

**STOCK PRICE BEHAVIOR OF COMMERCIAL
BANKS IN NEPAL**

By:

SAMULSON NEUPANE

Shanker Dev Campus

Campus Roll No: 558/062

T.U. Regd. No: 7-2-365-21-2002

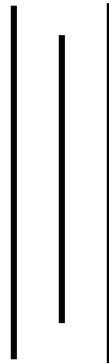
Second Year Symbol No.: 5091

A Thesis Submitted to:

Office of the Dean

Faculty of Management

Tribhuvan University



*In partial fulfillment of the requirement for the Degree of
Master of Business Studies (MBS)*

Kathmandu, Nepal

March, 2010

RECOMMENDATION

This is to certify that the Thesis

Submitted by:

SAMULSON NEUPANE

Entitled:

STOCK PRICE BEHAVIOR OF COMMERCIAL BANKS IN NEPAL

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

.....
Shree Bhadra Neupane
(Thesis Supervisor)

.....
Prof. Bisheshwor Man Shrestha
(Head of Research Department)

.....
Prof. Dr. Kamal Deep Dhakal
(Campus Chief)

.....
Rabindra Bhattarai
(Thesis Supervisor)

VIVA-VOCE SHEET

We have conducted the viva –voce of the thesis presented

by

SAMULSON NEUPANE

Entitled:

**STOCK PRICE BEHAVIOR OF COMMERCIAL
BANKS IN 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 partial fulfillment of the requirement for the Degree of

Master of Business Studies (MBS)

Viva-Voce Committee

Head, Research Department

Member (Thesis Supervisor)

Member (Thesis Supervisor)

Member (External Expert)

TRIBHUVAN UNIVERSITY

Faculty of Management

Shanker Dev Campus

DECLARATION

I hereby declare that the work reported in this thesis entitled “**STOCK PRICE BEHAVIOR OF COMMERCIAL BANKS IN NEPAL**” submitted to Office of the Dean, Faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Degree of Master of Business Studies (MBS) under the supervision of **Shree Bhadra Neupane** and **Rabindra Bhattarai** of Shanker Dev Campus.

.....

Samulson Neupane

Researcher

T.U. Regd. No. :7-2-365-21-2002

Campus Roll No. : 558/062

Second Year Symbol No.: 5091

TABLE OF CONTENTS

Recommendation	
Viva Voce Sheet	
Declaration	
Acknowledgement	
Table of Contents	
List of Tables	
List of Figures	
Abbreviations	
	Page No.
CHAPTER – I	INTRODUCTION
1.1 Background of the Study	1
1.2 Statement of the Problem	3
1.3 Objectives of the Study	6
1.4 Significance of the Study	6
1.5 Limitations of the Study	7
1.6 Organization of the Study	7
CHAPTER – II	LITERATURE REVIEW
2.1 Conceptual Framework	9
2.1.1 Concept of Securities	9
2.1.2 Security Market	10
2.1.3 Theories of Stock Price Behavior	12
2.1.3.1 Fundamental Analysis Theory	13
2.1.3.2 Technical Analysis Theory	14
2.1.3.3 Efficient Market Theory	15
2.2 Independent Studies	20
2.3 Review of Journals and Articles	22
2.4 Review of Thesis	25
CHAPTER – III	RESEARCH METHODOLOGY
3.1 Research Design	32

3.2 Population and Sample	33
3.3 Source and Collection of Data	33
3.4 Data Analysis Tools	33
3.4.1 Statistical Tools	33
3.4.2 Test Model	37
3.4.3 Test Methodology	38
3.4.4 Hypothesis of the Study	41
3.4.5 Financial Tools	42
3.5 Limitation of the Methodology	43

CHAPTER – IV DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation and Analysis	45
4.1.1 Stock Price Behavior of Sample Commercial Banks	45
4.1.2 Volatility of Daily Stock Price	48
4.1.3 Analysis of Co Movement of Commercial Bank Index and NEPSE Index	50
4.2 Regression Equation	51
4.2.1 Simple Regression Equation	51
4.2.2 Multiple Regression Equation	52
4.3 Test of Random Walk Hypothesis	53
4.3.1 Analysis of the Result of Serial Correlation Autocorrelation	53
4.3.2 Analysis of the Result of Run Test	56
4.4 Analysis of the Financial Indicators	58
4.4.1 Correlation Analysis	62
4.5 Major Findings of the Study	65

CHAPTER – V SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Summary	69
5.2 Conclusions	71
5.3 Recommendations	72

Bibliography

Appendices

LIST OF TABLES

Table No.	Title	Page No.
4.1	Computation of Stock Volatility	49
4.2	Correlation of Commercial Bank Index and NEPSE Index	51
4.3	Estimated Relationship between NEPSE and Fundamental Variables	52
4.4	Estimated Relationships between NEPSE and Fundamental Variables	53
4.5	Series having Significant Values of First Order to Tenth Order Autocorrelation Coefficient	55
4.6	Computation of Run Test	56
4.7	Names of Companies Having Significant Value of Standard Normal Variate Z at 5% & 1% Level of Significance	57
4.8	Result of Percentage Difference between the Actual and Expected Number of Runs as Proportion of Expected Number of Runs	58
4.9	Calculation of Financial Indicators of BOK	59
4.10	Calculation of Financial Indicators of EBL	60
4.11	Calculation of Financial Indicators of HBL	61
4.12	Calculation of Financial Indicators of NIBL	62
4.13	Correlation Analysis of BOK	63
4.14	Correlation Analysis of EBL	63
4.15	Correlation Analysis of HBL	64
4.16	Correlation Analysis of NIBL	65

LIST OF FIGURES

Figure No.	Title	Page No.
2.1	The Model of Share Price Behavior	19
4.1	Daily Stock Price Behavior of BOK	45
4.2	Daily Stock Price Behavior of EBL	46
4.3	Daily Stock Price Behavior of HBL	47
4.4	Daily Stock Price Behavior of NIBL	48
4.5	Analysis of co Movement of Commercial Bank Index and NEPSE Index	50

LIST OF ABBREVIATION

AT: Annual Turnover
BOK: Bank of Kathmandu Limited
DPS: Dividend per Share
EBL: Everest Bank Limited
EMH: Efficient Market Hypothesis
EMT: Efficient Market Theory
EPS: Earning per Share
HBL: Himalayan Bank Limited
K: Proportion difference between actual and expected number of runs
Ln: Natural Logarithms
LOG: Logarithms
MPS: Market Price per Share
NEPSE: Nepal Stock Exchange
NRB: Nepal Rastra Bank
NIBL: Nepal Investment Bank Limited
NSM: Nepalese Stock Market
NWPS: Net Worth per Share
OTC: Over the Counter Market
PI: Amount on Public Issue
PV: Paid Up Value
RWH: Random Walk Hypothesis
ROE: Return on Equity
SEBO/N: Security Board of Nepal
SEC: Security Exchange Center
SPSS: Statistical Package for Social Science
TU: Tribhuvan University