

# **Securities Market Development and Stock Price Behaviour of Commercial Banks in Context of Nepal**

**Submitted By:**

**CHHANDA PRASAD PARAJULI**

**Shanker Dev Campus  
Putalisadak, Kathmandu, Nepal  
T.U. Reg. 7-2-52-393-2000  
Campus Roll No. 1979/60**

**A Thesis Submitted to:**

**Office of the Dean  
Faculty of Management  
Tribhuvan University  
Kirtipur, Kathmandu, Nepal**

**In partial fulfilments of the requirements of the degree of  
Master of Business Studies (M.B.S)**

**Kathmandu  
September 2008**

# RECOMMENDATION

This is to certify that the thesis

**Submitted By:**  
**CHHANDA PRASAD PARAJULI**

**Entitled**  
**"Securities Market Development and Stock Price Behaviour of  
Commercial Banks in Context of Nepal"**

has been prepared as approved by this department in the prescribed format of Faculty of  
Management. This thesis is forwarded for examination

## **Research Committee Chairman**

Name: Associate Prof. Dr. Kamal Das Manandhar

Signature: .....

## **Supervisor**

Name: Mr. Shiva Pokhrel

Signature:.....

Date : .....

## **Campus Chief**

Name: Dr. Kamal Deep Dhakal

Signature:.....

# VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented by

**CHHANDA PRASAD PARAJULI**

**Entitled**

"Securities Market Development and Stock Price Behaviour of Commercial Banks in Context of Nepal"

*and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as fulfillment of the requirement for the Masters of Business Studies (MBS)*

## VIVA-VOCE COMMITTEE

Chairperson, Research Committee .....

Member (Thesis Supervisors)    i .....

ii.....

Member (External Expert):        .....

Date :

# **DECLARATION**

I hereby declare that this dissertation entitled "**Securities Market Development and Stock Price Behaviour of Commercial Banks in context of Nepal**" Submitted to Shanker Dev Campus, faculty of Management Tribhuvan University is my original work done in the form of partial fulfilment of the requirement for the "Master of Business Studies" (M.B.S.) under the supervision of Associate Professor Dr. Kamal Das Manandhar and Mr. Shiva Pokhrel, Shanker Dev Campus, Tribhuvan University.

Researcher  
**Chhanda Prasad Parajuli**  
**Shanker Dev Campus**  
**T.U. Reg. 7-2-52-393-2000**

## **ACKNOWLEDGEMENT**

Though this is an individual research project, many people have helped me to get the final form. I believe no dissertation can be prepared merely with an individual effort.

First of all, I would like to express gratitude to my supervisor Dr. Kamal Das Manandhar and Mr. Shiva Pokhrel for providing me with invaluable suggestion. This dissertation would not take this form without their expert guidance. I thank to the library staff of Security Board of Nepal for providing me with the necessary information and data's. I would also like to express my thanks to the librarian of Central Library, T.U. for letting me to refer different related materials. Similarly, I appreciate the contribution of all my best friends. My special thanks go to my friend Mr. Santosh Kumar Rauniyar and Ganapati Computer who helped me immensely in designing the layout and other computer works.

Finally, I express my sincere gratitude to all of those who helped me directly or indirectly to get this dissertation done.

## **ABBREVIATION**

CAPM:	Capital Assets Pricing Model
C.V.:	Coefficient of Variation
COV:	Covariance
DPS:	Dividend Per Share
EMH:	Efficient Market Hypothesis
EPS:	Earning Per Share
GDP:	Gross Domestic Product
HMG/N:	His Majesty Government of Nepal
i.e.:	That is
Ltd:	Limited
MPS:	Market Price per Share
NEPSE:	Nepal Stock Exchange
P/E:	Price Earning Ratio
Rf:	Risk Free
Rm:	Market Return
S.D.:	Standard Deviation
SEC:	Securities Exchange Center
SEBO:	Securities Board of Nepal
SMC:	Securities Marketing Center

# Table of Content

## CHAPTER-I

### INTRODUCTION

1.1	General background:	1
1.1.1.	Development of securities market in Nepal:	4
1.1.2.	Primary Market	5
1.1.3	Secondary Market:	5
1.1.4	An Introduction on SEBO/N:	6
1.1.5	NEPSE:	8
1.1.6	Prices of the Securities:	8
1.2	Focus of study:	9
1.3	Statement of the Problems:	10
1.4.	Objectives of the study	12
1.5	Significance of Study:	12
1.6	Limitation of the Study:	13
1.7	Chapter Scheme :	13

## CHAPTER -II

### REVIEW OF LITRETURE

2.1	Conceptual Framework of Financial Market:	15
2.1.1	Securities Market:	15
2.1.2	Concept of Stock valuation:	17
2.1.3	Concept of Risk and Return:	19
2.1.4	Capital asset pricing model:	23
2.2	Theories of stock Price Behaviour:	25
2.2.1	Conventional approach	26
2.2.2.	Efficient Market Theories :	30
2.3	Review of Previous Studies:	36
2.3.1	Foreign Context:	36
2.3.2	Nepalese Context:	42

## CHAPTER -III

### RESEARCH METHODOLOGY

3.1	Research Design:	48
3.2	Nature and Source of Data:	48

3.3	Population and Sample:	48
3.4	Analysis of Data:	50
3.4.1	Ratio Analysis:	50
3.4.2	Financial and Statistical Tools:	50

## **CHAPTER - IV**

### **PRESENTATION AND ANALYSIS OF DATA**

4.1	Performance of Securities Market:	55
4.1.1	Number of Public Issue Approval	57
4.1.2	Paid-up Value	58
4.1.3	Market Capitalization	58
4.1.4	Turnover	59
4.1.5	Listing of Securities	60
4.1.6	Price Index	62
4.2	Market Share of Deposits	63
4.3	Market Share of Investments:	65
4.4	Market Shares of Total Assets:	68
4.5	Implication of the Market Shares Analysis on Share Price Behavior:	70
4.6	Risk and Return Analysis	71
4.6.1	Expected Rate of Return analysis of Individual Banks	71
4.6.2	Standard Deviation	71
4.6.3	Co-efficient of Variation (CV)	72
4.6.4	Beta Coefficient	73
4.6.5	Security Market Line Analysis:	75
4.7	Major Findings of the Study:	76

## **CHAPTER -V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

5.1	Summary:	78
5.2	Conclusion:	79
5.3	Recommendation:	81

### **BIBLIOGRAPHY**

# List of Table

<b>Table</b>	<b>Page No.</b>
Table 1 .....	17
Table 2 .....	56
Table 3 .....	57
Table 4 .....	58
Table 5 .....	59
Table 6 .....	59
Table 7 .....	60
Table 8 .....	62
Table 9 .....	63
Table 10 .....	66
Table 11 .....	68
Table 12 .....	70
Table 13 .....	72
Table 14 .....	73
Table 15 .....	74
Table 16 .....	76

## List of Figure

<b>Figure</b>	<b>Page No.</b>
Figure 1 .....	20
Figure 2 .....	21
Figure 3 .....	23
Figure 4 .....	60
Figure 5 .....	62