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Fundamentals of Stock Price in Nepalese commercial banks

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ABSTRACT

The aim of this study is to ascertain the determinants of the stock market price in Nepalese commercial banks for the period of 2065/66 to 2074/75. It is based on pooled cross-sectional data of ten banks for 10 years whose stocks are listed in Nepal stock exchange. The study employed correlational and causal comparative research design and result reveals that book value per share, price earnings ratio, return on equity have positive relationship with stock price. Dividend yield has positive but minimum influence on the price of the stock whereas size has negative relationship and is statistically insignificant with stock price. Further, it reveals that book value per share is a most influential factor that determines stock price in Nepal.

Key words: *Book value per share, Price-earnings ratio, return on equity, dividend yield, stock price*

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Introduction

A stock market is a financial market for long- term securities i.e. debt and equity backed securities are bought and sold. Stocks ("shares" or "equity") are the most common and actively traded securities in financial markets. It is regarded as a long-term source of funding. Stocks give the holder the right to receive profit in case of an entity to achieve profits or else bear the loss as much as shares, and the right to own part of a company (Arkan, 2016). Stock market provides platform to firm and investors whereby the investors invest their savings and the firms get to enjoy low cost long-term capital.

Investopedia (2019) defines a stock as a type of security that signifies proportionate ownership in the issuing corporation. This entitles the stockholder to that proportion of the corporation's assets and earnings. There are two types of stocks: common and preferred stock. Common stock usually entitles the owner to vote at shareholders' meetings and to receive dividends. Preferred stock generally does not have voting rights, but has a higher claim on assets and earnings than just shares (Arkan, 2016).

Stock market is the reflector of economy. Stock markets are essential for economic growth as they insure the flow of resources to the most productive investment opportunities (Kurihara, 2006). It plays a pivotal role in the growth of the industry and commerce of the country that eventually affects the economy of the country to a great extent. That is the reason that the government, industry and even the central banks of the country keep a close watch on the happenings of the stock market. Looking towards otherside, it is also essential for shareholders and potential investors to use relevant financial information to enable them to make good investment decisions in the stock market. (Dutta, Bandopadhyay, & Sengupta, 2012)

Considering a fact that, directed toward stock market and we are also aware of ups and downs trend in stock market, so to safeguard the investors' investment on stocks, one cannot ignore the fact that there are several factors that determine the stock price of a company. The study attempts to investigate the influencing factors of stock price of commercial banks in the context of Nepal which are selected as the proxies for their sectors by considering the company financial statements. So, the factors or the financial ratios to be calculated and analyzed from the financial report are stated as: Return on equity, Book value per share, Dividend yield, Price earnings ratio and size of the firm. The main purpose of this study is to examine the financial characteristics that affect banks' stock price. The study also examines the association among the variables used in this study.

The rest of this paper is organized as follows: section II presents the empirical evidence of previous study followed by research methodology in section III. Similarly, section IV discusses the result of factors affecting stock price and finally, section IV contains conclusion and managerial implications.

2. Review of Empirical works

(Sharma & Singh, 2006) attempted to examine the empirical relationship of explanatory variables namely, dividend per share, earnings per share, price-earnings ratio, book value per share, size, cover, return on capital employed and payout ratio on market price of the shares. To study the relationship between independent and dependent variables, 160 companies is studied over a period of five years ranging from 2001 to 2005.The results impart that Earnings per share and book value per share are important determinant of share price. Dividend per share is important determinant of share price, which shows that the companies should adopt a liberal dividend policy to activate the primary as well as secondary market.

(Kheradyar and Ibrahim, 2011) have studied whether financial ratios can predict stock returns for the period from January 2000 to December 2009 in Malaysia stock exchange. The researchers have selected three financial ratios that include dividend yield (DY), earning yield (EY) and book-to-market ratio (B/M) that have been documented to predict stock returns. The study applies generalized least squares (GLS) techniques to estimate the predictive regressions in form of simple and multiple models of panel data sets. The obtained results indicate that the financial ratios can predict stock return, as the B/M has the higher predictive power than DY and EY respectively. Furthermore, the financial ratios are able to enhance stock return predictability when the ratios are combined in the multiple predictive regression model, (Hussainey, Oscar Mgbame, & Chijoke-Mgbame, 2011).

The purpose of this paper is to examine the relation between dividend policy and share price changes in the UK stock market. The researchers have used multiple regression analyses to explore the association between share price changes and both dividend yield and dividend payout ratio. A positive relation is found between dividend yield and stock price changes, and a negative relation between dividend payout ratio and stock price changes. In addition, it is shown that a firm's growth rate, debt level, size and earnings explain stock price changes.

Srinivasan (2012) has undertaken the study of fundamental determinants of share price in India. The study employs panel data consisting of annual time series data over the period 2006-2011 and cross-section data pertaining to 6 major sectors of the Indian economy, namely, Heavy and Manufacturing, Pharmaceutical, Energy, IT and ITES, Infrastructure and Banking. Fixed Effects model and Random Effects model have been employed to investigate the objective. The empirical results reveal that earning per share, price-earnings ratio and size have a positive and significant impact on the share price of commercial banks.

Tandon, Malhotra, and Technology (2013) studied the stock prices in different stock markets. The study is undertaken with an attempt to determine the factors that influence stock prices in the context of National Stock Exchange (NSE) 100 companies. A sample of 95 companies is selected for the period 2007-12. For analysis of the data, researcher has used linear regression model. The extant literature available strongly supports the movement of stock price as a consequence of firm specific factors such as dividend yield, book value, earning per share, dividend per share, price earnings and dividend cover. The results indicate that firms' book value, earning per share and price-earnings ratio are having a significant positive association with firm's stock price while dividend yield is having a significant inverse association with the market price of the firm's stock.

Naveed and Ramzan (2013) have explained different factors that affects share prices of different banks. A sample of 15 banks has been selected from Karachi stock exchange for the period of 2008-2011. The analysis utilized fixed effect regression model, the test includes regressing the dependent variable SP (share price) and independent variables size, DY (dividend yield), ROA (return on asset), and AG (asset growth). Results show that "size" has a positive significant relationship with the share price while the other variables (Dividend yield, Asset growth, return on assets) have insignificant relationship.

Almumani and Science (2014) has attempted to identify the quantitative factors that influence share prices for the listed banks in Amman Stock Exchange over the period 2005-2011 using empirical analysis of a set of independent variables such as: DPS, EPS, BVPS and PE ratios and market price as dependent variable. In the study, the ratio analysis, correlation and a linear multiple regression models have been selected to measure the individual as well as combined effects of explanatory variables on the dependent variables. The empirical findings show that there is a positive correlation between the independent variables DPS, EPS, BVPS, PE with dependent variable MP. Moreover, there is a significant relationship between banks BVPS and MP. Another empirical finding from the regression analysis shows a positive relationship between P/E and MP. Finally, other variables DPS have insignificant impact on market price.

Bhattarai (2014) has undertaken this study to clarify the determinants of share price of commercial banks listed on the Nepal Stock Exchange over the period of 2006 to 2014. Data were sourced from the annual reports of the nine commercial banks and analyzed using regression model. The finding of the study revealed that earning per share and price-earnings ratios have the significant positive association with share price while dividend yield showed the significant inverse association with share price. The major conclusion of the study is that dividend yield, earning per share and price-earnings ratio are the most influencing factors in determining share price in Nepalese commercial banks.

Arshad, Arshaad, Yousaf, Jamil, and Finance (2015) identify the determinants of share

prices for the listed commercial banks in Karachi stock exchange over the period 2007-2013. To determine whether the selected independent variables have influence on share prices or not, the researchers have used Linear multiple regression analysis. The results indicate that earning per share has more influence on share prices and it has positive and significant relationship with share prices, book to market value ratio and interest rate have also significant but negative relation with share prices whilst other variables i.e. gross domestic product, price earnings ratio, dividend per share, leverage have no relationship with share prices.

Pradhan and Dahal (2016) have examined the factors affecting the share price of Nepalese commercial banks. Earnings per share, divided per share, price earnings ratio, book value per share, return on assets and size were chosen as firm specific independent variables whilst market price per share is selected as dependent variable. The multiple regression models were estimated to test impact of firm specific on share price of Nepalese commercial banks. Using data of 14 banks listed in NEPSE for the period 2002/03-2013/14. The result shows that size is found to be the most important determining variable that affects the share price. It means, larger the firm size, higher would be the stock price.

Enow and Brijlal (2016) investigated the determinants of share prices using fourteen companies listed on the Johannesburg stock exchange from 2009-2013. Using a multiple regression analysis, the result reveals that dividend per share, earnings per share, and price-earnings ratio accounts for 57.8% of share prices movements. Furthermore, earnings per share and price earnings are significantly positively correlated to share prices although dividend per share was not.

Arkan, Rynki Finansowe, Ubezpieczenia (2016) have conducted the research to investigate the importance of financial ratios derived from financial statements to predict stock price trends in emerging markets. 12 financial ratios were tested depending on data of 15 companies distributed on 3 sectors for the years 2005–2014 in the Kuwaiti financial market. An equation is to estimate the stock price in each sector was built according to the multiple regression model after eliminating non-effective variables with the STEPWISE method. The results showed that some ratios could give strong positive and significant relationships to stock price behavior and trends, the most effective ratios on the stock price for the industrial sector are ROA, ROE and net profit ratio.

Similarly, Jermsittiparsert et al. (2019) conducted a study with a view to analyze the risk-return through financial ratios as determinants of stock price in ASEAN region. The sample comprises 10 firms from Malaysia, Indonesia, Thailand and Singapore. The study used multiple regression technique to determine the impact of exogenous variable on stock price. The result reveals that price earnings ratio and return on equity are the significant variables that statistically impact on the determination of stock price in ASEAN markets.

From the aforementioned study, it may be revealed that the impact of stock price has been found to be controversial issue. Some studies reveal that price earnings ratio is the most influential factor on stock price while others reveal payout ratio and other factors. Similarly, some reported that return on asset and return on equity are the outcome for the determination of stock price. In order to validate one view with the other in Nepalese context, no study has so far been conducted recently. This study therefore examines the hypothesis as depicted in the below framework.

2.2 Conceptual framework of the study

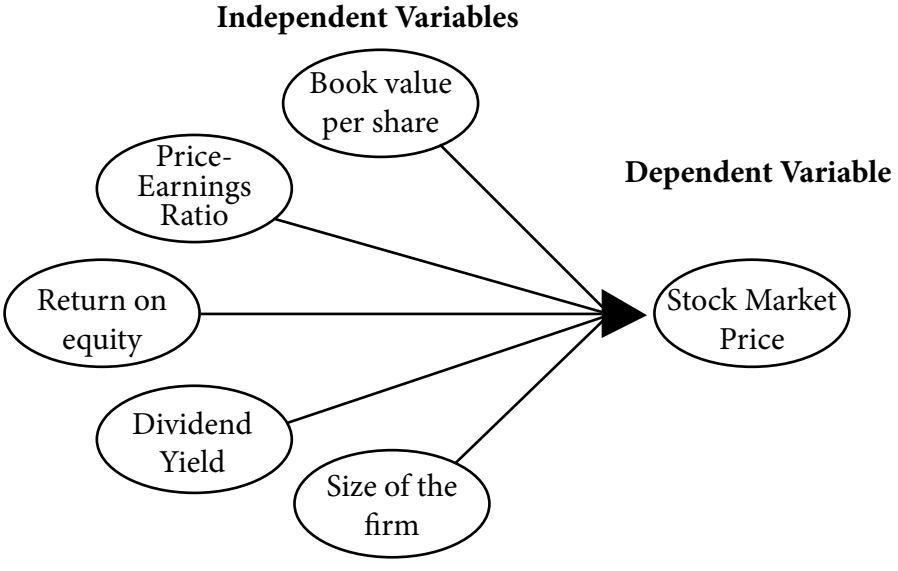

Figure 2.1: Conceptual framework

Book value per share: (Aiyabei, Tobias, & Macharia, 2019) pointed out the meaning as the accounting value of a share of that are traded publicly. The amount per share of common stock that would be received if all of the firm's assets are sold off for their accounting value and the proceeds residual after paying all liabilities. More specifically, it is determined by relating the original value of a firm's common stock for any outflow and inflow to the amount of number of shares outstanding. Sharma (2006) revealed that book value per share has significant impact on the market price of the stock. Based on it, the study develops the following hypothesis:

There is positive association between book value per share and market price of stock

Return on equity: Sharif, Purohit, and Pillai (2015) depicts it as it a profitability ratio that measures the ability of a firm to generate profits from its shareholders investments in the company. Generally, the higher the return on equity, the better off are the owners. It is computed as follows:

ROE= earnings available to common stock holders / Shareholders equity

Based on it, the following hypothesis is developed:

There is a positive association between return on equity and market price per share

P/E ratio: Constand, Freitas, and Sullivan (1991) explained PE ratio as a common measure used to indicate market assessment of a company's performance. It is used to assess the company's appraisal of share value. It measures the amount that investors are willing to pay for each rupee of the firm's income. The higher the PE ratio, the greater the investor confidence. Higher PEs are often taken to mean the firm has significant prospects for future growth. Base on this, this study develops the following hypothesis:

There is a positive relationship between PE ratio and price of stock

PE ratio may be restated as:

PE ratio = stock price (Po) / earnings per share (EPS)

Dividend yield: Y. R. Bhattarai (2014) depicts dividend yield as the percentage of dividend declared in a financial year with respect to its market price. It is the amount of money a firm pays to shareholders for owning a share of its stock divided by its current share price. It is estimated a year return of an investment in a stock based only on the dividend payment. It is computed as:

DY=Dividend per share/Market price per share

Based on this concept, the following hypothesis is developed:

There is a positive association between dividend yield and price of stock.

Size: Size is an important financial measure used to represent the volume of the bank, in many ways, the size of the firm can be measured for example, through turnover, paid-up capital, capital employed, total assets, net sales, market capitalization, etc. In this study bank size is measured by total asset scaled in natural logarithm. The study conducted by Ramzan (2011) reveals that the firm size has a positive significant relationship with the market price of share. Based on it, the following hypothesis is developed:

There is a positive association between firm size and market price per share

3. Research Methodology

The study is conducted by using quantitative method followed by descriptive research to make brief and accurate study on selected variables and pooled cross-sectional data that are collected from NEPSE listed banks at one point in time. This study has employed causal comparative research design to deal with the relationship between variables also

referred as interrelationship because they trace relationship among the facts obtained to gain a deeper insight into the situation.

The study is based on secondary data analysis. In order to estimate the models applied in this study, the necessary data are collected from the financial statements of commercial banks available in NEPSE and SEBON data base from 2065/66 to 2074/75. Out of 28 commercial banks listed on Nepal Stock Exchange, ten banks are selected as sample of this study based on convenience sampling. The details of selected banks, and periods of data used to meet the purpose of this study have been presented in appendix 1. The model of this study is derived based on literature on the determinants of stock price in Nepal. The model given below is strongly believed to capture the need of subject matter under study.

$$\mathbf{MPPS = a + b_1\ BVPS + b_2\ P/E\ ratio + b_3 ROE + b_4 DY + b_5 Size + e_i}$$

To test the hypothesis in Nepalese banks, the aforementioned model is estimated using commercial banks observation that predicts an explanatory power of particular variable on the determinants of stock price. The variables used in this study are: The MPPS is the market price per share currently traded over the market, a is the industry specific intercepts, P/E is the price earnings ratio, ROE is the return on equity, DY is the dividend scaled by price of security and size is the log of total assets of the sample banks.

4. Data Analysis and Discussion

This section deals with the determinant of stock price, BVPS, P/E, ROE, DY and size on the market share price of Class 'A' banks in Nepal. Table 4.1 shows the descriptive statistics of 10 sampled commercial banks listed on NEPSE 2065/66 to 2074/75. Descriptive statistics shows that, the mean of the BVPS is 187.39 with standard deviation of 70.27 and ranges from 104.59 to 370.84.

Table 4.1
Descriptive Statistics

This table shows mean, standard deviation, minimum and maximum values of variables associated with 10 sample banks for the period of 10 years from 2065/66 to 2074/2075. The independent variables are BVPS (BVPS in NRP) defined as shareholder equity divided by number of share outstanding, P/E ratio (P/E in times) defined as proportion of price earning ratio, ROE (ROE in percentage) defined as proportion of return on equity, DY (DY in percentage) defined as proportion of dividend yield, SIZE (SIZE in percentage) defined natural logarithm of assets The dependent variables is Market price per share (MPPS) defined as the total market value of the business, divided by the total number of shares outstanding.

	BVPS(Rs)	P/E ratio (Times)	ROE(%)	DY(%)	Lnsize	Market price per share (Rs)
N	100	100	100	100	100	100
Mean	187.39	26.88	20.75	1.1	24.65	1092.92
Median	170	23.52	18.14	0.54	24.75	723
Std. Deviation	70.27	16.57	10.27	1.34	0.69	1002.22
Minimum	104.59	0.55	0.87	0	22.49	107
Maximum	370.84	103.94	52.6	5.62	25.87	6010

This implies that, value of BVPS can deviate on both sides by 70.27 and the mean of the P/E ratio is 26.88 with standard deviation of 16.57 and ranges from0.55 to 103.84 which means the value of P/E ratio can deviate on both sides by 16.57. Similarly, ROE has mean value of 20.75 and standard deviation of 10.27 ranging from 0.87 to 52.60 which means the value can be deviated by 10.27. Moreover, DY whose mean and standard deviation is 1.10 and 1.34 respectively. It has minimum value of 0.00 and maximum value of 5.62 which can be deviated by 1.34. Likewise, size has mean value of 24.65 and standard deviation of 0.69, ranging from 22.49 to 25.87 implies that value can be deviate by 0.69 on both sides. Finally, stock market price has mean value, standard deviation and minimum and maximum range of 1092.92, 1002.22, and 107 to 6010 respectively shows that minimum and maximum value can be deviated by 1002.22.

4.2 The correlation analysis

The given table 4.2 shows correlation between various factors of stock market price. The major focus in this table is to show the relationship between various factors such as BVPS (book value per share), P/E ratio (price earnings ratio), ROE (return on equity), DY (dividend yield) and market price of stock.

Table 4.2

Correlation Analysis

The table shows the correlation of stock price and factors affecting stock price. Book value is defined as the equity available to common shareholders divided by the number of outstanding shares. P/E ratio is measured as a share price relative to the annual net income earned by the firm per share. ROE is defined as the ratio of net income divided by shareholders equity. DY is measured as proportion of dividend per share divided by market value per share. Size of the bank is measured in terms of total assets.

	BVPS	P/E ratio	ROE	DY	Ln size	market price per share
BVPS	1					
P/E ratio	.245	1				
ROE	.471	.092	1			
DY	.140	.217	.236	1		
Ln size	.429	.155	.423	.018	1	
Market price per share	.768	.516	.384	.054	.193	1

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

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

From the above table, it can be implied that among Five factors, BVPS is found to be strongly positive correlation with stock market price i.e. 0.768. Likewise, P/E ratio and stock market price have moderate positive correlation with each other with 0.516. ROE and market Price of stock have 0.384 correlation score resulting a moderate positive correlation influence over each other. Similarly, the relationships between DY and market price of stock have weak positive correlation with 0.054 whereas the relationship between size on the basis of total asset and Price can be traced to have weak positive correlation with 0.193. As with the P/E ratio, BVPS have weak positive correlation. Likewise, ROE have moderate positive correlation and ROE with P/E ratio have negative weak correlation. The correlation between DY with BVPS and ROE has weak positive correlation whereas it can be examined that DY and P/E ratio have weak negative correlation. In the same way we can examine size on the basis of total asset have moderate positive correlation between BVPS and ROE whereas size on the basis of total asset has weak positive correlation between DY and weak negative correlation between P/E ratio.

Another way of examining the predicting variables is to test the potential multicollinearity which is tested by producing a correlation matrix (Brooks, 2002). Higher the linear relations. Larger would be the chances of misinterpretation among explanatory variables. It is apparent that 0.80 is considered as the problem of multicollinearity. The correlation coefficient among explanatory variables is lower than 0.80. Thus, the variables included in this study can be considered for further causal comparative analysis.

4.3 The regression analysis

The univariate and multivariate regression of the firm specific variables on bank stock price have been analyzed in terms of market price per share trading during the given period of time. The impact of explanatory variables on stock price have been presented in table 4.3. This table reveals the result of regression of various models on stock price. The first four models include one of the five explanatory variables at a time. Models 5-7 include two combinations of explanatory variables and model 8 includes all of the predictive variables simultaneously.

Table 4.3
Regression Model Summary

This table displays the data that comprises the sample of commercial banks and presents the result of regression equation of explanatory variables on MPPS. The data are from NEPSE and annual report of respective firms and the sample contains 10 banks listed in NEPSE from 2065/66 to 2074/75. The t-value of each regression coefficients is provided to have the information regarding significance of the coefficients of the market stock price variables selected in the study. It shows the relationship between share price and various fundamental factors affecting the share price in Nepal. BVPS is defined as a company common equity value divided by its total number of shares outstanding. P/E ratio is measured as the share relative to the annual net income earned by the firm per share. ROE is defined as a proportion of net income by shareholders equity, DY is measured as divided per share divided by market price per share whereas SIZE is defined natural logarithm of assets.

Model	intercept	BVPS	P/E ratio	ROE	DY	Lnsize	R square	F-value	Sig
	-960.949	0.768							
1	-5.211	11.888***					0.591	141.333	0
	254.293		0.516						
2	1.541		5.963***				0.266	35.562	0
	316.469			0.384					
3	1.1504			4.112***			0.147	16.912	0
	1048.881				0.054				
4	8.065				0.534		0.003	0.285	0.594
	-5846.26					0.193			
5	-1.638					1.945*	0.037	3.781	0.055
	-1298.62	0.683	0.348						
6	-7.785	11.997***	6.12***				0.705	115.677	0
	329.631			0.393	-0.039				
7	1.541			4.074***	-0.401		0.149	8.464	0
	1835.655	0.65	0.357	0.148	0.007	-0.094			
8	0.799	9.215***	5.79***	2.241**	0.126	-1.1428	0.723	49.087	0

* 10% level of significance, ** 5% level of significance, ***1% level of significance

Source: NEPSE and SEBON data base 2074/75

Model 1 presents an individual test of BVPS on MVPS which implies that a unit increase in the BVPS, leads to 0.768 increase in share price. The R square value is 0.591 which indicates that only 59.1 % of dependent variable that is stock market price is explained by BVPS and rest by other factors. Since t value in model 1 is 11.888 which shows that the model is significant at 1% level. The result shows that BVPS is strong factor in determining stock market of Nepal.

Likewise, Model 2 indicates a sole test of P/E ratio on MVPS which depicts that a unit increase in P/E ratio leads to an increase in stock market price by 0.516. The R square value is 0.266 which indicates that only 26.6 % of dependent variable that is stock market price is explained by P/E ratio and rest by other factors. Since t value in model 2 is 5.963 which shows that the model is significant at 1% level. This test of individual factor explains that P/E ratio is also one of the important determinants of stock market price.

Model 3 depicts a sole test of ROE on MPPS which describes an increase in a unit in ROE increases stock market price by 0.384 unit. The R square value is 0.147 which indicates that only 14.7% of dependent variable that is stock market price is explained by ROE and rest by other factors. As the model has a t value in the model is 4.112 which displays a significance at 1% level.

Similarly, Model 4 indicates an individual test of DY on MPPS which explains that a unit increase in DY increases stock market price by 0.054 unit. The R square value is 0.003 which indicates that only 0.3% of dependent variable that is stock market price is explained by DY and rest by other factors The model presents the t value of 0.534 that exhibits there is no any significant impact level and concludes that the DY has no any role in determining stock market price of commercial banks in Nepal.

Also, in model 5 it has presented an individual test of size on MPPS that implies a unit increase in the size, leads to 0.193 increases in share price. As the t value in model 5 is 1.945 which shows that it is significant at 10% level. The R square value is 0.037 which indicates that only 3.7% of dependent variable that is stock market price is explained by size and rest by other factors. The individual test of MPPS implies that MPPS is least affecting factor in determination of Nepalese stock market.

Model 6 indicates a test of two independent variables i.e. BVPS and P/E ratio on MPPS which describes an increase in a unit change in BVPS results that 0.683 unit change in MPPS. The results further reveal that the variable has been found to be significant at 1 %. Similarly, an increase in a unit change in P/E ratio results that 0.348 unit changes in MPPS. The results further reveals that the variable has been found to be significant at 1%. The R square value is 0.705 which indicates that 70.5% of dependent variable that is stock market price is explained by BVPS and P/E ratio and rest by other factors. Hence, the overall model is significant at 1% significant level. Though testing of two independent

variables shows significant at 1% which results as similar individual test of BVPS and P/E ratio on MPPS.

Model 7 describes a test of two explanatory variables i.e. ROE and DY on MPPS which explains an increase in a unit change in ROE results in 0.393 unit change in MPPS. The results further show that the variable has been found to be significant at 1%. Likewise, an increase in a unit change in DY results in 0.039 unit changes in MPPS negatively. The results further reveal that the variable has been found to be insignificant at any level. The R square value is 0.149 which indicates that 14.9% of dependent variable that is stock market price is explained by ROE and DY and rest by other factors. Hence the overall model is significant at 1%.

Similarly, the result of model 8 shows the nature of relationship between BVPS, P/E ratio, ROE, DY and size on MPPS. The findings revealed that a unit change in BVPS, P/E ratio, ROE and DY changes MPPS positively at 0.65 units, 0.357 unit, 0.148 unit and 0.007 unit. Likewise, a unit change in size changes MPPS negatively by 0.094 units. Furthermore, BVPS and P/E ratio is significant at 1% significant level with MPPS. ROE is significant at 5% significant level with MPPS whereas DY and size are insignificant at any level with MPPS. R square is 0.723 which describes that 72.3% of stock price is explained by the given independent variables. The overall model is significant relation shown at 99% confidence level and concludes that BVPS is a strong factor in determining stock market price, P/E ratio and ROE is a significant factor. DY has minimum influence on stock market price whilst size has insignificant impact on determining stock market price of commercial banks in Nepal.

5. Conclusion

Several studies have been conducted on factors affecting stock price in developed countries. This study examines the impact of fundamental variables on share price of selected commercial banks of Nepal and to what extent the selected factors affect the share price during the study period. The research question of the study was to find out the relationship between BVPS, P/E ratio, ROE, DY and SIZE with stock market price. Based on prior local and international studies, key explanatory variables are identified by the researcher. The investigation was done through a review of the relevant theoretical and empirical literature. By using descriptive statistics, correlation and regression analysis it has been found as a positive relationship between BVPS, P/E ratio, ROE and DY. The DY has positive relation but is insignificant with dependent variable whereas negative relationship with SIZE on stock market price.

Finally, the results of this study uncovered new evidence in Nepalese perspective, which are considered to be valuable to market participants. Thus, findings of this study seem to be particularly useful for the share investors, fund manager and economy as well, as they

can take a view for these significant factors while estimating stock returns and predicting share prices of the market.

5.1 Managerial Implications and limitations

To find out the factors affecting stock market price is very necessary to the investors as well as to the firms itself and only few studies had previously been conducted on Nepalese commercial bank. It was necessary to conduct a study regarding the factors affecting stock market price of commercial banks in Nepal. Thus, based on the findings of the study, investors and portfolio analysts are recommended to use the information regarding the factors they should consider for their investment decision and while predicting the stock market prices. If investors want to purchase the stock of commercial banks, they have to consider determinant factors before selecting investment options. The result of this study suggests investors to pay their attention on BVPS, P/E ratio and ROE before making any decision regarding the investment in stock of the commercial banks. This will help to decide whether firms should keep retained earnings for future projects, for debt settlement, and/or for invest in other portfolios of the firms.

The study includes only 10 financial institutions. It could have been better if other sectors such as hydro, hotel, manufacturing, trading, and service sectors with large samples had been covered in this type of study. Due to data limitation, our work does not consider small firms, nor does it investigate non-listed financial firms. Such an analysis is left for the future research.

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APPENDIX-1

S.N.	Firms	Periods	Number of Observations
1	Nabil bank	2065/66 - 2074/75	10
2	Nepal Investment bank limited	2065/66 - 2074/75	10
3	Everest bank limited	2065/66 - 2074/75	10
4	Nepal SBI bank	2065/66 - 2074/75	10
5	Standard chartered bank	2065/66 - 2074/75	10
6	Himalayan bank limited	2065/66 - 2074/75	10
7	Machhapuchhre bank limited	2065/66 - 2074/75	10
8	Prime commercial bank limited	2065/66 - 2074/75	10
9	Citizen bank limited	2065/66 - 2074/75	10
10	Sanima bank	2065/66 - 2074/75	10
	Total Observations		**100**

Source: NRB report 2018