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Determinants of Market Price per Share in Nepalese Commercial Banks: Evidence from Dividend and Earnings Indicators

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Abstract

The study seeks to identify the primary determinants of stock price fluctuations, assess their relative impact, and provide insights for investors, policymakers, and bank management. The study followed a positivist research philosophy and employed a descriptive and casual comparative research design. The population comprise of all 20 Nepalese commercial banks, among them only NEPSE listed 19 commercial banks are selected as the sample of the study using census sampling. Secondary data from annual reports and stock market records were analyzed. The study employed descriptive, correlation, and regression analysis to examine the relationships between financial variables and stock prices. Results indicate significant stock price volatility driven by both bank fundamentals and speculative activity. Earnings per share (EPS) emerged as the most influential factor, showing a strong positive correlation with market price per share (MPS). Dividends per share (DPS) and dividend payout ratio (DPR) positively affected stock prices, while dividend yield ratio (DYR) had a negative impact. The price-to-earnings (P/E) ratio demonstrated limited explanatory power. Regression analysis confirmed that EPS, DPS, and DPR collectively explained a significant portion of stock price variation, whereas DYR and P/E ratio had minor influence. Stock price movements in Nepalese commercial banks are primarily determined by profitability and dividend policies rather than speculative multiples. Investors relied more on actual financial returns, and market valuations were closely tied to earnings and dividend performance. The findings shows that the need for stronger market regulations and transparent dividend frameworks. Investors should prioritize earnings and dividends in decision-making, while bank management should maintain consistent dividend policies to enhance shareholder confidence. Academically, the study

contributes to understanding stock price determinants in developing economies and encourages further research on sector-specific and macroeconomic factors.

Keywords: capital market volatility, dividend policy, earnings per share (eps), Nepalese commercial banks, stock price determinants

1. Introduction

The stock market plays a crucial role in the economic development of any country by promoting capital formation, enhancing liquidity, and facilitating efficient allocation of financial resources. By connecting savers with firms in need of capital, the stock market enables risk sharing and supports long-term economic growth. Share prices, in particular, serve as important indicators of corporate performance and investor confidence. They reflect not only the current financial position of firms but also market expectations regarding future profitability and growth. As a result, understanding the determinants of stock prices has remained a central issue in finance literature and investment practice (Mehr-un & Mohammad, 2011; Pandey et al., 2024).

Stocks represent ownership claims on a firm's assets and earnings and are generally classified into common and preferred shares. Common shareholders typically enjoy voting rights and residual claims on profits, whereas preferred shareholders receive fixed dividends and have priority over common shareholders in liquidation, although they usually lack voting rights (Arkan, 2016). From an investor's perspective, the market price per share is a critical signal that summarizes information about a firm's financial health, dividend prospects, and risk profile. In theory, stock prices should incorporate all publicly available information if markets are efficient (Fama, 1970). However, this assumption is often challenged in developing markets such as Nepal, where information asymmetry, limited transparency, and speculative trading behavior are common.

A well-developed stock market offers investors multiple investment opportunities and encourages savings by providing attractive returns. It also facilitates the reallocation of capital across different sectors of the economy, thereby enhancing overall economic efficiency. In capital-scarce countries like Nepal, the stock market plays an especially important role in mobilizing domestic savings for productive investment. The interaction of firm performance, investor behavior, regulatory frameworks, and macroeconomic conditions ultimately determines stock price movements (Naveed & Muhammad, 2016). Among these factors, firm-specific financial indicators are often considered more reliable for valuation purposes, particularly in markets where macroeconomic signals are unstable.

Predicting stock prices has long been a major concern for investors, analysts, and researchers. Traditional approaches such as technical analysis focus on historical price patterns and trading volume, while fundamental analysis relies on financial ratios and accounting information. Despite recent advances in artificial intelligence and machine learning techniques for stock price forecasting, fundamental indicators remain widely used due to their interpretability and relevance for long-term investment decisions (Saud & Shakya, 2020). Measures such as earnings per share, dividend per share, price-earnings ratio, and dividend yield ratio continue to guide investor expectations and valuation judgments, especially in banking-dominated markets.

The banking sector occupies a dominant position in Nepal's capital market. Commercial banks account for a significant share of total market capitalization, trading volume, and investor participation in the Nepal Stock Exchange (NEPSE). As of April 2025, 245 companies were listed on NEPSE, with commercial banks representing one of the most actively traded sectors (Nepal Rastra Bank, 2025). NEPSE operates as Nepal's sole organized

secondary market and functions under the regulatory supervision of the Securities Board of Nepal (SEBON). Stock prices in NEPSE are determined through daily trading based on supply and demand, where investor reactions to earnings announcements, dividend declarations, and regulatory changes play a critical role.

In recent years, Nepal's stock market has experienced considerable volatility. The NEPSE index increased sharply from around 1,400 points to nearly 3,000 points within a single fiscal year, reflecting heightened speculative activity and excess liquidity in the market (Niroula, 2021). Such fluctuations have raised concerns regarding market efficiency and the sustainability of price movements. Changes in interest rate policies, liquidity conditions, and regulatory directives issued by Nepal Rastra Bank have further contributed to volatility, particularly in banking stocks. In this environment, investors tend to rely heavily on dividend and earnings information as signals of financial stability and future performance.

Dividend policy is a key element of corporate financial management and has been extensively debated in finance literature. Dividend relevance theories argue that dividend payments convey important information about a firm's future prospects and reduce uncertainty for investors, thereby influencing stock prices (Bhattacharya, 1979; Baker & Weigand, 2015). In contrast, the dividend irrelevance theory proposed by Miller and Modigliani (1961) suggests that dividend policy does not affect firm value under ideal market conditions. However, empirical studies largely reject this proposition in emerging markets, where capital market imperfections, agency problems, and information asymmetry are prevalent (Al-Najjar & Kilincarslan, 2018; Bustani et al., 2021).

Earnings indicators also play a central role in stock valuation. Earnings per share is widely regarded as a key measure of profitability and shareholder value creation, while the price-earnings ratio reflects investor expectations regarding future growth and risk (Maskey, 2022; Dhodary, 2023). Dividend yield ratio provides insight into the income-generating potential of a stock relative to its market price and is particularly important for income-oriented investors (Bhattarai, 2018). Dividend payout ratio, on the other hand, reflects management's dividend policy decisions and the balance between profit distribution and reinvestment. Although these indicators are interrelated, their impact on stock prices varies across markets and time periods.

International empirical evidence suggests that dividend and earnings variables have significant explanatory power in determining stock prices. Studies conducted in both developed and emerging markets report positive relationships between earnings per share, dividend per share, and market price per share, supporting the signaling hypothesis (Kent-Baker & Powell, 2012; Pandey et al., 2024). However, some studies find mixed or insignificant effects, indicating that market structure and investor behavior may moderate these relationships (Al-Najjar, 2019). In Nepal, empirical research on stock price determinants remains limited, and existing studies often focus on aggregate market indices rather than firm-level analysis.

The Nepalese capital market is characterized by limited investor awareness, speculative trading, and reliance on informal information sources. Many investors do not systematically analyze financial statements before making investment decisions in either the primary or secondary market. Instead, rumors and short-term market sentiment often exert a stronger influence on stock prices than fundamental performance indicators (Thapa, 2019; Chhetri, 2023). As a result, market prices of banking stocks frequently appear disconnected from key financial metrics such as EPS, DPS, and P/E ratios, raising questions about the extent to which dividend policy and earnings indicators influence stock valuation in Nepal.

Despite the dominant role of commercial banks in NEPSE, comprehensive studies examining the combined impact of dividend policy and earnings indicators on market price per share remain scarce. Most existing studies in Nepal examine individual financial ratios or short time periods, limiting their ability to capture long-term relationships. Moreover, findings from

developed markets may not be directly applicable to Nepal due to differences in market structure, regulatory environment, and investor behavior. This highlights the need for updated and context-specific empirical evidence.

In this context, the present study investigates the impact of dividend policy and earnings indicators specifically dividend per share, earnings per share, dividend payout ratio, price-earnings ratio, and dividend yield ratio on the market price per share of Nepalese commercial banks listed on NEPSE. By using ten years of secondary data, the study aims to provide a comprehensive assessment of how internal financial indicators influence bank stock prices in an emerging market setting. The findings are expected to contribute to the existing literature and offer practical insights for investors, bank managers, regulators, and policymakers seeking to enhance market efficiency and informed investment decision-making in Nepal.

2. Literature Review

Understanding stock price behavior requires a strong theoretical and empirical foundation in emerging capital markets where information asymmetry, limited liquidity, and speculative trading are prevalent. One of the most influential theoretical perspectives explaining stock price behavior is the Efficient Market Hypothesis (EMH) proposed by Fama (1970). According to EMH, a capital market is considered efficient if security prices fully and instantaneously reflect all available information. Under such conditions, investors cannot consistently earn abnormal returns without assuming additional risk, as prices already embed relevant information regarding firm performance and macroeconomic conditions (Sharpe, 1964; Lintner, 1965; Markowitz, 1952).

Fama (1970) classified market efficiency into weak, semi-strong, and strong forms. Weak-form efficiency posits that stock prices reflect all historical price and volume information, rendering technical analysis ineffective in predicting future price movements (Malkiel, 1973). Semi-strong efficiency asserts that prices rapidly adjust to all publicly available information, including financial statements, dividend announcements, and macroeconomic news, thereby limiting the usefulness of fundamental analysis (Wafi et al., 2015). Strong-form efficiency further assumes that even insider information is fully reflected in stock prices, making it impossible for any group of investors to consistently outperform the market (Miller & Modigliani, 1961). While EMH provides a robust theoretical benchmark, empirical evidence suggests that emerging markets often deviate from full efficiency due to structural and behavioral constraints.

Closely aligned with EMH is the Random Walk Theory, which suggests that stock price movements are inherently unpredictable and follow a random pattern driven by the arrival of new information (Fama, 1970; Malkiel, 1973). According to this theory, successive price changes are independent of one another, implying that past price trends offer little guidance for future movements. Although empirical studies in developed markets largely support random walk behavior, evidence from emerging markets indicates the presence of anomalies and short-term inefficiencies that allow firm-specific fundamentals to influence stock prices (Banerjee & Mukherjee, 2021; Zuhroh & Veronika, 2021).

Contrary to the strict implications of market efficiency, fundamental analysis emphasizes the role of firm-specific financial indicators in determining intrinsic stock value. Fundamental analysis assumes that stock prices may deviate from intrinsic values in the short run but converge in the long run as information becomes fully absorbed by the market (Wafi et al., 2015). This approach evaluates earnings performance, dividend policy, liquidity, leverage, and growth prospects to explain stock price movements. In banking institutions, where earnings quality and dividend stability are particularly important, fundamental indicators such as earnings per share (EPS), dividend per share (DPS), dividend payout ratio (DPR),

dividend yield ratio (DYR), and price-to-earnings (P/E) ratio are widely used to assess valuation.

The Capital Asset Pricing Model (CAPM), developed by Sharpe (1964) and Lintner (1965), further extends the risk–return framework by linking expected returns to systematic risk measured by beta. CAPM builds on Markowitz's (1952) portfolio theory, which highlights diversification as a mechanism to reduce unsystematic risk. While CAPM emphasizes market-wide risk factors, subsequent empirical research suggests that in emerging markets, firm-specific fundamentals often exert a stronger influence on stock prices than systematic risk alone (Jermsittiparsert et al., 2019; Naveed & Muhammad, 2016).

Dividend policy has long been debated as a determinant of stock prices. Miller and Modigliani (1961) argued that dividend policy is irrelevant under perfect capital market conditions characterized by no taxes, no transaction costs, and symmetric information. However, in real-world markets, dividends convey information about a firm's profitability and financial stability, consistent with dividend signaling theory. Firms that maintain stable or increasing dividends are perceived as less risky, thereby enhancing investor confidence and market valuation (Lintner, 1965; Silwal & Napit, 2019). Empirical studies across emerging markets support the relevance of dividend indicators in explaining stock prices (Aveh & Awunyo-Vitor, 2017; Bustani et al., 2021).

A growing body of international empirical literature confirms the strong influence of earnings and dividend indicators on stock prices. Agrawal and Bansal (2021) documented a significant positive relationship between EPS and stock prices, reinforcing earnings as a primary valuation driver. Similar findings were reported in banking and financial sectors across Bangladesh, Sri Lanka, Indonesia, Jordan, and Ghana (Arshad et al., 2015; Kengatharan, 2018; Prayogo & Lestari, 2018; Al Salamat et al., 2021; Aveh & Awunyo-Vitor, 2017). Studies by Akbar and Afiezan (2018) and Qaisi et al. (2016) further demonstrated that firm fundamentals outweigh macroeconomic factors in explaining stock prices, particularly in financial institutions.

Evidence regarding dividend yield and P/E ratio remains mixed. Several studies reported a negative association between dividend yield and stock prices, suggesting that higher yields often reflect declining prices rather than superior firm performance (Chhajer et al., 2020; Zuhroh & Veronika, 2021). Likewise, the explanatory power of the P/E ratio appears limited in emerging markets due to speculative trading and valuation inefficiencies (Dutta et al., 2018; Arkan, 2016).

In the Nepalese context, extensive empirical research highlights the dominance of firm-specific fundamentals in determining stock prices, particularly within the commercial banking sector. Early studies by Bhattarai (2016) and Poudel (2016) identified EPS, DPS, and book value per share as key determinants of bank stock prices. Subsequent research reinforced these findings while incorporating additional financial and macroeconomic variables (Pradhan & Dahal, 2016; Pradhan & Paudel, 2017; Nepal, 2018).

More recent studies consistently emphasize the role of earnings and dividend indicators. Silwal and Napit (2019), Wagle (2021), and Gyawali (2022) found that EPS and DPS significantly and positively influence market price per share, whereas dividend yield often exhibits a weak or negative effect. Goet and Kharel (2022) and Chhetri (2023) further confirmed that bank-specific fundamentals outweigh macroeconomic variables in explaining stock price variability. Studies focusing on volatility also highlight that earnings shocks, dividend announcements, and liquidity constraints significantly affect stock price fluctuations in Nepalese banks (Lamichhane, 2017; Hossain, 2020; Pandey et al., 2024).

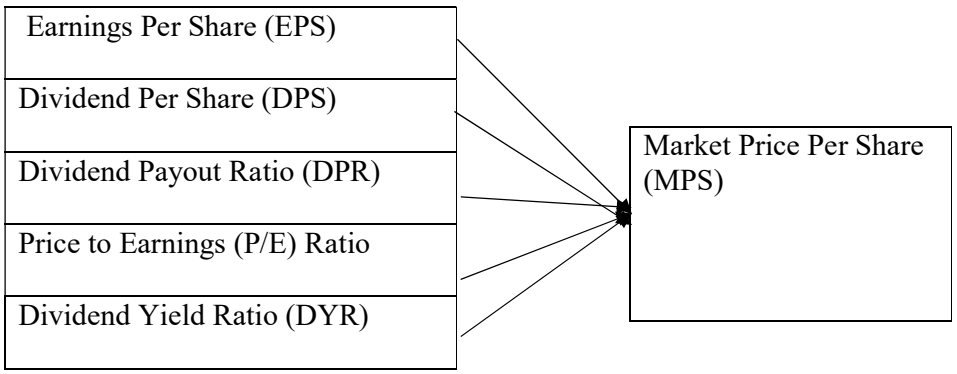
Macroeconomic and policy-related factors also interact with firm-level indicators. Niraula (2022) demonstrated that government policies, interest rates, inflation, and regulatory measures influence stock prices in Nepal, while NRB (2025) emphasized the role of financial

stability and regulatory oversight in maintaining investor confidence. External shocks such as the COVID-19 pandemic further amplified volatility, as evidenced by Bora and Basistha (2021). The literature suggests that while classical theories emphasize market efficiency and risk-return trade-offs, empirical evidence from emerging markets including Nepal consistently highlights the importance of earnings performance and dividend policy in shaping market price per share. Despite extensive research, inconsistencies regarding dividend yield and valuation multiples, along with limited integrated analysis of earnings and dividend indicators, reveal a clear research gap. This study addresses this gap by jointly examining EPS, DPS, DPR, DYR, and P/E ratio to provide comprehensive evidence on the determinants of market price per share in Nepalese commercial banks.

2.1 Conceptual Framework and Hypothesis

To investigate the determinants of market price per share of Nepalese commercial banks, a conceptual framework was developed, as shown in Figure 1.

Figure 1: *Conceptual Framework*



Source: *(Pandey et al., 2024), (Silwal and Napit, 2019).*

2.3 Research Hypothesis

2.3.1 Earnings per Share (EPS) and Market Price per Share (MPS)

Earnings per share (EPS) is a fundamental indicator of a firm's profitability and growth potential and is widely regarded as a primary determinant of stock prices. From a signaling and valuation perspective, higher EPS reflects efficient management and stronger future earnings expectations, thereby attracting investors and increasing market valuation (Lintner, 1965; Wafi et al., 2015). Empirical evidence consistently supports a positive relationship between EPS and stock prices across both developed and emerging markets. Studies by Agrawal and Bansal (2021), Arshad et al. (2015), and Bustani et al. (2021) report EPS as a dominant predictor of stock prices. In Nepal, similar findings are documented by Chhetri (2023), Gyawali (2022), and Pandey et al. (2024), highlighting investors' reliance on earnings performance.

H1: There is a significant positive relationship between EPS and MPS.

2.3.2 Dividend per Share (DPS) and Market Price per Share (MPS)

Dividend per share (DPS) represents the direct cash return to shareholders and signals a firm's financial strength and stability. Dividend signaling theory suggests that consistent dividend payments enhance investor confidence and positively influence stock prices, particularly in emerging markets characterized by uncertainty (Lintner, 1965; Miller & Modigliani, 1961). Empirical studies provide strong support for this relationship. Bustani et al.

(2021) and Hossain (2020) found DPS to significantly affect stock prices in Indonesia and Bangladesh, respectively, while Kengatharan (2018) reported similar evidence in Sri Lanka. In Nepal, Silwal and Napit (2019), and Gyawali (2022) confirm that DPS positively influences commercial bank stock prices.
H2: There is a significant positive relationship between DPS and MPS.

2.3.3 Dividend Payout Ratio (DPR) and Market Price per Share (MPS)

Dividend payout ratio (DPR) reflects the proportion of earnings distributed to shareholders and signals management's confidence in sustainable profitability. A higher DPR is often associated with reduced uncertainty and enhanced investor trust, leading to higher stock valuation (Lintner, 1965; Wafi et al., 2015). Empirical evidence supports this view across emerging markets. Bustani et al. (2021) reported a significant impact of DPR on stock prices in Indonesia, while Chowdhury et al. (2019) observed similar effects in Bangladesh. In the Nepalese banking sector, Poudel (2016), Pradhan and Paudel (2017), and Dahal and Puri (2021) found that higher payout ratios are positively associated with market price per share, emphasizing the importance of dividend distribution policies.

H3: There is a significant positive relationship between DPR and MPS.

2.3.4 Price-to-Earnings (P/E) Ratio and Market Price per Share (MPS)

The price-to-earnings (P/E) ratio captures investors' expectations regarding future growth and their willingness to pay for current earnings. A higher P/E ratio generally reflects positive growth prospects and market optimism, contributing to higher stock prices (Arkan, 2016). Empirical studies confirm the relevance of P/E ratio in stock price determination, particularly in emerging markets. Arkan (2016) and Jermsittiparsert et al. (2019) found P/E ratio to significantly influence stock prices across ASEAN economies. In Nepal, Bajracharya and Sawagvudcharee (2019), Chhetri (2023), and Pandey et al. (2024) documented a positive relationship between P/E ratio and market price per share, although its explanatory power may be lower than earnings and dividend indicators.

H4: There is a significant positive relationship between P/E ratio and MPS.

2.3.5 Dividend Yield Ratio (DYR) and Market Price per Share (MPS)

Dividend yield ratio (DYR) measures dividend income relative to market price and reflects the income-generating capacity of a stock. Higher dividend yields may attract income-oriented investors, thereby influencing stock prices (Kengatharan, 2018). However, empirical findings on the DYR–price relationship are mixed. Chhajer et al. (2020) and Kengatharan (2018) found DYR to significantly affect stock performance, while Bhattarai (2018) reported a negative association in Nepal, suggesting that higher yields may reflect lower prices. Conversely, Silwal and Napit (2019) and Shrestha and Lamichhane (2022) observed a weak positive effect. Given its theoretical relevance, DYR remains an important variable.

H5: There is a significant positive relationship between DYR and MPS.

3. Research Methodology

This study adopted a quantitative approach to investigate the determinants of stock prices in Nepalese commercial banks. The research philosophy underlying this study was positivism, which emphasizes observable, measurable phenomena and relies on statistical and numerical data to test hypotheses objectively. The study employed combination of descriptive and causal research designs. Descriptive research is used to identify facts and provide

comprehensive information about stock price behaviors and their determinants, while causal research is applied to examine the cause-and-effect relationship between firm-specific variables and market price per share (MPS) of commercial banks. The population of the study comprised all commercial banks operating in Nepal, which include 20 institutions, of which 19 were listed in the Nepal Stock Exchange (NEPSE). (NRB, 2025). The study considered all these listed banks as the sample to ensure comprehensive coverage and reliability of results.

Table 1: *Commercial Banks Listed in NEPSE*

S.N.	Name of the Banks	S.N.	Name of the Banks
1	Nepal Bank Ltd.	11	Citizen Bank International Ltd.
2	Agriculture Development Bank Ltd.	12	Prime Commercial Bank Ltd.
3	Nabil Bank Ltd.	13	Sanima Bank Ltd.
4	Nepal Investment Mega Bank Ltd.	14	Machhapuchhre Bank Ltd.
5	Standard Chartered Bank Nepal Ltd.	15	NIC Asia Bank Ltd.
6	Himalayan Bank Ltd.	16	Global IME Bank Ltd.
7	Nepal SBI Bank Ltd.	17	NMB Bank Ltd.
8	Everest Bank Ltd.	18	Prabhu Bank Ltd.
9	Kumari Bank Ltd.	19	Siddhartha Bank Ltd.
10	Laxmi Sunrise Bank Ltd.		

Secondary data served as the main source of information. The study collected data on dependent and independent variables including MPS, EPS, DPS, DPR, P/E ratio, and DYR from annual reports and official websites of the sampled banks for a ten-year period, covering 2014/15 AD to 2024/25 AD. Data collection instruments involved structured extraction templates that assign unique codes to each bank for systematic recording and analysis.

Data analysis combined financial and statistical tools. Financial measures such as EPS, DPS, DPR, P/E ratio, and DYR were calculated using standard formulas to evaluate firm performance. Descriptive statistics, including mean and standard deviation, summarize the central tendency and dispersion of variables, while inferential techniques, specifically correlation and multiple regression analysis, examine relationships and causality between independent variables and MPS.

The multiple regression model applied was $MPS=\alpha+\beta 1EPS+\beta 2DPS+\beta 3DPR+\beta 4 P/E+\varepsilon$

Where coefficients represent the partial effects of independent variables on MPS and ε denotes the residual error. To ensure reliability, the study used consistent and verifiable data sources over the ten-year period, while validity is maintained by adopting widely recognized financial metrics and formulas.

4. Results

This section presents, analyzes, and explains the data collected for the study.

4.1 Descriptive Statistics

Table 2: *Descriptive statistics of MPS, EPS, DPS, DPR, PER and DYR.*

Bank	MPS		EPS		DPS		DPR		PER		DYR	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
NBL	319.5	83.36	24.58	14.02	9.7	12.94	0.43	0.59	132.16	370.61	0.032	0.045
ADBL	408.1	147	34.45	20.54	16.93	8.06	0.52	0.26	15.04	7.54	0.042	0.02
Nabil	1157	606.5	41.37	16.22	44.46	15.43	1.14	0.41	28.68	10	0.043	0.015
NIMB	516	277	23.72	7.85	31.13	24.68	1.13	0.78	20.76	7.12	0.05	0.031
SCB	1204	1060	33.16	12.04	43.91	27.11	1.32	0.68	33.74	21.38	0.049	0.023
HBL	604.2	388.1	25.43	11.59	25.74	15.08	0.89	0.54	23.86	6.94	0.043	0.031
SBI	645	486.1	23.96	8.88	20.52	7.88	0.86	0.18	25.87	11.43	0.039	0.017
EBL	1116	945	36.05	15.8	24.51	19.15	0.68	0.46	30.27	20.76	0.025	0.015
KBL	257.8	95.84	13.12	7.54	10.06	6.52	0.63	0.37	897.33	2757.93	0.039	0.027
LSBL	330	213	17.5	4.6	11.97	11.12	0.64	0.47	18.06	6.97	0.037	0.028
Citizen	317.5	168.1	18.71	8.19	16.82	7.69	0.91	0.34	16.73	3.5	0.058	0.03
Prime	360.3	168.1	19.69	6.68	14.26	7.74	0.67	0.33	19.34	7.54	0.038	0.021
Sanima	403.85	155.43	23.32	4.71	19.37	6.69	0.84	0.26	16.95	3.82	0.053	0.025
MBL	336.8	164.7	18.21	4.88	15.18	8.98	0.78	0.44	18.2	5.38	0.048	0.035
NIC Asia	610.4	209.497	26.75	10.12	18.86	15.57	0.67	0.55	29.03	23.74	0.034	0.027
GBIME	327.7	119.6	20.47	3.2	15.81	6.02	0.78	0.33	16.55	7.48	0.051	0.019
NMB	414	178	18.49	4.48	20.04	17.29	1.04	0.81	20.15	6.76	0.05	0.049
Prabhu	283.1	113.3	16.27	10.33	6.03	6.79	0.41	0.45	34.19	40.14	0.025	0.028
SBL	429	205	26.56	7.36	14.94	13.58	0.52	0.34	15.25	3.58	0.031	0.018

Source: *Author calculation based on published annual report of Nepalese commercial banks.*

Table 2 presents descriptive statistics for Market Price per Share (MPS), Earnings per Share (EPS), Dividend per Share (DPS), Dividend Payout Ratio (DPR), Price–Earnings Ratio (PER), and Dividend Yield Ratio (DYR) for selected Nepalese commercial banks. The results indicate substantial heterogeneity across institutions in both financial performance and market valuation. SCB, Nabil Bank, and Everest Bank Limited (EBL) exhibit the highest mean MPS (1,204; 1,157; 1,116 NPR, respectively), reflecting strong investor confidence and market valuation, whereas KBL (257.8 NPR), NBL (319.5 NPR), and Prabhu Bank (283.1 NPR) record the lowest values, suggesting comparatively lower market perception. Similarly, EPS and DPS reveal notable variation, with Nabil Bank, SCB, and EBL demonstrating superior profitability and dividend distribution, while KBL and Prabhu Bank report the lowest figures. DPR values indicate divergent dividend strategies, with SCB (1.32) showing an aggressive payout policy, whereas NBL (0.43) followed a more conservative approach. PER exhibits pronounced dispersion, particularly for KBL (897.33), suggesting possible valuation anomalies or market inefficiencies, while NBL (15.04) reflects modest growth expectations. DYR was relatively low across most banks but peaks for Citizen Bank (0.058), highlighting differences in cash returns relative to share price.

The high standard deviations observed across all variables underscore significant volatility in both firm-specific financial indicators and market valuation. These descriptive findings aligned with dividend signaling and valuation theories, suggesting that investor perceptions were influenced by profitability, dividend policy, and relative growth expectations. The observed variability provides a strong rationale for subsequent regression analysis to

examine the relative contributions of EPS, DPS, DPR, PER, and DYR in determining MPS in Nepalese commercial banks.

4.2 Correlation Coefficient Analysis

Table 3: *Correlation Coefficient*

	MPS	*EPS*	*DPS*	*DPR*	*PER*	*DYR*
MPS	1					
EPS	0.634***	1				
DPS	0.637***	0.560***	1			
DPR	0.303***	0.154*	0.823***	1		
PER	-0.050	-0.164*	-0.095	-0.123	1	
DYR	-0.135*	0.059	0.514***	0.753***	-0.129	1

Notes: **** Correlation is significant at the 1% level (p < 0.01), ** Correlation is significant at the 5% level (p < 0.05), * Correlation is significant at the 10% level (p < 0.10)*

Table 3 presents the Pearson correlation coefficients among Market Price per Share (MPS), Earnings per Share (EPS), Dividend per Share (DPS), Dividend Payout Ratio (DPR), Price–Earnings Ratio (PER), and Dividend Yield Ratio (DYR) for Nepalese commercial banks. MPS exhibits a strong positive correlation with EPS (r = 0.634) and DPS (r = 0.637), indicating that higher earnings and dividend payments were closely associated with increased market valuation, consistent with prior studies (Agrawal & Bansal, 2021; Chhetri, 2023; Bustani et al., 2021). A moderate positive relationship is observed between MPS and DPR (r = 0.303), suggesting that firms with more generous profit distribution policies tended to have higher share prices, although this effect is weaker than that of EPS and DPS. In contrast, MPS shows a weak negative correlation with DYR (r = –0.135) and PER (r = –0.050), implying that dividend yield and valuation multiples had limited influence on market prices in the Nepalese banking context. High correlations among independent variables, such as DPS and DPR (r = 0.823) and DPR and DYR (r = 0.753), indicate potential multicollinearity, which should be addressed in regression analysis. The correlation results provide preliminary evidence that earnings and dividend-related indicators are key drivers of MPS.

4.3 Regression Analysis

Table 4: *Coefficient Model*

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	155.633	65.854		2.363	0.019		
EPS	12.506	2.535	0.316	4.932	0	0.353	2.835
DPS	16.371	3.349	0.559	4.888	0	0.11	4.051
DPR	275.784	111.505	0.293	2.473	0.014	0.103	4.71
PER	0.004	0.03	0.005	0.136	0.892	0.925	1.081
DYR	-11468.072	1071.736	-0.661	-10.7	0	0.379	2.642

R square: .734, Durbin Watson: 1.699, F= 101.650, Model Sig = .000[b]

a. Dependent Variable: MPS

b. Predictors: (Constant), DYR, EPS, PER, DPS, DPR

Table 4 presents the results of the multiple regression analysis examining the effect of Earnings per Share (EPS), Dividend per Share (DPS), Dividend Payout Ratio (DPR), Price–Earnings Ratio (PER), and Dividend Yield Ratio (DYR) on Market Price per Share (MPS) of Nepalese commercial banks. The model was statistically significant, with an F-value of 101.650 ($p < 0.001$), indicating that the independent variables collectively explained a significant portion of the variance in MPS. The coefficient of determination ($R^2 = 0.734$) suggests that approximately 73.4% of the variation in market price was accounted for by the included financial indicators, demonstrating a strong explanatory power. The Durbin-Watson statistic of 1.699 indicates no serious autocorrelation in the residuals, satisfying one of the key assumptions of regression analysis. These results highlight that EPS, DPS, and DPR were likely the primary drivers of MPS, aligning with both theoretical expectations and prior empirical evidence (Agrawal & Bansal, 2021; Chhetri, 2023; Bustani et al., 2021; Gyawali, 2022).

The model indicates that EPS, DPS, DPR, and DYR had statistically significant relationships with MPS, while PER does not. Specifically, EPS had a positive and significant effect ($B = 12.506$, $\beta = 0.316$, $p < 0.001$), suggesting that a one-unit increase in earnings per share was associated with an increase of 12.506 NPR in the market price, corroborating prior findings that profitability was a key determinant of stock valuation (Agrawal & Bansal, 2021; Chhetri, 2023). DPS also demonstrates a strong positive effect ($B = 16.371$, $\beta = 0.559$, $p < 0.001$), indicating that higher dividends enhance investor confidence and elevate market prices, consistent with dividend signaling theory (Bustani et al., 2021; Gyawali, 2022). DPR was positively associated with MPS ($B = 275.784$, $\beta = 0.293$, $p = 0.014$), reinforcing that firms with higher profit distribution policies were rewarded with higher share prices. Interestingly, DYR exhibits a significant negative effect ($B = –11,468.072$, $\beta = –0.661$, $p < 0.001$), suggesting that banks with unusually high dividend yields might be perceived as overvalued or financially constrained, prompting lower market valuation (Bhattarai, 2016; Silwal & Napit, 2019).

5. Discussion

This study aimed to examine the determinants of Market Price per Share (MPS) in Nepalese commercial banks, focusing on key earnings and dividend-related indicators, namely Earnings per Share (EPS), Dividend per Share (DPS), Dividend Payout Ratio (DPR), Price–Earnings Ratio (PER), and Dividend Yield Ratio (DYR). The descriptive statistics reveal substantial heterogeneity across banks, reflecting differences in profitability, dividend policies, and market valuation. SCB, Nabil Bank, and Everest Bank Limited (EBL) recorded the highest MPS, suggesting strong investor confidence and higher market valuation, whereas KBL, NBL, and Prabhu Bank exhibited the lowest MPS, indicating comparatively lower market perception and potential underpricing. Similarly, EPS and DPS exhibited significant variations, with Nabil Bank, SCB, and EBL demonstrating superior profitability and dividend distribution, while KBL and Prabhu Bank reported the lowest values. DPR also varied, with SCB exhibiting an aggressive payout ratio, contrasting with NBL's more conservative approach. PER showed extreme variation, particularly for KBL, reflecting potential valuation anomalies. DYR peaked for Citizen Bank, highlighting differences in investor returns relative to share price. The wide dispersion in both means and standard deviations underscores the heterogeneity of firm-specific financial indicators and market valuation, which aligns with previous research emphasizing the role of firm fundamentals in stock price determination Chhetri, 2023; Pandey et al., 2024; Silwal & Napit, 2019).

The correlation analysis further emphasizes the centrality of earnings and dividend variables in driving MPS. Strong positive correlations between MPS and EPS ($r = 0.634$) and DPS ($r = 0.637$) indicate that higher earnings and dividend distributions are strongly associated with elevated market prices, consistent with prior empirical evidence (Agrawal & Bansal, 2021; Arshad et al., 2015; Bustani et al., 2021; Gyawali, 2022). DPR exhibits a moderate positive

correlation with MPS (r = 0.303), suggesting that more generous profit distribution policies positively influence market prices, though the effect is less pronounced than EPS and DPS. Interestingly, MPS demonstrates weak negative correlations with DYR (r = –0.135) and PER (r = –0.050), indicating limited sensitivity of market prices to dividend yields and valuation multiples in the Nepalese banking sector, a finding aligned with Bhattarai (2016) and Silwal and Napit (2019). High inter-correlations among independent variables, such as DPS and DPR (r = 0.823) and DPR and DYR (r = 0.753), suggest moderate multicollinearity, which must be considered in regression modeling, reflecting the interconnected nature of dividend policies and payout measures in shaping investor perception.

Regression analysis provides robust evidence on the relative influence of these determinants. The model explains approximately 73.4% of the variance in MPS ($R^2 = 0.734$), demonstrating strong explanatory power and confirming that firm-specific financial indicators are major drivers of stock valuation. The F-statistic ($F = 101.650$, $p < 0.001$) indicates that the model is statistically significant, and the Durbin-Watson statistic of 1.699 suggests no serious autocorrelation in residuals, satisfying key regression assumptions. Coefficient analysis reveals that EPS ($B = 12.506$, $\beta = 0.316$, $p < 0.001$) and DPS ($B = 16.371$, $\beta = 0.559$, $p < 0.001$) are significant positive determinants of MPS, corroborating prior findings that profitability and consistent dividend distribution enhance investor confidence and drive market valuation (Agrawal & Bansal, 2021; Bustani et al., 2021; Chhetri, 2023; Gyawali, 2022). The positive effect of DPR ($B = 275.784$, $\beta = 0.293$, $p = 0.014$) suggests that higher profit distribution ratios signal firm stability and attract investors, reinforcing the signaling hypothesis proposed by Lintner (1965) and supported in emerging markets (Poudel, 2016; Pradhan & Paudel, 2017). Conversely, DYR exhibits a significant negative coefficient ($B = –11,468.072$, $\beta = –0.661$, $p < 0.001$), indicating that unusually high dividend yields may be perceived as a reflection of financial distress or market overvaluation, leading to lower stock prices. This aligns with prior Nepalese studies, where Bhattarai (2016) reported a similar inverse relationship, suggesting that investors may interpret excessively high yields as a risk signal rather than an incentive. PER is not statistically significant ($B = 0.004$, $\beta = 0.005$, $p = 0.892$), implying that conventional valuation multiples have limited explanatory power in the Nepalese banking context, likely due to market immaturity, speculative trading, and informational inefficiencies (Chhetri, 2023; Pandey et al., 2024).

The results reinforce the relevance of fundamental analysis in emerging financial markets, where earnings and dividend indicators outweigh valuation multiples in influencing market price. EPS and DPS function as strong signals of firm profitability and stability, consistent with dividend signaling theory (Lintner, 1965; Miller & Modigliani, 1961) and prior empirical research in Asia (Agrawal & Bansal, 2021; Bustani et al., 2021; Arshad et al., 2015). The positive effect of DPR further supports the notion that consistent and moderate profit distribution policies are perceived favorably by investors. The negative effect of DYR, however, highlights a unique contextual dimension in Nepal, where extremely high yields may indicate financial risk rather than attractiveness, reflecting investor sensitivity to firm-specific risk indicators.

This study's findings are consistent with broader emerging market evidence. Agrawal and Bansal (2021), Arshad et al. (2015), and Bustani et al. (2021) reported the primacy of EPS and dividends in determining stock prices in India, Bangladesh, and Indonesia, while studies in Nepal (Chhetri, 2023; Pandey et al., 2024; Gyawali, 2022) similarly confirm the central role of earnings and dividend-related indicators in shaping stock valuation. The results align with theoretical frameworks, including the Efficient Market Hypothesis (Fama, 1970), Random Walk Theory (Malkiel, 1973), and Capital Asset Pricing Model (Sharpe, 1964; Lintner, 1965), while highlighting contextual nuances in Nepal where market inefficiencies, speculative behavior, and firm-specific risk factors modulate traditional relationships.

The study demonstrates that EPS, DPS, and DPR are significant positive determinants of MPS, while DYR has a negative impact, and PER is not significant. These findings confirm that profitability and dividend-related indicators are key drivers of market valuation in Nepalese commercial banks. The observed heterogeneity in descriptive statistics, strong correlations, and regression results collectively reinforce the importance of fundamental financial factors over conventional valuation multiples in an emerging market context. This study contributes to the literature by providing robust empirical evidence from Nepal, offering theoretical validation for dividend signaling and earnings-based valuation models, and delivering actionable insights for practitioners and policymakers in developing economies.

6. Conclusion

This study concludes that earnings per share (EPS), dividend per share (DPS), and dividend payout ratio (DPR) are the primary positive determinants of market price per share (MPS) in Nepalese commercial banks, while dividend yield ratio (DYR) negatively influences stock prices, and price-earnings ratio (PER) has minimal impact. The findings indicate that investors in Nepal place greater emphasis on a bank's profitability and dividend policies than on speculative valuation multiples, highlighting the relevance of fundamental financial indicators in emerging markets. High EPS reflects strong profitability and growth potential, attracting investor interest, whereas consistent DPS and moderate DPR signal financial stability and shareholder-friendly policies, further supporting market valuation. Conversely, an excessively high DYR may be perceived as a risk indicator, reducing stock attractiveness. The weak effect of PER suggests that conventional price-based valuation metrics may be less informative in a context characterized by market immaturity and speculative trading. Overall, the study demonstrates that sustainable earnings performance, prudent dividend strategies, and transparent corporate policies are central to enhancing shareholder confidence and ensuring a stable and efficient capital market in Nepal's banking sector.

7. Implication

The study provides important practical implications for bank managers, investors, and policymakers. Bank managers should focus on maintaining stable profitability and transparent dividend policies to enhance investor confidence and market valuation, while avoiding excessively high dividend yields that may signal financial distress. Investors are encouraged to prioritize fundamental financial indicators, such as earnings and dividend performance, rather than relying on speculative measures. Policymakers and regulators should strengthen reporting standards and disclosure requirements to promote transparency, reduce market volatility, and ensure a stable and efficient capital market in Nepal.

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