Impact of Cost of Capital, Financial Leverage, and the Growth Rate of Dividend on Market Price per Share on Nepalese Commercial Banks

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ABSTRACT

This study seeks to investigate the relationship between the Impact of cost of capital, financial leverage, and the growth rate of dividendson market price per share Nepalese commercial bank. To empirically investigate a sample of 22 commercial banks of Nepal listed in the NEPSE has been selected. The data period for the study is nine years from 2010/11 to 2018/19. The dependent variable is the market price per share whereas for independent weighted average cost of capital, debt ratio, earning per share, net profit margin, dividend per share, and growth rate of dividend are used. The data have been analyzed by using descriptive statistics, correlation, and multiple regression analysis. Empirical results indicate that all the independent variables are positively related to market price per share. The result shows that the growth rate of dividends, dividend per share earnings per share debt ratio, net profit margin, weighted average cost of capital, and market price per share are positively correlated. The regression result reveals that the beta coefficient for weighted average cost of capital is negative, but earnings per share, dividend per share, net profit margin, debt ratio, and growth have a positive beta coefficient.

Keywords: market price share, weighted average cost of capital, debt ratio, earning per share, dividend per share, growth rate

Introduction

The capital market is a place to connect investors and companies by trading securities, which generally have more than one year of lifetime. The capital market has two functions for a country: economy and finance. Capital market activity was an excellent opportunity for the country's future economic growth, indicated by the increasing number of securities companies currently available, especially in Indonesia. With the capital market, companies that need capital or funds to carry out their activities and the public (investors) can invest in stocks (Anggraeni, 2014).

The share market is the primary indicator of a country's economic strength and development (Yahyazadehfar & Babaie, 2012). The stock price is among the most important in determining investor decisions (Safitri, 2013). The relationship between market price and financial ratios has attracted considerable attention in the accounting and finance literature. In general, shareholders aim to obtain capital gains from the increased value of shares by investing in shares. To maximize profit, investors can benefit from financial ratios. They must be included in decision-making to follow the right investment strategy. Profitability ratios are financial ratios based on financial statements that can be indicative factors for investors in the preference of stocks they will invest in (Purnamasari et al., 2016; Ferrer & Tang, 2016).

According to Rustagi (2001), a dividend is a net profit after tax (NPAT) distributed among the firm's owners. Maheshwari (1999) defines a dividend as the return the shareholders receive from the firm, a percentage of profit from their shareholdings. Dividend policy and its effect on companies' share prices have remained controversial. (Enhardt, 2013; Ogolo, 2012; Azhagaiah & Priya, 2008) have argued that dividend policy impacts shareholders' wealth, as against the work of Miller & Modigliani (1963) holds the view that dividend policy has minimal effect on an investor's investment decision.

Hence, this study attempts to analyze the relationship between the cost of capital, financial leverage, and the growth rate of dividends on the market price of Nepalese commercial banks.

Objective of the Study

The major objective of the study is to assess the impact of the cost of capital, leverage, and dividend growth rate on the firm's profitability and the market price of Nepalese commercial banks. However, the specific objectives of this study are as follows:

1. To analyze the relationship of cost of capital, leverage, and dividend growth rate with market price per share of Nepalese commercial banks by forming portfolios;
2. To determine the relationship between the cost of capital, leverage, and dividend growth rate on the stock price of Nepalese commercial banks;
3. To examine the impact of the cost of capital, leverage, and dividend growth rate on the market price of Nepalese commercial banks; and

4. To identify the most influencing factor that explains the market price of the Nepalese commercial banks.

Review of Literature

Modigliani & Miller (1958) analyzed the relationship between financial leverage (capital structure), capital cost, and firm value. It was the first study addressing the relationship between financial leverage (capital structure), capital cost, and firm value. It aimed to prove that the firm's market value is independent of its capital structure, regardless of fluctuations in financial leverage. The study was conducted in (1958) on several American firms and found evidence that negated the effect of capital structure on capital cost. As such, it does not affect the firm value or investment decisions, but not financing decisions that affect the firm values.

The choice of dividend policies almost always affects the enterprise's value, according to Walter (1963). The general conditions for neutrality are not satisfied in the world as we know it. Distribution policy affects the size of the cash flow stream (before and after accounting for taxes levied on dividend and capital gain recipients); investor attempts to mitigate the effects of policy changes could be more effective. The study concluded a positive relationship between the company's dividend per share and the firm's value.

Friend & Puckett (1964) examined the relationship between dividends and stock prices by computing regression equations on the data of 110 firms from five industries from 1956 to 1958. These five industries were chemicals, electric utilities, electronics, food, and steel. These industries were selected to distinguish between the results for growth and nongrowth industries and provide a basis for comparison with the results by other authors from earlier years. They also considered cyclical, and no cyclical industries they covered. The study periods covered a boom year for the economy when stock prices leveled off after a rise (1956) and a somewhat depressing year when stock prices rose strongly (1958).

Murniati (2008) investigated the effect of capital structure proxy for debt ratio, and the debt-equity ratio and profitability are proxied by return on asset and equity and net profit margin to the stock price on the company's Food and Beverage listed on the Indonesia Stock Exchange. Profitability proxied by net profit margin significantly negatively affects stock prices. It means that while the net profit increases, the total sales will rise due to the high costs incurred by the company so that the net profit margin does not affect stock prices.

Vijayakumar (2010) examined how some financial performance indicators affect the stock price. Ashok Leyland Ltd, a leading commercial vehicle sector industry under Indian Automobiles, has been purposively selected for the study. The study reveals that variables taken for the study, i.e., book value, earnings per share, dividend cover, growth rate, and dividend yield, have a positive association with the market price, and dividend per share and price-earnings ratio have a negative association with the market price of its equity shares.

Hussainey et al. (2011) investigated the relationship between dividend policy and share price changes in the U.K. stock market for ten years (1998 through 2007). A positive correlation has been found between dividend yield and share price changes, and a negative correlation between dividend payout ratio and share price changes. Additionally, a company can use growth rate, leverage, size, and earnings to account for changes in stock price.

Khan et al. (2011) investigated whether dividend decisions affect stock prices. Fifty-five companies listed in the KSE-100 index were selected from 2001 through 2010. Fixed and random effect models are applied to panel data to determine the relation between dividend policy and stock prices. Results indicate that dividend yield, earnings per share, return on equity, and profit after tax positively affect stock prices. At the same time, the retention ratio negatively affects stock prices. It significantly explains the variations in stock market prices. These results further elaborate that dividend policy is crucial as it signals the company's success.

Collins et al. (2012) examined the effect of a firm's capital structure on its market value. A significant positive relationship was used for analysis by 39 non-financial listed companies for 2005-2009. Whereas a negative relationship exists between a firm's total debt/ total capital ratio and its market value, its size positively affects its market value. Hence, we conclude that firms' leverage positively influences their market values. It suggests that a firm can attain an optimal capital structure.

Hasan et al. (2013) examined the effect of dividend policy on the market price per share based on secondary data covering four industries: Automobile, Cement, Textile, and Pharmacy. It concluded that dividend policy has a significant effect on the share price. The regression model has shown a positive relationship between the MPPS and DPS and MPPS and retained earnings per share. The result has also indicated that high-payout industries have more MPPS than low-payout industries. The study has

proved that dividend policy has a significant effect on MPPS, which supports the relevance theory of the dividend policy.

Arshad et al. (2015) explored to identify the determinants of share prices for the listed commercial banks on the Karachi stock exchange from 2007-2013. The findings showed that EPS has a positive and significant relationship with share prices.

Arkan et al. (2016) examined the importance of financial ratios derived from financial statements to predict stock price trends in emerging markets. The results showed that return on asset, return on equity, and net profit margin have strong positive and significant relationships to stock price behavior.

Omodero & Amah (2017) investigated the dividend policy and measured its impact on shareholders' wealth maximization in Nigerian firms (a study of the brewery industry. The result indicated the irrelevance of the dividend policy. From the result, the explanatory variables, the DPS, EPS, and NPM, had no positive impact on the market value per share (MPS), both collectively and individually. The EPS was significant except for the DPS, which did not impact the MPS. The implication is that the growth in stock prices is only sometimes a function of dividend payment.

Hadi et al. (2017) examined the relevance of capital structure theories to the performance of construction firms listed at Bursa Malaysia. Within the Modigliani-Miller and Trade-Off theories framework, this paper uses the generalized method of moments as an estimation model employing yearly panel data over the observed period from 2010 through 2015. The test results indicate that earnings per share, dividends per share, and the debt-equity ratio have no significant relationship with the firm's value, as MPS represents.

Akintola et al. (2019) attempted to find the relationship between capital structure and the firm's value. The study concluded a significant positive association between capital structure and market price per share of Nigerian quoted manufacturing firms, i.e., debt capital has a positive and significant effect on Nigerian manufacturing firms.

Bustani et al. (2021) examined the effect of EPS, price-to-book value (PBV), DPR, and NPM on the MPS. Findings confirmed the significant effect of EPS, PBV, and DPR on stock prices. Meanwhile, the NPM does not significantly affect stock prices in the study period, with an alpha of five percent.

Rahmawati & Hadian (2022) examined the correlation between DER, EPS, PER, and stock prices of consumer goods companies listed on the Indonesia Stock Exchange. The results showed that the DER, EPS, and PER affected stock prices. Also, the research results show that the magnitude of the influence of the debt-equity ratio, earnings per share, and price-earnings ratio in contributing to the effect of stock prices is 98.7 percent.

Pradhan (1993) analyzed the stock market behavior in Nepal based on 17 enterprises from 1986 to 1990. The study shows a positive relation between DPR and profitability as well as DPS and MPS.

Pradhan (2003) examined the relative importance of dividends and retained earnings in determining the stock's market price. He found that dividend payment is more critical than retained earnings in Nepal. The results show a strong dividends effect and a feeble retained earning effect indicating the attractiveness of dividends among Nepalese investors. The findings suggest that the Nepal stock market must still identify the retained earnings' effect.

Chhetri (2008) analyzed variances in the financial position of high and low-dividend-paying companies. The study revealed a positive relationship between dividends and stock prices. The initiation and increase in dividends significantly positively impact the stock price.

Bhandari & Pokharel (2012) examined the financial indicators of eight commercial banks from 1996/97 to 2006/07. They concluded that earnings per share, the market value per share, and the lagged price-earnings ratio in the model estimate the impact on dividend policy. Dividend per share, earning per share, net worth, and market value per share have positive relations.

Bam et al. (2015) revealed that DR has a significant positive impact on the ROA of commercial banks while having a negative relationship with ROE.

Pradhan & Paudel (2017) studied the relationship between fundamental factors and stock prices. For their research, they collected secondary data on financial indicators from 13 commercial banks in Nepal from 2007-2014. The result shows that DPS and EPS are positively related to the stock price, and NPM is negatively related to the stock price.

Ghimire & Mishra (2018) examined the determinants of the stock price of Nepalese commercial banks. The DPS, EPS, P-E ratio, BV, and Market to BV were

dependent variables, and MPS was the independent variable. This study covered 11 businesses in Nepal from 2012-2017, and the results showed that DPS positively affects the stock price. However, EPS was less influential than DPS on the stock price.

Nepal (2016) examined the effect of firm-specific and macroeconomic variables on the share price determination of commercial banks in Nepal. The result shows a positive correlation between the MPS and firm size, EPS, dividend per share, and inflation.

Methodology

Research Design

The research design undertaken in the study consists of descriptive and causal-comparative research design to deal with the fundamental issues associated with monetary policy and lending behavior of Nepalese commercial banks. The relationship between the cost of capital, financial leverage, and growth rate of dividend and market price per share of Nepalese commercial banks was studied using 22 commercial banks spanning eight years from 2010/11 to 2018/19; 198 observations were collected from the research and analyzed.

Population and Sample

As per records from Nepal Rastra Bank, on June 1, 2020, there were 27 commercial banks present in the population. A sample group of 22 commercial banks was selected to explore further.

Nature and Source of Data

This research utilized nine years of secondary data from 22 commercial banks in Nepal from 2010/11 to 2018/19. All the information mentioned comes from Nepal Rastra Bank's Bank Supervision Report and Financial Statistics and the chosen commercial banks' annual reports.

Research Framework and Definition of Variables

The study is related to two aspects: The first aspect is to analyze the impact of the cost of equity on the stock price. The second aspect is to study the relationship between financial leverage and the growth rate of dividends with the stock price of Nepalese commercial banks.

Dependent Variables

Market price per share (MPS). The market price per share determines a company's market capitalization, or "market cap." To calculate it, a company's most recent share price is multiplied by the total number of outstanding shares.

Independent variables

Debt ratio (DR). The debt ratio is calculated by dividing total liabilities by total assets.

The weighted average cost of capital (WACC). The weighted average cost of capital determines the cost of each part of the company's capital structure based on equity, debt, and preferred stock. The company pays a fixed interest rate on its debt and a fixed profit on its preferred stock. A firm does not pay a fixed dividend rate on equity shares; it pays dividends in cash to shareholders.

$$WACC = (We \times Ke) + (Wd \times Kd \times (1 - T))$$

Earning per share (EPS). EPS is calculated by deducting preferred dividends from net income and dividing them by the weighted average common shares outstanding.

Dividend per share (DPS). This study measured DPS as the ratio of the total number of dividends paid out by a company, including interim dividends, over a period divided by the number of shares outstanding.

Net profit margin (NPM). NPM is a financial ratio used to calculate the percentage of profit a company produces from its total revenue. The NPM equals net profit divided by total revenue, expressed as a percentage.

The growth rate of dividends (G). In percentage terms, the dividend growth rate (G) is calculated by subtracting last year's dividend (d_0) from this year's dividend (d_1) and multiplying the dividend by last year's dividend (d_0). The ICAI defines Dividends as "a distribution to shareholders out of profits or reserves available for this purpose."

Conceptual framework

The study is based on the following conceptual framework.

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┌─────────────────────────────────────┐
│  •  Debt ratio (DR)                  │
│  •  The weighted average cost of     │              ┌──────────────────────┐
│     capital (WACC)                   │              │  Market price per    │
│  •  Earning per share (EPS)          │ ────────────▶│  share               │
│  •  Dividend per share (DPS)         │              │  (MPPS)              │
│  •  Net profit margin (NPM)          │              └──────────────────────┘
│  •  Dividend growth rate (G)         │
└─────────────────────────────────────┘
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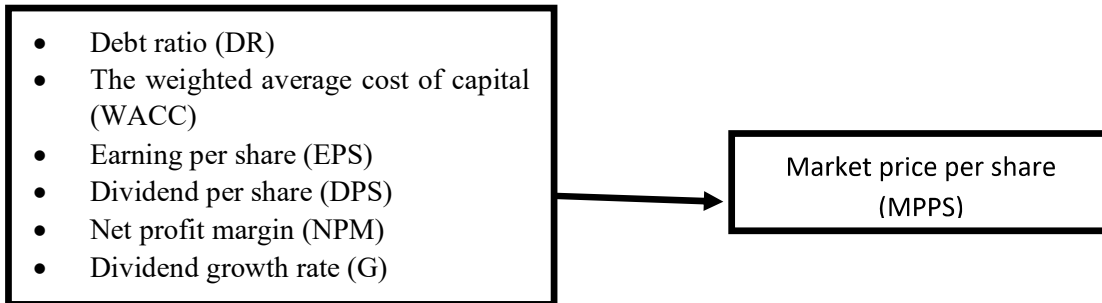
Hypotheses of the Study

The hypotheses are as follows:

H1: There is a positive relationship between debt ratio and market price per share.

H2: There is a positive relationship between the weighted average cost of capital and the market price per share.

H3: There is a positive impact between the growth rate and the market price per share.

H4: There is a positive relationship exists between earnings per share and market price per share.

H5: There is a positive relationship between dividend per share, firm performance, and market price per share.

H6: There is a positive relationship between the net profit margin and the market price per share.

Method of Analysis

The study deals with the descriptive statistics of the sample observations, including the mean, standard deviation, minimum and maximum values of the observations, correlation analyses followed by the stepwise regression analysis. Tests of significance, standard error of estimate, and multicollinearity validated the results. All the observed relationships and findings were analyzed to derive meaningful conclusions regarding the relationship between the cost of equity, financial leverage, and the growth rate of dividends on the market price per share of banks.

Result and Discussion

This section includes brief profiles of the different kinds of data and ratios of the selected twenty-two banks collected and compiled for the study. Then, data are tabulated, analyzed, interpreted, and compared among the banks under study. This chapter delivers the systematic and orderly results of the study in the form of presentation, interpretations, and analysis of the secondary data with various issues associated with the relationship between the cost of capital, financial leverage, the growth rate of dividends, and market price per share of Nepalese commercial banks.

The Properties of Portfolios Formed on Selected Variables

Portfolio formation is a process of constructing portfolios based on different levels of a variable to achieve maximum returns by taking the minimum risk. Portfolio formation is a tool to analyze the performance of enterprises for the best selection. Here, portfolios are formed based on the selected commercial banks' market price per share (MPS). Six levels categorize stock market prices, i.e., less than Rs 250 (< Rs 250), Rs 251 to Rs 500, Rs 501 – Rs 700, Rs 701 – Rs 1000, Rs 1000 – Rs 1500, and more than Rs 1500 (> Rs 1500) to make comfortable for portfolios formation. Some variables, such as MPS, NPM, EPS, DPS, DR, D/E, G, and WACC, are presented with the formed portfolios' frequency distribution, mean, and standard deviation.

Table 1

Summary of properties of portfolio formed on MPS

MPS Rs	<Rs 250	251-500	501-700	701-1000	1000-1500	>1500
Panel A: Means						
MPS	154.86	360.66	605.61	834.95	1266.71	2266.38
NPM	16.39	21.10	24.45	27.60	23.33	30.35
EPS	18.86	22.12	28.33	36.29	64.02	66.48
DPS	7.70	13.95	24.64	37.71	49.21	73.64
DR	85.62	88.14	90.34	89.26	91.87	90.78
G	19.53	19.86	37.57	47.79	0.00	55.13
WACC	6.93	6.05	7.14	7.30	3.06	8.55
Panel B: Standard Deviation						
MPS	87.20	74.13	60.50	71.41	160.47	590.30
NPM	13.06	9.99	9.41	8.42	9.69	5.77
EPS	28.78	15.09	8.81	8.56	22.64	18.19
DPS	12.91	10.78	10.97	15.39	19.31	42.10
DR	5.94	3.46	2.14	3.00	1.07	2.00
G	78.31	48.87	64.29	83.16	0.00	142.41

WACC	12.39	7.35	6.81	7.26	1.00	20.88

It shows details of stock prices and several observations based on different ranges of MPS. Out of 198 observations, the average MPS of the observations of MPS up to Rs 250 is Rs 154.86 followed by Rs 360.66, Rs 605.61, Rs 834.95, Rs 1266.71, and Rs 2266.38 for the corresponding MPS level of Rs 251to Rs 500, Rs 50 – Rs 700, Rs 701 – Rs 1000, Rs 1000 – Rs 1500 and more than Rs 1500 > Rs 1500 respectively. The standard deviation of MPS in different ranges varies from Rs 87.20 to Rs 590.30.

Ranges of stock prices determine the net profit margin. It also shows that NPM increases with the increment of MPS. The research demonstrates a favorable correlation between NPM and MPS. The standard deviation of NPM in different levels of MPS fluctuates from 13.06 to 5.77 percent.

Similarly, it reveals the EPS based on ranges of stock prices. It increases with the increment of MPS. Shows that there is a positive relationship between EPS and MPS. The standard deviation of average EPS in different levels of MPS fluctuated from Rs 28.78 to Rs 18.19. The fluctuation in EPS indicates that there is instability and inefficiency in the performance of Nepalese markets.

It reports that the DPS of Nepalese banks varies from 0.00 to 210.52 percent. It also shows that DPS increases with the increment of MPS. MPS and DPS are positively related.

It shows the level of debt ratio based on ranges of stock prices. It also shows that the debt ratio increases with the increment of MPS but is not linear. The study shows a positive relationship between debt ratio and MPS but it is not linear. It reports that the debt ratio's standard deviation negatively responds to MPS changes. The standard deviation of the debt ratio indicates that the debt ratio is fluctuating.

The study reports that the growth of Nepalese commercial banks varied from 0.00 to 556.79. The study shows a positive relationship between growth rates and MPS. It also indicates that growth rate has a positive relation with MPS. It reports that the standard deviation of growth positively responds to a change in MPS.

It shows that the WACC of Nepalese banks varies from 0.00 percent to 93.10 percent. This table shows that there is a positive relationship between WACC and MPS.

The standard deviation of average WACC in different levels of MPS fluctuated from 12.39 to 20.88. There is decreasing in the standard deviation of WACC as MPS increases.

The study indicates that the NPM, EPS, DPS, DR, G, and WACC increased with the increase in stock market price MPS, which means they have a positive relationship. It also indicates that the higher the dividend per share, the higher the stock's market price.

Similarly, it shows the standard deviation of the variables on different portfolio ranges of MPS. The standard deviation of DPS, G, and WACC increased with an increase in MPS. The standard deviation of NPM, EPS, and DR decreased with the increase in MPS.

Table 2

Descriptive statistics for selected Nepalese commercial banks

Variables	N	Mean	Std. Deviation	Minimum	Maximum
Market price per share (MPS)	198	574.82	600.92	0.00	3600
Net profit margin (NPM)	198	21.76	11.32	0.00	70.75
Earnings per share (EPS)	198	28.72	24.28	0.00	198.53
Dividend per share (DPS)	198	22.35	25.16	0.00	210.52
Debt ratio (DR)	198	88.18	4.6	56.21	95.11
The growth rate of dividends (G_	198	27.33	74.49	0.00	556.79
The weighted average cost of capital	198	6.68	10.41	0.00	93.10

The result shows the descriptive statistics of dependent and independent variables for the selected commercial banks. During the study period, the average market price per share ranges from Rs 0 to Rs 3600.00, leading to an average of Rs574.82. The net profit margin of the selected banks varies from a minimum of 0.00 percent to a maximum of 70.75 percent, with an average of 21.76 percent. The earnings per share has a minimum value of Rs 0.00 and a maximum value of Rs 198.53, with a mean of Rs 28.72. The dividend per share has a minimum value of 0.00 percent and a maximum value of 210.52 percent, with a mean of 22.35 percent. Likewise, the debt ratio has a minimum value of 56.21 percent and a maximum value of 95.11 percent, leading to an average of 88.18 percent.

Similarly, the growth rate of dividends of the banks ranges from 0.00 percent to 556.79 percent leading to an average of 74.49 percent. Likewise, the bank's average cost

of capital is 6.68 percent, with a minimum of 0.00 percent to a maximum value of 93.10 percent.

Correlation analysis

This section presents the findings and analyses of the correlation analysis. Correlational analyses investigate the magnitude and direction of the relationship between the market cost per share and financial leverage, cost of equity & and rate of dividend growth for banks. The table lists the descriptive statistics, the calculated Pearson correlation coefficients, and the findings.

Table 3

Pearson's correlation matrix for the dependent and independent variables during the period 2010/11 to 2018/19

	MPS	NPM	EPS	DPS	DR	D/E	G	WACC
MPS	1							
NPM	.351**	1						
	.000							
EPS	.552**	.297**	1					
	.000	.000						
DPS	.745**	.314**	.527**	1				
	.000	.000	.000					
DR	.317**	.120	.211**	.192**	1			
	.000	.092	.003	.007				
	.151*	.070	-.023	.426**	-.005	-.027		
G	.034	.330	.751	.000	.942	.710	1	
	.004	.383	.744	.000	.391	.865	.000	
WACC	.052	-.002	-.084	.359**	-.090	-.134	.949**	1
	.464	.979	.240	.000	.206	.060	.000	

**. Correlation is significant at the 0.01 level (2-tailed).*
. Correlation is significant at the 0.05 level (2 -tailed).

The result shows that the growth rate of dividends and market price per share are positively correlated, which indicates that the higher the growth rate of dividends higher the market price per share. The results are consistent with those of Vijayakumar (2010).

Similarly, the positive relationship between dividend per share and market price per share reveals that the higher the dividend per share, the higher the market price per

share. This finding is consistent with that of Singhania (2006), Omodero, and Amah (2017) and is inconsistent with Silwal & Napit (2019), Arshad et al. (2015), and Vijayakumar (2010). Similar to how market price per share positively correlates with earnings per share. The higher the earnings per share, the higher the market price. These results are consistent with Kumar (2017), Innocent et al. (2011), and Ogolo (2012). Likewise, the net profit margin has a positive relationship with the market price per share, showing that the larger the net profit margin of banks, the higher the would-be market price per share. The finding is inconsistent with the finding of Murniati (2016c), who states that there is no impact of NPM on MPS. And consistent with the findings of Hunjra (2014) and Anwaar (2016). The positive relation between debt ratio and market price per share reveals that the higher the debt ratio, the higher the market price per share. This finding is consistent with that of Shadab & Sattar (2015) and is inconsistent with Collins et al. (2012) and Murniati (2016c).

Similarly, the weighted average cost of capital has a direct positive relation with the market price per share. The market price per share shows that the market price per share increases as the weighted average cost of capital increases. This finding is consistent with that of Barakat et al. (2014).

Table 4

Regression of cost of capital, financial leverage, and growth rate of dividend on the market price per share

The model is:

$$MPS = a + \beta_1 EPS + \beta_2 NPM + \beta_3 DPS + \beta_4 DR + \beta_5 WACC + \beta_6 G + e_i ---III$$

MODEL	INTERCEPTS	Regression coefficient						Adjusted R^2	SEE	F
		EPS	NPM	DPS	DR	WACC	G			
1	-1292.178	2.988	3.872	16.202	16.240	-21.362	1.701	0.637	362.24	58.524
	0.019	0.028	0.123	0.000	0.009	0.011	.150			
2	-2327.250	11.200	10.213	-	26.742	-	-	0.370	476.839	39.622
	.001	.000	.001		.001					
3	-1949.023	11.07	8.572	-	23.257	-21.236	4.029	0.399	465.912	27.143
	.006	.000	0.007		.003	.049	.008			
4	-3129.507		16.806		38.538	4.545		.193	539.686	16.747
	.000		.000		.000	0.222				
5	-2421				34.965	-39.348	6.442	0.154	552.757	12.942
	.004				.000	.002	.000			

Note: Figures in parentheses are t-values.
** Correlation is significant at the 0.01 level (2-tailed).
* Correlation is significant at the 0.05 level (2 -tailed).

The table shows the regression result in terms of market price per share. The regression of cost of capital, financial leverage, and growth rate of dividend on the market price per share reveals that the beta coefficient for WACC is negative, but earning per share, dividend per share, net profit margin, debt ratio, and growth have a positive beta coefficient. Indicates that the higher the WACC, the lower the market share price.

The result shows that the growth rate of the dividend and the market price per share are positively correlated, which indicates that the higher the growth rate of the dividend, the higher the market price per share. This result is consistent with those of Vijayakumar (2010). Similarly, the correlation between the market price per share and the dividend per share is positive, showing that the market price increases with the dividend per share. This finding is consistent with the findings of Singhania (2006) and Omodero & Amah (2017) and is inconsistent with Silwal & Napit (2019), Arshad et al. (2015) and Vijayakumar (2010)). Similarly, market price positively interacts with earnings per share. It indicates that higher the earning per share, the higher would be the market price per share. The finding is consistent with the finding of Kumar (2017), Innocent et al. (2011), and Ogolo (2012). Likewise, the net profit margin has a positive relationship with the market price per share, showing that the larger the net profit margin of banks, the higher would be market price per share. The finding is inconsistent with the finding of Murniati (2016c), who states that there is no impact of NPM on MPS and consistent with the findings of Hunjra (2014) and Anwaar (2016). The correlation between the market price per share and the debt ratio is positive, indicating that the market price per share increases as the debt ratio increases. This finding is consistent with the finding of Shadab & Sattar (2015) and is inconsistent with Collins et al. (2012) and Murniati (2016c). Similarly, the weighted average cost of capital has a direct positive relation with the market price per share. The market price per share demonstrates that the market price per share increases directly to the weighted average cost of capital. This outcome agrees with that of Barakat et al. (2014).

Similarly, the weighted average cost of capital has a direct positive relation with the market price per share. The market price per share demonstrates that the market price per share increases directly to the weighted average cost of capital. This outcome agrees with that of Barakat et al. (2014).

Finally, the study concludes that the weighted average cost of capital, dividend per share, net profit margin, the growth rate of dividends, and debt ratio, in the model estimate the MPS. The EPS, DR, WACC, NPM, DPS, and G positively impact MPS. The overall analysis shows that the stock market of Nepal is still growing to mature, and the dividend policy of commercial banks in Nepal is following standard norms and practices.

Concluding Remarks

This study sought to determine the relationship between the cost of capital, financial leverage, and the growth rate of dividends on the market price per share of Nepalese commercial banks for the period (2010/11-2018/19), using multiple linear regression analysis. Moreover, the study showed a positive statistically significant effect on debt ratio, net profit margin, the weighted average cost of capital, earnings per share, dividend per share, and growth rate of dividend on the market price per share (dependent variable). The average MPS of all Nepalese banks is Rs 574.82. A significant positive correlation exists between MPS and DR, G, WACC, EPS, NPM, and DPS. The study concludes that the MPS and DR, G, WACC, EPS, NPM, and DPS have significant positive relations, and the variation of the model was explained with 0.63 percent.

It also concludes that market price per share effectively attracts and retains current investors. Therefore, enterprises must respect investors' expectations and decide on dividends accordingly. The growing financial markets of Nepal have created an environment for establishing new business enterprises. This growth in the number of enterprises has increased their attractiveness. Therefore, business enterprises in different sectors must be competitive and systematic in returns. Since the investors are also critical of the security of their investment, better financial indicators of the enterprises help investors secure their investment. However, the growing financial sector in recent years with the increasing number of business firms has increased the scope of examining the returns and MPS and contributing to acclaim policy agenda that can help improve the country's economy.

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