Impact of Accounting Variables on Stock Price of Nepalese Commercial Banks

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Abstract

The study examines the effect of accounting variables on stock prices of Nepalese commercial banks. The dependent variables selected for the study are market price per share and market capitalization. The selected independent variables are dividend per share, earnings per share, book value per share, return on assets, return on equity and net income. The study is based on secondary data of 11 commercial banks with 103 observations for the study period from 2013/14 to 2022/23. The data were collected from Banking and Financial Statistics published by Nepal Rastra Bank and annual reports of the selected commercial banks and NEPSE. The correlation coefficients and regression models are estimated to test the significance and importance of accounting variables on stock prices of Nepalese commercial banks.

The study showed that earnings per share has a positive effect on market price per share and market capitalization. It means that increase in earnings per share leads to increase in market price per share and market capitalization. Similarly, dividend per share has a positive effect on market price per share and market capitalization. It means that increase in dividend per share leads to increase in market price per share and market capitalization. The results of the study also showed that book value per share has a positive effect on market price per share and market capitalization. It implies that increase in book value per share leads to increase in market price per share and market capitalization. Likewise, return on equity has a positive effect on market price per share which indicates that higher return on equity leads to increase in market price per share. However, net income has a negative effect on market price per share. It implies that higher net income leads to decrease in market price per share.

Keywords: dividend per share, earnings per share, book value per share, return on assets, return on equity, net income, market price per share, market capitalization

1. Introduction

Security market is one of the constituents of capital market. It has a significant role to the development of capital market as well as overall economy. A stock market is a financial market where the securities are

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bought and sold and also regarded as a long-term source of funding. The stock price of a company reflects the value of the company for the investors so that high stock prices attract the attention of investors to invest capital in the company. Stock market is a very important economic institution that plays a crucial role in the economy. Mian *et al*. (2010) stated that the stock market plays a significant role in the economy of a country and important role in the allocation of resources, both directly as a source of funds and as a determinant of firms' value and its borrowing capacity. It works as an intermediary between savers and companies seeking additional financing for business expansion. It provides a platform to individuals, governments, firms and organizations to trade and invest through the purchase of shares. Stock markets are essential for economic growth as they insure the flow of resources to the most productive investment opportunities. The stock market plays an important role in economic development by promoting capital formation and raising economic growth. Trading of securities in this market facilitates savers and users of capital by fund pooling, risk sharing, and transferring wealth. Investors take decisions to invest in particular shares of companies, keeping in view their share prices. Stock prices also reflect the value of anticipated future profits of companies. Since business cycle conditions influence the future profitability of firms, expectations about the business cycle will affect the current value of firms (Sadorsky, 2003).

Share price is a major determinant for the investment decision of investors in the share market because investors mainly focus on price of shares when they decide to invest in shares. However, share prices are fluctuating every day, which is dependent on various internal factors like dividend pay-out, dividend yield, dividend per share, sales growth, leverage, earnings volatility and firm size as well as external factors like exchange rate, inflation and GDP. Therefore, investors need to have knowledge and awareness about the factors which determine share price in order to make an optimum investment decision. Garba (2014) examined the impact of dividend per share on stock return of the manufacturing firms listed on the Nigerian stock exchange. The study found that there is a significant negative relationship between dividend per share and stock returns. Similarly, Chhajer *et al*. (2020) investigated the factor influencing stock returns of companies having market capitalization of more than 5000 million on National stock exchange. The study found that the dividend yield has negative relationship with stock return. Srinivasan (2012) investigated the fundamental determinants of stock price in India using panel data consisting of annual time series data over the period 2006-2011. The study revealed that dividend per share has negative impact on stock price of selected companies in India. Al-Tamimi *et al.* (2011) analysed the factors determining stock prices in the UAE stock market. The study found that there is positive impact of earning per share on the stock price. Similarly, Adekunle and Aghedo (2014) examined the factors influencing the share price behaviour of selected firms in insurance industry in Nigeria. The study found that earnings per share and return on assets have positive relationship with share prices. The study also found that gross domestic products and inflation rate have negative relationship with share prices.

A stock market is very crucial to sustainable economic growth as it can assure the flow of resources to the most productive investment opportunities. Agnihotri (2017) examined the factor influencing the stock price of any company with a focus on selected cement, pharmaceutical and IT Company. The study found that earning per share, dividend per share and price earnings ratio are correlated to the future price of many companies of different sectors. The study also concluded that earnings per share is major factor influencing the stock price. Khan (2012) investigated the different determinants of share prices and the relationship of these determinants with the share price of Karachi Stock Exchange 100 index of Pakistan. The study found that price earnings ratio, dividend, and gross domestic product have significant positive relationship with stock price. Avdalovic and Milenković (2017) examined the impact of company performances on the stock price: An empirical analysis on selected companies in Serbia. The study showed that ROA has significant positive relationship with market price per share. Likewise, Khatab *et al*. (2011) analyzed the association between corporate governance and firm performance of Karachi stock market. The study showed that ROA has significant positive association with market price per share. Moreover, Al Qaisi *et al*. (2016) investigated the factors affecting the market stock price of the insurance companies listed in Amman Stock Exchange. The results revealed that market price per share has the significant impact on ROA.

The stock market stimulates economic activities by ensuring that reserves flow towards the most productive investments. Efficient allocation of resources results in better utilization of capital, fostering economic activities across various sectors. Overall, the stock market not only helps in mobilizing savings for investment in productive channels but also ensures efficient allocation of capital, thereby boosting economic growth and development. Safitri *et al*. (2020) examine the effect of debt-to-equity ratio, price earnings ratio, earnings per share on stock price of banking sector companies listed in the Info Bank15 index during 2014 to 2018. The study found that price earnings ratio and earning per share are positively correlated to the stock price. Almumani (2014) investigated the quantitative factors that influence share prices for the listed banks in Amman stock exchange. The study showed that dividend per share, earnings per share, book value per share, and price earnings ratio have positive and significant impact on stock price. Nazir *et al.* (2010) assessed the relationship between share price volatility and dividend policy for the period of 2003 to 2008 employing fixed effect and random effect models on panel data. The study reported that share price volatility has significant negative association with dividend yield and dividend pay-out. The study also reported that size and leverage have non-significant negative effect on share price volatility. Asghar *et al.* (2011) examined the association of dividend policy with share price volatility in Pakistan for the period of 2005 to 2009. The findings showed that share price volatility has significant positive relationship with dividend yield. The study also reported that share price volatility has significant negative relationship with growth. Usman *et al.* (2021) revealed dividend per share and dividend yield have negative effect on share price.

Good performance of a company determines the position of the company in its market and the growth and consolidation of the market. Due to easy access to transactions and greater flexibility, the stock market is an essential source for mobilizing funds in the company and an individual investor. The stock market price depends upon its demand and supply as well as various internal and external factors. According to Malhotra and Tandon (2013), earnings per share has a positive relationship with market price, which means higher the earning per share, higher would be the market price. Similarly, Sausan *et al.* (2020) found that earning per share (EPS) partially has a positive but insignificant effect on stock return. Likewise, Hertina and Saudi (2019) revealed that earnings per share has a significant and positive impact on stock returns. In addition, Tamuntuan (2015) analyzed the effect of return on equity, return on assets and earnings per share toward share price of food and beverage companies listed on Indonesia Stock Exchange. The results showed that earnings per share have a significant and positive impact on share price. Mudzakar *et al.* (2021) found that return on equity has a positive effect on stock returns. Similarly, Adawiyah and Setiyawati (2019) examined the effect of current ratio, return on equity, and firm size on stock return (Study of manufacturing sector food and beverage in Indonesia Stock Exchange). The study found that return on equity has a positive and significant influence on stock returns. In addition, Aminah (2021) revealed that return on equity has a positive and significant effect on the value of stock returns. Further, Nadyayani *et al.* (2021) showed that ROE has a significant positive effect on stock returns.

In the context of Nepal, Gautam and Bista (2019) examined the factors affecting the share price of Nepalese non-life insurance companies. The result showed that firm size is positively related to market price of share and price earnings ratio. It indicates that larger firm size leads to increase in market price of share and price earnings ratio. However, the study shows that inflation is negatively related to market price of share and price earnings ratio. Similarly, Pradhan and Dahal (2021) examined the financial performance of Nepalese insurance companies. The results shows that insurance premium has positive impact on return on assets and earning per share. It means that increase in insurance premium leads to increase in return on assets and earnings per share. Likewise, solvency ratio has positive impact on earnings per share. It indicates that higher solvency ratio, higher would be the earnings per share. The study also concludes that insurance premium followed by current ratio and firm size is the most influencing factor that explains liquidity management and financial performance of Nepalese insurance companies.

The above discussion shows that empirical evidences vary greatly across the studies on the effect of accounting variables on stock price of banks. Though there are above-mentioned empirical evidence in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The major objective of the study is to examine the effect of accounting variables on stock price in the context of Nepalese commercial banks. Specifically, it examines the relationship of dividend per share, earnings per share, book value per share, return on assets, return on equity and net income on market price per share and market capitalization in the context of Nepalese commercial banks.

The remainder of this study is organized as follows: Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusion.

2. Methodological aspects

The study is based on the secondary data which were collected from 11

Nepalese commercial banks from 2013/14 to 2022/23, leading to a total of 103 observations. The study employed convenience sampling method. The main sources of data collected from the Bank Supervision Report published by Nepal Rastra Bank (NRB), annual reports of Nepal Stock Exchange and annual reports of the selected commercial banks. This study is based on descriptive as well as causal comparative research designs. Table 1 shows the list of commercial banks selected for the study along with the study period and number of observations.

Table 1

List of commercial banks selected for the study along with study period and number of observations

S. N.	Name of commercial banks	Study Period	Observations
1.	Agricultural Development Bank Limited	2013/14-2022/23	10
2.	NIC Aisa Bank Limited	2013/14-2022/23	10
3.	Himalayan Bank Limited	2013/14-2022/23	10
4.	Sanima Bank Limited	2013/14-2022/23	9
5.	Citizens Bank International Limited	2013/14-2022/23	9
6.	Standard Chartered Bank Nepal Limited	2013/14-2022/23	9
7.	Prime Commercial Bank Limited	2013/14-2022/23	9
8.	Nepal Bank Limited	2013/14-2022/23	9
9.	Nepal SBI Bank Limited	2013/14-2022/23	9
10.	Machhapuchchhre Bank Limited	2013/14-2022/23	10
11	Siddhartha Bank Limited	2013/14-2022/23	9
Total number of observations			103

Thus, the study is based on 103 observations.

The model

The model used in this study assumes that stock price of listed banks depends upon accounting variables. The dependent variables selected for the study are market price per share and market capitalization. Similarly, the selected independent variables are dividend per share, earnings per share, book value per share, return on assets, return on equity and net income. Therefore, the models take the following forms:

$$SP = \beta_0 + \beta_1 DPS_{it} + \beta_2 BVPS_{it} + \beta_3 NI_{it} + \beta_4 EPS_{it} + \beta_5 ROA_{it} + \beta_6 ROE_{it} + e_{it}$$

$$MCAP = \beta_0 + \beta_1 DPS_{it} + \beta_2 BVPS_{it} + \beta_3 NI_{it} + \beta_4 EPS_{it} + \beta_5 ROA_{it} + \beta_6 ROE_{it} + e_{it}$$

Where,

SP = Market price per share as measured by the average market price per share of listed companies, in Rs.

MCAP = Market capitalization as measured by the product of market price per share and total outstanding shares, Rs. in millions.

EPS= Earnings per share as measured by the ratio of total earnings to total outstanding shares, in Rs.

DPS= Dividend per share as measured by the ratio of total dividend amount to total outstanding shares, in Rs.

BYPS= Book value per share as measured by the ratio of net income to total outstanding shares, in Rs.

ROE= Return on equity as measured by the ratio of net profit to total shareholders' equity, in percentage.

ROA= Return on assets as measured by the ratio of net profit to total assets, in percentage.

NI= Net income, Rs. in million.

The following section describes the independent variables used in this study along with hypothesis formulation:

Earnings per share

The increasing earnings per share generally results in high market price. According to Malhotra and Tandon (2013), EPS has a significant impact on the market price of share. Likewise, Almumani (2014) found that earnings per share have a positive relationship with market price implying that higher the earning per share, higher would be the market price. Similarly, Geetha and Swaaminathan (2015) examined the influence of EPS towards the market price of the share using ratio analysis techniques and found a positive significant effect of EPS on market price. Ghimire and Mishra (2018) and Almaaiteh and Alsaraireh (2019) also concluded that the EPS has positive and significant relationship between EPS and SP. Based on it, this study develops the following hypothesis:

H_1: There is a positive relationship between earnings per share and stock price.

Dividend per share

Rashid and Rahman (2008); Sharma (2011) found significant positive relationship between the dividend and share price. Similarly, Prabath (2014) also concluded that DPS positively and significantly impacts the stock price. Ghimire and Mishra (2018) investigated the factor affecting the stock price using simple and multiple regression analysis and descriptive statistics with the sample size of 11 financial and nonfinancial firms of Nepal. The study concluded that DPS has positive relationship with market price per share. Al-Shawawreh (2014) examined the relationship of dividend payout and share price volatility using a sample of 53 companies listed in main market of Bursa Amman in Jordanian Stock Market from 2001 to 2013. The results of this study showed a significant positive relationship of dividend yield with share price volatility and stock price. Based on it, this study develops the following hypothesis:

H_2: There is a positive relationship between dividend per share and stock price.

Book value per share

Sari (2021) analyzed the effect of earnings per share, price earnings ratio and price to book value on the stock prices of state-owned enterprises. The study found that there is a positive relationship between Book Value Per Share (BVPS) and stock price. High BVPS indicates strong intrinsic value, financial stability, and growth potential, making companies more attractive to investors and leading to higher stock prices. Bustani (2021) examined the effect of earning per share, price to book value, dividend payout ratio, and net profit margin on the stock price in Indonesia stock exchange. The results showed that high BVPS indicates a robust equity base, which can provide a buffer during economic downturns or financial distress. Companies with higher BVPS are seen as more financially stable, reducing investment risk. This perceived stability attracts investors, driving up the stock price. According to Widati and Gunawan (2021), higher BVPS generally implies that the company has a strong asset base relative to its liabilities, which can lead to higher stock prices as investors perceive the stock to be more valuable. Based on it, this study develops the following hypothesis:

H_3: There is a positive relationship between book value per share and stock price.

Return on assets

Choiriyah et al. (2020) examined the effect of return on assets, return on equity, net profit margin, earning per share, and operating profit margin on stock prices of banking companies in Indonesia Stock Exchange. The study revealed that there is a positive relationship between Return on Assets (ROA) and stock price is well-recognized in financial analysis. High ROA generally signals strong operational efficiency and profitability, making companies more attractive to investors and leading to higher stock prices. Efficient use of high-quality, productive assets is more sustainable and indicative of long-term success than the use of older or less efficient assets (Purnamasari, 2015). Rostami et al. (2016) assessed the effect of corporate governance components on return on assets and stock return of companies listed in Tehran stock exchange. The study showed a positive relationship between return on assets and stock price and stock return. Based on it, this study develops the following hypothesis:

H_4: There is a positive relationship between return on assets and stock price.

Return on equity

Khan et al. (2011) analyzed the effect of dividend payment on stock prices by taking a sample of fifty-five companies listed at Karachi Stock Exchange. The study showed that dividend yield, earnings per share, return on equity and profit after tax were positively related to stock prices while retention ratio has negative impact on stock prices. According to Hunjra et al. (2014), Companies with high ROE are typically more efficient in utilizing their equity base to generate profits. This efficiency signals to investors that the company is well-managed and has a robust business model, which can lead to higher stock prices as investors seek to own shares in financially sound companies. Mahirun et al. (2023) found a positive relationship between return on equity and stock price. It implies that high ROE generally signals strong financial health, efficient management, and profitable operations, which attract investors and drive-up stock prices. Based on it, this study develops the following hypothesis:

H_5: There is a positive relationship between return on equity and stock price.

Net income

According to Bustani (2021), higher net income indicates better profitability, leading to higher EPS, greater investor confidence, and attractive valuation metrics, all of which contribute to higher stock prices. Gharaibeh et al. (2022) found that higher net income indicates that the company is generating more profit from its operations, which can lead to higher dividends and reinvestment in the business. Investors are attracted to profitable companies, which increases demand for their shares and drives up stock prices. Higher net income often enables companies to pay higher dividends. Dividends are a direct return to shareholders, and companies with a history of paying and increasing dividends tend to attract more investors, driving up the stock price. (Rusdiyanto and Narsa, 2019). Based on it, this study develops the following hypothesis:

H_6: There is a positive relationship between net income and stock price.

3. Results and discussion

Descriptive statistics

Table 2 presents the descriptive statistics of selected dependent and independent variables during the period 2013/14 to 2022/23.

Table 2

Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of 11 Nepalese commercial banks for the study period from 2013/14 to 2022/23. The dependent variables are SP (Market price per share as measured by the average market price per share of listed companies, in Rs) and MCAP (Market capitalization as measured by the product of market price per share and total outstanding shares, Rs. in millions). The independent variables are EPS (Earnings per share as measured by the ratio of total earnings to total outstanding shares, in Rs.), DPS (Dividend per share as measured by the ratio of total dividend amount to total outstanding shares, in Rs.), BVPS (Book value per share as measured by the ratio of net income to total outstanding shares, in Rs.), ROE (Return on equity as measured by the ratio of net profit to total shareholders' equity, in percentage), ROA (Return on assets as measured by the ratio of net profit to total assets, in percentage) and NI (Net income, Rs. in million).

Variables	Minimum	Maximum	Mean	Std. Deviation
SP	173.10	2295.00	533.90	390.81
MCAP	6.78	114.95	36.86	18.97
EPS	5.30	111.77	27.52	13.77
DPS	0.00	105.27	15.16	13.84
BVPS	59.26	356.00	181.44	51.57
ROA	0.47	3.12	1.60	0.53
ROE	1.35	42.94	14.81	5.65
NI	454.61	4445.20	1980.69	881.64

Source: SPSS Software

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients are computed and the results are presented in Table 3.

Table 3

Pearson's correlation coefficients matrix

This table shows the bivariate Pearson's correlation coefficients of dependent and independent variables of 11 Nepalese commercial banks for the study period of 2013/14 to 2022/23. The dependent variables are SP (Market price per share as measured by the average market price per share of listed companies, in Rs) and MCAP (Market capitalization as measured by the product of market price per share and total outstanding shares, Rs. in millions). The independent variables are EPS (Earnings per share as measured by the ratio of total earnings to total outstanding shares, in Rs.), DPS (Dividend per share as measured by the ratio of total dividend amount to total outstanding shares, in Rs.), BVPS (Book value per share as measured by the ratio of net income to total outstanding shares, in Rs.), ROE (Return on equity as measured by the ratio of net profit to total shareholders' equity, in percentage), ROA (Return on assets as measured by the ratio of net profit to total assets, in percentage) and NI (Net income, Rs. in million).

Variables	SP	MCAP	EPS	DPS	BVPS	ROA	ROE	NI
SP	1							
MCAP	0.566**	1						
EPS	0.442**	0.086	1					
DPS	0.586**	0.196*	0.280**	1				
BVPS	0.385**	0.303**	0.584**	0.372**	1			
ROA	0.205*	-0.047	0.597**	0.184	0.27**	1		
ROE	0.128	0.077	0.307**	-0.071	0.211*	-0.003	1	
NI	-0.156	0.423**	0.316**	-0.139	0.405**	0.238*	0.107	1

Note: The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent respectively.

Table 3 shows that earnings per share has a positive relationship with market price per share. It means that increase in earnings per share leads to increase in market price per share. Similarly, dividend per share has a positive relationship with market price per share. It means that increase in dividend per share leads to increase in market price per share. The results of the study also shows that book value per share has a positive relationship with market price per share. It implies that increase in book value per share leads to increase in market price per share. Likewise, return on assets has a positive relationship with market price per share which indicates that increase in return on assets leads to increase in market price per share. However, net income has a negative relationship with market price per share. It implies that increase in net income leads to decrease in market price per share. Similarly, return on equity has a positive relationship with market price per share. It implies that increase in return on equity leads to increase in market price per share.

On the other hand, earnings per share have a positive relationship with market capitalization. It means that increase in earnings per share leads to increase in market capitalization. Similarly, dividend per share has a positive relationship with market capitalization. It means that increase in dividend per share leads to increase in market capitalization. The results of the study also shows that book value per share has a positive relationship with capitalization. It implies that increase in book value per share leads to increase in market capitalization. Likewise, return on assets has a negative relationship with market capitalization which indicates that increase in return on assets leads to decrease in market capitalization. However, net income has a positive relationship with market capitalization. It implies that increase in net income leads to increase in market price capitalization. Similarly, return on equity has a positive relationship with market capitalization. It implies that increase in return on equity leads to increase in market capitalization.

Regression analysis

Having indicated the Pearson's correlation coefficients, the regression analysis has been carried out and results are presented in Table 4. More specifically, it shows the regression results of dividend per share, earnings per share, book value per share, return on assets, return on equity and net income on market price per share in the context of Nepalese commercial banks.

Table 4

Estimated regression results of dividend per share, earnings per share, book value per share, return on assets, return on equity and net income on market price per share

The results are based on panel data of 11 commercial banks with 103 observations for the period of 2013/14 to 2022/23 by using the linear regression model and the model is $SP = \beta_0 + \beta_1 DPS_{it} + \beta_2 BVPS_{it} + \beta_3 NI_{it} + \beta_4 EPS_{it} + \beta_5 ROA_{it} + \beta_6 ROE_{it} + e_{it}$ where, the dependent variable is SP (Market price per share as measured by the average market price per share of listed companies, in Rs) The independent variables are EPS (Earnings per share as measured by the ratio of total earnings to total outstanding shares, in Rs.), DPS (Dividend per share as measured by the ratio of total dividend amount to total outstanding shares, in Rs.), BVPS (Book value per share as measured by the ratio of net income to total outstanding shares, in Rs.), ROE (Return on equity as measured by the ratio of net profit to total shareholders' equity, in percentage), ROA (Return on assets as measured by the ratio of net profit to total assets, in percentage) and NI (Net income, Rs. in million).

Model	Intercepts	Regression coefficients of						Adj. R_bar²	SEE	F-value
		EPS	DPS	BVPS	ROA	ROE	NI			
1	188.88 (2.426)*	12.53 (4.95)**						0.187	352.32	24.50
2	283.14 (6.072)**		16.54 (7.27)**					0.337	318.27	52.79
3	3.231 (0.025)			2.93 (4.21)**				0.141	362.31	17.68
4	293.162 (2.437)*				150.40 (2.109)*			0.033	384.37	4.45
5	143.79 (1.43)					26.34 (4.14)**		0.136	363.18	17.11
6	671.04 (7.11)**						-0.069 (1.59)	0.015	387.92	2.53
7	84.0 (1.234)	8.55 (3.82)**	14.158 (6.36)**					0.415	298.79	37.25
8	10.38 (0.082)	9.321 (3.02)**		1.472 (1.786)				0.205	348.56	14.11
9	253.29 (2.286)*	14.08 (4.45)**			66.84 (0.818)			0.185	352.89	12.55
10	37.59 (0.373)	9.61 (3.45)**				15.651 (2.34)*		0.22	345.05	15.43
11	396.31 (4.29)**	15.48 (6.15)**					-0.146 (3.71)**	0.278	332.01	20.66
12	50.24 (0.462)	7.98 (2.99)**	13.91 (5.99)**	0.293 (0.399)				0.411	300.05	24.68
13	227.89 (1.64)				75.81 (0.99)	23.37 (3.32)**	-0.082 (1.95)	0.154	359.54	7.17
14	-254.23 (1.67)	2.59 (0.78)	10.42 (4.74)**	2.90 (3.57)**	98.77 (1.57)	28.28 (4.54)**	-0.116 (3.29)**	0.546	263.22	21.48

Notes:

i. Figures in parenthesis are t-values.
ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
iii. Market price per share is the dependent variable.

Table 4 shows that the beta coefficients for earnings per share are positive with market price per share. It indicates that earnings per share have a positive impact on market price per share. This finding is similar to the findings of Almaaiteh and Alsaraireh (2019). Similarly, the beta coefficients for dividend per share are positive with market price per share. It indicates that dividend per share has a positive impact on market price per share. This finding is consistent with the findings of Al-Shawawreh (2014). Likewise, the beta coefficients for book value per share are positive with market price per share. It indicates that book value per share has a positive impact on market price per share. This finding is similar to the findings of Widati and Gunawan (2021). In addition, the beta coefficients for return on equity are positive with market price per share. It indicates that return on equity has a positive impact on market price per share. This finding is consistent with the findings of Khan et al. (2011). Further, the beta coefficients for net income are negative with market price per share. It indicates that net income has a negative impact on market price per share. This finding is similar to the findings of Gharaibeh et al. (2022). Moreover, the beta coefficients for return on equity are positive with market price per share. It indicates that return on equity has a positive impact on market price per share. This finding is consistent with the findings of Bustani (2021).

Table 5 shows the regression results of dividend per share, earnings per share, book value per share, return on assets, return on equity and net income on market capitalization in the context of Nepalese commercial banks.

Table 5

Estimated regression results of dividend per share, earnings per share, book value per share, return on assets, return on equity and net income on market capitalization

The results are based on panel data of 11 commercial banks with 103 observations for the period of 2013/14 to 2022/23 by using the linear regression model and the model is $MCAP = \beta_0 + \beta_1 DPS_{it} + \beta_2 BVPS_{it} + \beta_3 NI_{it} + \beta_4 EPS_{it} + \beta_5 ROA_{it} + \beta_6 ROE_{it} + e_{it}$ where, the dependent variable is MCAP (Market capitalization as measured by the product of market price per share and total outstanding shares, Rs. in millions). The independent variables are EPS (Earnings per share as measured by the ratio of total earnings to total outstanding shares, in Rs.), DPS (Dividend per share as measured by the ratio of total dividend amount to total outstanding shares, in Rs.), BVPS (Book value per share as measured by the ratio of net income to total outstanding shares, in Rs.), ROE (Return on equity as measured by the ratio of net profit to total shareholders' equity, in percentage), ROA (Return on assets as measured by the ratio of net profit to total assets, in percentage) and NI (Net income, Rs. in million).

Model	Intercepts	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		EPS	DPS	BVPS	ROA	ROE	NI			
1	33.608 (8.0)**	0.118 (0.866)						0.02	18.99	0.75
2	32.78 (11.97)**		0.27 (2.01)*					0.029	18.7	4.04
3	16.65 (2.25)*			0.11 (3.2)**				0.083	18.17	10.19
4	39.52 (6.63)**				-1.66 (0.47)			0.08	19.05	0.221
5	34.41 (6.5)**					0.165 (0.49)		0.007	19.01	0.245
6	18.82 (4.48)**						0.009 (4.69)**	0.171	17.27	22.01
7	31.71 (7.41)**	0.046 (0.33)	0.256 (1.80)					0.02	18.78	2.06
8	16.51 (2.5)*	0.19 (1.18)		0.141 (3.23)**				0.086	18.14	5.81
9	38.83 (6.53)**	0.244 (1.43)			-5.42 (1.24)			0.003	18.95	1.14
10	33.19 (5.96)**	0.11 (0.72)				0.043 (0.114)		0.012	19.09	0.377
11	20.12 (4.175)**	0.073 (0.56)					0.009 (4.62)**	0.165	17.33	11.1
12	16.92 (2.57)*	0.25 (1.27)	0.148 (1.06)	0.128 (2.89)*				0.087	18.13	4.25
13	22.2 (3.37)**				-7.809 (2.15)*	0.47 (1.41)	0.01 (5.15)**	0.194	17.03	9.19
14	2.48 (0.27)	0.44 (2.03)*	0.362 (2.73)**	0.099 (2.03)*	-8.33 (2.12)*	0.957 (2.55)*	0.011 (5.06)**	0.302	15.84	8.36

Notes:

i. Figures in parenthesis are t-values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.

iii. Market capitalization is the dependent variable.

Table 5 shows that the beta coefficients for earnings per share are positive with market capitalization. It indicates that earnings per share have a positive impact on market capitalization. This finding is similar to the findings of Geetha and Swaaminathan (2015). Similarly, the beta coefficients for dividend per share are positive with market capitalization. It indicates that dividend per share has a positive impact on market capitalization. This finding is similar to the findings of Prabath (2014). Likewise, the beta coefficients for book value per share are positive with market capitalization. It indicates that book value per share has a positive impact on market capitalization. This finding is similar to the findings of Bustani (2021). In addition, the beta coefficients for return on equity are negative with market capitalization. It indicates that return on equity has a negative impact on market capitalization. This finding is consistent with the findings of Mahirun et al. (2023). Further, the beta coefficients for return on assets are negative with market capitalization. It indicates that return on assets has a negative impact on market capitalization. This finding is inconsistent with the findings of Purnamasari (2015). Moreover, the beta coefficients for net income are negative with market capitalization. It indicates that net income has a negative impact on market capitalization. This finding is similar to the findings of Rusdiyanto and Narsa (2019).

4. Summary and conclusion

The stock market facilitates capital formation by allowing companies to raise funds through the issuance of shares to the public. This influx of capital enables businesses to invest in expansion, research and development, and other growth-oriented activities. By providing a platform for initial public offerings (IPOs) and subsequent equity offerings, the stock market helps channel savings into productive investments.

This study attempts to analyse the effect of accounting variables on stock price in the context of Nepalese commercial banks. The study is based on secondary data of 11 commercial banks with 103 observations for the period from 2013/14 to 2022/23.

The major conclusion of this study is that dividend per share, earnings per share, book value per share and return on equity have positive effect on market price per share and market capitalization in the context of Nepalese commercial banks. However, return on assets has negative effect on market capitalization. Moreover, net income has a negative effect on market price per share. Similarly, the study also concluded that dividend per share is the most influencing factor that determines the market price per share in the context of Nepalese commercial banks.

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