

RIGHTS ISSUE AND ITS IMPACT ON SHARE PRICE: EVIDENCES FROM NEPALESE COMMERCIAL BANKS

A Thesis

By

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CERTIFICATE OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as a part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of this thesis itself has been acknowledged. I certify that all information sources and literature used are indicated in the reference selection of this thesis.

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RECOMMENDATION LETTER

I certify that the thesis submitted by Mr. Ram Prasad Kharel entitled “**Rights Issue and its Impact on Share Price: Evidences from Nepalese commercial Banks**” has been prepared as per the format prescribed and approved by the Faculty of Management, Tribhuvan University. This research work is completed under my supervision and guidance. This thesis is the candidate's original research work. I am fully satisfied with the language and substance of this Research submitted to the Faculty of Management.

To the best of my knowledge, the candidate has fulfilled all the requirements of **Masters of Business Studies (MBS Semester)** Degree, Faculty of Management, Tribhuvan University. I, therefore, recommend that this research be considered for the award of master degree.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**Rights Issue and its Impact on Share Price: Evidences from Nepalese commercial Banks**” presented by Ram Prasad Kharel, a candidate for the degree of **Masters of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

AD	:	Anno Domini
AR	:	Abnormal Returns
ASBA	:	Application Supported by Blocked Amount
CAR	:	Cumulative Abnormal Returns
df	:	Degree of Freedom
DPS	:	Dividend per Share
Dr	:	Doctor
EPS	:	Earning per Share
FPO	:	Further Public Offering
FY	:	Fiscal Year
LBL	:	Laxmi Bank Limited
IPO	:	Initial Public Offering
SRBL	:	Sunrise Bank Limited
Ltd	:	Limited
ADBL	:	Agricultural Development Bank Limited
MBS	:	Masters of Business Studies
NEPSE	:	Nepal Stock Exchange Limited
No.	:	Number
NRB	:	Nepal Rastra Bank
NSE	:	Nairobi Securities Exchange
NYSE	:	New York Stock Exchange
P.E.	:	Probable Error
Prof	:	Professor
ROE	:	Return on Equity
Rs	:	Rupees

SD	:	Standard Deviation
SEBON	:	Security Board of Nepal
SEC	:	Security Exchange Center
SPSS	:	Statistical Package for the Social Sciences
SRBL	:	Sunrise Bank Limited
TU	:	Tribhuvan University
UK	:	United Kingdom
USA	:	United States of America

ABSTRACT

Rights issues give the existing shareholders the option of purchasing new shares, normally issued at par in the context of Nepal in order to encourage participation in the capital raised over purchasing shares in the market. The study focused on the practice of rights offering in Nepal and its impact on the share price movement of the sample banks from FY2008/09 to FY 2017/18. The major aim of the study is to examine the share price movement of stocks before and after the announcement of rights offering and to make a comparison between the theoretical price and the real market value after the announcement of rights offering.

Both primary and secondary data were used for analysis. Secondary data were collected from the annual reports of SEBON and websites, while the primary data were collected through questionnaire. This study used descriptive, correlational and casual-comparative research approaches. Descriptive research design is used for conceptualization, problem identification, conclusion and suggestions. The correlational research is used to ascertain the extent to which two variables i.e. how rights issue and share price are related. Casual-comparative research is also used to establish casual relationships, which has been shown using paired t-test.

The major findings of the study are approximately consistent with the theory of rights offering. The share price of most of the companies decreases significantly after the announcement of rights offering. Besides, under subscription of rights has been a major problem for most of the commercial banks. The conclusion of the study is that rights offering are found to be in an increasing trend and have some impact on the share price that can be negative. Non-transferable of rights is found to be one of the major causes of under subscription. But still, it is believed that rights issue practice would contribute a lot to raising funds for every company as the capital market gets matured and developed.