

THE INTERNAL FINANCIAL DETERMINANTS OF STOCK PRICE: EVIDENCE FROM NEPALESE COMMERCIAL BANKS

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ABSTRACT

It is very challenging and problematic to develop a stock market in developing countries like Nepal. Several researchers examined the controversial results between stock price and its determinants. The objective of the study is to assess the effect of determinants on stock market prices in Nepalese commercial banks. The study is based on a causal-comparative research design. The quantitative approach was adopted. Secondary data was applied to the study. The study used the convenience sampling method to select commercial banks. Out of 26 commercial banks in Nepal, only 4 of the banks were selected as sample unit for the study for 10 years of data from 2010/11 to 2019/20. They are Himalayan Bank Ltd., Sunrise Bank Ltd., Citizen Bank International Ltd., and Prime Commercial Bank Ltd. Pearson's multiple correlations and linear regression analysis were used for data analysis. Earnings per Share (EPS) and Dividend Per Share (DPS) have a negative and statistically insignificant effect on the Market Price Per Share (MPS). It means EPS and DPS don't affect the stock market. The Price Earning (P/E) ratio has a positive and statistically insignificant effect on MPS. P/E also doesn't affect MPS. Book Value per Share (BVPS) and Market to Book Value (Mkt to BV) ratio have a positive and statistically significant effect on MPS. This indicates that an increase in BVPS and Mkt to BV will invariably bring about a significant increase in the MPS. Future research can be carried out on macroeconomic determinants.

KEYWORDS: *Determinants, Dividend per Share, Earning Per Share, Stock Price, Nepal.*

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