

**FINANCIAL SIGNALING DUE TO CHANGE IN CAPITAL
STRUCTURE WITH REFERENCE TO DEBENTURE ISSUE
IN NEPAL**

A Thesis

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Prepared in partial fulfillment of the requirements for the degree of Master of Business Studies (M.B.S.) and entitled **“Financial Signaling due to Changes in Capital Structure With Reference to Debenture Issue in Nepal”**, this study strives to identify the financial signals emitted to the capital market by debt-financing (debenture issues) in the Nepalese context. I am grateful to my thesis guides, librarians, colleagues and all sources of knowledge whose contributions have enabled me to present the dissertation in this shape and format.

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DECLARATION

I here by declare that the work reported in this thesis entitled **“financial signaling due to change in capital structure with reference to debenture issue in Nepal”** submitted to Office of the Dean, faculty of Management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Studies under the supervision of Dr. Silu Bajracharya Associate Professor and Mr. Indra Raj Sharma, Lecturer of Shanker Dev Campus.

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ABSTRACT

This report attempts to examine the financial signaling due to change in capital structure with reference to debenture issue in Nepalese commercial market. As the Nepalese commercial banking sector is dominant one in the issue of debenture and its transaction. It is because of commercial banking sector is very competitive, along with banks flows good and bad signals as well. Debenture is one of the major components of capital structure and it determines the upcoming future of the bank too. Therefore capital must be sufficient to protect Bank's depositors and counterparties from the risk like credit and market risks. Adequate capital keeps the bank healthy and robust against all the contingencies and enhances the image of the bank in the capital market. Issue of debenture in capital market generally flow a positive signal to the managers, shareholders and stakeholders. The present study related on the signaling provided by the debenture issue, its impact on MPS and EPS.

The studies also analyze the performance of the banks and evaluate the better policy and procedural guidelines that the bank should follow maintaining capital. The methodology adapted is secondary sources and primary method with the staff of the banks is concerned.

An abstract of the thesis of *Dambar Bahadur Khatri* for the *Degree of Master of Business Studies* was presented on December 2012.

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ABBREVIATIONS

FY	Fiscal Year
MPS	Market Price of Share
EPS	Earning Per Share
HBL	Himalayan Bank Limited
EBL	Everest Bank Limited
KBL	Kumari Bank Limited
BOK	Bank of Kathmandu Limited
NIC Bank	Nepal Industrial & Commercial Bank
Nepal SBI	Nepal SBI Bank Limited
NIBL	Nepal Investment Bank Limited
Nabil	Nabil Bank Limited
LBL	Laxmi Bank Limited
KBL	Kumari Bank Limited
SBL	Siddhartha Bank Limited
Nepse	Nepal Stock Exchange
SEBON	Security Board Nepal
Co.	Company
No.	Number
S.N.	Serial Number
Ltd.	Limited
H ₀	Null Hypothesis
H ₁	Alternative Hypothesis
NRB	Nepal Rastra Bank
Fig	Figure