"Effect of Firm-specific and Macroeconomic Variables on Share Price of Commercial Banks in Nepal"

*Manoj Kumar Chaudhari**

Abstract

The purpose of this study is to investigate how macroeconomic and firm-specific factors affect Nepal's commercial banks' share prices. The study's independent variables are company size (SIZE), earnings per share (EPS), return on assets (ROA), dividend per share (DPS), inflation (INF), interest rates (IR), and gross domestic product (GDP). The dependent variable is market price per share (MPS). The study makes use of secondary panel data encompassing ten major commercial banks over a ten-year period, from the fiscal year 2013–14 to 2023–24. To ensure systematic and insightful analysis, descriptive statistical tools, ratio analysis, correlation, and regression tests were employed. The results show that EPS and MPS have a strong and statistically significant positive association, indicating that profitability is a major factor in determining stock prices and investor perceptions. Likewise, DPS and Inflation (INF) have positive impact on MPS. Conversely, ROA has a significant negative effect on MPS. On the other hand, variables such as firm size (SIZE), interest rates (IR), and GDP do not show a significant impact on MPS, implying that investors tend to focus more on firm-specific factors like EPS and DPS rather than broader macroeconomic indicators or the bank's overall size. In conclusion, EPS emerges as a crucial determinant of MPS, underscoring the importance of profitability in enhancing market valuation.

Keywords: *Firm-specific, macroeconomic, earnings per share, return on assets, dividend per share, inflation, interest rates, gross domestic product, market price per share, panel data encompassing, correlation, regression.*

Manoj Kumar Chaudhari*
MBS-F Scholar of Lumbini Banijya Campus
Tribhuvan University, Butwal, Nepal
**Corresponding author*

I. Introduction

Because it facilitates capital generation and promotes economic growth through the trading of securities, the stock market is essential to economic development. It makes it possible for money to be collected, for risk to be distributed, and for firms and investors to exchange wealth. The stock market contributes to economic activity by directing resources toward high-potential investments, and investors base their choices on changes in stock prices (Nisa & Nishat, 2011).

In addition to encouraging innovation and improving company efficiency, equity markets are a vital source of funding for sustained economic stability. Additionally, governments utilize stock markets to generate revenue through the privatization of state-owned enterprises. Individual investors also benefit from equity investments, particularly as pension systems increasingly shift toward private sector management. As a result, equities continue to be an essential component of the global financial system (Mosley & Singer, 2008).

 © Manav Utthan Society, India

Serving as a reflection of the broader economy, the stock market contributes to economic progress by channeling capital into sustainable and productive investments. It is instrumental in directing financial resources to sectors with high growth potential, reinforcing its importance in economic expansion (Kurihara, 2006). Industrial and commercial development, strongly supported by stock market activities, has a profound influence on the economy. Consequently, financial institutions, governments, corporations, and policymakers closely track market performance. By converting individual savings into productive business investments, the stock market ensures liquidity, investment security, and market accessibility. A well-regulated capital market plays a pivotal role in sustainable economic growth by providing long-term financial resources in exchange for securities (Ghimire & Mishra, 2018).

One important tactic for making significant returns is investing in equities shares. Since supply and demand dynamics cause stock values to change, there is no foolproof way to forecast these movements. The three main factors influencing stock price changes include technical factors, fundamental factors, and market sentiments. Gaining insight into these elements helps investors make well-informed choices and allows firms to enhance their market valuation (Bhattarai, 2014).

Several aspects influence security prices, including company-specific and industry-specific conditions, alongside broader economic factors. Stock prices are shaped by macroeconomic trends, national and global economic shifts, political and social events, market sentiment, anticipated economic growth, and monetary and fiscal policies (Singh, 2010). The stock market not only reflects current economic conditions but also indicates future growth potential by evaluating sectoral expansion. It functions as an economic indicator, instantly responding to decisions made by financial and political institutions.

The stock market's fundamental role is to provide a platform for the trading of shares and securities issued by publicly listed companies (Monther & Kaothar, 2010). Fluctuations in stock prices arise from three major influences: market sentiment, technical trends, and fundamental performance, each affecting supply and demand (Ebrahimi, 2011). A company's financial health is assessed using various financial ratios derived from its statements. Important factors that affect stock prices include earnings per share, return on assets, net profit margin, price-to-earnings ratio, dividend payout ratio, basic earning capacity, earnings, and beta.

Research in Nepal shows that stock returns and firm size are positively correlated, whereas stock returns and market-to-book value are inversely correlated. By facilitating well-informed decision-making, a deeper comprehension of the factors that influence stock prices benefits a variety of stakeholders, including investors, company management, and legislators. The main goal of this study is to determine the key elements influencing stock price movements in the area by analyzing the effects of firm-specific and macroeconomic factors on share price determination in Nepal's commercial banking industry.

There are several reasons why the study "Effect of Firm-Specific and Macroeconomic

Variables on Share Price Determination of Commercial Banks in Nepal" is so important. Both internal and external variables impact share prices in the banking industry. While macroeconomic factors like inflation, interest rates, and GDP growth significantly affect price swings, firm-specific factors like company size, profits per share (EPS), return on assets (ROA), and dividend per share (DPS) are also quite important. Understanding the relationship between these factors and share prices provides valuable insights into stock market dynamics. For investors, this knowledge facilitates better decision-making by allowing them to evaluate stocks based on internal performance and external economic conditions. Regulators and policymakers can utilize these findings to understand how macroeconomic indicators impact share prices, aiding in the formulation of policies that promote financial market stability. Additionally, bank management can leverage insights from firm-specific determinants to implement strategies that enhance shareholder value. In Nepal's context, where economic and regulatory frameworks differ from other markets, this study helps bridge gaps in existing literature by offering country-specific perspectives. Given that macroeconomic stability is crucial in developing economies like Nepal, understanding how broader economic variables affect share prices is essential for predicting market trends and optimizing banking strategies. Therefore, this research is valuable to a diverse group of stakeholders, including investors, policymakers, regulators, bank executives, and academic researchers.

Statement of Problem

Stock prices experience fluctuations over time, with the degree of volatility differing across various periods. Several factors contribute to these price changes, prompting individuals engaged in the capital market to seek explanations for these movements (Eraker, 2004). Price volatility in the stock market is a common occurrence, with fluctuations happening even under similar economic conditions. While multiple factors influence these price changes, significant variations and time-sensitive volatility introduce uncertainty for investors, posing challenges for policymakers and government authorities (Thapa, 2019).

Pradhan (2016) investigated how Nepalese commercial banks' stock values were impacted by macro and microeconomic factors. Investors should consider bank-specific factors such return on assets, price-to-earnings ratio, earnings per share, dividend per share, and business size, according to the study's findings. When making investment decisions, one should also consider macroeconomic variables such as the money supply, inflation, and gross domestic product.

Although extensive research has been conducted on stock price determinants, there is no unanimous agreement on the findings. Despite numerous studies aimed at identifying the factors influencing share prices, the topic remains a subject of debate among finance scholars and professionals. Thus, the purpose of this study is to investigate the main variables that could affect Nepalese commercial banks' share values. Thus, the following concerns are addressed in this study:

- Is there any relationship between SIZE, Earning per share (EPS), Return on asset (ROA), Dividend per share (DPS), Inflation (INF), Interest rate (IR), Gross domestic Product (GDP) and Market price per share (MPS)?
- Do the SIZE, Earning per share (EPS), Return on asset (ROA), Dividend per share (DPS), Inflation (INF), Interest rate (IR), Gross domestic Product (GDP) affect Market price per share (MPS)?

Examining the impact of firm-specific and macroeconomic factors on the determination of commercial banks' share prices in Nepal is the main goal of this study. The particular goals of this research are:

- To measure the relationship between SIZE, Earning per share (EPS), Return on asset (ROA), Dividend per share (DPS), Inflation (INF), Interest rate (IR), Gross domestic Product (GDP) and Market price per share (MPS).
- To examine the effect of SIZE, Earning per share (EPS), Return on asset (ROA), Dividend per share (DPS), Inflation (INF), Interest rate (IR), Gross domestic Product (GDP) on Market price per share (MPS).

Based on the objectives following hypothesis to be tested:

H1: MPS is significantly impacted by size.
H2: MPS is significantly impacted by EPS.
H3: MPS is significantly impacted by ROA.
H4: MPS is significantly impacted by DPS.
H5: MPS is significantly impacted by INF.
H6: MPS is significantly impacted by IR.
H7: MPS is significantly impacted by GDP.

II. Review of Literature

Lamsal (2024) investigated the factors affecting Nepalese commercial banks' stock prices, concentrating on examining changes in their share values. Using secondary data from the annual reports of seven chosen commercial banks, the Nepal Stock Exchange (NEPSE), and other financial institutions, the study used a descriptive and causal-comparative research approach. The results showed that while DPS had a negative association with MPS, MPS had a positive correlation with EPS, P/E ratio, and BVPS. The results indicated a strong positive connection between the independent variables (EPS, DPS, BVPS, and P/E ratio) and the dependent variable (MPS). The P/E ratio showed the least change over the research period, whereas MPS saw the most notable swings. The study also found a significant positive association between the stock prices of commercial banks and their BVPS, EPS, DPS, and P/E ratios.

Chhetri (2023) investigated the main factors influencing Nepal's commercial banks' stock prices. Market price per share was determined to be the dependent variable in the study, whereas company size, return on assets, book value per share, earnings per share, and the price-earnings ratio were the independent factors. External macroeconomic variables like real gross domestic product, inflation, and the broad money supply were also looked at. During the eleven-year period from 2012 to 2022, the study collected data from the annual reports of a few chosen banks as well as the financial statistics of Nepal Rastra Bank. A descriptive and causal study methodology was used, and multiple regression models were used to

assess the influence of firm-specific characteristics on share prices using panel data from thirteen commercial banks. The results showed that while business size had a little impact on stock prices, earnings per share, price-earnings ratio, book value per share, and return on assets all had a considerable impact. When investing in commercial banks' equities, the study suggested that investors take into account variables such as inflation, ROA, P/E ratio, and BVPS.

The impact of firm-specific factors on stock returns in Nepalese commercial banks was investigated by Shrestha and Lamichhane (2022). Firm size, book-to-market equity ratio, earnings yield, dividend yield, return on assets, earnings per share, and sales per share in relation to stock price were among the several explanatory factors taken into account in the study. The study found that while higher earnings yield, return on assets, and sales per share in relation to stock price were linked to poorer stock returns, boosting dividend payment and earnings per share could improve stock returns. The results indicated that while earnings yield, ROA, and sales per share in relation to stock price had a negative effect on stock returns, dividend payout and EPS have a favorable effect.

The factors influencing market share pricing for Nepalese commercial banks between 2013–14 and 2017–18 were examined by Bhattarai (2020). Twelve commercial banks provided secondary panel data for the study using realistic sample approaches, while Nepal's Ministry of Finance economic survey provided the macroeconomic data. The study used pooled OLS and Fixed Effects models based on diagnostic tests and a variety of research techniques, such as descriptive, correlational, and causal-comparative analysis. The results showed that while dividend yield and earnings per share had a positive and statistically significant impact on market share price, the dividend payout ratio had a negative and statistically significant effect. The market share price, however, was not significantly impacted by factors like bank size, inflation rate, or GDP growth rate. In order to avoid negative effects on stock prices, the study advised commercial bank management to concentrate on optimizing bank-specific features.

Chowdhury et al. (2019) investigated the connection between a number of variables and changes in the share prices of banking and non-banking financial institutions in Bangladesh's financial industry. The study evaluated firm size, dividend, earnings per share (EPS), net asset value (NAV), price-earnings ratio (P/E), and dividend payout ratio. The study examined 18 non-bank financial companies and 30 banks that were listed between 2011 and 2015 on the Dhaka Stock Exchange (DSE). The study discovered that many factors influenced the stock prices of banks and non-banking financial institutions using multiple regression analysis with SPSS 20. The following factors significantly predicted stock prices for banks: dividend, P/E, NAV, EPS, dividend payout ratio, and size. On the other hand, the most significant factors for non-bank financial institutions were dividend, P/E, dividend payout ratio, and NAV. Nepal (2018) investigated the effects of macroeconomic and firm-specific factors on the pricing of commercial bank shares in Nepal from 2009–10 to 2015–16. With share price (both market price and stock return) as

the dependent variable, the study took into account factors including business size, ROA, EPS, DPS, GDP, interest rates, and inflation rates. The Securities Board of Nepal (SEBON), the Nepal Stock Exchange (NEPSE), Nepal Rastra Bank (NRB), and the annual reports of a few chosen banks were among the sources from which the data was gathered. The analysis, covering 105 observations from 15 commercial banks, revealed that interest rates were inversely related to share prices. In contrast, business size, EPS, ROA, DPS, GDP, and inflation exhibited positive relationships with stock prices. Additionally, stock returns displayed a negative connection with ROA, inflation, and interest rates but were positively linked to business size, EPS, DPS, and GDP. Variations in beta coefficients were also discovered by the study; some indicators had a beneficial effect on market price, while others had a negative effect on stock returns.

Shyam and Gautam (2017) investigated the relationship between dividend policy and share price volatility in Nepalese commercial banks using data from 18 banks spanning five years (2009–2014). The study found that dividend distribution had a negative impact on share price volatility and that higher dividend payouts reduced price fluctuations. Conversely, there was a positive relationship between stock price volatility and earnings volatility. According to other research, firm size and dividend yield were major factors in stock price volatility. The study came to the conclusion that while more earnings volatility may cause more market volatility, keeping bigger dividend payouts may help stabilize stock prices.

Bhattarai (2016) conducted research to identify the variables influencing the share prices of commercial banks listed on the Nepal Stock Exchange Limited between 2006 and 2014. The study evaluated data from specific institutions' annual reports using a regression model. The results showed that while dividend yield had a negative link with share prices, EPS and the P/E ratio had a large favorable impact. According to the study's findings, dividend yield, P/E ratio, and EPS are the primary determinants of share prices in Nepalese commercial banks.

Almumani (2014) sought to identify the financial determinants affecting stock prices for banks listed on the Amman Stock Exchange between 2005 and 2011 by employing a linear multiple regression technique. The analysis revealed that EPS had a substantial positive correlation with market price, and that book value and the P/E ratio were favorably connected with market price. But the study also discovered that lower market prices were associated with larger banks.

Masum (2014) used data from 30 banks that were listed on the Dhaka Stock Exchange between 2007 and 2011 to investigate the connection between excess stock market gains and dividend policy in the banking sector. The study examined the relationship between stock returns and dividend policy of private commercial banks in Bangladesh. The panel data analysis's findings demonstrated that stock prices and the retention ratio, ROE, and EPS all had a positive correlation that helped to explain price swings. Conversely, dividend yield and profit after taxes had a statistically insignificant but unfavorable effect on stock

prices. The study concluded that dividend policy has a considerable impact on changes in stock prices.

Irandoost (2013) offered insights into how dividend distributions might sometimes conflict with shareholders' long-term interests. The study argued that distributing profits through dividends reduces a company's liquidity and total assets, potentially increasing reliance on external funding. If a firm struggles to secure external capital, its growth potential may be restricted. While dividend payments benefit shareholders in the short term, excessive distributions may limit a company's ability to reinvest and expand. The research suggested that an optimal dividend policy should strike a balance between maximizing shareholder wealth and ensuring sustainable growth.

Aurangzeb (2012) looked analyzed data from Pakistan, India, and Sri Lanka from 1997 to 2010 in order to determine the factors influencing the performance of the South Asian stock market. According to the study, foreign direct investment (FDI) and exchange rate fluctuations greatly enhanced the performance of these countries' stock markets. Conversely, stock markets were negatively impacted by interest rates and inflation, but the latter effect was not statistically significant. The study emphasized the importance of macroeconomic stability and recommended policies that effectively manage inflation and interest rates to improve market conditions. Additionally, it suggested providing incentives to attract foreign investors, recognizing their critical role in driving stock market growth in the region.

Sharma (2011) investigated the relationship between share prices and financial variables such as book value per share, dividend per share, earnings per share, price-earnings ratio, dividend yield, dividend payout, sales size, and net worth from 1993–1994 to 2008–2009. The investigation found that book value per share, dividend per share, and earnings per share were the three factors that most significantly impacted share prices. The requirement for companies to have consistent dividend policy was further supported by the finding that the two best indicators of stock prices were DPS and EPS. Additionally, a higher book value per share was associated with greater investor confidence due to its reflection of a company’s financial stability. These findings suggest that investors should prioritize these financial indicators when making investment decisions.

Okafor and Mgbame (2011) examined how growth opportunities affect stock price fluctuations. Their study found that firms with strong growth potential tend to experience higher price volatility compared to companies with limited asset growth. However, larger firms showed lower volatility in stock prices. Additionally, the study found that dividend yield and stock prices were negatively correlated, but the retention ratio had a statistically negligible negative impact. Furthermore, stock prices were positively impacted by return on equity and earnings per share, whereas stock prices were significantly impacted negatively by profit after tax, especially in Bangladesh's commercial banking industry. Hussainey (2010) also found that there was a positive correlation between changes in stock price and dividend yield, but a negative correlation between changes in stock price and the

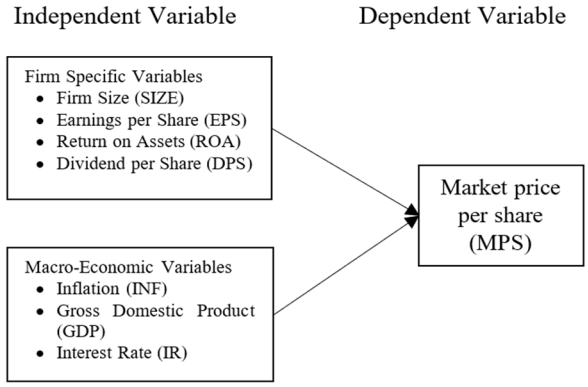
dividend payment ratio. The investigation emphasized that key elements impacting changes in UK stock values were business size, debt structure, profitability, and growth potential. Furthermore, it was discovered that the dividend payout ratio significantly influenced stock price volatility, with business size and debt levels having the largest effects on price swings.

Theoretical Framework and Definition of Variables

The theoretical framework illustrates the relationship between the dependent and independent variables. When creating the different variables for this study, a number of theories were considered.

Figure 1

Research Framework



Note. Nepal (2018)

III. Research Methodology

This study uses both descriptive and casual comparative research design. Descriptive statistics, which include metrics like mean, standard deviation, minimum, and maximum values, are used in the study to summarize the characteristics of the data. The causal comparative research design is used to analyze the correlation coefficient and regression analysis of the sampled banks. Secondary data, or information obtained from sources other than the original researcher, made up the majority of the data used in this study. The key data sources include published financial statements of selected banks. Additionally, relevant information has been gathered from various institutions and regulatory bodies, such as Nepal Rastra Bank, the Ministry of Finance, departmental and central libraries, and authoritative websites. Supplementary insights have also been drawn from economic journals, periodicals, magazines, and other academic and professional publications. A thorough overview of the sampled banks, the study period, and the observations is given in Table 1.

Table 1

Sample Banks

S.N	Name of commercial Banks	No. of Observation	Symbols
1	Everest Bank Limited	10	EBL
2	Standard Charter Bank Limited	10	SCB
3	Nepal SBI Bank Limited	10	SBI
4	NMB Bank Limited	10	NMB
5	Himalayan Bank Limited	10	HBL
6	Siddhartha Bank Limited	10	SBL
7	Agricultural Development Bank Limited	10	ADBL
8	Nabil Bank Limited	10	NABIL
9	Laxmi Sunrise Bank Limited	10	LSL

10	Machhapuchchhre Bank Limited	10	MBL
	Total no of observation	100	

Model Specification

For regression model is designed as independent variables are Firm size, Earning per share (EPS), Return on asset (ROA), Dividend per share (DPS), Inflation (INF), Interest rate (IR), Gross domestic Product (GDP) and Market price per share (MPS) is taken as dependent variable. Multiple linear regression analysis is essentially similar to the simple linear model, with the exception that multiple independent variables are used in the model.

The Model

Model 1:

$$MPS=\alpha+\beta1SIZEit+\beta2EPSit+\beta3tROAit+\beta4DPSi+\beta5\ INFit+\beta6\ IRit+\beta7GDPit+e$$

Where

MPS=Market price per share
SIZE= Firm Size
EPS= Earning per share
ROA=Return on Assets
DPS=Dividend per share
INF=Inflation Rate
IR=Interest Rate
GDP=Gross Domestic Product (GDP)
β0 represent the constant term
β1, β2, β3, β4, β5 and β6 represent regression coefficient to be estimated
i denotes individual Commercials Banks in Nepal
t = time; and
e = error term

IV. Results and Analysis

Descriptive Statistics of Research Variables

Descriptive statistics is a branch of statistics that focuses on analyzing and summarizing data to a clear and concise overview of its key characteristics. In this study, statistical tools were used to analyze variables such as ROA, ROE, DAR, STDR, LTDR, DER, and ICR, with a focus on key measures like the minimum, maximum, mean, and standard deviation. These summary statistics are presented in table 2.

Table 2 - *Descriptive Statistics of Research Variables*

	N	Minimum	Maximum	Mean	Std. Deviation
MPS	100	173.0	3600.0	665.17	618.85
SIZE	100	24.53	27.05	25.69	.54
EPS	100	5.72	78.83	27.45	13.89
ROA	100	.35	3.46	1.49	.55
DPS	100	.00	105.26	19.34	15.15
INF	100	3.60	9.93	5.96	1.84
GDP	100	-2.40	8.60	3.91	3.18
IR	100	6.54	10.47	8.92	1.33
Valid N (listwise)	100				

Table 2 shows the Descriptive Statistics of Research Variables are MPS, SIZE, EPS, ROA, DPS, INF, GDP and IR. These variables analyzed from minimum value, maximum value, mean and standard deviation from 100 observation. The minimum value indicates 0 in dividend per share and maximum value indicates 3600 in market price per share. The average value high in market price per share i.e. 665.17 and lowest in return on asset i.e. 1.49. Standard deviation is high in market price per share i.e. 618.85 which is grater variability and less in return on asset i.e. 0.55 which is lower variability indicates to nearest the mean point of data set.

Inferential Statistics

This study examines effect of firm-specific and macroeconomic variables on share price of Nepalese commercial banks, using data from a ten-year period, from the fiscal year 2014/15 to 2023/24 and a 100 observation of 10 commercial banks. Correlation analysis is employed to assess the direction of the relationship between the dependent and independent variables, along with regression analysis.

a.Correlations Between Independent Variables with MPS

A positive Karl Pearson's correlation coefficient suggests that as one variable increases, the other tends to increase as well, indicating a direct relationship. Conversely, a negative correlation means that an increase in one variable is associated with a decrease in the other. The strength of the correlation is important: values close to +1 or -1 indicate a strong relationship, while values near 0 imply a weak or no relationship. This concept helps in understanding the relationships between dependent and independent variables.

Table 3 - *Correlations*

	SIZE	EPS	ROA	DPS	INF	GDP	IR	MPS
SIZE	1	-.306**	-.427**	-.332**	-.170	-.092	.324**	-.325**
EPS		1	.741**	.586**	.230*	.018	-.240*	.627**
ROA			1	.502**	-.045	.241*	-.023	.349**
DPS				1	.129	.074	-.260**	.744**
INF					1	-.640**	-.384**	.365**
GDP						1	.508**	-.117
IR							1	-.426**
MPS								1

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

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

Table 3 shows relationship between various independent variables with MPS. There negative correlation between Firm Size (SIZE) and MPS (-0.325) which is significant at the 0.01 level, positive connection between EPS and MPS (0.627) which is significant at the 0.01 level, strong positive association (0.349) between MPS and ROA at the 0.01 level, Dividend Per Share (DPS) has the largest positive correlation with MPS (0.744)

which is significant at the 0.01 level, Inflation Rate (INF) is positively correlated with MPS (0.365) which is significant at the 0.01 level, Gross Domestic Product Growth Rate (GDP) has a weak, negative, and insignificant correlation with MPS (-0.117) indicating that overall economic growth does not directly impact share prices and At the 0.01 level, the moderately negative correlation (-0.426) between IR and MPS is significant.

b. Regression Analysis

The findings are based on data from 100 observations from 10 chosen banks between 2014–15 and 2023–24. $\alpha+\beta1SIZEit+\beta2EPSit+\beta3tROAit+\beta4DPSi+\beta5\ INFit+\beta6\ IRit+\beta7GDPit+e$ is the model. Here SIZE, EPS, ROA, DPS, INF, GDP, and IR are the independent variables and MPS is the dependent variable.

Table 4 - *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.841[a]	.708	.686	346.9868

a. Predictors: (Constant), IR, ROA, INF, SIZE, DPS, GDP, EPS)

The correlation between the actual and predicted values of the dependent variable, Market Price of Shares (MPS), is illustrated by the R value (0.841), indicating a robust positive relationship. The R Square value (0.708) reveals that the independent variables (SIZE, EPS, ROA, DPS, INF, GDP, and IR) explain 70.8% of the variability in MPS. The Adjusted R Square (0.686), which is slightly lower than R Square, considers the number of variables included in the model. The Standard Error of the Estimate (346.9868) signifies the average discrepancy between the actual values and the regression line. This figure indicates that the model's forecasts are relatively close to the real MPS values; however, a smaller standard error would suggest a more accurate fit.

c. Coefficients Regression Analysis

Table 5 - *Coefficients Regression Analysis*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1601.345	2110.626		.759	.450		
	SIZE	-47.691	81.854	-.042	-.583	.562	.601	1.663
	EPS	18.005	4.488	.404	4.012	.000	.313	3.199
	ROA	-291.234	110.243	-.263	-2.642	.010	.320	3.126
	DPS	22.723	2.963	.557	7.670	.000	.603	1.658
	INF	58.988	27.824	.175	2.120	.037	.464	2.156
	GDP	16.122	17.547	.083	.919	.361	.389	2.572
	IR	-70.089	36.057	-.151	-1.944	.055	.523	1.913

a. Dependent Variable: MPS

Table 5 show the regression coefficient of the Model presents the results with MPS as the dependent variable. The analysis shows that EPS and DPS have a significant positive impact on MPS, with both having p-values of 0.000, indicating they are statistically significant. INF and GDP also shows a positive relationship with MPS, with a p-value of 0.037 and 0.361 respectively, making it significant as well. However, SIZE, ROA and IR does not significantly affect MPS, as its p-value of 0.562, 0.010 and 0.055 respectively, SIZE and IR exceeds the typical significance level of 0.05 but significance level of ROA is less than 0.05 so it has moderate negative impact. These results suggest that EPS and DPS are the most important factors influencing MPS in this model, while ROA and IR appears to have little to no impact.

V. Discussion

This study aims to evaluate how certain factors to firms, along with broader economic conditions, influence the determination of share prices for commercial banks in Nepal. The firm-specific factors include Firm Size (SIZE), Earnings per Share (EPS), Return on Assets (ROA), and Dividends per Share (DPS), while the macroeconomic considerations consist of the Inflation Rate (INF), Gross Domestic Product Growth Rate (GDP), and Interest Rate (IR). The key variable examined is the Market Price per Share (MPS).

The findings indicate that the Market Price per Share (MPS) is significantly and positively influenced by Earnings per Share (EPS), implying that firms with higher EPS are perceived more favorably by the market. There is also a positive correlation between price per share (MPS) dividend per share (DPS), indicating that perceive higher dividend distributions as a sign of robust financial health. MPS is significantly impacted negatively by return on assets (ROA), indicating that investors may place a higher priority on other financial metrics than asset efficiency in this situation. MPS and inflation (INF) have a strong positive correlation, indicating that rising nominal profits or asset values drive share price increases during inflationary times.

Bhattarai (2020) and Chhetri (2023) indicate that there is no statistically significant link between Firm Size (SIZE) and MPS. Conversely, Sharif et al. (2015) and Lama (2016) note that in certain markets, a positive and significant association exists between the size of a business and MPS. According to research like Eva Dwi Astutik et al. (2015), interest rate (IR) has no discernible effect on MPS. On the other hand, interest rates and stock market performance in different locations were found to be significantly correlated negatively by Aurangzeb (2012) and Nepal (2018). In agreement with Bhattarai (2020) and Aurangzeb (2012), the Gross Domestic Product Growth Rate (GDP) does not exhibit a statistically significant impact on MPS. Research conducted in Nepal in 2018 and by Lama in 2016 presents a contrasting view, revealing a positive correlation between GDP growth and MPS. This suggests that a developing economy can enhance stock market performance and increase corporate profits.

VI. Conclusion and Implication

Conclusion

The findings of the research indicate that Earnings per Share (EPS) have a significant and statistically meaningful positive effect on the Market Price of Shares (MPS). In a similar vein, MPS is significantly positively impacted by Dividend per Share (DPS), highlighting the fact that companies with higher dividend payments typically have higher market valuations. Additionally, MPS is significantly positively impacted by inflation (INF), suggesting that rising inflation is linked to increased stock values. On the other hand, MPS is significantly impacted negatively by Return on Assets (ROA), indicating that investors may give earnings and dividend payments precedence over asset efficiency when making investment choices. However, in this investigation, there are no statistically significant effects of Firm Size (SIZE), Interest Rates (IR), or GDP on MPS. This implies that when assessing stock investments, investors can give firm-specific indicators like earnings and dividends more weight than more general macroeconomic factors like company size. In conclusion, EPS becomes a crucial determinant of stock prices, highlighting how crucial it is for businesses looking to raise their market value and draw in investors to continue to be very profitable.

Implications

The study allow for several conclusions how firm-specific macroeconomic factors influence share prices of commercial in Nepal.

- Investment Decisions: Investors should prioritize firms with strong earnings performance, as higher EPS is a key determinant of share price appreciation and future growth potential.
- Dividend Policy: Dividend-paying stocks are particularly attractive to risk-averse investors. Companies with stable and higher dividends can enhance investor confidence and market stability.
- Beyond Asset Efficiency: Investors should consider profitability and dividend policy rather than solely focusing on asset efficiency when assessing a firm's growth potential.
- Maximizing EPS: Banks should focus on improving profitability as it has a direct impact on stock price and investor attractiveness.
- Strengthening Dividend Policies: A well-structured and consistent dividend policy can help banks increase market confidence and improve stock valuations.
- Balanced Growth Strategy: Relying exclusively on asset efficiency is insufficient. A combination of profitability, growth strategies, and dividend distribution can lead to stronger market performance.
- Macroeconomic Considerations: While interest rates did not show a significant impact in this study, policymakers should recognize that broader economic conditions, including inflation, can still influence investor behavior and market sentiment.
- By implementing these insights, both investors and financial institutions can make more informed decisions to optimize stock performance and overall market stability.

Reference

- Almumani, M. A. (2014). Determinants of equity share of the listed banks of Amman stock exchange: Quantitative approach. *International Journal of Business and Social Science*, 5(1), 91-104.
- Aurangzeb, D. (2012*)*. Factors influencing performance of stock markets: Evidence from South Asian countries.
- Bhattarai, B. (2016). Determinants of share price of commercial banks listed on the Nepal Stock Exchange Limited (2006-2014). *International Journal of Financial Studies,* 8(1), 112-130.
- Bhattarai, B. (2020). Factors affecting the market share price of Nepalese commercial banks. *Economic and Financial Review*, 15(1), 78-95.
- Bhattarai, B. P. (2014). Stock market and investment decision: A study of Nepalese investors. *Economic Journal of Nepal,* 37(3), 235-248.
- Chhetri, R. (2023). Factors affecting share price of Nepalese commercial banks. *Nepalese Journal of Banking and Finance*, 5(2), 23-41.
- Chowdhury, T. A., Ali, M., & Rahman, S. (2019). Impact of selected variables on share price movement in the financial sector of Bangladesh. *Dhaka Stock Exchange Research Journal*, 7(1), 56-75.
- Ebrahimi, M. (2011). The impact of fundamental factors on stock price: Evidence from Tehran Stock Exchange. *Journal of Financial Research,* 13(2), 45-60.
- Eraker, B. (2004). *Do stock prices and volatility jump? Reconciling evidence from spot and option prices. The Journal of Finance, 59(3), 1367-1403.* https://doi.org/10.1111/j.1540-6261.2004.00665.x
- Ghimire, B., & Mishra, P. K. (2018). Stock market development and economic growth: Empirical evidence from Nepal. *The Economic Review,* 30(2), 89-105.
- Hussainey, K. (2010*)*. Dividend policy and stock price changes in the UK: An empirical analysis.
- Irandoost, A. (2013*)*. The effects of dividend payments on shareholders' wealth and firm growth: A critical analysis.
- Kurihara, Y. (2006*)*. The relationship between exchange rate and stock prices during the quantitative easing policy in Japan. *International Journal of Business,* 11(4), 375-386.
- Lamsal, K. (2024). Determinants of stock price of Nepalese commercial banks. *Journal of Nepalese Banking and Finance*, 10(1), 14-29.
- Masum, A. (2014). An empirical analysis of excess stock market returns: A study on private commercial banks in Bangladesh.
- Monther, S., & Kaothar, L. (2010*)*. Stock market efficiency and economic growth: Evidence from emerging markets. *International Journal of Economics and Finance,* 2(5), 123-133.
- Mosley, L., & Singer, D. (2008). Taking stock seriously: Equity market performance, government policy, and financial globalization. *International Studies Quarterly,* 52(2), 405-425.
- Nepal, R. (2018). The effect of firm-specific and macroeconomic variables on share price determination of Nepalese commercial banks. *Journal of Economics and Finance,* 9(4), 32-49.
- Nisa, F., & Nishat, M. (2011). The impact of financial fundamentals and

macroeconomic factors on stock prices: Evidence from Karachi Stock Exchange.

- Okafor, C., & Mgbame, C. (2011). Stock price volatility and growth opportunities: An empirical study of firms in Nigeria.
- Pradhan, R. S. (2016). Microeconomic and macroeconomic determinants of stock prices in Nepalese commercial banks. *Nepalese Journal of Economics,* 5(1), 57-73.
- Sharma, S. (2011). Equity share prices and their determinants: A study from 1993-2009.
- Shrestha, S., & Lamichhane, B. (2022). Effect of firm-specific variables on stock returns: Evidence from Nepal. *Nepalese Journal of Financial Economics*, 8(1), 25-39.
- Shyam, K. C., & Gautam, B. (2017). Impact of dividend policy on share price volatility of Nepalese commercial banks. *Journal of Business and Economic Research,* 9(1), 123-140.
- Singh, S. (2010). Determinants of stock prices: A study of selected firms in India. *Journal of Financial Economics,* 25(4), 147-161.
- Thapa, C. (2019*).* Stock price volatility and its impact on investment decisions in Nepal. *Economic Review Journal,* 41(3), 89-110.