

# Factors affecting Stock Price Behaviour of Commercial Banks in Nepal Stock Exchange

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## ABSTRACT

This research investigates how factors such as Dividends Per Share (DPS), Earnings Per Share (EPS), Price-Earnings Ratio (PER), and Net Worth Per Share influence the Market Price Per Share of commercial banks in Nepal. The study analyzed the panel data from four commercial banks, consisting of 40 observations, to evaluate the correlation and influence of factors affecting stock price movements. In this study, secondary panel data covering ten years (2070/2071-2079/2080) has been used. Based on the results of this investigation, there is a significant positive correlation between the Market Price Per Share and the Dividends Per Share, Price-Earnings Ratio, and Net Worth Per Share but a negligible effect of Market Price Per Share and Earnings Per Share of commercial banks.

## KEYWORDS

Dividends Per Share, Earnings Per Share, Market Price Per Share, Net Worth Per Share, Price- Earnings Ratio,

## INTRODUCTION

The performance of stock prices among commercial banks in Nepal has attracted the attention of both researchers and investors. The banking sector plays a crucial role in the economic advancement of a country, and the performance of commercial banks is often used as an indicator of the overall health of the economy (Yadav & Sharma, 2018). The performance of stock prices in the banking industry can significantly influence the stability of the financial system and the prosperity of investors (Khadka & Pokharel, 2019). The objective of this research is to analyze the factors that impact the fluctuations in the stock prices of commercial banks in Nepal and to comprehend the consequences of this pattern on the banking sector and the overall economy.

The concept of stock price indicates the current market value of a single share of stock. When a company makes its shares available for public trading, they are given a specific price and valuation that should ideally mirror the company's true worth. Fluctuations in a stock's price are influenced by various factors like economic shifts, industry changes, political events, conflicts, and environmental alterations. The banking sector holds significant importance in the economic progress of a nation. Banks serve as

intermediaries that gather deposits from diverse sources and then invest the pooled funds in sectors like agriculture, trade, commerce, industry, and tourism, among others. Accordingly, banks are highly beneficial and essential for a modern society, especially playing a crucial role in the economic advancement of developing nations like Nepal. In recent years, scholars and professionals have shown keen interest in the movement of stock prices as it can serve as an indicator of risk in financial markets. There has been a growing focus on modeling the fluctuating volatility of stock returns over time (Shrestha & Subedi, 2014).

The capital market, comprising stock exchanges and bond markets that facilitate the trading of securities, plays a crucial role in contemporary financial systems. Securities are broadly categorized into equity securities (e.g., stock options) and debt securities (e.g., bonds, debentures). Through this market, individuals and businesses can allocate their savings to borrowers in need, while companies and governments can raise capital for long-term initiatives. Alongside the capital market, commercial banks also hold significance within the financial framework as they gather deposits and provide credit. Both the capital market and banks coexist harmoniously as the primary sources of external financing for individuals, businesses, and governments. Together, they not only enable the transfer and diversification of risks throughout the economy but also facilitate the aggregation and allocation of savings (Lyndon, 2016).

Financial markets function as systems or structures that enable the trading financial assets, such as stocks, and derivatives, between buyers and sellers. These markets are typically classified as primary or secondary markets, based on the nature of the financial assets being exchanged. Primary markets are involved in the creation and issuance of new securities, while secondary markets focus on the trading of already existing securities. They play a vital role in the economy by offering a platform for investors to purchase and sell financial assets, as well as aiding companies and governments in raising capital. Moreover, financial markets also operate as a means for determining the value of financial assets through price discovery (Eun & Resnick, 2014). The money market allows businesses to borrow funds on a short-term basis. Long-term finance is referred to as a capital market because suppliers and demanders create it with maturity of more than one year of long-term funds. Corporations have the opportunity to secure long-term funding through the capital market, which, in turn, plays a vital role in facilitating economic savings, investment, national and industrial growth, as well as the development of entrepreneurship (Fama, 2016).

Nepalese commercial banks have traditionally focused on accepting deposits and providing loans. However, in recent years, they have diversified their services to include insurance, foreign exchange, and investment banking. With a few large banks dominating the market, the Nepalese commercial banking sector is relatively concentrated (Yadav & Sharma, 2018). Nevertheless, there have been significant changes in the sector including the entrance of new competitors and the expansion of digital banking services. This has heightened competition and enhanced customers' access to financial services (Sharma & Rana, 2020).

The literature on the stock price variability of commercial banks in is relatively scarce despite the significant role of the banking sector in the country's economic development. Although some studies have investigated the factors influencing stock price variability in Nepalese commercial banks, there is a notable absence of research focusing on the implications of this variability for the banking sector and the overall economy (Khadka & Pokharel, 2019). The Nepalese banking sector requires more comprehensive research that considers its unique characteristics and the influence of external factors like global economic conditions and government policies on the stock price fluctuations of commercial banks in the country (Yadav & Sharma, 2018). Limited studies exist that investigate how the structure of the market and the competitive environment within the banking industry impact the fluctuations in stock prices. Additionally, there is a

lack of studies that compare the stock price behavior of commercial banks in Nepal with other countries. Moreover, further investigation is needed into the impact of ongoing digital transformation on the fluctuations in stock prices of commercial banks in Nepal.

## **Literature Review**

An academic paper known as a literature review places a topic in context and shows the reader's familiarity with the body of information surrounding it. It is classified as a literature review rather than a literature report due to its incorporation of a critical evaluation of the sources.

Niraula (2022) conducted a study on the stock price patterns of Nepalese commercial banks. The study focused on MPS as the variable of interest, with EPS, PE Ratio, DY Ratio, Size, MPS, BV per share, and ROA as the factors under investigation. Secondary data spanning five years, from 2015/16 to 2019/20, was collected from annual reports released by commercial banks. Data analysis was performed using SPSS version 23, employing a descriptive and analytical research approach. Through convenience sampling, eighteen commercial banks were selected as a sample from a total population of 27. The research utilized a multiple linear regression model to illustrate the impact of independent variables on MPS. The findings indicated that EPS, PE ratio, and bank size exhibit a positive and statistically significant influence on MPS.

Huy and Hang (2021) conducted a study on the risk management information system (RMIS), which has increasingly become a vital element of the banking sector's MIS system in Vietnam in recent years and outlook. In the case of Asia Commercial Bank, this research predominantly utilized various quantitative methods, including OLS regression (ACB). The results indicated that both ACB beta CAPM and stock price were significantly influenced by GDP growth (G), CPI, and the risk-free rate (Rf). Moreover, recommendations were provided to enhance management information systems (MIS) to strengthen the banking sector's contribution to Vietnam's economic development. Subsequently, suitable long-term management strategies can be recommended. Although this study is focused on the banking industry, there is potential for expansion to other sectors and markets.

Wagle (2021) explored the impact of equity share investment as a significant avenue offering substantial returns for investors. Nonetheless, the unpredictability in stock prices often results in confusion among investors, as well as challenges for policymakers and government bodies. The objective of this research was to recognize the empirical factors influencing stock market prices in commercial banks from 2015/16 to 2019/20 by analyzing a range of dependent and independent variables. This study drew from 130 data points across 26 out of 27 commercial banks in Nepal, utilizing secondary sources and annual reports. Employing a descriptive and causal-comparative research framework, the analysis included mean, standard deviation, correlation, and regression techniques. The results indicated a notable positive correlation between Market to Book (M/B), Price-earnings (P/E), and Earning Yield (E/Y) ratios with stock market prices. Conversely, the Dividend Yield Ratio (D/Y) exhibited a minor yet positive influence on stock market prices.

Bajracharya (2020) conducted a study on the factors impacting the stock prices of Nepalese commercial banks. The main objective of this research is to explore the factors influencing stock prices of commercial banks in Nepal. The specific aims include examining the correlation between each independent factor and the dependent variable, which is the market stock price of Nepalese commercial banks. This investigation utilized secondary data obtained from the annual reports of 12 selected commercial banks over a decade from 2006/07 to 2015/16 to analyze internal influences. The banks were selected through cluster and convenient sampling methods. The results revealed that internal factors like earnings per share,

dividend per share, and price earnings ratio were positively associated with market stock price. Conversely, the external factor of 'inflation rate' displayed a negative significant relationship with market stock price.

Huy, Loan, and Anh (2020) conducted a study on how the volatility of stock prices in developing countries' commercial banks, such as Vietnam, reflects the overall banking system and economic health. Effective business management entails considering various macroeconomic factors' impacts on stock prices, thereby supporting business strategies, financial risk management, and economic policies for sustainable growth and stability. Between 2014 and 2019, the research examined the impact of seven macroeconomic variables on the stock price of Vietnam's joint-stock commercial bank, Vietcombank (VCB). The findings from the quantitative analysis revealed that GDP growth, lending rates, and the risk-free rate were the primary drivers of an increase in VCB stock price, followed by the exchange rate decrease and a minor decline in the S&P500. These results and proposed recommendations could serve as valuable insights for commercial banking policies in developing nations.

Saud and Shakya (2020) examined stock market prediction, which is an attempt to forecast the future value of a stock traded on a stock exchange. Investors in the stock market strive to predict upcoming stock prices to improve their trading strategies and maximize profits. Among various predictive models, deep learning techniques emerged as the most precise in projecting stock prices. This research innovatively analyzed the look-back period parameter within recurrent neural networks and compared the predictive performance of three deep learning models - Vanilla RNN, LSTM, and GRU - in anticipating stock prices of Nepal Stock Exchange's two leading commercial banks. The findings revealed that GRU excelled in accurately predicting stock prices compared to the other models.

Karki (2018) investigated into the influence of macroeconomic factors on the performance of the stock market in Nepal. The research analyzed yearly data spanning from 1994 to 2016, focusing on four key macroeconomic indicators: real GDP, inflation, interest rates, and broad money supply. It aimed to elucidate the impact of these variables on stock prices reflected by the NEPSE Index of the Nepalese capital market. The empirical results indicated that stock market performance is positively affected by real GDP, inflation, and money supply, while it shows a negative response to interest rates. Importantly, there was no evidence of a long-term relationship between macroeconomic indicators and the stock market index, suggesting that fluctuations in stock prices in Nepal are not attributable to macroeconomic factors. It supports the random walk hypothesis in the Nepalese stock market.

Singh (2018) investigated the stock price as the only factor influencing shareholder wealth and one of the main measures of company performance. Information about the company and the market at large affects fluctuations in stock prices. This study focuses on the factors that influence the share prices of the 26 non-financial companies that are listed on the Oman Securities Market in Muscat. The dependent variable the closing annual stock price from 2011 to 2016 in this study. The independent variables are firm-specific variables like dividend payout, earnings per share (EPS), debt ratio, firm size (logarithm of total assets), price-earnings (PE) ratio, and first lag of the dependent variable (stock price) in the panel data regression using random effect model. Two categories of research exist.

The stock price of a banking subsector firm listed on the Indonesia Stock Exchange was determined by Prayogo and Lestari (2018). Examining the effects of stock price fluctuations on Return on Assets (ROA), Earnings per Share (EPS), and Price to Earnings Ratio (PER) at banking subsector companies listed on the Indonesian Stock Exchange is the aim of this study. Explanatory study describes the causal relationships between one variable and another using quantitative methods and hypotheses. In this work, panel data regression is the data analysis method employed. According to this study, ROA has a

little but detrimental effect on stock price. Although uncommon, this could happen given that the Indonesian Stock Exchange is in a medium- or emerging-market stage.

Figeac (2017) examined into the factors that affected a few European bank stock values. This study investigates the factors influencing the stock prices of the ten biggest commercial European banks in terms of assets between 2007 and 2016, employing both descriptive statistics and multiple regression analysis. The study's conclusions demonstrate that the following factors largely account for the stock prices of these banks: (1) industry-specific factors like the Herfindahl Index; (2) bank-specific characteristics like Return on Average Equity and Equity/Assets Ratios; and (3) macroeconomic factors like the Gross Domestic Product, Household Disposal Income, Labor Productivity, and Industry Productivity. This essay takes a close look at this well-known subject from an academic perspective and offers a compelling alternative strategy for perhaps understanding newly established European commercial banks.

## **METHODOLOGY**

This study aims to provide an answer to the question "Is there a significant association between different variables and is there a significant impact of Dividend Per Share, Earnings Per Share, Price Earnings Ratio, Net Worth Per Share, and Market Price Per Share of sample commercial banks? It elaborates the key users how hypotheses were tested and the basis on which conclusions were drawn. This study examines the relationship between Dividend Per Share Earnings Per Share, Price Earnings Ratio, and Net Worth Per Share on the Market Price Per Share of Everest Bank Limited (EBL), Kumari Bank Limited (KBL), Standard Chartered Bank Limited (SCBL), and NABIL Bank Limited (NABIL) in Nepal. In this study, a descriptive and causal-comparative research design has been used. It is a panel investigation. Annual reports of sample banks are the sources of data that are used in this study. The information ranges from 2070/71 to 2079/80 B.S.

### **Model Specification**

Regression analysis is a statistical method that is used to examine the relationship between one or more independent variables and a dependent variable. Regression analysis is used to find which independent factors have the most effects on the dependent variable as well as the degree and direction of the relationship between these variables. The selection of the independent and dependent variables is the initial stage in the regression procedure. Next, the data is collected and analyzed to determine the strength and direction of the relationship between the variables. The correlation coefficient, a measurement of the direction and intensity of the relationship between the variables, is usually calculated to achieve this.

The relative influence of the independent variables on the dependent variable is compared using standardized coefficients. Standardized coefficients are calculated by dividing the unstandardized coefficient by the standard deviation of the independent variable. This allows for a comparison of the relative strength of the independent variables on the dependent variable, regardless of the units of measurement of the variables. Unstandardized coefficients are used to identify the impact of the independent variables on the dependent variable. Unstandardized coefficients are calculated by multiplying the standardized coefficients by the standard deviation of the independent variable and adding the mean of the independent variable. This makes it possible to calculate the independent variable's true impact on the dependent variable while accounting for the variables' different units of measurement.

According to Smith (2021), there is a strong correlation between the Market Price Per Share (MPS) and the Price-Earnings Ratio (P/E Ratio). The MPS can be strongly predicted by the P/E ratio, according to the study. Research reveals a significant link between P/E ratios and MPS, hence supporting this concept (Goyal & Singh, 2019).

*H<sub>1</sub>: There is a significant relationship between the Price-Earnings Ratio (P/E Ratio) and Market Price Per Share (MPS).*

This hypothesis is supported by previous research, such as the study conducted by Smith (2021), which found a significant positive correlation between EPS and MPS in a sample of publicly traded companies.

*H<sub>2</sub>: There is a significant relationship between Earning Per Share (EPS) and Market Price Per Share (MPS).*

This idea is supported by research, such as the study by Smith and Warner (2007), which found a positive correlation between DPS and MPS in a sample of publicly traded companies.

*H<sub>3</sub>: There is significant relationship between Dividends Per Share (DPS) and Market Price Per Share (MPS).*

This hypothesis has been supported by several studies in the literature. For example, in a study by Brounen, de Jong, and Koedijk (2006), the authors found that NW was a significant predictor of MPS in the Dutch Stock Market.

*H<sub>4</sub>: There is a significant relationship between Net Worth Per Share (NWPS) and Market Price Per Share (MPS).*

## Regression Model

Since the regression approach is a popular statistical technique for examining the relationship between variables, it has been used in this study. It is also an effective method for determining which independent factors influence the dependent variable the most. Additionally, a more thorough study of the data and a clearer understanding of the relationship between the variables are made possible by the use of both standardized and unstandardized coefficients. Analysis of multiple linear regression is used to forecast how independent factors will affect financial performance. The equation for the impact of independent variables is expressed in the following equation:

$$MPS = \beta_0 + \beta_1 EPS + \beta_2 DPS + \beta_3 PER + \beta_4 NWPS + e$$

Where;

$\beta_0$  = Constant term

MPS = Market Price Per Share

EPS = Earnings Price Per Share

DPS = Dividend Per Share

PER = Price- Earnings Ratio

NWPS= Net Worth Per Share

The results of model summary, analysis of variance (ANOVA), and beta coefficients are used to analyze the impact of independent variables on the MPS of Nepalese commercial banks.

## RESULTS

In this part of the research, the market prices per share of EBL, NBL, HBL, and NABIL are used to compute the relationships between dividends per share, earnings per share, price earnings ratio, and net worth per share. Regression analysis is used in another part of the analysis to determine how Dividends, Earnings, Price Earnings Ratio, and Net Worth affect Market Price Per Share in EBL, NBL, HBL, and NABIL. The dependent variable is Market Price Per Share, and the independent variables are Earnings, Dividends Per Share, Price Earnings Ratio, and Net Worth Per Share.

**Table 1: Correlation Analysis**

	MPS	EPS	DPS	PER	NWPS
MPS	1				
EPS	-0.118	1			
DPS	.759**	-0.077	1		
PER	.664**	-0.176	.439**	1	
NWPS	.733*	-0.165	.705**	.340*	1

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

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

The Pearson Correlation Coefficient of DPS and PER with MPS of Nepalese commercial banks is  $r = 0.759$  and  $0.664$  respectively, indicating that these variables are positively correlated, according to the correlation analysis results presented in the above table. At the 1% level of significance, the correlation is significant because the p-value is greater than 1%, i.e. ( $P > 0.01$ ).

However, coefficient of EPS and MPS is  $r = -0.118$ , indicating a weak inverse relationship between Earnings per Share and Market Price per Share.

Similarly, the Pearson Correlation Coefficient of NWPS with MPS of Nepalese commercial banks is  $r = 0.733$ , indicating that this variable is positively correlated, according to the correlation analysis results shown in the table above. At the 5% level of significance, the correlation is not significant because the p-value is less than 5%, i.e. ( $P > 0.05$ ).

**Table 2: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.879 <sup>a</sup>	.773	.744	440.310

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

The R-square, also known as the coefficient of determination, is shown in the model summary and can be used to explain variance. According to Table 2, the R-square value is  $0.773$ , indicating that  $77.3\%$  of the variation in Nepalese commercial bank MPS is explained by NWPS, PER, DPS, and EPS. However, the remaining  $22.7\%$  ( $100\% - 77.3\%$ ) remains unaccounted for in this study. In other words, other variables explain the MPS of Nepalese commercial banks that were not considered in this study.

Similarly, after adjusting for the degree of freedom, the adjusted R-square is  $0.744$ , indicating that  $74.4\%$  of Nepalese commercial bank MPS is explained by NWPS, PER, DPS, and EPS (df). The model

summary also shows the standard error of the estimate of 440.31, indicating the variability of the observed value of the Nepalese commercial bank's MPS.

**Table 3: ANOVA**

	<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	20510385.287	4	5127596.322	26.448	.000 <sup>b</sup>
	Residual	6010060.602	31	193872.923		
	Total	26520445.889	35			

a. Dependent Variable: MPS

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

Table 3 shows that the F value is 26.448 and the p-value is 0.000, indicating that the p-value is less than 0.05 and significant at the 5% level of significance, indicating that independent variables have a significant impact on the MPS of Nepalese commercial banks.

According to ANOVA, the p-value is 0.000, which is less than the alpha value of 0.05. As a result, the model accurately predicts the relationship between the dependent and independent variables. As a result, the independent variables (NWPS, PER, DPS, and EPS) are significant in explaining the variation in Nepalese commercial bank MPS.

**Table 4: Regression Coefficients**

	<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficient</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>			
1	(Constant)	-1137.307	324.852		-3.501	0.001
	EPS	0.126	0.266	0.042	0.475	0.638
	DPS	12.572	5.527	0.294	2.275	0.030
	PER	18.137	4.479	0.398	4.049	0.000
	NWPS	5.592	1.717	0.397	3.256	0.003

a. Dependent Variable: MPS



Table 4 also shows that the Beta of EPS is 0.126. Furthermore, the beta coefficient implies that a Re. 1 change in the EPS of Nepalese commercial bank results in a Rs. 0.126 change in the MPS factor, while all other factors remain constant. Change in DPS has a Beta of 12.572. It indicates that an Rs. 1 change in MPS of Nepalese commercial bank results in Rs. 12.572 changes in the MPS factor with other factors remaining unchanged of PER 18.137 similarly, the beta coefficient indicates that a Rs. 1 change in PER of Nepalese commercial bank results in Rs. 18.137 changes in MPS variable with other factors remaining unchanged. Lastly, the beta coefficient of NWPS 5.592 indicates that an Rs.1 change in Nepalese commercial bank's NWPS leads to a Rs. 5.592 change in MPS while all other factors remain constant.

## DISCUSSION

This study reveals a significant positive correlation between Market Price per Share (MPS) and various financial indicators within the commercial banking sector of Nepal, including Net Worth per Share (NWPS), Price Earnings Ratio (PER), and Dividend per Share (DPS). However, a weak inverse relationship was observed between MPS and Earnings per Share (EPS).

The findings confirm that MPS plays a crucial role in reflecting the underlying strength of commercial banks in Nepal. The positive correlation between MPS and NWPS suggests that investors perceive higher market prices as indicative of stronger asset bases and intrinsic values. This result is in line with previous research, including studies by (Pradhan et al., 2023; Smith et al., 2018; Jones, & Brown, 2019; Fama, 1970; Ball, & Brown, 1968) which have observed similar positive correlations between market prices and net worth per share in other banking sectors.

The results of Bhattarai (2020) also demonstrate a favorable and statistically significant relationship between the market share price and the dividend yield, earnings per share, and price-earnings ratio. No factors were taken into consideration while determining the market share price, including bank size, inflation rate, and GDP growth rate. However, Bhattarai's (2020) study is at odds with this one. The market price of a share and its dividend per share, price-earnings ratio, and price-earnings ratio have a strong and positive link, according to this study. The market price per share and earnings per share have a positive but unimportant relationship.

Similarly, the positive association between MPS and PER highlights investors' emphasis on earnings potential when determining market prices of banking stocks in Nepal. Previous studies, such as those by (Shrestha, & Shakya, 2021; Ohlson, 1995; Penman, 2013), have emphasized the importance of earnings in stock valuation models, supporting our findings regarding the correlation between MPS and PER.

Moreover, the positive correlation between MPS and DPS underscores investors' preference for dividend-paying stocks within the Nepalese banking sector. This finding aligns with research by (Joshi et al., 2019; Baker et al., 2007; Black, & Scholes, 1974), which have demonstrated the impact of dividends on stock prices and investor preferences.

However, the weak inverse relationship between MPS and EPS warrants further investigation. Our findings suggest that investors may interpret lower earnings per share as a signal of reduced profitability or growth prospects. This result aligns with studies by (Beaver, 1968; Basu, 1977), which suggest that investors may discount stock prices in response to lower earnings.

Stock features, according per Shammout's (2020) research findings, significantly influence the market price at Jordanian commercial banks. In addition, for each book value ratio, dividends per share,

market-to-book ratio, price-earnings ratio, and yield per share, this study found a statistically significant impact on the market price of Nepalese commercial banks. Earnings per share and dividend payment ratio, however, had no statistically significant impact on the market price of Jordanian commercial banks.

In summary, our study provides valuable insights into the relationship between MPS and financial indicators within the commercial banking sector of Nepal. By examining the correlations between MPS and NWPS, PER, DPS, and EPS, we contribute to the understanding of stock price behavior and investor perceptions in this specific context. In comparing these findings with existing literature, it is evident that the observed relationships between market prices and financial indicators are consistent with global trends in stock price behavior within the banking sector. However, variations may exist due to differences in regulatory frameworks, market dynamics, and economic conditions across regions.

## **CONCLUSION**

In this study, the share price volatility of a subset of Nepali commercial banks was investigated, along with the correlation between the variables (EPS, DPS, NWPS, and P/E ratio) of banks that are listed on the Nepal Stock Exchange Limited. Based on the study results, earnings per share from 2070/71 to 2079/80 has a strong positive correlation with dividend per share and price-earnings ratio, but an insignificant positive association with market price per share and earning per share of commercial banks. The study concludes that the most significant factors influencing the share prices of Nepalese commercial banks are the dividend per share, earnings per share, net worth per share, and price-earnings ratio. The model accurately predicts the link between the independent and dependent variables. Consequently, the variance in Nepalese commercial bank MPS may be significantly explained by the independent variables (NWPS, PER, DPS, and EPS). Of the variation in Nepalese commercial bank MPS, 77.30% can be explained by NWPS, PER, DPS, and EPS. That leaves 22.70% (100% - 77.30%) of the total unaccounted for in this analysis. Put another way, factors not taken into account in this study contribute to the explanation of the MPS of Nepalese commercial banks. The study's conclusions presented fresh data that market player's value from the Nepalese perspective. Because they can watch out for these important characteristics when assessing stock returns and anticipating share prices, equity investors and fund managers stand to benefit greatly from the study's findings. The expansion of the stock market depends on high-caliber institutions. A reputable organization lowers political risk, which is a significant concern in Nepal and a crucial factor to take into account when making investments. Thus, the growth of stock markets in developing nations like Nepal depends on the establishment of top-notch institutions like law and order, effective administration, and democratic accountability.

Additionally, investors are urged to consider additional factors, such as corporate cost of capital, rather than just EPS, DPS, PER, and NWPS in light of the findings of this research. Investing in the company's stock should only be done after performing in-depth fundamental, technical, and trend studies. Banks should emphasize a steady and growing dividend pattern in order to attract investors to participate in their common shares. Maximizing shareholder wealth through dividend payments should be the company's ultimate purpose.

The research findings indicate that investors' options for investing sectors are restricted. In Nepal, banks and other financial institutions dominate the stock market. There are other big businesses in Nepal. A policy encouraging other businesses like manufacturing, trading, and real estate to list on NEPSE should be developed by NEPSE and SEBON. It would increase the size of the market and give investors additional investing choices. Therefore, novice investors ought to refrain from purchasing common stock without

adequate research and a well-thought-out investment plan. It is recommended that novice investors buy stocks for investment objectives as opposed to trading.

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