# RIGHTS SHARE OFFERING & THEIR IMPACT ON STOCK PRICE IN NEPALESE SHARE MARKET

**Submitted By**

**SUNITA SHRESTHA**

**Roll No.:029/070**

**T.U. Registration No: 7-2-431-50-2010**

**Exam Roll No: 2710016**

**People's Campus**

**A Thesis Submitted to:**

**Office of the Dean**

**Faculty of Management**

**Tribhuvan University**

***In partial fulfillment of the requirement for the Degree of***

**Master in Business Studies (M.B.S.)**

**September 2019**

**RECOMMENDATION**

This is to certify that the thesis

Submitted By:

**SUNITA SHRESTHA**

**Entitled:**

**RIGHTS SHARE OFFERING AND THEIR IMPACT ON STOCK PRICE IN NEPALESE SHARE MARKET**

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

| ……………………………… | ………………………………..….. | …....……………………………. |
|---|---|---|
| **Bikash Shrestha** | **Dr. Gopal Krishna Shrestha** | **Chhatra Mangal Bajracharya** |
| **(Thesis Supervisor)** | **(Head, Research Department)** | **(Campus Chief)** |

**Date: ………………………………..…..**

**VIVA-VOCE SHEET**

We have conducted the viva-voce of the thesis

Submitted By:

**Sunita Shrestha**

**Entitled:**

**RIGHTS SHARE OFFERING AND THEIR IMPACT ON STOCK PRICE IN NEPALESE SHARE MARKET**

And found the thesis to be the original work of the student and written according to the prescribed format. We recommended the thesis to be accepted as partial fulfillment for the degree of Masters of Business studies (M.B.S.).

Viva-Voce Committee

| | |
|---|---|
| **Head, Research Department** | ………………………….. |
| **Member (Thesis Supervisor)** | ………………………….. |
| **Member (External Expert)** | …………………………… |

# DECLARATION

I hereby declare that the work reported in the thesis entitled ***"*RIGHTS SHARE OFFERING AND THEIR IMPACT ON STOCK PRICE IN NEPALESE SHARE MARKET*"*** submitted to People's Campus, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of the Degree of Master of Business Studies (M.B.S.) under the guidance and supervision of Bikash Shrestha of People's Campus, Tribhuvan University.

……..……………………………..

**Sunita Shrestha**

**People's Campus**

**T.U. Regd. No.: 7-2-431-50-2010**

**Exam Roll No.: 2710016**

**September, 2019**

# ACKHOWLEDGEMENT

Writing a thesis in M.B.S. (Master Degree's in Business Studies ) second year is compulsory work for every student in order to development research capability and translate theoretical knowledge into the actual practice in analyzing the specific issues related to Nepalese share market concerns such as right share offering. I am thankful to Tribhuvan University Faculty of Management for providing me such opportunity to experience the practical knowledge of my subject. I try my best to give the readers a bird's eye view of this thesis and enable them to locate quill each section of it to find out the right offering & its impact on stock price in Nepalese Market.

This work would not have come in this form without the precious guidance, continuous recommendation, suggestion and inspiration of Bikash Shrestha. His supervision has highly encouraged me to complete this research. I would like to express my hearty thanks towards all of my family members who spent their valuable time and efforts and made a great sacrifice for my higher education and always created good environment and regularly promoted for this studies.

Lastly, I also would like to extend my thanks to those authors, publishers, researchers and all known and unknown friends for taking ideas and thoughts.

Thank You.

**Sunita Shrestha**

## TABLE OF CONTENTS

## CHAPTER III

## RESEARCH METHODOLOGY



## CHAPTER IV

## DATA PRESENTATION AND ANALYSIS

**CHAPTER V**

**SUMMARY AND CONCLUSION**

# LIST OF TABLES

# LIST OF FIGURE

# ABBREVIATIONS

| | | |
|---|---|---|
| AGM | : | Annual General Meeting |
| BOD | : | Board Of Director |
| Change in price_A | : | Change in price After Announcement |
| Change in price_BC | : | Change in price After Book Close |
| NEPSE | : | Nepal Stock Exchange |
| NRB | : | Nepal Rastriya Bank |
| Price_A | : | Price After Announcement |
| Prive_BC | : | Price After Book Close |
| Quantity_A | : | Quantity After Announcement |
| Quantity_BC | : | Quantity After Book Close |
| SEBON | : | Securities Board of Nepal |

# CHAPTER I

# INTRODUCTION

## 1.1 Introduction of capital market

Capital market is a market for long-term securities having maturities greater than one year. They are vital to long term and prosperity of economy; they provide the channel that fund can be raised to the company. This is the mechanism that can be used public saving or the development of industrial an business enterprises, the key instruments used in capital market are debt, preference share, and bond &convertible issues. Demand of capital in the capital market comes from agriculture, industry, trade and government, which sources are from individuals corporate, saving, multinational investors and surplus of government. So, some of the important members of capital market are stock exchange, specialized financial institution, bank, and investment company etc.

Capital market is the place where long-term lending and borrowing takes place. Therefore, the capital market is the market for long term borrowing and lending. Capital market consists of securities market and non-securities market. Securities market implies mobilization of funds through issuance of the securities such as shares, bonds, bills and debentures by corporate sector and Bonds, Bills and Debentures by government. These securities traded in the market and generally negotiable hence can be traded in the secondary market. Non-securities market refers to the mobilization in the financial resources by the financial institutions in the form of deposits and loans.

To develop the economy of a country, an efficient and effective capital market is of vital importance. The growth of capital market in a country depends upon the saving available, proper organization of intermediary, to bring the investors an business ability together for mutual interest. Capital market is an organized market through which buyers and sellers of long-term capital are met and the function of buying and selling takes place. The capital market is such a powerful marketing mechanism that gives opportunity to the investors to invest their savings in ordinary share, debenture and government securities. In the present time, industrial sector as well as other sector is growing very rapidly. So the development and growth of this sector capital market plays very important role. Nowadays banking sector and company use issue of right share is one of the best instruments to raise capital from the capital market. It can be easily noticed an increasing trend of issuing right share, a type of equity share issued by a company to the existing shareholders.

**1.2 Background of study**

Nepal is an underdeveloped Country and its economy is based mainly on agriculture. Due to political instability, unplanned growth of population and geographical situation of the country, the economic growth is very sluggish. Nepalese economy is thus considered very poor and has ushered backwards. There are only a handful of industries. Among these, very few are in profitable conditions and most are the verge of either extinction or closing. However, after development of suitable financial policies and adoption of economic liberalization, financial institutions have mushroomed in several urban areas of the country.

The economy of the country largely depends upon the utilization of its resources and mobilization of capital. Due to lack of proper utilization of resources, the country is going backward. The mobilization of the capital is an important tool to utilize the resources and hence it affects the overall economy directly and indirectly. The financial institutions contribute the national economy by accumulating the capital funds to meet the financial needs of different productive sectors. They actively participate in the money market and the capital market, as both suppliers and demanders of the funds.

Nepalese economy is in a developing phase. Financial sector has a crucial role to pool scattered savings for capital formation. Capital is the life blood of business Organizations. Every business enterprise requires short term, intermediate term and long-term capital fund for the smooth operations and expansion of organizational activities. Long-term funds plays highly significant role for future growth and prosperity of the organization. Most business organization collect long term funds from financial market.

Stock exchange is the market for long term capital where both new capital can be raised by companies and where existing share can also traded (bought and sold) by providing secondary market for investors to sell their shares, the stock exchange also provides a market for government loans and securities . On the market, the main operators are the market who trade in a group of share and the stock brokers who act as agents for their clients, who are the investors who are actually buying and selling shares for example NEWYORK stock exchange (NYSE), Mumbai stock exchange and Nepal stock exchange (NEPSE Security board of Nepal was established on May 26 1993, under the provision of securities exchange act, 1983. The objectives of the board are to promote and protect the interest of the investors by regulating the issuance, sales and distribution of securities and purchase, sales or exchange of securities to supervise and monitor the activities of the stock exchange and other related firms on securities business and to render the contribution on the development of the capital market by making securities transaction fair, healthy, efficient and responsible. Nepal government converted the Securities Exchange Center Ltd. into Nepal Stock Exchange (NEPSE) in 1993 with a view to reform the capital market NEPSE is a non-profitable organization, under securities exchange act, 1983.

The basic objective of NEPSE is to impart free market ability and liquidity to the government and corporate securities by facilitating transaction in its trading floor on 13 January 1994 to the combined interest of Nepal government, Nepal Rastra Bank, Nepal industrial development corporation and members of the shareholders of the NEPSE.

A securities market is the place where people buy and sell financial instruments. Financial instrument may be in the form of government bonds, corporate bonds or debentures, ordinary share, preference share etc.

### 1.3 Statement of the problem

Issue of right share represents the distribution of shares to the existing shareholders on the proportion of the number of shares they own. So, announcement of right offering is fine rumor to the existing shareholders. From right offering, existing shareholders can purchase the share of the company at subscription price which is for below the current market price. Right offering is defined as one of the popular methods of raising the long term fund as the targeted capital structure of the company or firm requires. Nepal Finance & Saving Company Ltd. got issue approval of right share in fiscal year 1995/1996 for the first time.

Most of the Nepalese people are not known about the phenomenon of share trading, it is therefore; only few investors are getting advantages from share transaction. Among them large number of people who are the prospective investors are found to be very interested on share trading activities under such circumstance the study is focused on the level of knowledge of generate people on share trading i.e. Right share issue. A shareholder, whose name is in the company book before record date, is entitled to have a proportionate number of new shares at price below market. A view held by professional investor.

Finance directors and some academics is that a right issue because it increases the supply of a company's shares, will have a depressing effect on the share price. It should consider some theoretical relationship in rights offering. Several issues are to be considered by the financial manager who is deciding on the details of right offering. Here it should also consider the pure stock split effect of the issue of right. Under their assumption the question posed to financial manager is:-

1. How many rights will be required to purpose a share of the newly issued stock?
2. What effect will the rights offering have on the price of the existing stock?
3. What factors drives the price of stock after right?

This study can find the number of the share to be issued by dividing the fund to be raised by the subscription price of each share, can divide the no. of new share in the no. of existing shares to get the no. of rights required to subscribe one share of the new stock. It means high subscription price makes more rights needed to buy a share of the stock and vice versa. Value of right can be calculated by using rights on and exercise price. Theoretically; the value of share should increase after the announcement of right offering and then decrease (by value of each right) after the subscription date. But this trend is not found to be followed in Nepalese context.

Announcement of right offering is good news to the existing shareholders. It is because existing shareholders can purchase the share of the company at subscription price which is far below the current market price. Under this condition also all the issued shares are not found to be subscribed by the existing shareholders.

After the subscription of right share, the number of shares increases. Increased number of shares causes increases in the supply of shares. According to the law of economics, increase in supply causes decrease in price i.e. when supply increases keeping the demand constant, price decreases. The share price movement in share is not uniform. Share price of some companies are found to have decreased very heavily and some have very slightly after the issue of right share.

In the above mentioned condition, the problems towards which this study is directed are:-

1. Is there any significance difference on right share issue and stock price across commercial bank, development bank and finance companies?
2. Is there any significance difference on stock price across before announcement of rights-share issue, after announcement of rights-share issue, before book close of rights-share issue and after book close of rights-shares issue?
3. What is the effect of Right Share issue on the market price of the share? In other words, will the right share issue, because it increases the supply of share, have a depressing effect on the share prices?

The securities market is the place where share of listed companies are traded or transferred from one to another a fair price through the organized brokerage system. The major function of securities market is a competitive price, future market ability and liquidity.

**1.4 Objective of the study**

Within the periphery of the stated problem of the study, the main objective of this study is to analyze and examine the affect of right offering and its effect on stock price movement in the context of Nepal. However, the specific objectives of the study are as follows:-

1. To explore the differences on right share issues and stock price across commercial

bank, development bank and finance companies.

2. To identify the differences on stock price across before announcement of rights-share issue, after announcement of rights-share issue, before book close of rights-share issue and after book close of rights-shares issue.
3. To examine the effect of right share issues on stock price.

**1.5 Significance of the study**

The rights-shares issue is important decision of corporate for different point of view although it is significant subject for all the concerned people of the capital market. This can be said that this study is noel for Nepalese capital market. Nowadays people are attracted to invest in shares for the purpose of getting greater return by considering this, company try to provide higher return and try to make value maximization of shareholders. Rights-shares has become new concept to attract the investors as well as keep happy to maintain goodwill. Similarly company launch a new promotion strategy, right share is one of them. Rights-shares offering provide existing shareholders the right to buy new shares in specified ratio. This study Is very helpful to those existing shareholders and also potential investors who are interested to know about right share. The practice of Right share is very old in worldwide but in Nepal it starts from fiscal year 1995/1996 AD. Till date there is hardly any research which shows the relationship between information accompanying the right issue announcement on the market price of the share. It also helps to analyze right share to security board of Nepal, NEPSE, and Research board of NRB. So, this study emphasis and helps those who want to study in further detail and widely in this field. The significances of the study can be point out as follows:-

1. Firstly, this study will be very useful to existing shareholders, financial managers, stock-broker, financial counselor and the market maker's of stock marker Nepal.
2. The study may draw the attention from every corner of investors and other academicians and also interested parties.
3. This study will extremely helpful to the existing shareholders to know about the movement of their share price with respect to the right issue announcement after

and before.

4. This study will also benefit that the study will provide some valuable input for the further study in this field.
5. Students who are studying about the right share in their course they will get benefit by this study.
6. With help of this study, researcher get also know about right share practice in Nepal.

### 1.6 Organization of the Study

This study is organized on the following standardizes pattern in order to make the study easy to understand.

Chapter one describe introduction which includes introduction of capital market, background of study, statement of the problem, objectives of the study, significance of the study, limitation of the study and organization of the study. Chapter two describes review of literature which includes right offering, brief introduction of Nepalese securities market, right offering Vs public offering, market Vs theoretical value of rights, stock split Vs stock right, bonus share Vs right share, related thesis, review of empirical literature and conceptual framework. Chapter three describes research methodology, which includes research design population and sample, source of date, definition of variables, and methods of analysis. Chapter four describes data presentation and analysis which includes mean, median standard deviation and paired sample t-test. Chapter five summarizes the summary and conclusion. After the completion of these five chapters a list of literature that reviewed earlier is included alphabetically in bibliography. Likewise, data information sheet etc. is incorporated in appendix.

# CHAPTER II

# REVIEW OF LITERATURE

In introduction chapter described about introduction of capital market, background of the study, focus of the study, statement of problems, objective of study, limitation of study, significance of the study and organization of the study. This chapter deals with the literature of previous studies on right issue and its impact of share price in more detail and suggestive manner. Regarding the review of literature various books, journal, articles from newspaper, some research reports and magazine related with the topic is reviewed. It covers those studies that are conducted within and outside the country, but no important studied have been conducted in Nepal. This chapter provides some conceptual theory of equity rights issues.

## 2.1 Right offering

### 2.1.1 Preemptive right

A publicly held corporation can raise equity capital either by selling equity directly to investors or by issuing rights to its share holders. When a corporate offers its shares to existing share holders prior to general public it is termed as right offering. Preemptive rights are the privilege of existing shareholders to participate in a right offering. Weston & Brigham (1996), states that the preemptive right gives holders of common stock. The right is made part of every corporate charter in some places and it is necessary to insert the right especially in the charter for others.

The Preemptive rights are of two types. First, it protects the power of control of present stockholders. If it were not for this safeguard, the management of corporation under criticism from stockholders could prevent stockholders from removing if from office by issuing a large number of additional shares at a very low price and purchasing these shares itself. It would thereby secure control of the corporation to discourage the will of the current shareholders. The Second and important is protection that the preemptive right affords stockholders concerns dilution of value.

### 2.1.2 Rights offering

If the preemptive right is contained in a firm's charter, then the firm must offer any new common stock to its existing stockholders. If the charter does not prescribe a preemptive right, the firm has a choice of making the sale to its existing stockholder or to an entirely new set of investors. If it sells to the existing stockholders, the stock floatation is called a rights offering, each stockholder is issued an option to by a certain number of the new shares, and the terms of the option are contained on a piece of paper called a right. Each stockholder receives one right for each share of stock owned.

When a company makes a rights issue, it sends a "letter of offer" to its existing shareholders indicating the amount of new shares or coupons to which they are entitled in proportion to their old shareholding. This "Letter of offer is like share purchase warrant in nature generally referred to as rights. These rights must be exercised within a given period, which is relating short, usually, not more than thirty days, unless the date is extended by the company.

The privileged subscription is fairly simply in the sense that after the issue has been approved by the company and the controller of capital issues, notices are sent to shareholders indicating that all those who are shareholders within certain recording date may get additional shares in a given proportion. Right of the shareholders when a rights issue is made is as follows.

First, Subscribed for the New Shares, if the shareholder has sufficient cash to buy the new shares, and if he/she feels that the company will use the money, so raised in a profitable way, and then he/she should take up the rights.

Second, Sells the rights, the new shares are cheaper than the current market price. Both new and old shares will rank on equal footing when the formulations have been completed.

Thus, the new zero value paid shares have values for which a third party would be willing to pay. The shareholders who are not happy with the rights issues or equalities, they can sell the rights. The rights are sold through the broker who will charge commission.

### 2.1.3 Characteristic of rights

Studying about right offering the following characteristics of rights can be showed:

1. The number of rights that a shareholder gets is equal to the number of shares held by him.
2. The price per share, called the subscription price, is determined by the issuing company.
3. The number of rights share required to subscribe additional shares is determined by the issuing company.
4. Rights are negotiable. The holder of the rights can sell them.
5. Right can be exercised only during a fixed period, which is usually about thirty days.

### 2.1.4 Advantages and disadvantage of right issue

According to Pandey (2003), there are three main advantages of right issue. First, the existing shareholder's control is maintained through the pro-rata issues of the shares. This is significant in the case of closely held company or when a company is going into financial difficulties or is under takeover threat. Second, raising fund through the sale of rights issue rather than the public issue involves less flotation cost as the company can avoid underwriting commission. Third, in the case of profitable companies the issue is more likely to be successful since the subscription price is set much below the current market price.

The main disadvantage is to the shareholder's who fail to exercise their rights. They lose in terms of decline in their wealth. Another disadvantage is for those companies whose shareholding is concentrated in the hands of financial institutions because of the conversion of loans into equity. They would prefer pubic issue.

### 2.1.5 Mechanism of right offering

When a company makes a right offering, the board of directors must set a date of record, which is the last date on which the recipient of a right must be the legal owner indicated in the company's stock ledger. Due to the time needed to make bookkeeping entries when a stock is traded, stocks usually begin selling ex- rights without the right being attached to the stock four business days prior to the date of record.

The issuing firm sends right to holders of the record-owner of the firm's share on the date of record, which is free to exercise their rights, sell them or let them expire. Rights are transferable and may be traded actively enough to be listed on the various security exchanges. They are exercisable for a specified period of time, generally not more than few months, at a price, called the subscription price, set somehow below the prevailing market price. Since fractions of shares are not always issued, it is sometime necessary to purchase additional rights or sells extra rights. The value of a right depends largely on the number of rights needed to purchase a share of stock and the amount by which right subscription price is below the current market price. If the rights have a very low value and an individual owns only a small number of shares the rights may be allowed to expire (Pandey, 2003)

### 2.1.6 Significance of right issue

The issue of further share is resorted for a various reasons. A company may, for the purpose of expansion, need additional capital resources. These may be over in the cost of the project and, therefore, additional shares may have to be raise funds. Financial Institutions grading loans may require the company to bring capital in desire proportion to the loan capital. Under the circumstances it is desirable to solicit additional capital for expansion from people who have a special interest in the welfare of the corporation, such as corporation's own stockholders and it also a least costly way of raising capital.

1. To avoid external incontinent
2. To expand company
3. To achieve a more respectable size in the market
4. To fulfill the legal requirement imposed by the authority
5. To be successful on subscription
6. To retain proportional ownership for shareholders
7. To decrease flotation cost
8. To increase the number of outstanding shares

### 2.1.7 Limitation of right issue

We discussed in the preceding section, the main advantages of right share issue is that it has favorable psychological value on shareholders. It indicates the company's growth to shareholders. Therefore they welcome right shares. But it has also limitations, without proper profit planning an issue of right share might invite over-capitalization. Some limitations are given below:

1. The company can't force its existing shareholders to buy any more shares in the company and hence it is granting them an option to buy these new shares.
2. Equally there is no reason for any outsider to want to buy these rights in order to take them up. Thus the proposed right issue could fail with the result that the company does not receive its desired injection of new equity funding.
3. The shareholders who fail to receive to exercise to sell their rights. They lose in terms of decline in their wealth. Most right issues are underwritten because there is no legal obligation on the part of shareholders to subscribe.
4. Issue of right share lowers than market value of existing share too. That may possess negative impact of particular share on capital market.
5. It deprives new investor from becoming the shareholders of the company. The control over the management of the company is not diluted and the present management may misuse its position.
6. The issue of right share dilutes the existing share's earnings per share if the profit do not increases immediately in proportion to the increase in the number of ordinary shares.

### 2.1.8 Under and oversubscription of right offerings

A company can ensure the complete success of right offering by having investment banker or group of investment bankers "stand by" to underwrite the unsold portion of the issue. "Underwriting is the insurance function of bearing the risks of adverse price fluctuations during the period, in which, a new security is being distributed" (Weston & Brigham, 1996). Most rights offering are made through investment banker, who underwrite and issue the rights. In most underwriting agreements, the investment banker agrees to be a standby arrangement, which is a formal guarantee that any shares not subscribed or sold publicly will be purchased by the investment banker. This guarantee assures the firm that the entire issue will be sold it will not be undersubscribed. The investment banker, of course, charges a higher fee for making this guarantee.

Most of right offerings include an oversubscription privilege, which gives stockholders not only the right to subscribe for their proportional shares of the total offering but also right to oversubscribe for any unsold shares. Although the use of the oversubscription increases the chances that the issue will be entirely sold, it does not assure this occurrence, as does the standby agreement. It is possible that the combination of subscriptions and oversubscription will fall short of the amount of the stock the company desire to sell. This privilege is a method of restricting ownership to the some group, although ownership proportions may change slightly. Shares that cannot be sold through the oversubscription privilege may be offered to the public. If an investment banker is used, the disposition of unsubscribed shares may be list up to the banker.

## 2.2 Brief introduction of Nepalese securities market

### 2.2.1 Securities Board of Nepal (SEBON)

Securities Board of Nepal was established by the Nepal Government on June 7, 1993 and is now functioning as an apex regulator of Securities Markets in Nepal. As per the Securities Ordinance, 2005, the major objectives of SEBON are to regulate issue and trading of securities and market intermediaries, promote market development and protect investor's right. The functions of SEBON are as follows.

1. Register securities and approve prospectus of public companies.
2. Provide license to operate stock exchanges.
3. Provide license to operate securities businesses.
4. Give permission to operate collective investment schemes and investment funds.
5. Draft regulations, issue directives and guidelines, and approve bylaws of stock exchanges.
6. Supervise and monitor stock exchanges and securities business activities.
7. Take enforcement measures to ensure market integrity.

8. Review reporting of issuer and listed companies and securities business persons.
9. Conduct research, study and awareness programs regarding securities market.
10. Coordinate and cooperate with other domestic as well as international regulators.
11. Frame policies and programs relating to securities markets and advise Nepal Government in this aspect.

As per the Securities Ordinance, 2005, the governing Board of SEBON is composed of seven members including a full time Chairman appointed by the Nepal Government for the tenure of four years. Other members of the Board are joint secretary from Ministry of Finance, joint secretary from Ministry of Law, Justice and Parliamentary Affairs, representative from Nepal Rastra Bank (the central bank), representative from Institute of Chartered Accountants of Nepal, and representative from Federation of Nepalese Chambers of Commerce and Industries, and one member appointed by the Nepal Government on the recommendation of SEBON from amongst the market experts.

As per the Section 3 of Securities Exchange Act, 2040, the governing Board of SEBON was composed of one full time Chairman appointed by HMG/N, representatives one each from Ministry of Industries, Commerce and Supplies, Nepal Rastra Bank, Federation of Nepalese Chambers of Commerce and Industries and Association of Chartered Accountants of Nepal.

SEBON, in its organizational structure has two departments, six divisions and ten sections. Under the Corporate Finance and Administration Department, there are three divisions namely Corporate Finance and Reports Review Division, Accounts and Administration Division and HRD and Education Division. There are also three divisions under the Securities Market Regulation Department namely Legal and Enforcement Division, Market Regulation and Compliance Division and Market Analysis and Planning Development Division.

### 2.2.2 Procedure for right issue in Nepal

Every company which wishes to issue right shares should follow some procedure. Company Ordinance 2005 is silent about the right issue but mentioned that

Public Companies can issue shares according to the provision mentioned in this ordinance and other rules and regulations related to securities but, if the companies are issuing right shares or bonus shares they need not to follow all these rules. Following procedures are generally adopted by Nepalese companies to issue right shares:-

1. The BOD should consider about the determination of the quantum of further capital requirement and the proportion in which the right issue might be offered to existing share holders.
2. AGM should pass the proposal of BOD by its majority.
3. Company should notify NRB, NEPSE office of the company register and SEBON sufficiently with prospectus in advance of the date of board meeting at which the rights issue is likely to be considered and should get permission from them.
4. Make announcement with prospectus which gives a general, indication of the reasons which has made the issue desirable, the purpose for which the new money is to be issued.
5. Letter of provisional allotment of rights offering to the shareholders about the terms of the rights offered, the number of new shares allotted to each given number of old shares, the price at which the issue is to be made and the conditions letter will be sent after the date of announcement.
6. After the receipt of the letter of provisional allotment, the allotment must be made for those shares which are renouncing.
7. Certificates are distributed to the shareholders who participated in the rights offering announcement. Shareholders who have accepted and fully paid up their allotment can renounce the actual certificate in favor of third party. Because of non transferable instrument, such practices are not seen in Nepalese context.
8. Listing of the shares in the NEPSE again with increased number which must approved by the stock exchange after which an application for listed new share could be made.

**2.2.3 Nepalese laws relevant to public issue**

The entire corporation, who wish to issue its share to the public, should follow following laws. The right issue guideline, still not implemented yet. It is under the process, we hope it will come soon. But issuing right share is share is one of the offering to the public. The corporation, who want to go public to raise it's capital, should follow certain laws. Right is one of the instruments, to raise capital from the existing shareholder. Thus, the corporation, who is going to issue, right share as well as other stock, should follow following law.

1. Company Act 2053 (1997)
2. Securities Exchange Act 2040 (1983)
3. Securities Exchange Regulation 2050 (1993)
4. New Issue Management Guideline 2054 (1997)
5. Securities Registration and Issue Approval Guideline 2057 (2000)
6. Securities Allotment Guidelines 2051 (1994)
7. Bank and Financial Intuitions Ordinance 2060 (2003)

## 2.3 Right offering Vs public offering

By offering stock first to existing stockholders the company taps investors who are familiar with the operation of the company. The principal sales tools is the discount from the current market price, whereas with a public issues, the major selling tool is the investment banking organization. When the issue is not underwritten with a standby arrangement, the flotation costs of a right offering are lower than the cost of an offering to the general public. Therefore, there is less drain in the system from the stand point of existing stockholders. Moreover, many stockholders feel that they should be given the first opportunity to buy new shares.

Offering these advantages in the minds of some is that a right offering will have to be sold at a lower price than will an issue to the general public. "If a company goes to the equity market with reasonable frequency, this means that there will be with public issues. Even though this consideration is not relevant theoretically, many companies wish to minimum dilution. Also, a public offering tends to result in a wider distribution of shares, which may desirable to the company"(Van Horne: 198; 574).

## 2.4 Market Vs theoretical value of rights

Actual value of market value of right may differ somewhat from its theoretical value on account of transaction costs, speculation and the irregular exercise and sale of rights over the subscription period. Market price of the right may be higher or lower than its theoretical value, stockholder will sell their rights purchase the stock in the market. Such action will exert downward pressure of the market price of the stock. If the price of the right is significantly lower than its theoretical value arbitragers will buy the rights, exercise their option to buy the stocks, and then sell the stock in the market. This occurrence will excerpt upward pressure on its theoretical value (Van Horn & Wachowicz, 2001). But this transaction and movement is not applicable in Nepalese context because in Nepal rights are not traded.

## 2.5 Stock split Vs stock right

In the area of stock splits and stock rights misconception also exist to confuse unwary. In theory, stock splits, no problem: they are as value less to the investors as stock dividends. Simply reading 'two-for one's split instead of 100% stock dividend ' the meaning remains unchanged. Similarly, an action taken by a firm to increase the number of shares outstanding, such as doubling the number of share outstanding by giving each stockholder two new shares are formally held. Stock split generally used after a sharp price run up to produce a large price reduction. In theory, split should reduce the price per share in proportion to the increase in share because splits merely "divide the pie into smaller slices". However, firm generally split stock only if the price is quite high and management thinks that future in right.

Therefore, stock splits are often taken as positive signals and thus boost stock prices. A share/stock split means that the nominal value of share capital on the balance sheet is unchanged.

Right share and stock split are completely different. Stock right means a method of raising further fund from existing shareholder, by offering additional securities to them as per-emptive basis. It involves the offer of additional share to existing shareholders. These are offered in proportion of existing shareholders. A more lengthy analysis, however, is required to reveal the exact nature of stock rights the offering of new securities to existing by means of rights, either as a matter of legal requirement or financial policy or both. The question of rights is intimately of connected with that of dividends. Companies frequently offer new stock (or securities convertible into stock i.e. contingent securities) to existing shareholders at prices will be below the current price the current market price of outstanding stock. In doing so, management may feel that it is giving something of value to its shareholders like stock dividends, stock rights are highly prized by investor. And like stock dividends, rights may typically be sold on the market for cash if the holder decides not to exercise them. Belief in the value of right is, if anything even those rights have no inherent value to the investors no matter how large the discount at which the new shares are to be sold.

### 2.6 Bonus share Vs right share

Bonus issue and right issue are very similar, although typically used for different purpose. Right are, an important tool of common stock financing without which shareholders would run the risk losing their proportionate control of the company and dilution of their ownership. Company offer rights generally at a price, which is lower than the value of the shares in the market to raise an additional capital. As a result the common stock paid in capital stock and total net worth amount of the company will change. "Since bonus share is a form of dividend that a company provide to its stockholders. Bonus share is also understood synonyms to the stock dividend. Stock dividend paid in additional share of stock rather than in cash. It simply involves a transfer to retained earnings to the capital amount. In a bonus issue, the nominal value per share stays the same and the new shares are issued by capitalization existing reserve. Thus share capital shown on the balance sheet does not increases but other reserves are be decreased by the same amount.

A right issue is involves selling of ordinary shares to the existing shareholders of the company. It is available for a specified period of time in order for shareholder to decide what to do, to send in their cheque or selling their rights in the market.

Right share increases capital, as equal to how much, amount of right share issued. A Bonus is different from right issue. A bonus does not raise any new capital. It merely increases the nominal amount of the issued share capital by the company utilizing its undistributed profits in paying up for the new shares. Company declares for bonus issue because it may hesitate to declare dividends at such rates, which are likely to be criticized by the trade unions and the consumer. With a bonus issue, the number of shares increased through proportional reduction in the book value of stock. As a result, the worth of the company remains unchanged. Stock dividend is a dividend paid in additional shares/ stock rather than cash.

## 2.7 Related theories

This section outlined three theories that give the foundation of this study.

### 2.7.1 Random walk hypothesis

This theory points that information reach the security market randomly and elicits random reactions of the security prices. Investors are assumed to rationally estimate the value of shares based on the expected future returns. Random walk theory states that the past movement or direction of the price of a particular security or of the whole market cannot be employed to forecast its future movement since information arrive randomly. This means that share prices are independent of each other and have similar probability distribution, thus take unpredictable path. This theory leads into efficient market hypothesis (EMH) in which security prices reflect both publicly and privately available information, and that one cannot rely on historical information to make arbitrary profits. This means that there is constant trading of securities through buying and selling and the prices are determined by a stochastic process in which price continuously changes as new information arrive. It is hard to predict the intrinsic value of a security but the price may simply revolve around a given intrinsic value. In this context, announcement of a rights issue may elicits random share price changes.

### 2.7.2 Signaling theory

This theory states that corporate financial decisions and communications are signals sent by company managers to investors in order to minimize information asymmetry and to facilitate rational investment decisions. These signals are the basis of financial communications policy. The theory is constructed on the premise that information is not evenly available to all parties at the same time. Usually, managers are privy to consistent, accurate and relevant private information that inform their decisions, which in turn signals the market. For instance, company announcements of an increase in dividend pay-outs act as an indicator of the firm having strong future prospects. Having that investor's intention is to maximize their returns; they will be willing to invest only in a company projected to have stable future performance.

Similarly, manager having good investment opportunities are more likely to signal the market through announcement of future, plans than those with no investment opportunities. In this respect, announcement of a rights issue to raise capital for additional investment and for company expansion sends signal to the investors that such a company has better future prospects, hence positive investors and market response.

### 2.7.3 Efficient market hypothesis

This is an investment theory developed by (Fama, 1965) outlining that financial markets respond efficiently to information reaching it. This means that market prices fully reflect all the available information. This means that a single investor cannot consistently achieve returns in excess of average market returns on a risk-adjusted basis, given the information available at the time the investment is made (Fama, 1965)

EMH has three types; weak EMH, semi-strong EMH, and strong EMH. The weak form of the EMH states that that prices on traded assets such as stocks, bonds, or property reflect all past publicly available information, hence an individual cannot make arbitrage returns. This means that the prices share prices today is a reflection of yesterday's price (Fama, 1965). Semi-strong EMH states that prices reflect all publicly available information and that prices promptly adjust to reflect new public information. Strong EMH on the other hand claims that prices instantly reflect both public and private information. This means that today's price is determined by both public and private information.

## 2.8 Review of different articles and thesis

The study has reviewed some of the articles on related subject matter. The summary of major articles on this subject matter is presented in the table.

Table 2.1

*Review of empirical studies*

| Studies | Major Findings |
|---|---|
| Pathak &Giri (2008) | • Price behaviors shown by the stock of sample organizations do not satisfy the theory of rights offering. |
| Miglani (2011) | • Abnormal returns on the announcement & Surrounding dates<br>• The stock value of the firm increased on the day of announcement of right issue |
| Onclin (2013) | • The thesis did not found support for greater negative cumulative abnormal returns when the economc indicators indicate a negative sentiment |
| Ogada (2014) | • Abnormal returns were not significantly different implying that the information content of rights issues do not affect stock return and this may be an indicator of market efficiency |
| Otieno (2014) | • Rights issue announcement produces negative abnormal stock returns on the companies |
| Kithinji, Oluoch & Mugo (2014) | • Study found out that traded volumes are not significantly affected by announcement |
| Otieno, Ochieng (2015) | • Rights issue announcement results into a negative abnormal stock return for the listed firms |
| Mariko & M (2016) | • Share prices before and after the rights issue announcement was statistically insignificant |
| Kendirli, Elmali (2016) | • Investors of deposit banks can yield abnormal returns in the period of ten days after the announcement |
| Ogada, Kalunda (2017) | • The expected returns as well as the market returns were significantly higher after rights issue than before rights issue. |
| Damayanti, Anwar (2018) | • The slightest information or rumors in the market can influence the stock price. |

Pathak & Giri (2008), focused on practice of rights-shares offering in Nepal and its impact on share price movement. Theoretically price of share increased after rights-shares offering and decreased after the issue of rights-shares but some practical cases in Nepalese companies had mixed results in this regard. This study was helpful to investors, security dealers, students and the companies themselves which were the samples of the study. It helped these parties to know about the share price movement after the issuance of rights-shares.

Nepal Finance and Saving Company Ltd. announced issue of rights-shares for the first time (December 1, 1995) when market price of its share was constant at Rs. 110 for two months before announcement. But after announcement, there was only one transaction before the record date that even at a price below its previous market price. Share prices of the majority companies were decreased after the rights share announcement and decreased rapidly after allotment. Only few companies met the theory. It was clear from Annual Report of SEBO/N, 2006/07 for share of rights-shares issue on total public flotation, the trend of rights-shares offering in Nepalese share market was quite low. Data used for this study were collected mostly from secondary sources including the records available with the SEBO/N, annual reports of respective companies and the directories of the stock exchange. The share prices were collected from the official quotation list of NEPSE published in the national daily newspapers such as Kantipur, Gorkhapatra, and The Kathmandu Post as well as trading report of NEPSE. Besides these, primary data were collected through questionnaires and interview.

Basically this study covered those companies which were listed in NEPSE and have issued rights-shares. In addition, this study covered the data of five years period. The research analyzed light on several aspects of the corporate financial policies and practices regarding rights-shares offering such as subscription price, subscription ratio, total issue Vs total subscription of rights share, frequency of the rights-shares offering by an individual company and legal provisions regarding the rights-shares offering. As per the annual report of SEBO/N for FY 2006/07, there were 135 listed companies in the Nepal Stock Exchange categorized under different sectors. Among them, only 46 companies had issued rights-shares till FY 2006/07. All the listed companies that had issued rights-shares had been taken as population. The major portion of Nepalese securities market was controlled by banks, finance companies and insurance companies. Any fluctuations in those companies' share price directly affect NEPSE index. Stratified Random Sampling method had been used for this study. Five rights-shares issuing companies had been taken as sample to conduct the research. They consist of three from banks and two from finance companies. To complete this study, the researcher had conducted correlation analysis as a statistical tool. The Karl Pearson's method, popularly known as Pearson's coefficient of correlation was most widely used in practice. To test out research hypothesis, t-statistics was used here. T-statistics had been used to test the significance of the differences between the share price before and after the announcement of the rights offering by the companies.

Valuation of rights was very important to analyze the share price movement. After the closing date of rights-shares offering, share price had been dropped to the extent of value of right. Five different points of time had been selected for observing the price movement with the announcement date as the point of reference. The Karl Pearson's method, popularly known as Pearson's coefficient of correlation was most widely used in practice. The selected points of time were (i) Three months before the rights announcement date as base date. (ii) Ten days before the announcement date. (iii) Day of the rights announcement, (IV) Seven days after the announcement and (v) Six months after the announcement. The price movements of a total of five companies including banks and financial institutions namely Nepal Bank Ltd (NBL), Nepal Investment Bank Ltd (NIBL), Bank of Kathmandu Ltd (BOK), People Finance Limited (PFL) and NIDC Capital Markets Ltd (NCML) had been taken as sample for the study purpose.

General market movements also affect the share price. So it was indeed important to study correlation between the share price movement of sample organizations and general market movement. It was seen in practice that sometimes not only rights-shares offering but also general market movement cause the declination in share price. After calculating correlation between share price movements of sample organizations and general market movement following results had been obtained.

The major findings of these studies were trend of issuing rights-shares was increasing in Nepalese capital market, there were a large number of shareholders who were holding small quantities of share, price behaviors shown by the stock of sample organizations did not satisfy the theory of rights-shares offering, most of the investors like to invest in banking and financial organizations, more than 50 percent investors liked to subscribe rights-shares just to increase the number of shares, existing legal provision was not adequate and needs to be amended as soon as possible, the under-subscription of rights-shares was caused by various factors such as lack of investor's awareness, low performance of companies and lack of adequate information. Among these factors, lack of adequate information to shareholders was major.

Miglani (2011), explored the impact of rights-shares issued by Indian companies that took place during 2005 & 2010. The study examined whether the Indian capital market reflects semi-strong market efficiency. Numerous studies estimated the effect of announcements related to Bonus issues, dividend declaration, mergers & acquisition on the stock prices of the firms involved in the process. The study analyzed & the pertinent literature from 14 different individuals articles and journals they were using daily stock returns: the case of event studies, dividend announcement & Informational efficiency: An empirical study of Indian stock market, the impact of publicity announcement on share prices: An empirical study, Bonus share issues & announcement effect, the effect of announcement of Bribery Scandal, white collar crime & illegal payment on returns to shareholders, stock Market reaction & liquidity changes around bonus issue announcement, the empirical Analysis of Market reaction around the bonus issues in India, China Stock price reactions to financial announcement, Share capitalization changes, information and the Australian equity market, the information content of stock dividend announcement, the informational impact of announcements of stock dividends & stock splits, stock splits & stock dividend; why, who & when?, the Impact of mergers & acquisitions on shareholders wealth and the Impact of mergers & acquisitions on shareholders wealth. The methodology section was divided into two parts: Data sources & Data design. The data sources section explained the criteria applied in this study & data collection process. The data design section, on the other hand, described the procedure of event study conducted in this research. The research hypotheses examined in this study are tested by applying an event study methodology described by Stephen J. Brown & Jerold B. Warner (1985) who was previous researchers.

The samples of 32 right issues had been used to study the announcement effect. The sample was chosen on the basis of two criteria that were shares of the company had to be traded publicly in BSE (Bombay Stock Exchange) and the return on company's securities was available at least 90 days prior to 30 days after the announcement date.

The information about the companies issuing rights-shares, their announcement dates were obtained from Capitaline database. To examine the market response to rights-shares issues announcement standard event study methodology was used. The ordinary least square (OLS) market model was applied for estimation of abnormal return on a specific stock. To construct an event study the event, event date, event window, estimation window & estimation model had been determined. The event was what the researcher would like to study. The relationship of the said event was studied with the share prices. The event had defined for this study was the announcements of rights-shares. The event date was the date of announcement of right issue by the sample firm. It can be expressed as to. The event window comprised some period before & after the event day. The event window in this study was 30 days before & 30 days after rights issue. It can be expressed as -30 to +30. The estimation period was the period prior to the occurrence of the event. Generally estimation period & event windows were chosen in such a way so that they don't overlap.

The estimation period for this study was 90 days before to 31 days before the event date. It can be expressed as t = -90 to t = -31. The selected examination model for this study was standard market model. The model assumed that there was a linear relationship between the return of the security & the return of market portfolio. For the purpose of studying the impact of rights issues on share prices abnormal returns were computed. Abnormal returns were obtained by finding the difference between actual returns of the security j on day t & expected returns of security j on day t.

The main empirical results were shown in Table. It presented the result of the entire sample consisting of 32 right issues. For each of the 61 days in the experimental period it had reported the Average daily Abnormal Returns (AARs) for day's t-30 to t+30 along with the summary statistics for the tests of null hypothesis. It analyzed through table which had showed for the 30 days before the announcement date there is no consistent pattern of abnormal returns of the companies engaging in rights issue. The AARs before the announcement period (-30 to -1 day) were positive only for 14 days out of 30 days and were negative for 16 days. AARs were significant at 1 per cent level of significance on day's t-28, t-11, and t-4. AARs were significant at 5 per cent level of significance on day's t-22, t-20, and t-2. On the other days before announcement date there were no significant abnormal returns for the stockholders of the sample companies. The AARs after the announcement date show no consistent pattern. After the announcement date for 11 days there were negative returns & for 19 days there were positive returns. AARs were significant on t+2, t+26, and t+28 at 1 per cent level of significance. Returns on day t+1, t+13, t+14, t+20 and t+23 are significant at 5 per cent level of significance.

The analysis of Cumulative Average Abnormal Returns (CAARs) shown that during pre-event window on 14 days CAAR was negative & on 16 days it was positive, indicating the positive reaction of the market in anticipation to right shares. But CAARs before announcement day were statistically insignificant. The pattern of CAARs was inconsistent from t-30 to t-1. However on announcement day there was an increase in CAAR from -0.15 to 0.74. After the event date CAAR was positive. CAAR was significant at 1 per cent on t+2, t+28, t+29, t+30.

It is also depicting significant cumulative average abnormal returns at 5% level on day t+1, t+4, t+5, t+6, t+8, t+9, t+19, t+20, t+21, t+22, t+26, t+27. This indicates a positive impact of rights-shares issues on the firm. Some sub- tables were extracted from Table regarding CAAR. They were in relation to 11 days around event day, 21 days around event day & 41 days around event day. The sub-tables showed insignificant CAARs in the interval of days -5 to -1 & -20 to -1.

However it was also depicted that there was significant positive CAARs in the interval of +1 to +5, -5 to +5, +1 to +10, +1 to +20 & -20 to +20. During the interval -10 to -1 significant negative return were seen. It implies that market incorporated the information & reacted positively to rights-shares issue announcement. This paper had examined the impact of rights issue on firm's equity value. Data analyzed in this study constituted a sample of public announcements of rights issued by companies. To be included in the sample the announcement of rights issue must be reported during 2005-2010 period. Using the standard event study methodology the analysis shown that actual stock performance for the companies was higher as compared to expected market adjusted returns.

The results showed that the stock value of the firm increased on the day of announcement of right issue by about 1.42 per cent. The study also revealed statistically significant abnormal returns on the announcement & surrounding dates.

Onclin (2013) examined the announcement impact (market reaction) from right issues on stock prices and investigated three hypotheses; Information Asymmetry hypothesis, Free-Cash-Flow hypothesis and the Window of Opportunity hypothesis. The Dutch capital markets had not much attention concerning the impact that right issues have on stock prices.

Based on the problem statement, this thesis examined the short-term stock price performance from companies listed on Dutch capital markets during the announcement of right issues. The purpose of this research was to provide further evidence on the right issue announcement impact. In order to do so, seven different hypotheses are created. This study tested the relationship between variables, so this research had been called explanatory. To measure the announcement impact of right issued on stock prices a typical event study was used. An event study measures the impact of influencers effectively, because calculations were based on stock price which were accurately and less subject to human error. The data set used in this study was characterized as primary data.

The researcher did not make use of an existing data set, but constructed one by him. In addition, the data used in the study was numerical and statistical test were performed, what following Verhoeven (2004) indicated as a quantitative study. Based on the selection criteria for the units of analysis, a total of 84 firms were selected. The researcher performed an investigation to right issued of those companies. In contrast to other scholars that performed research to the impact of rights-shares issue, this study did not make use of already established database. But instead of real papers, this study performed a research to rights-shares issue via the internet. Because of time and money related issued this was the most efficient way to collect the data.

To make sure the data collection was performed on a systematic way, the researcher constructed a data search plan. The search process led to a sample of 34 rights-shares issued from 28 different companies. Six companies performed two right issues during the time period. The 28 companies fit in nine different industries. To answer the major research question of this thesis, seven different hypotheses were created. To reject or to not reject the hypotheses this study had employs mean, median tests and regression analysis.

To analyze if the stock price face any impact during the announcement of a right issue, the abnormal returns from the stocks were calculated. The pre-period return (day -20 till -1), two-day announcement return (day 0 till day +1), the three-day announcement return (day -1 till day +1) and the after period return (day 1 till day 20) were investigated. Day 0 represented the announcement day. The study shown that companies that issued equity via a rights-shares issue face on average a decline in stock prices of 7.8% during the two-day announcement period. When looking to the 41-day event this period was the most viable. And although no significant difference between industries was found, the result shown that the magnitude between industries deviate some from each other. Also good to know for businesses was the fact, that the discount and the issue size were important indicators for the public with a significant influence on the stock price reaction.

Businesses that gave their stockholders a huge discount on their stocks faced a higher decline in stock prices. And the same was true for bigger rights-shares issued. On the other hand, no significant relation was found between the market-to-book value and the two-day CAR, so based on this research companies did not gave much attention to this figure. It did not show to have any influence on the announcement. The time which companies issued equity, did not have any influence on the announcement. The four economic indicators did not have a significant relation with the two-day CAR.

Although markets and economic conditions deviate, it did not have a significant influence on the announcement impact. Businesses therefore had executed the rights-shares issued in both a positive or negative market sentiment.

Ogada (2014), established the impact of rights-shares issue on returns of firms listed on the Nairobi Securities Exchange. The main statement of problem of this study was most firms that announce rights-shares issue usually experience a decrease in the share price after the issue at least in the very short run. Kakiya (2007) conducted a study on the effects of announcements on stock returns.

The findings from the study were that trends in stock returns were dependent on event announcement. The existing studies were inconclusive; while some researchers found significant positive effects; others found significant negative effects while still others didn't find any significant effects. This area was therefore riddled with inconclusiveness. This study therefore was aimed at investigating the impact of rights-shares issue on stock returns at the Nairobi Securities Exchange. It compared the stock returns of firms before and after issuance of rights-shares issues. The objective of the study was to establish the impact of rights-shares issuance on stock returns at Nairobi Securities Exchange.

The study contributed to the existing literature in the area of rights-shares issue and share returns of firms listed on the Nairobi Securities Exchange. The finding of the study will be important to future scholars and academicians because it will serve as a source of reference on the subject besides providing suggestions on areas requiring future study in as far as the rights issue and share returns at the NSE was concerned. The findings of this study will assist investors in making more informed decisions when trading in Nairobi Stock Exchange. The study revealed whether and how rights-shares issue impact on stock returns which was of great importance in making investment decisions.

The findings of this study will equip financial advisors with empirical knowledge related to rights-shares issue that would enable proper financial analysis hence informed financial advisory. Some of the theoretical foundations that had been discussed and explained rights-shares issuance on stock returns expectation gap were here in. They were the Modern Portfolio Theory, Efficient Market Hypothesis and The Random Walk Hypothesis. Most information-based theories presumed that managers knew more about the value of the firm than do potential new investors. This asymmetric information created an adverse selection problem which can explain the existence of a price drop when an equity issue was announced. They assumed that managers know more about the firm's true value than do outside investors and also that manager's act in the interests of existing shareholders.

Rational investors correctly value firms on average, but individual firms can be mispriced, conditional on managers' private information. Conceptual framework for this study included independent variable as rights-shares issue and dependent variables as stock returns. This study reviewed 11 different references to support and got some hint to justify the main objectives. The study adopted an event study methodology which attempt to establish the information content of right Issue on share returns.

The population of this study was 18 companies listed in the NSE. The secondary data was collected for 7years from 2005-2012. Share prices for 30 days before the announcement of rights-shares issue and 30 days after the announcement of the rights-shares issue was used to generate actual returns, expected returns and abnormal returns. T test analysis was used to test whether there was significant difference on returns between the two periods before and after announcement date. The collected secondary data was coded and entered into Statistical Package for Social Sciences (SPSS, Version 20.0) for analysis.

The study collected data on NSE 20 share index for the identified right issue dates. MacKinlay (1997) outlined an event study methodology involving the following steps: (i) identification of the event of interest; (ii) definition of the event window; (iii) selection of the sample set of firms to be included in the analysis; (iv) prediction of a "normal" return during the event window in the absence of the event; (v) estimation of the "abnormal" return within the event window, where the abnormal return was defined as the difference between the actual and predicted returns, without the event occurring; and (vi) testing whether the abnormal return was statistically different from zero.

The study computed the change recorded in share prices as measured by the NSE 20 Share index. To arrive at conclusive result, the study compared the performance of the NSE 20 share index before, during and after rights-shares issue for the seven years 2005 to 2012. Test statistics were used to measure the statistical significance the CAARS reported before and after the event window of a significant level of 95%. To test for the strength of the model the study tested at 95% confidence level and 5% significant levels. If the significance number found was less than the critical value () set 0.05, then the conclusion would be that the model was significant in explaining the relationship. Else the model had been regarded as non - significant.

The trend analysis of the market return shown that there was a drastic decline from year 2005 to year 2006 followed by a slight increase in the year 2007 to 2008 and drastic increase in the market returns in 2010 to 2013 to attain a mean of 0.00687. Trend analysis in stock return indicated a slight decline in stock return in year 2005 and a slight increase in 2007. The mean stock return of year 2008 to 2010 drastically increased to the mean of 0.0391 which indicated that there were many companies that made their right issues that year hence high stock returns.

Trend analysis in expected return indicated a decline in expected return in year 2005 to 2008 and a drastic increase in the year 2010 to 2013. The mean expected return of year 2006 was the lowest at -0.0097 which indicated that there were few companies that made their rights-shares issue that year hence low market returns. This indicated that there was also low activity in individual stock returns and market returns in that year hence the low expected returns.

The trend analysis of the abnormal return shown that there was a slight incline from year 2005 to year 2007 followed by a slight decrease in abnormal returns in the following years. Abnormal returns present the difference between the actual returns and the expected returns over a certain period of time. This changes that caused the drift in abnormal returns as represented by the graph had been explained by the changes in market returns and the right issue.

In 2010 the abnormal returns shoot to 0.0392 and were the highest this was because to the issuance of the right issue thus the individual stock returns for the companies increased due to the market activities. This further was because abnormal returns were sometimes triggered by events. ANOVA statistics indicate that the overall model was statistically significant. This was supported by an F statistic of 12.206 and probability (p) value of 0.001. Probability value (p) was usually given the value of 0.05; therefore any value below the same was statistically significant while any value above 0.05 was not significant. Therefore from the results the reported p value 0.001 was less than the conventional probability of 0.05, significance level thus its significance.

The ANOVA results implied that the overall model was significant. In conclusion it was possible to conclude that the market return was a good predictor of stock returns. Finally, results led to the conclusion that the expected returns as well as the market returns were significantly higher after rights-shares issuance than before right issue. However, abnormal returns were not significantly different implying that the informational content of right issues did not affect stock return and this may be an indicator of market efficiency. The unique contribution of the paper was that it will reduce the inconclusiveness that has been observed in empirical studies focusing on impact of rights-shares issue.

This study recommended that further study have to be done on the impact on stock return of the companies listed at the NSE; could include bonus issues, IPOs, elections, post-election violence, and global economic crisis. This was because this study focused on the impact of rights-shares issue on share return thus, a yearly overview could be an interesting study to identify the effects on company's financial and share performance. The study recommended that NSE to establish and enhance policy for investing so as to attract and encourage large institutional and foreign investors to participate at the NSE.

Otieno (2014) issued rights-shares in secondary market in which new additional shares were issued to the existing shareholders in exchange for cash (capital) needed by a publicly quoted company, either for expansion purpose or to finance company operations. The rights-shares were issued to the shareholders in the proportion of their existing holdings. The few available studies gave mixed results on the direction of stock returns upon a rights-shares issue announcement. There had been no consensus on how capital markets generally respond to rights-shares issue announcement.

The objective of this study was to investigate the effect of rights issue announcement on stock returns of listed companies. In this study literature review outlined random walk hypothesis, signaling theory and efficient market hypothesis as theories that anchor this study. Four determinants of stock returns other than the rights issue were also identified. They include; liquidity, manipulation of the market, previous returns and portfolio and news and media reports. 61 companies were listed in the NSE trading their stock and bonds daily. Those companies were divided into 12 main sectors of the economy. They include; agricultural, commercial and services, banking, insurance, investment services, telecommunication and technology, energy and petroleum, manufacturing and allied, investment, construction and allied, growth enterprise market segment and automobile and accessories. Those listed companies occasionally engage in rights-shares issue to raise more capital for expansion or to finance their operations. It was also noted that in June 27, 2014, the Capital Markets Authority proved the listing of the NSE stock through an IPO and subsequently self-list shares on the main investment Market Segment.

This approval and subsequent IPO had made NSE be the second African stock exchange after JSE. The few available local studies had also gave mixed results on the effect of rights-shares issue on stock returns. There had been no consensus on how capital markets generally respond to rights issue, thus not possible to generalize the direction of market reaction as instigated by the announcement of rights-shares issue in the Kenyan market, hence there exist a gap. This study therefore seeks to fill the gap to understand the direction stock returns take when rights-shares issue was announcement at NSE.

Theoretical review includes; random walk hypothesis, signaling theory and efficient market hypothesis. This study adopted a descriptive research design and a sample of twelve listed companies, which had issued rights between January 1, 2007 and August 31, 2014 were used to meet the objective. The required data for this study was collected from NSE and using event study model and Microsoft excel, descriptive statistics and statistical correlation was used to analyze the data and the significance of the findings tested using the two tailed t statistic at 95% significance level. Descriptive design was defined as a scientific method which involves observing and describing the behavior of a subject without manipulating it in any way. This design was preferred since the researcher used the realized data of stock returns before and after the announcement without influencing the subject, in order to judge the natural behavior of stock returns around the event period.

The data included the volumes of shares traded by the highlighted companies 30 days into pre-announcement period and 30 days into post announcement period. Data analysis in this study involved determining any abnormal stock returns after the announcement of the event. This was achieved through the use of standard event study model. Testing the significance of the cumulative abnormal return (CAR) and mean abnormal return (MAR) was the fourth step and was done using standard t-test statistic at 95% significance level. Using those models, the researcher was able to determine the effects of the announcement of rights issue on the firm's share prices and volumes of trade for the companies listed at the NSE.

This study found that stock prices and returns changed significantly in the post announcement period than in the preannouncement period. Analysis of mean abnormal return revealed that rights issue announcement result into either positive or negative stock return. The direction of the return depends on the company and time of issue. The general conclusion of this study based on the generated CAAR was that rights-shares issue announcement results into a negative abnormal stock return on listed firms. This study recommended that investment banks and listed companies to consider the negative abnormal stock price reactions and the subsequent negative abnormal stock return changed to the announcement of rights issue, when setting the discounted rights issue prices to ensure that during the issue period, the stock trading prices did not fall below the rights-shares issue price, a fact that can lead to the collapse of the rights-shares issue exercise.

Kithinji, Oluoch, & Mugo (2014), aimed to identify the effects of rights-shares issue on the share performance of listed Kenyan-based companies on the Nairobi Securities Exchange. The research was to evaluate the effects of rights issue on firms' subsequent trading prior to and after the issue. This study aimed at investigating the effects of rights issue on company's share performance and it was a case study of companies listed at the Nairobi Securities Exchange. It compared the share performance of firms before and after issuance of rights issues. The study therefore established the relationship between rights-shares issue and share performance.

All the firms listed at the Nairobi Securities Exchange and were part of the NSE 20 share index were considered. In addition to this, all the firms that performed rights issue between 2007 and 2012 were included in the target population whether or not they were part of the NSE 20 share index. The research adopted a descriptive study to evaluate the effect of rights issues. Descriptive research was aimed at generating knowledge that may be useful to describe or develop a profile of the study. The population of this study made up of all companies listed at the NSE as at 31st December 2012.

The companies were classified into five categories known as sectors. The sectors were:- Agricultural sector, Commercial and Services Sector, Finance and Investment sector, Industrial and Allied Sector and the Alternative Investment Market segment. This targeted all Kenyan based companies that were in the NSE 20 share index and those that had undertaken rights issue between 2007 and 2012. The sampling method that was used is purposive sampling in order to get the targeted companies. The study mainly used secondary data. Data was collected from the Nairobi Securities Exchange. Secondary data was obtained from stock prices, market index, and announcement dates.

A data collection sheet was used to capture information on companies that announced their rights during the period, date of announcement, market index, daily closing share prices and traded volumes over an event window of 20 days prior and 20 days after the rights issue announcement with the day of announcement being day zero. Data analysis tool in Microsoft Excel Spreadsheet computer program was utilized. T-test was conducted on the daily share prices and trading volumes over the event window to determine whether there was a significant effect of share price and trading volume on rights-shares issue announcement. On the performance of companies which had performed rights-shares issue to those which had not performed rights issue, daily market abnormal return (AR) and daily cumulative abnormal return (CAR) was computed. AR was also computed.

The study aimed at evaluating the effect of rights-shares issue announcement on companies share performance. It had therefore been concluded that rights-shares issue announcements had no significant effect on investor's reaction and that there was a relationship between rights-shares issue and company's share performance. An analysis of the researches done in this area suggests that there was a positive reaction to announcement and that the external factors influenced the market reaction to the announcement. From this research, it was clear that most companies especially banks were embracing rights issue in the recent past. Companies had actually found it necessary to raise fund through rights-shares issue.

This study was consistent with other Studies done in this area. Kakiya 2007, similar to this study found out that traded volumes were not significantly affected by announcement. This study recommends that further studies be done on the effect of rights issue on financial and share performance of the companies listed at the NSE. This included daily and yearly assessment and ratio analysis. This was because this study focused on the effect of rights issue on company's share performance and daily share prices, market index and trading volumes were used thus therefore, a yearly overview could be an interesting study to identify the effects on company's financial and share performance.

Otieno & Ochieng (2015), offered an opportunity to the existing shareholders to buy additional securities in a corporation at a discounted price and were allotted based on the number of shares. Several empirical researches both in the global and local context had been done to investigate the effect of rights-shares issue on stock returns. A number of the findings were consistent with the signaling theory indicating that capital markets react to new information, particularly when management announced offering of additional equity stock to the firms' existing shareholders.

The main objective of this study was to investigate the effect of rights-shares issue announcement on stock returns of firms listed in Nairobi Securities Exchange. Three theories that gave the foundation of this study which included; random walk hypothesis, signaling theory and efficient market hypothesis. Random walk hypothesis theory pointed that information reach the security market randomly and elicited random reactions of the security prices. Investors were assumed to rationally estimate the value of shares based on the expected future returns. Random walk theory stated that the past movement or direction of the price of a particular security or of the whole market cannot be employed to forecast its future movement since information arrived randomly. Efficient market hypothesis theory developed by Fama (1970), outlining that financial markets respond efficiently to information reaching it. This meant that market prices fully reflect all the available information. Signaling theory stated that corporate financial decisions and communications were signals sent by company managers to investors, in order to minimize information asymmetry and to facilitate rational investment decisions. The theory was constructed on the premise that information was not evenly available to all parties at the same time.

This study had reviewed different references. Having that the findings of the evidences reviewed showed both negative and positive impact; this study had added the knowledge on the response of stock returns when rights-shares issue was announced. This study adopted descriptive research design to investigate the general behavior of stock returns whenever a rights issue was announced by companies listed at NSE. Descriptive design was defined as a scientific method which involved observing and describing the behavior of a subject without manipulating it in any way (Christensen, Johnson & Turner, 2011). This design was preferred since the researcher used the realized data of stock returns before and after the announcement without influencing the subject, in order to judge the natural behavior of stock returns around the event period.

The study population in this case included the 61 companies listed in the Nairobi Securities Exchange as at August 31, 2014 and a sample 12 companies listed at the Nairobi Securities Exchange which issued rights-shares between January 1, 2007 and August 31, 2014. Data analysis in this study involved determining any abnormal stock returned after the announcement of the event. This was achieved through the use of standard event study model (MacKinlay, 1997). Analytical model included different steps  Step one: involved determining the actual return (Rj) for each of the days studied. Step two: involved determining the abnormal stock return for each of the days under study comprising 30 days before the announcement of rights-shares issue (t- 0) and 30 days after the announcement of rights-shares issue (t+30). Step three: this involved computing the cumulative abnormal returns for all the days studied. This was done by adding all the abnormal returns for the event window (t-30 to t+30). Using those models, the researcher was able to determine the effects of the announcement of rights-shares issue on the firm's share prices and volumes of trade for the companies listed at the NSE.

Analysis was done by determining the mean abnormal returned of the security returned for the study period of 30 days before and 30 days after the announcement of rights-shares issue. The significant difference between the mean abnormal return before announcement and after the announcement, as tested by the t-statistic at 95% significance level, helps to describe the reaction of stock return when information about rights issue officially reached the security market. The cumulative abnormal return (CAAR) was calculated to understand the overall effect of rights-shares issue announcement on stock returns for each of the 12 listed companies involved in the study. The abnormal return was also tested at 95% significance level. The study found a negative CAAR of - 0.0285. This lead to a conclusion that the announcement of a rights-shares issue results into a negative stock returns for listed companies in the NSE.

From the results, the study found that in all the companies, the announcement had significant effect on the stock returns. Share prices and stock returns for all the companies involved in the study took a downward trend in the post announcement period as compared to the pre-announcement period, except for Olimpia Capital and TPS East Africa whose returns increased after the announcement. This finding leads to the conclusion that the changes in stock returns were attributed to the Announcement. Analysis of the mean abnormal return also indicated that for the event period (t-30 to t+30), seven out of the twelve firms recorded negative abnormal return, leading to a negative cumulative abnormal average return of -0.0285 for all the companies under study.

The results shown that most companies' stock, record a negative return around the rights issue announcement period. In all the companies, there was a significant difference between the means of abnormal return prior to the event day and the mean after event day, with 100 percent of the t-value indicating a positive significance level. Therefore, rights-shares issue announcement had a significant negative effect on the stock return of companies listed in NSE. It was recommended that Capital Markets Authority and NSE to develop a policy that will limit the minimum and maximum price levels, especially during rights issue period to protect the prices from manipulations and to protect the interest of the investors. This had limit how low or high prices can go during the issue period.

The study faced the limitation of identifying the exact rights-shares issue announcement date, especially for those issued in 2007 whose exact dates had not been explicitly identified. It was also noted that there were other important days that would affect stock returns, such as the date CMA approved a planned rights-shares issue, but was not considered in this study.

Mariko & J. M (2016), established the effect of new information from rights issue announcement on share prices of firm’s listed on the Nairobi Security Exchange. Share prices can be affected by company news and performance, industry performance, investor sentiments and economic factors. The bottom line was that an investor should not be able to beat the market since there was no way for him or her to know something about a stock that wasn't already reflected in the stock's price. Research objective is to establish the effect of new information from rights-shares issue announcement on share prices of firm’s listed on the Nairobi Security Exchange.

The study defined theoretical framework as a random walk theory and efficient market theory. Random walk was a stock market theory that states that the past movement or direction of the price of a stock or overall market couldn’t be used to predict its future movement. It implied that stock prices take a random and unpredictable path. The chance of a stock's future price going up was the same as it going down. The theory further stated that stock price fluctuations were independent of each other and had the same probability distribution, but that over a period of time, price had maintain an upward trend. Long term price will reflect performance of the company over time, short term movement in price can best be described as a random walk. Whereas efficient market hypothesis implied that stock price reflect all information available related to the profitability of the firm and that the financial markets efficiently disseminate new information affecting the profitability of the firm.

The study had reviewed various articles, journals, unpublished thesis to justify the objectives. In this study, the independent variables were rights-shares issue announcement and dependent variables were stock return and adopted a descriptive research design which includes descriptive statistics and trend analysis. The target population comprised of companies listed on the Nairobi Security Exchange as at 31st December 2013 and had previously done a rights-shares issue. Convenient sampling design was used to select firms that had a rights issue in the period 2004 to 2013. Secondary data was collected from the Nairobi Security Exchange Company, the NSE publications and from each of the company's website. A data collection template was developed by the researcher to collect secondary data from the NSE. The data collected was analyzed using the Statistical Package for Social Sciences (SPSS).

The objective of the study was analyzed using the events study methodology. Events study methodology is a statistical technique that estimates the stock price impact of occurrences such as mergers, earnings announcements, and stock splits. The descriptive statistics presented the expected returns and the abnormal returns for the companies that offered rights-shares issue between the period 2004 and 2013. The study further analyzed the respective data through trend analysis. Trend analysis on share prices shown the share price rose rapidly in the period 2008 to 2009 and declined drastically for the period 2009. The trend analysis of NSE-20 Index revealed that the NSE-20 share index had been on the rise for the period 2005 to 2007 and was on a decline from 2007 to 2010.

While trend analysis of volume of shares traded also showed that the volume of shares traded by companies that offered rights-shares issues was highest in 2008. The volume of shares traded is always fluctuating as a result was the continuous change in the price of shares at the NSE and thus these also affect the volume of shares traded. Trend analysis of stock return indicated low stock returns for the period 2007 and a higher stock return for companies that offered rights-shares issues in 2009. Also found out that stock return were lowest for the period 2007 as it was affected by the then elections which brought about instability in the country affecting the social and economic pattern of the economy.

Trend analysis of market return showed that the market return in 2008 was on the lowest compared to the market return received in other time periods and the highest market return was recorded in 2006. Also found that the market returns for the period 2007- 2008 was lowest and this was as a result of the unstable political environment and thus indicating that the market was more volatile in the election year 2007 compared to the previous years. Trend analysis of abnormal returns indicates that the abnormal returns for the period 2005, 2006, and 2008 had been relatively low whereas the abnormal returns for the period 2012 had been the highest. Also found those abnormal returns to be drifting and this was mainly due abnormal return which had been sometimes triggered events.

The study found that the mean share price before the announcement of rights-shares issue was 50.3344 whereas it mean price after the rights-shares issue was 52.9008. The t-test indicates that the mean share prices before and after the rights issue announcement was statistically insignificant (t= -0.435 and p-value = 0.663). Secondly, the study findings also indicated that the mean stock return for the period before and after the rights-shares issue announcement were not statistically different. It was possible to conclude that the share price before and after the rights-shares issue announcement were not significantly different. The study recommended that further studies to be done on the impact of bonus issues, IPOs, and the global economic crisis (2008-2009) on stock returns of companies listed at the NSE.

Kendirli & Elmali (2016), examined the impacts of right offerings announcements on the returns of shares had been analyzed. The rights-shares offerings meant to had the right of receiving new shares in proportion to shares on hand when the corporation issues new shares for outsourcing capital increase. In this study, before and after the right issue announcements, the abnormal returns (AR) of shares of the banks in Istanbul Exchange Market-100 calculated and the return changes were analyzed. The aim of this right was to protect the number of shares of the existing shareholders after capital increase. Thus, it prevented the reduction of financial and administrative rights such as vote in plenary session and participation in profits. The removal or restriction of this right was possible only in certain circumstances. The restriction of rights-shares issuance had been in the form of limiting a portion of the shares that they deserved to receive; limiting the rights of some shareholders; prohibiting the transfer of rights to others and inhibiting shareholders from getting some categories of shares. The removal of right meant to prohibit the right to buy new shares completely.

In the new Turkish Commercial Law, capital increase had been implemented in three ways. These were capital increase with capital commitment, internal resources for capital increase and contingent capital increase. Right issue was analyzed as a type of contingent capital increase in that law. The regulation in the new Turkish Commercial Law had intended to solve various problems related to right issue and to answer the requirements of Article 29 of the Second Company Law Directive. There was a wide range of study about the impacts of announcements such as company mergers and transfers, dividend, capital changes, macroeconomic data on the returns of shares. In the same way, there were several studies about the impacts of right issue announcements on the share prizes in different countries. It analyzed six different references to support the study's objectives.

The data was analyzed using the event study method. Event study was used in the measurement of unusual response of market when an event occurred. Event study examined the change on corporate value caused by a specific event. Event study determined the impact of an event on firm value by using specific data from financial market. The effect of an event had impact rapidly on the share price, thus it was possible to test these effect through the prices of the stocks. In the case study, event window was defined; the criterion was selected; normal and abnormal returns were calculated; hypotheses were developed; estimation window was determined and the results were interpreted respectively. Getting the average effect of the announcements of all companies rather than evaluating each company separately provided a better result because "averaging across all companies should minimize the effect of other events" (Prakash, 2013: 11). Average abnormal returns (AAR) were calculated by taking abnormal returns of different companies in the same time period. The basic evaluation period was the day of announcement (0). Price performance for before and after the announcement (20, -20) and each share's changes in returns of had been analyzed.

In this study, the impacts of right issue announces on the share price of trade banks traded in Istanbul Stock Exchange Market were shown. These trade banks were Akbank Inc., Alternatifbank Inc., Denizbank Inc., Finansbank Inc., FortisbankInc, Şekerbank Inc., TekstilBankasıInc, Turk EkonomiBankası Inc., TurkiyeGarantiBankası Inc., TurkiyeHalkBankasıInc, Turkiyeİşbankası Inc., TurkiyeVakıflarBankası Inc., YapıveKrediBankası Inc., Tekstilbank Inc. In the survey, there were five right issue announcements. Two of those right issues were announced by Şekerbank Inc. on June 3rd, 2009 and June 6th, 2014. Two of them were announced by Finansbank Inc. in October 20th, 2010 and October 25th, 2011. The last one was announced by Alternatifbank Inc. on February 13th, 2014. As it can be seen from the calculated table, there was no significant finding about the impact of right issue announcements on share prices of deposit banks traded in Istanbul Exchange Market. However, when Abnormal Returns (AR) before and after event day were analyzed separately, significant abnormal returns were detected in some periods. During the period of forty days (20, -20), result had shown that 100% of the abnormal returns of six days; 80% of the abnormal returns of ten days and 60% of the abnormal returns of twelve days were negative. From another table the information regarding rights-shares issuance announcements impounded in the share price returns in different periods. Cumulative Average Abnormal Return (CAAR) was found to be negative during post-announcement period of 10 days (0, 10) in 5% significance level. Cumulative Average Abnormal Returns (CAAR) was found to be negative in a ten days period after the announcement date (0, 10). This means that investors of deposit banks had yield abnormal returns in the period of ten days after the announcement.

Even if it was not statically significant, the other finding of the study was that 100% of the abnormal returns of six days; 80% of the abnormal returns of ten days and 60% of the abnormal returns of twelve days were negative. More significant results had been observed by analyzing wider samples. Moreover, all the important events in the announcement day that had affected the share price had to be analyzed together.

Ogada & Kalunda (2017), established the impact of rights-shares issue on share returns of firms listed on the Nairobi Securities Exchange. Statement of the problem indicated as limited studies had done in regards. If any had been conducted on the impact of right issue on stock returns, the existing studies are inconclusive; while some researchers found significant positive effect; others found significant negative effect while still others didn't find any significant effects. This area was therefore riddled with inconclusiveness. This study therefore sought to investigate the impact of rights-shares issue on stock returns at the Nairobi Securities Exchange. It compared the stock returns of firms before and after issuance of rights-shares issue.

So, the main objective of study was to establish the impact of rights-shares issue on stock returns at Nairobi Securities Exchange. The theoretical foundations that had discussed and explained right issue on stock returns expectation gap were the Modern Portfolio Theory, Efficient Market Hypothesis and The Random Walk Hypothesis. Several ideas had been conducted from different references to support this study. The study adopted an event study methodology which attempted to establish the information content of rights-shares issue on share return.

The population of this study was 18 companies listed in the NSE. Secondary data collected spans 7 years from 2005-2012; share prices for 30 days before the announcement of rights issue and 30 days after the announcement date was used to generate actual returns, expected returns and abnormal returns. T test analysis was used to test whether there was significant difference on returns between the two periods before and after announcement date. The collected secondary data was coded and entered into Statistical Package for Social Sciences (SPSS, Version 20.0) for analysis.

The study collected data on NSE 20 share index for the identified rights-shares issue date. Study outlined an event study methodology which involve the following steps: (i) identification of the event of interest; (ii) definition of the event window; (iii) selection of the sample set of firms to be included in the analysis; (iv) prediction of a "normal" return during the event window in the absence of the event; (v) estimation of the “abnormal” return within the event window, where the abnormal return was defined as the difference between the actual and predicted returns, without the event occurring; and (vi) testing whether the abnormal return is statistically different from zero. The study computed the changed record in share price as measured by the NSE 20 Share index. To arrive at conclusive results, the study compared the performance of the NSE 20 share index before, during and after right issue for the seven years 2005 to 2012.

The research applied a mean adjusted return model to measure abnormal returns on securities in the period of study. In event study abnormal returns were aggregated over both observation of events and investigation windows. Test statistics were used to measure the statistical significance the CAARS reported before and after the event window of a significant level of 95%. To test for the strength of the model the study tested at 95% confidence level and 5% significant levels. The trend analysis of the dependent and independent variables of the study shown that there was a drastic decline from year 2005 to year 2006 followed by a slight increase in the year 2007 to 2008 and drastic increase in the market returns in 2010 to 2013 to attain a mean of 0.00687. Trend analysis in stock returns indicated a slight decline in stock return in year 2005 and a slight increase in 2007. The mean stock return of year 2008 to 2010 drastically increase to the mean of 0.0391 which indicated that there were many companies that made their rights-shares issues that year hence high stock returns. This was because to the issuance of the right issue thus the individual stock returns for the companies increased due to the market activities. This further was because abnormal returns were sometimes triggered by events. ANOVA statistics indicated that the overall model was statistically significant. This was supported by an F statistic of 12.206 and probability (p) value of 0.001. Probability value (p) was usually given the value of 0.05; therefore any value below the same was statistically significant while any value above 0.05 was not significant.

Therefore from the result the reported p value 0.001 was less than the conventional probability 0.05 significance level thus its significance. The ANOVA results implied that the overall model was significant.

Finally, result had led to the conclusion that the expected returns as well as the market returns were significantly higher after right issuance than before right issue. However, abnormal returns were not significantly different implying that the informational content of right issues did not affect stock return and this may be an indicator of market efficiency. The unique contribution of the paper was that it will reduce the inconclusiveness that had been observed in empirical studies focusing on impact of right issue.

The study recommended that NSE to established and enhanced policy for investing so as to attract and encourage large institutional and foreign investors to participate at the NSE. The study also recommended that policy makers and regulators at the NSE should encourage more research on the NSE form of efficiency; this will provide a forum for investors to get the information on the form of efficiency of the market and boost their confidence in the operations of NSE.

Damayanti & Anwar (2018), calculated the fair share price of ROTI in 2017 based on the 2010-2016 historical data. The stock price of PT Nippon IndosariCorpindoTbk (ROTI) declined due to the right issue announcement by the corporation, had caused the price of ROTI to fall. As the price of the stock itself was in a volatile condition, it was interesting to understand more about the status of the stock price, whether it was undervalued or overvalued. The financial aspect theory such as capital market, common stocks, dividend, and right issues, valuation methods such as Gordon Model, capitalization maintainable future earnings, net asset, and liquidation value will review one by one to get the understanding of each aspect to get the fair stock price value. Fundamental analysis uses future and present data in order to estimate the fair stock market value and to predict future value.

The aim of the analysis was not only to find a successful company; the aim was to find the companies that were worth more than other investors estimate. This study showed that institutional investors monitor a company's earnings by controlling the managers and concluded that the arrangement of shareholders had been considered while using the financial statements.

The findings of the study will be useful for all stakeholders involved in the issue to make decisions and perform actions needed for their respective interests. Description of this research steps that will provide the best solution for an investor in the capital market regarding their investment decision was stated in the conceptual framework. The conceptual framework of this research was shown with the help of figure. According to the conceptual framework, the next step after having identified issue was to find the cause of the issue. . It was known that the company PT Nippon IndosariCorpindoTbk (ROTI) that already listed on Indonesia Stock Exchange with code ROTI had a problem with its stock price movement during first semester 2017 (1H17). Its stock price was getting low for more than 30 percent.

The data collection method in this research was using library study and internet research. The data analysis method that was used in this research was quantitative descriptive. The type of data was categorized as the secondary data with the following detail: (1) using the annual report and financial statement report of PT Nippon Indosari Corpindo Tbk (ROTI) for the year 2010-2016 that published on the company website; (2) using stock price historical data and IHSG data that obtained from Yahoo Finance and Indonesia Stock Exchange (IDX) website; and (3) using macroeconomic variable data such as BI rate, SBI, inflation rate, and gross domestic product (GDP) that obtained from Bank Indonesia, BPS, and another related website. The data analysis method that was used in this research was quantitative descriptive. Based on Damodaran (2012), this research had been use the following three methods such as Gordon Model, Book Value, and Liquidation Value to determine the intrinsic value of PT Nippon Indosari Corpindo Tbk (ROTI). After having each value then it had averaged then compare it with its market value to get the company was overvalued or undervalue. The result of stock valuation methods that conducted to PT Nippon Indosari Corpindo Tbk or ROTI using Gordon Model which used the period since the PT Nippon Indosari Corpindo Tbk or ROTI was listed on the Indonesia Stock Exchange (IDX) in 2010 until the last recent annual report as per December 2016.

Based on the calculations, result on the price of shares of PT Nippon IndosariCorpindoTbk. Which was in this case, using the four approaches mentioned above then obtained each value of the fair value of shares whereby using Gordon

Model method was IDR 1617.39. According to calculation finally, the fair stock price per share of the PT Nippon Indosari Corpindo Tbk was obtained. The fair stock price was IDTR 1,617.39. This value still has no meaning yet until it was compared with the actual market price. Based on the IDX data that obtained from yahoo finance, the closing price for ROTI on Friday, December 30th, 2016 was IDR 1,600. Since the fair of the ROTI was about IDR 1,617.39, so it gave clear meaning that the ROTI stock price still slightly below the fair stock price at that time. It could be said that ROTI still undervalues.

Since we were going to use the limit from CFA (Chartered Financial Analyst) as the recommendation to buy, hold or sell. Then buy rating placed when the security delivered potential upside greater than 15 percent for the next 12 months. Sell rating was delivered when the security was expected to deliver less than -15 percent return over the next 12 months. Hold rating implied 15 percent to -15 percent returns over the next 12 months. According to our result, it was categorized as HOLD rating since the returns were only at 15 percent to -15 percent returns over the next 12 months. From the findings above, it can easily conclude that there were volatilities found in the market when it comes to determining the fair stock price. Even the slightest information or rumors in the market can influence the stock price.

For that, good investors had to always recheck and recalculated the value of the stock price, and not fully use the provided data available. By calculating the value, the investor had always been able to mitigate the risk that occurs, to avoid unnecessary losses. Even the slightest information or rumors in the market can influence the stock price.

**2.8 Theoretical framework**

Below is a figurative representation of the variables to be explored by this study.

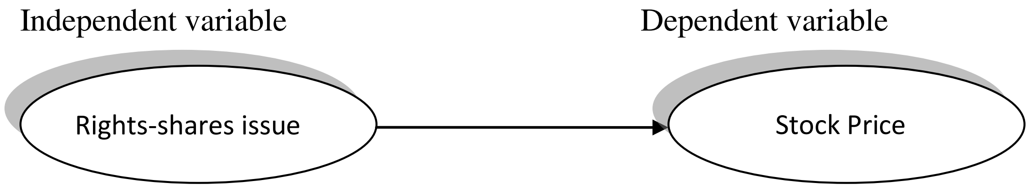


Figure 2. 1. Theoretical framework

### 2.8.1 Rights-shares issue

A rights-shares issue or rights offer is a dividend of subscription rights to buy additional securities in a company made to the company's existing security holders. When the rights are for equity securities, such as shares, in a public company, it is a non-dilutive (can be dilutive) pro rata way to raise capital. Rights issues are typically sold via a prospectus or prospectus supplement. With the issued rights, existing security-holders have the privilege to buy a specified number of new securities from the issuer at a specified price within a subscription period. In a public company, a rights issue is a form of public offering (different from most other types of public offering, where shares are issued to the general public). Sometimes Right issue can give privileges to people like director, employees those are having some ownership in company to buy the issues.

### 2.8.2 Stock price

A stock price is the price of a single share of a number of saleable stocks of a company, derivative or other financial asset. In layman's terms, the stock price is the highest amount someone is willing to pay for the stock, or the lowest amount that it can be bought for. Generally speaking, the stock market is driven by supply and demand, much like any market. When a stock is sold, a buyer and seller exchange money for share ownership. The price for which the stock is purchased becomes the new market price. When a second share is sold, this price becomes the newest market price, etc. In this study, different companies share's price is collected as study variables.

# CHAPTER III

# RESEARCH METHODOLOGY

Research methodology indicates the methods and processes employed in the entire aspects of the study. It refers to the various subsequent steps to be adopted by a researcher in studying a problem with certain objectives in a view. So, it is the method, steps, and guidelines, which are to be followed in analysis and it is a way of presenting the collected data with meaningful analysis.

This section highlights the methodology adopted in the process of present study. It also focuses about sources and limitations of the data, which are used in the present study. Research is a logical and systematic search for new and useful information on a particular topic (Rajasekar, Philominathan, & Chinnathambi, 2013).

Research Methodology refers to the various steps that are generally adopted by a researcher in studying his research problem along with logic behind it. Thus, research is an art of scientific and systematic investigation to get information about a specific topic. It can be considered as an endeavor to find an answer of intellectual and practical problems using the applicable scientific method. (Bist, 2014).

The main objective of the study is based on primary and secondary data. The basic objective of primary data analysis is to survey the opinions of rights shareholder and rights share issuing company management body. Secondary data were used on analyze the relationship between stock price reaction and announcement of rights issues, correlation coefficient between rights share and equity shares, correlation coefficient between rights shares and NEPSE Index, number of issue approval of rights share etc. The methodology consists of Research Design, The Selection of Sample, Source of Data, and Coverage of the Data, Data Analysis Tolls, Others Statistical Tools and Valuation of Rights.

### 3.1 Research design

In simple language, planning for research is research design. It is a purpose full scheme of action proposed to be carried out in a sequence during the process of research. Research Design is a conceptual framework within which a research is conducted. It helps the researcher to enable him to keep track of action and to know whether he is moving the right direction to achieve his goal.

Kothari (1994), stated that research design is a plan, structure and strategy of investigation concerned so as to obtain answer to researcher question and to control variance. This research is based on the analytical and descriptive design as well.

Saleem, Z., & Batcha (2014), explained that a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy procedure. Research Design is needed because it facilitates the smooth sailing of the various research operations.

This analysis is based on certain research design keeping on objective of study in mind. This research design is guideline studying profound ways of research ability. This study is focus on the Right Share Issue and its impact on stock price. In this research, research design is used for analytical as well as descriptive method of data collected. This is the empirical research work, this research work help to understand some of the features of Right Share Issue and its impact on stock price.

### 3.2 Populations and sample

The data collection activities consist of taking order information from reality and transferring into same recording system. So, that it can be examined and analyzed from pattern. Population or universe refers to the entire group of people events, or things of interest that the researcher wishes to investigate. In most of cases, we cannot collect data of whole population. Therefore, sample in the best technique of the research study.

A sample is the collection of items from population or universe and comprises some observations selected from the population. Sampling method is the scientific procedure of selection those representative units which would provide the required elements with associated margin of uncertainty arising from examining only a part and no to the whole.

In the fiscal year 2017/2018, different companies have issued the rights-shares. Out of that only commercial bank, development bank and finance companies have been taken as study observation. Mega bank limited had issues 10: 6.5, civil bank limited had issues 10:4, Siddhartha Bank Limited had issues 10:1, Prabhu Bank Limited had issues 10:4, Kumari Bank Limited had issued 10:2, Nepal Credit And Commerce Bank Limtes had issues 2:1, Bhargav Bkas Bank Limited 10:08, Mount Makalu Development Bank Limited had issues 2:1, Shangri-la Development Bank Limited had issued 10:8, Green Development Bank Limited had issued 1:4, Gandaki Bikash Bank Ltd. had issed 4:1, Karnali Development Bank Limited had issued 1:2.3, Lumbini Bikas Bank Limited had issued 10:1, Kamana sewa Bikash Bank ltd. had issued10:1.5, Deva Bikash Bank Ltd. had issued 10:4, Sahara Bikash Bank Ltd. had issued 1:2.5, Jebil's Finance Limited had issued 1:1, General Finance Limited had issued 1:1.3, Guheshwori Merchant Finance Ltd. had issued 10:4, Reliance Finance Limited had issued 10:4.5, Central Finance Limited had issued 2:1, Shree Investment & Finance Company Limited had issued 10:8.3, Pokhara Finance Limited had issued 1:0.2, Manjushree Finance Limited had issued 100:5, Jebil's Finance Limited had issued 1:1, Synergy Finance Limited had issued 1:0.3, Progressive Finance Limited had issued 1:2.8, Kuber Merchant Finance Limited (City express finance Ltd.) had issued 1:1.7. Although Mega bank limited, Kumari Bank Limited, Mount Makalu Development Bank Limited, Kamana sewa Bikash Bank ltd., Sahara Bikash Bank Ltd., Guheshwori Merchant Finance Ltd. and Reliance Finance Limited had been adjusted due to insufficient historical data. The detail s presented on Annex ( )

### 3.3 Sources of data

The data and information in this study are collected from both primary and secondary source to achieve real and factual result. For this research, all the possible and useful data as far as possible have been collected. The major sources of data for this study are as follows:

#### 3.3.1 Secondary data

This research work is heavily bases on data collected through secondary source. Due to imperfect and undeveloped financial market we may not collected all the data from only NEPSE. We may not find all the related information even in published journals and reports. Therefore, searching the relevant data is an ironical challenge work. Mainly secondary data are collected from the annual reports og concerned enterprises, related news and magazines, annual reports and trading reports published by NEPSE, annual report of SEBON.

### 3.4 Definition of the variables

Various variables are used in this study in form of dependent, independent and moderating variables. The definitions of each variable used in the study are as follows:

#### 3.4.1 Stock price before announcement date

Announcement date is the date on which a company will announce the details regarding an issue of debt or equity. In this study before announcement date indicated as the stock price before 10 days of announcement date. This study analyses in this variables and justify the topic.

#### 3.4.2 Stock price after announcement date

The announcement date is the first day the public will receive information regarding a new security issue may include IPOs, dividend, stock bonus, rights-share offering etc. After announcement date the price of stock change according to its offering. Some stock price raised but some falls according to its offering and public interest.

#### 3.4.3 Stock price before book close date

Book Closure date also known as the record date or ex-dividend date is the date that a shareholder must hold the stock to receive certain benefits like share bonus issue, splits and dividend payments. When shares of Joint Stock Company invariably change hands during market trades, identifying the owner of some shares becomes difficult. So it is difficult to pass on certain benefits. A company generally announces such a date along with the announcement of the bonus issue or splits or dividend announcement, as the case may be. Stock price before 10 days of book close date shows the movement of stock price by the offering which has been collected from NEPSE historical trading data.

### 3.4.4 Stock price after book close date

After book close, date price of stock changed. If company had offered the dividend then the stock price is adjusted downward by the amount of the dividend by the exchange on which the stock trades. The reason for the adjustment is that the amount paid out in dividends no longer belongs to the company, and this is reflected by a reduction in the company's market capital. Instead, it belongs to the individual shareholders. For those purchasing shares after the ex-dividend date, they no longer have a claim to the dividend, so the exchange adjusts the price downward to reflect this fact. Stock price after 10 days of book close date shows adjusted stock price.

## 3.5 Methods of data analysis

The data is analyzed by using various financial and statistical tools to achieve the research objectives. This study is based on share price before and after the rights share announcement. The share price moves up or down due to various market information. So, the researcher has used some assumption to remove the effect of information.

### 3.5.1 Mean

Mean is the arithmetic average of a range of values or quantities computed by dividing the total of all values by the number of values. It refers to the average that is used to derive the central tendency of the data. The arithmetic mean is the most commonly used and readily understood measure of central tendency. It is determined by adding all the data points in a population and then dividing the total by the number of points. In this study, mean is calculated to find out the average of the responses given by the respondents regarding to the different variables in Likert scale question. Mean value of the responses in Likert scale question is calculated on all samples.

$$\text{Mean } (\bar{x}) = \frac{\sum x}{n}$$

Where, x = Value of responses of each independent or dependent variable

n= Number of statements

### 3.5.2 Median

Median is the middle number in a sorted list of numbers. Median is the number separating the higher half of a data sample, population, or a probably distribution, from the lower half. To determine the median value in a sequence of numbers, the numbers must first be arranged in value order from lowest to highest. The basic advantage of the median over the mean in describing data is that is resilient to extremely large or small values and may be a better descriptor of a typical outcome. In this study, median is calculated to find out the mid value of the responses provided by the respondents in Likert scale question, which is calculated on whole sample. The formula for the median is as follow:

$$\text{Median (MD)} = \frac{(N+1)}{2}$$

Where, N=Number of statements,

Add together all of the numbers in a set and then divide the sum by the total count of numbers.

### 3.5.3 Standard deviation

The standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is a higher deviation within the data set; thus, the more spread out the data, the higher the standard deviation. The greater the standard deviation of securities, the greater the variance between each price and the mean, which shows a larger price range. Standard deviation is an especially useful tool in investing and trading strategies as it helps measure market and security volatility and predict performance trends.

The Formula for Standard Deviation is,

$$\boldsymbol{\sigma = \sqrt{\frac{(x-\bar{x})^2}{N}}}$$

Where, $x$ = value of responses of each dependent or independent variable.

$\bar{x}$ = Mean value of responses of each dependent or independent variable

N = Number of responses.

### 3.5.4 Variance

Variance (σ2) is a measurement of the spread between numbers in a data set. It measures how far each number in the set is from the mean and is calculated by taking the differences between each number in the set and the mean, squaring the differences (to make them positive) and dividing the sum of the squares by the number of values in the set. Variance is one of the key parameters in asset allocation. Along with correlation, the variance of asset returns helps investors to develop optimal portfolios by optimizing the return-volatility trade-off in investment portfolios. The square root of variance is the standard deviation (σ).

### 3.5.5 Skewness

Skewness, in statistics, is the degree of distortion from the symmetrical bell curve, or normal distribution, in a set of data. Skewness can be negative, positive, zero or undefined. A normal distribution has a skew of zero , while a lognormal distribution, for example, would exhibit some degree of right-skew. Skewness is positive if the tail on the right side of the distribution is longer or fatter than the tail on the left side. The mean and median of positively skewed data will be greater than the mode. Skewness is negative if the tail of the left side of the distribution is longer or fatter than the tail on the right side. The mean and median of negatively skewed data will be less than the mode.

### 3.5.6 Paired sample t-test

The paired sample t-test, sometimes called the dependent sample t-test, is a statistical procedure used to determine whether the mean difference between two sets of observations is zero. In a paired sample t-test, each subject or entity is measured twice, resulting in pairs of observations. Common applications of the paired sample t-test include case-control studies or repeated-measures designs. Here are some assumptions:

1. If p value is less than 0.001 then reject the null hypothesis at 99% of confidence level.
2. If p value is exactly 0.001 but less than 0.005 then reject null hypothesis at 9% of confidence level.
3. If p value is exactly 0.005 or more, then accept the null hypothesis.

**3.6 Limitation of the study**

The study will have some limitation. Basically the study is done for the partial fulfillment of masters of business studies. It has been tried to make this study more comprehensive and clear by collecting, tabulating, compiling and presenting recent information as for as possible. Due time constraints, financial problem and lack of research experience, the study has been conducted with the following limitation.

1. This study covers only those companies who have issued right share on commercial bank, development bank and finance companies on the fiscal year 2017/2018.
2. The study is done for the partial fulfillment for MBS degree in management so it is not a comprehensive study.
3. A number of variables are causes or responsible factors in the movement of share prices but this study only on the rights offering and current legal aspects associated there in.
4. This study is based on secondary data which are collected from annual report of SEBON, respected company, issue manager and expert.
5. The unavailability of plentiful literature on the subject and lack of various references & resources has too handicapped the study to some extent.
6. Result the study would be fully dependent on the accuracy and reliability of the data provided by the respected organization and respondents.

# CHAPTER IV

# DATA PRESENTATION AND ANALYSIS

This chapter takes measures to determine with the presentation, analysis and interpretation of data collected through secondary source, in order to fulfill the objective of the study. This study that consist of analysis and presentation of empirical data focus on how far the Nepalese companies are practicing the rights share which is the most important component of this study and also it present how it affects the share movement of these companies.

The researchers have already mentioned that this study is heavily based on secondary data. Secondary source include and annual reports of respective companies. To obtain the best result, the data have been analyzed according to the research methodology as mentioned in the third chapter.

### 4.1 Characteristic of right offering in Nepal

The history of rights offering is not so long in Nepalese context. Nepal Finance and Saving Co. was the first company, who issued rights shares in Nepalese market in fiscal year 1995/1996. The company announces on $9^{th}$ Aug 1995, the ratio was 4:1.

All companies who had issued their rights share at par value i.e. Rs.100 per share because according to company act, company cannot issue their right share on discount, but premium can be added, due to fear of under subscription no company had issue their right share on premium. As a result, there is wide difference between subscription price and market price per share, as well as having high share price companies cannot take advantage by premium, which is cost less fund of company.

Large no of bank and finance companies announce and issue rights share, to increase the capital base if the corporate management felt such need to comply with the policy directives given by the concerned authority to increase the capital base from the time to time. Under rights offering, the shareholders are provided a document called "right" which describes all about the conditions of rights issue. Each stockholder receives one right in the proportion of the share currently held.

## 4.2 Rights share and its impact on share price movement of companies before and after rights offering.

This study is enclosed by to analysis the price movement of selected sample companies with NEPSE index. To obtain the best outputs, twenty each different points of time were selected for observing the price and quantity movement assuming with the announcement date and book close date as the reference point. The given point shows the following price quotation.

Table 4.1

*Observing price and quantity movement*

| Movement related with announcement | Movement related with book close |
|---|---|
| 10 days pre announcement date | 10 days pre book close date |
| 9 days pre announcement date | 9 days pre book close date |
| 8 days pre announcement date | 8 days pre book close date |
| 7 days pre announcement date | 7 days pre book close date |
| 6 days pre announcement date | 6 days pre book close date |
| 5 days pre announcement date | 5 days pre book close date |
| 4 days pre announcement date | 4 days pre book close date |
| 3 days pre announcement date | 3 days pre book close date |
| 2 days pre announcement date | 2 days pre book close date |
| 1 days pre announcement date | 1 days pre book close date |
| 1 days post announcement date | 1 days post book close date |
| 2 days post announcement date | 2 days post book close date |
| 3 days post announcement date | 3 days post book close date |
| 4 days post announcement date | 4 days post book close date |
| 5 days post announcement date | 5 days post book close date |
| 6 days post announcement date | 6 days post book close date |
| 7 days post announcement date | 7 days post book close date |
| 8 days post announcement date | 8 days post book close date |
| 9 days post announcement date | 9 days post book close date |
| 10 days post announcement date | 10 days post book close date |

The main objective of this method of analysis is to eliminate the effect of the general market movement from our analysis. In this study, researcher has analyzed these four commercial banks, eleven development banks and seven finance companies which are as follows:

Table 4.2

*Researcher sample*

| Commercial Banks | Development Banks | Finance Companies |
|---|---|---|
| Civil Bank Limited | Muktinath Bikas Bank Limited | Jebil's Finance Limited |
| Siddhartha Bank Limited | Excel Development Bank Limited | Central Finance Limited |
| Prabhu Bank Limited | Om Development Bank Limited | Shree Investment & Finance Company Limited |
| Nepal Credit And Commerce Bank Limited | Nepal Community Development Bank Limited | Pokhara Finance Limited |
| | Bhargav Bikas Bank Limited | Manjushree Finance Limited |
| | Shangri-la Development Bank Limited | Progressive Finance Limited |
| | Green Development Bank Limited | City Express Finance Company Limited |
| | Gandak development bank Limited | |
| | Karnali Development Bank Limited | |
| | Lumbini Bikas Bank Limited | |
| | Deva Bikash Bank Limited | |

### 4.3 Descriptive statistics of price, quantity and change in price

Table 4.3 presents the descriptive statistics of price, quantity and change in announcement price and book close price. Table describe about statistics tools and variables.

The pre-announcement of price of mean is 358.018, median is 306.50, std. deviation is 263.958, variance is 0 and skewness is 2.339, while pre-announcement of quantity transaction mean is 8264.695, median is 1095.00, std. deviation is 21744.118, variance is 472806686.021, skewness is 5.005. In same table, researcher further wants to explain pre-book closer price and its mean is 313.627, median is 249.50, std. deviation is 194.83, variance is 37958.582, and skewness is 1.904, transacted quantity book closer mean, median, standard deviation, variance, skewness is 12273.781, 2440, 25636.913, 657251289.741, 3.561 respectively. Mean, median, standard deviation, variance, skewness is -0.003, 0.000, 0.044, 0.002, and -2.379 for pre-announcement change in price. While pre-book closer changes in price for mean, median, standard deviation, variance, skewness is 0.023, 0.000, 0.081, 0.007, -4.322.

The post-announcement of price of mean is 331.186, median is 273.50, standard deviation is 252.574, variance is 63793.486 and skewness is 2.487, while post-announcement of quantity transaction mean is 6305.386, median is 0.00, std. deviation is 15581.064, variance is 242769562.101, skewness is 3.430. In same table, researcher further wants to explain post-book closer price and its mean is 228.891, median is 185.00, std. deviation is 132.948, variance is 17675.212, and skewness is 2.411, transacted quantity book closer mean, median, standard deviation, variance, skewness is 2696.141, 0.00, 6153.707, 37868109.638, 3.149 respectively. Mean, median, standard deviation, variance, skewness is -0.005, 0.000, 0.058, 0.003 and -7.846 for pre-announcement change in price. While pre-book closer changes in price for mean, median, standard deviation, variance, skewness is 0.006, 0.000, 0.033, 0.001 and-4.196 respectively.

Table 4.3

*Descriptive statistics of price, quantity and change in price*

| | Statistics/Variables | Price_A | Quantity_A | Price_BC | Quantity_BC | Change in price_A | Change in price_BC |
|---|---|---|---|---|---|---|---|
| Pre | Mean | 358.018 | 8264.695 | 313.627 | 12273.781 | -0.003 | -0.023 |
| | Median | 306.500 | 1095.000 | 249.500 | 2440.000 | 0.000 | 0.000 |
| | Std. Deviation | 263.958 | 21744.118 | 194.830 | 25636.913 | 0.044 | 0.081 |
| | Variance | 69673.780 | 472806686.021 | 37958.582 | 657251289.741 | 0.002 | 0.007 |
| | Skewness | 2.339 | 5.005 | 1.904 | 3.561 | -2.379 | -4.322 |
| | Statistics/Variables | Price_A | Quantity_A | Price_BC | Quantity_BC | Change in price_A | Change in price_BC |
| Post | Mean | 331.186 | 6305.386 | 228.891 | 2696.141 | -0.005 | -0.006 |
| | Median | 273.500 | 0.000 | 185.000 | 0.000 | 0.000 | 0.000 |
| | Std. Deviation | 252.574 | 15581.064 | 132.948 | 6153.707 | 0.058 | 0.033 |
| | Variance | 63793.486 | 242769562.101 | 17675.212 | 37868109.638 | 0.003 | 0.001 |
| | Skewness | 2.487 | 3.430 | 2.411 | 3.149 | -7.846 | -4.196 |

## 4.4 Descriptive statistics of price before announcement

In the case of descriptive statistics of price before announcement, Table 4.4 shows the different variables analysis.

Researcher researched on ten days before announcement date. In post ten days mean, median, standard deviation, variance and skewness is 361.409, 312.00, 252.191, 63600.539, and 2.2028 respectively. In post-nine days, mean, median, standard deviation, variance and skewness is 357.318, 316, 248.249, 61627.465, and 2.150 respectively. In Post-8 days mean, median, standard deviation, variance and skewness is

359.182, 315.50, 264.918, 70181.68, and 2.472 respectively. In post-seven days, mean, median, standard deviation, variance and skewness is 364.0, 315.5, 281.034, 78980.286 and 2.641 respectively. In post-six days mean, median, standard deviation, variance and skewness is 358.227, 313.50, 274.075, 75116.946 and 2.646 respectively. In post-five days mean, median, standard deviation, variance and skewness is 357.409,309.50, 274.579, 75393.682 and 2.612 respectively. In post-four days mean, median, standard deviation, variance and skewness is 357.955, 303.50, 275.314, 75797.569, and 2.582 respectively. In post-three days mean, median, standard deviation, variance and skewness is 357.50. 312.50. 275.969. 76159.199 and 2.565 respectively. In post-two days mean, median, standard deviation, variance and skewness is 354.545, 290.00, 275.477, 75887.688 and 2.504 respectively. In post-one day mean, median, standard deviation, variance and skewness is 352.636, 287.00, 271.584, 75757.861, and 2.506 respectively.

Table 4.4

*Descriptive statistics of price before announcement*

| Days/ Variables | Mean | Median | Std. Deviation | Variance | Skewness | Std. Error of Skewness |
|---|---|---|---|---|---|---|
| Pre 10 days | 361.409 | 312.000 | 252.191 | 63600.539 | 2.028 | 0.491 |
| Pre 9 days | 357.318 | 316.000 | 248.249 | 61627.465 | 2.150 | 0.491 |
| Pre 8 days | 359.182 | 315.500 | 264.918 | 70181.680 | 2.472 | 0.491 |
| Pre 7 days | 364.000 | 315.500 | 281.034 | 78980.286 | 2.641 | 0.491 |
| Pre 6 days | 358.227 | 313.500 | 274.075 | 75116.946 | 2.646 | 0.491 |
| Pre 5 days | 357.409 | 309.500 | 274.579 | 75393.682 | 2.612 | 0.491 |
| Pre 4 days | 357.955 | 303.500 | 275.314 | 75797.569 | 2.582 | 0.491 |
| Pre 3 days | 357.500 | 312.500 | 275.969 | 76159.119 | 2.565 | 0.491 |
| Pre 2 days | 354.545 | 290.000 | 275.477 | 75887.688 | 2.504 | 0.491 |
| Pre 1 day | 352.636 | 287.000 | 271.584 | 73757.861 | 2.506 | 0.491 |

### 4.5 Descriptive statistics of price after announcement

Table 4.5 shows the different variables analysis for the descriptive statistics of price after announcement.

Researcher researched on ten days after announcement date. In post one day means, median, standard deviation, variance and skewness is 351.591, 292.50, 269.738, 72758.825, and 2.541 respectively. In post-two days, mean, median, standard deviation, variance and skewness is 348.273, 290.00, 267.275, 71435.732, and 2.527 respectively. In Post-three days mean, median, standard deviation, variance and skewness is345.50, 290.00, 258.851, 67003.595, 2.441 respectively. In post- four days, mean, median, standard deviation, variance and skewness is 323.409, 253.50, 256.963, 66029.872 and 2.745 respectively. In post-five days mean, median, standard deviation, variance and skewness is 324.50, 261.00, 256.319, 65699.214, and 2.756 respectively. In post-six days mean, median, standard deviation, variance and skewness is 325.227, 268.50, 256.266, 65672.184, and 2.750 respectively. In post-seven days mean, median, standard deviation, variance and skewness is 319.636, 266.00, 256.710, 65900.028, and 2.791 respectively. In post-eight days mean, median, standard deviation, variance and skewness is 323.136, 266.00, 256.710, 65900.028 and 2.791respectively. In post-nine days mean, median, standard deviation, variance and skewness is 325.409, 270.00, 257.550, 66332.158 and 2.747 respectively. In post-ten days mean, median, standard deviation, variance and skewness is 325.182, 270.00, 256.655, 65871.584, and 2.735 respectively.

Table 4.5

*Descriptive statistics of price after announcement*

| Days/ Variables | Mean | Median | Std. Deviation | Variance | Skewness | Std. Error of Skewness |
|---|---|---|---|---|---|---|
| Post 1 day | 351.591 | 292.500 | 269.738 | 72758.825 | 2.541 | 0.491 |
| Post 2 days | 348.273 | 290.000 | 267.275 | 71435.732 | 2.527 | 0.491 |
| Post 3 days | 345.500 | 290.000 | 258.851 | 67003.595 | 2.441 | 0.491 |
| Post 4 days | 323.409 | 253.500 | 256.963 | 66029.872 | 2.745 | 0.491 |
| Post 5 days | 324.500 | 261.000 | 256.319 | 65699.214 | 2.756 | 0.491 |
| Post 6 days | 325.227 | 268.500 | 256.266 | 65672.184 | 2.750 | 0.491 |
| Post 7 days | 319.636 | 266.500 | 239.139 | 57187.290 | 2.503 | 0.491 |
| Post 8 days | 323.136 | 266.000 | 256.710 | 65900.028 | 2.791 | 0.491 |
| Post 9 days | 325.409 | 270.000 | 257.550 | 66332.158 | 2.747 | 0.491 |
| Post 10 days | 325.182 | 270.000 | 256.655 | 65871.584 | 2.735 | 0.491 |

### 4.6 Descriptive statistics of quantity before announcement

In the case of descriptive statistics of quantity before announcement, Table 4.6 shows the different variables analysis.

Researcher researched on ten days before announcement date. In pre-ten days mean, median, standard deviation, variance and skewness is 3819.909, 273.500, 6871.764, 47221139.896 and 2.396 respectively. In pre-nine days, mean, median, standard deviation, variance and skewness is 3078.182, 305.000, 5266.697, 27738092.918 and 2.055 respectively. In pre-8 days mean, median, standard deviation, variance and skewness is 15360.318, 1245.00, 37558.681, 1410654492.799 and 3.076 respectively. In pre-seven days, mean, median, standard deviation, variance and skewness is 17464.727, 1594.50, 42395.781, 1797402212.684 and 3.368 respectively. In pre-six days mean, median, standard deviation, variance and skewness is 9889.636, 1385.00, 17624.482, 310622348.528 and 2.493 respectively. In pre-five days mean, median, standard deviation, variance and skewness is 6972.591, 1520.00, 17610.695, 310136589.491 and 4.317 respectively. In pre-four days mean, median, standard deviation, variance and skewness is 5850.091, 575.50, 12260.315, 150315327.896 and 3.062 respectively. In pre-three days mean, median, standard deviation, variance and skewness is 4307.955, 1333.00, 9293.462, 86368432.236 and 3.930 respectively. In pre-two days mean, median, standard deviation, variance and skewness is 6031.955, 2385.00, 11073.078, 122613051.284 and 3.173 respectively. In pre-one day mean, median, standard deviation, variance and skewness is 9871.591, 1296.50, 21032.839, 442380318.920 and 2.916 respectively.

Table 4.6

*Descriptive statistics of quantity before announcement*

| Days/ Variables | Mean | Median | Std. Deviation | Variance | Skewness | Std. Error of Skewness |
|---|---|---|---|---|---|---|
| Pre 10 days | 3819.909 | 273.500 | 6871.764 | 47221139.896 | 2.396 | 0.491 |
| Pre 9 days | 3078.182 | 305.000 | 5266.697 | 27738092.918 | 2.055 | 0.491 |
| Pre 8 days | 15360.318 | 1245.000 | 37558.681 | 1410654492.799 | 3.076 | 0.491 |
| Pre 7 days | 17464.727 | 1594.500 | 42395.781 | 1797402212.684 | 3.368 | 0.491 |
| Pre 6 days | 9889.636 | 1385.000 | 17624.482 | 310622348.528 | 2.493 | 0.491 |
| Pre 5 days | 6972.591 | 1520.000 | 17610.695 | 310136589.491 | 4.317 | 0.491 |
| Pre 4 days | 5850.091 | 575.500 | 12260.315 | 150315327.896 | 3.062 | 0.491 |
| Pre 3 days | 4307.955 | 1333.000 | 9293.462 | 86368432.236 | 3.930 | 0.491 |
| Pre 2 days | 6031.955 | 2385.000 | 11073.078 | 122613051.284 | 3.173 | 0.491 |
| Pre 1 day | 9871.591 | 1296.500 | 21032.839 | 442380318.920 | 2.916 | 0.491 |

### 4.7 Descriptive statistics of quantity after announcement

Table 4.7 shows the different variables analysis In the descriptive statistics of quantity after announcement.

Researcher researched on ten days after announcement date. In post one day mean, median, standard deviation, variance and skewness is 10180.864, 660.00, 20963.069, 439450272.314 and 2.394 respectively. In post-two days, mean, median, standard deviation, variance and skewness is 5518.818, 816.50, 1228.834, 152246833.775 and 3.330 respectively. In Post-three days mean, median, standard deviation, variance and skewness is 8357.682, 2102.00, 19715.655, 388707061.084 and 3980 respectively. In post- four days, mean, median, standard deviation, variance and skewness is 5125.045, 1325.50, 7798.134, 60810890.712 and 1968 respectively. In post-five days mean, median, standard deviation, variance and skewness is 1769.00, 0.00, 5695.474, 32438420.571 and 4.163 respectively. In post-six days mean, median, standard deviation, variance and skewness is 9849.909, 630.00, 23368.856, 546103424.563 and 2.425 respectively. In post-seven days mean, median, standard deviation, variance and skewness is 7268.591, 97.00, 15309.561, 234382658.444 and 2.314 respectively. In post-eight days mean, median, standard deviation, variance and skewness is 5027.773, 0.00, 11318.633, 128111459.613 and 2.466 respectively. In post-nine days mean, median, standard deviation, variance and skewness is 8453.364, 0.00, 20276.802, 411148699.385 and, 3.207 respectively. In post-ten days mean, median, standard deviation, variance and skewness is 1502.818, 0.00, 7048.842, 49686174.727 and 4.690 respectively.

Table 4.7

*Descriptive statistics of quantity after announcement*

| Days/ Variables | Mean | Median | Std. Deviation | Variance | Skewness | Std. Error of Skewness |
|---|---|---|---|---|---|---|
| Post 1 day | 10180.864 | 660.000 | 20963.069 | 439450272.314 | 2.394 | 0.491 |
| Post 2 days | 5518.818 | 816.500 | 12338.834 | 152246833.775 | 3.330 | 0.491 |
| Post 3 days | 8357.682 | 2102.000 | 19715.655 | 388707061.084 | 3.980 | 0.491 |
| Post 4 days | 5125.045 | 1325.500 | 7798.134 | 60810890.712 | 1.968 | 0.491 |
| Post 5 days | 1769.000 | 0.000 | 5695.474 | 32438420.571 | 4.163 | 0.491 |
| Post 6 days | 9849.909 | 630.000 | 23368.856 | 546103424.563 | 2.425 | 0.491 |
| Post 7 days | 7268.591 | 97.000 | 15309.561 | 234382658.444 | 2.314 | 0.491 |
| Post 8 days | 5027.773 | 0.000 | 11318.633 | 128111459.613 | 2.466 | 0.491 |
| Post 9 days | 8453.364 | 0.000 | 20276.802 | 411148699.385 | 3.207 | 0.491 |
| Post 10 days | 1502.818 | 0.000 | 7048.842 | 49686174.727 | 4.690 | 0.491 |

### 4.8 Descriptive statistics of price before book close

In the case of descriptive statistics of price before book close, Table 4.8 shows the different variable analysis.

Table 4.8

*Descriptive statistics of price before book close*

| Days/ Variables | Mean | Median | Std. Deviation | Variance | Skewness | Std. Error of Skewness |
|---|---|---|---|---|---|---|
| Pre 10 days | 324.227 | 275.500 | 198.507 | 39405.136 | 2.107 | 0.491 |
| Pre 9 days | 326.318 | 267.000 | 202.569 | 41034.037 | 2.012 | 0.491 |
| Pre 8 days | 326.000 | 265.000 | 204.310 | 41742.381 | 1.977 | 0.491 |
| Pre 7 days | 324.045 | 265.000 | 203.207 | 41293.188 | 1.997 | 0.491 |
| Pre 6 days | 322.091 | 265.000 | 201.925 | 40773.610 | 1.950 | 0.491 |
| Pre 5 days | 319.364 | 263.000 | 198.819 | 39529.100 | 1.923 | 0.491 |
| Pre 4 days | 317.273 | 264.500 | 197.543 | 39023.351 | 1.887 | 0.491 |
| Pre 3 days | 313.455 | 258.000 | 194.010 | 37639.974 | 1.914 | 0.491 |
| Pre 2 days | 312.273 | 252.000 | 194.900 | 37985.827 | 1.984 | 0.491 |
| Pre 1 day | 251.227 | 188.500 | 180.727 | 32662.089 | 2.957 | 0.491 |

Researcher researched on ten days before book close date. In pre-ten days mean, median, standard deviation, variance and skewness is 324.227, 275.500, 198.507, 39405.136 and 2.107 respectively. In pre-nine days, mean, median, standard deviation, variance and skewness is 326.318, 267.000, 202.569, 41034.037 and 2.012 respectively. In pre-8 days mean, median, standard deviation, variance and skewness is 326.000, 265.000, 204.310, 41742.381 and 1.977 respectively. In pre-seven days, mean, median, standard deviation, variance and skewness is 324.045, 265.000, 203.207, 41293.188 and 1.997 respectively. In pre-six days mean, median, standard deviation, variance and skewness is 322.091, 265.000, 201.925, 40773.610 and 1.950 respectively. In pre-five days mean, median, standard deviation, variance and skewness is 319.364, 263.000, 198.819, 39529.100 and 1.923 respectively. In pre-four days mean, median, standard deviation, variance and skewness is 317.273, 264.500, 197.543, 39023.351 and 1.887 respectively. In pre-three days mean, median, standard deviation, variance and skewness is 313.455, 258.000, 194.010, 37639.974 and 1.914 respectively. In pre-two days mean, median, standard deviation, variance and skewness is 312.273, 252.000, 194.900, 37985.827 and 1.984 respectively. In pre-one day mean, median, standard deviation, variance and skewness is 251.227, 188.500, 180.727, 32662.089 and 2.957 respectively.

### 4.9 Descriptive statistics of price after book close

Table 4.9 shows the different variables analysis in the descriptive statistics of price after book close.

Table 4.9

*Descriptive statistics of price after book close*

| variables | Mean | Median | Std. Deviation | Variance | Skewness |
|---|---|---|---|---|---|
| Post 1 day | 249.091 | 190.000 | 178.540 | 31876.658 | 3.074 |
| Post 2 days | 231.409 | 190.500 | 131.833 | 17379.872 | 2.387 |
| Post 3 days | 226.682 | 190.000 | 128.064 | 16400.513 | 2.416 |
| Post 4 days | 226.000 | 191.500 | 128.312 | 16464.095 | 2.411 |
| Post 5 days | 226.727 | 188.000 | 129.142 | 16677.636 | 2.241 |
| Post 6 days | 226.864 | 185.500 | 130.123 | 16932.028 | 2.288 |
| Post 7 days | 225.818 | 180.000 | 130.827 | 17115.775 | 2.285 |
| Post 8 days | 226.682 | 181.500 | 131.093 | 17185.370 | 2.282 |
| Post 9 days | 224.818 | 180.000 | 129.978 | 16894.156 | 2.304 |
| Post 10 day | 224.818 | 180.000 | 129.978 | 16894.156 | 2.304 |

Researcher researched on ten days after book close date. In post one day mean, median, standard deviation, variance and skewness 249.091, 190.000, 178.540, 31876.658 and 3.074 respectively. In post-two days, mean, median, standard deviation, variance and skewness is 231.409, 190.500, 131.833, 17379.872 and 2.387 respectively. In Post-three days mean, median, standard deviation, variance and skewness is 226.682, 190.000, 128.064, 16400.513 and 2.416 respectively. In post- four days, mean, median, standard deviation, variance and skewness is 226.000, 191.500, 128.312, 16464.095 and 2.411 respectively. In post-five days mean, median, standard deviation, variance and skewness is 226.727, 188.000, 129.142, 16677.636 and 2.241 respectively. In post-six days mean, median, standard deviation, variance and skewness is 226.864, 185.500, 130.123, 16932.028 and 2.288 respectively. In post-seven days mean, median, standard deviation, variance and skewness is 225.818, 180.000, 130.827, 17115.775 and 2.285 respectively. In post-eight days mean, median, standard deviation, variance and skewness is 226.682, 181.500, 131.093, 17185.370 and 2.282 respectively. In post-nine days mean, median, standard deviation, variance and skewness is 224.818, 180.000, 129.978, 16894.156 and 2.304 respectively. In post-ten days mean, median, standard deviation, variance and skewness is 224.818, 180.000, 129.978, 16894.156 and 2.304 respectively.

### 4.10 Descriptive statistics of quantity before book close

In the case of descriptive statistics of quantity before book close, Table 4.10 shows the different variables analysis.

Table 4.10

*Descriptive statistics of quantity before book close*

| Days/ Variables | Mean | Median | Std. Deviation | Variance | Skewness | Std. Error of Skewness |
|---|---|---|---|---|---|---|
| Pre 10 days | 11562.091 | 2752.000 | 20984.064 | 440330930.468 | 2.837 | 0.491 |
| Pre 9 days | 9330.227 | 3439.500 | 13095.506 | 171492275.136 | 1.802 | 0.491 |
| Pre 8 days | 7262.136 | 1610.000 | 14369.759 | 206489964.885 | 3.281 | 0.491 |
| Pre 7 days | 5553.136 | 0.000 | 14643.741 | 214439162.600 | 3.022 | 0.491 |
| Pre 6 days | 7157.045 | 1873.500 | 10207.137 | 104185641.950 | 1.641 | 0.491 |
| Pre 5 days | 8384.545 | 666.500 | 18617.139 | 346597871.784 | 3.441 | 0.491 |
| Pre 4 days | 10038.045 | 2195.500 | 25140.201 | 632029713.665 | 3.925 | 0.491 |
| Pre 3 days | 21290.545 | 7475.500 | 32488.310 | 1055490293.307 | 2.011 | 0.491 |
| Pre 2 days | 38181.591 | 15125.500 | 50949.441 | 2595845559.206 | 1.691 | 0.491 |
| Pre 1 day | 3583.429 | 470.000 | 7961.757 | 63389579.357 | 2.745 | 0.501 |

Researcher researched on ten days before book close date. In pre-ten days mean, median, standard deviation, variance and skewness is 11562.091, 2752.000, 20984.064, 440330930.468 and 2.837 respectively. In pre-nine days, mean, median, standard deviation, variance and skewness is 9330.227, 3439.500, 13095.506, 171492275.136 and 1.802 respectively. In pre-8 days mean, median, standard deviation, variance and skewness is 7262.136, 1610.000, 14369.759, 206489964.885 and 3.281 respectively. In pre-seven days, mean, median, standard deviation, variance and skewness is 5553.136, 0.000, 14643.741, 214439162.600 and 3.022 respectively. In pre-six days mean, median, standard deviation, variance and skewness is 7157.045, 1873.500, 10207.137, 104185641.950 and 1.641 respectively. In pre-five days mean, median, standard deviation, variance and skewness is 8384.545, 666.500, 18617.139, 346597871.784 and 3.441 respectively. In pre-four days mean, median, standard deviation, variance and skewness is 10038.045, 2195.500, 25140.201, 632029713.665 and 3.925 respectively. In pre-three days mean, median, standard deviation, variance and skewness is 21290.545, 7475.500, 32488.310, 1055490293.307 and 2.011 respectively. In pre-two days mean, median, standard deviation, variance and skewness is 38181.591, 15125.500, 50949.441, 2595845559.206 and 1.691 respectively. In pre-one day mean, median, standard deviation, variance and skewness is 3583.429, 470.000, 7961.757, 63389579.357 and 2.745 respectively

## 4.11 Descriptive statistics of quantity after book close

Table 4.11 shows the different variables analysis In the descriptive statistics of quantity after book close.

Table 4.11

*Descriptive statistics of quantity after book close*

| Days/ Variables | Mean | Median | Std. Deviation | Variance | Skewness | Std. Error of Skewness |
|---|---|---|---|---|---|---|
| Post 1 day | 2804.636 | 0.000 | 7408.035 | 54878979.290 | 3.719 | 0.491 |
| Post 2 days | 5613.000 | 50.000 | 11006.130 | 121134905.333 | 2.036 | 0.491 |
| Post 3 days | 3925.318 | 22.500 | 7188.854 | 51679623.370 | 2.440 | 0.491 |
| Post 4 days | 2025.273 | 99.500 | 5100.288 | 26012936.303 | 3.278 | 0.491 |
| Post 5 days | 3394.409 | 1129.000 | 4987.979 | 24879935.491 | 1.445 | 0.491 |
| Post 6 days | 2993.000 | 250.000 | 6015.366 | 36184626.095 | 2.545 | 0.491 |
| Post 7 days | 1590.818 | 30.000 | 3578.928 | 12808728.727 | 2.391 | 0.491 |
| Post 8 days | 1169.045 | 20.000 | 3631.584 | 13188404.236 | 4.500 | 0.491 |
| Post 9 days | 3076.682 | 141.000 | 5552.816 | 30833767.370 | 2.054 | 0.491 |
| Post 10 days | 369.227 | 0.000 | 1475.921 | 2178343.613 | 4.467 | 0.491 |

Researcher researched on ten days after book close date. In post one day mean, median, standard deviation, variance and skewness 2804.636, 0.000, 7408.035, 54878979.290 and 3.719 respectively. In post-two days, mean, median, standard deviation, variance and skewness is 5613.000, 50.000, 11006.130, 121134905.333 and 2.036 respectively. In Post-three days mean, median, standard deviation, variance and skewness is 3925.318, 22.500, 7188.854, 51679623.370 and 2.440 respectively. In post- four days, mean, median, standard deviation, variance and skewness is 2025.273, 99.500, 5100.288, 26012936.303 and 3.278 respectively. In post-five days mean, median, standard deviation, variance and skewness is 3394.409, 1129.000, 4987.979, 24879935.491 and 1.445 respectively. In post-six days mean, median, standard deviation, variance and skewness is 2993.000, 250.000, 6015.366, 36184626.095 and 2.545 respectively. In post-seven days mean, median, standard deviation, variance and skewness is 1590.818, 30.000, 3578.928, 12808728.727 and 2.391 respectively. In post-eight days mean, median, standard deviation, variance and skewness is 1169.045, 20.000, 3631.584, 13188404.236 and 4.500 respectively. In post-nine days mean, median, standard deviation, variance and skewness is 3076.682, 141.000, 5552.816, 30833767.370 and

2.054 respectively. In post-ten days mean, median, standard deviation, variance and skewness is 369.227, 0.000, 1475.921, 2178343.613 and 4.467 respectively.

### 4.12 Descriptive statistics change in price before announcement

In the case of descriptive statistics change in price before announcement, Table 4.12 shows the different variables analysis.

Table 4.12

*Descriptive statistics change in price before announcement*

| | Mean | Median | Std. Deviation | Variance | Skewness |
|---|---|---|---|---|---|
| Pre 10 days | 0.0055 | 0.0000 | 0.0166 | 0.0003 | 1.4342 |
| Pre 9 days | -0.0045 | 0.0000 | 0.0493 | 0.0024 | -2.7378 |
| Pre 8 days | 0.0016 | 0.0000 | 0.0855 | 0.0073 | -2.8939 |
| Pre 7 days | 0.0041 | 0.0000 | 0.0379 | 0.0014 | 1.1808 |
| Pre 6 days | -0.0111 | 0.0000 | 0.0457 | 0.0021 | -1.4411 |
| Pre 5 days | -0.0044 | 0.0000 | 0.0305 | 0.0009 | 1.7195 |
| Pre 4 days | -0.0001 | 0.0000 | 0.0260 | 0.0007 | 2.4748 |
| Pre 3 days | -0.0038 | 0.0000 | 0.0333 | 0.0011 | 1.2136 |
| Pre 2 days | -0.0133 | 0.0000 | 0.0551 | 0.0030 | -1.4149 |
| Pre 1 day | -0.0004 | 0.0000 | 0.0251 | 0.0006 | 1.5822 |

Researcher researched on ten days before announcement date. In pre-ten days mean, median, standard deviation, variance and skewness is 0.0055, 0.0000, 0.0166, 0.0003 and 1.4342 respectively. In pre-nine days, mean, median, standard deviation, variance and skewness are -0.0045, 0.0000, 0.0493, 0.0024 and -2.7378 respectively. In pre-8 days mean, median, standard deviation, variance and skewness is 0.0016, 0.0000, 0.0855, 0.0073 and -2.8939 respectively. In pre-seven days, mean, median, standard deviation, variance and skewness is 0.0041, 0.0000, 0.0379, 0.0014 and 1.1808 respectively. In pre-six days mean, median, standard deviation, variance and skewness is -0.0111, 0.0000, 0.0457, 0.0021 and -1.4411respectively. In pre-five days mean, median, standard deviation, variance and skewness is -0.0044, 0.0000, 0.0305, 0.0009 and 1.7195 respectively. In pre-four days mean, median, standard deviation, variance and skewness is -0.0001, 0.0000, 0.0260, 0.0007 and 2.4748 respectively. In pre-three days mean, median, standard deviation, variance and skewness is -0.0038, 0.0000, 0.0333, 0.0011 and 1.2136 respectively. In pre-two days mean, median, standard deviation, variance and skewness is -0.0133, 0.0000, 0.0551, 0.0030 and -1.4149 respectively. In pre-one day mean, median, standard deviation, variance and skewness is -0.0004, 0.0000, 0.0251, 0.0006 and 1.5822 respectively.

### 4.13 Descriptive statistics change in price after announcement

Table 4.13 shows the different variables analysis In the descriptive statistics change in price After announcement

Table 4.13

*Descriptive statistics change in price after announcement*

| | Mean | Median | Std. Deviation | Variance | Skewness |
|---|---|---|---|---|---|
| Post 1 day | 0.001 | 0.000 | 0.028 | 0.001 | 2.140 |
| Post 2 days | -0.011 | 0.000 | 0.050 | 0.002 | -2.180 |
| Post 3 days | -0.002 | 0.000 | 0.024 | 0.001 | 1.527 |
| Post 4 days | -0.043 | 0.000 | 0.161 | 0.026 | -3.271 |
| Post 5 days | 0.007 | 0.000 | 0.029 | 0.001 | 2.177 |
| Post 6 days | 0.003 | 0.000 | 0.024 | 0.001 | 3.080 |
| Post 7 days | -0.008 | 0.000 | 0.024 | 0.001 | -0.883 |
| Post 8 days | 0.001 | 0.000 | 0.025 | 0.001 | 1.794 |
| Post 9 days | 0.006 | 0.000 | 0.017 | 0.000 | 1.274 |
| Post 10 days | 0.000 | 0.000 | 0.001 | 0.000 | -4.690 |

Researcher researched on ten days after announcement date. In post one day mean, median, standard deviation, variance and skewness 0.001, 0.000, 0.028, 0.001 and 2.140 respectively. In post-two days, mean, median, standard deviation, variance and skewness are -0.011, 0.000, 0.050, 0.002 and -2.180 respectively. In Post-three days mean, median, standard deviation, variance and skewness is -0.002, 0.000, 0.024, 0.001 and 1.527 respectively. In post- four days, mean, median, standard deviation, variance and skewness is -0.043, 0.000, 0.161, 0.026 and -3.271 respectively. In post-five days mean, median, standard deviation, variance and skewness is 0.007, 0.000, 0.029, 0.001 and 2.177 respectively. In post-six days mean, median, standard deviation, variance and skewness is 0.003, 0.000, 0.024, 0.001 and 3.080 respectively. In post-seven days mean, median, standard deviation, variance and skewness is -0.008, 0.000, 0.024, 0.001 and -0.883 respectively. In post-eight days mean, median, standard deviation, variance and skewness is 0.001, 0.000, 0.025, 0.001 and 1.794 respectively. In post-nine days mean, median, standard deviation, variance and skewness is 0.006, 0.000, 0.017, 0.000 and 1.274 respectively. In post-ten days mean, median, standard deviation, variance and skewness is 0.000, 0.000, 0.001, 0.000 and -4.690 respectively.

## 4.14 Descriptive statistics change in price before book close

In the case of descriptive statistics change in price before book close, Table 4.14 shows the different variables analysis.

Table 4.14

*Descriptive statistics change in price before book close*

| | Mean | Median | Std. Deviation | Variance | Skewness |
|---|---|---|---|---|---|
| Pre 10 days | -0.006 | -0.001 | 0.014 | 0.000 | -1.001 |
| Pre 9 days | 0.001 | 0.000 | 0.036 | 0.001 | 0.004 |
| Pre 8 days | -0.005 | 0.000 | 0.025 | 0.001 | -2.542 |
| Pre 7 days | -0.005 | 0.000 | 0.026 | 0.001 | -2.235 |
| Pre 6 days | -0.008 | 0.000 | 0.024 | 0.001 | -2.091 |
| Pre 5 days | -0.008 | 0.000 | 0.028 | 0.001 | -1.357 |
| Pre 4 days | -0.008 | 0.000 | 0.018 | 0.000 | 0.048 |
| Pre 3 days | -0.009 | -0.008 | 0.025 | 0.001 | 2.099 |
| Pre 2 days | -0.001 | 0.000 | 0.035 | 0.001 | 1.899 |
| Pre 1 day | -0.178 | -0.162 | 0.185 | 0.034 | -0.778 |

Researcher researched on ten days before book close date. In pre-ten days mean, median, standard deviation, variance and skewness is -0.006, -0.001, 0.014, 0.000 and -1.001 respectively. In pre-nine days, mean, median, standard deviation, variance and skewness is 0.001, 0.000, 0.036, 0.001 and 0.004 respectively. In pre-8 days mean, median, standard deviation, variance and skewness is -0.005, 0.000, 0.025, 0.001v -2.542 respectively. In pre-seven days, mean, median, standard deviation, variance and skewness are -0.005, 0.000, 0.026, 0.001 and -2.235 respectively. In pre-six days mean, median, standard deviation, variance and skewness is -0.008, 0.000, 0.024, 0.001 and -2.091 respectively. In pre-five days mean, median, standard deviation, variance and skewness is -0.008, 0.000, 0.028, 0.001 and -1.357 respectively. In pre-four days mean, median, standard deviation, variance and skewness is -0.008, 0.000, 0.018, 0.000 and 0.048 respectively. In pre-three days mean, median, standard deviation, variance and skewness is -0.009, -0.008, 0.025, 0.001 and 2.099 respectively. In pre-two days mean, median, standard deviation, variance and skewness are -0.001, 0.000, 0.035, 0.001 and 1.899 respectively. In pre-one day mean, median, standard deviation, variance and skewness is -0.178, -0.162, 0.185, 0.034 and -0.778 respectively.

## 4.15 Descriptive statistics change in price after book close

Table 4.15 shows the different variables analysis, in the descriptive statistics change in price after book close.

Researcher researched on ten days after book close date. In post one day mean, median, standard deviation, variance and skewness -0.004, 0.000, 0.022, 0.001 and -1.703 respectively. In post-two days, mean, median, standard deviation, variance and skewness are -0.033, 0.000, 0.074, 0.006 and -2.345 respectively. In Post-three days mean, median, standard deviation, variance and skewness are -0.017, 0.000, 0.048, 0.002 and -2.809 respectively. In post- four days, mean, median, standard deviation, variance and skewness is -0.004, 0.000, 0.012, 0.000 and 0.941 respectively. In post-five days mean, median, standard deviation, variance and skewness is 0.001, 0.000, 0.029, 0.001 and 1.949 respectively. In post-six days mean, median, standard deviation, variance and skewness is 0.000, 0.000, 0.012, 0.000 and 0.397 respectively. In post-seven days mean, median, standard deviation, variance and skewness is -0.006, 0.000, 0.015, 0.000 and -2.566 respectively. In post-eight days mean, median, standard deviation, variance and skewness is 0.005, 0.000, 0.020, 0.000 and 0.043 respectively. In post-nine days mean, median, standard deviation, variance and skewness is -0.007, 0.000, 0.020, 0.000 and 0.813 respectively. In post-ten days mean, median, standard deviation and variance is 0.000, 0.000, 0.000 and 0.000 respectively.

Table 4.15

*Descriptive statistics change in price after book close*

| | Mean | Median | Std. Deviation | Variance | Skewness |
|---|---|---|---|---|---|
| Post 1 day | -0.004 | 0.000 | 0.022 | 0.001 | -1.703 |
| Post 2 days | -0.033 | 0.000 | 0.074 | 0.006 | -2.345 |
| Post 3 days | -0.017 | 0.000 | 0.048 | 0.002 | -2.809 |
| Post 4 days | -0.004 | 0.000 | 0.012 | 0.000 | 0.941 |
| Post 5 days | 0.001 | 0.000 | 0.029 | 0.001 | 1.949 |
| Post 6 days | 0.000 | 0.000 | 0.012 | 0.000 | 0.397 |
| Post 7 days | -0.006 | 0.000 | 0.015 | 0.000 | -2.566 |
| Post 8 days | 0.005 | 0.000 | 0.020 | 0.000 | 0.043 |
| Post 9 days | -0.007 | 0.000 | 0.020 | 0.000 | 0.813 |
| Post 10 days | 0.000 | 0.000 | 0.000 | 0.000 | |

### 4.16 Paired sample t-test for all sample

Table 4.16

*Paired sample t-test for all sample*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 26.83 | 79.33 | 5.35 | 16.29 | 37.37 | 5.02 | 219 | 0.00 |
| PreQTY_A - PostQTY_A | 1959.31 | 19535.00 | 1317.05 | -636.40 | 4555.02 | 1.49 | 219 | 0.14 |
| Preprice_BC - Postprice_BC | 84.74 | 95.16 | 6.42 | 72.09 | 97.38 | 13.21 | 219 | 0.00 |
| PreQTY_BC - PostQTY_BC | 9603.23 | 22243.77 | 1503.10 | 6640.78 | 12565.69 | 6.39 | 218 | 0.00 |
| Preprice_C_A - Postprice_C_A | 0.00 | 0.07 | 0.01 | -0.01 | 0.01 | 0.43 | 219 | 0.67 |
| Preprice_C_BC - Postprice_C_BC | -0.02 | 0.09 | 0.01 | -0.03 | 0.00 | -2.70 | 219 | 0.01 |

Table 4.16 shows the paired differences between pre and post movement of stock price and stock transacted quantity. The mean difference between pre price announcement and post price announcement is 26.832 and p value shows 0.001which mean reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity announcement and post quantity announcement is 1959.309 and p value shows 0.138 which mean reject the null hypothesis at 95% of confidence level. The mean difference between pre price book close and post price book close is 84.736 and p value shows 0.001 which mean reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 9603.233 and p value shows 0.001 which mean reject the null hypothesis at 99% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is 0.002 and p value shows 0.671which mean accept the null hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.016 and p value shows 0.007 which mean reject the null hypothesis at 99% of confidence level.

The mean value of pre price of announcement is 358.018 while post price of announcement is 331.186. Its differences are 26.832 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of announcement is higher than post price of announcement that mean there is significant differences between pre price and post price of book close. The mean value of pre price of book close is 313.627 while post price of book close is 228.891. Its differences are 84.736 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close. The mean value of pre quantity book close is 12273.781 while post quantity book close is 2696.141. Its differences are 9577.64 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre quantity book close is higher than post quantity book close that mean there is significant differences between pre-quantity and post quantity of book close. The mean value of pre-price change in book close is 0.023 while post-price change in book close is 0.006. Its differences are 0.016 and its p value is 0.007 that mean reject the null hypothesis at 95% of confidence level. Pre-price change in book close is higher than post quantity book close that mean there is significant differences between pre-price change and post-price change of book close.

**4.17 Paired sample t-test for commercial banks**

Table 4.17 shows the paired differences between pre and post movement of stock price and stock transacted quantity for commercial banks. The mean difference between pre price announcement and post price announcement is 16.567 and p value shows 0.109 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre quantity announcement and post quantity announcement is 7607.867 and p value shows 0.418 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre price book close and post price book close is 40.7 and p value shows 0.001 which mean reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 31926.931 and p value shows 0.001 which mean reject the null hypothesis at 99% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is 0.007 and p value shows 0.318 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre price change in book close and post price change in book close is -0.000 and p value shows 0.997 which means accept the hypothesis.

Table 4.17

*Paired sample t-test between commercial banks*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 16.567 | 54.883 | 10.020 | -3.927 | 37.060 | 1.653 | 29 | 0.109 |
| PreQTY_A - PostQTY_A | 7607.867 | 50716.232 | 9259.475 | -11329.886 | 26545.619 | 0.822 | 29 | 0.418 |
| Preprice_BC - Postprice_BC | 40.700 | 20.481 | 3.739 | 33.052 | 48.348 | 10.885 | 29 | 0.000 |
| PreQTY_BC - PostQTY_BC | 31926.931 | 40991.671 | 7611.962 | 16334.533 | 47519.329 | 4.194 | 28 | 0.000 |
| Preprice_C_A - Postprice_C_A | 0.007 | 0.038 | 0.007 | -0.007 | 0.021 | 1.017 | 29 | 0.318 |
| Preprice_C_BC - Postprice_C_BC | 0.000 | 0.054 | 0.010 | -0.020 | 0.020 | 0.003 | 29 | 0.997 |

## 4.18 Paired sample t-test for development banks

Table 4.18

*Paired sample t-test for development banks*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 35.242 | 92.316 | 8.427 | 18.555 | 51.929 | 4.182 | 119 | 0.000 |
| PreQTY_A - PostQTY_A | 404.817 | 7020.004 | 640.836 | -864.102 | 1673.735 | 0.632 | 119 | 0.529 |
| Preprice_BC - Postprice_BC | 119.608 | 110.939 | 10.127 | 99.555 | 139.661 | 11.810 | 119 | 0.000 |
| PreQTY_BC - PostQTY_BC | 7410.392 | 16772.372 | 1531.101 | 4378.659 | 10442.125 | 4.840 | 119 | 0.000 |
| Preprice_C_A - Postprice_C_A | 0.002 | 0.083 | 0.008 | -0.013 | 0.017 | 0.260 | 119 | 0.796 |
| Preprice_C_BC - Postprice_C_BC | -0.017 | 0.103 | 0.009 | -0.035 | 0.002 | -1.786 | 119 | 0.077 |

Table 4.16 shows the paired differences between pre and post movement of stock price and stock transacted quantity between development banks. The mean difference between pre price announcement and post price announcement is 35.242 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity announcement and post quantity announcement is 404.817 and p value shows 0.529 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 119.608 and p value shows 0.001 which mean reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 7410.392 and p value shows 0.001 which mean reject the null hypothesis at 99% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is 0.002 and p value shows 0.796 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.017 and p value shows 0.077 which means accept the hypothesis.

**4.19 Paired sample t-test for finance companies**

Table 4.19

*Paired sample t-test for finance companies*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 16.814 | 61.161 | 7.310 | 2.231 | 31.398 | 2.300 | 69 | 0.024 |
| PreQTY_A - PostQTY_A | 2203.343 | 5200.712 | 621.604 | 963.277 | 3443.409 | 3.545 | 69 | 0.001 |
| Preprice_BC - Postprice_BC | 43.829 | 51.788 | 6.190 | 31.480 | 56.177 | 7.081 | 69 | 0.000 |
| PreQTY_BC - PostQTY_BC | 4114.000 | 12158.251 | 1453.189 | 1214.967 | 7013.033 | 2.831 | 69 | 0.006 |
| Preprice_C_A - Postprice_C_A | 0.000 | 0.062 | 0.007 | -0.015 | 0.015 | 0.010 | 69 | 0.992 |
| Preprice_C_BC - Postprice_C_BC | -0.023 | 0.078 | 0.009 | -0.041 | -0.004 | -2.454 | 69 | 0.017 |

Table 4.19 shows the paired differences between pre and post movement of stock price and stock transacted quantity between development banks. The mean difference between pre price announcement and post price announcement is 16.814 and p value shows 0.024

which means reject the null hypothesis at 95% of confidence level. The mean difference between pre quantity announcement and post quantity announcement is 2203.343 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre price book close and post price book close is 43.829 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 4114.000 and p value shows 0.006 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is 0.000 and p value shows 0.992 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.023 and p value shows 0.017 which means reject the null hypothesis at 95% of confidence level.

**4.20 Paired sample t-test between pre and post ten days**

Table 4.20

*Paired sample t-test between pre and post ten days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 36.227 | 100.560 | 21.439 | -8.358 | 80.813 | 1.690 | 21 | 0.106 |
| PreQTY_A - PostQTY_A | 2317.091 | 10437.207 | 2225.220 | -2310.508 | 6944.689 | 1.041 | 21 | 0.310 |
| Preprice_BC - Postprice_BC | 99.409 | 93.649 | 19.966 | 57.887 | 140.931 | 4.979 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 11192.864 | 21127.522 | 4504.403 | 1825.445 | 20560.282 | 2.485 | 21 | 0.021 |
| Preprice_C_A - Postprice_C_A | 0.006 | 0.017 | 0.004 | -0.002 | 0.013 | 1.624 | 21 | 0.119 |
| Preprice_C_BC - Postprice_C_BC | -0.006 | 0.014 | 0.003 | -0.013 | 0.000 | -2.098 | 21 | 0.048 |

Table 4.20 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre-ten days. The mean difference between pre price announcement and post price announcement is 36.227 and p value shows 0.106 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is 2317.091 and p value shows 0.310

which means accept the hypothesis. The mean difference between pre price book close and post price book close is 99.409 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 11192.864 and p value shows 0.021 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is 0.006 and p value shows 0.119 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.006 and p value shows 0.048 which means reject the null hypothesis at 95% of confidence level.

The mean value of pre price of book close is 324.227 while post price of book close is 224.818. Its differences are 99.409 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close. The mean value of pre quantity book close is 11562.091 while post quantity book close is 369.227. Its differences are 11192.864 and its p value is 0.021 that mean reject the null hypothesis at 95% of confidence level. Pre quantity book close is higher than post quantity book close that mean there is significant differences between pre-quantity and post quantity of book close. The mean value of pre-price change in book close is 0.006 while post-price change in book close is 0.000. Its differences are 0.006 and its p value is 0.048 that mean reject the null hypothesis at 95% of confidence level. Pre-price change in book close is higher than post quantity book close that mean there is significant differences between pre-price change and post-price change of book close.

**4.21 Paired sample t-test between pre and post nine days**

Table 4.21 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre-ten days. The mean difference between pre price announcement and post price announcement is 31.909 and p value shows 0.143 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is -5375.182 and p value shows 0.231 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 101.500 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 6253.545 and p value shows 0.002 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is -0.011 and p value shows 0.329 which means accept the hypothesis.The mean difference between pre price change in book close and post price change in book close is 0.008 and p value shows 0.488 which means accept the hypothesis.

Table 4.21

*Paired sample t-test between pre and post nine days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 31.909 | 98.428 | 20.985 | -11.731 | 75.550 | 1.521 | 21 | 0.143 |
| PreQTY_A - PostQTY_A | -5375.182 | 20455.118 | 4361.046 | -14444.473 | 3694.109 | -1.233 | 21 | 0.231 |
| Preprice_BC - Postprice_BC | 101.500 | 100.996 | 21.532 | 56.721 | 146.279 | 4.714 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 6253.545 | 8422.833 | 1795.754 | 2519.070 | 9988.021 | 3.482 | 21 | 0.002 |
| Preprice_C_A - Postprice_C_A | -0.011 | 0.051 | 0.011 | -0.033 | 0.012 | -1.000 | 21 | 0.329 |
| Preprice_C_BC - Postprice_C_BC | 0.008 | 0.050 | 0.011 | -0.015 | 0.030 | 0.705 | 21 | 0.488 |

The mean value of pre price of book close is 326.318 while post price of book close is 224.818. Its differences are 101.50 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close. The mean value of pre quantity book close is 9330.227 while post quantity book close is 3076.682. Its differences are 6253.54 and its p value is 0.002 that mean reject the null hypothesis at 95% of confidence level. Pre quantity book close is higher than post quantity book close that mean there is significant differences between pre-quantity and post quantity of book close.

**4.22 Paired sample t-test between pre and post eight days**

Table 4.22 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre-eight days. The mean difference between pre price announcement and post price announcement is 36.045 and p value shows 0.066 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is 10332.545 and p value shows 0.102 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 99.318 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 6093.091 and p value shows 0.019 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is 0.001 and p value shows 0.965 which means accept the hypothesis.The mean difference between pre price change in book close and post price change in book close is -0.010 and p value shows 0.260 which means accept the hypothesis.

Table 4.22

*Paired sample t-test between pre and post eight days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 36.045 | 87.326 | 18.618 | -2.673 | 74.764 | 1.936 | 21 | 0.066 |
| PreQTY_A - PostQTY_A | 10332.545 | 28340.654 | 6042.248 | -2232.997 | 22898.088 | 1.710 | 21 | 0.102 |
| Preprice_BC - Postprice_BC | 99.318 | 101.339 | 21.606 | 54.387 | 144.250 | 4.597 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 6093.091 | 11284.229 | 2405.806 | 1089.944 | 11096.238 | 2.533 | 21 | 0.019 |
| Preprice_C_A - Postprice_C_A | 0.001 | 0.087 | 0.019 | -0.038 | 0.039 | 0.044 | 21 | 0.965 |
| Preprice_C_BC - Postprice_C_BC | -0.010 | 0.040 | 0.009 | -0.028 | 0.008 | -1.158 | 21 | 0.260 |

The mean value of pre price of book close is 326.00 while post price of book close is 226.682. Its differences are 99.318 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close. The mean value of pre quantity book close is 7262.136 while post quantity book close is 1169.045. Its differences are 6093.091 and its p value is 0.019 that mean reject the null hypothesis at 95% of confidence level. Pre quantity book close is higher than post quantity book close that mean there is significant differences between pre-quantity and post quantity of book close.

### 4.23 Paired sample t-test between pre and post seven days

Table 4.23 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre and post seven days. The mean difference between pre price announcement and post price announcement is 44.364 and p value shows 0.047 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is 10310196.136 and p value shows 0.136 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 98.227 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 3962.318 and p value shows 0.139 which means accept the hypothesis. The mean difference between pre price change in announcement and post price change in announcement is 0.012 and p value shows 0.345 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is 0.001 and p value shows 0.914 which means accept the hypothesis.

Table 4.23

*Paired sample t-test between pre and post seven days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 44.364 | 98.734 | 21.050 | 0.587 | 88.140 | 2.108 | 21 | 0.047 |
| PreQTY_A - PostQTY_A | 10196.136 | 30845.151 | 6576.208 | -3479.838 | 23872.110 | 1.550 | 21 | 0.136 |
| Preprice_BC - Postprice_BC | 98.227 | 101.905 | 21.726 | 53.045 | 143.409 | 4.521 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 3962.318 | 12077.767 | 2574.989 | -1392.664 | 9317.300 | 1.539 | 21 | 0.139 |
| Preprice_C_A - Postprice_C_A | 0.012 | 0.059 | 0.013 | -0.014 | 0.038 | 0.965 | 21 | 0.345 |
| Preprice_C_BC - Postprice_C_BC | 0.001 | 0.031 | 0.007 | -0.013 | 0.015 | 0.110 | 21 | 0.914 |

The mean value of pre price of announcement is 364.00 while post price of announcement is 319.636. Its differences are 44.364 and its p value is 0.047 that mean reject the null hypothesis at 95% of confidence level. Pre price of announcement is higher than post price of announcement that mean there is significant differences between pre price and post price of book close. The mean value of pre price of book close is 324.045 while post price of book close is 225.818. Its differences are 98.227 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close.

**4.24 Paired sample t-test between pre and post six days**

Table 4.24

*Paired sample t-test between pre and post six days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 33.000 | 87.343 | 18.622 | -5.726 | 71.726 | 1.772 | 21 | 0.091 |
| PreQTY_A - PostQTY_A | 39.727 | 17786.411 | 3792.076 | -7846.326 | 7925.780 | 0.010 | 21 | 0.992 |
| Preprice_BC - Postprice_BC | 95.227 | 100.597 | 21.447 | 50.625 | 139.829 | 4.440 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 4164.045 | 9031.768 | 1925.579 | 159.584 | 8168.507 | 2.162 | 21 | 0.042 |
| Preprice_C_A - Postprice_C_A | -0.014 | 0.041 | 0.009 | -0.032 | 0.005 | -1.564 | 21 | 0.133 |
| Preprice_C_BC Postprice_C_BC | -0.008 | 0.026 | 0.006 | -0.020 | 0.004 | -1.438 | 21 | 0.165 |

Table 4.24 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre and post six days. The mean difference between pre price announcement and post price announcement is 33.00 and p value shows 0.091 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is 39.727 and p value shows 0.992 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 95.227 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity

book close and post quantity book close is 4164.045 and p value shows 0..042 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is -0.014 and p value shows 0.133 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.008 and p value shows 0.165 which means accept the hypothesis.

The mean value of pre price of book close is 322.091 while post price of book close is 226.864. Its differences are 95.227 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close. The mean value of pre quantity book close is 7157.045 while post quantity book close is 2993.00. Its differences are 4164.045 and its p value is 0.042 that mean reject the null hypothesis at 95% of confidence level. Pre quantity book close is higher than post quantity book close that mean there is significant differences between pre-quantity and post quantity of book close.

**4.25 Paired sample t-test between pre and post five days**

Table 4.25

*Paired sample t-test between pre and post five days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 32.909 | 94.827 | 20.217 | -9.135 | 74.953 | 1.628 | 21 | 0.118 |
| PreQTY_A - PostQTY_A | 5203.591 | 18333.600 | 3908.737 | -2925.072 | 13332.254 | 1.331 | 21 | 0.197 |
| Preprice_BC - Postprice_BC | 92.636 | 95.988 | 20.465 | 50.078 | 135.195 | 4.527 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 4990.136 | 17434.384 | 3717.023 | -2739.837 | 12720.109 | 1.343 | 21 | 0.194 |
| Preprice_C_A - Postprice_C_A | -0.011 | 0.044 | 0.009 | -0.030 | 0.009 | -1.166 | 21 | 0.257 |
| Preprice_C_BC - Postprice_C_BC | -0.009 | 0.042 | 0.009 | -0.028 | 0.009 | -1.052 | 21 | 0.305 |

Table 4.25 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre and post five days.The mean difference

between pre price announcement and post price announcement is 32.909 and p value shows 0.118 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is 5203.591 and p value shows 0.197 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 92.636 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 4990.136 and p value shows 0.194 which means accept the hypothesis. The mean difference between pre price change in announcement and post price change in announcement is -0.011 and p value shows 0.257 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.009 and p value shows 0.305 which means accept the hypothesis.

The mean value of pre price of book close is 319.364 while post price of book close is 226.727. Its differences are 92.637 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close.

**4.26 Paired sample t-test between pre and post four days**

Table 4.26 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre and post four days. The mean difference between pre price announcement and post price announcement is 34.545 and p value shows 0.096 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is 725.045 and p value shows 0.623 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 91.273 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 8012.773 and p value shows 0.116 which means accept the hypothesis. The mean difference between pre price change in announcement and post price change in announcement is 0.043 and p value shows 0.233 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.004 and p value shows 0.387 which means accept the hypothesis.

Table 4.26

*Paired sample t-test between pre and post four days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 34.545 | 92.844 | 19.794 | -6.619 | 75.710 | 1.745 | 21 | 0.096 |
| PreQTY_A - PostQTY_A | 725.045 | 6812.003 | 1452.324 | -2295.228 | 3745.318 | 0.499 | 21 | 0.623 |
| Preprice_BC - Postprice_BC | 91.273 | 96.986 | 20.677 | 48.272 | 134.274 | 4.414 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 8012.773 | 22942.383 | 4891.333 | -2159.310 | 18184.856 | 1.638 | 21 | 0.116 |
| Preprice_C_A - Postprice_C_A | 0.043 | 0.164 | 0.035 | -0.030 | 0.116 | 1.227 | 21 | 0.233 |
| Preprice_C_BC Postprice_C_BC | -0.004 | 0.022 | 0.005 | -0.014 | 0.006 | -0.883 | 21 | 0.387 |

The mean value of pre price of book close is 317.273 while post price of book close is 226. Its differences are 91.273 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close.

### 4.27 Paired sample t-test between pre and post three days

Table 4.27 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre and post three days. The mean difference between pre price announcement and post price announcement is 12.000 and p value shows 0.071 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is -4049.727 and p value shows 0.421 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 86.773 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 17365.227 and p value shows 0.010 which means reject the null hypothesis at 95% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is -0.002 and p value shows 0.806 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is 0.008and p value shows 0.515 which means accept the hypothesis.

Table 4.27

*Paired sample t-test between pre and post three days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 12.000 | 29.563 | 6.303 | -1.108 | 25.108 | 1.904 | 21 | 0.071 |
| PreQTY_A - PostQTY_A | -4049.727 | 23154.160 | 4936.483 | -14315.707 | 6216.252 | -0.820 | 21 | 0.421 |
| Preprice_BC - Postprice_BC | 86.773 | 93.516 | 19.938 | 45.310 | 128.236 | 4.352 | 21 | 0.000 |
| PreQTY_BC - PostQTY_BC | 17365.227 | 28943.734 | 6170.825 | 4532.295 | 30198.160 | 2.814 | 21 | 0.010 |
| Preprice_C_A - Postprice_C_A | -0.002 | 0.036 | 0.008 | -0.018 | 0.014 | -0.248 | 21 | 0.806 |
| Preprice_C_BC - Postprice_C_BC | 0.008 | 0.056 | 0.012 | -0.017 | 0.033 | 0.663 | 21 | 0.515 |

The mean value of pre price of book close is 313.455 while post price of book close is 226.682. Its differences are 86.773 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close. The mean value of pre quantity book close is 21290.545 while post quantity book close is 3925.318. Its differences are 17365.227 and its p value is 0.010 that mean reject the null hypothesis at 95% of confidence level. Pre quantity book close is higher than post quantity book close that mean there is significant differences between pre-quantity and post quantity of book close.

### 4.28 Paired sample t-test between pre and post two days

Table 4.28 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre and post two days. The mean difference between pre price announcement and post price announcement is 6.273 and p value shows 0.084 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is 513.136 and p value shows .789 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 80.864 and p value shows 0.001 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre quantity book close and post quantity book close is 32568.591 and p value shows 0.002 which means reject the null hypothesis at 99% of confidence level. The mean difference between pre price change in announcement and post price change in announcement is -0.003 and p value shows 0.865 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.032 and p value shows 0.092 which means accept the hypothesis.

Table 4.28

*Paired sample t-test between pre and post two days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 6.273 | 16.205 | 3.455 | -0.912 | 13.457 | 1.816 | 21 | 0.084 |
| PreQTY_A - PostQTY_A | 513.136 | 8870.189 | 1891.131 | -3419.685 | 4445.958 | 0.271 | 21 | 0.789 |
| Preprice_BC - Postprice_BC | 80.864 | 94.504 | 20.148 | 38.963 | 122.765 | 4.013 | 21 | 0.001 |
| PreQTY_BC - PostQTY_BC | 32568.591 | 42213.914 | 9000.037 | 13851.990 | 51285.192 | 3.619 | 21 | 0.002 |
| Preprice_C_A - Postprice_C_A | -0.003 | 0.072 | 0.015 | -0.034 | 0.029 | -0.172 | 21 | 0.865 |
| Preprice_C_BC - Postprice_C_BC | 0.032 | 0.084 | 0.018 | -0.006 | 0.069 | 1.765 | 21 | 0.092 |

The mean value of pre price of book close is 312.273 while post price of book close is 231.409. Its differences are 80.864 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre price of book close is higher than post price of book close that mean there is significant differences between pre price and post price of book close. The mean value of pre quantity book close is 38181.591 while post quantity book close is 5613.00. Its differences are 32568.591 and its p value is 0.002 that mean reject the null hypothesis at 99% of confidence level. Pre quantity book close is higher than post quantity book close that mean there is significant differences between pre-quantity and post quantity of book close.

### 4.29 Paired sample t-test between pre and post one days

Table 4.29

*Paired sample t-test between pre and post one days*

| Comparision | Paired Differences | | | | | t | df | Sig. (2-tailed) |
|---|---|---|---|---|---|---|---|---|
| | Mean | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference | | | | |
| | | | | Lower | Upper | | | |
| Preprice_A - Postprice_A | 1.045 | 6.283 | 1.340 | -1.740 | 3.831 | 0.780 | 21 | 0.444 |
| PreQTY_A - PostQTY_A | -309.273 | 11007.351 | 2346.775 | -5189.659 | 4571.113 | -0.132 | 21 | 0.896 |
| Preprice_BC - Postprice_BC | 2.136 | 7.990 | 1.703 | -1.406 | 5.679 | 1.254 | 21 | 0.224 |
| PreQTY_BC - PostQTY_BC | 1040.524 | 3011.784 | 657.225 | -330.424 | 2411.471 | 1.583 | 20 | 0.129 |
| Preprice_C_A - Postprice_C_A | -0.001 | 0.025 | 0.005 | -0.012 | 0.010 | -0.199 | 21 | 0.845 |
| Preprice_C_BC - Postprice_C_BC | -0.174 | 0.188 | 0.040 | -0.257 | -0.091 | -4.341 | 21 | 0.000 |

Table 4.29 shows the paired differences between pre and post movement of stock price and stock transacted quantity between pre and post one day. The mean difference between pre price announcement and post price announcement is 1.045 and p value shows 0.444 which means accept the hypothesis. The mean difference between pre quantity announcement and post quantity announcement is -309.273 and p value shows .896 which means accept the hypothesis. The mean difference between pre price book close and post price book close is 2.136 and p value shows 0.224 which means accept the hypothesis. The mean difference between pre quantity book close and post quantity book close is 1040.524 and p value shows 0.129 which means accept the hypothesis.

The mean difference between pre price change in announcement and post price change in announcement is -0.001 and p value shows 0.845 which means accept the hypothesis. The mean difference between pre price change in book close and post price change in book close is -0.174 and p value shows 0.001 which means reject the null hypothesis at

99% of confidence level. The mean value of pre-price change in book close is 0.178 while post-price change in book close is 0.004. Its differences are 0.174 and its p value is 0.001 that mean reject the null hypothesis at 99% of confidence level. Pre-price change in book close is higher than post quantity book close that mean there is significant differences between pre-price change and post-price change of book close.

### 4.30 Problems of right share practice in Nepal

#### 4.30.1 Low performance of SEBON and NEPSE

For making matured and stable capital market SEBON and NEPSE have to do more in the field of financial market. They don't doing rapidly as far as desirable due to the lack of financial problems and lack of expertise of their human resource. Neither they can persuade too many unlisted firms for listing nor can they increase more investing opportunity. That’s why there aren't increasing trend of listing firm properly. No significant researches are held on the field of share market and right offering. They do not make investor protection act as well as any investor awareness programs have not been launched.

#### 4.30.2 Short sighted investors

Due to the large no. of irrational investor Nepalese capital market can't take stable way. Nepalese capital market is affected only by rumor this makes to our capital is very instable. They never look companies' financial statement, only some investor looks but they also do not look future prospects they have to look unto how their money is used by the company.

#### 4.30.3 Lack of information flow

Right is re-announce-able instrument that is mailed to existing stockholders while observing the practices of Nepalese companies there is complete absence of mailing habit. Stockholders are not mailed all the terms and conditions mentioned in the issue prospects and this is distributed but nobody observe that how many stockholders get this prospectus. Who receive prospectus, they should calculate that proportionate holding and subscribe for additional shares if they want to do so themselves.

### 4.30.4 Imperfect legal provision

There are many weak points in our legal provision. That's why many practical difficulties may arise. Government also bear losses due to its weak legal provision, due to imperfect legal provisions many right offering takes so long time that relevance of right offering are not exist.

### 4.30.5 Lack of open market and free pricing

In Nepal, few big investors hold huge percentage Share of most companies. That's why share prices raises and decrease what they want.

## 4.31 Major findings of the study

Here, the effort has been made in present major findings of the study in rights share practice in Nepal and its impact on share price movement of some Commercial Banks, Development Banks and Finance groups. The major findings of the study are presented in following headings, correspondence to the study objectives.

### 4.31.1 Analyze the impact of right share issue on share price

1. There is significance difference between the pre and post price of announcement, pre and post price of book close, pre and post quantity of book close and post price changed in book close.

2. Paired sample t-test for all samples is tested and it results significant difference between pre and post price of announcement, pre and post price of book close, pre and post quantity of book close and pre and post price changes in book close. It means in overall sample, price after announcement and price after book close is less than price before announcement and before book close. So it's clear that the news for the announcement date and book close date directly made impact on Nepalese stock market.
3. Similarly, paired sample t-test tested across commercial banks, development banks, finance companies. It results mostly significant differences between price after book close and quantity after book close, it seems investor wants more number of share in minimum stock price after book close date. While across development banks, it seems

the announcement news also affect the stock price. Although, between finance companies' pair t-test between pre and post price change after book close is less than before book close. It seems market price is change after book close in decreasing way so as in quantity after announcement also.

4. Conclusively, rights share practice is comparatively new phenomena in Nepalese Financial Market. There are no easy things to work out to make the rights offering as effect instruments of raising capital.

# CHAPTER V

# SUMMARY AND CONCLUSION

## 5.1 Summary

With the development in technology, the world has become a global village and with the globalization of business, the competition among firms has tremendously increased to successfully compete the corporate firm should expand and modernize their business, which needs huge amount of funds. Capital market which is called life blood of the liberalized economy is the mechanism through which the resources are mobilized and flowed from non-productive sector to productive sector. Capital market is organized market through, which buyers and sellers of long term capital are met and there to function of buying and selling takes place.

The place of development of equity market in Nepal is extremely slow and it has not efficient to contribute to the development of corporate sector. Developing country like Nepal, there is greater importance of capital market and particularly the equity market. Since, it facilitates the development of corporate sector and overall growth of the economy.

Nepalese security market is in developing stage in comparison to other countries such as China, India, and United Kingdom. Nepalese security markets has practiced limited investment instrument such as equity share, debenture, preference, mutual fund, rights share and initial public offering. Thus, such limited number of investment instrument cannot attract the saving held by the potential investors. This is one of the causes for low market low market capitalization in stock market of Nepal. Right offering is considered as one of the popular methods of raising the long- term fund as the targeted capital structure of the firm requires. Efficient capital market is taken as the backbone of the industrial development and overall development of the country. Nepalese stock market has a brief history.

The history of the security market proceeds with the flotation of shares of Biratnagar Jute Mill Ltd. and Nepal Bank Ltd in 1937, introduction of the company act in 1951, the first issue of government bond in 1964 and the establishment of Security Exchange Centre Ltd. in 1976. The security market flourished after the conversion of Security

Exchange Centre into Nepal Stock Exchange in 1993. Nepal Finance and Saving Company Ltd. got issue approval of right share in 1995/96 for the first time; it is therefore, right share offering is still a new and emerging concept for both organizations and investors.

Rights share, a type of equity share issued by corporation to raise additional fund giving first priority to the existing share holders to take the share. Those corporations, which have already issued shares to the public allowed to issue rights shares, provided the share already issued and fully paid. Right share is issued giving proportionate right to the existing share holders to purchase the new share. It is option based financial approach, where existing shareholders are given an original ownership percentage of the shareholders. Right offering is a method of raising father fund from the existing shareholders by offering additional securities to them on a pre-emptive basis. It involves the offer of additional share to existing shareholders. These are offered in proportion of existing shareholder. Each existing shareholders received one rights for each share they owned. They normally offered at a subscription price somewhat lower than the current market price of the stock, within specified period of time. The pre-emptive right is the right of existing shareholders to maintain their ownership of the company by purchasing new shares issued by the company. The pre-emptive right gives holders of common stock the first option to purchase additional issue of common stock. Somet imes companies are bound to issue new shares of additional stock of existing shareholders because of pre- emptive right clause in the act of incorporation. If such clause is not included in the company charter then company has a choice of marking the sale to its shareholders or to an entirely new set of investors. The stock flotation is called right offering, if it sells to the existing shareholders. A right issue involves selling to ordinary shares to existing shareholders of the company.

Demand of the common stock of the company will increase by the right offering announcement, because they were entitled to have proportionate number of new shares at below than market price. On the other hand, all those existing share holders have on opportunity to bargain for more prices than currently prevailing in the market. Such phenomenon results the price of share to the upward direction. After the issuance of the right share price appear to suffer a temporary settable during the immediate ex-rights period. While a small part of the price fall could be due to information effects delayed until after the announcement date because of non-trading there appear to be no other plausible explanation, ultimate analysis, state of capital market in which several factors operate simultaneously, it of difficult to predict actual price of stock in which stock should be traded.

Theoretically, after the rights share announcement, the share price move upward till the closing date. After the closing date it will be traded at ex-right price. It means the share price move downward to extent of value of rights. But while observing the share price behavior of sample companies mixed results have been obtained.

Rights issue is comparatively new practice in Nepalese financial markets. Therefore, researcher not found more have been undertaken in Nepal but there are several cases of studies taken outside the country. But researcher has made full effort to collect the related studies for review in second chapter. This study is basically based in secondary data. Secondary data was taken from SEBON, Newspaper and Annual Report of respective companies. To conduct this study, statistical tools have been used. Now, the effort has been made in this chapter to present.

Only four commercial banks, eleven development banks and seven finance companies are taken as the sample of the study out of 55 right issuing cases. Rights share practice is comparatively new phenomena in Nepalese next. There is no doubt that there are lots of things to work out to make the rights offering as effective instrument of raising fund. When we look at the rights offering of twenty two sample companies there are only some cases of rights offering which has partially met the theory i.e. the share price has increased significantly after the announcement of right share and the share price has decrease significantly after the book close date. This all may be because of poor performance of the issuing company, keeping the holders record date prior to the announcement date by the company etc. thus the share price has been changed significantly after the rights share announcement but it was increased in some pair comparison and decreased in other.

Some of shareholders even cannot get information about the rights share announcement made by their companies other who are informed are not all aware of what the rights share means and what can be its impact on their wealth position. The legal provision and polices regarding issue of securities is not clear and the process of approval is lengthy. There is long formalities to be completed by issue manager before getting approval which takes long times. Some time it may take fiscal year and in the next fiscal year the essence of issue may not remain.

Thus, finally we can say that rights offering have some impact on share price that can be positive or negative. The market price of share is also influenced by the general market movement to greater extent in Nepal. The capital market of Nepal is not matured. The flow of information is not effective and the investors are not all aware.

To analyze and generalize the collected data, descriptive and analytical research design has been adopted various statistical tools to analyze such types of data, collected data are presented in the tabular form than such data are analyzed to meet the objective of the study.

**5.2 Conclusion**

From the analysis of sample data, researcher has been reached on the following conclusion that all sector have been practiced the issuance of right shares but regarding that more number of development banks had been announced the rights shares in the fiscal year 2017/2018. Testing the hypothesis, researcher has obtained mixed result. A different result has obtained for share price movement during six pair comparison. Paired sample t-test for all samples is tested and it results significant difference between pre and post price of announcement, pre and post price of book close, pre and post quantity of book close and pre and post price changes in book close. It means in overall sample, price after announcement and price after book close is less than price before announcement and before book close. So it's clear that the news for the announcement date and book close date directly made impact on Nepalese stock market. Similarly, paired sample t-test tested across commercial banks, development banks, finance companies. It results mostly significant differences between price after book close and quantity after book close, it seems investor wants more number of share in minimum stock price after book close date. While across development banks, it seems the announcement news also affect the stock price. Although, between finance companies pair t-test between pre and post price change after book close is less than before book close. It seems market price is change after book close in decreasing way so as in quantity after announcement also. Further the researcher researched on pre ten days and post ten days before and after announcement and book close too. And the result shows the significant difference in price after the book close and in quantity transaction in Nepalese stock market.

Rights offering have both positive and negative impact to change on share price. The market price of share is also influenced by general market movement to greater extent in Nepal.

# References


Bist, R. B. (2014). Research Procedure: An Introduction. *NELTA , 4*, 34-40.

Damayanti, S. M., & Anwar, D. (2018). Is Rights Issue Will Raising the Stock Price of PT Nippon Indosari Corpindo Tbk? *Jurnal Keuangan dan Perbankan , III* (22), :443–455.

Fama, E. F. (1965). The Behaviour of Stock Market Prices. *The Journal of Business , 37* (1).

Kendirli, S., & Elmali, M. E. (2016). The Effects of Right Offering Announcements on Returns of Shares of. *Journal of Economic Development, Environment and People , V* (1), 74-82.

Kithinji, J. G., Oluoch, W., & Mugo, R. (2014). What Is the Effect of Rights Issue on Firms Share Performance in the Nairobi Securities Exchange? *Research Journal of Finance and Accounting , V* (4), 76-84.

Kothari, C. (1994). *Quantitative Techniques.* New Delhi: Vikash Publishing House Pvt. Ltd..

Mariko, B. J., & J. M, T. (2016). Effect of New Information From Rights Issue Announcement on Share Prices of Firm's Listed on the Nairobi Security Exchange. *American Journal of Finance , I* (3), 54-70.

Miglani, P. (2011). An Emperical Analysis of Impact of Right Issues on Shareholders Returns of Indians Listed Companies. *International Refereed Research Journal , II* (4), 169-176.

Ogada, A. (2014). Impact of Rights Issue on Share Returns of Firms Listed on the Nairobi Securities Exchange.

Ogada, A., & Kalunda, E. (2017). Impact of Rights Issue on Share Returns of Firms Listed on The Nairobi Securities Exchange, Kenya. *Journal of Business and Management , VII* (8), 54-62.

Onclin, N. (2013). *An investigation to the announcement impact from right issues on stock prices in the Dutch Capital Market.* Amsterdam: University of Twente.

Otieno, O. D. (2014). *The Effects of Rights Issue Announcement On stock Returns of Firms Listed in Nairobi Securities Exvhange.* Department of Finance and Accounting. Nairobi: School of Business.

Otieno, O. D., & Ochieng, D. E. (2015). The effects of Rights Issue Announcements on Stock Returns for Firms Listed at the Nairobi Securities Exchange. *International Journal of Education and Research , III* (9), 411-426.

Pandey, I. M. (2003). *Financial Management.* New Delhi: Vikas Publishing House Pvt. Ltd.

Pathak, H. P., & Giri, D. (2008). Rights Share Issue Practice in Nepal. *The Journal of Nepalese Business Studies , V* (1), 93-100.

Rajasekar, S., Philominathan, P., & Chinnathambi, V. (2013, Oct 14). Research Methodology. rajasekar@cnld.bdu.ac.in.

Saleem, A., Z., S. T., & Batcha, D. M. (2014). Holistic Approach of Research Work. *International Journal of Scientific and Research Publications , 4* (7), 1-7.

Van Horn, C. J., & Wachowicz, J. M. (2001). *Fundamental of Financial Management.* New Delhi: Prentice Hall of India Pvt. Ltd.

Weston, F. J., & Brigham, F. E. (1996). *Essential of Managerial Finance* (Vol. 11). Florida: The Dryden Press.

Websites

Mero Lagani (2019). Rights share ratio. Retrieved from https://merolagani.com

Nepal Stock Exchange Ltd (2007-2019). Stock prices. Retrieved from http://www.nepalstock.com

Nepali Paisa Media Pvt Ltd (2019). Rights share ratio. Retrieved from http://www.nepalipaisa.com

Securities Board of Nepal (2017-2018). Annual Report. Retrieved from https://www.sebon.gov.np/

Sharesansar (2019). Rights share ratio. Retrieved from https://www.sharesansar.com

**Appendix 1: Price and quantity before announcement date of commercial banks**

| Bank name | Variables | Related with announcement days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before announcement | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Civil bank ltd | Price | 269 | 270 | 270 | 273 | 271 | 271 | 271 | 276 | 274 | 275 |
| | Quantity | 65455 | 27603 | 0 | 36761 | 19432 | 0 | 0 | 51747 | 43642 | 27809 |
| | | | | | | | | | | | |
| Siddhartha bank ltd. | Price | 1230 | 1230 | 1230 | 1330 | 1415 | 1384 | 1380 | 1380 | 1380 | 1368 |
| | Quantity | 0 | 0 | 0 | 151839 | 181715 | 70544 | 83810 | 0 | 0 | 47932 |
| | | | | | | | | | | | |
| Prabhu Bank Ltd. | Price | 370 | 370 | 370 | 407 | 386 | 385 | 377 | 378 | 378 | 378 |
| | Quantity | 47383 | 0 | 0 | 100052 | 98678 | 43338 | 11324 | 29557 | 0 | 0 |
| | | | | | | | | | | | |
| Nepal Credit And Commerce Bank Limited | Price | 470 | 470 | 470 | 517 | 482 | 475 | 475 | 471 | 471 | 471 |
| | Quantity | 13353 | 0 | 0 | 10855 | 23615 | 12851 | 9754 | 7316 | 0 | 0 |

**Appendix 2: Price and quantity before announcement date of develpment banks**

| Bank name | Variables | Related with announcement days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before announcement | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Muktinath Bikas Bank Limited | Price | 610 | 610 | 610 | 622 | 620 | 600 | 600 | 594 | 594 | 594 |
| | Quantity | 9771 | 0 | 0 | 10 | 12107 | 8191 | 2545 | 4889 | 0 | 0 |
| | | | | | | | | | | | |
| Excel development bank | Price | 565 | 565 | 455 | 430 | 430 | 430 | 429 | 471 | 469 | 471 |
| | Quantity | 20385 | 0 | 5742 | 1080 | 0 | 0 | 1110 | 1833 | 8091 | 1811 |
| | | | | | | | | | | | |
| Om Development Bank Limited | Price | 375 | 377 | 378 | 378 | 378 | 315 | 307 | 307 | 305 | 305 |
| | Quantity | 5973 | 6165 | 18066 | 0 | 0 | 5685 | 8135 | 0 | 2608 | 0 |
| | | | | | | | | | | | |
| Nepal Community Development Bank Limited | Price | 197 | 194 | 191 | 191 | 191 | 192 | 187 | 187 | 175 | 177 |
| | Quantity | 365 | 265 | 414 | 0 | 0 | 113 | 125 | 0 | 233 | 1200 |
| | | | | | | | | | | | |
| Bhargav Bikas Bank Limited | Price | 285 | 294 | 306 | 306 | 306 | 312 | 312 | 300 | 330 | 363 |
| | Quantity | 1260 | 740 | 954 | 0 | 0 | 1020 | 0 | 650 | 5272 | 2420 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Shangri-la Development Bank Limited | Price | 495 | 495 | 495 | 544 | 595 | 579 | 548 | 548 | 548 | 544 |
| | Quantity | 0 | 0 | 0 | 10323 | 20850 | 9144 | 5343 | 0 | 0 | 7984 |
| | | | | | | | | | | | |
| Green Development Bank Limited | Price | 560 | 555 | 536 | 536 | 536 | 536 | 589 | 589 | 595 | 589 |
| | Quantity | 170 | 282 | 196 | 380 | 0 | 0 | 4571 | 0 | 5301 | 3347 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gandaki Bikash Bank Ltd. | Price | 333 | 330 | 326 | 325 | 325 | 320 | 320 | 320 | 320 | 269 |
| | Quantity | 0 | 8494 | 8303 | 5376 | 5762 | 19985 | 0 | 0 | 0 | 6274 |
| | | | | | | | | | | | |
| Karnali Development Bank Limited | Price | 548 | 548 | 548 | 365 | 401 | 408 | 403 | 403 | 403 | 403 |
| | Quantity | 0 | 0 | 0 | 10335 | 10145 | 7840 | 1930 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Lumbini Bikas Bank Limited | Price | 148 | 156 | 159 | 159 | 159 | 160 | 153 | 154 | 154 | 155 |
| | Quantity | 546 | 12549 | 16619 | 0 | 0 | 31289 | 10655 | 9646 | 1692 | 9356 |
| | | | | | | | | | | | |
| Deva Bikash Bank Ltd. | Price | 142 | 142 | 144 | 144 | 144 | 144 | 140 | 140 | 140 | 140 |
| | Quantity | 7241 | 1338 | 918 | 2010 | 0 | 0 | 8040 | 2095 | 3741 | 5557 |

**Appendix 3: Price and quantity before announcement date of finance companies**

| Bank name | Variables | Related with announcement days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before announcement | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Jebil's Finance Limited | Price | 166 | 163 | 160 | 160 | 160 | 151 | 146 | 146 | 140 | 142 |
| | Quantity | 0 | 110 | 95 | 0 | 0 | 562 | 5425 | 72 | 1612 | 950 |
| | | | | | | | | | | | |
| Central Finance Limited | Price | 182 | 184 | 185 | 184 | 184 | 184 | 184 | 179 | 172 | 145 |
| | Quantity | 4531 | 14703 | 3129 | 1410 | 3261 | 0 | 0 | 10806 | 9209 | 1675 |
| | | | | | | | | | | | |
| Shree Investment & Finance Company Limited | Price | 365 | 372 | 399 | 399 | 398 | 398 | 398 | 397 | 378 | 392 |
| | Quantity | 3785 | 10 | 40 | 0 | 20 | 0 | 0 | 501 | 1054 | 3730 |
| | | | | | | | | | | | |
| Pokhara Finance Limited | Price | 210 | 210 | 208 | 207 | 205 | 205 | 205 | 200 | 200 | 195 |
| | Quantity | 780 | 3851 | 110 | 345 | 1529 | 0 | 0 | 7740 | 0 | 3508 |
| | | | | | | | | | | | |
| Manjushree Finance Limited | Price | 129 | 131 | 136 | 142 | 141 | 141 | 141 | 143 | 138 | 138 |
| | Quantity | 0 | 6978 | 7204 | 5062 | 5450 | 0 | 0 | 1590 | 8150 | 2350 |
| | | | | | | | | | | | |
| Progressive Finance Limited | Price | 125 | 125 | 120 | 118 | 116 | 110 | 114 | 114 | 114 | 108 |
| | Quantity | 0 | 0 | 1350 | 2089 | 1660 | 1750 | 110 | 0 | 0 | 4550 |
| | | | | | | | | | | | |
| City express finance Ltd. | Price | 155 | 160 | 165 | 165 | 165 | 181 | 184 | 178 | 187 | 178 |
| | Quantity | 1760 | 950 | 4580 | 0 | 0 | 5260 | 520 | 260 | 4170 | 2250 |

**Appendix 4: Price and quantity after announcement date of commercial banks**

| Bank name | Variables | Related with announcement days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | After announcement | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Civil bank ltd | Price | 275 | 275 | 275 | 267 | 267 | 271 | 266 | 260 | 260 | 260 |
| | Quantity | 38179 | 0 | 0 | 29712 | 0 | 54027 | 33129 | 22273 | 0 | 0 |
| | | | | | | | | | | | |
| Siddhartha bank ltd. | Price | 1349 | 1335 | 1290 | 1290 | 1290 | 1290 | 1191 | 1295 | 1295 | 1290 |
| | Quantity | 79768 | 54074 | 91888 | 0 | 0 | 81453 | 42709 | 27548 | 86015 | 33062 |
| | | | | | | | | | | | |
| Prabhu Bank Ltd. | Price | 389 | 384 | 385 | 388 | 388 | 388 | 395 | 395 | 393 | 393 |
| | Quantity | 32041 | 22976 | 25304 | 19735 | 0 | 0 | 54049 | 42658 | 22817 | 0 |
| | | | | | | | | | | | |
| Nepal Credit And Commerce Bank Limited | Price | 470 | 468 | 463 | 458 | 458 | 458 | 479 | 465 | 463 | 463 |
| | Quantity | 5577 | 6791 | 5784 | 9447 | 0 | 0 | 10307 | 12705 | 11484 | 0 |

**Appendix 5: Price and quantity after announcement date of develpment banks**

| Bank name | Variables | Related with announcement days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | After announcement | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Muktinath Bikas Bank Limited | Price | 595 | 592 | 596 | 615 | 615 | 615 | 616 | 606 | 615 | 615 |
| | Quantity | 6219 | 2873 | 10501 | 7134 | 0 | 0 | 8519 | 1743 | 5896 | 0 |
| | | | | | | | | | | | |
| Excel development bank | Price | 477 | 477 | 481 | 481 | 481 | 475 | 475 | 475 | 475 | 475 |
| | Quantity | 0 | 0 | 2823 | 2140 | 0 | 1615 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Om Development Bank Limited | Price | 305 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| | Quantity | 0 | 5060 | 6868 | 2101 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Nepal Community Development Bank Limited | Price | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 | 177 |
| | Quantity | 0 | 575 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Bhargav Bikas Bank Limited | Price | 363 | 366 | 363 | 365 | 365 | 358 | 358 | 358 | 358 | 358 |
| | Quantity | 0 | 4830 | 1862 | 4440 | 0 | 920 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Shangri-la Development Bank Limited | Price | 515 | 503 | 490 | 490 | 490 | 500 | 476 | 476 | 496 | 496 |
| | Quantity | 4331 | 2315 | 5568 | 0 | 0 | 2536 | 2153 | 0 | 8009 | 0 |
| | | | | | | | | | | | |
| Green Development Bank Limited | Price | 565 | 565 | 565 | 195 | 195 | 195 | 192 | 192 | 192 | 192 |
| | Quantity | 0 | 0 | 6691 | 530 | 0 | 0 | 149 | 0 | 0 | 0 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gandaki Bikash Bank Ltd. | Price | 280 | 280 | 280 | 280 | 268 | 266 | 267 | 272 | 281 | 281 |
| | Quantity | 2382 | 0 | 0 | 0 | 1255 | 2563 | 597 | 2505 | 3752 | 0 |
| | | | | | | | | | | | |
| Karnali Development Bank Limited | Price | 381 | 355 | 336 | 336 | 336 | 335 | 324 | 324 | 336 | 336 |
| | Quantity | 1150 | 1270 | 1885 | 0 | 0 | 660 | 300 | 0 | 820 | 0 |
| | | | | | | | | | | | |
| Lumbini Bikas Bank Limited | Price | 155 | 150 | 152 | 157 | 169 | 172 | 172 | 172 | 179 | 179 |
| | Quantity | 0 | 17332 | 17726 | 12129 | 26218 | 63199 | 0 | 0 | 45159 | 0 |
| | | | | | | | | | | | |
| Deva Bikash Bank Ltd. | Price | 141 | 141 | 141 | 135 | 139 | 139 | 138 | 138 | 138 | 138 |
| | Quantity | 0 | 0 | 0 | 14473 | 7165 | 5611 | 7577 | 0 | 0 | 0 |

**Appendix 6: Price and quantity after announcement date of finance companies**

| Bank name | Variables | Related with announcement days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | After announcement | | | | | | | | | |
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Jebil's Finance Limited | Price | 142 | 146 | 144 | 144 | 143 | 143 | 143 | 143 | 140 | 140 |
| | Quantity | 0 | 1058 | 330 | 0 | 100 | 0 | 0 | 0 | 772 | 0 |
| | | | | | | | | | | | |
| Central Finance Limited | Price | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 138 | 138 | 138 |
| | Quantity | 200 | 0 | 0 | 530 | 0 | 600 | 0 | 1013 | 0 | 0 |
| | | | | | | | | | | | |
| Shree Investment & Finance Company Limited | Price | 385 | 385 | 385 | 240 | 240 | 233 | 229 | 229 | 229 | 229 |
| | Quantity | 0 | 0 | 0 | 2620 | 0 | 679 | 45 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Pokhara Finance Limited | Price | 188 | 188 | 188 | 186 | 184 | 183 | 177 | 182 | 182 | 182 |
| | Quantity | 2427 | 0 | 0 | 180 | 620 | 220 | 375 | 166 | 0 | 0 |
| | | | | | | | | | | | |
| Manjushree Finance Limited | Price | 132 | 132 | 131 | 131 | 131 | 131 | 131 | 131 | 131 | 131 |
| | Quantity | 1120 | 0 | 2319 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Progressive Finance Limited | Price | 128 | 103 | 103 | 103 | 103 | 101 | 101 | 101 | 101 | 101 |
| | Quantity | 50585 | 550 | 550 | 550 | 550 | 225 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| City express finance Ltd. | Price | 178 | 195 | 211 | 232 | 255 | 280 | 280 | 280 | 280 | 280 |
| | Quantity | 0 | 1710 | 3770 | 7030 | 3010 | 2390 | 0 | 0 | 1250 | 0 |

**Appendix 7: Price and quantity after announcement date of commercial banks**

| Bank name | Variables | Related with book close days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before book close | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Civil bank ltd. | Price | 229 | 231 | 236 | 240 | 239 | 234 | 234 | 234 | 227 | 227 |
| | Quantity | 14321 | 14653 | 37107 | 64059 | 54102 | 33870 | 0 | 0 | 65984 | 112036 |
| | | | | | | | | | | | |
| Siddhartha Bank Limited | Price | 372 | 372 | 378 | 379 | 379 | 378 | 370 | 370 | 370 | 370 |
| | Quantity | 0 | 0 | 20079 | 11816 | 0 | 11371 | 34331 | 0 | 0 | 46506 |
| | | | | | | | | | | | |
| Prabhu Bank Limited | Price | 336 | 321 | 325 | 325 | 325 | 321 | 325 | 321 | 318 | 317 |
| | Quantity | 2910 | 89288 | 45656 | 0 | 0 | 32439 | 82802 | 115810 | 121421 | 181760 |
| | | | | | | | | | | | |
| NCC Bank Ltd. | Price | 242 | 235 | 235 | 235 | 230 | 235 | 235 | 235 | 229 | 231 |
| | Quantity | 0 | 43939 | 7973 | 24560 | 46608 | 14310 | 0 | 0 | 38599 | 136802 |

**Appendix 8: Price and quantity after announcement date of develpment banks**

| Bank name | Variables | Related with book close days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before book close | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Muktinath Bikash Bank Limited | Price | 981 | 980 | 982 | 982 | 982 | 970 | 955 | 943 | 937 | 945 |
| | Quantity | 0 | 33836 | 32912 | 0 | 0 | 17781 | 20022 | 36312 | 53608 | 108847 |
| | | | | | | | | | | | |
| Excel Development Bank Limited | Price | 710 | 699 | 699 | 708 | 690 | 690 | 690 | 690 | 656 | 656 |
| | Quantity | 3186 | 1785 | 0 | 4006 | 4707 | 0 | 0 | 0 | 20385 | 0 |
| | | | | | | | | | | | |
| Om Development Bank Limited | Price | 396 | 391 | 380 | 380 | 380 | 371 | 385 | 375 | 377 | 378 |
| | Quantity | 0 | 6471 | 14270 | 0 | 0 | 8791 | 12582 | 5973 | 6165 | 18066 |
| | | | | | | | | | | | |
| Nepal Community Development bank Ltd. | Price | 304 | 308 | 316 | 316 | 316 | 316 | 316 | 316 | 316 | 312 |
| | Quantity | 4292 | 4751 | 3750 | 0 | 0 | 0 | 0 | 0 | 0 | 4817 |
| | | | | | | | | | | | |
| Bhargav Bikash Bank Limited | Price | 279 | 282 | 276 | 280 | 280 | 280 | 280 | 280 | 275 | 266 |
| | Quantity | 400 | 1860 | 2721 | 3270 | 0 | 0 | 0 | 5246 | 8786 | 13183 |
| | | | | | | | | | | | |
| Shangrilla Development Bank Limited | Price | 352 | 352 | 355 | 362 | 362 | 362 | 362 | 360 | 347 | 334 |
| | Quantity | 0 | 3415 | 7168 | 16170 | 0 | 0 | 0 | 5406 | 16426 | 59380 |
| | | | | | | | | | | | |
| Green Development Bank Limited | Price | 536 | 536 | 589 | 589 | 595 | 589 | 565 | 565 | 565 | 565 |
| | Quantity | 0 | 0 | 4571 | 0 | 5301 | 3347 | 4559 | 0 | 0 | 6691 |
| | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gandaki Development Bank Limited | Price | | 324 | 333 | 333 | 333 | 330 | 326 | 325 | 325 | 320 |
| | Quantity | | 7104 | 1970 | 0 | 0 | 8494 | 8303 | 5376 | 5762 | 19985 |
| | | | | | | | | | | | |
| Karnali Development Bank Limited | Price | 170 | 269 | 258 | 250 | 250 | 250 | 239 | 249 | 241 | 230 |
| | Quantity | 0 | 459 | 516 | 4874 | 0 | 0 | 1333 | 2846 | 3656 | 17024 |
| | | | | | | | | | | | |
| Lumbini Bikash Bank Limited | Price | 182 | 179 | 177 | 177 | 177 | 173 | 180 | 180 | 176 | 174 |
| | Quantity | 4380 | 5953 | 7644 | 0 | 0 | 15182 | 6800 | 1545 | 3272 | 9933 |
| | | | | | | | | | | | |
| Deva Bikash Bank Limited | Price | 183 | 183 | 180 | 181 | 181 | 181 | 177 | 173 | 171 | 169 |
| | Quantity | 17342 | 23143 | 11380 | 16723 | 0 | 0 | 3221 | 14405 | 13608 | 22788 |

**Appendix 9: Price and quantity after announcement date of finance companies**

| Bank name | Variables | Related with book close days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before book close | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Jebil's Finance Limited | Price | 242 | 238 | 248 | 245 | 246 | 246 | 246 | 238 | 238 | 238 |
| | Quantity | 706 | 72 | 810 | 2440 | 2276 | 0 | 0 | 19660 | 10089 | 0 |
| | | | | | | | | | | | |
| Central Finance Limited | Price | 182 | 184 | 185 | 184 | 184 | 184 | 184 | 184 | 179 | 172 |
| | Quantity | 4531 | 14703 | 3129 | 1410 | 3261 | 0 | 0 | 0 | 10806 | 9209 |
| | | | | | | | | | | | |
| Shree Investment & Finance Company Limited | Price | 398 | 398 | 398 | 397 | 378 | 392 | 385 | 385 | 385 | 385 |
| | Quantity | 20 | 0 | 0 | 501 | 1054 | 3730 | 8987 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Pokhara Finance Limited | Price | 208 | 207 | 205 | 205 | 205 | 200 | 200 | 195 | 193 | 188 |
| | Quantity | 110 | 345 | 1529 | 0 | 0 | 7740 | 0 | 3508 | 3796 | 2427 |
| | | | | | | | | | | | |
| Manjushree Finance Limited | Price | 143 | 140 | 140 | 142 | 146 | 146 | 146 | 142 | 142 | 142 |
| | Quantity | 0 | 500 | 0 | 6718 | 3760 | 0 | 0 | 200 | 0 | 6729 |
| | | | | | | | | | | | |
| Progressive Finance Limited | Price | 120 | 118 | 116 | 110 | 114 | 114 | 114 | 108 | 117 | 128 |
| | Quantity | 1350 | 2089 | 1660 | 1750 | 110 | 0 | 0 | 4550 | 86029 | 50585 |
| | | | | | | | | | | | |
| City express finance Ltd. | Price | 186 | 186 | 168 | 152 | 137 | 124 | 112 | 112 | 112 | 123 |
| | Quantity | 0 | 0 | 420 | 1470 | 990 | 400 | 1520 | 0 | 0 | 13227 |

**Appendix 10: Price and quantity after announcement date of commercial banks**

| Bank name | Variables | Related with book close days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before book close | | | | | | | | | |
| | | **10** | **9** | **8** | **7** | **6** | **5** | **4** | **3** | **2** | **1** |
| Civil bank ltd. | Price | 192 | 196 | 196 | 196 | 198 | 197 | 197 | 198 | 195 | 195 |
| | Quantity | 33346 | 31096 | 0 | 0 | 12654 | 23953 | 12391 | 17219 | 20231 | 0 |
| | | | | | | | | | | | |
| Siddhartha Bank Limited | Price | 343 | 343 | 345 | 345 | 345 | 343 | 346 | 346 | 349 | 349 |
| | Quantity | 8301 | 5382 | 7690 | 0 | 0 | 3089 | 10237 | 0 | 7882 | 0 |
| | | | | | | | | | | | |
| Prabhu Bank Limited | Price | 317 | 254 | 254 | 258 | 256 | 256 | 256 | 256 | 250 | 250 |
| | Quantity | 0 | 29663 | 28835 | 12851 | 11441 | 0 | 0 | 0 | 11203 | 0 |
| | | | | | | | | | | | |
| NCC Bank Ltd. | Price | 182 | 182 | 182 | 182 | 178 | 178 | 178 | 246 | 246 | 246 |
| | Quantity | 10923 | 11035 | 0 | 0 | 7646 | 3116 | 7843 | 0 | 0 | 0 |

**Appendix 11: Price and quantity after announcement date of develpment banks**

| Bank name | Variables | Related with book close days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before book close | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Muktinath Bikash Bank Limited | Price | 945 | 698 | 680 | 680 | 662 | 670 | 670 | 180 | 178 | 178 |
| | Quantity | 0 | 34357 | 17008 | 0 | 13709 | 10977 | 0 | 889 | 5208 | 0 |
| | | | | | | | | | | | |
| Excel Development Bank Limited | Price | 430 | 430 | 430 | 429 | 471 | 469 | 471 | 670 | 664 | 664 |
| | Quantity | 1080 | 0 | 0 | 1110 | 1833 | 8091 | 1811 | 0 | 14228 | 0 |
| | | | | | | | | | | | |
| Om Development Bank Limited | Price | 378 | 315 | 307 | 307 | 305 | 305 | 305 | 477 | 477 | 477 |
| | Quantity | 0 | 5685 | 8135 | 0 | 2608 | 0 | 0 | 1667 | 0 | 0 |
| | | | | | | | | | | | |
| Nepal Community Development bank Ltd. | Price | 199 | 199 | 199 | 194 | 193 | 187 | 176 | 305 | 300 | 300 |
| | Quantity | 0 | 0 | 0 | 50 | 30 | 527 | 813 | 0 | 5060 | 6868 |
| | | | | | | | | | | | |
| Bhargav Bikash Bank Limited | Price | 185 | 185 | 185 | 191 | 184 | 184 | 178 | 181 | 181 | 181 |
| | Quantity | 1230 | 0 | 0 | 1702 | 1608 | 908 | 60 | 600 | 0 | 0 |
| | | | | | | | | | | | |
| Shangrilla Development Bank Limited | Price | 223 | 223 | 223 | 220 | 214 | 214 | 212 | 169 | 169 | 169 |
| | Quantity | 4436 | 0 | 0 | 2283 | 2836 | 475 | 570 | 1950 | 0 | 0 |
| | | | | | | | | | | | |
| Green Development Bank Limited | Price | 195 | 195 | 195 | 192 | 192 | 190 | 187 | 212 | 212 | 212 |
| | Quantity | 0 | 0 | 0 | 149 | 0 | 334 | 363 | 932 | 0 | 0 |
| | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Gandaki Development Bank Limited | Price | 320 | 320 | 269 | 266 | 280 | 280 | 280 | 193 | 189 | 189 |
| | Quantity | 0 | 0 | 6274 | 770 | 2382 | 0 | 0 | 40 | 120 | 0 |
| | | | | | | | | | | | |
| Karnali Development Bank Limited | Price | 137 | 137 | 140 | 138 | 138 | 138 | 138 | 280 | 268 | 268 |
| | Quantity | 0 | 0 | 1907 | 1423 | 650 | 830 | 0 | 0 | 1255 | 1255 |
| | | | | | | | | | | | |
| Lumbini Bikash Bank Limited | Price | 174 | 167 | 169 | 167 | 167 | 167 | 167 | 138 | 138 | 138 |
| | Quantity | 0 | 5109 | 4945 | 2487 | 1976 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Deva Bikash Bank Limited | Price | 169 | 169 | 141 | 138 | 142 | 146 | 146 | 167 | 167 | 167 |
| | Quantity | 0 | 0 | 10498 | 21286 | 14399 | 13260 | 0 | 0 | 104 | 0 |

**Appendix 12: Price and quantity after announcement date of finance companies**

| Bank name | Variables | Related with book close days | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Before book close | | | | | | | | | |
| | | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 |
| Jebil's Finance Limited | Price | 166 | 166 | 166 | 166 | 166 | 166 | 163 | 164 | 164 | 164 |
| | Quantity | 0 | 0 | 0 | 0 | 0 | 0 | 110 | 7200 | 0 | 0 |
| | | | | | | | | | | | |
| Central Finance Limited | Price | 147 | 145 | 145 | 145 | 145 | 145 | 145 | 146 | 146 | 146 |
| | Quantity | 936 | 200 | 0 | 0 | 530 | 0 | 600 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Shree Investment & Finance Company Limited | Price | 240 | 233 | 229 | 229 | 229 | 229 | 226 | 160 | 160 | 160 |
| | Quantity | 0 | 679 | 45 | 0 | 0 | 0 | 200 | 95 | 0 | 0 |
| | | | | | | | | | | | |
| Pokhara Finance Limited | Price | 188 | 186 | 184 | 183 | 177 | 182 | 182 | 200 | 204 | 204 |
| | Quantity | 0 | 180 | 620 | 220 | 375 | 166 | 0 | 0 | 100 | 0 |
| | | | | | | | | | | | |
| Manjushree Finance Limited | Price | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 161 | 161 | 161 |
| | Quantity | 1450 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | | | | | | |
| Progressive Finance Limited | Price | 103 | 103 | 103 | 101 | 101 | 101 | 101 | 145 | 138 | 138 |
| | Quantity | 0 | 0 | 0 | 225 | 0 | 0 | 0 | 0 | 1013 | 0 |
| | | | | | | | | | | | |
| City express finance Ltd. | Price | 105 | 103 | 103 | 103 | 103 | 102 | 102 | 230 | 228 | 228 |
| | Quantity | 0 | 100 | 400 | 0 | 0 | 120 | 0 | 507 | 162 | 0 |

**Appendix 13: Approval, announcement and book close date with right share offering ratio**

| Bank Name | Announcement Date | Approval Date (By Sebon) | Book Close Date | Right Share offering ratio |
|---|---|---|---|---|
| Civil bank ltd. | 4/26/2017 | 10/18/17 | 11/21/2017 | 10:04 |
| Siddhartha Bank Limited | 8/1/2016 | 12/19/2017 | 2/5/2018 | 10:01 |
| Prabhu Bank Limited | 8/2/2015 | 12/21/2017 | 1/5/2018 | 10:04 |
| NCC Bank Ltd. | 8/2/2015 | 7/6/2018 | 7/31/2018 | 2:01 |
| Muktinath Bikash Bank Limited | 8/2/2015 | 7/17/2018 | 8/4/2017 | 10:04 |
| Excel Development Bank Limited | 9/14/2017 | 8/7/2017 | 9/6/2017 | 2:01 |
| Om Development Bank Limited | 9/22/2017 | 8/16/2017 | 9/15/2017 | 10:03 |
| Nepal Community Development bank Ltd. | 8/1/2014 | 9/10/2017 | 10/4/2017 | 01:01.0 |
| Bhargav Bikash Bank Limited | 5/5/2017 | 9/10/2017 | 11/1/2017 | 10:08 |
| Shangrilla Development Bank Limited | 8/1/2016 | 11/9/2017 | 12/13/2017 | 10:08 |
| Green Development Bank Limited | 12/28/2017 | 11/19/2017 | 1/1/2018 | 1:04 |
| Gandaki Development Bank Limited | 12/5/2017 | 11/20/2017 | 12/1/2017 | 4:01 |
| Karnali Development Bank Limited | 8/1/2016 | 12/17/2017 | 1/4/2018 | 01:02.2 |
| Lumbini Bikash Bank Limited | 4/13/2018 | 12/28/2017 | 1/5/2018 | 10:01 |
| Deva Bikash Bank Limited | 3/22/2018 | 2/8/2018 | 3/1/2018 | 10:04 |
| Jebil's Fnance ltd. | 9/15/2017 | 7/19/2017 | 8/30/2017 | 1:01 |
| Central Finance Limited | 12/20/2017 | 11/9/2017 | 12/19/2017 | 2:01 |
| Shree Investment & Finance Company Limited | 1/10/2018 | 12/4/2017 | 1/14/2018 | 10:08.3 |
| Pokhara Finance Limited | 12/27/2017 | 12/19/2017 | 12/29/2017 | 01:00.2 |
| Manjushree Finance Limited | 4/25/2018 | 1/23/2018 | 2/21/2018 | 100:05:00 |
| Progresive Finance Limited | 8/6/2018 | 6/20/2018 | 8/8/2018 | 01:02.8 |
| City Express Finance Company Limited | 7/28/2017 | 7/11/2018 | 8/6/2018 | 01:01.7 |

# CHAPTER I

# INTRODUCTION

## 1.1 Background of study

Nepal is an underdeveloped Country and its economy is based mainly on agriculture. Due to political instability, unplanned growth of population and geographical situation of the country, the economic growth is very sluggish. Nepalese economy is thus considered very poor and has ushered backwards. There are only a handful of industries. Among these, very few are in profitable conditions and most are the verge of either extinction or closing. However, after development of suitable financial policies and adoption of economic liberalization, financial institutions have mushroomed in several urban areas of the country.

Nepalese economy is in a developing phase. Financial sector has a crucial role to pool scattered savings for capital formation. Capital is the life blood of business Organizations. Every business enterprise requires short term, intermediate term and long-term capital fund for the smooth operations and expansion of organizational activities. Long-term funds plays highly significant role for future growth and prosperity of the organization. Most business organization collect long term funds from financial market.

A securities market is the place where people buy and sell financial instruments. Financial instrument may be in the form of government bonds, corporate bonds or debentures, ordinary share, preference share etc

## 1.2 Statement of the Problem

Issue of right share represents the distribution of shares to the existing shareholders on the proportion of the number of shares they own. So, announcement of right offering is fine rumor to the existing shareholders. From right offering, existing shareholders can purchase the share of the company at subscription price which is for below the current market price. Right offering is defined as one of the popular methods of raising the long term fund as the targeted capital structure of the company or firm requires. Nepal Finance & Saving Company Ltd. got issue approval of right share in fiscal year 1995/1996 for the first time.

Most of the Nepalese people are not known about the phenomenon of share trading, it is therefore; only few investors are getting advantages from share transaction. Among them large number of people who are the prospective investors are found to be very interested on share trading activities under such circumstance the study is focused on the level of knowledge of generate people on share trading i.e. Right share issue. A shareholder, whose name is in the company book before record date, is entitled to have a proportionate number of new shares at price below market. A view held by professional investor.

Finance directors and some academics is that a right issue because it increases the supply of a company's shares, will have a depressing effect on the share price. It should consider some theoretical relationship in rights offering. Several issues are to be considered by the financial manager who is deciding on the details of right offering. Here it should also consider the pure stock split effect of the issue of right. Under their assumption the question posed to financial manager is:

1. How many rights will be required to purpose a share of the newly issued stock?
2. What effect will the rights offering have on the price of the existing stock?
3. What factors drives the price of stock after right?

This study can find the number of the share to be issued by dividing the fund to be raised by the subscription price of each share, can divide the no. of new share in the no. of existing shares to get the no. of rights required to subscribe one share of the new stock.

## 1.3 Objective of the study

Within the periphery of the stated problem of the study, the main objective of this study is to analyze and examine the affect of right offering and its effect on stock price movement in the context of Nepal. However, the specific objectives of the study are as follows:-

1. To explore the differences on right share issues and stock price across commercial bank, development bank and finance companies.

2. To find out impact on changes in market price of the stock before and after the announcement of right offering.
3. To examine the effect of right share issues on stock price.

# Chapter II

# Review of Literature

In introduction chapter described about background of the study, focus of the study, statement of problems, and objective of study. This chapter deals with the literature of previous studies on right issue and its impact of share price in more detail and suggestive manner. Regarding the review of literature various books, journal, articles from some research reports and magazine related with the topics reviewed. It covers those studies that are conducted within and outside the country, but no important studied have been conducted in Nepal. This chapter provides some conceptual theory of equity rights issues.

## 2.1 Review of different articles and thesis

The study has reviewed some of the articles on related subject matter.

(Pathak & Giri, 2008), focused on practice of rights-shares offering in Nepal and its impact on share price movement. The major findings of these studies were trend of issuing rights-shares was increasing in Nepalese capital market, there were a large number of shareholders who were holding small quantities of share, price behaviors shown by the stock of sample organizations did not satisfy the theory of rights-shares offering.

(Onclin, 2013), examined the announcement impact (market reaction) from right issues on stock prices and investigated three hypotheses; Information Asymmetry hypothesis, Free-Cash-Flow hypothesis and the Window of Opportunity hypothesis. Researcher had executed the rights-shares issued in both a positive or negative market sentiment.

(Otieno, 2014), issued rights-shares in secondary market in which new additional shares were issued to the existing shareholders in exchange for cash (capital) needed by a publicly quoted company, either for expansion purpose or to finance company operations. . This study recommended that investment banks and listed companies to consider the negative abnormal stock price reactions and the subsequent negative abnormal stock return changed to the announcement of rights issue, when setting the discounted rights issue prices to ensure that during the issue period, the stock trading prices did not fall below the rights-shares issue price, a fact that can lead to the collapse of the rights-shares issue exercise.

Acharya (2008), study on " Determinants of Stock price in Nepalese Commercial Banks" with randomly selected 10 commercial banks, concluded that Share price are affected by different kinds of micro and macro variables such as EPS, DPS, information disclosed, political instability, growth rate according to respondents survey. However, interest rate, retention ratio, cost of equity, market liquidity, change in management do not significantly affect the share price in NEPSE.

# Chapter III

# Research Methodology

## 3.1 Introduction

Research methodology indicates the methods and processes employed in the entire aspects of the study. It refers to the various subsequent steps to be adopted by a researcher in studying a problem with certain objectives in a view. So, it is the method, steps, and guidelines, which are to be followed in analysis and it is a way of presenting the collected data with meaningful analysis.

## 3.2 Research Design

Research design is a conceptual framework within which a research is conducted. In this study, historical as well as descriptive design is adopted. To examine and identify rights issue practice in Nepalese financial market, historical research design is adopted along with correlation coefficient between share prices and NEPSE Indices and T-test of share prices. It helps the researcher to enable him to keep track of action and to know whether he is moving the right direction to achieve his goal.

## 3.3 Populations and Sample

The data collection activities consist of taking order information from reality and transferring into same recording system. So, that it can be examined and analyzed from pattern. Population or universe refers to the entire group of people events, or things of interest that the researcher wishes to investigate. In most of cases, we cannot collect data of whole population. Therefore, sample in the best technique of the research study.

A sample is the collection of items from population or universe and comprises some observations selected from the population. Sampling method is the scientific procedure of selection those representative units which would provide the required elements with associated margin of uncertainty arising from examining only apart and no to the whole.

### 3.4 Sources of Data

The data and information in this study would be collected from both primary and secondary source to achieve real and factual result. For this research, all the possible and useful data as far as possible would be collected.

#### 3.4.1 Primary Data

Questionnaires would be used as the major source of primary data collected for this research. A set of structural questionnaire would be made and distributed to the selected respondents in order to get the accurate and actual information with the concerned person. The questionnaires will be asked to tick the best answer among the different alternatives. Data collected through questionnaire will be tabulated and presented in required form to make interpretation easier.

#### 3.4.2 Secondary Data

This research work is heavily bases on data collected through secondary source. Due to imperfect and undeveloped financial market we may not collected all the data from only NEPSE. We may not find all the related information even in published journals and reports. Therefore, searching the relevant data is an ironical challenge work. Mainly secondary data would be collected from the following sources.

- Annual Reports of concerned enterprises
- Related news paper and magazines
- Annual Reports and trading Reports published by NEPSE
- Annual Report of SEBON

### 3.5 Data Collection Technique

In this study necessary data would be collected from various sources, out of them only related data would be considered for the study. Primary and Secondary data would be collected through following method:

#### 3.5.1 Questionnaire Method

Questionnaire method will be used to get information about the rights share in its various aspects. Opened, Closed and mixed questionnaire methods will be used to collect the data. Yes/No question, multiple choice question and descriptive questions will be designed to get the response.

### 3.5.2 Interview Method

Interview of some persons will be taken to make the study mare reliable. Structured and unstructured interview will be used for the data collection. Formal and informal discussions with students, teachers and representatives of some companies make this study more reliable.

### 3.5.3 Historical Data Record Method

The main sources of the data would be Historical Record Method. They will be collected from various reports, prospectus of companies and newspaper. Previous data, which was used by other party, will also useful for this study. The announcement day is the day of first public announcement. This was the first day that the information was become public; the announcement date was confirmed or collected by reviewing each firm's official records in the SEBON. The shares prices collected from the official quotation, lists of NEPSE published in the National Daily Newspaper as well as trading report of SEBON.

### 3.5.4 Populations and Sample

All other cases being excluded, this study will focus in stock rights issue. Privileged subscriptions issued to common stockholders permitting them to subscribe for additional common stock of identical corporation were included in the sample.

## 3.6 Method of Analysis

The data will be analyzed by using various financial and statistical tools to achieve the research objectives. This study will be based on share price before and after the rights share announcement. The share price moves up or down due to various market information. So, the researcher has used some assumption to remove the effect of information.

## 3.7 Limitation of the Study

The study will have some limitation. Basically the study is done for the partial fulfillment of masters of business studies. It would be tried to make this study more comprehensive and clear by collecting, tabulating, compiling and presenting recent information as for as possible. Due time constraints, financial problem and lack of research experience, the study has been conducted with the following limitation.

i. This study covers only those companies who have been issued right share.
ii. The study is done for the partial fulfillment for MBS degree in management so it is not a comprehensive study.
iii. A number of variables are causes or responsible factors in the movement of share prices but this study only on the rights offering and current legal aspects associated there in.
iv. This study will be based on both secondary and primary data which will be collected from annual report of SEBON, respected company, issue manager and expert. Regarding primary data questionnaire and interview will used.
v. In case of the primary data, brokers give right to his/her staff to fill the questionnaire and they fill according to their view. This may not represent the companies view.
vi. The unavailability of plentiful literature on the subject and lack of various references & resources will be too handicapped the study to some extent.
vii. Result of the study would be fully dependent on the accuracy and reliability of the data provided by the respected organization and respondents

# Chapter IV

# Organization of the study

## 4.1 Organization of the Study

This study is organized on the following standardizes pattern in order to make the study easy to understand.

Chapter1: Introduction

Chapter2: Review of Literature

Chapter3: Research Methodology

Chapter4: Data Presentation and analysis

Chapter5: Summary, Conclusion and Recommendation

**Chapter 1: Introduction**

The first chapter deals with Introduction. This includes objectives of the study, limitation of the study, statement of the problems, and significance of the study.

**Chapter 2: Review of Literature**

Second chapter deals with the review of available literature. It includes review of books, journals and articles & previous unpublished Master degrees thesis. This chapter also includes the brief outline of stock market in Nepal.

**Chapter 3: Research Methodology**

Third chapter explains there search methodology used in the study, which includes research design, sources of data population and samples, methods of data analysis etc.

**Chapter 4: Data Presentation and analysis**

In the fourth chapter, Presentation and analysis of secondary and primary data examined. Major finding from both type of data have been presented in the last portion of this chapter.

**Chapter 5: Summary, Conclusion and Recommendation**

The fifth chapter summarizes the main conclusion that flows from the study and offers suggestion for further improvement and conclusion of the study.

After the completion of these five chapters a list of literature that reviewed earlier is included alphabetically in bibliography. Likewise, data information calculation sheet etc. is in corporate in appendix.

# References

Acharya, R.C. (2008). *Determinants of Stock Price in Nepalese Commercial Bank.* Kathmandu: An Unpublished Master's Degree Thesis, Submitted to Faculty of Management, Tribhuvan University.

Onclin, N. (2013). *An investigation to the announcement impact from right issues on stock prices in the Dutch Capital Market.* Amsterdam: University of Twente.

Otieno, O. D. (2014). *The Effects of Rights Issue Announcement On stock Returns of Firms Listed in Nairobi Securities Exvhange.* Department of Finance and Accounting. Nairobi: School of Business.

Pathak, H. P., & Giri, D. (2008). Rights Share Issue Practice in Nepal. *The Journal of Nepalese Business Studies , V* (1), 93-100.

**Website**

http://sebon.gov.np/annual-report

http://www.nepalstock.com/reports-by-category/