STOCK PRICE MOVEMENT OF MICROFINANCE IN NEPAL

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

By

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CERTIFICATION OF AUTHORSHIP

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

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

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REPORT OF RESEARCH COMMITTEE

Ms. Bimala Rokaya has defended research proposal entitled **"Stock Price Movement of Microfinance in Nepal"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Keshav Chand and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Stock Price Movement of Microfinance in Nepal"** presented by Ms. Bimala Rokaya for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURE

ABBREVIATIONS

CBBL	:	Chhimek Laghubitta Bittiya Sanstha Limited
DDBL	:	Deprosc Laghubitta Bittiya Sanstha Limited
DPS	:	Dividend Per Share
DY	:	Dividend Yield
EPS	:	Earnings Per Share
LnBVPS	:	Natural Logarithm of Book Value per Share
LnMPS	:	Natural Logarithm of Market Price per Share
MFIs	:	Microfinance Institutions
MLBBL	:	Mahila Laghubitta Bittiya Sanstha Limited
NMFBS	:	National Laghubitta Bittiya Sanstha Limited
P/E	:	Price-Earnings Ratio
ROA	:	Return on Assets
ROE	:	Return on Equity
SKBBL	:	Sana Kishan Bikas Laghubitta Bittiya Sanstha

ABSTRACT

This study explores the stock price movement of microfinance institutions (MFIs) in Nepal by examining the impact of Earnings Per Share (EPS), Dividends Per Share (DPS), Price-to-Earnings Ratio (P/E Ratio), Book Value Per Share (BVPS) and Return on Assets (ROA) on Market Price Per Share (MPS). Using data from 2018/19 to 2022/23, the research applies a descriptive and causal-comparative design, focusing on five MFIs: Sana Kishan Bikas Laghubitta Bittiya Sanstha (SKBBL), Chhimek Laghubitta Bittiya Sanstha Limited (CBBL), Deprosc Laghubitta Bittiya Sanstha Limited (DDBL), National Laghubitta Bittiya Sanstha Limited (NMFBS) and Mahila Laghubitta Bittiya Sanstha Limited (MLBBL). The study employs descriptive and inferential statistics, including correlation and regression analysis, to assess how these financial variables relate to and impact MPS. The findings reveal significant positive correlations between EPS the P/E Ratio and ROA with MPS, while DPS shows negative correlation with MPS and BVPS shows weak positive correlation with MPS. Regression results confirm that EPS, the P/E Ratio, BVPS and ROA positively impact on whereas DPS negatively impact on MPS.

Keywords: *Market Price Per Share, Earnings Per Share, Dividends Per Share, Price-to-Earnings Ratio, Book Value Per Share, Return on Assets*

CHAPTER – I
INTRODUCTION

1.1Background of the study

The stock market plays an important role in economic development by promoting capital formation and increasing economic growth. Trading of securities in these markets facilitates savers and users of capital by pooling funds, sharing risk, and transferring wealth. Economic activities can be stimulated by the flow of resources to the most productive investments. Investors make 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 (Nasa and Nishant, 2011).

Equity markets enhance corporate efficiency, foster 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 investments constitute an important element of individuals' assets, particularly as governments shift their pension systems towards the private sector. It is clear that equities constitute an increasingly important capital market in the world economy (Mosely & Singer, 2008).

According to ADB's Microfinance Development Strategy (ADB 2000), "microfinance" involves the provision of financial services to low-income and impoverished people and their microenterprises, including deposits, loans, payment services, money transfers, and insurance. Research conducted in Nepal and other countries Rahman and Khandker, 1994 has unequivocally shown that microfinance is an effective means of reducing poverty.

According to Weston (1989), the share price is the firm's worth divided by the total number of outstanding shares. It is the cost of a single share of several readily sold stocks, derivatives, or other financial assets belonging to a business or financial organization. The price of the stock is the lowest price at which the stock can be purchased or the maximum price that a buyer is ready to pay. Investors can place their

money into a company through stocks in the hopes of earning a larger return than they would from bonds or a savings account. Stock markets act as a middleman between capital consumers and savers, transferring wealth. Microfinance is the provision of a broad range of financial services to the poor who are traditionally not served by conventional financial institutions (Ledgerwood, 1999; Hartarska, 2005). But in the Nepalese stock market context, most microfinance companies have low capital bases and less supply of floating shares. This has created a high degree of speculation and high volatility. This is the rationale for selecting this sector of the NEPSE, an emerging capital market of Nepal. The specific objective is to examine the effect of EPS, P/E ratio, Return on Equity (RoE), Book Value per Share (BVPS), and Number of Floating Shares (NFS) on the stock price of the microfinance sector and to explore better understanding for safeguarding the investment interests of market participants.

In Nepal, financial institutions mainly cater to micro-entrepreneurs who run or are about to launch very small businesses, known as microenterprises. Micro-entrepreneurs have access to a valuable tool that helps them increase their welfare, production, and efficiency while lowering risk: microfinance services. MFIs both official and informal offer financial services that assist in giving micro-entrepreneurs the chance to work for pay or independently, therefore generating revenue among them. The degree of volatility in stock prices varies over time and fluctuates periodically. What variables are in play when stock prices fluctuate? Everyone, especially those with a particular connection to the capital market, seeks to find the answers to these concerns. Economic and statistical models are particularly challenged by the recent major stock market disasters. There have been extensive attempts over the past few decades to construct models that specifically account for significant market fluctuations (Eraker, 2004).

The NEPSE has 196 stocks listed in 9 sectors, and the market capitalization per sector has been determined in this article. In order to calculate market capitalization, the paper has taken into account the most recent total listed shares and the current market price. In 2013, Narayan Prasad Paudel noted that an excessive number of small-scale producers with a sizable potential market define the microfinance sector. While institutional diversity is often regarded as a crucial feature of a strong microfinance sector, institutional proliferation is not always a positive indicator of the sector's

healthy growth and development. The current study's primary goal was to investigate how microfinance affects Nepali households' socioeconomic standing. According to the study, when comparing the income from the previous year to the income from the previous two years, the current monthly income of a small percentage of the households (control group) is trending downward. However, we haven't looked into the causes of the drop in household income, so there may be room for more research in this area. The amount of food produced at home is sufficient for the family.

The stock market has become an essential market, playing a vital role in economic prosperity by fostering capital formation and sustaining economic growth. Stock markets are more than just places to trade securities. They operate as facilitators between savers and users of capital by pooling funds, sharing risk, and transferring wealth. Stock markets are essential for economic growth as they ensure 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 accounts, money supply, employment, etc. have an impact on daily stock prices (Kurihara, 2006).

According to Nepal Rasta Bank's financial report of 2024, there are 55 microfinance institutions operating in Nepal as of the fiscal year 2080/81. All the microfinance institutions are listed on the Nepal Stock Exchange (NEPSE) which is the main secondary or capital market in Nepal, regulated by the Securities Exchange Board of Nepal (SEBON). The stock or share prices of listed microfinance institutions are determined based on the demand and supply of their shares, i.e., on the basis of daily transactions in the secondary market. For this stock market fair, many investors, securities brokers, and other concerned parties are involved in daily trading to gain their own returns. This study primarily examines the price movement of stocks of listed microfinance institutions (MFIs) in Nepal, focusing on how various financial metrics influence this volatility. It explores the relationship between the dependent variable, MPS, and several independent variables, including EPS, DPS, P/E, BVPS, and ROA. By analyzing secondary data from the Nepalese stock market, the research aims to identify the factors contributing to the daily fluctuations in microfinance stock prices and understand the dynamics driving these shifts.

1.2 Problem statement

Investors choose to invest in equity shares of companies for various reasons, including the pursuit of safety, meeting cyclical cash needs, achieving returns, gaining influence, or acquiring control. Regardless of the motivation, every investor typically conducts a detailed financial evaluation before deciding to invest in the stocks of a particular company. In an efficient market, stock prices serve as a key indicator of a firm's performance and value. For investors, understanding how fundamental variables influence stock prices is essential for making informed and profitable investment decisions (Srinivasan, 2013).

In Nepal, the financial market's formal structure began with the establishment of the Nepal Stock Exchange (NEPSE). Common stocks, listed on NEPSE, represent the majority of the securities in the financial market and are traded in both primary and secondary markets. In the primary market, stocks are generally issued at par value, while in the secondary market, they may be underpriced, overpriced, or traded at par value. The stock price in the secondary market fluctuates continuously, influenced by both internal organizational factors and external market conditions. The NEPSE index is responsive to firm-specific variables and macroeconomic factors, making stock price behavior complex and volatile (Nepal, 2016).

The fluctuation in stock prices and associated risks has garnered significant attention from financial professionals, market participants, regulators, and scholars (Ruhani et al., 2018). The relationship between investor psychology and stock market development is a key area of concern, as research in behavioral finance has demonstrated that investors often make decisions based on emotions and cognitive biases rather than logical analysis. Behavioral finance applies psychological and economic theories to improve financial decision-making (Olsen, 1998). Investor expectations and behavior are major contributors to stock market volatility, particularly in emerging markets like Nepal, where these factors significantly impact stock price fluctuations. This study seeks to examine how the financial performance of Nepalese microfinance companies affects stock price volatility.

Nepal's secondary market, though growing, remains small compared to international markets such as the New York Stock Exchange, Hong Kong Stock Exchange, and

Bombay Stock Exchange (Paudel, Baral, Gautam, & Rana, 2019). The lack of information and knowledge regarding stock trading and capital market investments has led to a limited number of investors in Nepal's secondary market. Consequently, Nepal's stock market lacks efficiency, with a few investors holding a dominant position. Stock price fluctuations often occur based on rumors and hearsay rather than well-established financial factors, leading to increased market inefficiency (Bam, Thagurathi, & Shrestha, 2018).

Review of previous literatures reveals that number of studies has been done in the context of this topic. However, in the context of Nepal no sufficient studies have been found. Therefore, this study aims to analyze the fluctuations in stock prices of Nepalese microfinance companies using key financial indicators such as earnings per share (EPS), dividend per share (DPS), price-to-earnings ratio (P/E ratio), Book value per share (BVPS) and Return on Assets (ROA).

The research has sought to answer the following questions:

i. What is the current trend and position of stock price movement of the selected Microfinance?
ii. Is there any relationship between independent variables such as EPS, DPS, P/E ratio, BVPS and ROA with the dependent variable MPS?
iii. How do independent variables such as EPS, DPS, P/E ratio BVPS and ROA impact on the dependent variable MPS?

1.3 Objectives of the study

The main objective of this study is to analyze the movement of share market prices of a sample of Nepalese microfinance companies. The specific objectives of the study are as follows:

i. To assess the current trend and position of stock price movement of the selected Microfinance.
ii. To examine the relationship between independent variables such as EPS, DPS, P/E ratio, BVPS and ROA with the dependent variable MPS.
iii. To analyze the impact of independent variables such as EPS, DPS, P/E ratio, BVPS and ROA on the dependent variable MPS.

1.4 Rationale of the study

This study is essential for investors, managers, and stakeholders in Nepal, focusing on stock price volatility and the variables influencing share prices in the microfinance sector's secondary market. However, it faces limitations. It is confined to the financial performance of microfinance institutions listed on the Nepal Stock Exchange (NEPSE), limiting the generalizability of findings to other sectors or international markets. The research heavily relies on secondary data and financial indicators such as EPS, DPS, P/E ratio, BVPS, and ROA, making outcomes dependent on data quality and accuracy. While qualitative factors like goodwill, analyst reports, and market sentiment are considered, they may not be fully quantifiable, affecting the analysis depth. Additionally, unforeseen market shocks or external influences that could impact stock prices are not thoroughly addressed, and the chosen time frame might overlook longer-term trends. Despite these limitations, the study provides valuable insights into stock price behavior, assisting investors in making informed microfinance stock investment decisions. It also contributes to academic literature on stock market analysis and lays the groundwork for further research in Nepal's microfinance industry, benefiting stakeholders such as bankers, analysts, brokers, and students.

1.4 Limitations of the study

Every study has limitations. This study primarily relies on secondary data, including published books, reports, documents, articles and annual reports of selected microfinance institutions. Despite efforts to minimize errors, the research operates within certain constraints. The study is subject to the following limitations.

i. Data have been taken from secondary sources (such as financial reports, websites, etc.).
ii. The study has focused mainly on the stock price movement of microfinance institutions in Nepal but has not covered other aspects.
iii. Only five microfinance institutions have been taken as samples among 55.
iv. This research has been based on secondary data and information from only 5 fiscal years (2018/19 to 2022/23).
v. The study may not have been applicable to other areas.
vi. The study has been limited to descriptive and causal-comparative research designs.

CHAPTER – II
LITERATURE REVIEW

In order to identify all previous studies, their results, and their shortcomings, and to facilitate further research, a review of the literature involves examining research studies on related propositions in the relevant field. This section establishes the knowledge foundation by highlighting the current literature on the topic. A literature review is a comprehensive analysis of the existing body of work in a specific field of study. This chapter provides a summary of previous research on stock price fluctuations. Various research projects conducted in different markets and over different time periods have yielded distinct outcomes. However, there has been insufficient research on the stock market within the context of the Nepalese financial sector. Nevertheless, some relevant papers and publications have been consulted and reviewed. This chapter is divided into three sections: conceptual review theoretical review, and empirical review.

2.1 Conceptual Review

Microfinance refers to a range of financial services tailored for low-income individuals or groups who typically do not have access to traditional banking facilities, thus providing them with essential financial resources to improve their livelihoods (Khan & Bhatti, 2010). In Nepal, the microfinance sector has gained significant importance as a catalyst for financial inclusion, poverty alleviation, and empowerment of marginalized communities, particularly in rural areas where conventional banking services are often scarce (Shrestha, 2016). By offering small loans, savings accounts, and other financial products, microfinance institutions (MFIs) facilitate the establishment and expansion of small businesses, allowing individuals to generate income and build economic resilience (Khan & Bhatti, 2010). This financial support not only enhances personal economic stability but also contributes to broader local development, fostering community engagement and encouraging sustainable growth (Shrestha, 2016). The role of MFIs in Nepal's economic landscape underscores their significance in transforming the lives of disadvantaged populations through access to vital financial services.

Importance of Stock Price Movement

The movement of stock prices is a critical indicator of investor perceptions regarding an institution's financial health and growth potential. For microfinance institutions (MFIs) in Nepal, understanding these price movements is essential as they reflect market dynamics and investor confidence, which can significantly influence the operational capabilities and funding availability for these institutions. Given the role of MFIs in promoting financial inclusion and contributing to local economic development, fluctuations in stock prices can have far-reaching implications for their ability to support marginalized communities. Below are the key points that outline the importance of stock price movement for MFIs:

i. **Reflection of Investor Perception:** Stock price movements serve as a barometer of investor sentiment regarding an institution's financial health and future growth potential, providing insights into how the market perceives the microfinance institution's (MFI) viability.

ii. **Market Dynamics Understanding:** Analyzing stock price movements helps stakeholders comprehend market dynamics, enabling them to identify trends and patterns that can influence investment decisions and strategies.

iii. **Impact Assessment of Financial Performance:** Fluctuations in stock prices are often linked to the performance indicators of MFIs, such as Earnings Per Share (EPS) and Return on Equity (ROE), making it essential to assess how these factors affect investor confidence and stock valuations.

iv. **Funding Availability:** Changes in stock prices can directly influence an MFI's ability to attract funding. A rising stock price may enhance an institution's ability to raise capital through equity financing, whereas declining prices can deter potential investors and reduce funding sources.

v. **Operational Capabilities:** The operational capabilities of MFIs are often tied to their financial resources, which can be affected by stock price movements. A strong stock performance can enable MFIs to expand their services, invest in technology, and improve customer outreach.

vi. **Contributions to Economic Development:** As MFIs play a vital role in promoting financial inclusion and supporting economic development, their stock price movements can impact their ability to fulfill these objectives, ultimately affecting community growth and poverty alleviation efforts.

vii. **Investor Confidence Gauge:** Monitoring stock price trends helps gauge overall investor confidence in the microfinance sector, indicating whether investors view MFIs as a stable and profitable investment opportunity.

viii. **Strategic Decision-Making:** Understanding stock price movements can inform strategic decision-making for MFIs, guiding management on operational adjustments and investment strategies to enhance shareholder value.

ix. **Market Competition Analysis:** Stock price movements provide insights into the competitive landscape among MFIs, helping institutions identify their positioning relative to peers and adapt accordingly.

x. **Economic Indicator:** The stock price movement of MFIs can serve as an economic indicator, reflecting broader economic trends and contributing to analyses regarding the financial health of the microfinance sector in Nepal.

Key Determinants of Stock Price Movement

i. **Market Price of Stock (MPS):** MPS is the current trading price of a stock in the market and reflects investor perceptions of the MFI's value and performance. Factors affecting MPS include overall market conditions, economic indicators, and the MFI's financial performance. MPS is influenced by supply and demand dynamics, investor sentiment, and macroeconomic conditions, making it a direct measure of market confidence in the MFI.

ii. **Earnings Per Share (EPS):** EPS is a measure of a company's profitability, calculated as net income divided by the number of outstanding shares. For MFIs, EPS reflects the institution's ability to generate profit per share, which is a critical indicator of financial health. A higher EPS often signals strong profitability and operational efficiency, positively impacting MPS as investors seek profitable investments.

iii. **Dividend Per Share (DPS):** DPS represents the portion of earnings distributed to shareholders, providing a return on investment in the form of dividends. A stable or increasing DPS indicates the MFI's commitment to sharing profits with shareholders, which can enhance investor confidence and attract income-focused investors. For MFIs, a consistent DPS is often associated with financial stability and positive stock performance.

iv. **Return on Assets (ROA):** ROA measures how effectively an MFI utilizes its assets to generate profit, calculated as net income divided by total assets. A higher ROA suggests efficient asset management and strong financial performance. Investors view ROA as a key indicator of operational efficiency and profitability, which can positively influence MPS by highlighting the MFI's ability to generate returns from its assets.

v. **Return on Equity (ROE):** ROE is a measure of financial performance relative to shareholders' equity, calculated as net income divided by equity. For MFIs, a high ROE indicates effective use of equity capital to generate profits. A strong ROE can attract investors and drive up MPS, as it reflects the MFI's ability to deliver high returns on shareholders' investments.

vi. **Non-Performing Loans (NPL):** NPLs are loans that are in default or close to default. A high NPL ratio indicates potential credit risk and financial instability. For MFIs, high NPL levels can signal increased risk and potential losses, negatively affecting investor confidence and MPS. Effective management of NPLs is crucial for maintaining financial stability and a positive stock outlook.

vii. **Book Value Per Share (BVPS):** BVPS is calculated as the net asset value of the MFI divided by the number of outstanding shares. It provides an estimate of the intrinsic value of the stock. Comparing BVPS with MPS helps investors assess whether a stock is overvalued or undervalued. A higher BVPS relative to MPS may indicate undervaluation, suggesting potential investment opportunities.

viii. **Price-to-Earnings (P/E) Ratio:** The P/E ratio is the market price per share divided by EPS, reflecting investor expectations about future earnings. A high P/E ratio indicates high growth expectations, while a low P/E ratio may suggest undervaluation or concerns about future performance. Investors use the P/E ratio to gauge the stock's valuation relative to its earnings and future growth prospects.

ix. **Price-to-Book (P/B) Ratio:** The P/B ratio compares the market price per share to the BVPS. It indicates how much investors are willing to pay for each dollar of net assets. A higher P/B ratio suggests that investors expect future growth and profitability, while a lower ratio might indicate

undervaluation. For MFIs, the P/B ratio helps assess market valuation relative to the book value of the institution's assets.

x. **Dividend Yield:** Dividend yield measures the annual dividend per share relative to the market price per share, indicating the return on investment from dividends. A higher dividend yield can attract income-seeking investors and positively impact MPS. For MFIs, maintaining a competitive dividend yield is essential for attracting and retaining investors, especially in a market with varying levels of dividend payouts.

xi. **Other Relevant Metrics:** Additional factors influencing stock price movement include macroeconomic conditions, industry trends, and regulatory changes. For MFIs, changes in interest rates, economic conditions affecting credit demand and regulatory developments can impact stock prices. Market sentiment, investor behavior, and broader economic factors also play a role in determining stock price movements.

Interrelationships among Variables

Financial Performance and Stock Prices: There is a direct relationship between the financial performance indicators of MFIs (like EPS, ROA and ROE) and their stock prices. Strong performance metrics are likely to lead to an increase in stock prices, as they reflect the profitability and operational efficiency of the MFIs, enhancing investor sentiment and market confidence.

Macroeconomic Factors and Investor Behavior: Broader economic conditions such as inflation rates, interest rates, and GDP growth play a significant role in shaping investor behavior. For instance, favorable economic indicators may boost investor confidence, leading to higher stock prices, while negative trends may lead to stock price declines.

Regulatory Impact on Stock Performance: Regulatory frameworks established by the Nepal Rastra Bank can significantly impact MFIs' operations and their market perceptions. Changes in regulations, such as capital requirements or lending policies, can influence investor confidence and, subsequently, stock prices. A stable regulatory environment tends to foster investor trust, which can stabilize or enhance stock performance.

Contextual Background

Overview of Nepal's Microfinance Sector: The microfinance sector in Nepal has witnessed rapid growth over the past two decades, with numerous MFIs serving millions of clients. However, the sector faces challenges such as high levels of non-performing loans and regulatory scrutiny. Understanding the dynamics of this sector is crucial for analyzing stock price movements.

Investment Climate in Nepal: The investment climate in Nepal is influenced by various factors, including political stability, regulatory frameworks, and economic growth prospects. These factors significantly impact investor confidence, influencing the stock price movements of MFIs and shaping their capacity to raise capital.

Conceptual Model

A conceptual model illustrating the relationships among the identified variables will clarify the research focus. This model will depict how financial performance indicators, macroeconomic factors, regulatory impacts, and market sentiment interrelate to affect the stock price movements of MFIs in Nepal. The conceptual review establishes a foundation for understanding the factors influencing stock price movements of MFIs in Nepal. By focusing on key financial performance indicators and contextual factors, this review will inform the research methodology and analytical approach in subsequent sections of the thesis.

2.2 Theoretical review

Theoretical review has involved the critical examination of existing theories, concepts, frameworks, and models relevant to the study of stock price movement. This process has included analyzing and evaluating the theoretical foundations of stock price behavior to understand its conceptual framework, historical development, and current state of knowledge. Theoretical reviews have been instrumental in identifying gaps or inconsistencies in existing theories and in developing new conceptual frameworks and hypotheses. This section has explored theories pertinent to stock price movement, elucidating how various factors have influenced fluctuations in stock prices. A clear understanding of these theories has helped in identifying the determinants of stock price volatility and in formulating new research directions. Theoretical frameworks relevant to stock price movement have included:

Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH), formulated by Eugene Fama in 1970, is a foundational theory in finance that posits financial markets are highly efficient in processing, analyzing, and incorporating all available information into the pricing of securities (Fama, 1970). The hypothesis argues that, at any given moment, the prices of stocks or other financial assets reflect their true underlying value based on the information accessible to all market participants. This efficiency implies that no investor can consistently achieve returns exceeding the market average by leveraging strategies such as stock picking or market timing since any advantage provided by new information is quickly assimilated into market prices. In the context of microfinance institutions in Nepal, the EMH suggests that their stock prices are sensitive to changes in the flow of information. Whether it pertains to macroeconomic shifts, institutional performance updates, or regulatory changes, the market swiftly adjusts the pricing of these stocks to reflect the latest data. Consequently, any deviations from expected prices are likely to be temporary and attributable to new, unexpected developments or unanticipated events. This theoretical framework is essential for understanding the behavior of microfinance stock prices, emphasizing the role of transparency, information dissemination, and market responsiveness. It provides insight into how these institutions' stock valuations evolve over time, ensuring that observed price movements are a direct response to the latest information rather than inefficiencies or delayed market reactions.

Behavioral Finance Theory

Behavioral Finance Theory, introduced by Daniel Kahneman and Amos Tversky in 1979, provides a compelling alternative to traditional finance theories by emphasizing the role of psychological factors in financial decision-making. Unlike the Efficient Market Hypothesis, which assumes rational behavior and market efficiency, this theory highlights how cognitive biases and emotional influences can lead investors to make irrational decisions. Common biases, such as overconfidence in one's investment knowledge, loss aversion where investors strongly prefer avoiding losses over acquiring equivalent gains, and herd behavior, contribute to systematic errors and deviations from predicted market outcomes (Kahneman & Tversky, 1979). In the context of microfinance institutions in Nepal, Behavioral Finance Theory offers a valuable lens to understand why stock prices might stray from their intrinsic or

fundamental values. For example, an overreaction to market news, whether positive or negative, can drive excessive volatility in stock prices, creating bubbles or crashes that are inconsistent with traditional financial models. Similarly, investor sentiment, driven by emotions like fear or exuberance, can amplify price fluctuations in microfinance stocks beyond what their financial performance would justify. By acknowledging these behavioral factors, this theory provides deeper insights into the dynamics of stock price movements, enabling a more comprehensive understanding of market anomalies within the microfinance sector.

Dividend Discount Model (DDM)

The Dividend Discount Model (DDM), formulated by John Lintner in 1962, asserts that a stock's value is determined by the present value of its expected future dividends (Lintner, 1962). According to this model, investors base their stock valuation on the anticipated dividends a company will provide, reflecting the importance of dividend payments in determining stock prices. For microfinance institutions in Nepal, the DDM is particularly relevant as it provides a framework for understanding how changes in dividend policies or dividend payouts affect their stock prices. When a microfinance institution announces changes in its dividend distribution—whether an increase, decrease, or suspension—the DDM helps predict the corresponding impact on the stock's market value. By applying the DDM, investors and analysts can gauge the impact of these dividend changes on the market value of these institutions, thus offering insights into how dividend-related information influences stock price movements. The model highlights the crucial role dividends play in investor decision-making, especially in the context of microfinance institutions where investors often rely on stable and predictable income streams from dividends.

Capital Asset Pricing Model (CAPM)

The Capital Asset Pricing Model (CAPM), introduced by William Sharpe in 1964, describes the relationship between a stock's risk and its expected return (Sharpe, 1964). CAPM posits that the expected return on a stock is directly proportional to its systematic risk, measured by beta (β), relative to the overall market. This model is fundamental for understanding how a microfinance institution's stock price is influenced by market-wide risk factors, such as economic shifts, interest rate changes, or market sentiment. By assessing the beta of these institutions, investors can gauge

the degree to which a microfinance institution's stock is sensitive to overall market movements. A high beta suggests that the stock is more volatile than the market, while a low beta indicates lower sensitivity to market fluctuations. Understanding this risk-return relationship is crucial in the context of microfinance institutions in Nepal, as it helps investors quantify the risks associated with these stocks and make more informed investment decisions. The CAPM provides a valuable framework for pricing risk, ensuring that microfinance stock prices reflect not only the individual performance of these institutions but also the broader market conditions. This insight is essential for managing risk in investment portfolios, particularly in sectors like microfinance, which may be more exposed to market volatility.

Arbitrage Pricing Theory (APT)

Arbitrage Pricing Theory (APT), proposed by Stephen Ross in 1976, extends the traditional single-factor models by suggesting that stock returns are influenced by multiple macroeconomic and market factors (Ross, 1976). Unlike the Capital Asset Pricing Model (CAPM), which focuses solely on market risk, APT incorporates a broader range of factors, such as interest rates, inflation, and economic growth, to explain stock price movements. This flexibility makes APT a more comprehensive model for understanding how various economic conditions can collectively impact stock returns. In the context of microfinance institutions in Nepal, APT offers a valuable framework for analyzing how these institutions' stock prices are influenced by a variety of macroeconomic variables, including changes in monetary policy, inflation rates, or shifts in national economic growth. For instance, rising interest rates could affect the cost of borrowing for microfinance institutions, while changes in inflation could impact their lending portfolios and, consequently, their profitability. By considering a broader set of factors, APT helps provide a more nuanced understanding of stock price movements in the microfinance sector, capturing the complexity of how multiple interrelated variables affect the valuation of these institutions' stocks. This approach is essential for investors seeking to assess risks and make informed decisions in a market where microfinance institutions may be more sensitive to a range of external economic influences.

Market Efficiency Theory

Market Efficiency Theory, as formulated by Eugene Fama in 1970, categorizes markets into three forms of efficiency: weak, semi-strong, and strong. Weak

efficiency suggests that past stock prices are already reflected in current prices, making technical analysis ineffective because all historical price information is incorporated into stock valuations. Semi-strong efficiency asserts that all publicly available information, including news releases and financial statements, is reflected in stock prices, meaning investors cannot gain an advantage by trading on such information. Strong efficiency, the most stringent form, includes insider information, implying that even private, non-public information is immediately incorporated into stock prices (Fama, 1970). For microfinance institutions in Nepal, understanding market efficiency is crucial for evaluating how well stock prices reflect all available information. In a semi-strong efficient market, for instance, any new publicly available data about a microfinance institution, such as changes in regulations or financial performance, would be rapidly integrated into its stock price, leaving no room for investors to gain abnormal returns based on such information. This highlights the critical role of information dissemination in ensuring that stock prices are accurate and reflective of the true value of microfinance institutions. Understanding market efficiency helps investors assess whether they can expect to earn excess returns or if the market already accounts for all relevant data.

Value Investing Theory

Value Investing Theory, popularized by Benjamin Graham and David Dodd in their seminal work Security Analysis (1934), emphasizes the identification of undervalued stocks through fundamental analysis. According to this theory, investors can uncover stocks that are priced below their intrinsic value by thoroughly examining a company's financial health, earnings, assets, liabilities, and overall market conditions. This approach is grounded in the belief that financial markets are not always perfectly efficient, and as a result, some stocks may be mispriced—either overvalued or undervalued. Such mispricing creates opportunities for investors who can identify discrepancies between the market price and the intrinsic value of a stock, thereby allowing them to buy undervalued stocks at a discount and potentially sell them for a profit when the market corrects its pricing. For microfinance institutions (MFIs) in Nepal, the theory holds particular relevance due to the potential for market inefficiencies. Many microfinance stocks may be undervalued because of insufficient investor awareness, lack of transparency, or a general underappreciation of the growth potential of these institutions. Microfinance institutions may possess strong financial

fundamentals or exhibit substantial growth prospects that are not fully reflected in their stock prices, creating an opportunity for value investors to acquire these stocks at a lower price than their true value. Furthermore, the microfinance sector in Nepal may still be developing, and the market may not fully account for the long-term prospects of these institutions, particularly when compared to more established industries. By focusing on the underlying financial strength, market positioning, and growth trajectory of MFIs, value investing offers significant returns. This is especially true in markets where stock mispricing is prevalent, and where diligent analysis can uncover opportunities that others may overlook. Ultimately, this approach provides a strategic framework for investors who are looking to capitalize on undervalued microfinance sector stocks, helping to identify investment opportunities that align with both short- and long-term financial goals, while fostering more informed and deliberate investment decisions.

Random Walk Theory

Random Walk Theory, introduced by Burton Malkiel in his book A Random Walk Down Wall Street (1973), posits that stock prices follow a random path and are inherently unpredictable. According to this theory, past price movements cannot be used to forecast future prices because all known information is already reflected in current prices. This suggests that stock prices are influenced by a variety of random and unforeseen events, such as economic shocks, market sentiment, or news developments, making it difficult for investors to consistently outperform the market through techniques like technical analysis or trend forecasting. In the context of microfinance institutions (MFIs) in Nepal, the Random Walk Theory implies that the stock prices of these institutions may not follow any predictable or consistent patterns and could be subject to sudden fluctuations driven by unpredictable factors. For example, changes in government regulations, shifts in economic conditions, or unexpected corporate announcements could cause rapid, unexplained movements in stock prices. Understanding this theory helps investors adjust their expectations, acknowledging the uncertainty and unpredictability inherent in stock price movements. As a result, investors may focus on long-term strategies rather than attempting to time the market or predict short-term price movements, recognizing that microfinance stocks are subject to the same random fluctuations that affect all securities.

2.3 Empirical review

Thapa and Paudel (2024) determined the influence of fundamental factors on the stock values of Nepali non-life insurance businesses. The research focused on all twelve non-life insurance companies listed on the Nepal Stock Exchange (NEPSE) using a quantitative, analytical, and descriptive research methodology. Secondary data were obtained from sources such as Nepal Rastra Bank, the Ministry of Finance, and the websites of the insurance firms. The variables examined included the Price-to-Earnings (P/E) Ratio, Earnings Per Share (EPS), Market Price of Shares (MPS), Dividend per Share (DPS), and Book Value per Share (BVS). The results demonstrated that EPS and P/E Ratio were significant factors influencing stock prices, with EPS showing the strongest positive correlation with MPS ($r = 0.606$, $p < 0.01$). The P/E Ratio also had a positive but weaker correlation with EPS ($r = 0.400$, $p = 0.003$). On the other hand, DPS did not show a statistically significant link with MPS ($B = 0.738$, $p = 0.854$), while BVS had a marginally significant positive correlation with MPS ($B = 1.874$, $p = 0.061$). The findings indicated that higher P/E and EPS ratios were associated with better returns for investors, while DPS had minimal impact on stock prices. The study concluded that the EPS and P/E ratios were crucial in determining stock prices in Nepal's non-life insurance sector. The authors suggested that accurate and transparent financial reporting should be prioritized by governments to aid investors in making informed decisions. This study provided valuable insights into the financial variables affecting the pricing of Nepalese non-life insurance stocks, offering guidance on investment strategies and policy development.

Yulianty et al. (2023) examined the influence of the Debt to Equity Ratio (DER), Price Earning Ratio (PER), and Return on Equity (ROE) on the stock prices of banking companies listed on the Bursa Efek Indonesia during the period 2017-2021. The study focused on a population of 6 banking companies consistently listed on the Infobank15 index throughout the specified period, analyzing a total of 30 financial reports selected through a purposive sampling technique. Secondary data were utilized for the analysis, and multiple linear regression analysis was employed as the analytical method. The findings revealed that, partially, the Debt to Equity Ratio (DER) had a significant negative influence on the stock prices of these banking companies during the period 2017-2021. Conversely, the Price Earning Ratio (PER)

exhibited a significant positive influence on stock prices, as did the Return on Equity (ROE). Furthermore, when considered collectively, DER, PER, and ROE had a significant positive influence on the stock prices of banking companies during the period 2017-2021. These results highlight the importance of these financial ratios in determining stock prices, providing insights into the factors that investors may consider when evaluating banking stocks in Indonesia.

Ariana et al. (2023) analyzed the impact of Earnings Per Share (EPS), Inflation, and Net Interest Margin (NIM) on stock prices within the Indonesian banking sector. Using a quantitative approach, the study utilized data from the financial statements of 38 banks listed on the Indonesia Stock Exchange over a three-year period from 2019 to 2021. Employing purposive sampling and panel data regression techniques through Eviews, the researchers examined the relationships among the specified variables. The findings revealed a significant positive effect of EPS on stock prices, indicating that higher earnings per share correspond to higher stock prices. In contrast, neither Inflation nor NIM showed a statistically significant impact on stock prices, suggesting these factors do not directly influence market performance in this context. This study emphasizes the critical importance of EPS in stock price determination and suggests that further research is needed to explore additional factors affecting stock prices in the banking sector. Overall, understanding these dynamics can assist investors in making informed decisions based on financial performance metrics. Further exploration could uncover more nuanced influences on stock prices in this industry.

Maskey (2022) conducted a comprehensive study examining the factors influencing market share prices of life insurance companies listed on the Nepal Stock Exchange (NEPSE), filling a critical research gap left by previous studies that predominantly concentrated on the banking sector. The research analyzed a robust dataset encompassing all listed life insurance companies over a six-year period from 2012/13 to 2017/18, which allowed for a thorough investigation into the financial metrics affecting share prices. By employing both descriptive and inferential statistics, particularly multiple regression models, the study effectively tested the significance and strength of the relationships between various financial indicators and the corresponding share prices of these companies. The results revealed that several key determinants significantly impacted share prices, including Earnings Per Share (EPS),

Dividend Per Share (DPS), Price-Earnings Ratio (P/E Ratio), company age, and dividend yield. Among these factors, dividends emerged as particularly crucial, underscoring their importance in influencing investor decisions and preferences. The study concluded that establishing a strong and transparent dividend policy is vital for attracting and retaining investors within the Nepalese life insurance market, highlighting the need for companies to communicate their dividend strategies effectively. Maskey's research contributes valuable insights into the determinants of stock prices in emerging markets, particularly within the context of the Nepalese life insurance industry, and lays a foundational understanding that can guide both practitioners and future researchers interested in financial dynamics in similar markets.

Sari et al. (2022) conducted a thorough investigation into the determinants of stock investment decision-making within the Indonesian stock market, employing a mixed-methods approach that effectively combined quantitative and qualitative research methodologies. The study collected quantitative data through a survey involving 400 investors, providing a broad numerical perspective on investor behaviors and preferences, while also incorporating qualitative insights obtained from in-depth interviews to capture the nuanced attitudes and motivations of individual investors. The findings revealed that fundamental analysis is paramount in guiding investment decisions; this analysis involves assessing a company's financial health and performance metrics, which investors rely on to make informed choices. Furthermore, the study identified market sentiment as a critical factor influencing investment behavior, reflecting the overall mood and confidence levels of investors. Additionally, herd behavior where investors tend to follow the actions of others rather than making independent decisions was found to significantly impact investment choices. The research also underscored the diverse risk tolerances among investors, shaped by their unique investment objectives and personal risk profiles, illustrating that individual approaches to investment can vary widely. These insights collectively emphasize the importance of integrating both fundamental analysis and market sentiment in developing effective investment strategies, highlighting the inherent complexity and multifaceted nature of decision-making processes in stock investments within emerging markets like Indonesia.

Gyawali (2022) examined the impact of factors influencing the stock price of Nepalese commercial banks. The study used Market Price of Shares (MPS) as the dependent variable, with Dividend Per Share (DPS), Earnings Per Share (EPS), Price-to-Earnings (P/E) ratio, Return on Assets (ROA), GDP, and inflation rate as independent variables. Data were collected from annual reports of ten out of 27 banks over a five-year period (2017-2021). Using SPSS version 23, the research employed a descriptive and causal-comparative design with multiple linear regression models. The results indicated that DPS, EPS, and P/E ratio had a positive and significant effect on stock prices. ROA and GDP had a positive but non-significant impact, while the inflation rate had a negative and insignificant effect. The study underscores the importance of DPS, EPS, and P/E ratio in determining stock prices in Nepalese commercial banks.

Ali et al. (2022) examined the impact of Earnings Per Share (EPS) on stock prices and the Price-to-Earnings (P/E) ratio across four industries Banking, Pharmaceutical, Information Technology, and Cement using data from sixteen companies over an eight-year period (2011-2012 to 2018-2019). The study employed regression analysis and correlation methods to analyze the data. The findings revealed a positive relationship between EPS and stock prices, suggesting that higher EPS is associated with higher stock prices. Conversely, EPS did not significantly influence the P/E ratio, with a low statistical correlation observed. This implies that while EPS is a crucial determinant of stock prices, its impact on the P/E ratio is minimal. The study underscores the importance of EPS in stock valuation but also indicates that other variables may play a more substantial role in influencing the P/E ratio. This insight can guide investors and analysts in making more informed decisions regarding stock valuation.

Sukesti et al. (2021) examined the impact of Debt Equity Ratio (DER), Net Profit Margin (NPM), and Size on stock prices, with Return on Assets (ROA) as a mediating variable, using a sample of 136 manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2018. The study utilized Warp PLS statistical tools for hypothesis testing. The results showed that DER had a significant negative effect on ROA but a significant positive effect on stock prices. NPM positively influenced both ROA and stock prices, while Size had a positive effect on

ROA but no impact on stock prices. ROA significantly affected stock prices and served as a mediating variable in the relationships between DER and stock prices, as well as between NPM and stock prices, but not between Size and stock prices. These findings suggest that investors should consider DER, NPM, Size, and ROA when making investment decisions, emphasizing the importance of financial ratios in assessing company performance and stock valuation.

Bustani et al. (2021) investigated the effects of Earnings Per Share (EPS), Price to Book Value (PBV), Dividend Payout Ratio (DPR), and Net Profit Margin (NPM) on stock prices within the food and beverage sector on the Indonesia Stock Exchange for the period 2014 to 2018. The study analyzed data from 12 out of 26 companies that met specific criteria, using bootstrapping with Structural Equation Modeling (SEM) for hypothesis testing. The analysis revealed that EPS, PBV, and DPR significantly impacted stock prices, highlighting their importance in making investment decisions. Conversely, NPM did not have a significant effect on stock prices during the study period. These findings emphasize the relevance of EPS, PBV, and DPR in stock price evaluation, while suggesting that NPM's influence is less pronounced in this sector.

Niroula (2021) examined the behavior of stock prices in Nepalese commercial banks, with Market Price per Share (MPS) as the dependent variable and Earnings Per Share (EPS), Price-Earnings (PE) Ratio, Dividend Yield (DY) Ratio, Size, Return on Equity (ROE), Book Value per Share (BVPS), and Return on Assets (ROA) as independent variables. The study used secondary data from annual reports of 18 out of 27 commercial banks, spanning from 2015/16 to 2019/20. Employing descriptive and analytical research designs, the analysis was conducted using SPSS version 23. The multiple linear regression model revealed that EPS, PE ratio, and bank size had a positive and statistically significant effect on MPS, indicating that higher EPS, PE ratios, and larger bank size are associated with higher stock prices. In contrast, the effects of DY ratio, ROE, BVPS, and ROA were found to be negligible. These findings underscore the importance of EPS, PE ratio, and bank size as key determinants of stock prices in Nepalese commercial banks.

Wagle (2021) explored the factors influencing stock market prices in commercial banks in Nepal from 2015/16 to 2019/20. The study analyzed 130 observations from

26 out of 27 commercial banks, using secondary data extracted from annual reports. By employing descriptive and causal-comparative research designs, the study applied techniques such as mean, standard deviation, correlation, and regression analysis. The results revealed that the Market-to-Book (M/B) ratio, Price-Earnings (P/E) ratio, and Earnings Yield (E/Y) ratio had a significant positive association with stock market prices, indicating that higher values in these ratios are linked with increased stock prices. Conversely, the Dividend Yield (D/Y) ratio showed a positive but statistically insignificant impact on stock prices. This study provides valuable insights for investors, bankers, academicians, and policymakers by enhancing the understanding of stock market behavior and investment returns in Nepal, highlighting key financial metrics that influence stock prices in the banking sector.

Panta (2020) examined the relationship between stock market prices, represented by the NEPSE index, and five macroeconomic variables: real GDP, broad money supply, interest rate, inflation, and exchange rate. The study utilized an Autoregressive Distributed Lag (ARDL) model to analyze these variables, applying an Error Correction Model (ECM) derived from the ARDL model to integrate short-term adjustments with long-term equilibrium. The analysis was based on 25 years of annual data, spanning from 1994 to 2019. The findings revealed that, in the long run, the NEPSE index is strongly influenced by broad money supply, interest rate, inflation, and exchange rate. Specifically, while real GDP, money supply, and exchange rate positively affect the index in the short term, only the money supply maintains a positive relationship with the NEPSE index in the long term. The study concludes that despite the Nepalese stock market's underdevelopment, these macroeconomic factors play crucial roles in determining stock market prices. Therefore, policies and strategies should be designed with these factors in mind.

Safitri et al. (2020) explored the influence of Debt to Equity Ratio (DER), Price Earnings Ratio (P/E Ratio), and Earnings Per Share (EPS) on stock prices within banking sector companies listed on the InfoBank15 index from 2014 to 2018. The study employed purposive sampling, analyzing financial statements from six companies, totaling 30 samples. Multiple linear regression analysis revealed that both P/E Ratio and EPS have a significant positive impact on stock prices, suggesting that higher values in these indicators are associated with increased stock prices.

Specifically, a higher P/E Ratio signals that the market expects greater future earnings, and a higher EPS indicates better company performance and profitability. Conversely, DER did not show a significant effect on stock prices, suggesting that debt levels relative to equity do not directly influence stock prices in this context. The study emphasizes the importance of P/E Ratio and EPS as key metrics for evaluating stock price movements, while DER appears less relevant in this scenario.

Pertiwi et al. (2020) investigated the effects of Dividend Payout Ratio, leverage, and firm size on stock price volatility among manufacturing companies listed on the Indonesia Stock Exchange for the period from 2014 to 2018. The study utilized a census sampling method, focusing on 11 companies that paid dividends during this timeframe. Multiple linear regression analysis was employed to assess the relationships between the variables and stock price volatility. The findings revealed that firm size has a significant impact on stock price volatility, suggesting that larger firms tend to experience more stable stock prices. Conversely, Dividend Payout Ratio and leverage did not have a significant effect on stock price volatility, implying that these factors may not play a major role in influencing stock price fluctuations. The study emphasizes the importance of firm size in understanding stock price volatility, while highlighting that dividend payouts and leverage have a lesser impact in this context.

Choiriyah et al. (2020) examined the effects of Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), Earnings Per Share (EPS), and Operating Profit Margin (OPM) on stock prices of banking companies listed on the Indonesia Stock Exchange (IDX). The study used secondary data from a total of 32 banking companies, with eight meeting the research criteria. Multiple linear regression analysis indicated that ROE and EPS significantly affect stock prices, reflecting that higher ROE and EPS values are associated with higher stock prices. However, ROA, NPM, and OPM did not show significant effects on stock prices, suggesting that these variables might not be as influential in this sector. The findings underscore the importance of ROE and EPS in stock price valuation while suggesting that other factors like ROA, NPM, and OPM may not significantly impact stock prices in the banking industry.

Table 1

Summary of Empirical Review

Author(s)	Objectives	Variables	Methodology	Findings
Thapa and Paudel (2024)	To determine the influence of fundamental factors on stock values of Nepali non-life insurance businesses.	Dependent: MPS Independent: P/E, EPS, DPS, BVS	Quantitative, analytical, descriptive; secondary data from annual reports; correlation and regression analysis	EPS and P/E Ratio had a significant positive impact on MPS. DPS had minimal impact, and BVS had a marginally significant positive correlation.
Yulianty et al. (2023)	To examine the influence of DER, PER, and ROE on stock prices of banking companies in Indonesia.	Dependent: Stock Prices Independent: DER, PER, ROE	Multiple linear regression; secondary data from financial reports	DER had a significant negative impact, while PER and ROE had significant positive effects. Collectively, DER, PER, and ROE positively influenced stock prices.
Ariana et al. (2023)	To analyze the impact of EPS, Inflation, and NIM on stock prices in the Indonesian banking sector.	Dependent: Stock Prices Independent: EPS, Inflation, NIM	Panel data regression using Eviews; purposive sampling	EPS had a significant positive effect on stock prices. Inflation and NIM did not show significant impact.

Maskey (2022)	To explore factors influencing market share prices of life insurance companies in Nepal.	Dependent: Share Prices Independent: EPS, DPS, P/E, Company Age, Dividend Yield	Descriptive and inferential statistics; data from listed life insurance companies; multiple regression analysis	EPS, DPS, P/E, company age, and dividend yield were significant determinants. Strong and transparent dividend policies are crucial for attracting investors.
Sari et al. (2022)	To investigate the determinants of stock investment decision-making in the Indonesian stock market.	Dependent: Investment Decisions Independent: Fundamental Analysis, Market Sentiment, Herd Behavior	Mixed-methods; survey of 400 investors and in-depth interviews	Fundamental analysis, market sentiment, and herd behavior are key factors in investment decisions. Risk tolerance varies among investors.
Gyawali (2022)	To examine the impact of factors influencing stock prices of Nepalese commercial banks.	Dependent: MPS Independent: DPS, EPS, P/E, ROA, GDP, Inflation Rate	Descriptive and causal-comparative design; data from annual reports; multiple linear regression models	DPS, EPS, and P/E ratio had a significant positive effect on MPS. ROA and GDP had a positive but non-significant impact; inflation rate had a negative and insignificant effect.

Ali et al. (2022)	To assess the impact of EPS on stock prices and the P/E ratio across various industries.	Dependent: Stock Prices Independent: EPS, P/E	Regression analysis and correlation methods; data from 16 companies	EPS had a positive relationship with stock prices, but its impact on the P/E ratio was minimal.
Sukesti et al. (2021)	To investigate the impact of DER, NPM, and Size on stock prices, with ROA as a mediating variable.	Dependent: Stock Prices Independent: DER, NPM, Size; Mediator: ROA	Warp PLS statistical tools for hypothesis testing	DER negatively affected ROA but positively affected stock prices. NPM positively influenced ROA and stock prices. ROA was a significant mediator.
Bustani et al. (2021)	To analyze the effects of EPS, PBV, DPR, and NPM on stock prices within the food and beverage sector.	Dependent: Stock Prices Independent: EPS, PBV, DPR, NPM	Bootstrapping with SEM; data from 12 companies	EPS, PBV, and DPR significantly impacted stock prices. NPM did not have a significant effect.
Niroula (2021)	To examine the behavior of stock prices in Nepalese commercial banks.	Dependent: MPS Independent: EPS, P/E, DY, Size, ROE, BVPS, ROA	Descriptive and analytical research designs; data from annual reports; multiple linear regression	EPS, P/E ratio, and bank size positively affected MPS. DY, ROE, BVPS, and ROA had negligible effects.

Wagle (2021)	To explore the factors influencing stock market prices in commercial banks in Nepal.	Dependent: Stock Market Prices Independent: M/B Ratio, P/E Ratio, E/Y Ratio, D/Y Ratio	Descriptive and causal-comparative research designs; mean, standard deviation, correlation, and regression analysis	M/B Ratio, P/E Ratio, and E/Y Ratio had a significant positive association with stock prices. D/Y Ratio had a positive but insignificant impact.
Panta (2020)	To examine the relationship between the NEPSE index and macroeconomic variables.	Dependent: NEPSE Index Independent: Real GDP, Broad Money Supply, Interest Rate, Inflation, Exchange Rate	ARDL model and ECM; 25 years of annual data analysis	Broad Money Supply, Interest Rate, Inflation, and Exchange Rate strongly influence NEPSE index. Real GDP, Money Supply, and Exchange Rate impact it in the short term, with Money Supply maintaining a long-term positive relationship.
Safitri et al. (2020)	To explore the influence of DER, P/E Ratio, and EPS on stock prices in banking sector companies.	Dependent: Stock Prices Independent: DER, P/E Ratio, EPS	Purposive sampling; multiple linear regression analysis of 30 samples	P/E Ratio and EPS had a significant positive impact on stock prices. DER did not significantly affect stock prices.

Pertiwi et al. (2020)	To investigate the effects of Dividend Payout Ratio, Leverage, and Firm Size on stock price volatility.	Dependent: Stock Price Volatility Independent: Dividend Payout Ratio, Leverage, Firm Size	Census sampling; multiple linear regression analysis of 11 companies	Firm Size significantly impacts stock price volatility. Dividend Payout Ratio and Leverage did not significantly affect stock price volatility.
Choiriyah et al. (2020)	To examine the effects of ROA, ROE, NPM, EPS, and OPM on stock prices of banking companies.	Dependent: Stock Prices Independent: ROA, ROE, NPM, EPS, OPM	Multiple linear regression analysis of 32 banking companies	ROE and EPS significantly affect stock prices. ROA, NPM, and OPM did not have significant effects.

2.4 Research gap

Research on microfinance institutions (MFIs) in Nepal reveals critical gaps that this study addresses. Prior studies have focused on traditional financial metrics and macroeconomic factors, neglecting the unique dynamics and investor perspectives within the microfinance sector. For instance, while Thapa and Paudel (2024); Gyawali (2022) examined EPS and P/E ratios they did not specifically target MFIs. Additionally, Maskey (2022) explored insurance sectors, highlighting the need for a deeper understanding of microfinance stock valuation. The current research has utilized a descriptive and causal-comparative design, analyzing data from 55 microfinance institutions (MFIs) over five years (2018/19 to 2022/23) with a focus on five specific MFIs: SKBBL, CBBL, DDBL, NMFBS and MLBBL. By examining financial indicators such as EPS, DPS, P/E ratio, BVPS and ROA, and incorporating individual investor perspectives, this study has enriched the understanding of factors influencing microfinance stock prices (MPS). It has provided valuable insights for strategic decision-making and policy formulation in the Nepalese microfinance sector, successfully addressing existing research gaps.

CHAPTER – III
RESEARCH METHODOLOGY

The research methodology section details the approaches, tools, and techniques employed to analyze data and meet the study's objectives. The researcher utilized the following methods to direct the investigation and identify the most suitable approach.

3.1 Research design

Research design is a comprehensive plan for conducting research. In this study, the descriptive and causal-comparative research designs have been used to investigate the stock price movement of selected microfinance institutions with the dependent variable being MPS and independent variables including EPS, DPS, P/E Ratio, BVPS and ROA. The descriptive research design has been employed to analyze patterns in stock prices and their influencing factors, while the causal-comparative research design has been utilized to examine the direction and strength of the relationships and impact between MPS and the independent variables.

3.2 Population and sampling, and sampling design

As of May 24, 2024, Nepal has 55 microfinance institutions (MFIs) operating in the sector. For this study, a sample of five MFIs has been selected: Sana Kishan Bikas Laghubitta Bittiya Sanstha (SKBBL), Chhimek Laghubitta Bittiya Sanstha Limited (CBBL), Deprosc Laghubitta Bittiya Sanstha Limited (DDBL), National Laghubitta Bittiya Sanstha Limited (NMFBS) and Mahila Laghubitta Bittiya Sanstha Limited (MLBBL). The sample size of five institutions is justified based on their significant influence on the microfinance sector and their diverse operational scale. These MFIs have been purposefully selected using purposive sampling to ensure that the study includes institutions with substantial market relevance, making them representative of the overall sector. Their inclusion supports a comprehensive analysis of stock price movements and their relationship with key financial variables such as EPS, DPS, P/E ratio, BVPS and ROA. Additionally, these institutions are well-documented, with accessible financial data, enabling a detailed examination of factors influencing Market Price per Share (MPS) in the Nepalese microfinance industry.

3.3 Nature and sources of data, and the instrument of data collection

This study has utilized secondary data, which includes information previously collected from various sources. It has drawn on annual reports, financial statements, and strategic documents from the selected microfinance institutions. Additionally, the research has incorporated data from newspapers, magazines, economic journals, and reports issued by relevant financial authorities such as the Nepal Rastra Bank (NRB). By aggregating and analyzing this data, the study has aimed to uncover the factors that influence stock price movements in the selected MFIs, thereby enhancing the understanding of financial metrics and their impact on Market Price per Share (MPS) within the Nepalese microfinance sector.

3.4 Method of analysis

To investigate the stock price movement of the selected microfinance institutions, this study has employed both descriptive and inferential statistical methods. Descriptive statistics have provided an overview of the central tendencies and dispersion of the data. Inferential statistics, including multiple correlation and regression analyses, have been utilized to explore the relationships between independent variables such as Earnings Per Share (EPS), Dividend Per Share (DPS), Price-Earnings (P/E) ratio, Book Value Per Share (BVPS) and Return on Assets (ROA) as well as the dependent variable Market Price per Share (MPS). This approach has enabled a comprehensive analysis of how these financial metrics collectively influence stock price movements in the selected microfinance institutions.

A. Descriptive statistics

Descriptive statistics have been crucial for analyzing the key independent variable such as EPS, DPS, P/E ratio, BVPS and ROA as well as the dependent variable MPS. These statistics have summarized the data by providing the mean, which indicates the average value of each variable. The minimum (min) and maximum (max) values have defined the data range, showing the lowest and highest recorded values. The standard deviation (SD) has measured the extent of variability or dispersion around the mean, reflecting the deviation of values from the average. Collectively, these descriptive statistics have provided a clear understanding of the spread, distribution, and central tendencies of the variables, setting the stage for a detailed analysis of how EPS, DPS, P/E ratio, BVPS and ROA impact MPS in the selected microfinance institutions.

Arithmetic mean

The arithmetic mean, often referred to as the average, represents the central tendency in a dataset and is computed by adding all values together and dividing by the total count of values. This metric is widely utilized as a descriptive statistic.

$$\text{Arithmetic mean } (\bar{x}) = \frac{\sum X}{N}$$

Where,

N = Total number of values in the dataset

$\sum X$= Sum of all values in the dataset

Standard deviation

Standard deviation in descriptive statistics quantifies the dispersion or variability within a dataset, indicating how widely the values deviate from the mean.

Formula for standard is as follows:

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum(x-\bar{x})^2}{N-1}}$$

Where,

x Represents each individual data point in the dataset

$\bar{x}$ Represents the mean (average) of the dataset

N is the total number of data points in the dataset

B. Inferential statistics

Inferential statistics have used correlation and regression analyses to examine the relationships between independent variables (EPS, DPS, P/E ratio, and BVPS) and the dependent variable (MPS). Correlation analysis has measured how closely these variables move together, while regression analysis has assessed how well changes in EPS, DPS, P/E ratio, BVPS and ROA predict variations in MPS. This approach has aimed to reveal how these financial metrics influence stock price movements in the selected microfinance institutions. Additionally, these methods have enabled the study to quantify the impact of each independent variable on MPS providing a comprehensive view of the factors driving stock price changes. The results have offered valuable insights for investors and policymakers by identifying key determinants of stock price performance in the Nepalese microfinance sector.

Correlation Analysis

Correlation analysis measures the strength and direction of the relationship between variables. A positive correlation implies that as one variable increases or decreases, the other variable follows the same pattern. In contrast, a negative correlation suggests that as one variable changes, the other moves in the opposite direction. The correlation coefficient ranges from +1 to -1, where +1 indicates a perfect positive correlation and -1 a perfect negative correlation. A coefficient of +1 means a direct relationship between changes in both variables, while -1 indicates an inverse relationship.

Karl Pearson's correlation analysis has been conducted using SPSS version 29 to calculate the Pearson correlation coefficient (r) with the formula:

$$r = \frac{n\,(\sum XY) - (\sum X)\,(\sum Y)}{\sqrt{[n\,(\sum X^2) - (\sum X)^2]\,[n\,(\sum Y^2) - (\sum Y)^2]}}$$

Where;

n = the number of data pairs

$\sum XY$ = the sum of the product of each pair of scores

$\sum X$ And $\sum Y$ = the sums of X and Y scores respectively

Multiple Regression Analysis

Multiple regression analysis has been employed to examine the relationship between stock price movements of the selected microfinance institutions and independent variables such as EPS, DPS, P/E ratio, BVPS and ROA. By estimating how changes in these predictors affect stock prices, this method calculates regression coefficients (β) to reveal the extent and direction of each independent variable's impact on the dependent variable Market Price per Share (MPS). This approach provides a detailed understanding of how each financial metric influences stock price movements, offering insights into the factors driving market valuations in the Nepalese microfinance sector.

Model Specification

In this model, the dependent variable is Market Price per Share (MPS), which reflects the stock price movements of the selected microfinance institutions. The independent variables include EPS, DPS, P/E ratio, BVPS and ROA. These variables are used to

assess their impact on MPS, providing insights into how financial metrics influence the valuation of stocks in the Nepalese microfinance sector.

The model is as follows:

$LnMPS = \beta_0 + \beta_1 EPS + \beta_2 DPS + \beta_3 P/E\ Ratio + \beta_4 LnBVPS + \beta_5 ROA + \varepsilon it$

Where:

β_0 = Intercept/ constant term

LnMPS = Natural Logarithm of Market price per share

EPS = Earnings per share

DPS = Dividend per share

P/E Ratio = Price earnings ratio

LnBVPS = Natural Logarithm of Book value per share

ROA = Return on Assets

εit = error term of the stochastic model

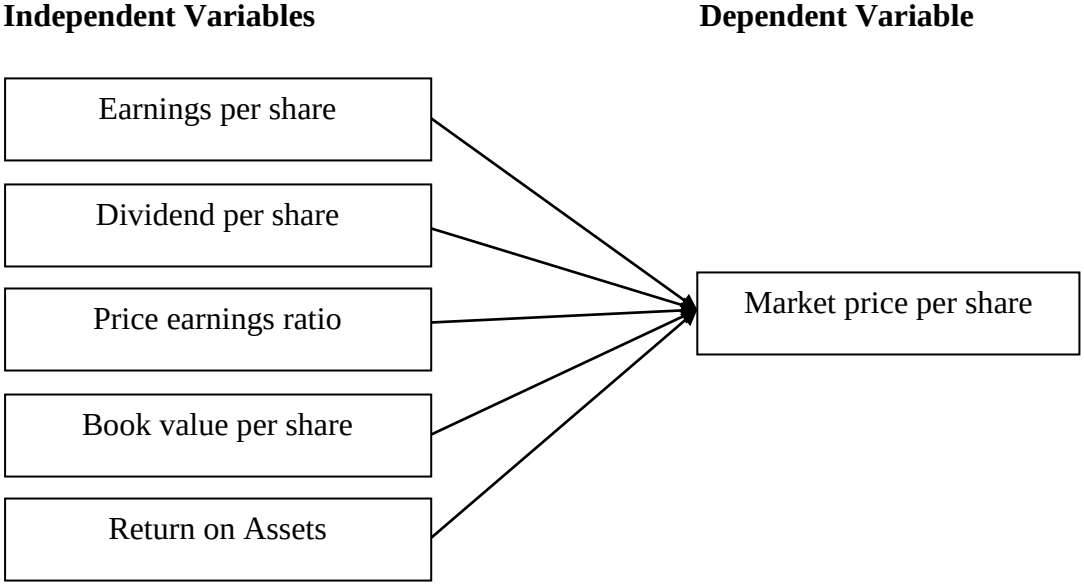
Betas ($\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$) are the parameters of the model

3.5 Research framework and definition of variables

This study explores stock price movements in selected microfinance institutions by examining how EPS, DPS, P/E ratio, BVPS and ROA impact on MPS. It combines theoretical and empirical perspectives to analyze the impact of financial metrics on MPS in Nepal's microfinance sector, as illustrated in the following figure.

Figure 1

Research Framework



(Source: Thapa and Paudel, 2024; Sukesti et al., 2021)

Definitions of variables have been described below:

Dependent Variable

Market Price per Share (MPS)

Market price per share represents the current trading price of a single share of a company's stock in the stock market. It is a crucial indicator of a company's market valuation, reflecting how investors perceive the company's worth based on various factors. MPS is influenced by a range of elements including the company's financial performance, such as earnings and profitability; economic conditions, including inflation rates and economic growth; and investor sentiment, which encompasses market perceptions and expectations about future performance. Additionally, MPS can be swayed by broader market trends, such as shifts in investor confidence or changes in industry dynamics. For instance, a company's strong earnings report might drive up its share price, while economic downturns or negative news can lead to declines. MPS provides investors with an essential metric for evaluating investment opportunities, as it indicates the price investors are willing to pay for ownership in the company. Changes in MPS can reflect shifts in market conditions or adjustments in investor expectations, making it a dynamic measure of a company's perceived value (Ramaiah et al., 2021).

Independent Variables

Earnings Per Share (EPS)

Earnings per share quantify a company's profitability on a per-share basis by dividing the net income attributable to common shareholders by the number of outstanding shares of common stock. This metric excludes dividends on preferred stock, focusing solely on the earnings available to common shareholders. EPS serves as a crucial indicator of financial performance, reflecting how efficiently a company generates profit relative to its equity base. It provides insight into the company's ability to generate profit for its shareholders and is often used by investors to gauge financial health and performance. Higher EPS values typically suggest stronger financial performance and profitability, which can positively impact the Market Price per Share (MPS) by signaling robust earnings potential and operational efficiency. Thus, a higher EPS often correlates with a higher MPS, as investors tend to value shares more highly when a company demonstrates strong earnings performance (Dee & Yamaguchi, 2020).

Dividend Per Share (DPS)

Dividend per share is a financial metric that represents the portion of a company's earnings distributed to its shareholders on a per-share basis. It is calculated by dividing the total dividends paid by the number of outstanding shares. DPS serves as an indicator of a company's profitability and its approach to returning profits to shareholders. A higher DPS often signals strong financial health and a commitment to providing returns to investors, which can make the company's shares more attractive to income-seeking investors, thereby potentially increasing the Market Price per Share (MPS). Conversely, a lower DPS might indicate that the company is either facing financial difficulties or is choosing to reinvest profits into growth opportunities rather than distributing them as dividends. Thus, DPS not only reflects the company's current financial stability but also influences investor perceptions and the stock's market valuation (Smith & Taffler, 2019).

Price-Earnings (P/E) Ratio

Price earnings ratio is a financial metric used to evaluate a company's valuation by comparing its current share price to its earnings per share (EPS). This ratio is calculated by dividing the market price per share by the EPS. The P/E ratio provides insight into how much investors are willing to pay for a dollar of the company's earnings, thus reflecting market expectations about the company's future performance. A high P/E ratio often indicates that investors are optimistic about the company's future growth prospects and are willing to pay a premium for its shares, which can drive up the Market Price per Share (MPS). Conversely, a low P/E ratio might suggest that the stock is undervalued or that the company is expected to experience slower growth. By analyzing the P/E ratio, investors can assess whether a stock is overvalued or undervalued relative to its earnings, influencing their investment decisions and affecting the MPS (Johnson & Lee, 2021).

Book Value Per Share (BVPS)

Book value per share represents the value of a company's equity allocated to each share of common stock. It is calculated by dividing the total book value of the company's equity defined as total assets minus total liabilities by the number of outstanding shares. BVPS provides an accounting-based measure of a company's value, reflecting its net worth per share. This metric serves as a benchmark for

assessing whether a stock is fairly valued in the market. If the BVPS is significantly higher than the Market Price per Share (MPS), it may indicate that the stock is undervalued relative to its book value, suggesting potential investment opportunities. Conversely, a lower BVPS compared to MPS might imply that the stock is overvalued or that investors expect substantial future growth. Thus, BVPS helps investors gauge the intrinsic value of shares and make informed decisions about stock valuation (Gordon, 2018).

Return on Assets (ROA)

Return on Assets (ROA) measures a company's profitability in relation to its total assets, calculated by dividing net income by total assets. This metric indicates how effectively a company utilizes its assets to generate profit, providing insight into operational efficiency. A higher ROA suggests that the company is more effective in converting its investments into net income, which can positively influence the Market Price per Share (MPS). Investors view a strong ROA as a positive indicator of financial health, as it reflects the company's ability to achieve high returns without significant asset investments. Conversely, a low ROA may signal inefficiencies in asset management, affecting investor perceptions and the overall stock valuation (Smith & Davis, 2020).

CHAPTER – IV
RESULT AND DISCUSSION

The present study has analyzed the stock price movement of selected microfinance institutions. To achieve the study's objectives, relevant and systematic data have been collected and analyzed. This chapter has been divided into two sections: Results and Discussion.

4.1 Results

This section has analyzed the stock price movement of selected microfinance institutions by examining the influence of independent variables such as EPS, DPS, P/E Ratio, BVPS and ROA on the dependent variable Market Price per Share (MPS). Descriptive statistics, including minimum (min), maximum (max), mean and standard deviation (SD) have summarized the key characteristics of these variables over the past ten years. The minimum and maximum values define the range, while the mean provides the average and the SD indicates the variability around the mean. Correlation analysis has assessed the strength and direction of relationships between the independent variables and MPS revealing how closely these metrics move together. Regression analysis has quantified the impact of EPS, DPS, P/E Ratio, BVPS and ROA on MPS offering insights into how changes in these financial indicators affect the stock price movement.

Descriptive analysis

Descriptive analysis has been extensively utilized in research to elucidate patterns and key characteristics of data through the identification of trends and comparisons. For this study, the descriptive analysis encompasses the independent variables such as Earnings Per Share (EPS), Dividend Per Share (DPS), Price-Earnings (P/E) Ratio, Book Value Per Share (BVPS) and Return on Assets (ROA) along with the dependent variable, Market Price per Share (MPS). This analysis covers data from the past ten years, spanning from 2013/14 to 2022/23. The aim is to understand how variations in EPS, DPS, P/E Ratio, and BVPS relate to fluctuations in MPS for Microfinance Institutions (MFIs). The detailed findings of this descriptive analysis are presented in Table 2 below, illustrating trends and comparisons across these key financial metrics.

Table 2

Descriptive Analysis for Earnings Per Share (EPS)

Variables	N	Min	Max	Mean	S.D.
SKBBL	5	40.69	62.47	50.4780	8.47332
DDBL	5	23.98	51.22	35.0360	11.64006
CBBL	5	37.45	71.80	51.5960	15.08259
MLBSL	5	6.59	101.00	54.9300	34.68394
NMFBS	5	23.97	99.23	59.5040	27.49864

(Source: SPSS Version 29)

Table 2 presents the descriptive analysis of Earnings Per Share (EPS) for five companies over a five-year period. The analysis shows that MLBSL has the highest mean EPS (54.93) and the greatest variability, with a standard deviation of 34.68, indicating significant fluctuations in its earnings. NMFBS follows closely with a mean EPS of 59.50 and a standard deviation of 27.50, reflecting moderate variability. CBBL reports a mean EPS of 51.60 and a standard deviation of 15.08, showing relatively stable earnings. SKBBL has a mean EPS of 50.48 with lower variability (SD = 8.47), indicating consistent performance. DDBL, with the lowest mean EPS (35.04) and a standard deviation of 11.64, demonstrates moderate stability. These results suggest variability in EPS performance across the companies, with MLBSL and NMFBS showing the highest fluctuations in earnings.

Table 3

Descriptive Analysis for Dividend Per Share (DPS)

Variables	N	Min	Max	Mean	S.D.
SKBBL	5	0.75	1.43	1.2368	0.27643
DDBL	5	3.00	17.21	8.0940	5.85763
CBBL	5	0.53	15.00	4.5264	6.12481
MLBSL	5	1.50	3.00	2.3000	0.57009
NMFBS	5	2.00	6.00	4.4000	1.51658

(Source: SPSS Version 29)

Table 3 provides a descriptive analysis of Dividend Per Share (DPS) for five companies over a five-year period. Among the companies, DDBL reports the highest mean DPS (8.09) but with substantial variability, as indicated by a standard deviation

of 5.86, suggesting inconsistent dividend distribution. CBBL has a mean DPS of 4.53 and a higher standard deviation of 6.12, reflecting similar fluctuations. NMFBS shows moderate performance with a mean DPS of 4.40 and relatively lower variability (SD = 1.52), indicating a balanced dividend strategy. SKBBL has a lower mean DPS of 1.24 but demonstrates stability with the smallest standard deviation (0.28), highlighting consistent payouts. MLBSL has the lowest variability in DPS (SD = 0.57) and a modest mean of 2.30, reflecting reliability in its dividend approach. Overall, the analysis indicates notable differences in dividend performance and consistency across the companies, with DDBL showing the highest payouts but the least stability, while SKBBL and MLBSL exhibit more consistent and predictable distributions.

Table 4

Descriptive Analysis for Price-Earnings (P/E) Ratio

Variables	N	Min	Max	Mean	S.D.
SKBBL	5	15.18	33.04	23.5134	6.36832
DDBL	5	15.01	26.99	22.5200	4.55534
CBBL	5	16.91	34.77	26.3640	8.88132
MLBSL	5	31.60	76.90	50.1360	18.72605
NMFBS	5	30.08	68.83	40.9040	15.88598

(Source: SPSS Version 29)

Table 4 summarizes the descriptive analysis of the Price-Earnings (P/E) Ratio for five companies over a five-year period. MLBSL has the highest mean P/E ratio (50.14) with the greatest variability, as reflected by a standard deviation of 18.73, indicating substantial fluctuations in its valuation. NMFBS follows with a mean P/E ratio of 40.90 and a standard deviation of 15.89, also reflecting significant variability. CBBL exhibits a moderate mean P/E ratio of 26.36 but shows considerable fluctuations (SD = 8.88). SKBBL and DDBL have relatively lower mean P/E ratios, at 23.51 and 22.52 respectively, with lower variability (SD = 6.37 for SKBBL and 4.56 for DDBL), suggesting more stable valuations. The results indicate significant differences in the P/E ratios across the companies, with MLBSL and NMFBS demonstrating higher ratios and greater variability compared to the others.

Table 5

Descriptive Analysis for Book Value Per Share (BVPS)

Variables	N	Min	Max	Mean	S.D.
SKBBL	5	268.52	600.95	343.2292	144.87874
DDBL	5	201.47	231.79	220.6253	12.55007
CBBL	5	237.95	715.81	351.1731	204.51107
MLBSL	5	297.15	794.39	478.5756	203.52404
NMFBS	5	184.06	313.16	262.5068	49.89769

(Source: SPSS Version 29)

Table 5 presents the descriptive analysis of Book Value Per Share (BVPS) for five companies over a five-year period. MLBSL reports the highest mean BVPS (478.58) with substantial variability, as shown by a standard deviation of 203.52, indicating significant fluctuations in its book value. CBBL follows with a mean BVPS of 351.17 and a similar level of variability (SD = 204.51), reflecting unstable performance. SKBBL has a mean BVPS of 343.23 and a standard deviation of 144.88, suggesting relatively moderate consistency. DDBL exhibits the lowest variability (SD = 12.55) and a mean BVPS of 220.63, indicating stable and predictable book values. NMFBS, with the lowest mean BVPS (262.51) and a standard deviation of 49.90, reflects moderate stability in its performance. Overall, the analysis highlights distinct differences in book value trends, with MLBSL and CBBL showing higher but more volatile book values, while DDBL demonstrates the most consistent performance.

Table 6

Descriptive Analysis for Return on Assets (ROA)

Variables	N	Min	Max	Mean	S.D.
SKBBL	5	27.82	62.85	39.6980	14.07380
DDBL	5	26.09	40.66	33.7340	6.56401
CBBL	5	24.45	47.10	35.4380	8.75609
MLBSL	5	48.91	58.88	53.9800	4.12494
NMFBS	5	30.42	70.86	40.0100	17.28406

(Source: SPSS Version 29)

Table 6 provides the descriptive analysis of Return on Assets (ROA) for five companies over a five-year period. MLBSL reports the highest mean ROA (53.98) with the lowest variability (SD = 4.12), indicating strong and consistent asset returns.

NMFBS follows with a mean ROA of 40.01 but shows substantial variability (SD = 17.28), reflecting fluctuating performance. SKBBL has a mean ROA of 39.70 with moderate variability (SD = 14.07), indicating relatively stable returns. CBBL exhibits a mean ROA of 35.44 and a standard deviation of 8.76, suggesting moderate consistency. DDBL records the lowest mean ROA (33.73) and variability (SD = 6.56), showing stable but comparatively lower asset returns. Overall, MLBSL stands out for its consistently high performance, while NMFBS shows the greatest fluctuations, highlighting variations in asset efficiency across the companies.

Table 7

Descriptive Analysis for Market Price per Share (MPS)

Variables	N	Min	Max	Mean	S.D.
SKBBL	5	899.00	1640.00	1170.6000	304.88080
DDBL	5	722.00	940.00	844.0000	79.67434
CBBL	5	824.00	1738.00	1140.4000	352.72482
MLBSL	5	2100.00	4870.00	3411.8000	986.02317
NMFBS	5	1480.00	3603.00	2171.6000	841.26411

(Source: SPSS Version 29)

Table 7 presents the descriptive analysis of Market Price per Share (MPS) for five companies over a five-year period. MLBSL records the highest mean MPS (3411.80) with the greatest variability (SD = 986.02), indicating significant fluctuations in its market valuation. NMFBS follows with a mean MPS of 2171.60 and substantial variability (SD = 841.26), suggesting moderate volatility. CBBL shows a mean MPS of 1140.40 and a standard deviation of 352.72, reflecting moderate stability in market price trends. SKBBL has a comparable mean MPS (1170.60) but lower variability (SD = 304.88), indicating steadier performance. DDBL reports the lowest mean MPS (844.00) with the smallest standard deviation (SD = 79.67), highlighting consistent and stable market prices. Overall, MLBSL and NMFBS exhibit higher market valuations but with considerable price fluctuations, while DDBL demonstrates the most consistent performance in market pricing.

Table 8

Descriptive Analysis for All Variables

Variables	N	Min	Max	Mean	S.D.
EPS	25	6.59	101.00	50.3088	21.67943
DPS	25	0.53	17.21	4.1114	4.26425
P/E Ratio	25	15.01	76.90	32.6875	15.77221
LnBVPS	25	5.22	6.68	5.7200	0.38618
ROA	25	24.45	70.86	40.5720	12.58997
LnMPS	25	6.58	8.49	7.3012	0.56083
Valid N (listwise)	25				

(Source: SPSS Version 29)

Table 8 presents descriptive statistics for various financial variables based on 25 observations. Earnings Per Share (EPS) ranges from 6.59 to 101.00, with a mean of 50.31 and a standard deviation of 21.68, indicating substantial variability. Dividends Per Share (DPS) varies from 0.53 to 17.21 averaging 4.11 with a standard deviation of 4.26, reflecting moderate dispersion. The Price-Earnings (P/E) Ratio spans from 15.01 to 76.90 averaging 32.69 with a standard deviation of 15.77, demonstrating considerable variability. LnBVPS ranges from 5.22 to 6.68 with a mean of 5.72 and a low standard deviation of 0.39 indicating relatively low variability. Return on Assets (ROA) ranges from 24.45 to 70.86, averaging 40.57 with a standard deviation of 12.59 suggesting varied efficiencies in profit generation. Finally, the Natural Logarithm of Market Price Per Share (LnMPS) ranges from 6.58 to 8.49 with a mean of 7.30 and a standard deviation of 0.56, reflecting moderate variability in market prices. Overall, these statistics illustrate varying degrees of dispersion and central tendencies across the financial metrics.

Correlation analysis

The correlation matrix analyzes the relationships between key independent variables EPS, DPS, P/E Ratio, LnBVPS and ROA while the dependent variable, LnMPS. It reveals the strength and direction of these relationships, showing how each metric affects stock price movements of microfinance institutions in Nepal, while the significance levels highlight the most impactful financial metrics on market prices.

The detailed results are provided below.

Table 9

Karl Pearson's Correlation Analysis of Study Variables

Variables	EPS	DPS	P/E Ratio	LnBVPS	ROA	LnMPS
EPS	1					
DPS	0.034	1				
P/E Ratio	-0.031	-0.234	1			
LnBVPS	0.305	0.203	0.008	1		
ROA	0.335	-0.202	0.341	-0.191	1	
LnMPS	0.503*	-0.279	0.708**	0.198	0.569**	1

(Source: SPSS Version 29)

Table 9 shows the results of Karl Pearson's correlation analysis for the study variables. Earnings Per Share (EPS) has a significant positive correlation with the Natural Logarithm of Market Price Per Share (LnMPS) at 0.503, indicating that higher earnings are associated with higher market prices. The Dividends Per Share (DPS) displays a weak negative correlation with LnMPS at -0.279, suggesting a less significant relationship between dividends and market price. The Price-to-Earnings Ratio (P/E Ratio) exhibits a strong positive correlation with LnMPS at 0.708, highlighting a significant association between higher price-to-earnings ratios and market prices. The Natural Logarithm of Book Value Per Share (LnBVPS) shows a weak positive correlation with LnMPS at 0.198, indicating a minor relationship between book value and market price. Furthermore, Return on Assets (ROA) demonstrates a moderate positive correlation with LnMPS at 0.569, suggesting that increased efficiency in generating profits relative to assets is associated with higher market prices. Overall, these correlations reflect the interrelationships among the financial metrics, with ROA contributing positively to market price dynamics.

Regression analysis

This study has analyzed the "Stock Price Movement of Microfinance Institutions in Nepal" through multiple regression analysis, assessing the combined impact of EPS, DPS, P/E Ratio, LnBVPS, and ROA on the Natural Logarithm of Market Price Per Share (LnMPS). This approach provides insights into how these variables collectively influence stock prices and the financial performance of microfinance institutions. The summary of the regression analysis is presented as follows:

Table 10

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.911[a]	0.830	0.786	0.25953

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

b. Dependent variable: LnMPS

(Source: SPSS Version 29)

Table 10 presents the model summary for the regression analysis, showing an R^2 value of 0.830, indicating that about 83.0% of the variability in the Natural Logarithm of Market Price Per Share (LnMPS) is explained by the independent variables: Earnings Per Share (EPS), Dividends Per Share (DPS), Price-to-Earnings (P/E) Ratio, Natural Logarithm of Book Value Per Share (LnBVPS), and Return on Assets (ROA). The adjusted R^2 value of 0.786 suggests a strong model fit, while the standard error of 0.25953 reflects the average distance between observed and predicted values of LnMPS.

Table 11

Analysis of Variance (ANOVA)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.269	5	1.254	18.614	<0.001[b]
	Residual	1.280	19	0.067		
	Total	7.549	24			

a. Dependent variable: LnMPS

b. Predictors: (Constant), EPS, DPS, P/E Ratio, LnBVPS, ROA

(Source: SPSS Version 29)

Table 11 displays the results of the Analysis of Variance (ANOVA) for the regression model. The regression model accounts for a sum of squares of 6.269, with a mean square of 1.254 and an F-value of 18.614. The significance level is less than 0.001, indicating that the model is statistically significant. This suggests that the independent variables, including EPS, DPS, P/E Ratio, LnBVPS, and ROA collectively provide a meaningful explanation for the variability in the dependent variable the LnMPS. The

residual sum of squares is 1.280 with a mean square of 0.067 demonstrating that the model has a good fit and that the predictors are significantly related to the outcome.

Table 12

Regression Analysis for Dependent Variable LnMPS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	4.596	.903		5.088	<0.001
EPS	0.011	.003	0.411	3.676	0.002
DPS	-0.017	.013	-0.132	-1.325	0.201
P/E Ratio	0.022	.004	0.613	5.829	<.001
LnBVPS	0.197	.157	0.136	1.260	0.223
ROA	0.010	.005	0.221	1.904	0.072

a. Dependent variable: LnMPS

(Source: SPSS Version 29)

$$\text{LnMPS} = 4.596 + 0.011\text{EPS} - 0.017\text{DPS} + 0.022\text{P/E Ratio} + 0.197\text{LnBVPS} + 0.010\text{ROA} + \varepsilon it$$

Table 12 reveals regression analysis for Logarithm of Market Price Per Share (LnMPS). Earnings Per Share (EPS) significantly influences LnMPS with a coefficient of 0.011 and a p-value less than 0.001, indicating that higher EPS correlates with an increase in market price per share. The Price-to-Earnings (P/E) Ratio also significantly affects LnMPS positively, with a coefficient of 0.022 and a p-value below 0.001, suggesting that a higher P/E Ratio is linked to a higher market price. In contrast, Dividends Per Share (DPS) and the Natural Logarithm of Book Value Per Share (LnBVPS) do not significantly impact LnMPS, as their p-values are 0.201 and 0.223, respectively, both exceeding the 5% significance level, which indicates that any observed effects are likely due to chance rather than a true relationship. Return on Assets (ROA) has a positive coefficient of 0.010 and a p-value of 0.072, showing a marginally significant effect, suggesting that improvements in asset efficiency may positively influence market prices, although this does not reach conventional significance at the 5% level.

4.2 Discussion

The study has examined the stock price movement of microfinance institutions in Nepal focusing on independent variables such as Earnings Per Share (EPS), Dividends Per Share (DPS), Price-to-Earnings Ratio (P/E Ratio), Natural Logarithm of Book Value Per Share (LnBVPS) and Return on Assets (ROA) with the Natural Logarithm of Market Price Per Share (LnMPS) as the dependent variable. Data covering these variables has been analyzed using descriptive statistics (mean, standard deviation) and inferential statistics (correlation and regression) to assess their impacts. The analysis utilized data from various financial reports and databases with additional insights drawn from industry reports to enhance the understanding of factors driving stock price movements in Nepal's microfinance sector.

The descriptive statistics of various financial variables based on 25 observations highlight significant variability and central tendencies among the metrics. Earnings Per Share (EPS) exhibits substantial variability, ranging from 6.59 to 101.00 with a mean of 50.31 and a standard deviation of 21.68 indicating differing profitability levels across institutions. Dividends Per Share (DPS) shows moderate dispersion, with values between 0.53 and 17.21, averaging 4.11 and reflecting diverse dividend policies. The Price-Earnings (P/E) Ratio spans a wide range from 15.01 to 76.90 averaging 32.69, which signifies varying market expectations about future earnings. In contrast, the Natural Logarithm of Book Value Per Share (LnBVPS) shows relatively low variability, with values from 5.22 to 6.68 indicating more consistent book valuations. Return on Assets (ROA) suggests varied efficiencies in profit generation, ranging from 24.45 to 70.86 while the Natural Logarithm of Market Price Per Share (LnMPS) reflects moderate variability in market prices, with a range from 6.58 to 8.49. Overall, these statistics illustrate the diverse financial health and performance of microfinance institutions, highlighting the importance of these metrics in assessing their market positions.

The correlation analysis of the study variables reveals distinct relationships among the financial metrics. Earnings Per Share (EPS) shows a significant positive correlation with the Natural Logarithm of Market Price Per Share (LnMPS) at 0.503, indicating that higher earnings tend to lead to higher market prices. Conversely, Dividends Per Share (DPS) displays a weak negative correlation with LnMPS at -0.279, suggesting a

limited relationship between dividends and market prices. The Price-to-Earnings Ratio (P/E Ratio) exhibits a strong positive correlation with LnMPS at 0.708, emphasizing a significant link between higher price-to-earnings ratios and increased market prices. The Natural Logarithm of Book Value Per Share (LnBVPS) reveals a weak positive correlation with LnMPS at 0.198, indicating a minor relationship between book value and market price. Additionally, Return on Assets (ROA) demonstrates a moderate positive correlation with LnMPS at 0.569, suggesting that improved efficiency in profit generation relative to assets correlates with higher market prices. Overall, these correlations highlight the interrelationships among financial metrics, with ROA notably contributing to market price dynamics.

The regression analysis for the Natural Logarithm of Market Price Per Share (LnMPS) reveals that Earnings Per Share (EPS) significantly influences LnMPS, with a coefficient of 0.011 and a p-value of less than 0.001. This indicates a strong positive correlation, where higher EPS is associated with an increase in market price per share. Similarly, the Price-to-Earnings (P/E) Ratio positively impacts LnMPS, with a coefficient of 0.022 and a p-value below 0.001, suggesting that a higher P/E Ratio correlates with elevated market prices. In contrast, Dividends Per Share (DPS) and the Natural Logarithm of Book Value Per Share (LnBVPS) show no significant impact on LnMPS, as their p-values (0.201 and 0.223 respectively) exceed the 5% significance level, indicating that observed effects are likely attributable to chance. Although Return on Assets (ROA) has a positive coefficient of 0.010 and a p-value of 0.072, suggesting a marginally significant effect, it does not meet the conventional threshold for significance at the 5% level, indicating that while improvements in asset efficiency may influence market prices, the evidence is not sufficiently strong.

The correlation analysis shows that EPS has a moderate positive relationship with LnMPS aligning with Thapa and Paudel (2024); Ariana et al. (2023) but differing from Maskey (2022). The P/E Ratio exhibits a stronger positive correlation with LnMPS, consistent with Thapa and Paudel (2024); Gyawali (2022) yet contrasting with Ali et al. (2022). Conversely, DPS has a weaker negative correlation with LnMPS which aligns with Gyawali (2022) but differs from Thapa and Paudel (2024). Additionally, LnBVPS shows a positive relationship with LnMPS consistent with Thapa and Paudel (2024) though it contrasts with Niroula (2021). Moreover ROA has

positive correlation with LnMPS which consistent with Sukesti et al. (2021) but contrast with gyawali (2022); Niroula (2021). All correlations are significant at the 0.05 level.

The regression results indicate that EPS significantly positively impacts LnMPS, consistent with Choiriyah et al. (2020); Thapa and Paudel (2024); Safitri et al. (2020) with no contrasting findings. The P/E Ratio also shows a significant positive effect on LnMPS aligning with Thapa and Paudel (2024) but differing from Safitri et al. (2020), who found a weaker relationship. DPS negatively impacts LnMPS consistent with Thapa and Paudel (2024) and contrary to Gyawali (2022). Additionally, LnBVPS has a statistically significant effect on LnMPS, in line with Thapa and Paudel (2024) but contrasting with Niroula (2021). Despite positive coefficients, the insignificant effects of DPS and LnBVPS suggest they have a lesser impact on stock prices compared to EPS and the P/E Ratio. Finally, Impact of ROA on LnMPS weak positively which is consistent with Sukesti et al. (2021) but contrast with gyawali (2022); Niroula (2021); Chonriyah (2020).

CHAPTER – V
SUMMARY AND CONCLUSION

This chapter has included three sections. The first section has summarized the study. The second section has provided the conclusion of the study. The third section has presented implications based on the summary and conclusion.

5.1 Summary

The main objective of this study is to investigate the stock price movement of microfinance institutions (MFIs) in Nepal, focusing on key financial variables. The independent variables have included Earnings Per Share (EPS), Dividends Per Share (DPS), Price-to-Earnings Ratio (P/E Ratio), and Book Value Per Share (BVPS), with the Market Price Per Share (MPS) as the dependent variable. The study has adopted a descriptive and causal-comparative research design, analyzing data from 2018/19 to 2022/23. The sample has comprised five MFIs: Sana Kishan Bikas Laghubitta Bittiya Sanstha (SKBBL), Chhimek Laghubitta Bittiya Sanstha Limited (CBBL), Deprosc Laghubitta Bittiya Sanstha Limited (DDBL), National Laghubitta Bittiya Sanstha Limited (NMFBS), and Mahila Laghubitta Bittiya Sanstha Limited (MLBBL). Data sources have encompassed annual reports, financial statements, and strategic documents from these MFIs, supplemented by information from newspapers, magazines, economic journals, and reports from financial authorities like the Nepal Rastra Bank (NRB). Descriptive statistics (mean, standard deviation) and inferential statistics (correlation, regression) have been employed to assess the relationships between the financial variables and MPS. Institutions like the World Bank and IMF support the analysis of stock price movements in Nepal's microfinance sector.

The descriptive statistics of various financial variables based on 25 observations highlight significant variability and central tendencies among the metrics. Earnings Per Share (EPS) exhibits substantial variability, indicating differing profitability levels across institutions. Dividends Per Share (DPS) shows moderate dispersion, reflecting diverse dividend policies. The Price-Earnings (P/E) Ratio spans a wide range, signifying varying market expectations about future earnings. In contrast, the Natural Logarithm of Book Value Per Share (LnBVPS) shows relatively low

variability, indicating more consistent book valuations. Return on Assets (ROA) suggests varied efficiencies in profit generation, while the Natural Logarithm of Market Price Per Share (LnMPS) reflects moderate variability in market prices. Overall, these statistics illustrate the diverse financial health and performance of microfinance institutions, highlighting the importance of these metrics in assessing their market positions.

The correlation analysis of the study variables has revealed distinct relationships among the financial metrics. Earnings Per Share (EPS) has shown a significant positive correlation with the Natural Logarithm of Market Price Per Share (LnMPS), indicating that higher earnings generally lead to higher market prices. Conversely, Dividends Per Share (DPS) has displayed a weak negative correlation with LnMPS, suggesting a limited relationship between dividends and market prices. The Price-to-Earnings Ratio (P/E Ratio) has exhibited a strong positive correlation with LnMPS, emphasizing a significant link between higher price-to-earnings ratios and increased market prices. The Natural Logarithm of Book Value Per Share (LnBVPS) has revealed a weak positive correlation with LnMPS, indicating a minor relationship between book value and market price. Additionally, Return on Assets (ROA) has demonstrated a moderate positive correlation with LnMPS, suggesting that improved efficiency in profit generation relative to assets correlates with higher market prices. Overall, these correlations have highlighted the interrelationships among financial metrics, with ROA notably contributing to market price dynamics.

The regression analysis for the Natural Logarithm of Market Price Per Share (LnMPS) has revealed that Earnings Per Share (EPS) has significantly influenced LnMPS, indicating a strong positive correlation where higher EPS has been associated with an increase in market price per share. Similarly, the Price-to-Earnings (P/E) Ratio has positively impacted LnMPS, suggesting that a higher P/E Ratio has correlated with elevated market prices. In contrast, Dividends Per Share (DPS) and the Natural Logarithm of Book Value Per Share (LnBVPS) have shown no significant impact on LnMPS, as their p-values have exceeded the 5% significance level, indicating that observed effects are likely attributable to chance. Although ROA shows a positive coefficient, it lacks sufficient significance at the 5% level, indicating a marginal effect on market prices.

5.2 Conclusion

The first objective of this study is to assess the current trend and position of stock price movement of the selected microfinance institutions. The study has successfully evaluated the stock price behavior, identifying patterns and positions that reflect the financial health and market perception of these institutions. It has provided insights into how stock prices fluctuate over time, influenced by various financial indicators, and how these movements indicate the stability and growth prospects of the microfinance sector. The findings underscore the importance of monitoring stock price trends as a key indicator of market confidence and institutional performance.

The second objective of this study is to examine the relationship between Earnings Per Share (EPS), Dividends Per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value Per Share (BVPS) and Return on Assets (ROA) with the Market Price Per Share (MPS). The analysis has demonstrated that EPS, the P/E Ratio and ROA have a significant positive correlation with MPS, indicating that higher earnings, elevated P/E ratios and improved asset efficiency are strongly linked to higher stock prices. Conversely, DPS and BVPS have shown weaker correlations with MPS suggesting they have a less substantial impact on stock valuation. These findings highlight the predominant influence of EPS, P/E Ratio and ROA on market prices, offering valuable insights into the financial dynamics affecting microfinance institutions.

The third objective of this study is to analyze the impact of independent variables such as Earnings Per Share (EPS), Dividends Per Share (DPS), Price-to-Earnings (P/E) Ratio, Book Value Per Share (BVPS) and Return on Assets (ROA) on the dependent variable Market Price Per Share (MPS). The study has effectively evaluated how each of these financial metrics affects MPS. The results have shown that EPS, the P/E Ratio, and ROA have a significant positive impact on MPS, indicating their substantial role in influencing stock prices. In contrast, DPS and BVPS have demonstrated minimal impact on MPS. This analysis provides a clear understanding of the financial factors that drive market price movements in microfinance institutions emphasizing the importance of EPS, P/E Ratio and ROA in stock valuation.

5.3 Implications

Based on the findings of this study, several key implications for microfinance institutions and investors can be drawn:

i. **Strategic Focus on EPS and P/E Ratio:** The significant impact of Earnings Per Share (EPS) and the Price-to-Earnings (P/E) Ratio on Market Price Per Share (MPS) underscores the importance for microfinance institutions to prioritize strategies that enhance these metrics. Improving EPS through effective financial management and optimizing the P/E Ratio by demonstrating growth potential can attract investors and boost stock prices.

ii. **Re-evaluating the Role of DPS and BVPS:** Given the lesser impact of Dividends Per Share (DPS) and Book Value Per Share (BVPS) on MPS, microfinance institutions might consider placing less emphasis on these metrics when formulating investor relations strategies. While still important, these factors should not overshadow efforts to improve EPS and P/E Ratio.

iii. **Investor Decision-Making:** Investors should focus on EPS and P/E Ratio as key indicators when evaluating stock investment opportunities in microfinance institutions. Understanding that these metrics have a more significant influence on stock prices can aid in making informed investment decisions and developing more accurate valuation models.

iv. **Policy and Regulatory Considerations:** Policymakers and regulators should recognize the critical role of EPS and P/E Ratio in shaping market valuations. Supporting financial transparency and enhancing disclosure practices related to these metrics can contribute to more stable and efficient market dynamics in the microfinance sector.

v. **Future Research Directions:** Future studies could further explore the dynamics between these financial variables and stock price movements across different sectors or geographical regions. Additional research might investigate how external economic factors or sector-specific conditions influence the relationship between these metrics and stock prices.

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APPENDIX – I

Data of Sample Microfinance

MFs	Year	EPS	DPS	P/E Ratio	BVPS	ROA	MPS
SKBBL	2018	62.47	1.434	15.18	269.0437	30.96	948
	2019	54.81	1.3157	23.74	600.9541	27.82	1301
	2020	49.14	1.3158	33.037	305.097	34.21	1640
	2021	45.28	1.3684	23.52	268.5177	42.65	1065
	2022	40.69	0.75	22.09	272.5333	62.85	899
CBBL	2018	63.28	17.21	15.01	715.8128	29.32	950
	2019	44.69	7	24.39	274.8473	32.22	1090
	2020	71.8	3	24.21	277.1099	40.66	1738
	2021	40.76	3.26	26.99	250.1445	26.09	1100
	2022	37.45	10	22	237.951	40.38	824
DDBL	2018	42.16	15	17.13	225.2013	37.83	722
	2019	24.91	5	34.77	214.8523	29.46	866
	2020	51.22	1.053	16.91	229.8097	47.1	866
	2021	32.91	1.0526	28.56	231.789	24.45	940
	2022	23.98	0.5263	34.45	201.4741	38.35	826
MLBSL	2018	40.39	1.5	55.09	258.8198	56.8	3211
	2019	63.37	2.5	76.9	313.1577	58.88	4870
	2020	63.3	2.5	54.3	297.3573	54.51	3439
	2021	6.59	2	31.600	259.1406	48.91	2100
	2022	101	3	32.79	184.0586	50.8	3439
NMFBS	2018	49.21	5	30.08	297.149	33.26	1480
	2019	23.97	6	68.83	329.0974	32.29	1650
	2020	99.23	5	36.31	413.397	70.86	3603
	2021	57.11	4	37.21	558.8471	33.22	2125
	2022	68	2	32.09	794.3873	30.42	2000

(Source: Annual and financial Report of Sample Microfinance from 2018 to 2022)

APPENDIX – II

Data of Sample Microfinance with LnBVPS and LnMPS

MFs	Year	EPS	DPS	P/E Ratio	LnBVPS	ROA	LnMPS
SKBBL	2018	62.47	1.434	15.18	5.59	30.96	6.85
	2019	54.81	1.3157	23.74	6.40	27.82	7.17
	2020	49.14	1.3158	33.037	5.72	34.21	7.40
	2021	45.28	1.3684	23.52	5.59	42.65	6.97
	2022	40.69	0.75	22.09	5.61	62.85	6.80
CBBL	2018	63.28	17.21	15.01	6.57	29.32	6.86
	2019	44.69	7	24.39	5.62	32.22	6.99
	2020	71.8	3	24.21	5.62	40.66	7.46
	2021	40.76	3.26	26.99	5.52	26.09	7.00
	2022	37.45	10	22	5.47	40.38	6.71
DDBL	2018	42.16	15	17.13	5.42	37.83	6.58
	2019	24.91	5	34.77	5.37	29.46	6.76
	2020	51.22	1.053	16.91	5.44	47.1	6.76
	2021	32.91	1.0526	28.56	5.45	24.45	6.85
	2022	23.98	0.5263	34.45	5.31	38.35	6.72
MLBSL	2018	40.39	1.5	55.09	5.56	56.8	8.07
	2019	63.37	2.5	76.9	5.75	58.88	8.49
	2020	63.3	2.5	54.3	5.69	54.51	8.14
	2021	6.59	2	31.600	5.56	48.91	7.65
	2022	101	3	32.79	5.22	50.8	8.14
NMFBS	2018	49.21	5	30.08	5.69	33.26	7.30
	2019	23.97	6	68.83	5.80	32.29	7.41
	2020	99.23	5	36.31	6.02	70.86	8.19
	2021	57.11	4	37.21	6.33	33.22	7.66
	2022	68	2	32.09	6.68	30.42	7.60

(Source: Natural Logarithm of BVPS and MPS Calculated By MS Office Excel -2007)

STOCK PRICE MOVEMENT OF MICROFINANCE IN NEPAL

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ABSTRACT This study explores the stock price movement of microfinance institutions (MFIs) in Nepal by examining the impact of Earnings Per Share (EPS), Dividends

Per Share (DPS), **Price** -to- **Earnings Ratio (P/E Ratio), Book Value Per Share (BVPS) and Return on Assets (ROA) on Market Price Per Share** 3

(MPS). Using data from 2018/19 to 2022/23, the research applies a descriptive and causal-comparative design, focusing on five MFIs: Sana Kishan Bikas Laghubitta Bittiya Sanstha (SKBBL), Chhimek Laghubitta Bittiya Sanstha Limited (CBBL), Deprosc Laghubitta Bittiya Sanstha Limited (DDBL), National Laghubitta Bittiya Sanstha Limited (NMFBS) and Mahila Laghubitta Bittiya Sanstha Limited (MLBBL). The study employs descriptive and inferential statistics, including correlation and regression analysis, to assess how these financial variables relate to and impact MPS. The findings reveal significant positive correlations between EPS the P/E Ratio and ROA with MPS, while DPS shows negative correlation with MPS and BVPS shows weak positive correlation with MPS. Regression results confirm that EPS, the P/E Ratio, BVPS and ROA positively impact on whereas DPS negatively impact on MPS. Keywords: Market Price Per Share, Earnings Per Share, Dividends Per Share, Price-to-Earnings Ratio, Book Value Per Share, Return on Assets ii CHAPTER – I INTRODUCTION 1.1Background of the study

The stock market plays an important role in economic development by promoting capital formation and increasing 1 **economic growth. Trading of securities in** these markets **facilitates savers and users of capital by pooling** funds, **sharing** risk, **and transferring wealth. Economic activities can be** stimulated **by** the **flow of** resources **to the most productive** investments. **Investors** make **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** (Nasa and Nishant, **2011). Equity markets enhance corporate efficiency** , foster **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 investments constitute an important element of individuals' assets, particularly as governments shift their pension systems** towards **the private sector. It is clear that equities constitute an increasingly important capital market in the world economy** (Mosely & **Singer, 2008**

). According to ADB's Microfinance Development Strategy (ADB 2000), "microfinance" involves the provision of financial services to low-income and impoverished people and their microenterprises, including deposits, loans, payment services, money transfers, and insurance.