase and sales of equity. Modigliani and Miller concluded that given firm's optimal investment and the firm's choice of dividend policy have no impact on shareholders wealth. It was argued that the value of the firm is determined by the earning power of the firm's assets or its investment policy, and that the way the earnings is split between dividends and retained earnings do not matter. However, this study was based on the assumptions as the perfect capital markets in which all investors were rational, and information are available to all at free of costs, instantaneous transaction cost, infinitely divisible securities, and no investors large enough to affect the market

price security, an absence of flotation costs on securities by the firm and the firm has a fixed investment policy and is not subjected to change.

Sharma (2011) examined the relationship between equity share prices and explanatory variables such as: book value per share, dividend per share, earning per share, price earnings ratio, dividend yield, dividend payout, size in terms of sale, and net worth for the period 1993-94 to 2008-09. Different statistical tools such as correlation and regression analysis were used to analyze the data. The results revealed that earning per share, dividend per share, and book value per share has significant impact on the market price of share. Furthermore, results of the study indicated that dividend per share and earnings per share being the strongest determinants of market price, so the results of the study supports liberal dividend policy and suggests companies to pay regular dividends.

Malhotra and Tandon (2013) determined the factors that influence stock prices in the context of National Stock Exchange (NSE) of 100 companies. A sample of 95 companies was selected for the period 2007- 2012 and linear regression model was used. The results indicated that firms' book value, earning per share, and price-earnings ratio were having a significant positive association with firm's stock price while dividend yield is having a significant inverse association with the market price of the firm's stock.

Almumani (2014) identified the quantitative factors that influence share prices for the listed banks in Amman Stock Exchange over the period 2005-2011 using a linear multiple regression model. There is a significant positive relationship between EPS and the MPS of the listed banks in Jordan. Moreover, there is a significant relationship between banks BVPS and MPS. Another empirical finding from the regression analysis shows a positive relationship between P/E ratio and MPS. Empirical findings from the regression analysis on the relationship between SIZE and MPS indicate that there is an inverse relationship between Size and MPS. Finally, other variable DPS has insignificant impact on MPS. Iyappan and Ganesamoorthy (2017) examined the determinants of share price movements - evidences from earlier studies. The study reviewed 30 articles published in various journals, magazines and newspapers. The study observed key determinants which influence share prices namely earning per share, price earnings ratio, dividend yield, book value per share.

Geetha and Swaaminathan (2015) examined about the influence of book value, earnings per share (EPS) and price earnings ratio towards the market price of the share using ratio analysis techniques. The paper is an attempt to analyze the influencing factors which affects the movement of stock price either upward or down trend. The research shows that EPS has a significant effect on market price. But the dividend per share does not have positive or negative effect towards the market price and suggested to extend with other companies using other validating techniques in order to evaluate the system to explain the unsolved factors.

Sharif, Purohit, and Pillai (2015) identified the main determinants affecting share prices in the Bahrain financial market. The study analyzed a panel data set of 41 companies listed in the Bahrain stock exchange for the period 2006-2010 through the use of POLS, FE and RE regression model. The study mainly tried to establish a relationship between market price of shares and other factors. The study observed eight firm specific variables namely return on equity, book value per share, earnings per share, dividend per share, dividend yield, price earnings, and debt to assets and controlled by firm size, have been studied to infer their impact on market price of shares in the respective market. The results indicate that the variables return on equity, book value per share, dividend per share, dividend yield, price earnings, and firm size are significant determinants of share prices in the Bahrain market. This study suggests that investors can make investment decision and be assured fair returns from consideration of determinants having significant contribution to market price of share. This suggests that investors can make optimum investment decisions and be assured fair returns if they consider these determinants which have evolved to be the significant contributors to the market price of shares in Bahrain that investors can make optimum investment decisions and be assured fair returns if they consider these determinants which have evolved to be the significant contributors to the market price of shares in Bahrain.

Ali and Waheed (2017) investigated the association of dividend policy with share price volatility by resting the focal point on all the listed corporations in Pakistan Stock Exchange taking top 10 companies as sample over a time span from 2007 to 2016. Data were analyzed using regressions analysis under the method of least square model. All independent variables had significant impact on share price volatility which shows that firm pays regular dividend to its shareholders are more stable in their

stock price. The dividend yield and dividend payout along with firm's size and growth have a significantly negative association with share price whereas earnings volatility and leverage have a significantly positive association with share price.

Aveh and Awunyo-Vitor (2017) examined the firm-specific determinants of stock prices on the Ghana Stock Exchange after the adoption of IFRS and successfully recognized the key factors that influence the market price of shares traded on the GSE. The empirical findings revealed using panel regression analysis found positive and significant relationship between ROE, EPS, BMVS and market capitalization suggesting that these variables are major determinants of the market price of shares on the Ghana Stock Exchange. However, a significant negative relationship was found between the market price of shares and dividend yield that suggests that dividend decisions are not critically important in influencing the market price of shares. The study acted as a guide to potential investors on the Ghana Stock Exchange to focus on the factors discussed above before making investment decisions. The study found that those interested in investing in stocks listed on the GES should monitor the performance of specific variables before making a decision to expand their portfolio. Furthermore, the listed companies should focus their attention on improving the figures related to the significant variables that affect the market price of shares.

Velankar, Chandani, and Ahuj (2017) examined the impact of EPS and DPS on stock price of selected public sector banks of India. The time series data on different variables; EPS, DPS and Stock Price were taken from the websites of money control and NSE over 9 years period from 2006-07 to 2014-15. Stationarity test, regression model assumption was checked through ARCH LM test and analyzed the impact of EPS and DPS on stock price. From the test of hypothesis, the results revealed significant effect of EPS and DPS on stock price and suggest to consider other determinant influencing stock price.

Almaaiteh and Alsaraireh (2019) identified the impact of accounting indicators on the market price of share for the Jordanian commercial banks listed in Amman Stock Exchange (ASE) for the period 2006-2017. The study adopted STATA program in data processing and Random effect regression model was chosen to test the relationship. The empirical results of the study reveal a positive and significant relationship between EPS, DPS, BVPS, P/E ratio and market price of share. In

addition, the regression results showed that the rate of return on equity and earnings per share were the most influential variables in the market price per share for commercial banks. Similarly, the regression result shows that retained earnings per share has negative and significant relation with market price of share, on the other hand, financial leverage variable has a negative but insignificant relationship with market price but current ratio variable has a positive and insignificant relationship with market price of share. The study recommended that investors in Amman Stock Exchange should be attention to the accounting indicators in order to build their investment decision.

2.4.2 Review of Nepalese Studies

Nepalese capital market is small and at emerging stage, there are limited studies relating stock price and its relationship with fundamental variables. Here is a review of studies in Nepalese perspectives:

Bajracharya and Koirala (2003) explored about the problem Nepalese Stock Market. The study concluded that the Nepal lag behind to develop a healthy capital market with a sound financial infrastructure. Regularity measures are slowly updating incorporating the contemporary issues but that has not been found effective because of governance problem in the corporate sector. Corporate sector generally not transparent. The culture of keeping books of account secret is still alive. Unless, it is changed, capital market will not contribute in a desirable way to contribute to growth. In order to improve it, accounting and auditing standards, disclosure and corporate governance need to be upgraded significantly and on the other the monitoring and policy response capacity of SEBON should be enhanced.

Joshi (2012) examined the impact of dividends on stock price in the context of Nepal that dividend had strong effect than retained earnings. The study examined whether that was consistent in the context of Nepal or not and the implication particularly to the banking and non-banking sector. The secondary data were used to examine the impact of dividends on stock prices, a multivariate linear regression analysis was implied in which current market stock price was taken as a dependent variable and four other variables dividend per share, retained earnings per share, lagged price earnings ratio and lagged market price per share as the explanatory variables. The

study that the impact of dividends is more pronounced than that of retained earnings in the context of Nepal. Dividend had significant effect on market stock price in both banking and non-banking sector.

Bhattarai (2014) examined the determinants of share price of commercial banks listed on the Nepal Stock Exchange Limited over the period of 2006 to 2014. Data were sourced from the annual reports of the sampled banks and analyzed using regression model. The results revealed that earning per share and price- earnings ratios have the significant positive association with share price while dividend yield showed the significant inverse association with share price. The major conclusion of the study was that dividend yield, earning per share and price-earnings ratio were the most influencing factors in determining share price and recommended to investors and fund manager to watch out for these significant factors while estimating stock returns and forecasting stock price.

Shrestha and Subedi (2015) identified that inflation and growth of money supply has positive relationship with the stock price change. The study reported that Nepalese stock market has been quite responsive to macroeconomic development, especially money sector development. Similarly, a loose monetary policy could trigger an asset price bubble in share market, which was mainly dominated by financial institutions. The major findings of the study were NRB's policy on lending against share collateral has been effective in influencing the share market. The result also revealed that share market is also influenced due to speculation motive of investor, news, and rumors, so, transparency should be increased in this market by making information related to listed companies easily accessible transparency and communication should, in fact, should be enhanced by the concerned authorities to clear gossips and rumors in the market.

Pradhan and Dahal (2016) examined the relationship between bank specific and macroeconomic variables and MPS in Nepal's banking sector. The study was based on pooled cross sectional analysis of secondary data of 14 commercial banks for the period 2002/03-2013/14 using correlation and regression analysis. Variables like earning per share, price earnings ratio and book value per share are very weak effect in determining market price per share. The research study suggests a rational investor's need to consider dividend per share, firm size and money supply before

making investment decision along with signaling and asymmetric information in context of imperfect stock market like Nepal.

Poudel (2016) explored the determinants of stock price in NEPSE, with special focus to private commercial banks. The study was based on secondary data of eight commercial banks for the period of 2011-2015. Different statistical and financial tools are used to measure the impact of different variable under the study such as DPS, BVPS and EPS. These factors affect the MPS positively. Theoretically, when earnings, dividends and book value per share increases, the market price per share also increases and vice versa. But in the case of NEPSE, this theory does not seem to be true hundred percent. Meaning that there are various other factors too that affects the share price.

Ghimire and Mishra (2018) examined the relationship between stock price and explanatory variables like dividend per share, earnings per share, price earnings ratio, book value and market to book value for the period 2012 to 2017. This study investigated that the factor affecting the stock price using simple and multiple regression analysis and descriptive statistics with the sample size of 11 financial and nonfinancial firms of Nepal. The result indicated that the variables market to book-value and price earnings ratio were the significant determinants of stock price which directly affect the stock price. Likewise dividend per share and book value have significance positive influence on stock price whereas earnings per share had minimum influence on the stock price.

Thapa (2019) explored the influencing factors of stock price in Nepal with reference to Nepalese commercial banks listed on the Nepal Stock Exchange Ltd. over the period of 2008 to 2018AD. The information were collected from questionnaire and financial statement of concerned organizations and analyzed using simple linear regression model. The conclusions of the work revealed that earning per share (EPS), dividend per share (DPS), effective rules and regulations, market whims and rumors, company profiles and success depend upon luck have the significant positive association with share price while interest rate and price to earnings ratio, showed the significant inverse association with share price. Further, accessibility of liquidity, fundamental and technical analysis stimulates the performance of the Nepalese stock

market. More importantly, stock market has been found to respond significantly to changes in dividend and interest rate.

2.5 Review of Master's Degree Thesis

We can easily find numerous studies conducted for the partial fulfillment of master's Degree. But we can't review all the studies. So some of them, which studies are relevant to this study, are reviewed in the following way:

Baniya (2008) analyzed the stock price trend and behavior of commercial banks and examined the impacts of GDP, rate of interest and rate of inflation on NEPSE Index. This study covered the period from FY 2001/02 to FY 2005/06. The research used regression analysis to see the effect of macro-economic variables on the NEPSE. The graphical analysis and volatility test showed that stock price behavior of sample commercial banks was not even, some showed fluctuating trend whereas other showed moderate trend. The results of run test showed market price of selected commercial banks were not random which indicated that market overreacted to the available information. There was no significant relationship between GDP and NEPSE which indicated that higher annual NEPSE index did not have positive relationship with GDP. Similarly, there was no supporting evidence to prove that the change in the market interest rate on deposit could have affected the NEPSE Index. The trend of NEPSE index and the rate of inflation was not supporting with each other which proved that there was no significant relationship between NEPSE index and the rate of inflation. Finally, the study concluded that NEPSE was not influenced by macro-economic variables and should also consider significant variables.

Dhakal (2018) identified determinants of Share Price and their relationship with the stock price over the period 2012-2017. Data were analyzed using different statistical tools such as correlation and regression technique. The findings of the study over the past five-year period revealed that dividend per share and earning per share, book value per share had the significant positive association with share price using secondary data analysis. It was found that the commercial banks performance was highly inconsistent in the relationship of MPS with EPS, DPS and BVPS. The MPS was found to be highly correlated with the EPS and BVPS. Similarly, primary data analysis revealed that internal factors like earnings per share, book value, dividend

payment, price earnings ratio, paid up capital of the banks and environmental factors like government instability, NRB's policy, SEBON performance, political influences. Earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability were the main factors affecting the share price in NEPSE. The study suggests to investors to analyze significant factors before investing in stocks.

Ayer (2017) investigated the stock price movements of commercial banks using secondary data of ten commercial banks over the period of fiscal year 2006/07 and fiscal year 2015/16 and analyzed using multiple regression technique. The study used the variables such as market price per share as dependent variable and dividend per share, book value per share and earnings per share as independent variables. The study revealed that MPS of most of the banks are found to be correlated with other individual financial indicators like DPS, BPS and EPS significantly which shows that they individually greatly influence share price and they have combine effect on it as well. The study concluded that EPS, BPS and DPS are the major influence of the stock price and they have positive relationship with MPS. The study suggests to consider political situation, annual general meeting, assets structure, taxation policy, and capital structure of the organization which influence movement while investing.

Dangaura (2018) identified the quantitative factors as well as qualitative factors that influence share prices for the listed banks in NEPSE over the period 2013- 2018 and employed the regression and correlation analysis to identify the share price determinants. Based on the results of empirical analysis, the variables DPS, and B/M ratio were significant determinants of share prices for all the banks under consideration while GDP, Interest rate and P/E ratio insignificant inverse as well as positive association with share prices of the banks. Hence, the study confirmed that the study of financial factors prove to be beneficial for the investors in Nepalese economy, as these factors possess strong explanatory power to make accurate future forecasts of stock prices. Therefore, investors were suggested to take care of accounting variables of company before investing. Moreover, it was a subject of immense curiosity especially a banking sector to identify the factors that influence share prices. The shares of commercial banks offer the investment opportunities to Nepalese investors because these shares are more frequently traded in the market than as compared to others in Nepalese context.

Summary of Literature Review

Summary of articles, journal and academic thesis are as follows:

Author	Title	Methodology	Major Findings
Modigliani and Miller(1961)	Dividend Policy, Growth and the Valuation of Shares	Discounted Dividend Models	The study concluded that firm's optimal investment and the firm's choice of dividend policy have no impact on shareholders wealth and the value of the firm is determined by the earning power of the firm's assets or its investment policy.
Baniya (2008)	Share Price Behavior of Commercial Banks and Effect of Macroeconomic Variables in Nepalese Stock Market	Run Test, Regression Analysis	The results of run test showed market price of selected commercial banks were not random which indicated that market overreacted to the available information. The study concluded that NEPSE was not influenced by macro-economic variables.
Sharma (2011)	Determinants of Equity Share prices in India	Correlation and Regression Analysis	The results revealed that earning per share, dividend per share, and book value per share has significant impact on the market price of share. Furthermore, results of the study indicated that dividend per share and earnings per share being the strongest determinants of market price.
Joshi (2012)	Effects of Dividends on Stock Prices in Nepal.	Multivariate Linear Regression Analysis	The major findings were dividend per share is a motivating factor in the Nepalese financial sector which is strong enough to increase MPS of the banking and non-banking firms. The study shows that dividend and retained earnings significantly explain the variation in share price.
Malhotra and Tandon (2013)	Determinants of Stock Prices: Empirical	Correlation and Linear Regression	The results indicated that firms' book value, earning per share, and price-earnings ratio are having a significant positive association

	Evidence from NSE 100 Companies	Model	with firm's stock price while dividend yield is having a significant inverse association with the market price of the firm's stock.
Almumani (2014)	Determinants of Equity Share Prices of the Listed Banks in Amman Stock Exchange: Quantitative Approach	Linear Multiple Regression Model	The study revealed that there is a significant positive relationship between EPS and the MPS of the listed banks in Jordan. Moreover, there is a significant relationship between banks BVPS and MPS. The empirical finding from the regression analysis shows a positive relationship between P/E ratio and MPS and DPS has insignificant impact on MPS.
Bhattarai (2014)	Determinants of Share Price of Nepalese Commercial Banks	Regression Model	This study found that that earning per share and price-earnings ratio have the significant positive association with share price while dividend yield showed the significant inverse association with the share price of the bank
Geetha and Swaaminathan (2015)	A study on the factors Influencing stock price: A Comparative study of Automobile and Information Technology Industries stocks in India	Ratio Analysis Techniques	The study attempted to analyze the influencing factors which affects the movement of stock price either upward or down trend. The research shows that EPS has a significant effect on market price. But the dividend per share does not have positive or negative effect towards the market price.
Sharif, Purohit, and Pillai (2015)	Analysis of Factors Affecting Share Prices: The Case of Bahrain Stock Exchange	POLS,FE and RE Regression Model	The results indicate that the variables return on equity, book value per share, dividend per share, dividend yield, price earnings, and firm size are significant determinants of share prices in the Bahrain market.
Shrestha and	Determinants of	Regression	The result of the study is that stock price has

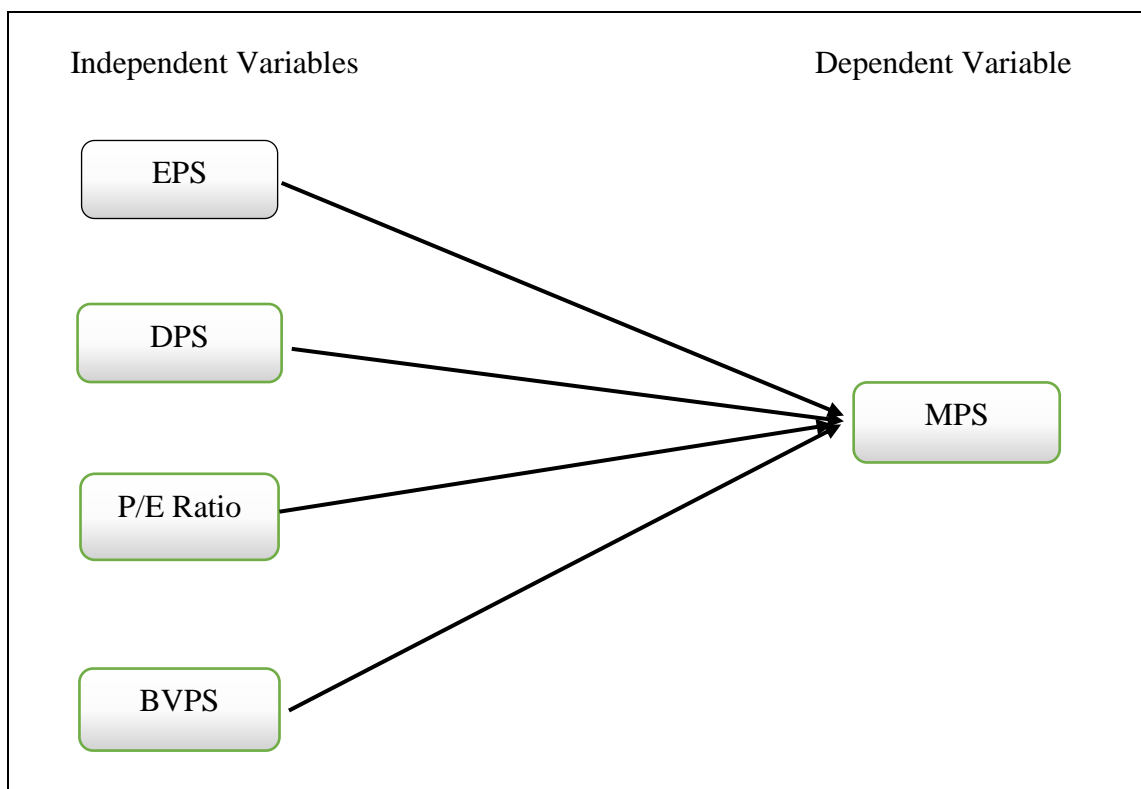
Subedi (2015)	Stock Market Performance in Nepal for the Period of 2000-2014.	Model	strong positive relationship with inflation and growth of money supply, and negative response to interest rate.
Pradhan and Dahal (2016)	Factors Affecting the Share Prices: Evidence from Nepalese Commercial Banks	Correlation Analysis and Regression Analysis	The study hypothesizes that MPS depends on several bank specific and macroeconomic variables. Variables like earning per share, price earnings ratio and book value per share are very weak effect in determining market price per share.
Poudel (2016)	Determinant of Stock Price of Selected Banks in Nepal	Regression Analysis	The findings of the study; earnings, dividends and book value per share increases, the market price per share also increases and vice versa.
Ali and Waheed (2017)	Impact of Dividend Policy on Share Price Volatility	Fixed Effect Regression Model	The study investigated that all independent variables have significant impact on share price volatility. The dividend yield and dividend payout along with firm's size and growth have a significantly negative association with share price whereas earnings volatility and leverage have a significantly positive association with share price.
Aveh and Awunyo-Vitor (2017)	Firm-specific determinants of stock prices in an emerging capital market: Evidence from Ghana Stock Exchange	Panel Regression Analysis	The empirical findings revealed a positive and significant relationship between ROE, EPS, BMVS and market capitalization suggesting that these variables are major determinants of the market price of shares on the Ghana Stock Exchange. A significant negative relationship was found between the market price of shares and dividend yield that suggests that dividend decisions are not critically important in influencing the market price of

			shares.
Ayer (2017)	Stock Price Movements of commercial banks in Nepal	Correlation and Regression Analysis	The study concluded that EPS, BPS and DPS are the major influence of the stock price and they have positive relationship with MPS. Besides this, political situation, annual general meeting, assets structure, taxation policy, and capital structure of the organization also influence movement of stock price in Nepalese commercial banks.
Velankar, Chandani, and Ahuj (2017)	Impact of EPS and DPS on Stock price : A Study of Selected Public Sector Banks of India	Stationarity test, Regression Model and ARCH LM Test	The study concluded by testing the hypothesis that there is a significant effect of EPS and DPS on stock price of selected Public sector banks in India.
Dangaura (2018)	A study on Determinants of Share Price in Commercial Banks of Nepal	Regression and Correlation Analysis	The results of empirical analysis, the variables DPS, and B/M ratio are significant determinants of share prices for all the banks under consideration while GDP, Interest rate and PE ratio insignificant inverse as well as positive association with share prices of the banks.
Dhakal (2018)	Factors Affecting Share Price of Commercial Bank	Correlation and Regression Analysis	The findings of the study over the past five-year period revealed that dividend per share and earning per share, book value per share has significant positive association with share price using secondary data analysis. Earnings per share, book value, dividend payment, price earnings ratio, paid up capital of the banks and environmental factors are government instability, NRB's policy, SEBON performance, political influences. Earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability are the major

			factors affecting the share price in NEPSE, according to the respondents of the survey.
Ghimire and Mishra (2018)	Determinants of Stock Price in Nepalese Market	Simple and Multiple Regression Analysis	The results of the study indicates that the variables market to book-value and price earnings ratio are the significant determinants of stock price which directly affect the stock price. Likewise dividend per share and book value have significance positive influence on stock price whereas earnings per share has minimum influence on the stock price.
Almaaiteh and Alsaraireh (2019)	Accounting Indicators and their Impact on Market Prices of Shares of Commercial Banks Listed on the Amman Stock Exchange for the Period 2006-2017	Data Processing and Random Effect Regression Model	The empirical results of the study reveal a positive and significant relationship between EPS, DPS, BVPS, P/E ratio and market price of share. The regression results showed that the rate of return on equity and earnings per share were the most influential variables in the market price per share for commercial banks.
Thapa (2019)	Influencing Factors of Stock Price in Nepal	Correlation Analysis	The conclusions of the work revealed that earning per share, dividend per share, effective rules and regulations, market whims and rumors, company profiles and success depend upon luck have the significant positive association with share price while interest rate and price to earnings ratio, showed the significant inverse association with share price.

2.6 Conceptual Framework

The conceptual framework is designed to understand the factor that may affect the market price per share. The extant literature available strongly supports the movement of stock price as a consequence of firm specific factors. In view of theory and major empirical evidences, it is expected that the market price per share of commercial banks may be influenced by earnings per share, dividend per share, price earnings ratio and book value per share. The conceptual framework developed to test the effect of these variables on the market price per share of listed commercial banks of Nepal in this study is portrayed in figure 2.1.



Source: Karki, (2018)

Figure 2.1: Conceptual Framework (Relationship between Dependent and Independent Variables)

The figure 2.1 shows EPS, DPS, P/E ratio, and BVPS as independent variable to measure the impact on market price per share. MPS is used as the dependent variable.

Research Variables:**Market Price per Share**

Market price is taken as dependent variable. The market price of share gives the value of shares, and the value of the organization. The market price is that price in which shares are traded or the amount which is paid by the buyer to the seller to purchase the stock of company. In the previous studies like Rashid and Rahman (2008), Nazir, Nawaz, Anwar and Ahmed (2010) used price volatility as a dependent variable to see the effect on stock market price.

Earnings per Share

EPS is an independent variable which has effect on the stock price of commercial banks of Nepal. Earnings per share serve as an indicator of a company's profitability. The increasing earnings per share generally results in high market price. According to Malhotra and Tandon (2013), Almumani (2014), the earnings per share has a positive relationship with market price, that is, higher the earning per share, higher will the market price be.

Dividend per Share

DPS is independent variable which has impact on market price of stocks of commercial banks in Nepal. The DPS is declared for every ordinary share issued. Dividend per share is the total dividends paid out over an entire year (including interim dividends) divided by the number of outstanding ordinary shares issued. Modigliani and Miller (1961) firms share price is based upon its earnings; firm's value is unrelated with dividend policy. Rashid and Rahman (2008) found significant positive relationship between the dividend and share price.

Price Earnings Ratio

P/E ratio is an independent variable in this study. It relates with the comparison of market value with its earnings per share. The price earnings ratio indicates the extent to which the earnings of each share are covered by its price. It tells whether the stock price of a company is fairly valued, undervalued, or overvalued. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to

companies with a lower P/E. In the same way, Malhotra and Tandon (2013), Almumani (2014) also indicated that price-earnings ratio have a significant positive association with firm's stock price.

Book Value per Share

BVPS is another independent variable in this study. It is financial measure that represents a per share assessment of the minimum value of a company's equity. More specifically, this value is determined by relating the original value of a firm's common stock adjusted for any outflow (dividends and stock buybacks) and inflow (retained earnings) modifiers to the amount of shares outstanding. Sharma (2011) conducted a study that book value per share has significant impact on the market price of share.

2.7 Research Gap

Many researches on the stock market price in Nepal have been conducted to find the determinants which cause the fluctuation of share price. All of those researches have many useful findings and their own limitations.

Earlier studies and researches on the stock price movement in the NEPSE are carried out on the apparent approach by taking the most common indicators in consideration. Few researches which focused on the stock price movement of the commercial banks have tried to analyze the banking share price comparing it with its own financial indicators and with macroeconomic variables. The study also review statistical tools such as correlation coefficient and regression analysis have often been used in most of these studies. This study is different from other researches in terms of sample banks, data presentation as well as statistical and financial tools used for interpretation and analysis of data. Moreover, to analyze the most influencing factor affecting the share price, investor's view will provide the most fruitful result. Hence the researcher has taken individual investors as primary sources of information.

Therefore, this study will be helpful to those interested parties, scholars, students, teachers and civil society, other stakeholders, business man and government for academically as well as policy perspectives.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology refers to the various steps that are adopted by researchers during the course, of studying a problem with certain objectives. A systematic research study requires a proper methodology to achieve the set of objectives. Research methodology is a systematic method of finding solution of a problem i.e. systematic collection, presentation, analysis, interpretation and reporting of data and information. This chapter aims to present a basic framework of the research work. This chapter contains the research design, sample size, data collection procedure, data processing tools and techniques and variables under study that ensure validity, reliability and ethical standards in the study.

3.1 Research Design

In this study, descriptive and casual comparative research design is adopted. To determine the effect of earning, book value, dividend and price earnings ratio, historical research design is adopted along with correlation and regression analysis and the descriptive research design is adopted to identify the qualitative factors affecting stock price. Therefore, the main objective of this study is to examine the interrelation of MPS with EPS, DPS, P/E ratio, BVPS and other financial indicators. Some financial and statistical tools have been applied to examine facts and descriptive techniques have been used to determine factors determining stock prices of commercial banks in NEPSE based on seven-year data from fiscal year 2012/13 to 2018/19.

3.2 Population and Sample

The total variables/observation is simply called population. All companies listed with the Nepal Stock Exchange are the population, but for the study only the commercial banks listed and conducting share transactions in the NEPSE are taken as the population of the study. At present, there are 27 commercial banks and seven commercial banks are selected using convenience sampling method for the purpose of analysis. In this study, the population size is 27 and the sample size is seven. Details of sample banks are listed below.

Table 3.1 Detail of Study Sector and Sample Size

Name of sector	Total no. of listed commercial banks	No. of banks under study
Banking (commercial bank)	27	7

Name of Commercial Banks under study

In this study seven commercial banks listed in the NEPSE are taken for analysis. They are listed as:

Table 3.2 Commercial Banks under study

S.N.	Name of the Commercial Banks	Stock Symbol
1.	Everest Bank Limited	EBL
2.	Nabil Bank Limited	NABIL
3.	Himalayan Bank Limited	HBL
4.	Standard Chartered Bank	SCBL
5.	Nepal Investment Bank	NIBL
6.	Machhapuchhre Bank Limited	MBL
7.	Siddhartha Bank Limited	SBL

3.3 Sources of Data

The study is based on primary data as well as secondary data. To show the relationship between the different variables (share price- earnings, share price-book value, share price-dividend, share price-price earnings ratio), secondary data is used to determine the factors which affect the stock price. For the purpose of primary data, a questionnaire was presented to the 100 respondents from the broker office trading floor. The sources of the secondary data are collected from different sources of related commercial banks as follows.

- The annual report of the sample banks showing MPS, EPS, DPS, P/E ratio and BVPS.
- Information relevant to study available in various websites.
- SEBON, NEPSE, financial statistics reports, bulletins publications of different authorities.

The details of variables involved in this study are listed below in the following table.

Table 3.3 Details of Variables

Variables	Short Name	Type	Unit	Calculation
Earnings Per Share	EPS	Independent	Rupees	Net profit after tax/No. of shares
Dividend per share	DPS	Independent	Rupees	Total Dividend/No. of shares
Price earnings ratio	P/E ratio	Independent	Times	Market price per share/EPS
Book value per share	BVPS	Independent	Rupees	Shareholder's equity/no. of share
Market price per share	MPS	Dependent	Rupees	Total market capitalization/no. of share

3.4 Data Collection Techniques

The research consists of both primary as well as secondary data. Since the nature of these two types of data is different, the data collection procedure also varies. The relevant secondary data has been collected from the annual report of the commercial banks available from their websites like www.nabilbank.com.np, www.everestbank.com.np, www.himalayanbank.com.np, www.machhapuchhrebank.com.np et cetera. On the other hand, primary data collected through scheduled questionnaire.

3.5 Data Processing

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

3.6 Data Analysis Tools

The primary and secondary data collected from various sources leads to the logical conclusion, only if the appropriate tools and techniques are adapted for analysis of such data. The collected data has no meaning when they are not analyzed. Various statistical tools have been used to analyze the data in this study. The statistical tools applied are average/arithmetic mean, standard deviation, coefficient of variation,

correlation coefficient and multiple regression. The tools used have been discussed below.

3.6.1 Statistical Tools

Statistical tools measure the data and give the result in numeric form which helps to analyze the data in logical way. The following statistical tools are applied for the study.

3.6.1.1 Average/ Mean

Average is calculated by adding all the numbers of all observations and dividing by the total number of observations. It is in fact, a value which is represented to stand for whole group of which it is part, as typical of all the value in the group.

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

Where,

X = Number in X-series

n = Number of Observations in a sample

3.6.1.2 Standard Deviation

The standard deviation (σ) is another measure of investment risk. It is absolute measures of dispersion. The smaller the standard deviation the lower will be the degree of risk of the stock. In other words, a small standard deviation means a high degree of uniformity of the observation as well as homogeneity of a series and vice versa. The formula for calculating the standard deviation is:

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

Where,

σ = Standard Deviation

\bar{X} = Number in X-series

X = Mean

n = Number of Observations in a sample

3.6.1.3 Coefficient of Variation

The coefficient variation (CV) is the other useful measure of risk. It is the standard deviation divided by the expected return, which measures risk per unit of return. It provides a more meaningful basis for comparison when the expected returns on two alternatives are not the same. If investors believe that the rate of return should increase as the risk increase, then the coefficient of variation provides a quick summary of the relative trade-off between expected return and risk.

$$CV = \frac{\sigma}{\bar{X}}$$

Where,

CV	=	Coefficient of Variation
\bar{X}	=	Mean
σ	=	Standard Deviation

3.6.1.4 Correlation Coefficient

Correlation may be defined as the degree of linear relationship existing between two or more variables. Two variables are said to be correlated is accompanied by the change of another variable. If the increase (decrease) in the value of one variable on an average is associated with the increase (decrease) in the value of another variable, positive relationship is said to be existed. The relationship will be negative if increased (decreased) in the variable of one variable is associated with the decreased (increased) in the value of another variable. But the correlation coefficient always remains within the limit of +1 to -1. By Karl Pearson, the simple correlation coefficient (between two variables say X and Y) is given by:

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

Where,

r	:	Correlation between X and Y
n	:	Number of observations in series X and Y
$\sum X$:	Sum of observations in series X
$\sum Y$:	Sum of observations in series Y
$\sum X^2$:	Sum of square observations in series X

$\sum Y^2$:	Sum of squared observations in series Y
$\sum XY$:	Sum of product of observations in series X and Y

3.6.1.5 Coefficient of Determination

The coefficient of determination gives the percentage variation in the dependent variable that is accounted for by the independent variables. In other words, the coefficient of determination gives the ratio of expected variance to the total variance. The coefficient of determination is given by the square of the correlation coefficient, i.e. r^2 so the coefficient of determination = Square of correlation = (r^2) .

3.6.1.6 Regression Analysis:

Multiple Regression Analysis

Multiple regression analysis is a logical extension of the simple linear regression analysis. Instead of single independent variable, two or more independent variables are used to estimate the unknown values of a dependent variable. However the fundamental concept in the analysis remains the same. Multiple regression is defined as statistical device which is used to estimate (or predicts) the most probable value of dependent variable on the basis of known value of two or more independent variables. The following multiple regression equation is analyzed.

Multiple Regression Model

$$\hat{Y}_{MPS} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i.$$

Where,

\hat{Y}_{MPS}	=	Dependent variable
X_1	=	EPS
X_2	=	DPS
X_3	=	P/E Ratio
X_4	=	BVPS
α	=	Constant
β_i	=	Beta Coefficient of slope of regression model and
e_i	=	Error term

Variable Defined:**Market Price per Share (MPS)**

Market price is the price of an asset would fetch in the market place. It is the closing price of the stock. It is calculated by dividing total market capitalization by number of ordinary shares outstanding.

It is calculated as follows:

$$\text{Market price per share} = \frac{\text{Market capitalization}}{\text{No. of shares outstanding}}$$

Earnings per Share (EPS)

Earnings per share is the portion of a company's profit allocated to each outstanding share of a common stock. It is one of the indicators of a company's profitability. Earnings per share of the company provides strength to the company share in the market.

It is calculated as:

$$\text{EPS} = \frac{\text{Net profit after tax}}{\text{No. of share outstanding}}$$

Dividend per Share (DPS)

Dividend per share is the sum of declared dividends for every ordinary share issued. It is the total dividends paid out to shareholders over an entire year divided by the number of outstanding shares issued.

It is calculated as follows:

$$\text{DPS} = \frac{\text{Total dividend proposed}}{\text{No. of ordinary share}}$$

Price Earnings Ratio (P/E Ratio)

Price earnings ratio examines the current price of a company relative to its earnings. It also reflects investors' expectations about the growth in the firm's earnings which affects the stock price.

It is calculated as follows:

$$\text{P/E ratio} = \frac{\text{Market price per share}}{\text{Current earning per share}}$$

Book Value per Share (BVPS)

Book value per share is the stock's actual value as per the company record. It is a financial measure that represents a per share assessment of the minimum value of a company's equity. It is the result of shareholder's equity divided by no. of shares outstanding.

It is calculated as follows:

$$\text{Book value per share} = \frac{\text{Total paid up capital + reserve and surplus}}{\text{No. of shares outstanding}}$$

CHAPTER – IV

RESULTS AND DISCUSSION

This chapter is the main body part of this study. This chapter is the heart of the study. The primary and secondary data are collected in unprocessed form. So, in this chapter, such unprocessed data are presented in systematic formats and analyzed using different financial as well as statistical tools and techniques to fulfill the stated objectives of this research. The secondary as well as primary data, collected from different sources, are presented and analyzed separately using both qualitative and quantitative measure. In this course of analysis, data gathered from various sources have been inserted in the tabular form.

4.1 Financial Analysis of Current trend of Financial Indicators

Financial analysis is the process of evaluating businesses, project, budgets, and other finance-related entities to determine their performance and suitability. The financial tools are used to examine the strength and weakness of the bank in terms of financial health or financial performance. The financial indicators used for data analysis are presented below:

4.1.1 Analysis of Market Price per Share

Market value per share is the current price at which the stock is traded. It is the price an asset would fetch in the market place. Market value is also commonly used to refer to market capitalization of a publicly traded company and is obtained by multiplying the number of its outstanding shares by the current share price. Market value can fluctuate a great deal over periods of time and is substantially influenced by the business cycle. Market values plunge during the bear market and rise during the bull market. The market price per share of the sample banks is analyzed in the table number 4.1.

Table 4.1 Market Price per Share of Sample Banks*(In Rupees)*

Fiscal Year	EBL	NABIL	HBL	MBL	NIBL	SBL	SCBL
2012/13	1591	1815	700	203	784	300	1820
2013/14	2631	2535	941	576	960	810	2799
2014/15	2120	1910	813	564	704	678	1943
2015/16	3385	2344	1500	680	1040	869	3600
2016/17	1353	1523	886	360	770	485	2295
2017/18	663	921	551	209	621	300	755
2018/19	666	800	552	264	519	318	682
Total	12409	11848	5943	2856	5398	3760	13894
Average	1772.71	1692.57	849	408	771.14	537.14	1984.86
S.D.	1010.13	660.44	325.10	196.30	182.00	247.53	1049.33
C.V.	56.98	39.02	38.29	48.11	23.60	46.08	52.87

(Source: Appendix-A)

The Table 4.1 shows the average MPS of seven commercial banks from the period of fiscal year 2012/13 to fiscal year 2018/19. There has been seen fluctuation in the MPS of each commercial bank. The average MPS of SCBL has found to be highest of Rs.1984.86 per share followed by MPS of EBL, NABIL, HBL, NIBL, SBL and MBL having Rs.1772.71, Rs.1692.57, Rs.849, Rs.771.74, Rs.537.14 and Rs.408 per share respectively. EBL has the most fluctuation MPS with a standard deviation is 1010.13 and CV of 56.98%. NIBL has lowest fluctuating MPS. The CV of NIBL is 23.60% whereas; other five banks have more than 35%.

4.1.2 Analysis of Earnings per Share

Earnings per share is the portion of a company's profit allocated to each outstanding share of a common stock. It serves as an indicator of a company's profitability. A higher earnings indicates the better achievement in terms of profitability of financial institutions by mobilizing their funds and vice-versa. The earnings per share of the sample banks is analyzed in the table number 4.2.

Table 4.2 EPS of Sample Banks*(In Rupees)*

Fiscal Year	EBL	NABIL	HBL	MBL	NIBL	SBL	SCBL
2012/13	91.88	91.05	34.19	5.98	46.20	29.80	65.70
2013/14	86.04	83.68	33.10	18.34	40.70	38.63	65.47
2014/15	78.04	57.24	33.37	22.20	30.90	37.77	57.38
2015/16	65.97	59.27	43.03	25.04	29.30	41.53	45.96
2016/17	44.32	59.86	35.15	24	29.30	26.60	35.49
2017/18	32.78	51.84	23.11	15.81	35.70	26.45	27.33
2018/19	38.05	50.57	32.44	21.07	26.40	26	30.39
Total	437.08	453.51	234.39	132.44	238.5	226.78	327.72
Average	62.44	64.79	33.48	18.92	34.07	32.40	46.82
S.D.	24.09	15.96	5.82	6.53	7.17	6.68	16.30
C.V.	38.58	24.63	17.38	34.53	21.03	20.62	34.82

(Source: Appendix-A)

The Table 4.2 shows the average EPS of seven commercial banks from the period of fiscal year 2012/13 to fiscal year 2018/19. There has been seen fluctuation in the EPS of each commercial bank. The average EPS of NABIL has found to be highest of Rs.64.79 per share followed by EPS of EBL, SCBL, NIBL, HBL, SBL and MBL having Rs.62.44, Rs.46.82, Rs.34.07, Rs.33.48, Rs.32.4 and Rs.18.92 per share respectively. EBL has the most fluctuation EPS with a standard deviation is 24.09 and CV of 38.58. HBL has lowest fluctuating EPS. The CV of HBL is 17.38% whereas; other five banks have more than 20% which shows the consistency of the bank in terms of earnings.

4.1.3 Analysis of Dividend per Share

Dividend per share is the sum of declared dividends for every ordinary shares issued. It is the total dividends paid out to shareholders over an entire year divided by the number of outstanding shares issued. Both cash and stock dividend declared by each commercial bank have taken into account for the purpose of the study. The dividend per share of the sample banks is analyzed in the table number 4.3.

Table 4.3 Dividend per Share of Sample Banks*(In Rupees)*

Fiscal Year	EBL	NABIL	HBL	MBL	NIBL	SBL	SCBL
2012/13	60.53	65	15	0	35	22.11	50
2013/14	62	65	21.05	12.63	40	23.16	51.5
2014/15	36.57	36.84	42.11	18.84	34.7	21.05	44.21
2015/16	70	45	31.58	21.84	41	48.75	35.09
2016/17	34.74	48	26.32	15	40	14	105.26
2017/18	20	34	15.79	10	40	13.86	17.5
2018/19	25	34	22	16	19	0	22.5
Total	308.84	327.84	173.85	94.31	249.7	142.93	326.06
Average	44.12	46.83	24.84	13.47	35.67	20.42	46.58
S.D.	19.80	13.50	9.55	7.09	7.79	14.80	28.99
C.V.	44.87	28.83	38.45	52.15	21.83	72.49	62.24

(Source: Appendix-A)

Table 4.3 shows the average DPS, standard deviation and coefficient of variation of all sample banks. All the sample banks have distributed attractive dividend in all seven years of the study as per their earnings. The average DPS of SCBL is high among all. But in terms of consistency NIBL has made the constant dividend distribution pattern. Although, the average dividend per share of SBL is high among all, it seems unattractive due to high fluctuation in distribution of dividend to the investors in recent years, it suggests the inconsistency of the bank. The CV of SBL is 72.49% which shows the high fluctuation in the dividend distribution pattern. The SD of MBL is 7.09 which show the consistency of the bank in terms of dividend payment.

4.1.4 Analysis of Price Earnings Ratio

P/E ratio is the ratio for valuing a company that measures its current share price relative to its per-share earnings. It reflects investors' expectations about the growth in the firm's earnings that affects the stock price. The P/E ratio of the sample banks is analyzed in the table number 4.4.

Table 4.4 Price Earnings Ratio (P/E ratio) of Sample Banks (In times)

Fiscal Year	EBL	NABIL	HBL	MBL	NIBL	SBL	SCBL
2012/13	17.32	19.93	20.47	33.96	17	10.07	27.7
2013/14	30.58	30.29	28.43	31.4	23.6	20.97	42.75
2014/15	27.17	33.37	24.36	25.4	22.8	19.95	33.86
2015/16	51.31	39.55	34.86	27.15	35.5	20.93	78.33
2016/17	30.53	25.44	25.21	15	26.3	18.24	64.67
2017/18	20.23	18.6	23.84	13.22	17.4	11.34	27.62
2018/19	17.5	15.82	17.02	12.53	19.6	12.23	22.44
Total	194.64	183	174.19	158.66	162.2	113.73	297.37
Average	27.81	26.14	24.88	22.67	23.17	16.25	42.48
S.D.	11.84	8.68	5.70	8.96	6.41	4.84	21.19
C.V.	42.59	33.19	22.90	39.55	27.65	29.76	49.87

(Source: Appendix-A)

Table 4.4 shows the average P/E ratio, standard deviation and coefficient of variation of all sample banks. The average P/E ratio of SBL is 16.25 lowest among all the sample banks, which indicates the low risk associated with the bank's common stock investment. HBL, MBL, NIBL also seems to be undervalued with a P/E ratio of less than 25 times. The P/E ratio of SCBL is 42.48 which is the highest among all, indicates the high risk involved to the investor. The CV of SCBL is highest 49.87% which indicates the higher fluctuation of the bank's earnings multiple ratios. Whereas CV of HBL is 22.90% is the lowest among all suggests there is less fluctuation of the bank in terms of earning multiplier.

4.1.5 Analysis of Book Value per Share

The BVPS represents the real value of the company. It is the ratio that divides common equity value by number of share outstanding. The book value of equity per share is one factor that investors can use to determine whether a stock price is undervalued. If a business can increase its BVPS, investors may view the stock as more valuable, and the stock price increases. The P/E ratio of the sample banks is analyzed in the table number 4.5.

Table 4.5 Book Value per Share of Sample Banks (in Rupees)

Fiscal Year	EBL	NABIL	HBL	MBL	NIBL	SBL	SCBL
2012/13	291.53	275	192.02	112.81	169	154.53	249
2013/14	296.3	251	210	130.54	166	165.44	249
2014/15	335.6	259	208.81	137.46	155	184.43	265
2015/16	370.84	244	196.12	138.18	187	206.54	268
2016/17	290.01	270	189.91	124.43	176	167.74	296
2017/18	200	256	174.24	128.57	234	161.89	174
2018/19	218.59	257	187.73	139.49	199	169.12	186
Total	2002.87	1812	1358.83	911.48	1286	1209.69	1687
Average	286.12	258.86	194.12	130.21	183.71	172.81	241
S.D.	60.21	10.64	12.45	9.50	26.42	17.42	44.67
C.V.	21.04	4.111	6.41	7.29	14.38	12.78	18.53

(Source: Appendix-A)

The Table 4.5 shows the average book value per share of EBL is highest of Rs.286.12 during seven fiscal years followed by NABIL, SCBL, HBL, NIBL, SBL and MBL of Rs.258.86, Rs.241, Rs.194.12, Rs.183.71, Rs.172.81 and Rs.130.21 respectively. The coefficient of variation of EBL 21.04% indicates the highly volatility in BVPS during the seven fiscal years. Similarly, the CV of NABIL 4.111% indicates the less volatility in BVPS during seven fiscal years.

4.2 Descriptive Statistics

Table 4.6 Descriptive Statistics of Study Variables

Variables	N	Minimum	Maximum	Mean	Std. Deviation
MPS	7	408.00	1984.86	1145.06	650.55
EPS	7	18.92	64.79	41.85	16.93
DPS	7	13.47	46.83	33.13	13.62
P/E Ratio	7	16.25	42.48	26.20	8.06
BVPS	7	130.21	286.12	209.55	54.52

(Source: SPSS Version 25)

According to Table 4.6, the results indicates MPS, EPS, DPS, P/E ratio and BVPS of the sample banks over the seven years. The table shows descriptive statistics- mean,

standard deviation, minimum and maximum values of variables associated with seven commercial banks for the study period 2012/13 to 2018/19. MPS of sample banks ranges from Rs.408 to Rs.1984.86 leading to the average of 1145.06 with standard deviation of Rs.650.55. EPS ranges from Rs.18.92 to 64.79 leading to the average of Rs.41.85 with the standard deviation of Rs.16.93. DPS ranges from Rs.13.47 to Rs.46.83 leading to the mean of Rs.33.13 with the standard deviation of Rs.13.62. similarly, P/E ratio ranges from Rs.16.25 to Rs.42.48 leading to the average of Rs.26.20 and the standard deviation is Rs.8.06 and the BVPS ranges from Rs.130.21 to Rs.286.12 leading to the average of Rs.209.55 with the standard deviation of Rs.54.52. the variation as indicated by standard deviation is largest for dependent variable market price per share and lowest for independent variable price earnings ratio.

4.3 Relationship between EPS, DPS, P/E Ratio and BVPS to MPS

The relationship of Earning per share, Dividend per share, Price Earnings Ratio and book value per share to market value per share is determined in this section. For the analytical purpose, the Market Price per Share (MPS) is assumed to be influenced with the volatility occurred in EPS, DPS, P/E ratio and BVPS. Hence, MPS is taken as dependent variable whereas EPS, DPS, P/E ratio and BPS are taken as independent variable. The correlation analysis is performed to determine the relationship of EPS, DPS and BPS with MPS. To determine the effect of EPS, DPS, P/E ratio and BVPS on MPS, simple correlation as well as their coefficient of determination are calculated. To determine the magnitude of the effects of the independent variable to the dependent variable, multiple regression analysis is performed.

4.3.1 Correlation Analysis

The correlation analysis of overall data is done to find out the relationship between different independent variables with MPS.

Table 4.7 Relationship of MPS with EPS, DPS, BVPS and P/E Ratio

Variables	MPS	EPS	DPS	P/E Ratio	BVPS
MPS	1	.873	.930	.789	.923
EPS	.873	1	.888	.393	.968
DPS	.930	.888	1	.660	.905
P/E Ratio	.789	.393	.660	1	.522
BVPS	.923	.968	.905	.522	1

(Source: SPSS Version 25)

The table 4.7 shows the relationship of MPS is strongly positively correlated with DPS i.e. 0.930 followed by BVPS i.e. 0.923 then by EPS i.e. 0.873 and P/E ratio i.e. 0.789. The relationship of MPS with DPS and BVPS are significant at 1% level of significance and EPS and P/E ratio are significant at 5% level of significance. The correlation result indicates that increase in independent variables increases the dependent variable i.e. market price of stock and vice-versa.

While examining the universal relationship between independent variables, it is observed that EPS has positive and significant relationship with DPS, P/E ratio and BVPS. Similarly, DPS has significant positive relationship with P/E ratio and BVPS and P/E ratio has significant positive relationship with BVPS.

4.3.2 Regression Analysis

Model Summary

Table 4.8 Model Summary

R	R- Square	Adjusted R Square	Std. Error of the Estimate
.999 ^a	.998	.993	54.22394

(Source: SPSS Version 25)

- Predictors: (Constant), EPS ,DPS, P/E Ratio, BVPS
- Dependent Variable: MPS

Model summary indicates the R- square also known as coefficient of determination which can help in explaining variance. The value of R-square is as evident from table 4.8 is 0.998 which means 99.8% variation in market price of Nepalese commercial

banks is explained by EPS, DPS and BVPS. However, the remaining 0.2% (100% - 99.8%) is explained by other factors which have not been explained in this study.

Similarly, adjusted R-square 0.993 which means 99.3% variation in market price of Nepalese commercial banks is explained by EPS, DPS and BVPS after adjusting degree of freedom (df). This shows strong relationship between all independent variables and dependent variables. This means EPS, DPS and BVPS have significant impact in stock price movement in commercial banks in Nepal.

Model summary also indicates the standard error of estimate is 54.22394 which shows the variability of the observed value of factors influencing stock price movement in commercial banks in Nepal from regression line is 54.22394 units.

Regression Analysis

Table 4.9 Regression Model

Variables	B	Std. Error	t	Sig.
(Constant)	-1138.710	146.490	-7.773	0.016
EPS	24.643	7.126	3.458	0.074
DPS	-4.035	5.225	-0.772	0.521
P/E Ratio	43.736	5.132	8.522	0.013
BVPS	1.147	2.044	0.561	0.631

(Source: SPSS Version 25)

a. Dependent Variable: MPS

Based on the coefficients, the regression equation for the stock price movement of commercial banks in Nepal can be written as:

$$\hat{Y}_{MPS} = -1138.710 + 24.643X_1 - 4.035X_2 + 43.736X_3 + 1.147X_4 + e_i$$

Regression coefficient based on EPS, DPS, P/E ratio and BVPS are 24.643, -4.035, 43.736 and 1.147 respectively.

The Table 4.9 also shows that independent P/E ratio has significant result since their p-values is less than the level of significant (i.e. $p < 0.05$). However, independent variables EPS, DPS and BVPS do not have significant results since its p-value is greater than 0.05.

This illustrates that 1 unit increase in EPS, DPS, P/E ratio and BVPS lead to 24.643, -4.035, 43.736 and 1.147 increments in MPS.

4.4 Primary Data Analysis and Presentation

Another measure applied to gather information relevant to the topic is questionnaire method. For collecting primary data, a questionnaire having a set of questions were prepared and presented to 100 respondents. The respondents were selected conveniently from the group of personalities especially from the share investor found in broker's office in Kathmandu and other different places of Nepal and college students using google form and physically. The questions contained variety in types. The questions from 1 to 14 were of multiple choice type in which the respondent was asked to choose the best alternative from the list.

4.4.1 Classification of Respondents

A total of 100 respondents were surveyed conveniently from trading floor to conclude the factor affecting the share price of Nepalese Commercial Banks. Among these, 17 respondents were professional investors of share investment in primary and secondary market, 73 were potential investors who were willing and are investing in primary market and 10 respondents were not invested yet in share. Likewise, the respondents can be classified in terms of their age, gender and academic qualification as given in the table 4.10.

Table 4.10 Profile and Classification of Respondents

S.N.	Basis of Classification	No. of Respondents	Percentage
1	Investor		
	Professional Investor	17	17%
	Potential Investor	73	73%
	None	10	10%
	Total	100	100%
2	Age		
	Below 25	23	23%
	25 to 40	77	77%
	Above	-	-
	Total	100	100%
3	Sex		
	Male	74	74%
	Female	26	26%
	Total	100	100%
4	Academic Qualification		
	SLC	4	4%
	Intermediate	8	8%
	Graduate	56	56%
	Post Graduate	32	32%
	Total	100	100%

(Source: Appendix E)

As given in the Table 4.10, 74% of the respondents were male and 26% were female. Similarly, 23% of the respondents were from the age group below 25 years and 77% were between 25 to 40 years. In terms of qualification 4% of the respondents were SLC, 8% were Intermediate level, 56% were Graduate level and the rest 32% were from Post Graduate level qualification. Among the total respondents 17% were professionally trading investor, 73% were potential investor whereas rest were non investors. The questionnaire and the response are given below.

4.4.2 Interested Sector of Investment

Firstly, the respondents were asked that their interest to make investment in shares of different sectors such as banking, hydropower, manufacturing etc. table no. 4.11 shows the result of the responses.

Table 4.11 Interested Sectors of Investment

S.N.	Responses	No. of Respondents	Percentage
1	Banking Sector	58	58%
2	Hydropower Sector	18	18%
3	Manufacturing Sector	18	18%
4	Others	6	6%
	Total	100	100%

(Source: Survey with Questionnaire)

Table 4.11 shows the number of respondents and the percentage relating investor's interested sectors of investment. Among them 58% preferred to invest in banking sector. Similarly, 18% respondents were interested in investment in hydropower and manufacturing sector each and rest were interested in other sector.

4.4.3 Investor's Awareness about Equity Investment

The investors' were asked that their awareness regarding the equity investment. The responses were obtained as presented in table 4.12

Table 4.12 Investor's Awareness about Equity Investment

S.N.	Responses	No. of Respondents	Percentage
1	Yes	42	42%
2	No	35	35%
3	Don't know	23	23%
	Total	100	100%

(Source: Survey with Questionnaire)

Table 4.12 shows that the numbers of respondents and the percentage relating investor's awareness about equity investment. Among them 42% of respondents were

aware about equity investment. Similarly, 35% respondents said no to the statement aware and rest said don't know about equity investment.

4.4.4 Reason of Investor Attraction in share of Commercial Banks

The study shows that the majority of investors are attracted towards commercial banks stock. So, to know the reason of investing in commercial banks share was as a next question. The responses were obtained as presented in table no. 4.13.

Table 4.13 Reason of investor Attraction

S.N.	Responses	No. of Respondents	Percentage
1	Risk Free Sector	24	24%
2	Well Managed	39	39%
3	Continuous Dividend	31	31%
4	No alternative available	6	6%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.13 shows the number of respondents and the percentage relating the investor's attraction in commercial banks share. Majority of people (39%) choose the commercial bank because of well managed sector. 31% of them choose commercial bank because it provides continuous dividend to its shareholders. 6% of them are attracted to commercial bank due to there are no alternative available in the market and 24% attracted due to the low level of risk associated with it.

4.4.5 Publication of Financial Reports changes in Share Price

The responded were asked that before and after publication of financial reports change a company's share price. Table no. 4.14 shows the result of the responses.

Table 4.14 Publication of Financial Reports changes in Share Price

S.N.	Responses	No. of Respondents	Percentage
1	Yes	82	82%
2	No	5	5%
3	Don't know	13	13%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.14 shows the number of respondents and their percentage relating the changes a company's share price due to publication of financial reports by the company. Majority of respondents i.e. 82% said yes to the statement, which means share price is changed after publication of financial reports of company.

4.4.6 Role of EPS in Determining Share Price

The next question asked to the respondents that either earnings per share of a company affects its share price. Table no. 4.15 shows the result of the responses.

Table 4.15 Role of EPS in Determining Share Price

S.N.	Responses	No. of Respondents	Percentage
1	Yes	69	69%
2	No	5	5%
3	Maybe	26	26%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.15 shows the number of respondents and their percentage relating the changes a company's share price due to higher earnings per share. Majority of respondents i.e. 69% said yes to the statement indicates higher EPS results higher share price of a company. Similarly, 26% of respondents said maybe which indicates they were unknown about the role of earnings per share in share price.

4.4.7 Role of Dividend in Share Price Determination

The next question to the respondents were whether dividend per share of the company affects the share price or not. The responses of respondents were presented in table no. 4.16.

Table 4.16 Role of Dividend in Share Determination

S.N.	Responses	No. of Respondents	Percentage
1	Yes	72	72%
2	No	6	6%
3	Maybe	22	22%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.16 shows the number of respondents and their percentage relating the changes a company's share price due to higher dividend per share. Majority of respondents i.e. 72% said yes to the statement, 6% of them said no and rest 22% said don't know. It means that the company's share price is rises due to rise in dividend payout ratio.

4.4.8 Effect of Book Value in Share Price

The next question to the respondents was whether the book value of the company affects the share price or not. Table no. 4.17 shows the result of the responses.

Table 4.17 Effect of Book Value in Share Price

S.N.	Responses	No. of Respondents	Percentage
1	Yes	75	75%
2	No	15	15%
3	Don't know	10	10%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.17 shows the number of respondents and their percentage relating the changes a company's share price due to the book value of share. Majority of respondents i.e. 75% said yes to the statement, 15% of them said no and remaining 10% said don't know. It means that higher the book value of share higher the share price of the company.

4.4.9 Effect of P/E ratio in Share Price

The next question to the respondent was whether the price earnings ratio affect the share price or not. The responses obtained were shown in table 4.18.

Table 4.18 Effect of P/E Ratio in Share Price

S.N.	Responses	No. of Respondents	Percentage
1	Yes	86	86%
2	No	1	1%
3	Don't know	13	13%
	Total	100	100%

(Source: Survey with Questionnaire)

Table 4.18 shows the numbers of respondents and the percentage relating the effect of P/E ratio in share price in the market. Majority of respondents' i.e.86% said yes to the statement, 1% of them said no and remaining 13% said don't know. It means that price earnings ratio highly effect the share price in the market.

4.4.10 Role of P/E Ratio in selecting Stock

The next question to the respondents was whether they select the company to invest that have lower P/E ratio. Table no. 4.19 shows the result of the responses.

Table 4.19 Role of P/E Ratio in Selecting Stock

S.N.	Responses	No. of Respondents	Percentage
1	Yes	60	60%
2	No	40	40%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.19 shows the number of respondents and their percentage of consideration on P/E ratio investing. Majority of respondents i.e. 60% said rely on P/E ratio investing, and 40% of them don't look the P/E ratio of the company while investing in share. It means most of Nepalese investor consider lower price earnings ratio while selecting stock.

4.4.11 Performance Analysis on Equity Investment

The investment in shares by the investor is made only after the proper decision is taken by them. So, to drag the view of investors whether they perform analysis while making an investment or not. Table number 4.20 shows the result of the responses.

Table 4.20 Performance Analysis of Equity Investment

S.N.	Responses	No. of Respondents	Percentage
1	Yes	46	46%
2	No	42	42%
3	Don't Know	12	12%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.20 shows the number of respondents and their percentage about analysis before investing in share. 46% of respondents analyzed the company before investing on it. 42% of them do not perform any analysis and the rest 12% of them said they don't know.

4.4.12 NEPSE and SEBON ability to Protect Investor's Interest

The table 4.21 shows the responses against the statement that NEPSE and Securities board are able to protect investor's interest effectively.

Table 4.21 NEPSE and SEBON ability to Protect Investor's Interest

S.N.	Responses	No. of Respondents	Percentage
1	Yes	63	63%
2	No	20	20%
3	Don't know	17	17%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.21 shows the number of respondents and their percentage about the NEPSE and SEBON protect the investor's interest effectively. Majority of the respondents agreed to the statement and the remaining did not agreed. It means that NEPSE and Securities Board are able to protect investor's interest effectively.

4.4.13 NRB Policy's affect in Share Price of Commercial Banks

The performance of commercial banks is mostly influenced by the policy of Nepal Rastra Bank. So, to know the investor view about it they were asked whether the Nepal Rastra Bank's policies affect the share price of commercial banks. Table number 4.22 provides the clear picture of the respondents.

Table 4.22 NRB Policy's affect in Share Price of Commercial Banks

S.N.	Responses	No. of Respondents	Percentage
1	Yes	92	92%
2	No	5	5%
3	Don't Know	3	3%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.22 shows the number of respondents and their percentage about the NRB policy that affect the share price of commercial bank. Only minority of the respondents said no to the statement and the majority did agreed. It means the share price of commercial banks is highly affected due to the change in the policy of NRB.

4.4.14 Role of Interest Rate in the Share Price

The following table 4.23 shows the responses against the statement that rise in interest rate decrease the share price or not.

Table 4.23 Increase in the Interest Rate Decrease Share Price

S.N.	Responses	No. of Respondents	Percentage
1	Yes	60	60%
2	No	25	25%
3	Don't Know	15	15%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.23 shows the number of respondents and their percentage of agreement and disagreement with the statement increase in the interest rate decrease the share price. Majority of the investor 60% agreed that increases in interest rate decreases in share price. 25% of them disagreed the statement and 15% of them said don't know. It means that there exists negative relationship between interest rate and share price. Increases in interest rate leads to decrease in share price and vice-versa.

4.4.15 Effect of Political Situation in Share Price and Share Market

To find out whether the political situation cause share market falling and low transaction of NEPSE, here the question was asked to the respondents and the response shown by them is shown in the table number 4.24.

Table 4.24 Effect of Political Situation in Share Price and Share Market

S.N.	Responses	No. of Respondents	Percentage
1	Yes	95	95%
2	No	3	3%
3	Don't Know	2	2%
	Total	100	100%

(Source: Survey with Questionnaire)

The Table 4.24 shows that the political situation changes the share price and share market. 95% of the respondents agreed that political situation affects the share price and share market, 3% of them disagreed and the rest 2% responded they don't know about it.

4.5 Major Findings of the Study

Due to the different nature and sources of data, the major findings of the study are analysed from primary and secondary data analysis separately as:

4.5.1 Major Findings from Secondary Data

1. MPS of sample banks seems fluctuating over the study period of time. SCBL experienced more variation in market price of share whereas NIBL has experienced least variation in market price of share.
2. Based on the EPS of sample banks, it is found that EBL faced highest shift in the earning whereas MBL faced least shift in earning per share of stock.
3. DPS of sample banks appears unstable over seven years. There is highest volatility in DPS of SCBL and lowest volatility in DPS of MBL.
4. From the point of view of P/E ratio, SCBL seems to be more fluctuating as it has highest deviation and SBL appears less fluctuating as it has lowest deviation.
5. BVPS of selected banks is also changing over a period of time. EBL has highest deviation in book value of stock but MBL has lowest deviation in book value over a period.
6. From the point of view of MPS, SCBL seems more attractive for investment as its average value is highest among sample banks. Similarly, EBL seems least attractive as its C.V. is highest among selected banks over study period.
7. The NABIL bank has highest average value of EPS seems to more attractive to investors and the EBL has lowest C.V. of EPS indicates least attractive among the selected commercial banks.

8. DPS of NABIL bank is more attractive as it has highest average value. Similarly, SBL is least attractive due to highest C.V. during the study period.
9. Based on P/E ratio, the SCBL is more attractive to the investors as it has highest average value and most volatile due to higher C.V.
10. Based on descriptive analysis of sample banks, MPS seems more fluctuating as it has highest standard deviation. However, P/E ratio appears less fluctuating as it has lowest standard deviation.
11. Based on the results of correlation between dependent variable and independent variables, it can be found that there is significant positive relationship of EPS, DPS, P/E ratio and BVPS with MPS.
12. The results of model summary shows that EPS, DPS, P/E ratio and BVPS are responsible for 99.80% change in market price of Nepalese commercial banks rest of change depends on other factors.
13. It is found that there is highly positive relationship between MPS and EPS. It shows that as earnings per share of Nepalese commercial banks increases, the market price of the stock also increases.
14. On the basis of results it can be found that there exists strong direct relationship between MPS and DPS. This indicates as the dividend per share of commercial banks in Nepal increases, the market price of the share of banks also increases.
15. The results shows that P/E ratio is strongly related with MPS that shows increases in P/E ratio directly proportionate with share price of commercial banks in Nepal and vice-versa.
16. The results found that the relationship between MPS and BVPS is positive. This shows that as the book value per share of commercial banks increases, the market price of share also increases.

4.5.2 Major Findings from the Convenience Survey

1. The primary analysis shows that P/E ratio and book value per share helps in identifying over or undervalued securities. To change the share price of a company, interest rate, EPS, NRB's policy and DPS has greater value.

2. Majority of the respondents are interested to make investment in shares of the banking sector in Nepal.
3. More than 42% of the investors perform analyze the stock and the company before investing. It means the investors are being aware about equity investment.
4. Most of the investor invest in the share of commercial banks because they are well managed. Some of them invest in commercial banks because of the continuous dividend declaration of the bank and it is risk free sector to invest in equity.
5. 82% of the respondents agreed that publication of financial reports changes the company's share price.
6. Majority of investors are convinced that earning per share is the major determinants of share price increase or decrease. They assume higher the EPS higher will be the share price.
7. Majority of the respondents (63%) agreed that NEPSE and Securities Board are able to protect the investor's interest effectively.
8. Political fluctuation and instability cause change in share price. Investors believe if the political situation is stable the price moves upward and if it is unstable price of share will move downward.
9. Investors still feel unsecure in equity investment due to lack of systematic and scientific system of trading. The delay in CDS and clearing system is still the main problem of the stock market.
10. The responses show cash dividend, interest rate, political instability, information, NRB rules and regulation, also affect the share price.
11. Majority of respondents believed that EPS, DPS, P/E ratio and BVPS are the most influencing factor of share price increase or decrease.
12. 92% of the respondents said that NRB's Policy affect the stock price of commercial banks.
13. Majority of the respondents (60%) agreed with the increase in the interest rate results decrease in share price.
14. 95% of the respondents agreed that political situation affect the share price and the share market.

4.6 Discussion

It can be advocated that the regression analysis shows a positive relationship between EPS and MPS. The results can be explained as an increase in earnings per share will invariably bring about a significant increase in the market prices of equity shares. Importantly this outcome is consistent with the findings provided in Sharma (2011), Joshi (2012), Malhotra and Tandon, (2013), Almumani (2014), Bhattarai (2014), Paudel (2016), Thapa (2019), and Velankar, Chandani, and Ahuj (2017) where it has been observed that earning per share is a major influencer of stock prices. Similarly, dividend per share has an inverse relationship with that of market price. This result basically means that with the influence of other variable held constant, as firm's dividend will have negative impact on market price. The result is supported with the findings of Almuman (2014), Geeta and Swaaminathan (2015), Malhotra and Tandon (2013). In essence, it could be deduced from this result that the DPS of banks has a significant negative impact on the MPS of listed banks in Nepal.

Another empirical finding from the regression analysis shows that there is positive relationship between P/E ratio and BVPS with MPS. The results can be explained as increase in P/E ratio and BVPS will also increase in the share prices. This outcome is consistent with findings of Sharma (2011), Aalmumani (2014), Ghimire and Mishra (2018) and Malhotra and Tandon (2013) that P/E ratio and BVPS has a significant positive impact on share prices. Similarly, from the investors' responses, it is found that investors are not satisfied with the performance of NEPSE and SEBON, they believe that both entity have not been able to protect the investors' interest. Majority of the investors think themselves as smart and aware, but they do not perform analysis before investment. Investors run to grab the company share even at higher price that have the highest EPS and DPS. Most of the investor invest in common stock of commercial banks share because they are well managed and provide continuous dividend. The regulatory body of the stock market SEBON is not able to adopt systematic and efficient trading system, for the capital market development.

CHAPTER-V

SUMMARY AND CONCLUSION

This chapter of the study is divided into three sections. The first section provides the brief summary of the study. The second section shows the conclusions of the study and finally the third section includes implication find out in the background of the analysis carried out.

5.1 Summary

The prime objective of this study is to analyze stock price movement of Nepalese Commercial Banks. Hence, seven commercial banks presently listed in NEPSE are taken in consideration for the purpose. Market Price of these banks has been analytically tested here to compare with other financial indicators like EPS, DPS, P/E ratio and BVPS. For analytical purpose, secondary data were gathered from different sources and different statistical tools have been used to analyze the data of sample commercial banks. Similarly, a set of question of fourteen questions were prepared and presented to 100 respondents to collect primary data relating to share price of Nepalese commercial banks. Responses from respondents has been analyzed thoroughly.

Nepalese Stock Market is in developing stage. Generally speaking, most of the people citizens are still unaware of stock market. Though Share Market plays the vital role on mobilization of capital in national economy, in the case of Nepal, it is still crawling towards the betterment. Investors invest their savings in the Common Stock of public companies through Primary and Secondary Markets. Generally, the investors aimed to maximize their profit from their investment. But due to lack of proper knowledge and poor regulatory performance of Nepalese Capital Market, the investors may not achieve returns as expected. Only the few educated city dwellers know what share market is and how they are regulated. Besides, government has not prioritized the development of capital market sufficiently.

This study has raised prime issue to analyse whether the earnings per share, dividend per share, price earnings ratio and book value per share with respect to the market price of shares are associated or not. To deal with the above issue, this study has set

the objective is to investigate influencing factors market stock price in the context of Nepal. In this study, after analyzing the financial data, SCBL seems good in terms of MPS whereas MBL is the least in the market price among sample banks in terms of MPS NABIL appears good as per EPS whereas HBL is deemed as least attractive in terms of EPS. Similarly, NABIL seems good whereas MBL is the least in the dividend per share among sample banks in terms of DPS. The SCBL seems to be most attractive bank and SBL is least attractive commercial bank in terms of P/E ratio. But EBL seems attractive and MBL is least attractive as per BVPS. Different banks are good in different aspect, but NIBL can be considered as better bank among seven banks in terms of C.V with respect to MPS and DPS. Similarly, HBL is considered as better bank with respect to EPS and P/E ratio and NABIL seems better if it is evaluated through BVPS. The relationship of EPS, DPS, P/E ratio and BVPS with MPS has been checked by correlation and regression analysis has been done to predict the dependent variable MPS by the helps of independent variables EPS, DPS, P/E ratio and BVPS and know the strength of relationship among variables.

From the analysis of primary data, it is found that investors are not satisfied with the performance of NEPSE and SEBON, they believe that both entity have not been able to protect the investors' interest. Majority of the investors think themselves as smart and aware, but they do not perform analysis before investment. Investors run to grab the company share even at higher price that have the highest EPS and DPS. Most of the investor invest in common stock of commercial banks share because they are well managed and provide continuous dividend. The regulatory body of the stock market SEBON is not able to adopt systematic and efficient trading system, for the capital market development. As a result, there is not adequate transparency in the performances of the listed companies and the capital market due to which the capital market is struggling to become matured.

5.2 Conclusions

As per the objectives and analysis of the study the following conclusions over the period fiscal year 2012/13 to fiscal year 2018/19 have been drawn:

The study revealed the current position of financial indicators; market price of EBL has most fluctuating NIBL has lowest fluctuation. EBL has most volatile EPS while HBL has lowest volatile and other banks have consistency in earnings. DPS of SBL

seems unattractive due to high fluctuation while MBL shows the consistency in terms of dividend payment. Similarly, price earnings ratio of SCBL seems to be fluctuating more, however, HBL has consistency in terms of earnings multiplier. EBL is volatile while NABIL is less volatile in terms of book value per share. Finally, the study concludes that MPS seems most fluctuating and price earnings ratio fluctuates lowest over the study period of the Nepalese commercial banks.

Similarly, the finding of the study period revealed that earnings per share, dividend per share, price earnings ratio and book value per share have highly positive correlation with stock price of commercial banks. Earnings per share, price earnings ratio and book value per share have significant positive relationship with share price while dividend per share has significant inverse relationship with the share price of the commercial banks. And the study also confirms that the study of financial indicators prove to be beneficial for the investors in Nepalese economy, as these factors possess strong explanatory power and hence, can be used to make accurate future forecasts of stock prices. Therefore investors are suggested to take care of accounting variables of company before investing. The survey of respondents concludes that earnings, book value, dividend payment, paid up capital, price earnings ratio, and political stability are the major factors affecting the share price in NEPSE of Nepalese commercial banks. Results of this study uncovered new evidence in Nepalese perspective, which are considered to be valuable to the market participants. Thus, findings of this study seems to be particularly useful for equity investors and fund managers as they can watch out for these significant factors while estimating stock returns and forecasting share prices.

5.3 Implications

Based on findings of the study, and taking into considerations of the relevant issues, the following appropriate recommendations have been carried out:

Implications for Improvements

1. The study supports the fact that dividend decision is concerned with earnings position of the bank that the further study revealed that dividend announcement is relevant in determining value of the bank before buying share in the market. Hence, investors are recommended to review

profitability of the banks before buying share of the banks since earnings position of will reflect the dividend announcement potentiality and it will increase the market price per share.

2. Market price stock of selected commercial banks is volatile during the study period, so they are recommended to maintain concerned issues relating stock determinants.
3. Most of the respondents/investors were found to rely very much only EPS, DPS, BVPS and P/E ratio of a company. Sometimes the EPS and DPS only may not cover the return as per risk associated with it. The investors are recommended not to perceive EPS, DPS, P/E ratio and BVPS only as the performance measurement of the company. Other fundamental factors like cost of capital, corporate governance of the company, non-performing loan ratio should also be taken into considerations. Investors are recommended to invest in the stock of the company only after proper fundamental as well as technical analysis and also take only the calculated risk.
4. During the study, it is found that investors have limited choice of investment sector. Nepalese stock market is dominant by bank and financial institutions. There are other big companies operating in Nepal. NEPSE and SEBON should make a policy to motivate other sectors like manufacturing and processing, trading and real estate to come under listing of NEPSE. It would increase the market size and investors would have sectoral choices of investment.
5. Since, general publics are less aware about the stock and stock market, an organized effort is necessary to aware the public about it. A separate department in NEPSE or an independent organization is recommended which analyzes, inform and create the awareness within the emerging potential investors about stock and stock market through different approaches like seminar, conference or print media, online media.

Implications for future researchers

1. The study considered some bank specific independent variables; one can consider other factors macroeconomic factors such as interest rates, political factors, economic policy, bank credit, money supply, exchange rate etc. for more reliable conclusion.
2. Future research could be conducted by taking into consideration some other variable like consumer price index, return on equity, net asset value per share, size and profitability etc. Additional research on this topic might be conducted with longer time period.
3. Future researcher can conduct study using primary survey in order to know the more about information about banking sectors. And similar study can be done in other sectors like service sector, manufacturing sector, trading sector, hotel sector, and hydro etcetera.

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APPENDIXES

Appendix -A

Calculation of Mean, S.D. and CV of selected banks

1. Everest Bank Limited

Year	MPS	EPS	DPS	PE	BVPS
2012/13	1591	91.88	60.53	17.32	291.53
2013/14	2631	86.04	62	30.58	296.3
2014/15	2120	78.04	36.57	27.17	335.6
2015/16	3385	65.97	70	51.31	370.84
2016/17	1353	44.32	34.74	30.53	290.01
2017/18	663	32.78	20	20.23	200
2018/19	666	38.05	25	17.5	218.59
Total	12409	437.08	308.84	194.64	2002.87
Average	1772.714	62.44	44.12	27.80571	286.1243
S.D.	1010.131	24.09155	19.79517	11.84288	60.20899
C.V.	0.569822	0.385835	0.448667	0.425915	0.21043

(Source: Annual Reports of EBL)

2. Himalayan Bank Limite

Year	MPS	EPS	DPS	PE	BVPS
2012/13	700	34.19	15	20.47	192.02
2013/14	941	33.1	21.05	28.43	210
2014/15	813	33.37	42.11	24.36	208.81
2015/16	1500	43.03	31.58	34.86	196.12
2016/17	886	35.15	26.32	25.21	189.91
2017/18	551	23.11	15.79	23.84	174.24
2018/19	552	32.44	22	17.02	187.73
Total	5943	234.39	173.85	174.19	1358.83
Average	849	33.48429	24.83571	24.88429	194.1186
S.D.	325.101	5.820515	9.548373	5.699289	12.45091
C.V.	0.382922	0.173828	0.384461	0.229032	0.064141

(Source: Annual Reports of HBL)

3. Machhapuchhre Bank Limited

Year	MPS	EPS	DPS	PE	BVPS	
2012/13	203	5.98	0	33.96	112.81	
2013/14	576	18.34	12.63	31.4	130.54	
2014/15	564	22.2	16.84	25.4	137.46	
2015/16	680	25.04	21.84	27.15	138.18	
2016/17	360	24	15	15	124.43	
2017/18	209	15.81	10	13.22	128.57	
2018/19	264	21.07	16	12.53	139.49	
Total	2856	132.44	92.31	158.66	911.48	
Average	408	18.92	13.18714	22.66571	130.2114	
S.D.	196.3033	6.533169	6.877293	8.964292	9.497093	
C.V.	0.481136	0.345305	0.521515	0.3955	0.072936	

(Sources: Annual Reports of MBL)

4. Nabil Bank Limited

Year	MPS	EPS	DPS	PE	BVPS	
2012/13	1815	91.05	65	19.93	275	
2013/14	2535	83.68	65	30.29	251	
2014/15	1910	57.24	36.84	33.37	259	
2015/16	2344	59.27	45	39.55	244	
2016/17	1523	59.86	48	25.44	270	
2017/18	921	51.84	34	18.6	256	
2018/19	800	50.57	34	15.82	257	
Total	11848	453.51	327.84	183	1812	
Average	1692.571	64.78714	46.83429	26.14286	258.8571	
S.D.	660.4379	15.95884	13.50329	8.6769	10.63686	
C.V.	0.390198	0.246327	0.288321	0.331903	0.041092	

(Sources: Annual Reports of NABIL)

5. Nepal Investment Bank Limited

Year	MPS	EPS	DPS	PE	BVPS
2012/13	784	46.2	35	17	169
2013/14	960	40.7	40	23.6	166
2014/15	704	30.9	34.7	22.8	155
2015/16	1040	29.3	41	35.5	187
2016/17	770	29.3	40	26.3	176
2017/18	621	35.7	40	17.4	234
2018/19	519	26.4	19	19.6	199
Total	5398	238.5	249.7	162.2	1286
Average	771.1429	34.07143	35.67143	23.17143	183.7143
S.D.	182.0004	7.16629	7.788178	6.406433	26.41789
C.V.	0.236014	0.210331	0.218331	0.27648	0.143799

(Sources: Annual Reports of NIBL)

6. Siddharth Bank Limited

Year	MPS	EPS	DPS	PE	BVPS
2012/13	300	29.8	22.11	10.07	154.53
2013/14	810	38.63	23.16	20.97	165.44
2014/15	678	37.77	21.05	19.95	184.43
2015/16	869	41.53	48.75	20.93	206.54
2016/17	485	26.6	14	18.24	167.74
2017/18	300	26.45	13.86	11.34	161.89
2018/19	318	26	0	12.23	169.12.
Total	3760	226.78	142.93	113.73	1040.57
Average	537.1429	32.39714	20.41857	16.24714	148.6529
S.D.	247.5335	6.680433	14.80189	4.835489	18.99405
C.V.	0.460834	0.206204	0.724923	0.297621	0.127775

(Sources: Annual Reports of SBL)

7. Standard Chartered Bank Limited

Year	MPS	EPS	DPS	PE	BVPS	
2012/13	1820	65.7	50	27.7	249	
2013/14	2799	65.47	51.5	42.75	249	
2014/15	1943	57.38	44.21	33.86	265	
2015/16	3600	45.96	35.09	78.33	268	
2016/17	2295	35.49	105.26	64.67	296	
2017/18	755	27.33	17.5	27.62	174	
2018/19	682	30.39	22.5	22.44	186	
Total	13894	327.72	326.06	297.37	1687	
Average	1984.857	46.81714	46.58	42.48143	241	
S.D.	1049.335	16.30288	28.98958	21.18516	44.66915	
C.V.	0.52867	0.348225	0.622361	0.498692	0.185349	

(Sources: Annual Reports of SCBL)

Appendix -B
Correlation Analysis

		MPS	EPS	DPS	P/E Ratio	BVPS
MPS	Pearson Correlation	1	.873*	.930**	.789*	.923**
	Sig. (2-tailed)		.010	.002	.035	.003
	N	7	7	7	7	7
EPS	Pearson Correlation	.873*	1	.888**	.393	.968**
	Sig. (2-tailed)	.010		.008	.383	.000
	N	7	7	7	7	7
DPS	Pearson Correlation	.930**	.888**	1	.660	.905**
	Sig. (2-tailed)	.002	.008		.106	.005
	N	7	7	7	7	7
P/E Ratio	Pearson Correlation	.789*	.393	.660	1	.522
	Sig. (2-tailed)	.035	.383	.106		.229
	N	7	7	7	7	7
BVPS	Pearson Correlation	.923**	.968**	.905**	.522	1
	Sig. (2-tailed)	.003	.000	.005	.229	
	N	7	7	7	7	7

(Source: SPSS Version 25)

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

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

Appendix-C
Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999a	.998	.993	54.22394

(Source: SPSS Version 25)

a. Predictors: (Constant), EPS, DPS, P/E Ratio, BVPS

Regression Model

Coefficients^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1138.710	146.490		-7.773	.016
	EPS	24.643	7.126	.641	3.458	.074
	DPS	-4.035	5.225	-.084	-.772	.521
	P/E Ratio	43.736	5.132	.542	8.522	.013
	BVPS	1.147	2.044	.096	.561	.631

(Source: SPSS Version 25)

a. Dependent Variable: Market Price per Share

Appendix-D

Questionnaire

Dear Sir/Madam,

This is to bring your kind information that this is an attempt to identify the stock price movement of Nepalese Commercial Banks listed in NEPSE for the partial fulfillment of Thesis required for MBS degree, TU. So, you are kindly requested to fill up the following questionnaire with the best answer in your view. I would be grateful to you for the contribution of your valuable time and effort.

Please note that all the questions are related to the **Stock Price Movement of Nepalese Commercial Banks** listed in NEPSE.

Thank You!!!

Narendra Bahadur Saud

(Researcher)

Master's in Business Studies

Central Department of Management

Tribhuvan University

Respondents:

Name: _____ **Sex:** M [] F []

Age: _____

Types of Investor (Tick One):

- Professional Share Trader
- Others and interested in Share investment
- None of others

Academic Qualification (tick appropriate):

- SLC Plus two
- Graduate Post Graduate

Questions:

Please Tick the best alternative:

1. Which sector do you interest to make investment in shares?
 { } Banking Sector { } Hydropower
 { } Manufacturing { } Others

2. Do you think that Nepalese investor are aware about equity investment?
 { } Yes { } No { } Don't know

3. It is found that most of the investors of Nepal are attracted to invest in the share of commercial banks. In your opinion what is the reason of attraction in commercial banks sector?
 { } Risk free sector { } Well managed
 { } Continuous dividend { } No alternative available

4. Do you think that before and after publication of financial reports changes a company's share price?
 { } Yes { } No { } Don't know

5. Earnings per share determines the share price, higher EPS results higher price?
 { } Yes { } No { } Maybe

6. Does the dividend distribution pattern of the company increase or decrease the share price?
 { } Yes { } No { } Maybe

7. Does book value of share affect the company share price in the market?
 { } Yes { } No { } Don't know

8. Does P/E ratio affect the share price in the market?

Yes

No

Don't know

9. What do you think Nepalese investor consider lower P/E ratio in selecting stock?

Yes

No

10. Do Nepalese investor perform any analysis before investing in a stock?

Yes

No

Don't know

11. What do you think that NEPSE and SEBON protect the investor's interest?

Yes

No

Don't know

12. Does NRB's policy affect the share price of commercial banks?

Yes

No

Don't know

13. Does rise in interest rate decrease the share price?

Yes

No

Don't know

14. Does the political situation affect the share price and the share market?

Yes

No

Don't know